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FISCAL IMPACT REPORT

SPONSOR:	Sanchez	DATE TYPED:	02-11-00	HB	
SHORT TITLE:	Increase Number of Racetrack Gaming			SB	420
Machines				ANALYST:	Baca/Williams

REVENUE

Estimated Revenue		Subsequent	Recurring	Fund
FY00	FY01	Years Impact	or Non-Rec	Affected
	\$ 9,000.0	\$ 9,000.0	Recurring	Lottery Scholarship
	\$ 650.0		Non-Recurring	General Fund
	\$ (15,000.0)		Recurring	General Fund
	\$7,008.0 to \$9,636.0	\$7,008.0 to \$9,636.0	Recurring	Horsemen Purses

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 100, SB 312, SB 420, HB 6, HB 254, SB 114, SB 157, SB 253, HJM 2, HJM 9

SOURCES OF INFORMATION

LFC files

State Racing Commission (SRC)

Department of Finance and Administration (DFA)

Taxation and Revenue Department (TRD)

Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

Senate Bill 420 permits racetrack casinos to increase to 500 the number of slot machines from the currently allowed 300 machines. Revenues from the gaming tax "in excess of the first three hundred gaming machines" would go the lottery scholarship fund.

Significant Issues

The amount of revenue sharing paid by the tribes and pueblos could be eliminated if additional machines are allowed at the racetracks pursuant to the renegotiated Indian Gaming Compacts proposal. GCB also argues revenue sharing obligation obligations under existing revenue sharing agreements could be eliminated.

Based on current projections, CHE expects to reduce the amount of each tuition scholarship to an amount less than 100 percent of the cost of tuition beginning in FY01.

FISCAL IMPLICATIONS

TRD notes in its analysis that racetrack casino interests estimate an increase from 300 to 500 machines will increase net win by 48 percent (compared to a 67 percent increase in machines), reflecting declining scale.

TRD believes the bill would hold the General Fund harmless, and general fund revenues would not decline. In contrast, the Racing Commission believes General Fund revenue would decline.

TRD estimates approximately \$9,000.0 in recurring revenue would be generated for the Lottery Scholarship fund. The State Racing Commission believes the lottery tuition portion would range from \$8,760 to \$12,045.0. There would also be a general fund non-recurring revenue increase of approximately 650.0 because there is a manufacturers and wholesalers excise tax of 10 percent of the value of a new machine; TRD estimates an additional 1,200 machines which would cost from \$6,500 to \$8,000 each.

DFA notes the potential for reducing gross receipts taxes with increased wagering on games. The first year impact is estimated to be just under \$1,000.0.

Also shown is the loss of \$15,000.0 from state share of tribal gaming revenue for FY01, with a recurring impact on the general fund.

Finally, horsemen's purses would increase from \$7,008.0 to 9,636.0 according to the Racing Commission..

TECHNICAL ISSUES

The phrase "revenue from the gaming tax imposed on gaming machines in excess of the first three hundred gaming machines" is unworkable because it is difficult to separate revenue from the first three hundred from the additional machines. The language could state that the gaming tax net receipts would be distributed proportionately. The TRD analysis agrees that the phrase creates problems and suggests that a more workable phrase would be to require that 40 percent of the gaming tax net receipts be routed to the lottery scholarship fund.

TRD staff recommends that Section 3 be deleted because it is unnecessary.

POSSIBLE QUESTIONS

If this proposal is adopted, how much longer will the lottery scholarship fund be able to meet the needs of New Mexico high school graduates?

If the proposal is not adopted, what impact will it have on the ability of the state to continue to provide tuition scholarships?

AW:LB/gm