

# LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

**SENATE, No. 490**

## **STATE OF NEW JERSEY 214th LEGISLATURE**

DATED: NOVEMBER 24, 2010

### SUMMARY

- Synopsis:** Permits Internet wagering at Atlantic City casinos under certain circumstances.
- Type of Impact:** Revenue Increase: Casino Revenue Fund, Casino Reinvestment Development Authority, New Jersey Racing Commission.
- Agencies Affected:** Department of the Treasury; Casino Control Commission; Casino Reinvestment Development Authority; New Jersey Racing Commission.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>
<b>State Revenue</b>	Indeterminate – See comments below		

- This bill permits Internet wagering at Atlantic City casinos, by New Jersey residents and by persons outside of the United States, on casino games via the Internet.
- The Office of Legislative Service cannot estimate the increase in State revenue that could result from Internet wagering on authorized casino games in Atlantic City due to a lack of data.
- Internet wagering in New Jersey would provide a new method of wagering on authorized casino games in Atlantic City. No current data exists for actual online gaming to provide the necessary economic, demographic, and consumer behavior information needed to make an estimate and any online gaming data that is available is limited and dated.

### BILL DESCRIPTION

Senate Bill No. 490 (2R) authorizes Internet wagering at Atlantic City casinos which would enable New Jersey residents and persons outside of the United States to place wagers on casino games via the Internet.

Specifically, the bill provides that:

- all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet wagering;
- all equipment used by a licensee to conduct Internet wagering must be located either in a restricted area on the premises of the casino hotel or in a secure facility inaccessible to the public off the premises of a casino hotel but within the territorial limits of Atlantic City;
- all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State or outside of the United States and any intermediate routing of electronic data in connection with a wager will not affect the fact that the wager is placed in Atlantic City;
- Internet wagering in this State will be subject to the provisions of, and preempted and superseded by, any applicable federal law;
- an annual tax on Internet wagering gross revenues in the amount of 15 percent of such gross revenues which will be paid into the casino revenue fund and the 8 percent tax on casino gross revenues will not apply to Internet wagering gross revenues;
- the investment alternative tax on these revenues will be 5 percent and the investment alternative will be 2.5 percent, and the Casino Reinvestment Development Authority (CRDA) may allocate a percentage of the amount of that tax generated by Internet wagering to the New Jersey Racing Commission to be used for the benefit of horse racing, including the augmentation of purses;
- the Casino Control Commission may establish a Division of Internet Wagering for the administration of Internet wagering conducted by casino licensees;
- an annual fee for Internet wagering permit holders for the initial permit and permit renewal is to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least \$100,000; and
- an annual fee for Internet wagering permit holders of \$100,000 is to be allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a licensed casino's Internet wagering operation would be subject to the existing provisions of the Casino Control Act and the regulations of the commission.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services cannot estimate the increase in State revenue that could be raised from Internet wagering on authorized casino games at Atlantic City casinos. While Internet wagering is popular in Europe, Internet wagering has been limited in the United States and data describing the wagering behavior of residents in New Jersey is not available. Furthermore, an estimate for New Jersey based on data extrapolated from international statistics would not be reliable.

There are many factors that would comprise an estimate of State revenues rendered from gross revenues from Internet wagering on authorized casino games. Specifically, it would be necessary to know: the number of New Jersey residents and persons outside of the United States who would be eligible to wager over the Internet, how many would establish a wagering account, what the average wagering population would be, what the average wager would be, and what the gross gaming revenue per player would be. In addition, it would be necessary to know how consumer behavior would change in the presence of a new online casino gaming market. For example, how many brick and mortar players who migrate to wager online will continue to play in Atlantic City in person as well? Will new online players emerge who would not have otherwise gambled in a brick and mortar setting? Will new players who emerge through online gaming choose to gamble online and in person in Atlantic City? Therefore, the variables for which no data exist, but which would have an impact on the estimate, include Internet wagering behavior and changes in consumer behavior, and also include changes in services provided by casinos and the mechanisms and rules for Internet wagering.

The data on all of these variables will affect not only an estimate of the amount of State revenues derived from Internet wagering, but also an estimate of other tax revenues generated by the business activities of the casino industry such as State revenues from the sales tax and the corporate business tax. State revenues will increase as a result of this bill, but the amount is indeterminate.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).