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FISCAL IMPACT REPORT

SPONSOR:	Chavez	DATE TYPED:	02/07/00	HB	HJM 2
SHORT TITLE:	Methods to Increase Net Lottery Receipts			SB	
				ANALYST:	Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
		No Fiscal Impact			

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
		No Fiscal Impact		

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 19, HB 53, HB 254, SB 114, SB 157, SB 253, HJM 9

SOURCES OF INFORMATION

LFC Files

New Mexico Lottery

Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

This bill requests New Mexico Lottery Authority Board to review current operations and innovate methods to increase net receipts.

Significant Issues

Based on current projections of net revenues, CHE expects to reduce the amount of each tuition scholarship to possibly 70 to 80 percent of tuition in future years. This reduction is necessary because FY01 net revenue is projected to be less than scholarship expenditures and balances are declining.

The attached excerpts from the CHE bill analysis provides data on the lottery success scholarship program and potential funding alternatives.

SRI Consulting completed a performance review and audit of the New Mexico Lottery in 1999. Some of the conclusions noted fall into the categories identified in House Joint Memorial 2:

Marketing and New Games

- No silver bullets exist to achieve significant sales increases; several marketing strategies must be executed
- Must develop well-defined and realistic game plans and strategies
- Needs New Mexico demographic and lottery-focused research
- Finalize a game to replace MetaMatch
- Using the marketing support of vendors, the Lottery needs to develop an effective game selection process including themes, play styles, price points, ticket size, graphics, etc.

Decreasing Overhead

- Lottery staffing level is slightly above average for similar lotteries
- Current staff size can support a much higher sales level for lottery operations
- Advertising fees are high compared to those for similar lotteries
- There are no obvious excessive expenditures and charge items
- External audit fee for drawings is considered high compared to other lotteries
- Sales commission to Gtech, the on-line vendor, is the highest in the industry, yet Gtech is unwilling to renegotiate its contract

Overall performance of the lottery was deemed to be satisfactory.

FISCAL IMPLICATIONS

None.

OTHER SUBSTANTIVE ISSUES

New Mexico Lottery indicates this "particular joint memorial is a duplication of existing law".

AW/gm

Attachment