

## **BILL ANALYSIS**

C.S.S.B. 270  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The Sunset Advisory Commission regularly assesses the continuing need for a state agency to exist or whether the agency's functions continue to be needed. Agencies subject to Sunset review typically undergo review every 12 years. The review provides an opportunity for the legislature to make changes to an agency's operations if needed. The Texas Lottery Commission is scheduled to be abolished September 1, 2003, unless continued in existence by the legislature. C.S.S.B. 270 continues the commission until September 1, 2015, and modifies provisions relating to the commission and the operation of the lottery and bingo.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Lottery Commission in SECTIONS 5, 7, 10, 15, 17, 33, 36, 39, 45, 53, 55, 63, 64, 67, 70, 73, 74, 76, and 78 and to the comptroller of public accounts in SECTION 14 of this bill.

### **ANALYSIS**

C.S.S.B. 270 continues the Texas Lottery Commission (commission) until September 1, 2015, and sets forth standard Sunset Advisory Commission recommendations regarding conflicts of interest, commission member training, equal employment, commission member removal, standards of conduct, separation of responsibilities, the state employee incentive program, public participation, and complaints.

The bill authorizes the comptroller to assess a penalty against a person who exhibits, displays, or provides to another a prohibited gaming machine and allocates money from the state lottery account to the comptroller for enforcement and to the criminal justice division of the governor's office to provide grants to assist local governments in the prosecution of offenses involving gambling devices. The bill also allocates money to the comptroller to provide grants to state residents to pay the costs of attending specified educational institutions.

The bill authorizes the commission to purchase or lease facilities, goods, and services and make any contracts necessary for carrying out the state lottery. The commission may delegate to the executive director of the commission (executive director) the authority to approve procurements other than major procurements. The bill provides that a contract between the lottery division and a lottery operator must contain a provision allowing the contract to be terminated without penalty if the division is abolished. The bill authorizes the commission to make available for sale lottery promotional merchandise to market and promote ticket sales, requires the commission to adopt rules regarding the sales, and requires proceeds from the sales to be deposited in the general revenue fund. The bill authorizes a licensed commercial lessor to advertise bingo.

The bill requires the commission to develop a comprehensive business plan to guide the commission's major initiatives and to review the plan at least annually to assess the performance and value of each commission program and project. The bill also requires the commission to develop and implement a policy requiring

the executive director and commission employees to research and propose technological solutions to improve the commission's ability to perform its functions, including ensuring the public's ability to access commission information and services. The bill sets forth provisions regarding acquisition and use of intellectual property and exempts the property from public disclosure. The bill requires the commission to reasonably support the efforts of licensed authorized organizations to develop and offer new bingo games and related technology. The bill requires the commission to develop and implement a policy to encourage the use of negotiated rulemaking and alternative dispute resolution. The bill requires the bingo advisory committee annually to develop a work plan detailing the committee's objectives and issues to be addressed and to perform a review at the end of each year.

In making a determination whether to renew a state lottery sales agent license or a bingo license, the bill requires the commission to consider the compliance history of a license holder. The bill sets forth provisions regarding an opportunity for a hearing and provides for the expiration of licenses on various dates and the proration of license fees. The bill requires the commission to determine if a bingo license holder is in compliance with the Bingo Enabling Act or rules adopted under that Act. The bill sets forth provisions regarding qualifications for and renewal of a bingo license and standards of conduct for a license holder. The bill provides for an administrative penalty schedule for violations of the Bingo Enabling Act or rules adopted under that Act.

The bill requires a person claiming a lottery prize to disclose the person's name and social security number or employer identification number, however, personal information collected is exempt from public disclosure, except a person's name. A legal entity claiming a prize shall disclose all legal and beneficial interests to the commission.

The bill authorizes the commission to adopt rules and enter into a written agreement with appropriate officials for the participation in a multijurisdiction lottery game. With certain exceptions, revenue received from the sale of multijurisdiction lottery tickets is to be deposited in the state lottery account. The bill provides for the payment of prizes and sharing of costs.

The bill requires the commission to employ a bingo operations director to supervise all bingo games who is authorized to contract with persons to assist in the administration and regulation of bingo. The bill provides for the commission, executive director, and bingo operations director to employ personnel to perform the duties of the commission. The bill sets forth procedures authorizing a person to request from the director of bingo operations an advisory opinion regarding compliance with the Bingo Enabling Act and related commission rules.

The bill modifies the eligibility of authorized organizations for a bingo license to provide that an organization is eligible for a license if the organization has been in existence for the time required by commission rule. The bill authorizes the commission to issue a commercial lessor license to a person who leases premises on which bingo is conducted to not more than seven licensed authorized organizations. The bill modifies the times at which licensed authorized organizations may conduct bingo.

To obtain a license or to renew a license effective for two years, an applicant for a license to conduct bingo or a commercial lessor license may pay twice the annual license fee plus \$25. A manufacturer or distributor of bingo equipment or supplies may obtain a two-year license by paying two times the annual license amount plus \$1,000. The bill sets forth procedures for the suspension and denial of a sales agent's license and for licenses issued under the Bingo Enabling Act, including provisions for notice and hearing for summary suspensions of licenses. The bill sets forth provisions regarding the liability of officers, directors, or owners of a sales agent.

The bill sets forth provisions regarding amending the license of a sales agent to change the location of a sales agency. The bill modifies provisions regarding the locations at which lottery tickets may be sold, licensed authorized organizations may conduct bingo, and commercial lessors may be licensed. The bill provides that the commission has oversight, including the authority to conduct audits, inspections, and investigations, of a game of chance or related equipment in certain locations.

The bill provides that a licensed authorized organization and a licensed commercial lessor may file a joint application to change a bingo location or bingo game times. The bill prohibits an individual from participating in bingo without holding an authorized organization employee license. The bill includes provisions relating to fees; license renewal, denial, suspension, and revocation; and other record keeping provisions. The bill authorizes two or more licensed authorized organizations conducting bingo at the same premises to jointly hire bingo employees and specifies other employment provisions.

The bill authorizes two or more licensed authorized organizations to share revenues, expense, and inventory related to bingo by executing a unit accounting agreement. More than one unit may be formed at a single location. The bill specifies how the organizations are to interact under the agreement. The bill requires a unit to establish one checking account, maintain one inventory of bingo supplies and equipment, and maintain an interest-bearing savings account. The bill provides for deposit and disbursement of funds. The bill specifies the duties of a unit manager, including filing a quarterly report with the commission and paying taxes and fees and maintaining the bingo inventory and financial records of the unit. The bill provides for a unit manager license and license eligibility. The bill sets forth provisions for a unit that does not utilize a unit manager and specifies the duties of a designated agent for the unit. The bill specifies responsibilities of licensed authorized organizations that are members of units, provisions relating to trust agreements, and commission authority over these provisions.

The bill requires the commission to adopt rules to allow a licensed authorized organization to retain a maximum amount of net proceeds as operating capital in the organization's bingo account. The net proceeds retained may not exceed an amount established by commission rule. The bill sets forth provisions for the sanctioning of licensed authorized organizations. The bill sets forth provisions regarding temporary bingo licenses and the suspension of such licenses.

The bill authorizes licensed authorized organizations to deposit funds collected through a debit card transaction in the bingo fund within 72 hours. The bill expands the list of expenses reasonable or necessary to conduct bingo. The bill provides that a person conducting certain bingo activities, including bingo at employee picnics and family reunions under certain circumstances, does not commit an offense. The bill increases bingo offenses and specifies venue for prosecution. The bill sets forth provisions for the issuance of subpoenas and related procedures.

The bill requires the commission to adopt rules and procedures by specified deadlines. The bill sets forth transition provisions for the implementation of the Act.

#### **EFFECTIVE DATE**

On passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

#### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

C.S.S.B. 270 differs from the engrossed version by adding provisions relating to personal information exempt from public disclosure, assessment of penalties and prosecution of gambling offenses, the sale of lottery promotional merchandise, procedures for changing license locations, circumstances under which licenses are denied, locations at which lottery tickets are sold, suspension of licenses, notification requirements, and a multijurisdiction lottery game. The bill also allocates money to the comptroller to provide grants to state residents to pay the costs of attending specified educational institutions. The bill maintains the current number of commissioners. The bill requires the employment of a director of bingo operations and specifies duties. The bill provides for the employment of additional personnel to accomplish the purposes of the commission and specifies conditions on employment.

The bill adds provisions relating to intellectual property. The bill modifies the times and locations of bingo activities. The bill modifies provisions relating to advisory opinions. The bill sets forth provisions relating to authorized organization employee licenses. The bill modifies provisions relating to commercial lessor

licenses. The bill provides for summary suspension of bingo licenses. The bill provides the commission oversight of a game of chance at certain locations. The bill modifies provisions relating to a licensed authorized organization's bingo account and expenses. The bill provides that a person does not commit an offense for conducting certain bingo activities. The bill increases bingo offenses and specifies venue. The bill adds provisions relating to subpoenas and related procedures. The bill modifies deadlines for adopting rules and changes the effective date.