

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$46,500	\$40,000	\$25,350	\$40,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$46,500	\$40,000	\$25,350	\$40,000

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

LB 137 adopts the Fantasy Contests Act.

“Fantasy contest” is defined 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 know to the player in advance of the contest;
- 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
- 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 must 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 must be authorized to transact business in Nebraska and pay a registration fee of \$10,000. The annual renewal fee is 6% of the operator’s gross revenue for the preceding year, not to exceed \$10,000. The department submits registration and renewal fees to the State Treasurer for credit to the General Fund.

The department has rule and regulation authority to implement and administer the act but not for limiting or regulating the following:

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

LB 137 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.

Criminal provisions are amended to provide a person who conducts or participates in a fantasy contest in accordance with act is not engaged in gambling. In addition, the bill clarifies that supplies, equipment, etc. used in a fantasy contest in accordance with the act are not gambling devices.

Revenue:

The department estimates revenue from four fantasy contest operators registering in the first year, with annual renewal fees reaching \$10,000 each. This results in General Fund revenue of \$40,000 each fiscal year. Based on the data available, this estimate seems reasonable.

Expenditures:

The department estimates the following costs to implement the bill:

- A one-time programming charge of \$17,500 to make changes to the gaming license system; and
- Expenditures for 1.0 FTE Revenue Agent, costing a total of \$53,000 in FY 19-20 and \$50,700 in FY 20-21.

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 bill for a total cost of \$29,000 in FY 19-20 and \$25,350 in FY 20-21.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 137 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Lee Will DATE: 2/27/2019 PHONE: (402) 471-4175

COMMENTS: No basis to disagree with the Department of Revenue's assessment of fiscal impact and necessity for an additional staff member to fulfill the provisions of the bill.

