

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		\$58,000		\$68,000
CASH FUNDS	\$37,000	(\$27,136)	\$30,000	(\$10,100)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$37,000	\$30,864	\$30,000	\$57,900

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

LB 1102 amends Nebraska Revised Statutes Sections 2-1203.01 and 2-1215 to authorize the State Racing Commission to license and regulate parimutuel wagering on historic horseraces.

The bill also makes it a Class III misdemeanor to use a device for parimutuel wagering on historic horseraces outside a licensed racetrack enclosure.

Historic horseraces are not defined in the bill.

The State Racing Commission and the Department of Revenue have offered widely varying estimates of the fiscal impact of LB 1102. Proposals to legalize parimutuel wagering on historic horseraces have been offered twice in the past five years. The fiscal notes on those bills, LB 745 (2005) and LB 546 (2007) also differ substantially from the current estimates offered by the Commission and the Department.

The Racing Commission's estimate of a \$159,260,477 increase in handle from historic horseracing devices is based on an extrapolation derived from the experience with this form of wagering at an Arkansas racetrack. We believe the estimate derived to be substantially greater than what might be realized in Nebraska and a serious departure from previous estimates of the expected handle from this type of wagering.

Previous fiscal notes have indicated a first year impact of either \$5 million or \$10 million and second year impacts of either \$15 million or \$30 million, with substantial increases in the third and fourth years.

Therefore, we believe the current estimate by the Department of Revenue best reflects the potential impact of LB 1102.

The Department estimates the following impact: The bill is expected to generate approximately \$16,385,000 in additional gross parimutuel wagering. This will generate an additional \$256,000 in General Fund receipts in FY10-11.

The Department also estimates that expanded wagering on historic horseraces will reduce keno and pickle cards revenue by \$198,000 in FY10-11. The Department also estimates a reduction to the Charitable Gaming Cash Fund of \$132,000 in FY10-11 as a result of LB 1102.

The Racing Commission disagrees with the above estimates because the placement of the historic horseracing devices will be limited to licensed racetrack enclosures and as a result the Commission believes the impact to the Charitable Gaming Cash Fund and keno and pickle cards revenue will be lower; how much lower is indeterminate.

The Department's estimate of net impact of LB 1102 is as follows:

	General Fund:	Charitable Gaming Cash Fund:
FY10-11:	\$ 58,000	(\$132,000)
FY11-12:	\$ 68,000	(\$133,000)
FY12-13:	\$ 79,000	(\$134,000)

The Department of Revenue indicates there will be no cost to the Department to administer the provisions of LB 1102.

There is no basis to disagree with the Department's estimate of expenditure.

In addition, based on the Department's initial estimate of the increase in the parimutuel handle of \$16,385,000 for FY10-11, the increase in revenue to the Racing Commission's Cash Fund is estimated as follows:

FY10-11:	\$ 104,864
FY11-12:	\$ 122,900
FY12-13:	\$ 142,687

The Racing Commission estimates the cost to implement the provisions of LB 1102 to be \$37,000 in FY10-11 and \$30,000 in FY11-12 for salary, benefits, and operating costs. This includes .75 FTE.

There is no basis to disagree with the Commission's estimate of expenditure.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Cindy Miserez	DATE	2/5/10	PHONE	471-2526
COMMENTS					
STATE RACING COMMISSION – I have no basis to dispute estimate.					