

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|-----------------|---------------------|-----------------|
| | FY 2017-18 | | 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:

- a) 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. | | |

