

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 28, 2003

**TO:** Honorable Kino Flores, Chair, House Committee on Licensing & Administrative Procedures

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1407** by Hupp (relating to the exhibition and regulation of amusement redemption machines by certain nonprofit organizations and others where approved by local option. ),  
**Committee Report 1st House, Substituted**

The Comptroller's office cannot estimate the number of amusement redemption machines that would be included in the parameters of the bill, but there would be a positive revenue gain from the tax and fees imposed.

The bill would add a new subchapter to Chapter 2153 of the Occupation Code, relating to the exhibition of amusement redemption machines.

The bill would allow two types of entities to exhibit amusement redemption machines: those holding a license to conduct bingo, and other entities that would qualify under the criteria in the bill. Entities licensed in the latter group could exhibit no more than five amusement redemption machines for play at one time on their premises.

As an illustrative example from the Comptroller's office, if there were 40,000 amusement redemption machines and all localities were to approve the exhibition of the machines, this bill's annual revenue potential could be \$35 million to general revenue related funds, with \$25 million of that total attributable to the \$500 per machine annual registration fee and the \$10,000 annual licensing fee.

The Comptroller would adopt rules for regulating the exhibition, display, operation, promotion, and use of amusement redemption machines. A machine would have to be certified by the Comptroller as an amusement redemption machine. The Comptroller would set the certification standards to facilitate the auditing and accountability of amusement redemption machines. Each amusement redemption machine would be registered with the Comptroller, and the owner would obtain a separate license to exhibit amusement redemption machines.

A tax would also be imposed on each cash prize or cash-equivalent prize awarded from play of a coin-operated amusement redemption machine. The tax rate would be 6.25 percent of the prize.

An election would have to be held in a political subdivision, with approval by a majority voter for amusement redemption machines to be exhibited in the subdivision. An amusement redemption machine could not be exhibited to a user younger than 18 years of age.

An amusement redemption machine exhibited to users would be subject to a \$500 registration fee per year. In addition to the license fees required for operating coin-operated amusement machines, an owner who owned one or more amusement redemption machines would pay an annual \$10,000 licensing fee.

The bill would exclude machines that award the user noncash merchandise prizes, toys, or novelties solely and directly from the machine, including claw, crane, or similar machines, or from which the opportunity to receive non-cash merchandise prizes, toys, or novelties, or a representation of value redeemable for those items, varied depending upon the user's skill.

The bill would amend various sections in Chapter 47 of the Penal Code, relating to the defense of prosecution for gambling offenses.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, except as follows, it would take effect September 1, 2003. Section 2 of the bill, concerning amendments to Section 47.01(4) of the Penal Code, would take effect on September 1, 2005.

**Local Government Impact**

If the governing body of a county, justice precinct, or municipality is petitioned by the voters and the county clerk verifies the petition, the governing body shall order an election regarding authorizing amusement redemption machines. The governing body may also call an election for this purpose on its own motion. An election ordered shall be held on the next uniform election day that occurs not earlier than the 45th day after the date the petition is certified. Notice must be sent to the Comptroller of Public Accounts that an election has been ordered.

Verification of a petition and notifying the Comptroller would have an insignificant fiscal impact. Because an election would be held on a uniform election day, the only additional costs would be for adding the issue to the ballot, which would also be insignificant.

There may also be a decline in bingo prize fee allocations to the local jurisdiction. The amount would vary by jurisdiction.

No significant fiscal impact to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 362 Texas Lottery Commission, 466 Office of Consumer Credit Commissioner  
**LBB Staff:** JK, JRO, WP, SD, DLBa