

Doug Gibbs February 03, 2011 471-0051

# LB 681

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * |              |                            |            |  |  |  |
|--|--------------|----------------------------|------------|--|--|--|
|  | FY 2011-12   |                            | FY 2012-13 |  |  |  |
| 1  | EXPENDITURES | ES REVENUE EXPENDITURES RE |            |  |  |  |
| GENERAL FUNDS                                |              |                            |            |  |  |  |
| CASH FUNDS                                   |              |                            |            |  |  |  |
| FEDERAL FUNDS                                |              |                            |            |  |  |  |
| OTHER FUNDS                                  |              |                            |            |  |  |  |
| TOTAL FUNDS                                  |              |                            |            |  |  |  |

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 681 amends Nebraska Revised Statute Sections 9-648 and 9-1,101 and creates a fund.

The bill creates the Live Horseracing Endowment Fund. The Nebraska State Racing Commission may use up to five percent of the fund for administrative purposes and the rest of the fund is to be used for purses for thoroughbred race meets at racetracks conducting live horseracing in Nebraska.

The bill also provides that the State Treasurer shall credit the proceeds of the keno lottery tax to the Charitable Gaming Operations Fund until such proceeds from the tax total \$4 million annually, and then credit the next \$2 million of proceeds annually to the Live Horseracing Endowment Fund. Any amount over \$6 million shall be credited 50 percent to the Charitable Gaming Operations Fund and 50 percent to the Live Horseracing Endowment Fund.

The keno tax is two percent of keno proceeds and is currently credited to the Charitable Gaming Operations Fund.

The bill has an operative date of January 1, 2012.

The Department of Revenue indicates that annual keno tax receipts are less than \$4 million, and under the current structure, are not expected to surpass that threshold, therefore no money would be credited to the Live Horseracing Endowment Fund. The Department indicates no cost to implement LB 681.

We agree with the Department of Revenue's estimate of fiscal impact.

The State Racing Commission has indicated an increase in revenue as a result of LB 681. However, the Commission's estimate is based on the premise that another bill pending before the Legislature will pass and will result in increased keno wagering and therefore, increased keno tax revenue. Given that we can not presume passage of that bill or an increase in keno tax revenue as a result, we disagree with the Commission's estimate.

# Date: 1/31/2011 RECEIVED FISCAL NOTE LB681 JAN 3 2011 Nebraska State Racing Commission

Prepared By Sage, Tom Date Prepared 1/27/2011 Prepared Phone 402-471-4155

| Estimate Provided By State Agency or Political Subdivision |              |              |              |              |  |  |  |
|--|--------------|--------------|--------------|--------------|--|--|--|
|  | FY 2011-     | FY 2011-2012 |              | FY 2012-2013 |  |  |  |
|  | Expenditures | Revenue      | Expenditures | Revenue      |  |  |  |
| General Funds  | 0.00         | 0.00         | 0.00         | 0.00         |  |  |  |
| Cash Funds   | 1,290,775    | 1,290,775    | 1,290,775    | 1,290,775    |  |  |  |
| Federal Funds  | 0.00         | 0.00         | 0.00         | 0.00         |  |  |  |
| Other Funds  |              |              |              |              |  |  |  |
| Total Funds  | 1,290,775    | 1,290,775    | 1,290,775    | 1,290,775    |  |  |  |

#### Explanation of Estimate:

The Racing Commission has no firm numbers to make any calculation as to the fiscal impact of LB681. We come to this conclusion because the 2010 annual report from the Nebraska Department of Revenue Charitable Gaming Division shows that the County/City Lottery (Keno) tax revenue was \$3,709,225. This level does not reach the four million dollar level stated in LB681.

LB490 is a bill that has been introduced and will change how often a Keno game can be offered. If this bill becomes law, I have been told by the bills supporters that the Keno Revenues and Gaming Tax Revenue will increase. The supporters have indicated that the Gaming Tax Revenue could increase from 3.9 million dollars to 5 million dollars or more.

The figures I have use in this fiscal note is the 5 million figure that the supporters of LB490 estimates. Also LB681 and LB490 will both have to be passed or combined before there would be any impact on the Commission.

If the Commission uses LB490 supporters number of 5 million, \$1,226,236.25 would be placed into the Live Horseracing Endowment fund and administered by the Commission. \$64,538.75 would be placed in the operating budget of the Commission.

#### Number of Positions FY 2011-2012 FY 2012-2013 Position Title FY 2011-2012 FY 2012-2013 Expenditures Expenditures Staff Assistant .5FTE 5FTE \$13,209 \$13,209 Benefits \$2,000 \$2,000 \$49,328.75 Operating \$49,328.75 Travel Capital outlay Aid \$1,226,236.25 \$1,226,236.25 Capital improvements \$1,290,775 Total \$1,290,775

#### **Major Objects of Expenditure**

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### FEB - 4 2011

| LB 681                           | LEGISLATIVE FISCA |                | CAL                 | <b>Fiscal Note</b> | 2011            |           |
|----------------------------------|-------------------|----------------|---------------------|--------------------|-----------------|-----------|
|                                  |                   | State Agency   | Estimate            |                    |                 |           |
| State Agency Name: Department of | Revenue           |                |                     |                    | Date Due LFA:   | 1/26/2011 |
| Approved by: Douglas Ewald       |                   | Date Prepared: | 2/3/2011            |                    | Phone: 471-5700 |           |
|                                  | FY 2011           | -2012          | FY 20               | 12-2013            | FY 2013-2014    |           |
|                                  | Expenditures      | Revenue        | <b>Expenditures</b> | Revenue            | Expenditures    | Revenue   |
| General Funds                    |                   |                |                     |                    |                 |           |
| Cash Funds                       |                   |                |                     |                    |                 |           |
| Federal Funds                    |                   |                |                     |                    |                 |           |
| Other Funds                      |                   |                |                     |                    |                 | ·         |
| Total Funds                      |                   |                |                     |                    |                 |           |
|                                  |                   |                |                     |                    |                 |           |

LB 681 creates the Live Horseracing Endowment Fund to be used for administrative expenses of the State Racing Commission (up to 5%) and the remainder for purses for thoroughbred race meets at racetracks conducting live horseracing in Nebraska. Tax revenue derived from the collection of the two percent tax on keno proceeds is to be used to fund the Endowment Fund on an annual basis.

The allocation of keno tax revenue to the Endowment Fund does not occur until the proceeds from such tax total \$4 million annually. The entire amount of keno tax revenue in excess of \$4 million up to \$6 million annually is to be credited to the Endowment Fund. Keno tax revenue in excess of \$6 million on an annual basis is to be credited equally to the Endowment Fund and the Charitable Gaming Operations Fund.

Annual keno tax receipts are less than \$4 million dollars, and under the current structure, are not expected to surpass the \$4 million threshold.

There is no cost to the Department associated with the implementation of this bill.

|                      | Maj                  | or Objects of I | Expendit     | ure          |                       |                       |                       |
|----------------------|----------------------|-----------------|--------------|--------------|-----------------------|-----------------------|-----------------------|
| <u>Class Code</u>    | Classification Title | 11-12<br>FTE    | 12-13<br>FTE | 13-14<br>FTE | 11-12<br>Expenditures | 12-13<br>Expenditures | 13-14<br>Expenditures |
|                      |                      |                 |              |              |                       |                       |                       |
|                      |                      |                 |              |              |                       |                       | 2                     |
|                      |                      |                 |              |              |                       |                       |                       |
|                      |                      |                 |              |              |                       |                       |                       |
| Travel               |                      |                 |              |              |                       |                       |                       |
|                      |                      |                 | ••••••       | •••••        |                       |                       |                       |
| Aid                  | ••••••               | •••••           |              | •••••        |                       |                       |                       |
| Capital Improvements |                      |                 |              |              |                       |                       |                       |
| Total                |                      |                 |              |              |                       |                       |                       |