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FISCAL IMPACT REPORT

SPONSOR Lujan, B DATE TYPED 2-18-04 HB 626/aHTRC
 SHORT TITLE Race Track Gaming Machine Operating Hours SB _____
 _____ ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	7,800.0	Increasing	Recurring	General Fund
	4,700.0	Increasing	Recurring	Horseman's Purse

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Taxation and Revenue Department (TRD)
 Attorney General's Office (AGO)
 Gaming Control Board (GCB)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment removes the rate reduction for purses.

Synopsis of Original Bill

House Bill 626 amends statute to increase the number of hours that a racetrack operator are allowed to offer gaming machines from 12 hours per day to 18 hours provided that the total hours in one week does not exceed 112. The gaming tax is increased from 25 percent of the net take to 26 percent. Additionally, the amount a gaming operators is required to pay into purses is reduced from 20 percent to 19.5 percent of the net take.

Significant Issues

According to DFA, in New Mexico, gaming machines are operated on days the racetrack is conducting live horse racing or simulcasting horse race meets. Combining gaming machines with horseracing has transformed the racetrack industry. Attendance at racetracks has improved significantly with the presence of gaming machines. Additional revenues attained by the racetrack facilities allow racetrack owners to better maintain their tracks as well as realize higher profits, compensate racehorse owners with higher purses, and pay out higher winnings on races. As a result, New Mexico is a desirable place for racetrack owners, racehorse owners, and gamblers. The newly approved Hobbs racetrack is expected to be fully functional by FY 2006. The high percentage paid into purses encourages competition and attracts out of state racehorse owners.

This bill will help racetracks better target their market. For example, racetracks may reduce operating hours on the weekdays and increase them on weekends.

The AG provided the following:

Although there is no limit on the number of hours a racetrack may operate gaming machines contained in the Indian gaming compacts that would impact the tribes' obligations to make revenue sharing payments, the gaming tribes will likely take the position that an increase in hours that racetracks may operate gaming machines impacts the exclusive rights they enjoy to offer gaming machines. The tribes currently enjoy the exclusive right to operate gaming machines beyond the twelve (12) hours the racetracks are currently limited to. The Attorney General's Office does not believe an increase in hours of operation of gaming machines at racetracks terminates the revenue sharing obligations contained in the gaming compacts, but the Tribes can be expected to have a different view and may seek to terminate their revenue sharing payments if this bill is enacted. If the gaming tribes want to tie revenue sharing to the racetracks' hours of operation, that might be an appropriate issue to be negotiated between the State and the Tribes in compact negotiations.

FISCAL IMPLICATIONS

The fiscal impact was based off actual figures received from the GCB in FY03. The revised base was calculated adjusting for FY04 and FY05 increases, the new Hobbs race track and increased gaming hours. The revised base is then multiplied by the rates included in HB 626 thus deriving the \$7.8 million general fund impact. The same process is applied to the horse man's purse revenues.

SN/yr:dm