

LFC Requester:

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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*Date Prepared: 2/6/2026

Check all that apply:

Bill Number: SB 309Original Correction Amendment Substitute Agency Name
and CodeSponsor: Sen. Roberto "Bobby" J. GonzalesNumber: New Mexico Lottery Authority - 996Short Title: LOTTERY DEPOSITS INTOPerson Writing Wilma AtencioTitle: TUITION FUNDPhone 505-342-7651 Email watencio@nmlottery.com**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
See Narrative				Lottery Tuition Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

This bill modifies the New Mexico Lottery Act, Section 6-24-24 Disposition of Revenue, to:

- (1) require the Lottery to deposit specified annual amounts into the Lottery Tuition Fund, and
- (2) provide that failing to meet such required transfer guarantees will result in the 30% requirement being returned for future fiscal year transfers.

This bill changes the thirty percent (30%) deposit requirement to a forty-three million dollar (\$43,000,000) annual return guarantee for fiscal years 2027 through 2029 and increases the return guarantee to forty-five million dollars (\$45,000,000) for all future fiscal years. Students are protected since sunset language is included, reverting to the thirty percent (30%) requirement if return guarantees are not met over a consecutive two-year period. The change is necessary to allow the Lottery to follow successful business models used in other state lotteries, thereby maximizing scholarship funds for students and enabling the Lottery to grow revenue by designing games that meet player expectations.

FISCAL IMPLICATIONS

The Lottery's statutory goal is to maximize funding for the Lottery Tuition Fund. The Lottery estimates that the five-year impact on the Tuition Fund will be approximately \$34.5 million in additional scholarship dollars. With the 30% requirement now in place, the Lottery has one of the lowest prize payout percentages (prizes to players as a percentage of revenue) in the country. The Lottery maintains a low prize payout because, after meeting the monthly percentage return requirements and paying expenses such as retailer commissions and product costs, only a small share of revenue remains for player prizes (by U.S. lottery industry standards).

Failing to change the 30% requirement will keep the Lottery from expanding the prizes players can win. If the Lottery continues to limit prizes in games, revenues will decline as player participation further diminishes. New Mexico's low prize payouts are a critical deterrent to the Lottery's ability to meet its most important mandate: maximizing revenue for the Tuition Fund. More flexibility with games leads to growth, increased revenue, and more dollars deposited into the Tuition Fund. This business model, which optimizes player prizes, aligns with the rest of the country and is widely accepted as the best in the lottery industry.

In summary, the Lottery's guaranteed transfer to the Tuition Fund in this bill exceeds the Legislative Finance Committee's annual revenue projections for the Lottery, ensuring students continue to receive the same funding at current tuition levels. Therefore, there is minimal risk in switching to a guaranteed dollar return rather than a percentage return, and a significant opportunity to increase annual revenue to the Tuition Fund if changes are adopted.

SIGNIFICANT ISSUES

None

PERFORMANCE IMPLICATIONS

Lottery revenue is a combination of Scratcher sales, which the Lottery can control to some degree by adjusting prize payouts, and Draw Game sales, which are largely driven by unpredictable multi-state jackpots. It is possible that there could be two or more years in a row with low jackpot levels, reducing revenue and therefore reducing deposits to the tuition fund. While this would be out of the Lottery's control, this situation could trigger the reversion spelled out in this bill.

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not enacted, the Lottery would continue to deposit 30% of gross revenues to the tuition fund. However, growth would remain limited as the Lottery would continue to offer among the lowest prize payouts in the country.

AMENDMENTS

None