

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

**SPONSOR** Gutierrez      **DATE TYPED** 02/15/05      **HB** 911

**SHORT TITLE** Racetrack & Gaming Revenue For Scholarships      **SB** \_\_\_\_\_

**ANALYST** Padilla-Jackson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$3,500.0			Recurring	Commission on Higher Education

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$3,500.0	Similar	Recurring	Graduate Student Scholarship Fund
	(\$3,500.0)	Similar	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Gaming Control Board (GCB)

### SUMMARY

#### Synopsis of Bill

House Bill 911 creates the “graduate student scholarship fund”, to be administered and distributed by the commission on higher education (CHE) to public post-secondary educational institutions with graduate schools for the purpose of providing scholarships to New Mexico residents pursuing advanced degrees. The CHE would be responsible for developing guidelines, proce-

dures and qualifications for the scholarships. The investment return earnings would remain in the fund as well as any unexpended and unencumbered balances.

The bill creates a distribution to the graduate student scholarship fund in the amount of one third of the net receipts attributable to the gaming tax paid by those gaming operator licensees that are racetracks and located in a class B county with a population of greater than 50 thousand and less than 80 thousand and with a net taxable value for property tax purposes of greater than \$1 billion. Applicable tax receipts include:

- A. The daily tax imposed by Section 60-1-8;
- B. One fourth percent of the gross amount wagered on win, place and show and received as commission by a class A licensee;
- C. The tax on gross amount wagered imposed by Section 60-1-15k, after deducting the offsets, transfers and appropriations provided in that section; and
- D. The additional daily license fee imposed by Section 60-1-15.3.

The effective date of this bill is July 1, 2005.

### **FISCAL IMPLICATIONS**

The total fiscal impact, based on TRD's estimate, is -\$3.5 million to the general fund and \$3.5 million to the graduate student scholarship fund. TRD's estimate is based on projected revenue from the Zia Park racetrack in Hobbs. This fiscal impact estimate implies a total gaming tax revenue collected from the Zia Park of approximately \$10.5 million. TRD cautions that the projection is uncertain because the racetrack has only been operating for a few months.

The appropriation of \$3.5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of the fiscal year would not revert to the general fund. This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

### **ADMINISTRATIVE IMPLICATIONS**

No significant impact to TRD.

**OPJ/lg**