

# FISCAL NOTE

Requested by Legislative Council  
02/16/2005

**REVISION**

Amendment to: HB 1509

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

|                       | 2003-2005 Biennium |             | 2005-2007 Biennium |             | 2007-2009 Biennium |             |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                       | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| <b>Revenues</b>       | \$0                | \$0         | \$0                | \$0         | \$0                | \$0         |
| <b>Expenditures</b>   | \$0                | \$0         | \$723,488          | \$0         | \$388,804          | \$0         |
| <b>Appropriations</b> | \$0                | \$0         | \$723,488          | \$0         | \$388,804          | \$0         |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2003-2005 Biennium |        |                  | 2005-2007 Biennium |        |                  | 2007-2009 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
| \$0                | \$0    | \$0              | \$0                | \$0    | \$0              | \$0                | \$0    | \$0              |

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

After review of research from a December 2002 General Accounting Office report entitled "INTERNET GAMBLING – An Overview of the Issues" and review of industry information, this office is unable to determine the possible revenue impact of this bill. One gambling industry analysis firm estimates that during 2004 more than 1,800 gambling websites worldwide took in \$7 billion in online wagers. This office is unable to determine North Dakota's potential portion of these wagers with any degree of accuracy.

The bill authorizes the operation of internet live poker establishments within the state and authorizes the Attorney General to adopt rules for licensure and regulation. The bill establishes a license fee for each operator of an internet live poker establishment and a \$10 annual license fee for each player. Six tax rates are established on the adjusted gross proceeds generated through an authorized establishment ranging from 8% on the first \$1 million to ¼ of 1% on any amount in excess of \$58 million. Taxes are collected quarterly by the Office of Attorney General. The bill also establishes an internet live poker proceeds fund made up of the taxes, licensing fees, and any other moneys collected, from which annual transfers are made as follows: 60% to counties for direct property tax relief, 20% to the common schools trust fund, and 20% to the general fund.

As amended, the bill will become effective if House Concurrent Resolution No. 3035 is approved by the voters. The estimated fiscal impact is shown for seven months of the 2005-07 biennium and all of the 2007-09 biennium. Meeting fees and travel expenses are added for the commission.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

This office is unable to provide an accurate revenue forecast based on the unknown number of potential internet live poker establishments licensed to operate in North Dakota. This bill provides for annual transfers from the internet live poker proceeds fund of: 60% to counties for direct property tax relief, 20% to the common schools trust fund, and 20% to the general fund.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The general fund expenditures include salaries and wages for 2 FTE's, Commission member meeting fees and travel expenses, contractual services, vendor fees, telecommunications, computer equipment and software, and one-time start-up costs.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The general fund appropriation for enacting this legislation is not included in the Executive Recommendation for the Office of Attorney General's budget.

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