



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1861

Bill Subtitle: TO MAKE OPERATION OF AN ILLEGAL ONLINE CASINO OR SPORTS BETTING A FELONY; TO CREATE THE INTERACTIVE GAMING ACT AND TO INCLUDE NAME, IMAGE, OR LIKENESS DRAWING GAMES AND CASINO GAMING; AND TO DECLARE AN EMERGENCY.

Sponsors:

Reps. Duffield, Ferguson, Achor, Allen, Barnes, Gramlich, McElroy, McGruder, Painter, Perry, J. Richardson

Sens. Wallace, Hester, and Scott

Basic Change:

HB1861 amends the law governing the criminal offense of Keeping a Gambling House, § 5-66-103, by prohibiting entities without a casino license issued by the Arkansas Racing Commission (Commission) from conducting or offering certain gaming activities.

HB1861 creates the Interactive Gaming Act which permits a casino licensee to make interactive gaming available on an interactive gaming system approved by the Commission and subject to rules promulgated by the Commission. A "casino licensee" is an individual, corporation, partnership, association, trust, or other entity holding a license issued by the Commission to conduct casino gaming.

"Interactive gaming" is:

- The placing of wagers using either a mobile cellular device using an application or an internet browser on a supported device using software; or
- A name, image, or likeness drawing game through an electronic device or machine to benefit a name, image, or likeness collective consistent with the Arkansas Student-Athlete Publicity Rights Act.

"Interactive gaming system" is a gaming device which must meet applicable minimum technical standards and includes:

- The collective hardware, software, communication, technology, and proprietary hardware and software specifically designed or modified for and intended for use in the conduct of interactive gaming; and
- The core components of the interactive gaming system.

The Act requires a casino licensee to:

- Comply with standards related to interactive gaming adopted by the Commission and existing rules of the Commission; and
- Transmit to the Commission monthly a list of the live, licensed personnel engaged in dealing cards or similar activities involved in interactive gaming.



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HB1861 requires the Commission to approve game titles or themes and to provide standards and practices consistent with those of the Gaming Laboratories International. The bill authorizes the Commission to determine additional standards and to promulgate rules.

Fiscal Impact:

Undetermined increase in net casino gaming receipts tax collections.

Taxpayer Impact:

Arkansans will be able to place wagers on interactive games hosted by a licensed casino in Arkansas for cash prizes on a mobile cellular device or on a supported device with an internet browser.

Resources Required:

The Commission will require two full-time employees: an IT Data Scientist and an IT Security Analyst. These professionals will be responsible for reviewing gaming systems, database architectures, change control procedures, and technical best practices to ensure data recoverability, integrity, accuracy, availability, and security. They will forecast systems usage revenues, and risk probability to support strategic planning. This position will perform predictive analytics to assist in problem gambling strategies. They will assist in the review and approval of interactive gaming vendors. The estimated cost is as follows:

- Data Scientist IT11 \$99,920
- IT Security Analyst I IT06 \$57,755

The Commission will need sufficient staff to implement the approvals required to testing labs and to casinos regarding NIL games, game titles, themes, and standards. The Commission will need to promulgate rules to implement this section. The Commission does not have a staff attorney to research and draft necessary rules, so the Commission would need to hire an attorney or retain outside counsel to do so.

Arkansas Integrated Revenue System (AIRS) programming costs to add Interactive Gaming to the tax return is estimated to be \$10,000.

Time Required:

The Commission will need time to promulgate rules for interactive gaming, develop procedures, vendor applications, and hire additional staff.



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Procedural Changes:

The Commission will develop rules and procedures for interactive gaming. Casino gaming employees will need to be trained on rules pertaining to interactive gaming. Commission staff will be trained on the changes in allowed gaming platforms.

Other Comments:

None.

Legal Analysis:

HB1861 may benefit from an amendment to address which individuals, if any, can be held responsible if an entity operates an interactive gaming system without a license. More specifically, persons, as opposed to entities, are charged with criminal offenses and sentenced to fines and imprisonment upon conviction.

Additionally, inclusion of the word "and" on line 18, page 2, makes § 5-66-103(a)(4)(A) an offense only if the online platform simulates all three types of gambling listed in § 5-66-103(a)(4)(A)(i)-(iii). The bill may benefit from an amendment to change the "and" to an "or".