



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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Bill Number:	H. 4176	Introduced on March 6, 2025
Subject:	Gaming Commission	
Requestor:	House Ways and Means	
RFA Analyst(s):	Tipton	
Impact Date:	March 31, 2025	

Fiscal Impact Summary

This bill establishes the I-95 Economic and Education Stimulus Act, which creates the framework for legal casino gaming to take place in specified counties and creates the South Carolina Gaming Commission to oversee and administer this program. The bill establishes guidelines for the implementation of casino gaming and provides for a 15 percent privilege tax on casino operators adjusted gross gaming revenue (GGR). The bill states that privilege tax revenue will be credited to the general fund. To qualify as a location for a casino, counties must contain a section of I-95 within their borders and be classified as Tier IV by the Department of Revenue (DOR) for job tax credit purposes as specified in Information Letter #23-18.¹ Based on these requirements, Dillon, Marlboro, and Orangeburg counties would be eligible to host a casino location under this bill.

The commission is responsible for the licensure of casino operators, regulation, and general administration of casino gaming, and will be composed of three members. Prospective commission members must meet background, residency, and other requirements in the bill and will be appointed by the Governor, the President of the Senate, and the Speaker of the House of Representatives. The commission is also tasked with appointing an executive director to oversee the implementation of casino gaming.

This bill directs the commission to issue one initial license to a casino operator pursuant to a request from an eligible county council. Once an initial license is granted to an eligible county, no license may be authorized for a period of 10 years. We assume this limitation on authorization of licenses will apply statewide, and no licenses will be issued to other counties for 10 years. The bill prescribes numerous considerations to be made by the commission in licensing a prospective casino operator, including, but not limited to criminal background checks of the casino's ownership group conducted by the South Carolina Law Enforcement Division (SLED), licensure in other jurisdictions, previously obtained licenses from DOR that remain in good standing, financial information and records to ensure integrity in the casino operations, and any additional information deemed necessary by the commission. The bill prescribes the initial license term to be 15 years which may be renewed by the casino operator through the commission every 5 years after the initial 15-year period. The applicant must submit a non-

¹ SC Department of Revenue, *SC Information Letter #23-18*, December 6, 2023, <https://dor.sc.gov/resources-site/lawandpolicy/Advisory%20Opinions/IL23-18.pdf>

refundable application fee of \$500,000 and a refundable licensing fee of \$2,000,000 to the commission for application review. A recurring annual fee of \$500,000 must be submitted to commission upon commencement of casino gaming. The commission may retain all license, application, and annual fees provided by the bill to cover the commission's administrative and operating costs. While the administrative and operating costs of the commission are currently unknown, the commission is required to be self-sustaining, and no state General Funds may be used or obligated to the commission. Therefore, the commission will have an undetermined Other Funds expenditure impact.

This bill requires DOR to provide the commission with tax information regarding prospective casino licensees. The agency indicates that this will be managed using existing staff and resources. Therefore, this bill will have no impact on DOR.

This bill requires management performance audits of the commission to be conducted by Legislative Audit Council (LAC) every three years or at the request of ten members of the House of Representatives or five members of the Senate. The cost of performing the audits is a qualifying expense for the commission to be covered by revenue available for such expenses. The total future audit costs will depend on the number and extent of the audits requested.

This bill requires SLED to conduct background checks of prospective licensees for the commission as well as prospective members of the commission. We anticipate that this will be a qualifying expense of the commission and will be covered by revenue available for such expenses and will be managed by SLED under normal operations.

The House of Representatives, the Senate, and the Governor's Office indicate that the appointment requirements for the Gaming Commission will take place under normal operations and, therefore, will have no impact.

The revenue impact will vary depending on the location of the initial casino licensee, the total capital investment, the consumer behavior of state residents and interstate travelers, the amount wagered at the casino, and the casino win rate, which determines GGR to which the 15 percent privilege tax is applied. Based on a review of gaming revenue generated at casino locations in Arkansas and Virginia, both of which legalized casino gaming in the last seven years, this bill may increase privilege tax revenue by approximately \$22,350,000 to \$39,300,000, in the first full year of casino gaming. Based on comparable casino locations and the time required to establish the commission, review and approve the initial licensee, and construct the casino, the permanent site of the initial licensee is unlikely to be operational prior to FY 2027-28. However, if the initial licensee is permitted to open a temporary location, privilege tax revenues may be generated as early as FY 2025-26 based on the experiences of similar states. The bill also states that the privilege tax will be applied to adjusted GGR, the definition of which is unclear. If the casino operator is permitted to adjust its GGR for other taxes or expenses, privilege tax revenue may be lower than estimated.

The bill specifies in §1-36-70 that the privilege tax is to be credited to the general fund. The bill also defines host county in §1-36-10 as the county in which the casino site is located and

receives a portion of the privilege tax pursuant to §1-36-70. Given these two references, it is unclear as to whether the privilege tax revenue generated would be credited to the General Fund of the state or general fund of the host county and how these sections would be interpreted.

Licensing and application fees will generate revenue of \$2,500,000 in FY 2025-26 for the initial application, and an additional \$500,000 in annual fees will be generated upon commencement of casino gaming. Beginning in FY 2035-36, after the required ten-year period in which only one casino license is authorized under the bill, license, application, and annual fee revenue may increase as additional casino operators are licensed by the commission. License and application renewal fees of \$2,500,000 will be required every five years beginning in FY 2040-41 for the initial casino licensee. The commission may retain all license, application, and annual fees established under the bill for administrative and operating expenses.

The bill is expected to increase Other Funds revenue for SLED from background checks of prospective commission members and licensees by an undetermined amount. SLED is authorized to retain fees from background checks above \$4,461,000, which is allocated to the General Fund pursuant to state law. From FY 2021-22 to FY 2023-24, SLED retained an average of \$13,081,000 per year. Therefore, no increase in General Fund revenue is expected from the additional background checks and the potential increase in Other Funds revenue to SLED is undetermined as it depends on the number of additional background checks.

Explanation of Fiscal Impact

Introduced on March 6, 2025

State Expenditure

This bill establishes the I-95 Economic and Education Stimulus Act, which creates the framework for legal Class III casino gaming to take place in counties that contain a section of I-95 within their borders and are classified as Tier IV by DOR for job tax credit purposes as specified in Information Letter #23-18. Dillon, Marlboro, and Orangeburg counties are both classified as Tier IV by DOR that also include I-95 within their borders and would be eligible to host a casino location under this bill. The casino may be located anywhere in an eligible county. The bill establishes the South Carolina Gaming Commission to provide governance and oversight of casino gaming. The bill establishes guidelines for the implementation of casino gaming and provides for a 15 percent privilege tax on casino operators adjusted GGR.

The commission is responsible for the licensure of casino operators, regulation, and general administration of casino gaming, and will be composed of three members: one appointed by the Governor who will serve as chairman, one appointed by the President of the Senate, and one appointed by the Speaker of the House of Representatives. Commission appointees must meet several enumerated requirements in the bill, including a background check, residency, and verification of economic or financial interests. The commission is also tasked with appointing an executive director to oversee the day-to-day operations and management of the commission. The compensation of the executive director may not be based upon or a function of profitability or revenue of any casino.

This bill directs the commission to issue a license to a casino operator pursuant to a request through an ordinance passed by an eligible county's council. The bill prescribes numerous requirements and considerations to be made by the commission in licensing a prospective casino operator, including, but not limited to, criminal background checks of the casino's ownership group conducted by SLED, previously obtained casino licenses in other jurisdictions, previously obtained licenses from DOR that remain in good standing, financial information and records to ensure integrity in the casino operations, and any additional information deemed necessary by the commission. A prospective casino operator must also provide an economic impact study showing an investment in real property improvements and necessary infrastructure to the proposed casino site of at least \$200,000,000. The economic impact study must also provide the commission with information regarding the gaming market in the state, economic impacts on the closest municipality, county, and the state as a whole, projected development costs, traffic counts, employment opportunities, and projected GGR.

Once an initial license has been issued at the request of one of the eligible counties, no additional casino licenses may be issued for a period of 10 years. We assume that this restriction will apply statewide and that no other licenses will be issued to other eligible counties. The bill prescribes the initial license term to be 15 years, which may be renewed by the casino operator through the commission every five years after the initial 15-year period. The applicant must submit a non-refundable application fee of \$500,000 and a refundable licensing fee of \$2,000,000 to the commission for application review. An additional fee of \$500,000 must be submitted annually to commission upon commencement of casino gaming.

Commission members will not receive compensation beyond normal mileage, per diem, and subsistence as provided by law for state boards, committees, and commissions. Pursuant to Proviso 117.19 of the FY 2024-25 Appropriations Act, each member of the commission who is not a current member of the General Assembly will receive per diem of \$50 and subsistence of no more than \$50 per day. Commission members who are also members of the General Assembly will receive per diem of \$50 per day and subsistence of \$240.07 per day for each commission meeting that the General Assembly is not already in session. Proviso 117.20 of the FY 2024-25 Appropriations Act further sets mileage reimbursement rates equal to the standard business mileage rate as established by the Internal Revenue Service currently of 70 cents per mile. The bill requires the commission to meet at least quarterly, which would result in a minimum annual expense related to commission meetings of \$1,200. However, as the actual commission meeting schedule, mileage, and subsistence amounts are currently unknown, the annual cost of meetings is undetermined. Administrative and operating costs of the commission are also currently unknown and will depend upon the structure determined by the commissioners. However, the bill states that the commission is required to be self-sustaining, and that no General Funds may be used or obligated to cover its expenses. Therefore, the commission will have an undetermined Other Funds expenditure impact.

Department of Revenue. This bill requires DOR to provide the commission with tax information regarding prospective casino licensees. The agency indicates that this will be managed using existing staff and resources. Therefore, this bill will have no impact on DOR.

Legislative Audit Council. This bill requires LAC to perform a management performance audit of the commission one year after the establishment of the commission and every three years thereafter. LAC is also required to perform the audit at the request of ten members of the House of Representatives or five members of the Senate. The cost of performing the audits is a qualifying expense for the commission to be covered by revenue available for such expenses. The total future audit costs will depend on the number and extent of the audits requested.

State Law Enforcement Division. This bill requires SLED to conduct background checks of prospective licensees for the commission. We anticipate that this will be a qualifying expense of the commission and will be covered by revenue available for such expenses and will be managed by SLED under normal operations.

House of Representatives and the Senate. The House of Representatives and the Senate indicate that the appointment requirements for the commission will take place under normal operations and will have no impact.

Governor's Office. The Governor's Office indicates that the appointment requirements for the commission will take place under normal operations and, therefore, will have no impact.

State Revenue

This bill establishes the I-95 Economic and Education Stimulus Act, which creates the framework for legal Class III casino gaming to take place in specified counties and creates the South Carolina Gaming Commission to oversee and administer this program.

The bill establishes a privilege tax of 15 percent on casino operator's adjusted GGR, to be credited to the general fund monthly commencing on the first full month following commencement of casino gaming. GGR is defined by the bill as the total amount of money wagered by players minus the winnings paid out, representing casino gaming revenue that the casino operator earns before deducting expenses and taxes. If casino operators are permitted to adjust GGR for other taxes or expenses, the GGR upon which the privilege tax will be applied may lower than anticipated. For the purposes of this estimate, we assume that the privilege tax will be applied to the GGR calculated under the definition included in the bill.

Based on a review of states in which in-person casino gaming is legal, and with laws and requirements similar to those proposed by the bill, this analysis is primarily based on four land-based casinos in Virginia and Arkansas, all of which commenced Class III casino gaming in the last five years after authorization by the state. Three casinos, Southland Casino Hotel, Saracen Casino Resort, and Rivers Casino Portsmouth, opened permanent locations prior to 2023, following a total capital investment above the amount required by the bill. Hard Rock Casino in Bristol, Virginia, opened a permanent location in November 2024, following a capital investment above the amount required by the bill. The following table shows approximate GGR for each casino location over the last two years, according to information from the state's regulatory authority.

Sample Casino Gross Gaming Revenue

Casino	2023	2024
Southland Casino Hotel, Arkansas ²	\$303,600,000	\$339,000,000
Saracen Casino Resort, Arkansas	\$183,000,000	\$188,300,000
Rivers Casino Portsmouth, Virginia ³	\$249,300,000	\$309,600,000
Hard Rock Hotel and Casino, Virginia	\$160,500,000	\$194,200,000

As an illustration, applying the 15 percent privilege tax established by this bill to the sample casinos shows the potential privilege tax revenues generated by a casino. These values do not represent actual tax revenues, as each state has a different tax structure applied to casino revenue.

15% Privilege Tax Applied to Sample Casino's GGR in 2023 and 2024

Casino	2023	2024
Southland Casino Hotel, Arkansas	\$45,540,000	\$50,850,000
Saracen Casino Resort, Arkansas	\$27,450,000	\$28,245,000
Rivers Casino Portsmouth, Virginia	\$37,3958,000	\$46,440,000
Hard Rock Hotel and Casino, Virginia	\$24,075,000	\$29,130,000

Based on average GGR at the comparable casino locations in Arkansas and Virginia in 2023 and 2024, discounted based on the actual construction costs compared to the bill's capital investment requirement of \$200,000,000, a lower range average GGR for the initial casino licensee under the bill may be approximately \$149,000,000, beginning in the first full year of casino gaming. However, depending on the size and location of the final casino project, the total capital investment may exceed \$200,000,000. Thus, based on the average GGR at the comparable casino locations without applying a discount for the differences in total capital investment, an upper range average GGR for the initial casino licensee may be approximately \$262,000,000, beginning in the first full year of casino gaming. Therefore, this bill may increase privilege tax revenue by between \$22,350,000 and \$39,300,000 beginning in the first full year of casino gaming.

The actual revenue generated by the privilege tax may vary depending on the location of the initial casino licensee, the total capital investment, the consumer behavior of state residents and interstate travelers, and the amount wagered at the casino which will determine total GGR. This analysis assumes that consumer behavior in South Carolina will be similar to the experience in Arkansas and Virginia. Further, each of the sample casinos is located near a major interstate similar to I-95, and it is likely that a significant portion of casino patrons will be out-of-state travelers. Furthermore, privilege tax revenues generated by this bill may be impacted by

² Arkansas Democrat-Gazette, *Information from Arkansas Department of Finance and Administration*, February 16, 2025, <https://edition.arkansasonline.com/article/283605290947507>

³ Virginia Lottery, *Casino Monthly Activity*, retrieved March 19, 2025, <https://www.valottery.com/aboutus/casinosandsportsbetting/casinos>

available alternatives to casino gaming, such as the South Carolina Education Lottery or online sports wagering.

It is also unclear whether the initial licensee under the bill would be permitted to operate a temporary casino location while the permanent site is under construction. Based on the comparable casino locations and the time required to establish the commission, review and approve the initial licensee, and construct the casino, the permanent site of the initial licensee is unlikely to be operational prior to FY 2027-28. However, if the initial licensee is permitted to open a temporary location, privilege tax revenues may be generated as early as FY 2025-26, based on the experiences of Virginia and Arkansas.

Please note, the bill specifies in §1-36-70 that the privilege tax is to be credited to the general fund. The bill also defines host county in §1-36-10 as the county in which the casino site is located and receives portion of the privilege tax pursuant to §1-36-70. Given these two references, it is unclear as to whether the privilege tax revenue generated would be credited to the General Fund of the state or general fund of the host county and how these sections would be interpreted with respect to the distribution of the privilege tax revenue. The bill also states that the privilege tax will be applied to adjusted GGR, the definition of which is unclear. If the casino operator is permitted to adjust its GGR for other taxes or expenses, privilege tax revenue may be lower than estimated.

Licensing and application fees will generate revenue of \$2,500,000 as early as FY 2025-26 for the initial application, and an additional \$500,000 annually upon commencement of casino gaming. Assuming a license is issued in FY 2025-26, beginning in FY 2035-36, after the required ten-year period in which only one casino license is authorized under the bill, license, application, and annual fee revenue may increase if additional casino operators are licensed by the commission. License and application renewal fees of \$2,500,000 will be required every five years beginning in FY 2040-41 for the initial casino licensee. Beginning in FY 2035-36, this bill may further increase privilege tax revenue, depending on the number of additional casino licenses authorized by the commission at that time. The commission may retain all license, application, and annual fees established under the bill for administrative and operating expenses.

Further, this bill will increase the number of criminal records searches that SLED is required to perform. SLED indicates that the total cost for a criminal records search is \$51.75, of which \$25 is retained by SLED. The vendor, Identogo, receives \$13.50, and the remainder of the fee, \$13.25, is remitted to the FBI. Pursuant to Section 23-3-115(A), revenue generated by criminal records checks performed by SLED up to an amount of \$4,461,000 must be deposited in the General Fund. Any revenue over that amount is retained by SLED. From FY 2021-22 to FY 2023-24, SLED retained an average of \$13,081,000. Therefore, there is no expected increase in General Fund revenue from the additional background checks, and the potential increase in Other Funds to SLED is undetermined as it depends on the number of additional background checks.

Local Expenditure and Local Revenue

N/A



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