

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2021-22</b>		<b>FY 2022-23</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$3,518,199	\$9,004,813	\$4,019,902	\$4,394,788
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$3,518,199</b>	<b>\$9,004,813</b>	<b>\$4,019,902</b>	<b>\$4,394,788</b>

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

LB 561 seeks to change the Nebraska State Racing Commission to the Nebraska State Racing and Gaming Commission. Under 561, the newly formed commission has authority to carry out the Nebraska Racetrack Gaming Act. LB 561 requires the Governor to appoint two new commissioners to represent the following:

- The Nebraska Gaming industry; and
- Licensed horse owners and trainers.

LB 561 carries the emergency clause, and as such becomes operative immediately if enacted.

**Revenue:**

The Nebraska Racetrack Gaming Act taxes casino operations revenue at 20%. The Racing Commission estimates 6 casino operators will generate \$200,000,000 of gross receipts in FY21-22, with casino operations beginning in early 2022. This number is estimated to rise to \$455,000,000 for each following fiscal year. A tax of 20% will equal \$40,000,000 in FY21-22 and \$91,000,000 in FY22-23. The revenue collected each fiscal year will be distributed as follows:

	<b>FY 21-22</b>	<b>FY 22-23</b>
<b>Property Tax Credit Cash Fund (70%)</b>	\$28,000,000	\$63,700,000
<b>Compulsive Gamblers Assistance Fund (2.5%)</b>	\$1,000,000	\$2,275,000
<b>General Fund (2.5%)</b>	\$1,000,000	\$2,275,000
<b>The County containing the racetrack (12.5%)</b>	\$5,000,000	\$11,375,000
<b>The City containing the racetrack (12.5%)</b>	\$5,000,000	\$11,375,000

The estimates provided by the Racing Commission includes revenue collected by sports wagering, of which is included in LB 560, 2021. As such, these estimates are likely overestimating the revenue collected by gaming operations.

Further revenue is expected to be collected from the process of occupational licensing, operator assessments, and other various fees and licenses. These are projected to equal \$9,004,813 in FY21-22 and \$4,394,788 in FY22-23. The first year is greater than the second year due to the collection of a \$1,000,000 gaming operator license fee for each casino to begin operations.

As LB 561 is currently written, the revenue collected from licensing and other fees will be credited to the General Fund, as no cash fund is listed to receive such funds.

There is no basis to disagree with these estimates.

CONTINUED

**Expenditures:**

The State Racing Commission estimates that LB 561 will require the hiring of new personnel to carry out the Nebraska Racetrack Gaming Act. It is estimated that 40 FTE personnel will be needed in FY21-23, with the number increasing to 62 FTE starting in FY22-23. The cost to fund these personnel is estimated to be \$2,449,308.6 and \$3,600,857.4 for each year, respectively.

Other expenses to establish the new Racing and Gaming Commission include office space and equipment, training, OCIO costs, and other equipment necessary to carry out the Nebraska Racetrack Gaming Act. These expenses are estimated to total \$1,068,891.25 in FY21-22 and \$419,045.25 in FY22-23.

As LB 561 is currently written, the expenditures listed will come out of the General Fund, as there is no cash fund with authority to do so.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 561	AM:	AGENCY/POLT. SUB: Nebraska Racing Commission
REVIEWED BY: Claire Oglesby	DATE: 1/29/21	PHONE: (402) 471-4174
COMMENTS: At this time an estimate of the fiscal impact is undeterminable.		

Please complete ALL (5) blanks in the first three lines.

2021

LB<sup>(1)</sup> 561

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Racing Commission

Prepared by: <sup>(3)</sup> Tom Sage Date Prepared: <sup>(4)</sup> 1-24-2021 Phone: <sup>(5)</sup> 402-471-4155

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$2,275,000</u>	<u>\$2,275,000</u>
CASH FUNDS	<u>\$32,590,199</u>	<u>\$38,004,813</u>	<u>\$70,059,352</u>	<u>\$70,016,852</u>
FEDERAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
OTHER FUNDS	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$22,750,000</u>	<u>\$22,750,000</u>
TOTAL FUNDS	<u>\$43,590,199</u>	<u>\$49,004,813</u>	<u>\$95,084,352</u>	<u>\$95,394,788</u>

Explanation of Estimate:

This fiscal note is largely based on what we believe will be the period for racetracks to implement gaming at their facilities. Sometime during FY 2021-22 we believe that six racetracks will seek licensing as Racetrack Gaming Operators. We are unsure when the actual openings at these racetracks will occur. For FY 2021-22 we are basing our estimations on one-half of the overall projections that each location has disclosed. We have also based our personnel costs on employees being hired starting July 1, 2021. Nevertheless, this date will be affected by when the casinos are actually operating. We are only basing our fiscal note on hiring one-half of the employees that will be needed when all of the casinos are fully operational.

We are estimating that the facilities will generate \$200,000,000 in gross revenue in FY 2021-22. Twenty percent of the revenue is a gaming tax. Seventy percent of this goes to the property relief fund (cash fund) and is listed in the cash fund summary above. Two and one-half percent goes to the general fund. This is listed above. Two and one-half percent goes to the compulsive gambling fund (cash fund) and is listed in the cash fund summary. Twelve and one-half percent goes to the city in which the facility is located. This is listed in the other fund summary above. Twelve and one-half percent goes to the county in which the facility is located. This is also listed in the other fund summary above.

We are estimating that the facilities will generate \$455,000,000 in gross revenue in FY 2022-23. Twenty percent of the revenue is a gaming tax. Seventy percent goes to the property relief fund (cash fund) and is listed in the cash fund summary above. Two and one-half percent goes to the general fund. This is listed above. Two and one-half percent goes to the compulsive gambling fund (cash fund) and is listed in the cash fund summary. Twelve and one-half percent goes to the city in which the facility is located. This is listed in the other fund summary above. Twelve and one-half percent goes to the county in which the facility is located. This is also listed in the other fund summary above.

The taxes listed in this fiscal note as LB 560 indicate that the Racing and Gaming Commission will collect and distribute the funds.

The additional expenditures for both FY 2021-22 and FY 2022-23 are for expenses related to creating a new agency and personnel. A large part of the agency's expenses in FY 2021-22 are to purchase equipment and items need to create the new agency. The majority of the expenses in FY 2022-23 are personnel costs.

These expenditures and personnel costs are shown in the attached spreadsheet.

Personnel costs are going to fluctuate after the agency is created and we are able to meet with State Personnel to create the positions outlined on the attached spreadsheet. We have some positions that a PDQ will have to be completed since there are no comparable positions in the Nebraska Personnel System.

Revenue

The revenue listed in this fiscal note is from Occupational Licensing, Gaming Operators' assessment and tax revenue described above. The breakdown in revenue is on the attached spreadsheet.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<b>POSITION TITLE</b>	<b>NUMBER OF POSITIONS</b>		<b>2021-22</b>	<b>2022-23</b>
	<b><u>21-22</u></b>	<b><u>22-23</u></b>	<b><u>EXPENDITURES</u></b>	<b><u>EXPENDITURES</u></b>
See attached	40 FTE	61 FTE	\$1,827,184	\$2,650,231
Benefits.....			\$622,124	\$950,626
Operating.....			\$565,045	419,045
Travel.....			\$64,500	\$64,500
Capital outlay.....			311,346	
Aid...Gaming Tax .....			\$40,000,000	\$91,000,000
Capital improvements.....			\$200,000	
<b>TOTAL.....</b>			<b>\$43,590,199</b>	<b>\$95,084.402</b>