PREPARED BY: DATE PREPARED: PHONE: John Wiemer March 07, 2025 402-471-0051

**LB 438** 

Revision: 00

## **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 202	FY 2025-26 FY 2026-27						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS								
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS								

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

LB 438 amends the Nebraska Racetrack Gaming Act.

Section 9-1103 is amended to add terms and definitions for online sports wagering platform and platform provider.

The bill provides that all sports wagering shall be conducted by an authorized gaming operator located within a licensed racetrack enclosure or in partnership with such authorized gaming operator. The bill adds that any sports wager can also be placed by means of an online sports wagering platform that is offered by or in partnership with an authorized gaming operator by an individual that is located in the State of Nebraska.

An authorized gaming operator may conduct sports wagering by means of an online sports wagering platform or may contract with up to one platform provider for purposes of providing sports wagering. A vendor that does not have a contract with an authorized gaming operator to conduct sports wagering by means of an online sports wagering platform shall not be permitted to conduct sports wagering in the State of Nebraska. Any sports wagering conducted by means of an online sports wagering platform shall conform to all requirements relating to sports wagering pursuant to the Nebraska Racetrack Gaming Act and any rules or regulations adopted and promulgated pursuant to the Act.

An authorized gaming operator or a vendor that has contracted with an authorized gaming operator shall submit controls to the Racing and Gaming Commission (Commission) for approval in a manner prescribed by the Commission relating to any online sports wagering platform that the authorized gaming operator or the vendor intends to use to conduct sports wagering by means of an online sports wagering platform. No authorized gaming operator or vendor shall conduct sports wagering by means of an online sports wagering platform until the controls for such online sports wagering platform are approved by the Commission.

The bill also amends provisions so that the tax imposed by section 9-1203 on gross gaming revenue generated by sports wagering shall be credited as follows:

- Compulsive Gamblers Assistance Fund-2.5%
- Racing and Gaming Commission's Racetrack Gaming Fund-5%
- Property Tax Credit Cash Fund-27.5%
- General Fund-20%
- Education Future Fund-45%

The operative date for this bill is 3 months after adjournment of the Legislature.

The Department of Revenue (DOR) estimates the following revenue impact to the General Fund, State Cash Funds, and the casino gaming tax revenues credited to cities/counties as a result of the bill based upon the online sports betting system being up and running and tax being collected by January 1, 2026:

	FY26	FY27	FY28		FY29
Compulsive Gamblers					
Assistance Fund	\$ 232,000	\$ 478,000	\$ 494,000	\$	511,000
Racing and Gaming					
Commission's					
Racetrack Gaming					
Fund	\$ 505,000	\$ 1,042,000	\$ 1,077,000	\$	1,115,000
Property Tax Credit					
Cash Fund	\$ 2,194,000	\$ 4,525,000	\$ 4,679,000	\$	4,842,000
General Fund	\$ 2,000,000	\$ 4,123,000	\$ 4,264,000	\$	4,413,000
Education Future Fund	\$ 4,546,000	\$ 9,374,000	\$ 9,693,000	\$1	10,032,000
State Total	\$ 9,477,000	\$ 19,542,000	\$ 20,207,000	\$2	20,913,000
City/County	\$ (209,000)	\$ (430,000)	\$ (445,000)	\$	(460,000)
Overall Total	\$ 9,268,000	\$ 19,112,000	\$ 19,762,000	\$2	20,453,000

There is no basis to disagree with these revenue estimates if tax is collected starting January 1, 2026.

The DOR estimates no costs to it to implement the bill.

The Commission estimates the need to re-open two previously created Gaming Compliance Representative II positions as well as the need for an IT Business Systems Analyst-Coordinator. The Commission also estimates operating expenditures mostly consisting of IT costs to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill. Cash Fund revenue estimates as a result of the bill are also provided by the Commission.

The bill has no fiscal impact without a corresponding change to Article III, section 24 of the Nebraska Constitution to permit online sports wagering outside of licensed racetrack enclosures.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 438	AM:	AGENCY/POLT. SUB: Department of Reven	ue			
REVIEWED BY:	Jacob Leaver	DATE: 3/6/2025	PHONE: (402) 471-4173			
COMMENTS: Concur with the Department of Revenue's estimated fiscal impact as a result of LB 438.						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 438	AM:	AGENCY/POLT. SUB: City of Lincoln				
REVIEWED BY:	Jacob Leaver	DATE: 1/27/2025	PHONE: (402) 471-4173			
COMMENTS: Concur with the City of Lincoln's estimated fiscal impact as a result of LB 438.						

LB <sup>(1)</sup> 438				FISCAL NOTE				
State Agency OR Po	litical Subdivision Name: (2)	Nebraska Racing & Gaming Commission						
Prepared by: (3) Rita Pracht		Date Prepared: (4)1/23/25		ne: (5) 531-310-4536				
	ESTIMATE PROVI	DED BY STATE AGEN	ICY OR POLITICAL SUB	DIVISION				
	<u>FY 9</u> EXPENDITURES	2025-26 REVENUE	<u>FY</u> EXPENDITURES	<u>2026-27</u> REVENUE				
GENERAL FUND	s							
CASH FUNDS	472,127	188,562	389,491	188,562				
FEDERAL FUNDS	S							
OTHER FUNDS			<u> </u>					
TOTAL FUNDS			<del></del>					

## **Explanation of Estimate:**

The Racing & Gaming Commission will need to reopen two previously created positions for Gaming Compliance Representative II to manage the increased workload. Additionally, we will establish an IT Business Systems Analyst/Coordinator position to monitor the continuous change management requests and assist with IT-related audits, ensuring the integrity of mobile sports wagering. We will also collaborate with other regulatory jurisdictions to share best practices for overseeing mobile sports betting.

<u>BREAKI</u>	OOWN BY MA.	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
		FPOSITIONS	2025-26	2026-27
POSITION TITLE	<u>25-26</u>	<u>26-27</u>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>
Gaming Compliance Representative II	2	2		
IT Bus Systems Analyst/Coordinator	1	1	69,448	71,532
Benefits			41,200	43,000
Operating			342,275	255,755
Travel	•••		19,204	19,204
Capital outlay				
Aid				
Capital improvements				
TOTAL			472,127	389,491

LB 438 Fiscal Note 2025

		State Agency	Estimate			
State Agency Name: Department of	of Revenue				Date Due LFO:	
Approved by: James R. Kamm		Date Prepared:	03/06/2025		Phone: 471-5896	
	FY 2025	<u>5-2026</u>	FY 2026	-2027	FY 202	7-202 <u>8</u>
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$2,000,000	1	\$4,123,000		\$4,264,000
Cash Funds		\$7,477,000		\$15,419,000		\$15,943,000
Federal Funds						
Other Funds		\$(209,000)		\$(430,000)		\$(445,000)
Total Funds		\$9,268,000		\$19,112,000		\$19,762,000

LB 438 adds new definitions of "online sports wagering platform" and "platform provider".

The bill also states that all sports wagering will be conducted by an authorized gaming operator located within a licensed racetrack and that a wager may be placed by means of an online sports wagering platform, as long as the individual is located in the state of Nebraska. It also discusses the process for controls being approved by the State Racing and Gaming Commission.

Gaming tax on gross gaming revenue generated by sports wagering will be allocated differently. The tax rate is 20% of revenues and the tax collected related to the gross gaming revenue on sports wagering will be split, 2.5% to Compulsive Gamblers Assistance Fund, 5% to the Racing and Gaming Commission's Racetrack Gaming Fund, 27.5% to the Property Tax Credit Fund, 20% to the General Fund, and 45% to the Education Future Fund.

Assuming the online sports betting system is up and running and the tax can be collected by January 1, 2026, LB 438 is estimated to have the following impact on the various funds:

	FY25-26	FY26-27	FY27-28	FY28-29
Compulsive Gamblers Assistance Fund	\$ 232,000	\$ 478,000	\$ 494,000	\$ 511,000
Racing and Gaming Commission's Racetrack Gaming Fund	\$ 505,000	\$ 1,042,000	\$ 1,077,000	\$ 1,115,000
Property Tax Credit Cash Fund	\$ 2,194,000	\$ 4,525,000	\$ 4,679,000	\$ 4,842,000
General Fund	\$ 2,000,000	\$ 4,123,000	\$ 4,264,000	\$ 4,413,000
Education Future Fund	\$ 4,546,000	\$ 9,374,000	\$ 9,693,000	\$ 10,032,000
City and County	\$ (209,000)	\$ (430,000)	\$ (445,000)	\$ (460,000)

It is estimated that there will be no cost to the Department of Revenue to implement this bill.

The operative date for this bill is three months after adjournment of the Legislature.

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

**FISCAL NOTE** 

**LB**(1) 438

State Agency OR F	Political Su	bdivision Name:	City (	of Lincoln			
Prepared by: <sup>(3)</sup>	Claire C	glesby	Da	te Prepared: <sup>(4)</sup>	1/24/25	Phone: (5	402.441.8301
	ES	STIMATE PRO	OVIDED B	Y STATE AGEN	NCY OR POLIT	TICAL SUBDIV	ISION
	1	<u>I</u> EXPENDITUR	FY 2025-20	<u>6</u> REVENUE	EXPEN	<u>FY 202</u> DITURES	26-27 <u>REVENUE</u>
GENERAL FUN				-\$71,625	<u> Barr Bir</u>	<u> </u>	-\$71,625
	<b>D</b> 5			-ψ7 1,020	<del>-</del>		-ψ11,020
CASH FUNDS							
FEDERAL FUNI	OS				_		
OTHER FUNDS					_		
TOTAL FUNDS				-\$71,625			-\$71,625
Explanation of E	stimate:						
		BREAKD	OWN BY N	AAJOR OBJECT	TS OF EXPENI	DITURE	
Personal Services	S:						
POSIT	ION TITI	LE	25-26	OF POSITION <u>26-27</u>		25-26 DITURES	2026-27 EXPENDITURES
Benefits							<del></del>
Operating							
Travel							
Capital outlay							
Aid							
Capital improven	nents						
TOTAL							