PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 26, 2017 402-471-0051

**LB 469** 

Revision: 00

## **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	7-18	FY 2018-19			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$45,738	\$40,000	\$23,528	\$40,000		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$45,738	\$40,000	\$23,528	\$40,000		

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

LB 469 creates the Fantasy Contests Act.

Fantasy contest is defined by the bill as any online fantasy or simulated game or contest with an entry fee required for participation and in which:

- The value of all prizes and awards offered to winning fantasy contest players is established and made known to the player in advance of the contest;
- b) All winning outcomes reflect the relative knowledge and skill of the players and such outcomes are determined by accumulated statistical results of the performance of individuals, including athletes in the case of sports events; and
- c) No winning outcome is based on the score, point spread, or performance of any single actual team or combination of teams or solely on any single performance of an individual athlete or player in any single actual event.

The bill provides that no fantasy contest operator shall offer any fantasy contest in Nebraska without first registering with the Department of Revenue, with certain exceptions. For an operator to be eligible for registration they shall be authorized to transact business in Nebraska and pay a registration fee of \$10,000 to the Department of Revenue. For continued operation the operator shall pay an annual renewal fee of 6% of the operator's gross revenue for the preceding year not to exceed \$10,000. The Department is to submit all registration and renewal fees to the State Treasurer for credit to the General Fund.

The Department of Revenue is given rule and regulation authority to implement and administer the Act but not for limiting or regulating the following:

- a) Game rules governing the play of individual fantasy contests;
- b) The statistical components of a fantasy contest;
- c) The digital platform of a fantasy operator.

LB 469 also provides conditions for registration; prohibitions on the type of sporting event that may not be used as a basis for the contest; a requirement for auditing and reporting; additional definitions; and a civil penalty of not more than \$1,000 for each violation of the Act, not to exceed \$5,000.

Section 28-1101 is amended to say that a person who conducts or participates in a fantasy contest in accordance with the Fantasy Contests Act is not engaged in gambling. In addition, supplies, equipment, etc. used in a fantasy contest in accordance with the Act are not gambling devices.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of the provisions of LB 469:

FY2017-18: \$ 40,000 FY2018-19: \$ 40,000 FY2019-20: \$ 40,000 FY2020-21: \$ 40,000

The Department of Revenue estimates that LB 469 will require a one-time programming charge of \$17,500 to make changes to the gaming license system and would require 1.0 FTE Revenue Agent.

We agree with the Department's estimate of fiscal impact. However, we disagree slightly with the estimate of cost and believe only 0.5 FTE Revenue Agent will be required to carry out the provisions of the Act. PSL for each year of the biennium will be \$\$17,472 and \$17,690, respectively.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:469 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED BY: Lyn Heaton		DATE: 1/26/2017	PHONE: (402) 471-4181		
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.					

LB 469 Fiscal Note 2017

	State Agency Estimate							
Revenue				Date Due LFA:	1/26/2017			
	Date Prepared:	1/25/2017		Phone: 471-5896				
FY 2017-2018		FY 2018-2019		FY 2019-2020				
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
\$68,974	\$40,000	\$47,054	\$40,000	\$47,760	\$40,000			
\$68,974	\$40,000	\$47,054	\$40,000	\$47,760	\$40,000			
	FY 2017- Expenditures \$68,974	Date Prepared:	Date Prepared: 1/25/2017   FY 2017-2018   FY 2018-   Expenditures   S68,974   \$40,000   \$47,054	Date Prepared:         1/25/2017           FY 2017-2018         FY 2018-2019           Expenditures         Revenue         Expenditures         Revenue           \$68,974         \$40,000         \$47,054         \$40,000	Date Prepared: 1/25/2017   Phone: 471-5896			

LB 469 would establish the Fantasy Contests Act (Act). It would require operators of a fantasy contest to register with the Department by application on a form prescribed by the Department. There would be an initial registration fee of \$10,000 by each operator. Operators would have to pay an annual registration renewal fee of 6% of their fantasy revenue from the preceding 12 months, not to exceed \$10,000. Registration fees would be remitted to the State Treasurer for credit to the General Fund.

The Department would be required to adopt rules and regulations preventing practices detrimental to the public interest and establishing the scope of review for applications.

LB 469 allows the Department to bring a civil action against any person who knowingly violates any provision of the Act. The civil penalty shall not be more than \$1,000 for each violation, not to exceed \$5,000 for violations arising out of the same transaction or occurrence.

The estimated additional revenues to the General Fund would be as follows:

FY 2017-2018	\$ 40,000
FY 2018-2019	\$ 40,000
FY 2019-2020	\$ 40,000
FY 2020-2021	\$ 40,000

LB 469 would require a one-time programming charge of \$17,500 to make changes to the gaming licensing system. LB 469 would require 1.0 FTE Revenue Agent.

Major Objects of Expenditure							
Class Code	Classification Title	17-18 FTE	18-19 FTE	19-20 <u>FTE</u>	17-18 Expenditures	18-19 Expenditures	19-20 Expenditures
X29222	Revenue Agent	1.0	1.0	1.0	\$34,943	\$35,379	\$35,910
Benefits					\$11,531	\$11,675	\$11,850
Operating Costs.					\$17,500		
Travel							_
Capital Outlay					\$5,000		
Aid							
Capital Improvement	ents					·	
Total					\$68,974	\$47,054	\$47,760