

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$233,030		\$233,910	(\$422,000)
CASH FUNDS	\$135,750	\$135,750	\$45,250	\$45,250
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$368,780	\$135,750	\$279,160	(\$376,750)

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

LB 177 makes changes to the Gambling Winnings Setoff for Outstanding Debt Act. The definition of cash device winnings is changed to mean any cash prize of six hundred dollars or more won by a player of a cash device as defined in section 77-3001.

Under the Mechanical Amusement Device Tax Act, the definition of operator is changed to mean any person who operates a place of business in which a mechanical amusement device is physically located and available for play. The bill also changes the annual license for operators, distributors, and manufacturers to a biennial license. The bill adds language to previous statutory language in section 77-3002 regarding background checks so that an applicant for or person holding a license of a cash device shall be subject to a background check by the Department of Revenue (DOR) including fingerprinting and a check of his or her criminal history record information maintained by the Identification Division of the Federal Bureau of Investigation through the Nebraska State Patrol for the purpose of determining whether the DOR has a basis to deny the license application or to suspend, cancel, revoke, or terminate the person's license. Each applicant for or person holding a license pursuant to this section shall also submit a personal history report to the DOR on a form provided by the DOR and may be subject to a background investigation, an inspection of the applicant's or licensee's facilities, or both. The applicant shall pay the costs associated with the background check along with any required fees as determined by the DOR.

The DOR estimates the following decrease to Revenue Enforcement Cash Fund revenues as a result of the bill:

- FY26: \$0
- FY27: (\$175,000)
- FY28: \$0
- FY29: (\$180,000)

The DOR estimates minimal costs to implement the bill.

Because the statutory authority for cash device licensing fees in statute do not mention crediting these licensing fees to the Revenue Enforcement Cash Fund, we estimate revenue losses to the General Fund in the amount of \$0 for FY26 and \$422,000 for FY27.

The Nebraska State Patrol (NSP) estimates additional Cash Fund revenue and expenditures as a result of this bill. NSP estimates Cash Fund revenue in FY26 of \$135,750 and in FY27 of \$45,250 with Cash Fund expenditures equal to those revenues. Additionally, NSP estimates General Fund expenditures in FY26 of \$233,030 and \$233,910 in FY27. There is no basis to disagree with these estimates by NSP.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 177	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Yang		DATE: 1/24/2025	PHONE: (402) 471-4178
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 177 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 177	AM:	AGENCY/POLT. SUB: Department of Health and Human Services
REVIEWED BY: Ryan Yang	DATE: 1/24/2025	PHONE: (402) 471-4178
COMMENTS: The Department of Health and Human Services assessment of no fiscal impact from LB 177 appears reasonable.		

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:		
Approved by: James R. Kamm		Date Prepared: 01/22/2025		Phone: 471-5896		
	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds				(\$175,000)		
Federal Funds						
Other Funds						
Total Funds		\$ 0		(\$175,000)		\$ 0

LB 177 amends the Gambling Winnings Setoff for Outstanding Debt Act definition of “cash device winnings” to mean, “any cash prize of six hundred dollars or more won by a player of a cash device as defined in Section 77-3001.”

Updates the definition of “operator” to mean, “any person who operates a place of business in which a mechanical device is physically located and available for play,” under the Mechanical Amusement Device Tax Act.

Changes the annual license required of operators of cash devices to a biannual license and provides clarifying language to allow for the Department of Revenue (Department) to conduct a nationwide criminal background check using fingerprints.

Changes the annual license required of distributors of cash devices to a biannual license and provides clarifying language to allow for the Department to conduct a nationwide criminal background check using fingerprints.

Changes the annual license required of manufacturers of cash devices to a biannual license and provides clarifying language to allow for the Department to conduct a nationwide criminal background check using fingerprints.

The operative date for LB 177 is three months after adjournment.

It is estimated that LB 177 will have no impact on General Fund revenues but will have the following impact on Revenue Enforcement Fund due to the change from annual license to a biannual license.

FY	Revenue Enforcement Fund
FY 25-26	-
FY 26-27	(\$175,000)
FY 27-28	-
FY 28-29	(\$180,000)

It is estimated that there will be minimal cost to the Department of Revenue to implement this bill.

Major Objects of Expenditure							
<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals

Date Prepared 1-22-25

Phone: (5) 471-6719

	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$0	\$0	\$0	\$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

There is no fiscal impact to the Department of Health and Human Services.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2025-2026	2026-2027
	26-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$0	\$0

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2025

LB⁽¹⁾ 177

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman Date Prepared: ⁽⁴⁾ 01/23/2025 Phone: ⁽⁵⁾ 402-471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$233,030</u>	<u></u>	<u>\$233,910</u>	<u></u>
CASH FUNDS	<u>\$135,750</u>	<u>\$135,750</u>	<u>\$45,250</u>	<u>\$45,250</u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>\$368,780</u>	<u>\$135,750</u>	<u>\$279,160</u>	<u>\$45,250</u>

Explanation of Estimate:

LB 177 requires manufacturers, distributors and operators of cash devices to procure a biennial license from the Tax Commissioner. This license requires the applicants to have a background check completed which includes fingerprinting and a check of his or her criminal history record information maintained by the Identification Division of the Federal Bureau of Investigation through the Nebraska State Patrol for the purpose of determining whether the Department of Revenue has a basis to deny the license application or to suspend, cancel, revoke, or terminate the person's license. An exception exists if the distributor or operator applicant holds a liquor license under the Nebraska Liquor Control Act.

The Department of Revenue was consulted regarding the number of applicants and estimates that 3,000 applicants will require a background check in the first year. It is anticipated that a 33% growth rate of new applicants will exist in subsequent years, resulting in at least 1,000 new background checks per year.

The Criminal Identification Division of the State Patrol estimates that 5 additional full-time positions would be required to administer the increased background checks required by the bill. Capital outlays include one-time expenditures for an AFIS workstation of \$50,000 for purposes of gathering fingerprints, cubical workstations for each staff member at \$3,300 each, computer monitors, desk-top scanners, and associated office furniture. Other operating expenses include office supplies, ongoing OCIO fees and laptop lease charges, and the fees charged by the Federal Bureau of Investigation (\$12.00 per applicant).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Office Specialists	<u>3</u>	<u>3</u>	<u>\$104,616</u>	<u>\$107,754</u>
Administrative Technicians	<u>2</u>	<u>2</u>	<u>\$74,975</u>	<u>\$77,225</u>
Benefits.....			<u>\$66,745</u>	<u>\$68,747</u>
Operating.....			<u>\$48,984</u>	<u>\$25,434</u>
Travel.....				
Capital outlay.....			<u>\$73,460</u>	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>\$368,780</u>	<u>\$279,160</u>