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FISCAL IMPACT REPORT

SPONSOR:	McKibben	DATE TYPED:	02/14/00	HB	
SHORT TITLE:	Provisions for Gaming At Horse Tracks			SB	312/aSFC/SFI#1
				ANALYST:	Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01*			
	\$ 18,000.0		Recurring	General Fund
	\$ (15,000.0)		Recurring	General Fund
	\$ 14,000.0		Recurring	Horsemen Purses

**SFC amendment creates uncertainty regarding the extent to which these receipts would come in in FY01.*

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 100, SB 264

SOURCES OF INFORMATION

LFC Files

Racing Commission

Gaming Control Board

SUMMARY

Synopsis of SFI#1 Amendment

The amendment would allow racetracks to conduct 36 races per week as opposed to at least 9 races per day four days per week. The amendment would also allow the Downs at Albuquerque racetrack to stay open like all other racetrack casinos.

Synopsis of SFC Amendment

The Senate Finance Committee amendment makes the effective date of the bill the date of the licensing of a horse racetrack in Lea or Colfax counties, whichever is earlier.

Synopsis of Original Bill

This bill would eliminate the limitation of 300 gaming machines at approved racetracks in the state, thus allowing racetrack casinos to expand gaming to include all types and unlimited number of games. The bill removes the limitation for playing gaming machines on days when there is live racing or simulcasting horse race meets and removes the hour limitations for gaming machine activity at racetracks, except for Albuquerque Downs Racetrack and Casino.

Significant Issues

Gaming Control Board notes "any expansion of gaming of this type arguably voids tribal obligations to make

revenue sharing payments under current revenue-sharing agreements as well as versions of compacts currently under negotiation."

FISCAL IMPLICATIONS

Senate Floor Amendment

The amendment appears to be minor changes to the number of race days allowed per week that must be run for a racetrack casino to remain open. Currently, racetracks must run at least 9 races per day, four days per week. The amendment would allow for at least 36 races per week.

Allowing the Downs at Albuquerque to operate without hour restrictions would ultimately increase the revenues generated from the casino. The general magnitude of revenue suggested in the original analysis would remain about the same.

The SFC amendment would have two general effects:

1. The opening of at least one new racetrack becomes more explicit. There would be three notable types of revenue from a new track:

- Gaming tax on gaming machines: There is considerable uncertainty on the magnitude of this amount, and the original estimate included an additional \$18,000.0 in General Fund recurring revenue for the bill. This revenue would not come in to the general fund until the facilities are open and on-line; see discussion below.
- Parimutuel tax revenue to the General Fund: The general fund increase from parimutuel tax would be approximately \$30.0 per track. This revenue would not come in to the general fund until the facilities are open and horse racing begins.
- Horsemen's purses: There is considerable uncertainty on the magnitude of this amount, and the original estimate included an additional \$14,000.0 in recurring revenue for the bill. This revenue would not come in until the facilities are open and horse racing begins.

2. There is uncertainty as to when existing racetracks would be able to expand their gaming activities as a result of the effective date contingency. As a result, it is not clear whether all of the \$18,000.0 estimated additional general fund revenue would be realized in FY01. Both Raton and Hobbs have license applications on file with the Racing Commission. However, to obtain the license, the owner/operators must show financial responsibility, and there must be background checks. More importantly, it is not clear whether the Racing Commission would grant the license until the facilities are ready. In the case of Raton, the aging infrastructure would need a substantial amount of capital investment, while it appears there is not a facility in the Hobbs

area, and that operation would require new construction. If the Racing Commission does not issue the license until the facilities are ready to open, then there may be a delay in the opening up of the racing industry as a whole to additional gaming.

Before the new racetracks could offer casino-style gaming, they would also have to have a license from the Gaming Control Board. GCB would not issue the license until the Racing Commission issues its license. Thus, the timing of gaming-related revenues at the new tracks would be contingent on these processes.

Effects of Original Bill:

Racing Commission estimates the expansion could double the approximately \$18,000.0 per year in recurring General Fund revenue generated by machine gaming at the racetracks, while the Gaming Control Board estimates additional recurring General Fund revenue of \$19,000.0 per year. An estimated additional \$14,000.0 per year would be added to horsemen purses.

Revenue would be generated from the 25% tax on net win as well as a non-recurring revenue increase from the 10% tax on new machines.

Gaming Control notes the loss of revenue sharing payments from Native American operations (see significant issues above). The current General Fund revenue estimate includes \$15,000.0 in recurring revenue for the state's portion of revenue sharing from these operations.

Racing Commission also notes there could be an increase in the number of racetracks resulting from the expansion of gaming.

ADMINISTRATIVE IMPLICATIONS

SFC Amendment:

Racing Commission notes an additional estimated administrative cost as a result of the Senate Finance Committee amendment. Assuming two 30-day race meets, the Racing Commission notes an additional FTE requirement of 1.18 and total estimated additional expenses of \$248.0.

Original Bill:

Racing Commission notes its expenses would increase as a result of properly regulating expanded horse racing the additional gaming would produce. Gaming Control Board estimates additional costs of approximately \$500.0 for new applications and regulation of full racetrack casinos.

OTHER SUBSTANTIVE ISSUES

Gaming Control Board notes the broad definition of "gaming activity" and "game" in the Gaming Control Act could result in this bill being interpreted as permitting full casino operations by licensed veteran and fraternal organizations.

Gaming Control Board notes the possibility of a constitutional challenge on the grounds that this bill fails to establish sufficient standards in several areas, including the type of gaming that may be conducted by racetrack gaming operators, regulatory authority of the Board and limitations on permissible gaming.

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