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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/06/16  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_

**SPONSOR** Sanchez, M

**SHORT TITLE** Extend Liquor Fund to Lottery Fund Date **SB** 212

**ANALYST** Keyes

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18	FY19	FY20		
		\$18,400.0	\$18,600.0		Nonrecurring	Lottery Tuition Fund
		(\$18,400.0)	(\$18,600.0)		Nonrecurring	General Fund

Parenthesis ( ) indicate revenue decreases

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$0.0	\$14.0	\$0.0	\$14.0	Nonrecurring	Taxation and Revenue Department

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Higher Education Department (HED)

### SUMMARY

Section 7-1-6.40 NMSA 1978 currently authorizes a distribution of 39 percent of the revenue attributable to the liquor excise tax to the Lottery Tuition Fund for periods between July 1, 2015 through June 30, 2017. SB-212 would extend the sunset of this distribution to June 30, 2019.

There is no effective date specified. It is assumed that the new effective date is 90 days after this session ends.

## **FISCAL IMPLICATIONS**

SB212 will affect the Lottery Tuition Fund. An estimated \$18 million liquor excise tax revenue will be distributed to the fund in FY18 and FY19. TRD used the January 2016 consensus revenue estimate to determine the impact to the General Fund and the Lottery Tuition Fund. As proposed in the bill, 39 percent of the liquor excise tax is extended to FY18 and FY19.

## **SIGNIFICANT ISSUES**

The purpose of the Legislative Lottery Success Scholarship is to provide tuition assistance for qualified students pursuant to the Legislative Lottery Tuition Scholarship Act. A portion of proceeds from lottery ticket sales are deposited in the Lottery Tuition Fund to support the scholarship. Since 2009, the cost of tuition scholarships has outpaced revenues from ticket sales; consequently the year-end fund balance of the Lottery Tuition fund has declined significantly in recent years.

For FY16 and FY17, SB347 (Laws 2014) directs a portion of liquor excise tax revenue to the Lottery Tuition Fund, estimated at \$18 million per year. HED has stated that the fund will still not be able to support full tuition in FY16 and beyond. Moreover, SB347 directed HED to maintain a \$2 million average annual fund balance in the Lottery Tuition Fund. Based on available revenue, the HED Cabinet Secretary set tuition support at 90 percent of the sector average for FY16.

At current revenue levels and tuition rates HED estimates that the Lottery Tuition Fund can support approximately 90 percent of sector average tuition in FY17. With the scheduled sunset of liquor excise tax revenue in FY18, HED estimates that tuition support will be reduced to about 60 percent of sector average in FY18. The Percentage of tuition support will also be affected by lottery ticket proceeds, enrollment changes, and possible tuition increases.

SB212 extends the sunset date of liquor excise revenue into the Lottery Tuition Fund to the end of FY19. Tuition support will remain at about 85-90 percent of sector averages if tuition rates and enrollment changes remain at current levels.

## **ADMINISTRATIVE IMPLICATIONS**

TRD has noted the impact of this bill is estimated to be low (200 hours and \$14,000). SB212 requires configuration changes by TRD to revenue distribution tables. No impact to revenue processing functions. A distribution that currently is in effect will continue through June 30, 2019. This bill has low impact on financial distribution business processes. GenTax and the Financial Distributions Bureau (FDB) are impacted. Programming changes will be required to the GenTax system to modify for the extended distribution date. FDB staff will need to verify GenTax system changes by performing selected tests of data, functionality and reporting, prior to authorizing GenTax to move changes into production. Programming and testing would need to be completed by FDB. TRD estimates the time impact on FDB to be 8 hours or less.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to SB79 (Forfeited Lottery Prizes to Scholarship Fund), SB180 (Lottery Authority Procurement Revenue), and SB230 (Liquor Tax Distribution to Lottery).

**ALTERNATIVES**

The Cabinet Secretary of HED could reduce the tuition support level in FY17, withholding revenue received in FY17 for expenditure in FY18. This would soften the impact to students by distributing the tuition support reduction across two or more fiscal years.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Liquor excise tax revenue to the Lottery Tuition Fund will sunset at the end of FY17. FY18 tuition support will be reduced by approximately 30%.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate