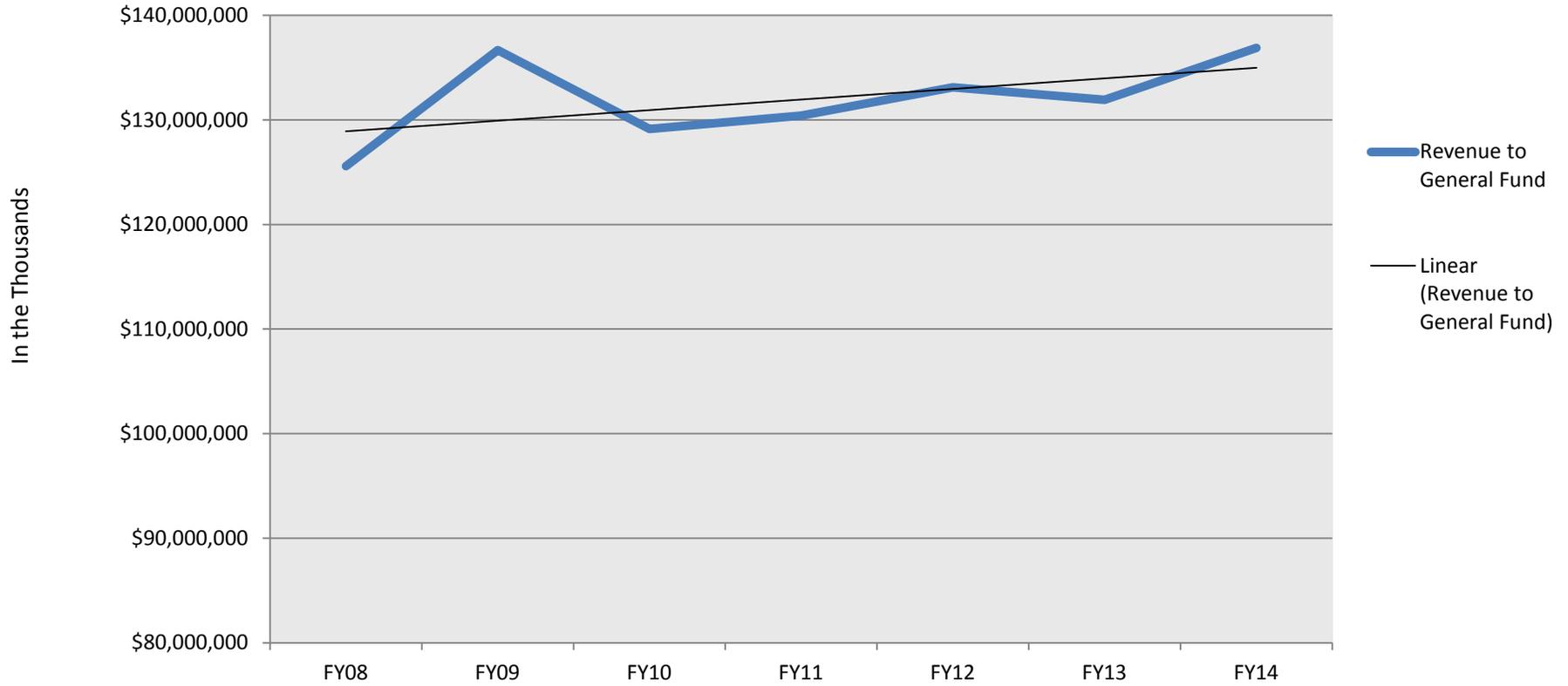


Gaming Trends

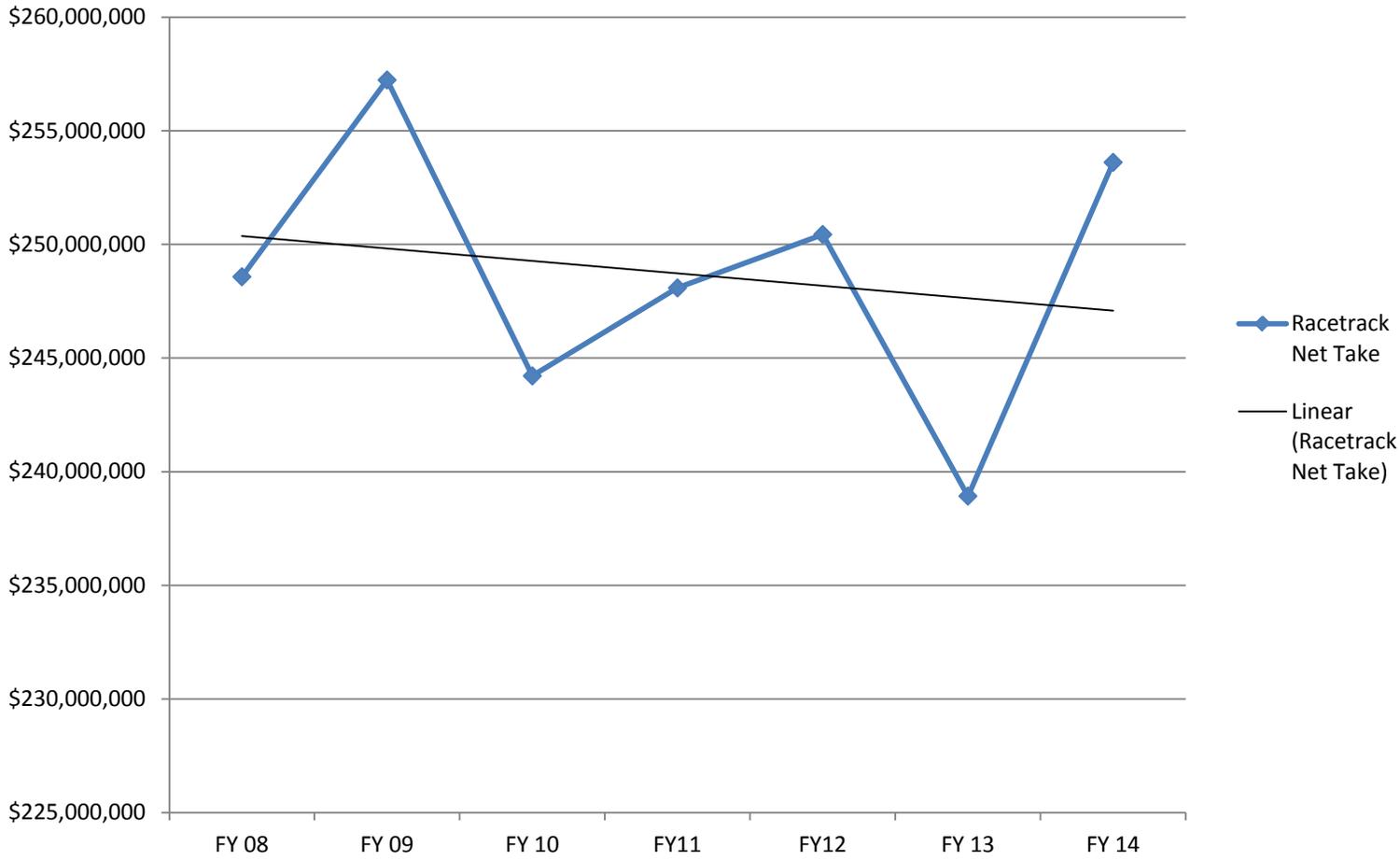
Revenue Stabilization and Tax Policy Committee

September 29, 2014 - September 30, 2014

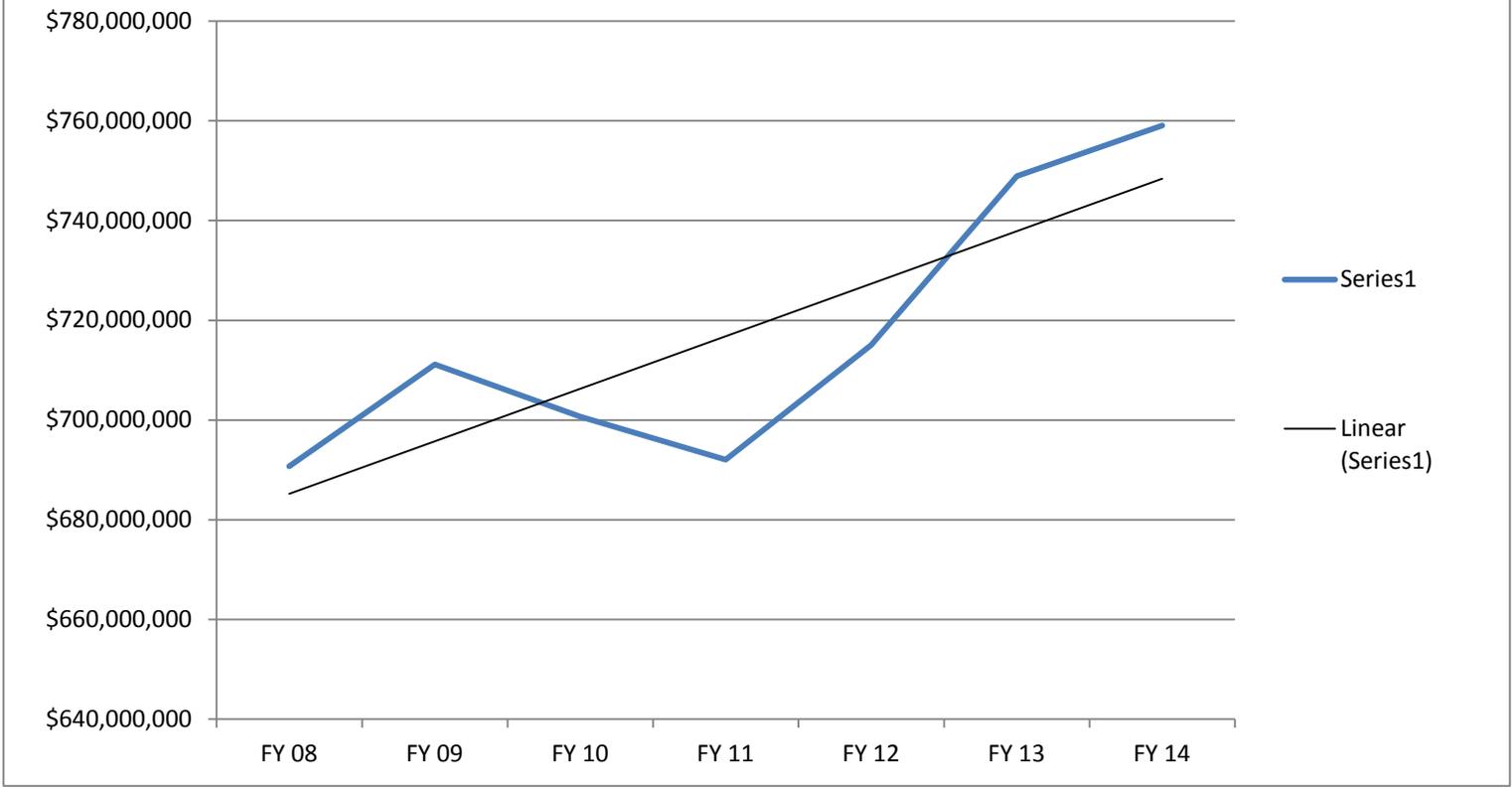
NMGCB REVENUE TO GENERAL FUND



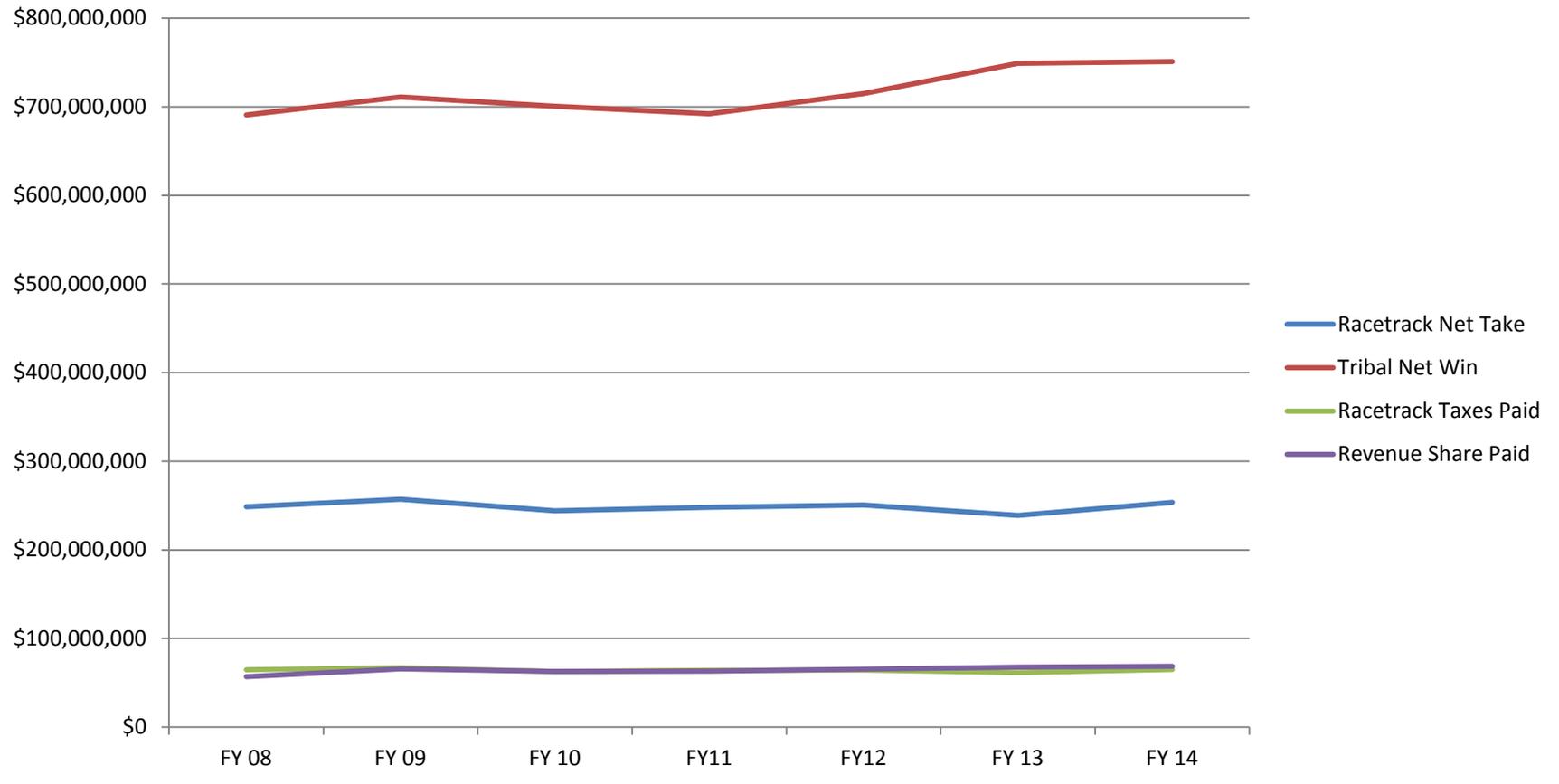
RACETRACK NET TAKE FY 08 - FY 14



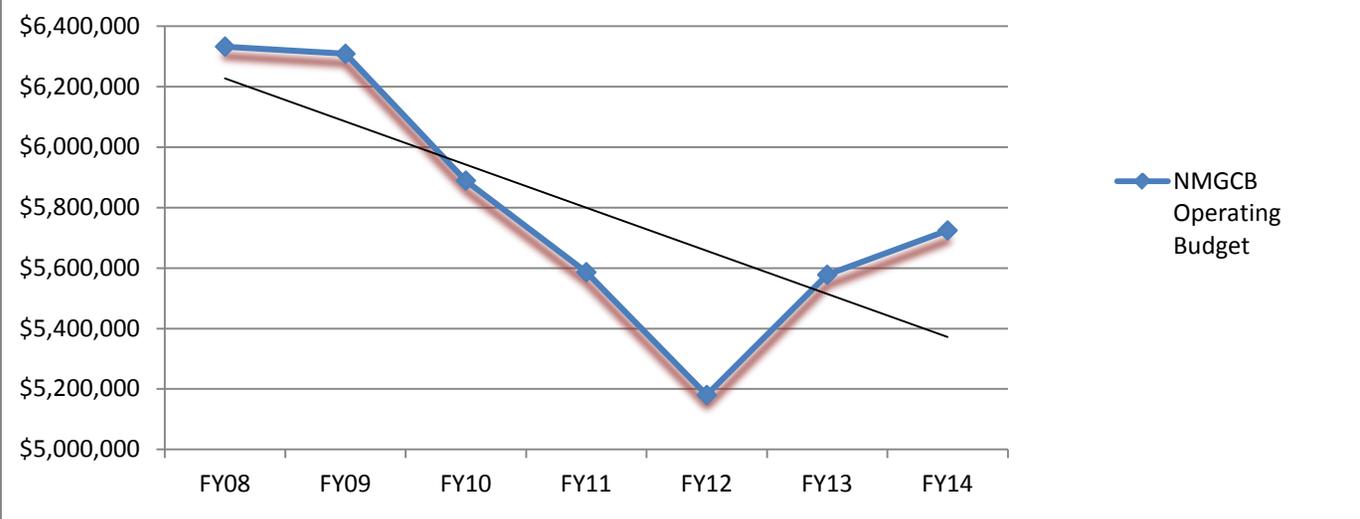
TRIBAL NET WIN BY FISCAL YEAR FY08 - FY14



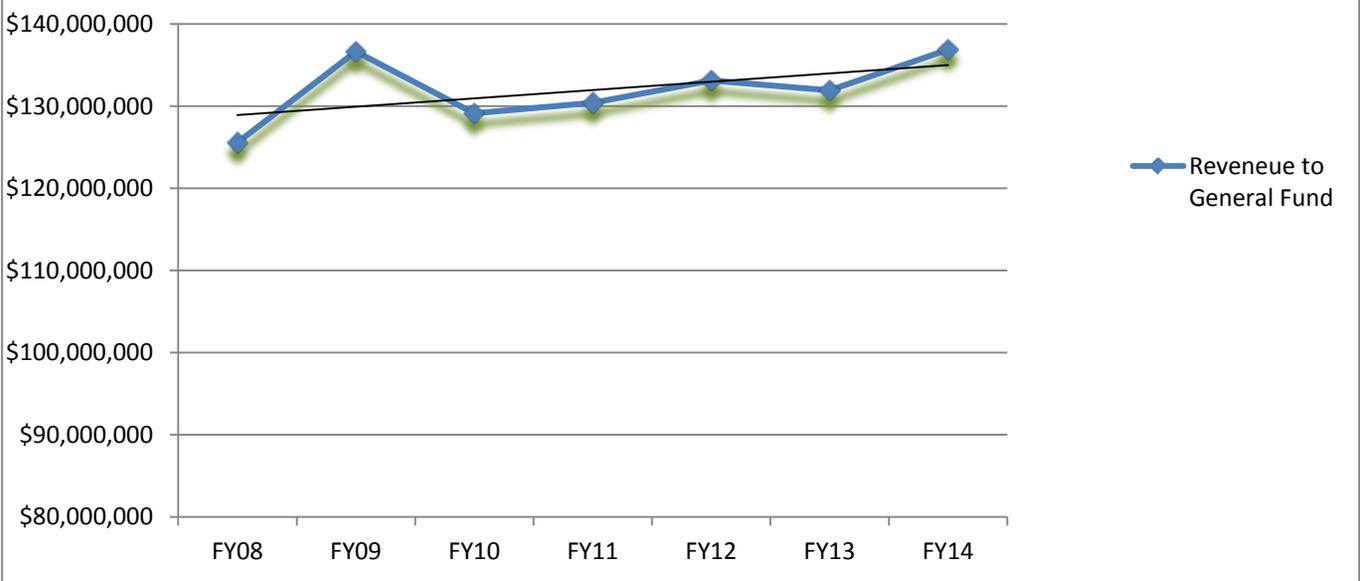
Tribal Net Win and Revenue Share, Racetrack Net Take and Gaming Taxes



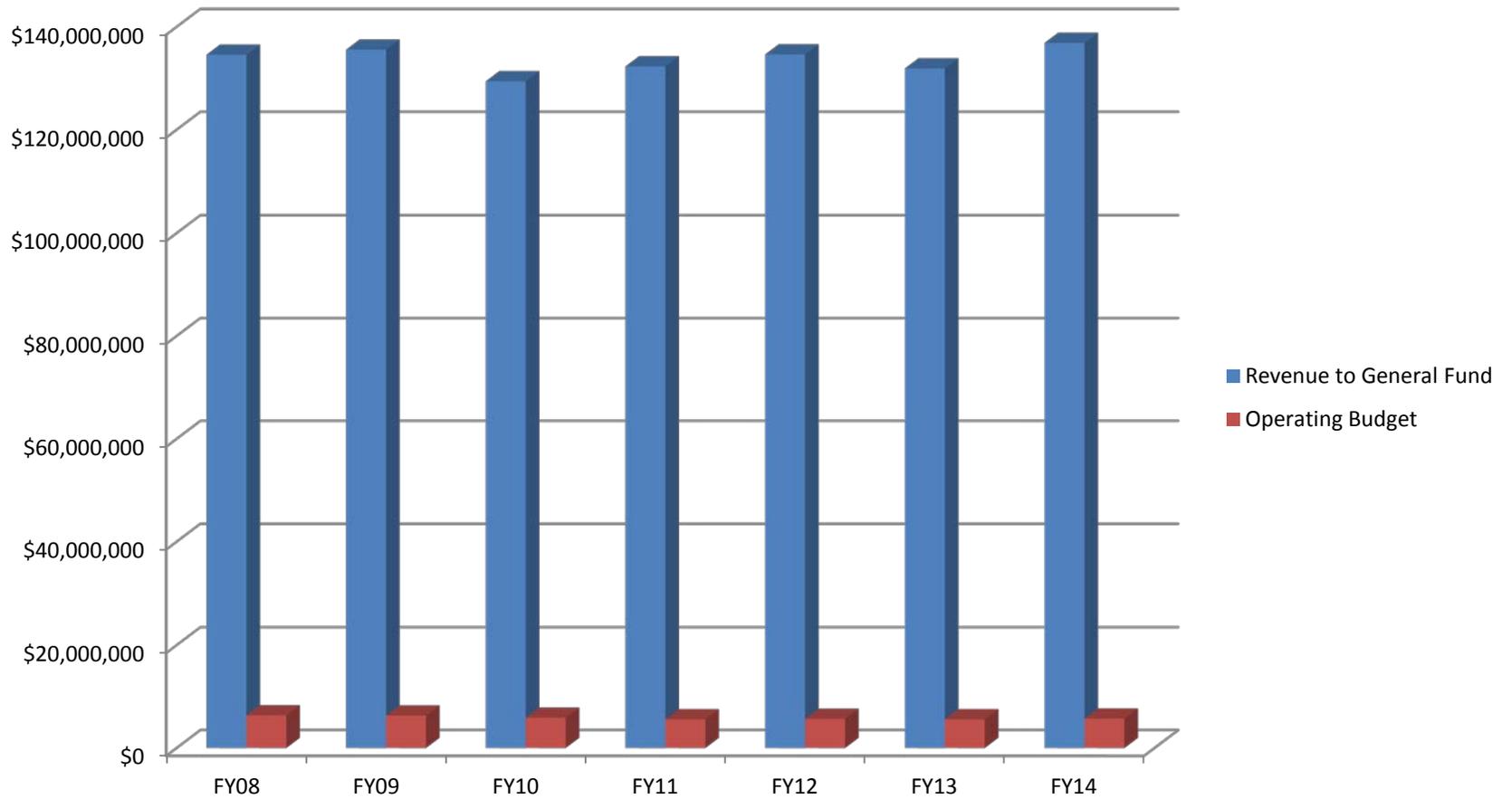
NMGCB Operating Budget



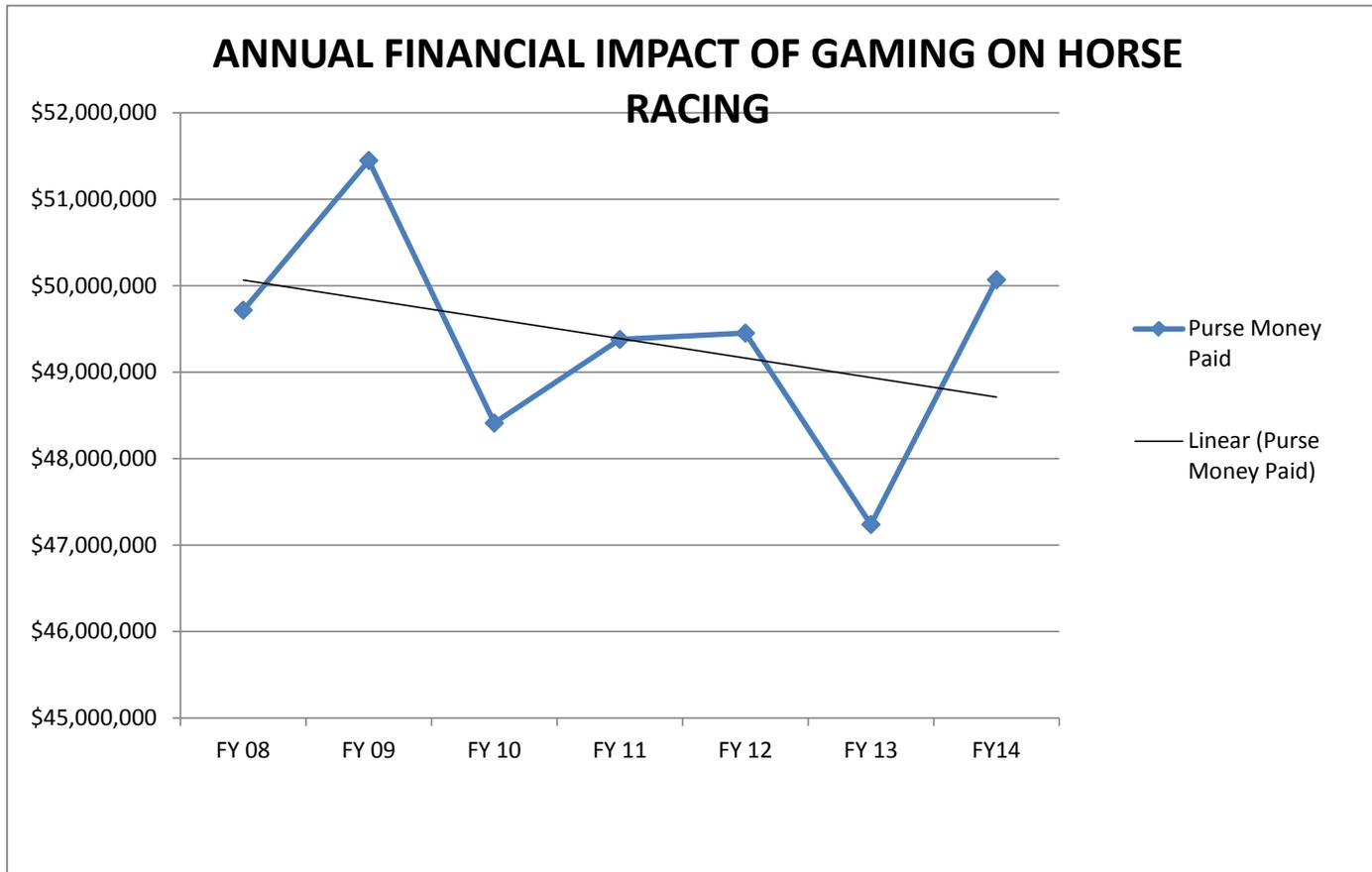
Revenue to General Fund



NMGCB RETURN ON EXPENDITURES FY08 THROUGH FY14



FY 97
\$0.00





Project Description
Replacement Central Monitoring System
NMSA 60-2E-43, Gaming Machine Central System

1. Current Environment:

The Legislature, enacting Article 2E, the Gaming Control Act, specified the provisions in section 60-2E-43, requiring a central system, developed by and run by the State at its own expense. Because of age, technology and/or vendor support issues, the agency's existing gaming machine central system was in need to replacement. These systems are critical due to the statutory nature of gaming regulation and technology utilized by the Gaming Control Board.

To achieve this mandate accordingly, the Gaming Control Board in its FY14 budget requested a one-time special appropriation of \$2.5M which was approved by the Legislature. In June of 2013, an RFP was issued by the Gaming Control Board for the replacement Gaming Machine Central System. The contract was ultimately awarded to Scientific Games, Inc. (SGI) for the SG Video Gaming System. The project kick-off was in January of 2014 and was successfully completed by the first week of August 2014, with minimal to no disruption of the licensees gaming operations...

- SGVideo is an electronic computer system designed to monitor the status, performance and control of non-tribal gaming machines in the State of New Mexico.
- The system collects pertinent data and uses the data to calculate gaming taxes due. The system also tests and configures game information, such as maximum bet, maximum prize, and game selection as required under the Gaming Control Act, and provides an accurate, immediate verification source of gaming machine data
- By the close of FY14 SGVideo was actively monitoring 3,613 machines across 63 venues, with \$66,953,238 in billed gaming taxes to the General Fund.

Project Description
Replacement Central Monitoring System
NMSA 60-2E-43, Gaming Machine Central System

2. Financial

Estimated Costs:

Full implementation of central site plus all venues	\$2.5 Million
Maintenance per year	\$.69 Million

3. Central System Benefits:

- Guarantee the fairness of the game to protect the patron
- Ensures that only approved games and machines are offered to the public
- Calculates daily by machine the amount owed to the state in gaming tax
- Provides a daily report to each gaming operator licensee detailing actual game play and giving a full accounting of each gaming machine's activity
- Provides "real-time" regulations; eliminates costly, time consuming, and less accurate audits in after-the-fact, significantly reducing the cost of regulation
- Enhances security by verifying all access to gaming machines
- Tracks and records notable events generated on the gaming device
- Allows only viable manufacturers, dealers and machines to operate in the state
- Permits the State, in extreme circumstances, to disable machines until taxes are paid
- Industry standard protocol allows operators greater flexibility

New Mexico Gaming Control Board
 Analysis of Enforcement Department Inspections and Citations
 FYE 2008 through FYE 2011

	<u>Number of Inspections</u>	<u>Number of Citations</u>	<u>Percentage</u>
FY08	1514	73	4.8%
FY09	1079	59	5.5%
FY10	665	128	19.2%
FY11	794	89	11.2%
FY12	1042	79	7.6%
FY13	914	81	8.9%
FY14	1286	99	7.7%

NMGCB FY 14 AUDIT DIVISION ACTIVITIES

	<u>Number of NP Audits</u>	<u>Number of Racino Field Audits</u>	<u>Number of Tribal Inspections</u>
FY08	63	19	10
FY09	101	17	12
FY10	97	13	10
FY11	80	10	17
FY12	102	10	29 (note 1)
FY13	102	10	14

NMGCB LICENSING DIVISION

	FY08	FY09
Work Permit Applications	1173	575
Renewal Work Permit Applications	685	744
Key Person Applications	147	143
Renewal Key Person Applications	56	75
Business/Operator Applications	3	2
Renewal Business/Operator	83	79
Bingo - Staff Permit Applications	91	112
Bingo - Renewal Staff Permits	224	261
Bingo - Renewal Business/Operator Applications	85	97
Bingo - Business/Operator Applications	4	9

KEY STATISTICS FY08 TO FY14

FY10	FY11	FY12	FY13	FY14
445	415	429	455	440
113	1	342	120	77
78	95	85	109	122
67	66	81	60	66
7	5	5	13	16
83	75	82	79	78
126	67	78	109	94
225	19	10	122	14
107	0	0	81	15
11	9	9	13	8

**ESTIMATED NON-TRIBAL GAMING TAX REVENUE
FY15**

PERCENT INCREASE	FY14 TAX REVENUE	ESTIMATED FY15 TAX REVENUE	ESTIMATED CHANGE IN PURSE CONTRIBUTION
-0.50%	\$67,132,517	\$66,796,854.42	-\$67,133
0.00%	\$67,132,517	\$67,132,517.00	\$0
0.50%	\$67,132,517	\$67,468,179.59	\$67,133
1.00%	\$67,132,517	\$67,803,842.17	\$134,265
1.50%	\$67,132,517	\$68,139,504.76	\$201,398
2.00%	\$67,132,517	\$68,475,167.34	\$268,530

INCLUDES RACE TRACK GAMING TAX AT 26% AND MANUFACTURERS AND DISTRIBUTORS GAMING TAX AT 10%

**ESTIMATED TRIBAL REVENUE SHARENAD REGULATORY FEES
FY15**

PERCENT INCREASE	ACTUAL FY14 REVENUE	ESTIMATED FY15 REVENUE
-4.00%	\$68,724,569	\$65,975,586
-3.50%	\$68,724,569	\$66,319,209
-3.00%	\$68,724,569	\$66,662,832
-2.50%	\$68,724,569	\$67,006,455
-2.00%	\$68,724,569	\$67,350,078

**NMGCB ESTIMATED TOTAL REVENUE
FY15**

TRIBAL	NON-TRIBAL	OTHER (1)	ESTIMATED FY15 TOTAL REVENUE
\$65,975,586	\$67,468,179.59	\$50,000	\$133,493,766
\$66,319,209	\$67,803,842.17	\$50,000	\$134,173,051
\$66,662,832	\$68,139,504.76	\$50,000	\$134,852,337

(1) Fees, Fines

MOST LIKELY ESTIMATE RANGE FOR FY15 REVENUE TO GENERAL FUND

<u>FY 14 ACTUAL</u>	<u>Est FY 15</u>	<u>Percent Change</u>
\$ 136,888,847	\$133,493,766	-2.5%
\$ 136,888,847	\$134,173,051	-2.0%
\$ 136,888,847	\$134,852,337	-1.5%

**NET IMPACT ON STATE REVENUE AND PURSES OF PLAY MOVING
FROM RACETRACKS TO 2007 TRIBAL CASINOS**

PERCENT OF NET WIN SHIFTED	AMOUNT OF NET WIN SHIFTED	REDUCTION IN GENERAL FUND PAYMENTS	REDUCTION IN PURSE CONTRIBUTIONS	TOTAL LOSS TO STATE
30.0%	(\$15,000,000)	(\$2,700,000)	(\$3,000,000)	(\$5,700,000)
35.0%	(\$17,500,000)	(\$3,150,000)	(\$3,500,000)	(\$6,650,000)
40.0%	(\$20,000,000)	(\$3,600,000)	(\$4,000,000)	(\$7,600,000)
45.0%	(\$22,500,000)	(\$4,050,000)	(\$4,500,000)	(\$8,550,000)
50.0%	(\$25,000,000)	(\$4,500,000)	(\$5,000,000)	(\$9,500,000)

EXAMPLE BASED ON RACETRACK WITH \$50 MILLION IN ANNUAL NET WIN BEFORE CHANGES