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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/07

SPONSOR Leavell LAST UPDATED _____ HB _____

SHORT TITLE Local Government Gaming Revenue Distribution SB 185

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(1,277.3)	(1,965.5)	Recurring	General Fund
	\$1,277.3	\$1,965.5	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Relates to SB 247

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 185 creates a distribution to the municipality or county in which a racetrack casino is located in the amount of 1.92 percent of net gaming excise tax receipts in FY08, 2.88 percent of net receipts in FY09, and 3.85 percent of net receipts in FY10 and thereafter. If a racetrack is located within a municipality's boundaries the distribution from that racetrack's net receipts will go to that municipality, but if a racetrack is located in an unincorporated area of a county the distribution will go to that county.

Local governments that receive a distribution of gaming excise tax revenue will be allowed to use the money "to provide local public services."

The effective date of these provisions will be July 1, 2007.

FISCAL IMPLICATIONS

The LFC expects gaming excise revenue paid by New Mexico's five racetrack operators to total \$66.5 million in FY08, \$68.2 million in FY09, and \$70.0 million in FY10.

In FY08, the bill would distribute 1.92 percent of gaming tax collections, or \$1.3 million, to the five municipalities in which racetrack gaming operators are located. This amount is estimated to be distributed as follows: \$614.0 thousand to Sunland Park, \$99.9 thousand to Albuquerque, \$59.1 thousand to Ruidoso Downs, \$161.2 thousand to Farmington, and \$343.1 thousand to Hobbs.

In FY09, 2.88 percent of the \$68.2 million expected to be collected, or \$2.0 million, will be distributed to the five municipalities. In FY10, the local distribution will be about \$2.7 million (3.85 percent X \$70.0 million).

SIGNIFICANT ISSUES

Currently, New Mexico has five racetrack casinos, all of which are located in municipalities: Sunland Park in Sunland Park; Albuquerque Downs in Albuquerque, Ruidoso Downs in Ruidoso Downs, Sun Ray in Farmington, and Zia Park in Hobbs.

Local governments in which racetrack casinos are located have often requested distributions from the state share of gaming excise tax in recent years. The rationale for these requests is that casinos cause local governments to incur infrastructure costs. Unlike most other businesses, which pay a share of gross receipts tax to the local jurisdictions in which they are located, racetrack casinos pay only the gaming excise tax.

During the 2005 Legislative Session, Senate Bill 837 increased the gaming excise tax rate on racetrack casinos from 25 to 26 percent.

ADMINISTRATIVE IMPLICATIONS

TRD reports the bill will have a moderate administrative impact. TRD will need to change gaming tax forms and instructions. Computer systems will have to be modified. There will also be a need for greater coordination between TRD and the Gaming Control Board.

RELATIONSHIP

Senate Bill 185 relates to Senate Bill 247. While Senate Bill 185 provides a proportional distribution of gaming excise tax collections to all municipalities in which racetrack casinos are located, Senate Bill 247 distributes 4 percent of gaming excise tax collections from Sunland Park racetrack casino to the municipality of Sunland Park.