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PREPARED BY: Doug Gibbs
DATE PREPARED: March 22, 2012
PHONE: 402-471-0051

LB 806

Revision: 01

Revised due to adoption of amendment on General File

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$179,000)		(\$180,000)
CASH FUNDS	\$62,075	\$444,850	\$52,575	\$52,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$62,075	\$265,850	\$52,575	(\$128,000)

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

LB 806, as amended by AM 1852, amends Nebraska Revised Statutes Sections 2-1203.01 and 2-1215 to authorize the State Racing Commission to license and regulate pari-mutuel wagering on historic horseraces.

The bill as amended now defines "Historic horserace" to mean a form of horserace that creates a parimutuel pool from wagers placed on a horserace previously held.

As part of the regulation of historic horseracing, LB 806 provides that the Commission shall require enough of the historic horserace to be televised so as to maintain the integrity of such horserace before another wager takes place or before beginning another historic horserace.

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

LB 806 imposes a one-time licensing fee of \$1,000 for each machine used for parimutuel wagering on historic horseraces. This fee is collected by the Commission, remitted to the Treasurer and credited to the Historic Horseracing Distribution Fund, which is created by the bill, and is to be administered by the Department of Revenue. Administrative costs of the Department of Revenue are to be paid from the new fund.

The bill, as amended by AM 1852, now requires a tax on the gross sum wagered on historic horseraces "in lieu of" rather than "in addition to" any other tax imposed on a licensed racetrack under sections 2-1201 to 2-1242. The tax is 1% of the first \$100 million of collected receipts, 1.5% on receipts over \$100 million and up to and including \$200 million, and 2% on any additional amounts over \$200 million. The revenue collected from this tax is to be paid to the Department of Revenue and remitted to the State Treasurer for credit to the Historic Horseracing Distribution Fund.

In addition, as amended, the bill imposes an additional tax in that (a) if the racetrack enclosure is not located within the corporate limits of a city, then the track must remit an additional 0.1% of the gross sum wagered on historic horseracing to the county treasurer of the county where the track is located for credit to the county's general fund, or (b) if the track is located within the corporate limits of a city, then the racetrack must remit an additional 0.05% of the gross sum wagered to the county treasurer for credit to the county's general fund and another 0.05% of the gross sum wagered to the city treasurer for credit to the city's general fund.

After the Department deducts administrative costs, one-half of the revenue credited to the Historic Horseracing Distribution Fund is to be credited to the State Racing Commission Cash Fund to be used by the Racing Commission for the "equitable treatment of equine species," and one-half to the Compulsive Gamblers Assistance Fund. "Equitable treatment of equine species" is not defined.

Fiscal Impact:

Both the Department of Revenue and the State Racing Commission estimate the one-time licensing fee will generate \$400,000 of revenue, based on 400 devices being installed in the state, in FY2012-13.

The Department of Revenue estimates the bill, as amended by AM 1852, will generate approximately \$16,385,000 in additional gross wagering subject to the gross receipts tax in FY2012-13. This assumes that the change from "in addition to" to "in lieu of" has the same impact on revenue as the original bill. The Department indicates that they expect expanded wagering on historic horseraces to reduce current charitable gaming receipts by 15% for keno and pickle cards in counties with licensed horse tracks resulting in a

decrease to the General Fund (detailed below). 60% of all keno and pickle card proceeds are credited to the General Fund and 40% goes to the Charitable Gaming Cash Fund.

The State Racing Commission estimates the bill will generate approximately \$18,000,000 in additional gross wagering subject to the gross receipts tax in FY2012-13.

We believe, given previous fiscal note calculations, that the Department's estimate of additional gross wagering best reflects the potential impact of LB 806, as amended.

The fiscal impact to the various funds is summarized below:

Fiscal Year:	Charitable Gaming Cash Fund:	General Fund:
FY2012-13:	(\$ 119,000)	(\$ 179,000)
FY2013-14:	(\$ 120,000)	(\$ 180,000)
FY2014-15:	(\$ 121,000)	(\$ 182,000)

	Historic Horseracing Cash Fund:	
	Licensing:	Gross Receipts Tax:
FY2012-13:	\$ 400,000	\$ 163,850
FY2013-14:	\$ 0	\$ 172,000
FY2014-15:	\$ 0	\$ 181,000

The State Racing Commission estimates they will need 1.0 FTE to carry out the provisions of LB 806 and expenditures as follows:

	Salary & Benefits:	Operating:	Travel:	Total:
FY2012-13:	\$ 47,575	\$ 10,500	\$ 4,000	\$ 62,075
FY2013-14:	\$ 47,575	\$ 3,000	\$ 2,000	\$ 52,575

The Department of Revenue indicates minimal costs to implement the provisions of LB 806.

We find no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost to implement LB 806.

We find no basis to disagree with the State Racing Commission's estimate of cost to implement LB 806.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the impact of LB 806, as amended by AM 1852, to be minimal to those counties and cities where racetrack enclosures are located.

Sixty percent of all keno and pickle card proceeds are credited to the General Fund and forty percent goes to the Charitable Gaming Cash Fund. For FY2012-13, it is estimated that the one-time licensing fee will generate \$0.400 million dollars. The summary of the effect on cash funds is shown below.

There will be minimal costs for the Department to implement the bill.

Cash Fund Summary				
Fiscal Year	Charitable Gaming Cash Fund	Historic Horseracing Cash Fund		Total
		Licensing	Gross Receipts Tax	
2012-13	(\$119,000)	\$400,000	\$164,000	\$445,000
2013-14	(\$120,000)	\$0	\$172,000	\$52,000
2014-15	(\$121,000)	\$0	\$181,000	\$60,000

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LEGISLATIVE FISCAL

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LB⁽¹⁾ 806 FISCAL NOTE Amendment AM1852 to LB806

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

Prepared by: (3) Tom Sage Date Prepared: (4) January 12, 2012 Phone: (5) 402-471-4155

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0	0	0	0
CASH FUNDS	\$62,075	\$257,000	\$52,575	\$115,200
FEDERAL FUNDS	0	0	0	0
OTHER FUNDS		\$200,000	0	0
TOTAL FUNDS	\$62,075	\$457,000	\$52,575	\$115,200

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

The Nebraska racing industry believes that there will be 400 historic racing machine installed in the state. I have spoke with the creators of the machine regarding the projected handle from the machines. They only could cite what other jurisdiction are handling on their machines. The creator indicated that Oklawn Park in Hot Springs, Arkansas is handling \$200,000,000 per year on 275 machines. They also cited that Kentucky Down in Franklin, Kentucky have handled \$20,000 since installing machine September 1, 2011.

I am going to take a more conservative approach and estimating the machines in Nebraska will handle \$125.00 day. So the Racing Commission estimates the handle per month would be \$1,500,000.

The Racing Commission is a cash funded agency and receives .0064 of the handle. So the estimated revenue for the Commission would be 115,200.

LB 806 has a provision that the Racing Commission collect a one-time fee of \$1000 per machine. The Commission then remits this fee to the State Treasurer to credit to the Historic Horseracing Distribution Fund. If 400 machines are installed the fee would be \$400,000. One half of the \$400,000 will be distributed to the Racing Commission Cash fund and one half to the compulsive gamblers assistance fund.

I am estimating that these machine would be installed in January 2013.

Expenditures:

Develop proposed rules relating to licensing of historic racing, overall rules pertaining to historical racing and personnel, approval of types of wagers and reporting requirements.

Conduct hearings to adopt rules, file approved rules pursuant to statutory requirements.

Investigate historical racing pari-mutuel systems to insure integrity and

security of the system designs, management, operations, and fairness to players.

Monitor historical racing to insure continuing integrity and security of the operations and fairness to players

Review existing historic racing operations in other jurisdictions

Investigate license applications to certify compliance with rules.

Monitor historical racing in the state.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013	2013-2014
	12-13	13-14	EXPENDITURES	EXPENDITURES
Investigator	1 FTE	1 FTE	\$41,624.96	\$41,624.96
Benefits.....			\$5950	\$5950
Operating.....			\$10,500.00	\$3000.00
Travel.....			\$4,000	\$2,000
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				