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FISCAL IMPACT REPORT

SPONSOR Griego, E. ORIGINAL DATE 02/08/11
LAST UPDATED _____ HB _____
SHORT TITLE Savings Promotion Raffles SB 270/a SCTC
ANALYST Graeser

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		NFI	NFI	NFI	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Gaming Control Board (GCB)

Attorney General's Office (AGO)

SUMMARY

Synopsis of SCTC Amendment

Senate Corporations and Transportation Committee's amendment to Senate Bill 270 reduces the scope of the authorization of savings raffles from State banks and credit unions to just credit unions. Federal credit unions are also included, since federal credit unions are allowed any program allowed for a state credit union.

Synopsis of Original Bill

Senate Bill 270 allows state banks and credit unions to sponsor and conduct savings promotion raffles. SB 270 excludes savings promotion raffles from the definition of gambling device or "bet". As long as each ticket has an equal chance of winning, the money deposited in the bank (over a certain minimum amount) would not be considered, "consideration." This is important because if total consideration exceeds \$75,000, the bank would have to notify the Gaming Control Board. Similarly, if the bank or credit union conducts more than four raffles a year, all the raffles would come under the provisions of the Gaming Control Act and would require that all raffles be permitted.

FISCAL IMPLICATIONS

Unless a bank conducted more than four savings raffles a year, it would not have to permit the

raffle or notify the GCB of the activity. If any bank exceeded that limit, then there would be a small fiscal impact on the GCB.

SIGNIFICANT ISSUES

The most significant issue for savings raffles is if such raffles were considered gaming or gambling by the Native American casinos. If the tribes who signed gaming compacts with the state considered savings raffles as gambling, then these tribes would probably seek arbitration to adjust the required revenue sharing percentage. The AGO's analysis did not address this problem, but this modest proposal could have major fiscal impacts on the state.

SB 70 seeks by definition in four places to consider these savings raffles as some other activity than "gambling." In section 1 of the bill, a savings promotion raffle is excluded from the definition of "bet". Also in section 1 of the bill, a savings promotion raffle is excluded from the definition of a "gambling device." In section 1, the definition of "lottery" explicitly excludes savings promotion raffles. Finally, the new text in Section 2B and 3B of the bill contains the explanation, "Consideration shall not be deemed to have been given in a savings promotion raffle as long as each ticket has an equal chance of being drawn."

Ultimately, however, extending gaming, gambling or raffles outside the strict limits of the gaming compacts may have consequences.

The bill allows the banks and credit unions to adjust fees or interest rates to partially (or fully) offset the cost of cash prizes. However, these savings promotions would probably be accompanied by "teaser rates" (higher interest rates than normal) in addition to the cash prizes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 229 authorizes the savings promotion lotteries, but does not add the exclusion for "bet" and "Gambling device," although SB 229 does retain the language contained in this bill "deeming" that consideration has not been paid when a customer makes a minimum deposit.

OTHER SUBSTANTIVE ISSUES

The banks could set a very high minimum deposit required to qualify for a ticket in the raffle – say \$10,000 dollars. The prize could be – say \$100,000. The language that declares such a raffle to be "not gambling" for the purpose of notification to the GCB or for the purpose of violating the gaming compacts might not protect the state's interests. As noted above, the Indian tribes and casino interests are effectively sovereign and can sue in state or tribal courts for violation of the compacts or seek arbitration to decrease the required revenue sharing rates based on this proposed breach of the terms of the compacts.

ALTERNATIVES

It might be preferable to set statutory limits on the largest value of any prize offered in a raffle (less than \$75,000 – the value in the Gaming Control Act – required for notification to the GCB) and the largest minimum deposit value (say \$100, or \$1,000) acceptable to have the deposit qualify for a ticket in the savings raffle.

POSSIBLE QUESTIONS

Will the Indian casino and tribal interests accept these savings deposit raffles as not being gambling within the meaning of the gaming compacts? If these interests oppose the savings deposit raffles, would setting limits on the solicited deposits render the proposal acceptable?

LG/bym:mew