

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 24, 2007**

**TO:** Honorable Tom Craddick, Speaker of the House, House of Representatives

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

**IN RE: HB2265** by Haggerty (Relating to the award of prizes in, and the conduct of, a progressive bingo game.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2265, As Passed 2nd House: a positive impact of \$1,589,000 relating to the provisions of the entire bill, with the exception of the language regarding charitable bingo on certain Indian reservations.

As an illustrative example, the second table below reflects a possible positive impact of \$28,414,000 provided by the Comptroller of Public Accounts that could be realized to the State from charitable bingo operations on certain Indian reservations.

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

The table below addresses the entire bill, with the exception of the impact of authorizing charitable bingo by certain nonprofit organizations on the reservation of certain Indian tribes. The table below addresses the entire bill, with the exception of the impact of authorizing charitable bingo by certain nonprofit organizations on the reservation of certain Indian tribes.

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable Revenue Gain<br>from<br><i>GENERAL REVENUE<br/>FUND</i><br>1 | Probable Revenue Gain<br>from<br><i>Cities</i> | Probable Revenue Gain<br>from<br><i>Counties</i> |
|-------------|---|--|--|
| 2008        | \$749,000   | \$322,000                                      | \$347,000  |
| 2009        | \$840,000   | \$362,000                                      | \$389,000  |
| 2010        | \$886,000   | \$382,000                                      | \$411,000  |
| 2011        | \$932,000   | \$401,000                                      | \$432,000  |
| 2012        | \$975,000   | \$420,000                                      | \$452,000  |

The table below, which contains revenue estimates from the Comptroller of Public Accounts relating to impact of authorizing charitable bingo by certain nonprofit organizations on the reservation of certain Indian tribes, is for illustrative purposes only.

| Fiscal Year | Probable Revenue (Loss) from<br><i>FOUNDATION SCHOOL FUND</i><br>193 | Probable Revenue Gain from<br><i>GENERAL REVENUE FUND</i><br>1 |
|-------------|--|--|
| 2008        | (\$8,725,000)  | \$19,386,000   |
| 2009        | (\$14,420,000)   | \$32,173,000   |
| 2010        | (\$16,246,000)   | \$60,172,000   |
| 2011        | (\$17,098,000)   | \$62,090,000   |
| 2012        | (\$17,991,000)   | \$64,004,112   |

## **Fiscal Analysis**

The bill would amend the Occupations Code relating to the prizes awarded in a progressive bingo game by authorizing a person to offer or award on a single bingo occasion prizes for certain progressive bingo games with an aggregate value of more than a certain maximum amount. The bill would prohibit certain bingo games from having a value of more than \$2,500.

The Texas Lottery Commission (TLC) would be required to adopt rules necessary to implement the provisions of the bill. The bill requires TLC to prepare and submit a report relating to the provisions of the bill.

The bill would also authorize charitable bingo by certain nonprofit organizations on the reservation of certain Indian tribes. Organizations would be required to transfer 5 percent of the organization's adjusted gross receipts from bingo to the state on a monthly basis. TLC would be authorized to impose an administrative penalty, not to exceed \$1,000, against certain organizations that do not provide quarterly bingo revenue reports to the Comptroller of Public Accounts.

The bill would require TLC to adopt certain rules governing instant ticket games that require TLC to initiate procedures to close an instant lottery game after all top prizes in the game have been claimed or on an earlier date as determined by the executive director and prohibit the sale of instant lottery game tickets after the 46th day after the date TLC initiates procedures to close the game.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house or would otherwise take effect on September 1, 2007.

## **Methodology**

Based on the analysis of the Comptroller of Public Accounts (CPA), the bill would result in a revenue gain to the General Revenue Account of \$749,000 in fiscal year 2008; \$840,000 in fiscal year 2009; \$886,000 in fiscal year 2010; \$932,000 in fiscal year 2011; and \$975,000 in fiscal year 2012. The revenue gain identified by the CPA is based on the assumption that rolling jackpots and the increased maximum prize for progressive bingo games would increase total prize payouts and increase the number of bingo occasions around the state, thereby increasing the total amount prize fee revenue generated.

According to information provided by the CPA, the revenue implications of authorizing certain charitable bingo games, would be dependent upon the average play per gaming machine and per gaming table. Based on the analysis of the CPA, this analysis assumes that the bill would have a negative effect on current lottery and bingo revenues due to increased gaming competition in the state.

This analysis further assumes that Texas Indian tribes would enter into an agreement with the state in accordance with the terms of this bill in exchange for the right to conduct casino gaming. Given that the nature of such compacts cannot be known at this time, the fiscal impact table, which contains CPA revenue estimates, is for illustrative purposes only.

Based on the analysis of the CPA, the potential fiscal impact of closing certain instant ticket games cannot be determined, although this could have a positive impact on the sale of instant lottery tickets by allowing TLC to advertise that it would not sell instant tickets after it was determined that the top prizes for that game had all been claimed.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated. Impact to local jurisdictions is reflected in the table above.

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

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