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## FISCAL IMPACT REPORT

SPONSOR SFC ORIGINAL DATE 2/4/08  
LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_  
SHORT TITLE Public Peace, Health, Safety & Welfare SB 536/SFCS  
ANALYST Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
(41.1)	(257.8)	(269.3)	Recurring	General Fund
41.1	257.8	269.3	Recurring	Ruidoso Downs

(Parenthesis ( ) Indicate Revenue Decreases)

Conflicts with HB484

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of SFC Committee Substitute

The Senate Finance Committee substitute for Senate Bill 536 would create a new distribution of 12 percent of the gaming excise tax receipts attributable to a casino located in a Class B county with PTY06 net valuation between \$700 million and \$1 billion. The only municipality that will qualify for the proposed distribution is Ruidoso Downs.

The distribution would affect revenues between July 1, 2008 and June 30, 2018, when the distribution would sunset. The bill also provides that Ruidoso Downs will use the revenue distributed for planning, designing, acquisition, construction or improvement of local government infrastructure.

The bill has a July 1, 2008 effective date (see Technical Issues).

### FISCAL IMPLICATIONS

LFC anticipates that gaming excise tax receipts from Ruidoso Downs casino will total \$2.1 million in FY08, \$2.1 million in FY09, and \$2.2 million in FY10. Starting in the last two months of FY08, the bill would redirect 12 percent of those amounts from the general fund to the municipality of Ruidoso Downs.

## SIGNIFICANT ISSUES

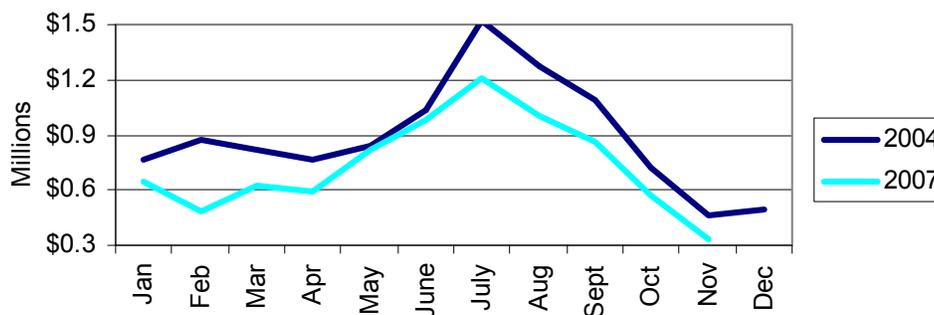
Ruidoso Downs, located in the municipality of Ruidoso Downs, is one of five racetracks with a casino currently operating in New Mexico.

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.

As shown in the figure below, net win, the amount of revenue taken in less payouts, has fallen at Ruidoso Downs in recent years. Net win is most likely suffering at Ruidoso Downs due to increased competition. Zia Park in Hobbs opened around the beginning of 2005, and tribal casinos in the area also draw large crowds. In addition, some gaming establishments have found a loophole around the prohibition of gaming in Texas, leading to a small number of gaming establishments in El Paso drawing business away from nearby casinos in New Mexico.

**Ruidoso Downs Monthly Net Win**



Sources: TRD, LFC Files.

## ADMINISTRATIVE IMPLICATIONS

Administrative impacts on TRD will be minimal.

## CONFLICT

The Senate Finance Committee substitute for Senate Bill 536 conflicts with House Bill 484, which also amends Section 60-2E-47 NMSA 1978 to decrease the gaming excise tax rate on Ruidoso Downs from the current level of 26 percent to 10 percent.

## TECHNICAL ISSUES

Because the state operates on a modified accrual basis, gaming excise tax revenues distributed in July 2008 will accrue back to May 2008, resulting in the bill having a fiscal impact in the last two months of FY08. To avoid a FY08 fiscal impact, the bill could be amended to state that provisions of the bill are applicable to revenue earned on a modified accrual basis after June 30, 2008.