

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 9, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB1138 by Flores (relating to the operation and regulation of charitable bingo.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1138, Committee Report 1st House, Substituted: a positive impact of \$404,000 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$186,000
2007	\$218,000
2008	\$214,000
2009	\$211,000
2010	\$210,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2006	\$186,000
2007	\$218,000
2008	\$214,000
2009	\$211,000
2010	\$210,000

Fiscal Analysis

The bill would amend various sections in Chapter 2001 of the Occupations Code, relating to the operation and regulation of charitable bingo.

The bill would simplify reporting and licensing procedures, change the manner in which gross receipts and net receipts are calculated and reported, and cap the amount of money that bingo operators could hold in their operating accounts. The bill would no longer require bingo organizations to collect a 5 percent prize fee from players winning \$5 or less on individual pull-tab tickets, but it would require organizations to submit a five percent prize fee on all prizes awarded. The bill would allow pull-tab tickets sold by automatic dispensers to exceed the current price cap of \$1.

The bill would allow operators to retain operating capital in an amount equal to their average quarterly

expenses, or \$50,000, whichever was less, before transferring the money to charity. The bill would increase the charity requirement of net proceeds from "not less than 35 percent" to "all of the organization's net proceeds," excluding operating costs.

The bill would allow new employees to work for up to 14 days while background checks were conducted.

The bill would take effect October 1, 2005.

Methodology

Based on information provided by the Comptroller of Public Accounts, undistributed monies that operators hold in their bingo accounts statewide have been estimated at \$23 million to \$26 million. It is assumed capping the amount that may be held by organizations would speed up the transfer of funds to charities, but it would have no impact on state or local revenues.

Based on the analysis of the Comptroller of Public Accounts, there would be a small positive revenue impact from players no longer having to pay the 5 percent tax on winning pull-tab tickets of under \$5. Based on historical patterns relating the level of play to prize percentages, it is assumed requiring organizations to submit a prize fee out of their operating accounts on all such prizes awarded would have a positive impact on prize fee revenues.

Based on the analysis of the Comptroller of Public Accounts, it is assumed allowing pull-tabs sold in automatic ticket dispensers to exceed \$1 in cost and removing the delay for background checks on newly hired employees before allowing them to begin work would result in a small positive fiscal impact.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 362 Texas Lottery Commission

LBB Staff: JOB, JRO, MW, TG, SD