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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/19
LAST UPDATED 2/15/19

SPONSOR SCORC HB _____

SHORT TITLE Allow Pull Tab Games Under Bingo License SB 177/SCORCS/aSJC/ec

ANALYST Chabot

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	\$10.0-\$25.0	\$20.0-\$50.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$261.8	\$261,8	\$523.6	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Gaming Control Board (GCB)

SUMMARY

Synopsis of the Senate Judiciary Committee amendment

Senate Judiciary Committee amendment to Senate Corporations and Transportation Committee Substitute for Senate Bill 177 changes reference from a 503(c)(3) corporation to 503(c)(3) organization throughout the bill. Also added is new material stating nothing in the bill authorizes veteran's, fraternal or 501(c)(3) organizations to engage in class III gaming activities.

Synopsis of Original Bill

Senate Corporations and Transportation Committee substitute for Senate Bill 177 amends Section 60-2F-15 NMSA 1978 to limit sale of pull tab games to veterans' and fraternal organizations or a 501 (c)(3) corporation having a valid bingo license These organizations must

not be conducting a bingo occasion. A 501 (c)(3) is defined in the bill. The premises where any game of chance is conducted shall be open for inspection by GCB, its agents and police officers of the state or political subdivision. The owner or co-owner of the premises including a corporation owning 10 percent of the outstanding stock may not be designated as a bingo manager or game accountant.

GCB adds the following:

The proposed legislation significantly expands the scope of the Bingo and Raffle Act by allowing the sale of pull-tabs on a 24 hour/7day a week basis. (The Act currently places a cap on bingo occasions and thus pull-tab sales to 6 days per week and no more than 12 hours per day.) The initial bill applied only to fraternal and veterans' organization, but the substitute expands it further to include any 501(C)(3). The proposed legislation would not permit current bingo licensees such as church organizations, educational organizations or amateur sports organizations to conduct pull-tab only sales. However, it would expand the Act to permit 501(C)(3) organizations that have been in existence for less than two years to immediately begin pull-tab only sales. The proposed legislation also removes the regulatory requirement of having a licensed manager overseeing the activity, including the payout of money won by patrons. (The Act currently defines a "qualified organization" as a bona fide chartered branch, lodge or chapter of a national or state organization or any bona fide religious, charitable, environmental, fraternal, educational or veterans' organization operating without profit to its members, that has been in existence in New Mexico continuously for a period of at least two years.)

The committee substitute has an emergency clause.

FISCAL IMPLICATIONS

The Gaming Control Board anticipates that allowing veterans, fraternal and 501(C)(3) organizations to conduct standalone pull-tab activities will result in an increase to the general fund of approximately \$20 thousand to \$50 thousand annually based on taxes paid by the organizations. However, the increased workload associated with licensing, auditing and enforcement of the new pull-tab only licensees will require an estimated four new full time employees at a cost of \$261.8 for salary and benefits.

SIGNIFICANT ISSUES

According to GCB, the proposed legislation would expand the Class II gaming activity and would permit the operation of Class II video pull tab-dispensers, without limitation to the number of machines, on a 24 hour/7 day a week basis. This would be the most expansive type of gaming activity in the state in that the five racetrack casinos are limited to operating a fixed number of machines for up to 18 hours per day and only to individuals aged 21 or over. Bingo activity is limited to 6 days per week and only up to 12 hours per day. Currently all gaming activities regulated by the Board require that an individual who has been subjected to a background check and issued a license or permit by the Board be present during the gaming activity, though the proposed legislation does not require that for standalone pull-tab activities. Because charitable bingo has typically been viewed as a social or family activity, the Act contains no age limitation for participants. However, the proposed legislation calls for the sale of pull-tabs, using pull-tab machines, that results in the treatment of the activity in a manner that

is similar to the sale of lottery tickets from dispensers. It should be noted that the New Mexico Lottery Act prohibits the sale of lottery tickets to individuals under the age of 18. As written, the bill would allow for the sale of pull-tabs from dispensers outside of a bingo occasion with no age restriction.

GCB is concerned that because of the Emergency Clause, the Board would not have time to enact rules to properly regulate this activity and to ensure the proper handling of cash related to the deposit and accounting of gaming revenue to prevent theft and abuse.

ADMINISTRATIVE IMPLICATIONS

GCB assesses the proposed legislation will result in an increase in applications to the Gaming Control Board for groups seeking bingo licenses as well as an associated increase in auditing, compliance and enforcement requirements of the agency. The proposed legislation will likely increase both the number of bingo licenses and the locations where the activity takes place inasmuch as there is no restriction on the operation of commercial pull-tab establishments by the bingo licensees. The agency will likely need additional enforcement, audit and licensing staff to be able to absorb the increased workload. Given the Emergency Clause, the Board would not be permitted time to enact rules to properly regulate this activity and to ensure the proper handling of cash related to the deposit and accounting of gaming revenue to prevent theft and abuse.

TECHNICAL ISSUES

In order to give GCB sufficient time to formulate rules and policies for the new legislation, it recommends eliminating the emergency clause.

OTHER SUBSTANTIVE ISSUES

GCB is concerned the proposed legislation requires that the premises where the pull-tab machines are operated be open to inspection at all times by the Board. However, when a bingo licensee places pull-tab dispensers in a commercial bingo hall, the licensee frequently does not have the ability to open or close the building to provide access. Given, the definition of premises in the Act, a bingo licensee could lease space in a grocery store, convenience store, video arcade or other business that is operated by a third-party who controls access to the structure.

GAC/sb/gb/al