

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 421 amends the Nebraska Racetrack Gaming Act.

Section 9-1103 is amended to remove instate collegiate sporting events in which an instate collegiate or university team is a participant from what is not included in the definition of authorized sporting event. The definition of online sports wagering platform and platform provider is added. The definitions of prohibited participant and sports wagering are also amended.

The bill provides that the Racing and Gaming Commission (Commission) shall examine rules and regulations from other states relating to online sports wagering and, if practicable, adopt a similar regulatory framework through the adoption and promulgation of rules and regulations for online sports wagering.

The bill provides that all sports wagering shall be conducted by an authorized gaming operator located within a licensed racetrack enclosure or in partnership with such authorized gaming operator. The bill adds that any sports wager can also be placed by means of an online sports wagering platform that is offered by or in partnership with an authorized gaming operator by an individual that is located in the State of Nebraska. Servers, including backup servers, used for online sports wagering may be located outside of this state, but to the extent required by federal law, an authorized gaming operator or platform provider shall maintain in this state the servers it uses to accept a sports wager placed by an individual located in this state.

An authorized gaming operator may conduct sports wagering by means of one online sports wagering platform and may contract with one platform provider for purposes of providing sports wagering. An individual or entity that does not have a contract with an authorized gaming operator to conduct sports wagering by means of an online sports wagering platform shall not be permitted to conduct sports wagering in the State of Nebraska. Any sports wagering conducted by means of an online sports wagering platform shall conform to all requirements relating to sports wagering pursuant to the Nebraska Racetrack Gaming Act and any rules or regulations adopted and promulgated pursuant to the Act.

An authorized gaming operator or a platform provider that has contracted with an authorized gaming operator shall submit controls to the Commission for approval in a manner prescribed by the Commission relating to any online sports wagering platform that the authorized gaming operator or the platform provider intends to use to conduct sports wagering by means of an online sports wagering platform. The Commission shall announce a date on which it shall begin to accept controls relating to online sports wagering platforms, which shall be no later than 30 days after the Commission adopts and promulgates rules and regulations relating to online sports wagering. The Commission shall have 30 days to review and approve or deny proposed controls submitted by an authorized gaming operator or a platform provider that has contracted with an authorized gaming operator. All authorized gaming operators or platform providers that have contracted with an authorized gaming operator that submit controls within 30 days of the date on which the Commission first begins to accept controls, if such controls are approved, shall be given an equal opportunity to commence offering and conducting online sports wagering on the same day, which shall be no later than 60 days from the date that the Commission first begins to accept controls. No authorized gaming operator or platform provider shall conduct sports wagering by means of an online sports wagering platform until the controls for such online sports wagering platform are approved by the Commission.

The bill also amends provisions so that the tax imposed by section 9-1203 on gross gaming revenue generated by sports wagering shall be credited as follows:

- Compulsive Gamblers Assistance Fund-3%
- Racing and Gaming Commission's Racetrack Gaming Fund-3.5%
- Racing and Gaming Commission's Racing Cash Fund-3.5%
- Property Tax Credit Cash Fund-90%

The bill becomes operative on September 1, 2025.

The bill contains the emergency clause.

The Department of Revenue (DOR) estimates the following revenue impact to the General Fund, State Cash Funds, and the casino gaming tax revenues credited to cities/counties as a result of the bill based upon the online sports betting system being up and running and tax being collected by January 1, 2026:

	<i>FY26</i>	<i>FY27</i>	<i>FY28</i>	<i>FY29</i>
Compulsive Gamblers Assistance Fund	\$ 282,000	\$ 582,000	\$ 602,000	\$ 623,000
Racing and Gaming Commission's Racetrack Gaming Fund	\$ 354,000	\$ 729,000	\$ 754,000	\$ 780,000
Racing and Gaming Commission's Racing Cash Fund	\$ 354,000	\$ 729,000	\$ 754,000	\$ 780,000
Property Tax Credit Cash Fund	\$ 8,509,000	\$ 17,545,000	\$ 18,141,000	\$ 18,776,000
General Fund	\$ (21,000)	\$ (43,000)	\$ (44,000)	\$ (46,000)
State Total	\$ 9,478,000	\$ 19,542,000	\$ 20,207,000	\$ 20,913,000
City/County	\$ (209,000)	\$ (430,000)	\$ (445,000)	\$ (460,000)
Overall Total	\$ 9,269,000	\$ 19,112,000	\$ 19,762,000	\$ 20,453,000

There is no basis to disagree with these revenue estimates if tax is collected starting January 1, 2026.

The DOR estimates no costs to it to implement the bill.

The Commission estimates the need to re-open two previously created Gaming Compliance Representative II positions as well as the need for an IT Business Systems Analyst-Coordinator. The Commission also estimates operating expenditures mostly consisting of IT costs to be paid to the Office of the Chief Information Officer (OCIO) as a result of the bill. Cash Fund revenue estimates as a result of the bill are also provided by the Commission.

The bill has no fiscal impact without a corresponding change to Article III, section 24 of the Nebraska Constitution to permit online sports wagering outside of licensed racetrack enclosures.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 421	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY:	Jacob Leaver	DATE: 3/6/2025	PHONE: (402) 471-4173
COMMENTS: Concur with the Department of Revenue's estimated fiscal impact as a result of LB 421.			

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2025

LB⁽¹⁾ 421

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Racing & Gaming Commission

Prepared by: ⁽³⁾ Rita Pracht Date Prepared: ⁽⁴⁾ 1/23/25 Phone: ⁽⁵⁾ 531-310-4536

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	<u>472,127</u>	<u>263,986</u>	<u>389,491</u>	<u>263,986</u>
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Explanation of Estimate:

The Racing & Gaming Commission will need to reopen two previously created positions for Gaming Compliance Representative II to manage the increased workload. Additionally, we will establish an IT Business Systems Analyst/Coordinator position to monitor the continuous change management requests and assist with IT-related audits, ensuring the integrity of mobile sports wagering. We will also collaborate with other regulatory jurisdictions to share best practices for overseeing mobile sports betting.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Gaming Compliance Representative II	<u>2</u>	<u>2</u>		
IT Bus Systems Analyst/Coordinator	<u>1</u>	<u>1</u>	<u>69,448</u>	<u>71,532</u>
Benefits.....			<u>41,200</u>	<u>43,000</u>
Operating.....			<u>342,275</u>	<u>255,755</u>
Travel.....			<u>19,204</u>	<u>19,204</u>
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			<u>472,127</u>	<u>389,491</u>

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:		
Approved by: James R. Kamm		Date Prepared: 03/06/2025		Phone: 471-5896		
	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u> <u>Revenue</u>	
General Funds		\$(21,000)		\$(43,000)		\$(44,000)
Cash Funds		\$9,499,000		\$19,585,000		\$20,251,000
Federal Funds						
Other Funds		\$(209,000)		\$(430,000)		\$(445,000)
Total Funds		\$ 9,269,000		\$ 19,112,000		\$ 19,762,000

LB 421 updates the definition of an authorized sporting event. Authorized sporting events will now include in state college and university teams participating in state. The bill defines “online sports wagering platform” and “platform provider”.

The bill adds a duty to the Racing and Gaming Commission (Commission) to “Examine rules and regulations from other states relating to online sports wagering and, if practicable, adopt a similar regulatory framework through the adoption and promulgation of rules and regulations for online sports wagering.”

LB 421 also states that all sports wagering will be conducted by an authorized gaming operator located within a licensed racetrack and that the wager may be placed by means of an online sports wagering platform, as long as the individual is located in the state of Nebraska. It references where the servers that accept wagers may be located. It also discusses the process for controls being approved by the Commission.

Gaming tax on gross gaming revenue generated by sports wagering will be allocated differently. The tax rate is 20% of revenues and the tax collected related to the gross gaming revenue on sports wagering will be split, 3% to Compulsive Gamblers Assistance Fund, 3.5% to the Racing and Gaming Commission's Racetrack Gaming Fund, 3.5% to the Racing and Gaming Commission's Racing Cash Fund, and the final 90% to the Property Tax Credit Cash Fund.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

Assuming the online sports betting system is up and running and the tax can be collected by January 1, 2026, LB 421 is estimated to have the following impact on the various funds:

	FY25-26	FY26-27	FY27-28	FY28-29
Compulsive Gamblers Assistance Fund	\$ 282,000	\$ 582,000	\$ 602,000	\$ 623,000
Racing and Gaming Commission's Racetrack Gaming Fund	\$ 354,000	\$ 729,000	\$ 754,000	\$ 780,000
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Property Tax Credit Cash Fund	\$ 8,509,000	\$ 17,545,000	\$ 18,141,000	\$ 18,776,000
General Fund	\$ (21,000)	\$ (43,000)	\$ (44,000)	\$ (46,000)
City County Split	\$ (209,000)	\$ (430,000)	\$ (445,000)	\$ (460,000)

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

It is estimated that there will be no cost to the Department of Revenue to implement this bill.

This bill contains an emergency clause and becomes law upon enactment.