

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$141,300		\$134,200	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$141,300		\$134,200	

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

LB 724 amends the Nebraska County and City Lottery Act, Nebraska Revised Statutes 9-650.

Current statute requires a keno operator to keep keno revenue entirely separated from other sources of revenue. This requirement is met by the sales outlet maintaining separate bank accounts; one for keno and one or more accounts for all other funds. LB 724 would permit a sales outlet to commingle funds in one bank account.

The bill would require that during hours of keno operation the starting bank and the cash receipts from keno ticket sales is to be segregated from all other lottery revenue of that sales outlet until, after the last keno game of the day, it is to be deposited in the bank account of the sales outlet, lottery operator, county, city, or village.

LB 724 also provides that the Tax Commissioner may authorize the electronic transfer of keno funds from a sales outlet's general business account to the bank account of a keno operator, county, city, or village no later than five business days following the day such funds were collected. Such transfers are not allowed under current statute and Department of Revenue regulations.

Finally, the bill requires that keno gross proceeds shall be deposited into the account of the sales outlet, lottery operator, or county, city, or village within five business days. Current regulations requires deposit within four business days following collection.

The Department of Revenue estimates that LB 724 will have no impact on General Fund revenue.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact.

The Department of Revenue indicates that they will require an additional 1.0 FTE Auditor III to assess compliance and 1.0 Revenue Investigator to verify use of funds according to the Nebraska County and City Lottery Act. PSL for the respective fiscal years would be \$98,700 and \$100,900.

We have no basis to disagree with the Department of Revenue's estimate of cost.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 724	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton	DATE: 1/18/2018	PHONE: (402) 471-4181	
<p>COMMENTS: The Department's estimate of increased cost of compliance enforcement appears reasonable if the bill authorizes comingling of keno funds with other funds of the sales outlet location, lottery operator, county, city or village. There may also be an indirect impact on General Fund revenue due to the increased enforcement expenses since the excess funds in the Charitable Gaming Operations Fund not otherwise needed for administrative costs are transferred to the General Fund each year pursuant to section 9-1,101(3)(c).</p>			

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFA: 1/18/2018

Approved by: Tony Fulton

Date Prepared: 1/16/2018

Phone: 471-5896

	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 141,300	\$ 0	\$ 134,200	\$ 0	\$ 136,200	\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$ 141,300	\$ 0	\$ 134,200	\$ 0	\$ 136,200	\$ 0

LB 724 amends Neb. Rev. Stat. § 9-650, subsection (2) to allow keno sales outlets to commingle revenue generated by keno with other revenue contained within the keno sales outlet's general account. Currently, the statute requires keno revenue to be strictly separated from all other sources of revenue. This current requirement is accomplished by a keno sales outlet maintaining at least two bank accounts; one for keno and one for all other funds. The change to subsection (2) would permit a keno sales outlet to have just one bank account.

Subsection (3) permits the Tax Commissioner to authorize the electronic transfer of keno funds from a sales outlet's general business account to the bank account of a keno operator, or that of a county, city, or village. Electronic fund transfers as contemplated by LB 724 are not currently allowed under the Nebraska County and City Lottery Act and accompanying regulations. This subsection would also provide that the commingling of all sources of a keno sales outlet's revenue is permitted for purposes of the electronic transfer.

Last, amended subsection (4) makes explicit that keno revenue generated at a keno sales outlet location must be deposited into the account of the sales outlet, lottery operator, or county, city, or village within five business days. This provision explicitly overrules 316 NEB. ADMIN. CODE § 35-615.03E which provides, in part;

The cash turn-in for the shift or day must be deposited into a bank account of the county, city, village, or the lottery operator and be made within a commercially reasonable time frame, but in no event later than four business days following the day the cash was collected.

It is estimated that this bill will have no impact on General Fund revenues.

Because keno funds will no longer necessarily be segregated from the other funds of the business, the Department will need an additional 1.0 FTE Auditor III to assess compliance and 1.0 Revenue Investigator to verify use of funds according to the Nebraska County and City Lottery Act.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>18-19 FTE</u>	<u>19-20 FTE</u>	<u>20-21 FTE</u>	<u>18-19 Expenditures</u>	<u>19-20 Expenditures</u>	<u>20-21 Expenditures</u>
A21253	Revenue Auditor III	1.0	1.0	1.0	\$ 51,400	\$ 52,500	\$ 53,300
X62730	Revenue Investigator	1.0	1.0	1.0	\$ 47,300	\$ 48,400	\$ 49,100
Benefits.....					\$ 32,600	\$ 33,300	\$ 33,800
Operating Costs.....							
Travel.....							
Capital Outlay.....					\$ 10,000		
Capital Improvements.....							
Total.....					\$ 141,300	\$ 134,200	\$ 136,200