PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 28, 2019 402-471-0059

**LB 137** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	9-20	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.				

LB 137 Fiscal Note 2019

State Agency Estimate						
State Agency Name: Department	t of Revenue				Date Due LFA:	2/27/19
Approved by: Tony Fulton		Date Prepared:	2/22/19		Phone: 471-5896	
	FY 2019-	-2020	FY 2020	-2021	FY 202	21-2022
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$70,500	\$40,000	\$50,700	\$40,000	\$49,700	\$40,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$70,500	\$40,000	\$50,700	\$40,000	\$49,700	\$40,000

LB 137 would establish the Fantasy Contests Act (Act). It would require operators of a fantasy contest to register with the Department by applying on a form prescribed by the Department. There would be an initial registration fee of \$10,000 for each operator. Operators would 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 137 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 operative date for the bill is 3 months after adjournment.

The Department assumes four fantasy contest operators will register with the Department and estimates that 6% of the revenue from the previous 12 months of operation will exceed the \$10,000 maximum for each of the four operators, annually. The estimated additional revenues to the General Fund would be as follows:

FY 2019-2020	\$ 40,000
FY 2020-2021	\$ 40,000
FY 2021-2022	\$ 40,000

LB 137 would require a one-time programming charge of \$17,500 to make changes to the gaming licensing system and 1.0 FTE Revenue Agent.

	Major Objects of Expenditure						
Class Code X29222	Classification Title Revenue Agent	19-20 <u>FTE</u> 1.0	20-21 <u>FTE</u> 1.0	21-22 <u>FTE</u>	19-20 <u>Expenditures</u> \$36.100	20-21 <u>Expenditures</u> \$38,100	21-22 Expenditures \$37.400
AL9LLL	Revenue Agent	1.0	1.0	1.0	\$30,100	\$38,100	\$37,400
Benefits.				\$11,900	\$12,600	\$12,300	
Operating Costs				\$17,500			
Travel							
Capital Outlay				\$5,000			
	ents						
Total				\$70,500	\$50,700	\$49,700	