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## FISCAL IMPACT REPORT

SPONSOR: Fuller DATE TYPED: 02/04/01 HB 56  
 SHORT TITLE: Gaming Revenue to Lottery Tuition Fund SB \_\_\_\_\_  
 ANALYST: Fernandez

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (5,000.0)	\$ (5,000.0)	Recurring	General Fund
	\$ 5,000.0	\$ 5,000.0	Recurring	Lottery Tuition Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to Related to HB22, HB28 and SB59

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)  
 NM Lottery Authority  
 Commission on Higher Education (CHE) - did not submit response  
 LFC files

### SUMMARY

#### Synopsis of Bill

House Bill 56 redirects 20 percent of the gaming tax from the general fund to the Lottery Tuition Fund. The bill also increases the grade point average (GPA) that a student must have in order to initially qualify for funds from a 2.5 GPA to a 3.0 GPA. Students must also maintain a 3.0 grade point average in order to continue to receive funds. The bill also requires that to qualify as a full-time student, the student must be enrolled in at least fifteen credit hours per semester.

#### Significant Issues

Recently, the Lottery Oversight Committee (LOC) requested the CHE to provide information regarding how many students would lose lottery scholarship eligibility if students were required to meet a higher minimum cumulative GPA during their fourth semester. The CHE should be able to provide results of this request which included a scenario that increased the GPA to 3.0.

**FISCAL IMPLICATIONS**

Projections from CHE indicate that if no changes to the program or current statute are made, the program will run short of the funding needed to provide 100-percent tuition scholarships to students in FY03. The projections are based on an assumption of 9 percent tuition increases at universities and 5 percent at community colleges.

It is difficult to determine the impact of these changes to the Lottery Tuition Scholarship program since it is not know how many students would no longer be eligible due to the increased GPA requirement and the change from twelve hours to fifteen hours per semester in order to qualify as a full-time student.

According to the LFC general fund estimate for FY02, 20 percent of \$24.5 million dedicated to gaming tax is \$5 million. This would be the loss to the general fund and a gain to the lottery tuition fund.

According to TRD, since the bill lacks an effective date for Section 2, it is unknown what the effect would be in FY01. It is possible that it be one or two months of revenue at \$400.0 per month and may affect two months in FY01.

**CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP**

This bill relates to HB22, HB28 and SB59.

**TECHNICAL ISSUES**

TRD indicates the bill should include an effective date of either July 1, 2001 (affecting June, 2001 revenue ) or August 1, 2001 (affecting July, 2001 revenue.)

**OTHER SUBSTANTIVE ISSUES**

TRD indicates that the gaming tax imposes a 10 percent tax on the gross receipts of manufacturer or distributor licensees from the sale, lease or transfer of gaming devices, and a 25 percent tax on the net take of gaming operator licensees. The tax is in lieu of taxation under the Gross Receipts Tax.

In addition, gaming operators at racetracks must spend 20 percent of net take on race purses and at least .25 percent of net take on support for treatment of compulsive gamblers.

CTF/njw