

Revised to include amendments adopted on General File.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$3,554,174	\$6,577,875	\$4,441,627	\$3,649,889
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$3,554,174	\$6,577,875	\$4,441,627	\$3,649,889

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 561 seeks to change the Nebraska State Racing Commission to the Nebraska State Racing and Gaming Commission. Under 561, the newly formed commission has authority to carry out the Nebraska Racetrack Gaming Act. LB 561 requires the Governor to appoint two new commissioners to represent the following:

- The Nebraska Gaming industry; and
- Licensed horse owners and trainers.

Under LB 561, the minimum wage for wagering on horseracing is increased from 19 to 21.

LB 561 renames the State Racing Commission’s cash fund to match the new name of the Commission. Additionally, the statutory authority of the cash fund is clarified to only be relating to horseracing operations and revenue.

An amended version of LB 560 was amended into LB 561 with AM640 and AM641, which accomplishes the following:

- establishes numerous rules and regulations for new operators to abide by, including the submission of fingerprints, floor plans, a system for lodging complaints, and a process for controlling deposits and wagers.
- identifies the cheating or manipulation of a game of chance or gaming machine as a Class I misdemeanor.
- establishes the Racetrack Gaming Fund to be used for Gaming operations and to collect Gaming license and application fee revenue.
- authorizes and regulates the operation of sports wagering in the State of Nebraska.

Additionally, AM639 authorizes and regulates the playing of keno on electronic tickets.

LB 561 carries the emergency clause, and as such becomes operative immediately if enacted.

Revenue:

The Nebraska Racetrack Gaming Act taxes casino operations revenue at 20%. The Racing Commission was able to provide an estimate of revenue based on input from members of the Gaming industry. A tax of 20% will equal \$7,395,000 in FY21-22 and \$49,058,200 in FY22-23. The revenue collected each fiscal year will be distributed as follows:

	FY 21-22	FY 22-23
Property Tax Credit Cash Fund (70%)	\$5,176,500	\$34,340,740
Compulsive Gamblers Assistance Fund (2.5%)	\$184,875	\$1,226,455
General Fund (2.5%)	\$184,875	\$1,226,455
The County containing the racetrack (12.5%)	\$924,375	\$6,132,275
The City containing the racetrack (12.5%)	\$924,375	\$6,132,275

Further revenue is expected to be collected from the process of occupational licensing, operator assessments, and other various fees and licenses. These are projected to equal \$6,577,875 in FY21-22 and \$3,649,889 in FY22-23. The first year is greater than the second year due to the collection of a \$1,000,000 gaming operator license fee for each casino to begin operations.

The Department of Revenue estimates minimal revenue impact as a result of the change to the Keno Act.

There is no basis to disagree with these estimates.

Expenditures:

The State Racing Commission estimates that LB 561 will require the hiring of new personnel to carry out the Nebraska Racetrack Gaming Act. It is estimated that 40 FTE personnel will be needed in FY21-22, with the number increasing to 62 FTE starting in FY22-23. The cost to fund these personnel is estimated to be \$2,441,679.6 and \$3,977,078.2 for each year, respectively.

Other expenses to establish the new Racing and Gaming Commission include office space and equipment, training, OCIO costs, and other equipment necessary to carry out the Nebraska Racetrack Gaming Act. These expenses are estimated to total \$1,112,495.5 in FY21-22 and \$464,549.5 in FY22-23.

The Department of Revenue estimates no costs to implement the change to the Keno Act.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 561	AM: 426	AGENCY/POLT. SUB: Nebraska Racing Commission
REVIEWED BY: Claire Oglesby	DATE: 3/17/21	PHONE: (402) 471-4174
COMMENTS: Based on the assumptions provided by the Nebraska Racing Commission there is no basis to disagree. Amendment 426 was divided into AM 639, AM 640, and AM 641 and all three amendments were passed.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 0561	AM: 426	AGENCY/POLT. SUB: Nebraska Department of Revenue
REVIEWED BY: Claire Oglesby	DATE: 3/17/21	PHONE: (402) 471-4174
COMMENTS: No disagreement with Department of Revenue's fiscal note statement. Amendment 426 was divided into AM 639, AM 640, and AM 641 and all three amendments were passed.		

Please complete ALL (5) blanks in the first three lines.

2021

LB⁽¹⁾ 561 AM426

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska Racing Commission

Prepared by: (3) Tom Sage Date Prepared: (4) 3-15-2021 Phone: (5) 402-471-4155

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$10,949,174	\$13,972,875	\$53,499,827	\$52,708,089
FEDERAL FUNDS	N/A	N/A	N/A	N/A
OTHER FUNDS				
TOTAL FUNDS	\$10,949,174	\$13,972,875	\$53,499,827	\$52,708,089

Explanation of Estimate:

This fiscal note is largely based on what we believe will be the period for racetracks to implement gaming at their facilities. Sometime during FY 2021-22 we believe that six racetracks will seek licensing as Racetrack Gaming Operators. We are unsure when the actual openings at these racetracks will occur. For FY 2021-22 we are basing our estimations on one-half of the overall projections that each location has disclosed. We have also based our personnel costs on employees being hired starting July 1, 2021. Nevertheless, this date will be affected by when the casinos are actually operating. We are only basing our fiscal note on hiring one-half of the employees that will be needed when all of the casinos are operational.

We are estimating that the facilities will generate \$36,975,000 in gross revenue in FY 2021-22. Twenty percent of the revenue is a gaming tax. We are estimating the twenty percent to be \$7,395,000, which will be deposited in the Racetrack Gaming Fund. Seventy percent of this is distributed by the Racing and Gaming Commission to the property relief fund, two and one-half percent to the general fund, two and one-half percent goes to the compulsive gambling fund, twelve and one-half percent to the city in which the facility is located, twelve and one-half percent goes to the county in which the facility is located.

We are estimating that the facilities will generate \$245,291,000 in gross revenue in FY 2022-23. Twenty percent of the revenue is a gaming tax. We are estimating the twenty percent to be \$49,058,200, which will be deposited in the Racetrack Gaming Fund. Seventy percent of this is distributed by the Racing and Gaming Commission to the property relief fund, two and one-half percent to the general fund, two and one-half percent goes to the compulsive gambling fund, twelve and one-half percent to the city in which the facility is located, twelve and one-half percent goes to the county in which the facility is located.

The taxes listed in this fiscal note will be collected and distributed by the Racing and Gaming Commission pursuant to LB561 AM426.

The additional expenditures for both FY 2021-22 and FY 2022-23 are for expenses related to creating a new agency and personnel. A large part of the agency's expenses in FY 2021-22 are to purchase equipment and items need to create the new agency. The majority of the expenses in FY 2022-23 are personnel costs.

These expenditures and personnel costs are shown in the attached spreadsheet.

Personnel costs are going to fluctuate after the agency is created and we are able to meet with State Personnel to create the positions outlined on the attached spreadsheet. We have some positions that a PDQ will have to be completed since there are no comparable positions in the Nebraska Personnel System.

Revenue

The revenue listed in this fiscal note is from Occupational Licensing, Gaming Operators' assessment and tax revenue described above. The breakdown in revenue is on the attached spreadsheet.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
See attached	40 FTE	61 FTE	\$1,947,080	\$3,026,452.20
Benefits.....			\$489,987.60	\$950,470
Operating.....			\$529,660,75	\$400,205
Travel.....			\$64,500	\$64,500
Capital outlay.....			\$322,946	
Aid...Gaming Tax			7,395,000	49,058,200
Capital improvements.....			\$200,000	
TOTAL.....			\$10,949,174	\$55,034,609

