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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 309

SHORT TITLE: Lottery Deposits into Tuition Fund

SPONSOR: Gonzales

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/10/26 **ANALYST:** Jorgensen

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
	Choose an item.	Up to \$8,800.0	Up to \$20,700.0	Up to \$33,400.0	Up to \$49,100.0	Recurring	Lottery Total Revenue
	Choose an item.	(100.0)	Up to \$360.0	Up to \$1,900.0	Up to \$4,200.0	Recurring	Lottery Tuition Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Higher Education Department

New Mexico Lottery Authority

SUMMARY

Synopsis of Senate Bill 309

Senate Bill 309 (SB309) allows the New Mexico Lottery Authority (NMLA) to pay out a larger share of revenue in prizes by removing the requirement that 30 percent of gross revenue generated from lottery games be transferred to the lottery tuition fund. Increasing player payouts would reduce the transfer to the lottery tuition fund unless the increased payouts drove growth in lottery game revenue. Recognizing this, the bill includes a floor for revenue transfers of \$43 million. Should transfers to the lottery tuition fund fall below \$43 million per year over the last two years, the bill requires the transfer of 30 percent of gross revenue. This provision will be in effect from FY27 through FY29. Beginning in FY30, the lottery authority must transfer \$45 million to the tuition fund to avoid the 30 percent of gross revenue payment.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

SB309 allows the NMLA to limit the transfer to the lottery tuition fund to increase prizes, so long as transfers to the tuition fund remained at or above \$43 million per year. Increasing the prize payouts may increase the lottery game sales, and a portion of this new revenue may come back to the tuition fund.

According to projections from NMLA, a 47 percent increase in total revenue would translate to a 16 percent increase in transfers to the tuition fund. The revenue table shows NMLA’s projected impact on total revenue generated and transfers to the lottery tuition fund. In FY27, NMLA estimates the change could generate an additional \$8.8 million in ticket sales, but the transfer to the fund would fall by approximately \$100 thousand. By FY30, NMLA estimates the change could increase total revenue by \$49.1 million over FY26 while transfers to the tuition fund would increase by \$4.2 million. A detail of revenue generate by the lottery is shown below:

Estimate of Impact of SB309 on Lottery Revenue Distribution
(in millions)

	Prize Expense	Operational Expense	Trans to Lottery Fund	Gross Revenue
2016 Actual	\$86.00	\$22.06	\$46.32	\$154.38
2017 Actual	\$68.35	\$19.90	\$37.84	\$126.09
2018 Actual	\$73.41	\$20.43	\$40.22	\$134.06
2019 Actual	\$78.72	\$21.84	\$43.11	\$143.67
2020 Actual	\$68.55	\$20.45	\$38.14	\$127.14
2021 Actual	\$85.52	\$22.93	\$46.48	\$154.93
2022 Actual	\$74.31	\$21.52	\$41.07	\$136.90
2023 Actual	\$93.11	\$24.82	\$50.56	\$168.49
2024 Actual	\$93.55	\$25.65	\$51.08	\$170.28
2025 Actual	\$79.34	\$24.70	\$44.69	\$148.73
2026 Budget	\$77.01	\$26.03	\$44.16	\$147.20
2027 Projected	\$86.98	\$24.96	\$44.06	\$156.00
2028 Projected	\$96.00	\$26.76	\$44.52	\$167.28
2029 Projected	\$105.62	\$28.89	\$46.05	\$180.56
2030 Projected	\$116.48	\$31.40	\$48.38	\$196.26
2031 Projected	\$129.48	\$34.38	\$51.04	\$214.90

Source: NMLA

NMLA reports the prior 10-year average transfer to the lottery tuition fund was \$43.9 million in FY25. SB309 stipulates that, should transfers to the lottery tuition fund fall below \$43 million, the distribution would go back to the status quo of 30 percent of total revenue.

SIGNIFICANT ISSUES

LFC estimates the Lottery and Opportunity scholarships face a deficit of \$9.9 million in FY27 with the deficit growing to \$35.9 million in FY28. The deficit is largely driven by costs of the lottery scholarship program being far higher than revenue raised; in FY25, total lottery scholarship costs were \$80.5 million while ticket sales generated \$44.7 million. The shortfall has been paid in recent years by nonrecurring appropriations made to the lottery tuition fund.

Lottery revenue growth has not matched inflation. The 10-year average transfer to the fund in 2025 was 4.8 percent higher in 2025 than in 2019. Additionally, annual revenue generated from lottery sales has varied considerably year-to-year. Over the past 10 years, transfers to the lottery tuition fund ranged from a low of \$37.8 million in 2017 to a high of \$51.1 million in 2024.

TECHNICAL ISSUES

On page 2, line 7, the bill states that “[if] the deposit of net revenue for two consecutive fiscal years” is less than \$43 million...”, but does not specify *which* two fiscal years. Similarly, on page 2, line 12, the two fiscal years referred to are not defined. The fiscal years referred to should be specified (e.g. *in the preceding* two consecutive fiscal years).

CJ/cf/ct