

By: Menendez

H.B. No. 1724

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the authorization and regulation of casino and slot  
3 gaming in this state, the creation, powers, and duties of the Texas  
4 Gaming Commission, and the powers and duties of the Texas Racing  
5 Commission; providing penalties.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Title 13, Occupations Code, is amended by adding  
8 Subtitle A-1 to read as follows:

9 SUBTITLE A-1. CASINO, SLOT, AND OTHER GAMING REGULATED BY TEXAS

10 GAMING COMMISSION

11 CHAPTER 2021. GENERAL PROVISIONS; TEXAS GAMING COMMISSION

12 SUBCHAPTER A. GENERAL PROVISIONS

13 Sec. 2021.001. DEFINITIONS. In this subtitle:

14 (1) "Affiliate" means a person who, directly or  
15 indirectly through one or more intermediaries, controls, is  
16 controlled by, or is under common control with another person. A  
17 person is considered to control a company if the person  
18 beneficially owns more than a five percent equity interest in the  
19 company under the beneficial ownership rules adopted by the  
20 commission.

21 (2) "Applicant" means a person who has applied for a  
22 casino owner's license, a casino operator's license, a slot  
23 establishment owner's license, a slot establishment operator's  
24 license, an occupational license, a manufacturer's license, a slot

1 machine provider license, a casino service license, or a  
2 qualification to hold an equity interest or creditor interest in a  
3 casino owner's license holder or slot establishment owner's license  
4 holder or who has applied for the approval of any act or transaction  
5 for which approval is required or allowed under this subtitle.

6 (3) "Associated equipment" means any equipment,  
7 including a mechanical, electromechanical, or electronic  
8 contrivance, component, or machine, used in connection with gaming  
9 or with any game that would not otherwise be classified as a gaming  
10 device. The term includes dice, playing cards, links connecting  
11 progressive slot machines, equipment affecting the proper  
12 reporting of gross gaming revenue, computerized systems or software  
13 for monitoring slot machines, and devices for weighing or counting  
14 money.

15 (4) "Casino" means a facility at which gambling games  
16 are conducted for profit that are not authorized by a law other than  
17 Chapter 2022. The term does not include a slot establishment.

18 (5) "Casino operator" means a person other than the  
19 casino owner's license holder who contractually agrees to provide  
20 operational and managerial services for the operation of a casino  
21 on behalf of the casino owner's license holder in return for  
22 receiving a payment based wholly or partly on profits or receipts  
23 from the casino.

24 (6) "Casino operator's license" means a license issued  
25 under Section 2022.101.

26 (7) "Casino owner's license" means a license issued  
27 under Section 2022.052.

1           (8) "Casino service" means the provision of goods or  
2 services, including security service and gaming schools, to a  
3 person holding a casino owner's or operator's license under this  
4 subtitle, other than a service requiring a manufacturer's license.

5           (9) "Casino service license" means a license issued  
6 under Section 2022.152.

7           (10) "Casino service license holder" means a person  
8 who holds a casino service license.

9           (11) "Commission" means the Texas Gaming Commission.

10           (12) "Commission member" means a member of the  
11 commission.

12           (13) "Company" means a corporation, partnership,  
13 limited partnership, trust, association, joint stock company,  
14 joint venture, limited liability company, or other form of business  
15 organization. The term does not include a sole proprietorship or  
16 natural person.

17           (14) "Creditor interest" means a right or claim of any  
18 character against a person for the payment of money borrowed,  
19 whether secured or unsecured, matured or unmatured, liquidated or  
20 absolute, or fixed or contingent. The term includes an obligation  
21 based on the person's profits or receipts.

22           (15) "Director" means a member of the board of  
23 directors of a corporation and a person performing similar  
24 functions with respect to a company other than a corporation.

25           (16) "Equity interest" means a proprietary interest,  
26 right, or claim allowing the holder either to vote with respect to  
27 matters of organizational governance or to participate in the

1 profits and residual assets of a company, including common and  
2 preferred stock in a corporation, a general or limited partnership  
3 interest in a partnership, a similar interest in any other form of  
4 business organization, and a warrant, right, or similar interest  
5 convertible into, or to subscribe for, a proprietary right or  
6 claim, with or without the payment of additional consideration.

7           (17) "Executive director" means the executive  
8 director of the commission.

9           (18) "Game" or "gambling game":

10           (A) means any game or similar activity that  
11 involves the making of a bet, as defined by Section 47.01, Penal  
12 Code, for consideration, and includes:

13                   (i) a banking or percentage game played  
14 with cards, dice, or a mechanical, electromechanical, or electronic  
15 device or machine for money, property, checks, credit, or a  
16 representative of value, including roulette, keno, twenty-one,  
17 blackjack, craps, poker, chuck-a-luck (dai shu), wheel of fortune,  
18 chemin de fer, baccarat, pai gow, slot machine, any other  
19 electronic game of chance, and any other game or device approved by  
20 the commission;

21                   (ii) simulcast wagering on pari-mutuel  
22 greyhound or horse racing;

23                   (iii) the maintenance of a race book; and

24                   (iv) any other method of effecting a wager  
25 approved by the commission; and

26           (B) does not include:

27                   (i) bingo authorized by Chapter 2001;

1                    (ii) charitable raffles authorized by  
2 Chapter 2002; or

3                    (iii) the state lottery conducted under  
4 Chapter 466, Government Code.

5                    (19) "Gaming" or "gambling" means to deal, operate,  
6 carry on, conduct, maintain, or expose for play a game in a casino  
7 or slot establishment.

8                    (20) "Gaming agreement" means an agreement authorized  
9 under Chapter 2022 or 2023 between this state and a federally  
10 recognized Indian tribe with Indian lands in this state under which  
11 this state allows the tribe to conduct limited gaming activities  
12 authorized under Chapter 2022 or 2023 or applicable federal law.

13                    (21) "Gaming device" means a mechanical,  
14 electromechanical, or electronic contrivance, component, or  
15 machine used in connection with gaming or a game that affects the  
16 result of a wager by determining win or loss. The term includes a  
17 system for processing information that can alter the normal  
18 criteria of random selection, affect the operation of a game, or  
19 determine the outcome of a game.

20                    (22) "Gaming employee":

21                    (A) means an individual directly involved in the  
22 operation or conduct of gaming in a casino or slot establishment  
23 performing a service in a capacity that the commission finds  
24 appropriate for occupational licensing under Section 2022.102 and  
25 includes:

26                    (i) a boxman, a cashier, change personnel,  
27 counting room personnel, a dealer, a floor person, a host empowered

1 to extend credit or complimentary services, a keno runner, a keno  
2 writer, a machine mechanic, or security personnel;

3 (ii) a shift or pit boss or a supervisor or  
4 manager involved in gaming activities;

5 (iii) accounting or internal auditing  
6 personnel directly involved in recordkeeping or the examination of  
7 records generated from gaming activities; and

8 (iv) a junketeer or other independent agent  
9 whose compensation is based on how much a patron wagers or loses or  
10 who is paid per patron more than the price of admission; and

11 (B) does not include bartenders, cocktail  
12 waitresses, or other individuals engaged exclusively in preparing  
13 or serving food or beverages or individuals providing nominal,  
14 complimentary, or maintenance services.

15 (23) "Gross gaming revenue":

16 (A) means the total of the following, less the  
17 total of all cash paid out as losses to patrons and the amounts paid  
18 to purchase annuities to fund losses paid to patrons by independent  
19 financial institutions and items made deductible as losses under  
20 Section 2022.303:

21 (i) money received by an owner's license  
22 holder from players of casino games;

23 (ii) money received by an owner's license  
24 holder in payment for credit extended by the owner's license holder  
25 to a patron for the purposes of casino gaming; and

26 (iii) compensation received by an owner's  
27 license holder for conducting any game in which the owner's license

1 holder is not a party to a wager; and

2 (B) does not include:

3 (i) counterfeit money or tokens;

4 (ii) coins of other countries that are  
5 received in slot machines or gaming devices;

6 (iii) cash taken in fraudulent acts  
7 perpetrated against an owner's license holder for which the holder  
8 is not reimbursed; or

9 (iv) cash received as entry fees for  
10 contests or tournaments in which the patrons compete for prizes.

11 (24) "Hearing examiner" means a person authorized by  
12 the commission to conduct hearings.

13 (25) "Indian lands" means land that was held in trust  
14 by the United States on January 1, 1998, for the benefit of the  
15 Indian tribe pursuant to the Restoration Acts (Pub. L. No. 100-89)  
16 or on which gaming is permitted under the Indian Gaming Regulatory  
17 Act (18 U.S.C. Section 1166 et seq. and 25 U.S.C. Section 2701 et  
18 seq.).

19 (26) "Institutional investor" means a person, other  
20 than a state or federal pension plan, that meets the requirements of  
21 a "qualified institutional buyer" as defined in 17 C.F.R. Section  
22 230.144A and is:

23 (A) a bank as defined in Section 3(a)(6),  
24 Securities Exchange Act of 1934 (15 U.S.C. Section 78c);

25 (B) an insurance company as defined in Section  
26 2(a)(17), Investment Company Act of 1940 (15 U.S.C. Section 80a-2);

27 (C) an investment company registered under

1 Section 8, Investment Company Act of 1940 (15 U.S.C. Section  
2 80a-8);

3 (D) an investment adviser registered under  
4 Section 203, Investment Advisers Act of 1940 (15 U.S.C. Section  
5 80b-3);

6 (E) a collective trust fund as defined by Section  
7 3(c)(11), Investment Company Act of 1940 (15 U.S.C. Section 80a-3);

8 (F) an employee benefit plan or pension fund that  
9 is subject to the Employee Retirement Income Security Act of 1974  
10 (29 U.S.C. Section 1001 et seq.), excluding an employee benefit  
11 plan or pension fund sponsored by a publicly traded corporation  
12 registered with the commission;

13 (G) a state or federal government pension plan;

14 (H) a group composed entirely of persons  
15 specified in Paragraphs (A)-(F); or

16 (I) such other persons as the commission may  
17 determine for reasons consistent with the policies expressed in  
18 Section 2022.001.

19 (27) "Key executive" means a corporation's directors  
20 and executive officers, a partnership's general partners, a trust's  
21 trustee, a joint venture's managing venturers, and each person  
22 possessing similar responsibilities and authorities in any other  
23 form of business organization.

24 (28) "License" means a license issued under this  
25 subtitle, including a casino owner's license, a casino operator's  
26 license, a slot establishment owner's license, a slot establishment  
27 operator's license, an occupational license, a casino service

1 license, a manufacturer's license, a slot machine provider license,  
2 or a qualification to hold an equity interest or creditor interest  
3 in a casino owner's or slot establishment owner's license.

4 (29) "License holder" means a person holding a license  
5 issued under this subtitle.

6 (30) "Manufacturer license holder" means the holder of  
7 a manufacturer's license.

8 (31) "Manufacturer's license" means a license issued  
9 under Section 2022.151.

10 (32) "Negotiable instrument" means a writing that  
11 evidences a transaction between an individual and a casino or slot  
12 establishment owner's license holder at the time of the transaction  
13 whose gaming chips, tokens, or currency are exchanged for the  
14 instrument and includes a writing taken in consolidation,  
15 redemption, or payment of a prior instrument.

16 (33) "Net slot income" means the total amount of money  
17 paid to play slot machines at a slot establishment less the value of  
18 all credits redeemed for money, including any progressive prizes  
19 and bonuses, by the players of the slot games. The following  
20 provisions apply to the calculation of net slot income:

21 (A) the costs associated with progressive prizes  
22 may not be deducted from the total amount of money paid to play the  
23 games for purposes of determining net slot income; and

24 (B) promotional prizes offered by a slot  
25 establishment may not be deducted or otherwise considered credits  
26 redeemed for money by players.

27 (34) "Occupational license" means a license issued

1 under Section 2022.102.

2 (35) "Occupational license holder" means the holder of  
3 an occupational license.

4 (36) "Operator's license" means a casino operator's  
5 license issued under Section 2022.101 or a slot establishment  
6 operator's license issued under Section 2022.202.

7 (37) "Operator license holder" means the holder of an  
8 operator's license.

9 (38) "Owner's license" means a casino owner's license  
10 issued under Section 2022.052 or a slot establishment owner's  
11 license issued under Section 2022.202.

12 (39) "Owner's license holder" means a person holding  
13 an owner's license.

14 (40) "Pari-mutuel license holder" means a person  
15 licensed to conduct wagering on a greyhound race or a horse race  
16 under the Texas Racing Act (Article 179e, Vernon's Texas Civil  
17 Statutes).

18 (41) "Player" means a person who contributes any part  
19 of the consideration to play a gambling game.

20 (42) "Principal manager" means a person who, as  
21 determined under the rules of the commission, holds or exercises  
22 managerial, supervisory, or policy-making authority over the  
23 management or operation of a gaming activity or casino service that  
24 in the judgment of the commission warrants the occupational  
25 licensing as a principal manager for the protection of the public  
26 interest. The term includes a key executive of a license holder  
27 that is a company and each person controlling a license holder that

1 is a company.

2 (43) "Race book" means wagers accepted on the outcome  
3 of an event held at a greyhound or horse racetrack that uses the  
4 pari-mutuel system of wagering.

5 (44) "Racetrack" means a racetrack as defined by  
6 Section 1.03, Texas Racing Act (Article 179e, Vernon's Texas Civil  
7 Statutes), that is conducting live racing or simulcasting under an  
8 active pari-mutuel license.

9 (45) "Slot establishment" means premises at which the  
10 operation of slot machines is authorized by the commission under  
11 this subtitle in accordance with a license or gaming agreement.

12 (46) "Slot establishment operator's license" means a  
13 license issued under Section 2022.202.

14 (47) "Slot establishment operator's license holder"  
15 means a person holding a slot establishment operator's license.

16 (48) "Slot establishment owner's license" means a  
17 license issued under Section 2022.202.

18 (49) "Slot establishment owner's license holder" means  
19 a person holding a slot establishment owner's license.

20 (50) "Slot machine" means a mechanical, electrical, or  
21 other device or machine that, on insertion of a coin, token, or  
22 similar object or on payment of consideration, is available to play  
23 or operate, the play or operation of which, wholly or partly by the  
24 element of chance, may deliver or entitle the person playing or  
25 operating the machine to receive cash, premiums, merchandise,  
26 tokens, or any other thing of value, whether the payoff is made  
27 automatically from the machine or is made in another manner.

1       Sec. 2021.002. APPLICATION OF SUNSET ACT. (a) The Texas  
2 Gaming Commission is subject to Chapter 325, Government Code (Texas  
3 Sunset Act). Unless continued in existence as provided by that  
4 chapter, the commission is abolished September 1, 2021.

5       (b) On the date the commission is abolished under Subsection  
6 (a), the following statutes are repealed:

7             (1) this chapter;

8             (2) Chapter 2022;

9             (3) Chapter 2023; and

10            (4) the Texas Racing Act (Article 179e, Vernon's Texas  
11 Civil Statutes).

12       Sec. 2021.003. REFERENCES TO LICENSE INCLUDE CERTIFICATE OF  
13 REGISTRATION OR OTHER APPROVAL. Except as expressly provided by  
14 this subtitle, other law, or commission rule, a reference in this  
15 subtitle to a license applies to a certificate of registration,  
16 finding of suitability, or other affirmative regulatory approval  
17 under this subtitle, other law, or commission rule.

18       Sec. 2021.004. EXEMPTION FROM TAXATION. A political  
19 subdivision of this state may not impose:

20             (1) a tax on the payment of a prize under Chapter 2023;

21             (2) a tax, fee, or other assessment on consideration  
22 paid to play a gambling game authorized by this subtitle; or

23             (3) a tax or fee on attendance at or admission to a  
24 casino or slot establishment authorized by this subtitle unless  
25 specifically authorized by statute.

26       [Sections 2021.005-2021.050 reserved for expansion]

1                   SUBCHAPTER B. TEXAS GAMING COMMISSION

2                   Sec. 2021.051. COMMISSION; MEMBERSHIP. (a) The Texas  
3 Gaming Commission is composed of five members appointed by the  
4 governor with the advice and consent of the senate.

5                   (b) Appointments to the commission shall be made without  
6 regard to the race, color, disability, sex, religion, age, or  
7 national origin of the appointee.

8                   Sec. 2021.052. QUALIFICATIONS OF COMMISSION MEMBERS. (a)  
9 To be eligible for appointment to the commission, a person:

10                   (1) must be a citizen of the United States;

11                   (2) must have resided in this state for the two years  
12 preceding the date of the person's appointment;

13                   (3) must submit a financial statement that contains  
14 the information required by Chapter 572, Government Code;

15                   (4) may not own a financial or other interest in a  
16 person engaged in the conduct of gaming or the provision of casino  
17 services, or in a security issued by that person, or be related  
18 within the second degree by affinity or the third degree by  
19 consanguinity, as determined under Chapter 573, Government Code, to  
20 an individual who owns such a financial or other interest or  
21 security;

22                   (5) may not be an applicant for or holder of a license,  
23 certificate of registration, finding of suitability, or other  
24 affirmative regulatory approval under a law administered by the  
25 commission or hold an equity interest or creditor interest in an  
26 owner's license holder requiring qualification under Section  
27 2022.060; and

1           (6) may not be a member of the governing body of a  
2 political subdivision of this state.

3           (b) A person holding an elective office or an officer or  
4 official of a political party is not eligible for appointment to the  
5 commission.

6           Sec. 2021.053. MEMBERSHIP AND EMPLOYEE RESTRICTIONS. (a)  
7 In this section, "Texas trade association" means a cooperative and  
8 voluntarily joined association of business or professional  
9 competitors in this state designed to assist its members and its  
10 industry or profession in dealing with mutual business or  
11 professional problems and in promoting their common interest.

12           (b) A person may not be a member of the commission or an  
13 employee of the commission employed in a "bona fide executive,  
14 administrative, or professional capacity," as that phrase is used  
15 for purposes of establishing an exemption to the overtime  
16 provisions of the federal Fair Labor Standards Act of 1938 (29  
17 U.S.C. Section 201 et seq.) if:

18           (1) the person is an officer, employee, manager, or  
19 paid consultant of a Texas trade association in the field of gaming;  
20 or

21           (2) the person's spouse is an officer, manager, or paid  
22 consultant of a Texas trade association in the field of gaming.

23           (c) A person may not be a member of the commission or act as  
24 general counsel to the commission if the person is required to  
25 register as a lobbyist under Chapter 305, Government Code, because  
26 of the person's activities for compensation on behalf of a  
27 profession related to the operation of the commission.

1       Sec. 2021.054. TERMS; VACANCIES. (a) Members of the  
2 commission serve staggered six-year terms, with the term or terms  
3 of one or two members expiring February 1 of each odd-numbered year.

4       (b) The governor shall fill a vacancy in a position on the  
5 commission for the remainder of the unexpired term.

6       Sec. 2021.055. PRESIDING OFFICER. The governor shall  
7 designate a member of the commission as presiding officer of the  
8 commission to serve in that capacity at the pleasure of the  
9 governor.

10       Sec. 2021.056. MEETINGS; OFFICIAL RECORD. (a) The  
11 commission shall meet not less than six times each year.

12       (b) The commission may meet at other times at the call of the  
13 presiding officer or as provided by commission rule.

14       (c) The commission shall keep an official record of all  
15 commission meetings and proceedings.

16       Sec. 2021.057. GROUNDS FOR REMOVAL. (a) It is a ground for  
17 removal from the commission that a member:

18               (1) does not have at the time of taking office the  
19 qualifications required by Section 2021.052;

20               (2) does not maintain during service on the commission  
21 the qualifications required by Section 2021.052;

22               (3) is ineligible for membership under Section  
23 2021.053;

24               (4) cannot, because of illness or disability,  
25 discharge the member's duties for a substantial part of the member's  
26 term; or

27               (5) is absent from more than half of the regularly

1 scheduled commission meetings that the member is eligible to attend  
2 during a calendar year without an excuse approved by a majority vote  
3 of the commission.

4 (b) The validity of an action of the commission is not  
5 affected by the fact that it is taken when a ground for removal of a  
6 commission member exists.

7 (c) If the executive director has knowledge that a potential  
8 ground for removal of a commission member exists, the executive  
9 director shall notify the presiding officer of the commission of  
10 the potential ground. The presiding officer shall then notify the  
11 governor and the attorney general that a potential ground for  
12 removal exists. If the potential ground for removal involves the  
13 presiding officer, the executive director shall notify the next  
14 highest officer of the commission, who shall notify the governor  
15 and the attorney general that a potential ground for removal  
16 exists.

17 Sec. 2021.058. TRAINING. (a) A person who is appointed to  
18 and qualifies for office as a member of the commission may not vote,  
19 deliberate, or be counted as a member in attendance at a meeting of  
20 the commission until the person completes a training program that  
21 complies with this section.

22 (b) The training program must provide the person with  
23 information regarding:

24 (1) this subtitle and the other laws administered by  
25 the commission;

26 (2) the commission's programs, functions, rules, and  
27 budget;

1           (3) the results of the most recent formal audit of the  
2 commission;

3           (4) the requirements of laws relating to open  
4 meetings, public information, administrative procedure, and  
5 conflict of interest; and

6           (5) any applicable ethics policies adopted by the  
7 commission or the Texas Ethics Commission.

8           (c) A person appointed to the commission is entitled to  
9 reimbursement, as provided by the General Appropriations Act, for  
10 travel expenses incurred in attending the training program  
11 regardless of whether the attendance at the program occurs before  
12 or after the person qualifies for office.

13           Sec. 2021.059. QUALIFICATIONS AND STANDARDS OF CONDUCT  
14 INFORMATION. The executive director or the executive director's  
15 designee shall provide to members of the commission, as often as  
16 necessary, information regarding their:

17                   (1) qualifications for office under this chapter; and

18                   (2) responsibilities under applicable laws relating  
19 to standards of conduct for state officers.

20           Sec. 2021.060. BOND. (a) Before assuming the duties of  
21 office, a member of the commission must execute a bond in the amount  
22 of \$25,000 payable to the state and conditioned on the member's  
23 faithful performance of the member's duties of office.

24                   (b) The bond must be approved by the governor.

25                   (c) The cost of the bond shall be paid by the commission.

26           Sec. 2021.061. PROHIBITION OF CERTAIN ACTIVITIES. (a) A  
27 member of the commission may not:

1           (1) use the member's official authority to affect the  
2 result of an election or nomination for public office; or

3           (2) directly or indirectly coerce, attempt to coerce,  
4 command, or advise a person to pay, lend, or contribute anything of  
5 value to another person for political purposes.

6           (b) A commission member or the spouse of a commission member  
7 may not solicit or accept employment from a license, certificate of  
8 registration, finding of suitability, or approval holder under a  
9 law administered by the commission or from an applicant for a  
10 license, certificate, finding of suitability, or approval before  
11 the second anniversary of the date the commission member's service  
12 on the commission ends.

13           Sec. 2021.062. APPLICATION OF FINANCIAL DISCLOSURE LAW.  
14 For purposes of Chapter 572, Government Code, a member of the  
15 commission, the executive director, and the division directors are  
16 appointed officers of a major state agency.

17           Sec. 2021.063. PER DIEM; EXPENSES. (a) A member of the  
18 commission is entitled to:

19           (1) a per diem in an amount prescribed by  
20 appropriation for each day spent in performing the duties of the  
21 member; and

22           (2) reimbursement for actual and necessary expenses  
23 incurred in performing those duties.

24           (b) Reimbursement for expenses under this section is  
25 subject to any applicable limitation in the General Appropriations  
26 Act.

27           Sec. 2021.064. EXECUTIVE DIRECTOR. (a) The commission

1 shall appoint an executive director, who serves at the pleasure of  
2 the commission.

3 (b) A person holding an elective office or an officer or  
4 official of a political party is not eligible for appointment as  
5 executive director.

6 (c) The executive director must have five or more years of  
7 responsible administrative experience in public or business  
8 administration or possess broad management skills.

9 (d) The executive director may not pursue any other business  
10 or occupation or hold any other office for profit.

11 (e) The executive director must meet all eligibility  
12 requirements relating to members of the commission, except the  
13 requirement for prior residency in this state.

14 (f) The executive director is entitled to an annual salary  
15 and other compensation specified by the commission.

16 (g) The executive director may not, before the second  
17 anniversary of the date the director's service to the commission  
18 ends, acquire a direct or indirect interest in or be employed by a  
19 person licensed or registered by the commission in connection with  
20 the conduct of gaming or the provision of casino services in this  
21 state.

22 Sec. 2021.065. OFFICES. The commission shall maintain its  
23 primary office in Travis County and may maintain other offices  
24 determined to be necessary by the commission.

25 Sec. 2021.066. AUTHORITY TO SUE OR BE SUED. (a) The  
26 commission may sue and be sued.

27 (b) Service of process in a suit against the commission may

1 be secured by serving the executive director.

2 (c) A suit against the commission must be brought in Travis  
3 County.

4 Sec. 2021.067. AUDIT. The transactions of the commission  
5 are subject to audit by the state auditor under Chapter 321,  
6 Government Code.

7 [Sections 2021.068-2021.100 reserved for expansion]

8 SUBCHAPTER C. POWERS AND DUTIES OF COMMISSION

9 Sec. 2021.101. GENERAL POWERS. (a) The commission has  
10 broad authority and shall exercise strict control and close  
11 supervision over all activities authorized and conducted in this  
12 state under a law administered by the commission, including:

13 (1) this subtitle; and

14 (2) the Texas Racing Act (Article 179e, Vernon's Texas  
15 Civil Statutes).

16 (b) The commission shall ensure that all casino games, slot  
17 machine gaming, and other gaming activities subject to the  
18 oversight or regulatory authority of the commission are conducted  
19 fairly and in compliance with the law.

20 (c) The commission also has the powers and duties granted  
21 under:

22 (1) Chapter 2022;

23 (2) Chapter 2023; and

24 (3) the Texas Racing Act (Article 179e, Vernon's Texas  
25 Civil Statutes).

26 (d) All aspects of this subtitle and the other laws  
27 administered by the commission, including those relating to

1 licensing, qualification, execution, and enforcement, shall be  
2 administered by the executive director and the commission for the  
3 protection of the public and in the public interest.

4 (e) The commission and the executive director have full  
5 power and authority to hold hearings and, in connection with the  
6 hearings, to issue subpoenas, to compel the attendance of witnesses  
7 at any place in this state, to administer oaths, and to require  
8 testimony under oath. Any process or notice relating to a hearing  
9 may be served in the manner provided for service of process and  
10 notices in civil actions. The commission and the executive  
11 director may pay transportation and other expenses of witnesses as  
12 they consider reasonable.

13 (f) The executive director and the executive director's  
14 authorized employees may:

15 (1) inspect and examine a premises where gaming is  
16 conducted or equipment or supplies, including an electronic or  
17 other gaming device, or associated equipment is manufactured,  
18 assembled, produced, programmed, sold, leased, marketed,  
19 distributed, repaired, or modified for use in gaming;

20 (2) for good cause, seize and remove from a premises  
21 and impound equipment or supplies for the purpose of examination  
22 and inspection; and

23 (3) demand access to, inspect, examine, photocopy, or  
24 audit papers, books, and records of applicants and license and  
25 certificate holders, on their premises or elsewhere as practicable,  
26 in the presence of the license or certificate holder or the license  
27 or certificate holder's agent, reporting the gross income produced

1 by a gaming business, verification of the gross income, and other  
2 matters affecting the enforcement of this subtitle or other law  
3 administered by the commission.

4 (g) For the purpose of conducting audits after the cessation  
5 of gaming by a license or certificate holder, a former license  
6 holder shall furnish, on demand of the executive director or the  
7 executive director's authorized employees, books, papers, and  
8 records as necessary to conduct the audits. The former license or  
9 certificate holder shall maintain all books, papers, and records  
10 necessary for audits for three years after the date of the surrender  
11 or revocation of the license or certificate and is responsible for  
12 the costs incurred by the commission in the conduct of an audit  
13 under this section. If the former license or certificate holder  
14 seeks judicial review of a deficiency determination or files a  
15 petition for a redetermination, the former license or certificate  
16 holder must maintain all books, papers, and records until a final  
17 order is entered on the determination.

18 (h) The commission shall contract with an independent  
19 testing laboratory to scientifically test and technically evaluate  
20 casino games, slot machine games, and associated equipment for  
21 compliance with this subtitle. The independent testing laboratory  
22 must have a national reputation of being demonstrably competent and  
23 must be qualified to scientifically test and evaluate all  
24 components of casino games, slot machine games, and associated  
25 equipment for compliance with this subtitle and to perform the  
26 functions assigned to it under this subtitle. An independent  
27 testing laboratory may not be owned or controlled by a person

1 licensed to conduct casino or slot games or to manufacture gaming  
2 equipment. The use of an independent testing laboratory for  
3 purposes related to the conduct of gaming under this subtitle must  
4 be made from a list of one or more laboratories approved by the  
5 commission.

6 Sec. 2021.102. RULEMAKING AUTHORITY. (a) The commission  
7 shall adopt rules the commission considers necessary or desirable  
8 for the public interest in carrying out the policy and provisions of  
9 this subtitle and the other laws administered by the commission.

10 (b) The rules shall set out:

11 (1) the method and form of application that an  
12 applicant for a license or certificate of registration under this  
13 subtitle must follow and complete before consideration of an  
14 application by the commission;

15 (2) the information to be furnished by an applicant or  
16 license or certificate holder under Chapter 2022 concerning  
17 antecedents, habits, character, associates, criminal record,  
18 business activities, and financial affairs;

19 (3) the criteria to be used in the award, revocation,  
20 and suspension of licenses or certificates under Chapter 2022;

21 (4) the information to be furnished by a license or  
22 certificate holder under Chapter 2022 relating to the holder's  
23 employees;

24 (5) the manner and procedure of hearings conducted by  
25 the commission or a hearing examiner of the commission;

26 (6) the payment of fees or costs an applicant or  
27 license or certificate holder under Chapter 2022 must pay;

1           (7) the procedures for the issuance of temporary  
2 licenses and certificates and temporary qualification to hold  
3 equity interests and creditor interests in owner's license and  
4 certificate holders under Chapter 2022;

5           (8) the manner and method of collection and payment of  
6 fees and the issuance of licenses and certificates;

7           (9) the definition of "unsuitable method of  
8 operation";

9           (10) the conditions under which the nonpayment of a  
10 gambling debt by a license or certificate holder constitutes  
11 grounds for disciplinary action;

12           (11) the manner of approval of gambling games, slot  
13 machines, and other electronic gaming devices;

14           (12) access to confidential information obtained  
15 under this chapter, Chapter 2022, Chapter 2023, or other law and  
16 means to ensure that the confidentiality of the information is  
17 maintained and protected;

18           (13) financial reporting and internal control  
19 requirements for license or certificate holders;

20           (14) the manner in which money awarded to players of  
21 casino games, compensation from casino games and slot machines,  
22 gross gaming revenue, and net slot income must be computed and  
23 reported under Chapter 2022;

24           (15) requirements for the annual audit of the  
25 financial statements of a license or certificate holder;

26           (16) requirements for periodic financial reports from  
27 each license or certificate holder consistent with standards and

1 intervals prescribed by the commission;

2 (17) the procedures to be followed by a license or  
3 certificate holder for excluding a person from a casino or slot  
4 establishment; and

5 (18) the procedures for exempting or waiving  
6 institutional investors from the licensing or registration  
7 requirements for shareholders of publicly traded corporations.

8 Sec. 2021.103. AUTHORITY OF EXECUTIVE DIRECTOR. (a) With  
9 commission approval, the executive director may create executive  
10 positions as the director considers necessary to implement the  
11 provisions of this chapter, Chapter 2022, Chapter 2023, and any  
12 other law administered by the commission.

13 (b) The executive director shall employ directors in the  
14 areas of audit, investigation, and enforcement. The audit director  
15 must be a certified public accountant, have five or more years of  
16 progressively responsible experience in general accounting, and  
17 have a comprehensive knowledge of the principles and practices of  
18 corporate finance or must possess qualifications of an expert in  
19 the field of corporate finance and auditing, general finance,  
20 gaming, and economics. Other directors must possess five or more  
21 years of training and experience in the fields of investigation,  
22 law enforcement, law, or gaming.

23 (c) The executive director may investigate, for the purpose  
24 of prosecution, a suspected criminal violation of this subtitle or  
25 another law administered by the commission. For the purpose of the  
26 administration and enforcement of this subtitle or another law  
27 administered by the commission, the executive director and

1 employees designated by the executive director may be commissioned  
2 as peace officers.

3 (d) The executive director, to further the objectives and  
4 purposes of this subtitle or another law administered by the  
5 commission, may:

6 (1) direct and supervise all administrative actions of  
7 the commission;

8 (2) bring legal action in the name and on behalf of the  
9 commission;

10 (3) make, execute, and effect an agreement or contract  
11 authorized by the commission;

12 (4) employ the services of persons considered  
13 necessary for consultation or investigation and set the salaries of  
14 or contract for the services of legal, professional, technical, and  
15 operational personnel and consultants, except that outside legal  
16 assistance may be retained only with the approval of the attorney  
17 general;

18 (5) acquire furnishings, equipment, supplies,  
19 stationery, books, and all other things the executive director  
20 considers necessary or desirable in carrying out the executive  
21 director's functions; and

22 (6) perform other duties the executive director may  
23 consider necessary to effect the purposes of this subtitle or  
24 another law administered by the commission.

25 (e) Except as otherwise provided in this subtitle, the costs  
26 of administration incurred by the executive director shall be paid  
27 in the same manner as other claims against the state are paid.

1       Sec. 2021.104. OFFICE OF HEARING EXAMINERS. (a) The  
2 commission shall create an office of hearing examiners to assist  
3 the commission in carrying out its powers and duties.

4       (b) The office of hearing examiners shall:

5           (1) hold hearings under the authority of the  
6 commission on matters relating to the commission's administration  
7 of this subtitle or another law administered by the commission as  
8 the commission orders; and

9           (2) report after hearing in the manner prescribed by  
10 the commission.

11       (c) The commission shall refer any contested case arising  
12 under this subtitle or another law administered by the commission  
13 to the office of hearing examiners.

14       (d) The office of hearing examiners is independent of the  
15 executive director and is under the exclusive control of the  
16 commission.

17       (e) The office of hearing examiners is under the direction  
18 of a chief hearing examiner appointed by the commission.

19       (f) The commission may authorize the chief hearing examiner  
20 to delegate to one or more hearing examiners the authority to hold  
21 any hearing called by the chief hearing examiner.

22       (g) The chief hearing examiner and all assistant hearing  
23 examiners employed by the office of hearing examiners must be  
24 attorneys licensed to practice law in this state.

25       (h) The chief hearing examiner and all assistant hearing  
26 examiners may administer oaths, receive evidence, and issue  
27 subpoenas to compel the attendance of witnesses and the production

1 of papers and documents in all matters delegated by the commission.

2 (i) The chief hearing examiner and all assistant hearing  
3 examiners are entitled to an annual salary and other compensation  
4 specified by the commission.

5 (j) The office of hearing examiners may contract for  
6 additional services it considers necessary to carry out its powers.

7 Sec. 2021.105. JUDICIAL REVIEW IN CONTESTED CASES. A final  
8 ruling of the commission in a contested case is subject to judicial  
9 review under Chapter 2001, Government Code. Judicial review is  
10 under the substantial evidence rule.

11 Sec. 2021.106. RECORDS; CONFIDENTIAL INFORMATION. (a) The  
12 executive director shall maintain a file of all applications for  
13 licenses, certificates of registration, findings of suitability,  
14 or approvals under this subtitle or another law administered by the  
15 commission, together with a record of all action taken with respect  
16 to the applications.

17 (b) The commission and the executive director may maintain  
18 other records they consider desirable.

19 (c) The information made confidential by this subsection  
20 may be disclosed, wholly or partly, only in the course of the  
21 necessary administration of this subtitle or other law administered  
22 by the commission, under Section 2022.402, or on the order of a  
23 court of competent jurisdiction, except that the executive director  
24 or the commission may disclose the information to an authorized  
25 agent of any agency of the United States, another state, or a  
26 political subdivision of this state authorized under commission  
27 rules. Notice of the content of any information furnished or

1 released under this subsection may be given to any affected  
2 applicant or license, certificate of registration, finding of  
3 suitability, or approval holder as prescribed by commission rule.

4 The following information is confidential:

5 (1) information requested by the commission or the  
6 executive director to be furnished to either of them under this  
7 subtitle or another law administered by the commission or that may  
8 otherwise be obtained relating to the finances, earnings, or  
9 revenue of an applicant or license, certificate, finding of  
10 suitability, or approval holder;

11 (2) information pertaining to an applicant's criminal  
12 record, antecedents, and background that has been furnished to or  
13 obtained by the commission or the executive director from any  
14 source;

15 (3) information provided to the commission or the  
16 executive director or a commission employee by a governmental  
17 agency or an informer or on the assurance that the information will  
18 be held in confidence and treated as confidential;

19 (4) information obtained by the executive director or  
20 the commission from a license, certificate, finding of suitability,  
21 or approval holder, including a casino service license holder,  
22 relating to the manufacturing, modification, or repair of gaming  
23 devices;

24 (5) security plans and procedures of the commission  
25 designed to ensure the integrity and security of the regulation and  
26 operation of gaming;

27 (6) the street address and telephone number of a prize

1 winner, if the prize winner has not consented to the release of the  
2 information; and

3 (7) information relating to all system operations of  
4 gambling games, including security related to gambling games, and  
5 commission plans and procedures intended to ensure the integrity  
6 and security of the operation of gambling games.

7 Sec. 2021.107. REPRESENTATION BY ATTORNEY GENERAL. (a)

8 The attorney general shall represent the commission and the  
9 executive director in any proceeding to which the commission or the  
10 executive director is a party under this subtitle or another law  
11 administered by the commission or in any suit filed against the  
12 commission or executive director.

13 (b) The office of the attorney general on request shall  
14 advise the commission and the executive director in all other  
15 matters, including representing the commission when the commission  
16 acts in its official capacity.

17 Sec. 2021.108. RULES RESTRICTING ADVERTISING OR

18 COMPETITIVE BIDDING. (a) The commission may not adopt rules  
19 restricting advertising or competitive bidding by a person  
20 regulated by the commission except to prohibit false, misleading,  
21 or deceptive practices by that person.

22 (b) The commission may not include in its rules to prohibit  
23 false, misleading, or deceptive practices by a person regulated by  
24 the commission a rule that:

25 (1) restricts the use of any advertising medium;

26 (2) restricts the person's personal appearance or the  
27 use of the person's voice in an advertisement;

1           (3) relates to the size or duration of an  
2 advertisement by the person; or

3           (4) restricts the use of a trade name in advertising by  
4 the person.

5           Sec. 2021.109. RULES ON CONSEQUENCES OF CRIMINAL  
6 CONVICTION. (a) The commission shall adopt rules necessary to  
7 comply with Chapter 53.

8           (b) In its rules under this section, the commission shall  
9 list the specific offenses for which a conviction would constitute  
10 grounds for the commission to take action under Section 53.021.

11           Sec. 2021.110. SUBPOENA. (a) The commission may request  
12 and, if necessary, compel by subpoena:

13           (1) the attendance of a witness for examination under  
14 oath; and

15           (2) the production for inspection and copying of  
16 records and other evidence relevant to the investigation of an  
17 alleged violation of this subtitle or another law administered by  
18 the commission.

19           (b) If a person fails to comply with a subpoena issued under  
20 this section, the commission, acting through the attorney general,  
21 may file suit to enforce the subpoena in a district court in Travis  
22 County or in the county in which a hearing conducted by the  
23 commission may be held.

24           (c) The court shall order a person to comply with the  
25 subpoena if the court determines that good cause exists for issuing  
26 the subpoena.

27           Sec. 2021.111. DIVISION OF RESPONSIBILITIES. The

1 commission shall develop and implement policies that clearly  
2 separate the policymaking responsibilities of the commission and  
3 the management responsibilities of the executive director and the  
4 staff of the commission.

5 Sec. 2021.112. USE OF TECHNOLOGY. The commission shall  
6 implement a policy requiring the commission to use appropriate  
7 technological solutions to improve the commission's ability to  
8 perform its functions. The policy must ensure that the public is  
9 able to interact with the commission on the Internet.

10 Sec. 2021.113. NEGOTIATED RULEMAKING AND ALTERNATIVE  
11 DISPUTE RESOLUTION POLICY. (a) The commission shall develop and  
12 implement a policy to encourage the use of:

13 (1) negotiated rulemaking procedures under Chapter  
14 2008, Government Code, for the adoption of commission rules; and

15 (2) appropriate alternative dispute resolution  
16 procedures under Chapter 2009, Government Code, to assist in the  
17 resolution of internal and external disputes under the commission's  
18 jurisdiction.

19 (b) The commission's procedures relating to alternative  
20 dispute resolution must conform, to the extent possible, to any  
21 model guidelines issued by the State Office of Administrative  
22 Hearings for the use of alternative dispute resolution by state  
23 agencies.

24 (c) The commission shall designate a trained person to:

25 (1) coordinate the implementation of the policy  
26 adopted under Subsection (a);

27 (2) serve as a resource for any training needed to

1 implement the procedures for negotiated rulemaking or alternative  
2 dispute resolution; and

3 (3) collect data concerning the effectiveness of those  
4 procedures, as implemented by the commission.

5 Sec. 2021.114. COMMITTEES. The commission may appoint  
6 committees that it considers necessary to carry out its duties.

7 Sec. 2021.115. DIVISIONS. (a) The commission shall  
8 establish separate divisions to oversee and regulate:

9 (1) casino gaming and slot machine gaming conducted  
10 under Chapters 2022 and 2023; and

11 (2) pari-mutuel racing.

12 (b) To facilitate the operations of the commission or a  
13 division of the commission, the commission or executive director  
14 may delegate to a division or a division director a specific power  
15 or duty given to the commission or executive director under this  
16 subtitle or other law.

17 (c) A division director shall, at the request of the  
18 executive commissioner, assist in the development of rules and  
19 policies for the operation and provision of a division of the  
20 commission. The division director:

21 (1) acts on behalf of the executive director in  
22 performing the delegated function; and

23 (2) reports to the executive director regarding the  
24 delegated function and any matter affecting commission programs and  
25 operations.

26 (d) The commission shall delegate responsibilities in the  
27 administration of Chapter 2022 or 2023 to the executive director,

1 the director of the appropriate division, and the division's staff,  
2 but may not delegate the following actions:

3 (1) a final determination in any application or  
4 request for licensing, registration, finding of suitability, or  
5 other affirmative regulatory approval;

6 (2) a final determination in any proceeding involving  
7 the suspension or revocation of a license, certificate of  
8 registration, finding of suitability, or other affirmative  
9 regulatory approval;

10 (3) a final determination that Chapter 2022 or 2023  
11 has been violated; or

12 (4) a final determination or imposition of an  
13 assessment of fines or penalties.

14 Sec. 2021.116. CONTRACT AUTHORITY. (a) The commission and  
15 executive director have broad authority and shall exercise strict  
16 control and close supervision over gambling games played in this  
17 state to promote and ensure integrity, security, honesty, and  
18 fairness in the operation and administration of gaming under this  
19 subtitle.

20 (b) The executive director may contract with or employ a  
21 person to perform a function, activity, or service in connection  
22 with the operation of gaming under this subtitle or another law  
23 administered by the commission as prescribed by the executive  
24 director. A contract relating to the operation of gaming must be  
25 consistent with this subtitle.

26 (c) The executive director may award a contract for gaming  
27 supplies, equipment, or services, including a contract under

1 Subsection (b), pending the completion of any investigation and  
2 license, certificate of registration, finding of suitability, or  
3 other affirmative regulatory approval authorized or required by  
4 this subtitle. A contract awarded under this subsection must  
5 include a provision permitting the executive director to terminate  
6 the contract without penalty if the investigation reveals that the  
7 person to whom the contract is awarded does not satisfy the  
8 applicable requirements for a license, certificate of  
9 registration, finding of suitability, or other affirmative  
10 regulatory approval under this subtitle.

11 (d) In the acquisition or provision of facilities,  
12 supplies, equipment, materials, or services related to the  
13 implementation of gaming under Chapter 2022 or 2023, the commission  
14 must comply with procurement procedures prescribed under Subtitle  
15 D, Title 10, Government Code.

16 Sec. 2021.117. INVESTIGATIONS AND ENFORCEMENT. (a) The  
17 attorney general, the district attorney for Travis County, or the  
18 district attorney, criminal district attorney, or county attorney  
19 for the county in which the violation or alleged violation occurred  
20 may investigate a violation or alleged violation of this subtitle  
21 or of the penal laws of this state by the commission, its employees,  
22 or a person regulated under this subtitle.

23 (b) The commission may investigate violations of this  
24 subtitle and rules adopted under this subtitle or another law  
25 administered by the commission and may file a complaint requesting  
26 that an investigation be conducted as provided by Subsection (a).

27 Sec. 2021.118. SECURITY. (a) The executive director shall

1 maintain a department of security in the commission. The executive  
2 director shall appoint a deputy to administer the department. The  
3 deputy must be qualified by training and experience in law  
4 enforcement or security to supervise, direct, and administer the  
5 activities of the department.

6 (b) The executive director may employ security officers or  
7 investigators as the executive director considers necessary and may  
8 commission security officers or investigators as peace officers.  
9 The deputy and all investigators employed by the department of  
10 security as peace officers must meet the requirements under Chapter  
11 415, Government Code, for employment and commission as peace  
12 officers.

13 (c) A security officer or investigator employed by the  
14 department of security or a peace officer who is working in  
15 conjunction with the commission or the Department of Public Safety  
16 in the enforcement of this subtitle may:

17 (1) without a search warrant, search and seize a  
18 gaming device or other gaming equipment that is located on premises  
19 for which a person holds a license issued under this subtitle; or

20 (2) seize a gaming device or other gaming equipment  
21 that is being used or is in the possession of any person in  
22 violation of this subtitle or another law administered by the  
23 commission.

24 (d) The Department of Public Safety or any other state or  
25 local law enforcement agency in this state, at the commission's  
26 request and in accordance with an interagency agreement, shall  
27 perform a full criminal background investigation of a prospective

1 deputy or investigator of the department of security. The  
2 commission shall reimburse the agency for the actual costs of an  
3 investigation.

4 (e) At least once every two years, the executive director  
5 shall employ an independent firm that is experienced in security,  
6 including computer security and systems security, to conduct a  
7 comprehensive study of all aspects of gaming security.

8 Sec. 2021.119. DEMOGRAPHIC STUDIES. (a) The executive  
9 director shall, every two years, employ an independent firm  
10 experienced in demographic analysis to conduct a demographic study  
11 of players of gambling games. The study must include the income,  
12 age, sex, race, education, and frequency of participation of  
13 players of the games.

14 (b) The executive director shall report the results of the  
15 demographic study to the commission, the governor, and the  
16 legislature before January 1 of each odd-numbered year.

17 Sec. 2021.120. PROHIBITED GAMES. (a) Except as provided by  
18 this subtitle or other law, the executive director or any other  
19 person may not establish or operate a gambling game in which the  
20 winner is chosen on the basis of the outcome of a sports event.

21 (b) Except as provided by Chapter 2001 or this subtitle, the  
22 operation of any game using a slot machine or other gambling device  
23 that is not authorized under this subtitle is prohibited.

24 (c) In this section, "sports event" means a football,  
25 basketball, baseball, or similar game, a boxing or martial arts  
26 match, or a horse or dog race on which pari-mutuel wagering is  
27 allowed.

1       Sec. 2021.121. REPORTS OF NET SLOT INCOME. The executive  
2 director shall prepare a monthly report of the total net slot income  
3 for all slot establishments for the preceding month.

4       Sec. 2021.122. DEPARTMENT OF PUBLIC SAFETY RECORDS. (a)  
5 Except as otherwise provided by this subtitle, all files, records,  
6 information, compilations, documents, photographs, reports,  
7 summaries, and reviews of information and related matters  
8 collected, retained, or compiled by the Department of Public Safety  
9 in the discharge of its duties under this subtitle are confidential  
10 and are not subject to public disclosure. Each of those items is  
11 subject to discovery by a person that is the subject of the item.

12       (b) An investigation report or other document submitted by  
13 the Department of Public Safety to the commission becomes part of  
14 the investigative files of the commission and is subject to  
15 discovery by a person that is the subject of the investigation  
16 report or other document.

17       (c) Information that is in the form available to the public  
18 is not privileged or confidential under this section and is subject  
19 to public disclosure.

20       Sec. 2021.123. CRIMINAL HISTORY INVESTIGATION FOR GAMING.

21 (a) The commission is entitled to conduct an investigation of and  
22 is entitled to obtain criminal history record information  
23 maintained by the Department of Public Safety, the Federal Bureau  
24 of Investigation Identification Division, or another law  
25 enforcement agency to assist in the investigation of any person  
26 directly involved with gaming regulated under this subtitle.

27       (b) Except as otherwise provided by this subtitle, a

1 criminal history investigation is governed by commission rules  
2 adopted under this chapter. As applicable, the commission shall  
3 consider information obtained through a criminal history  
4 investigation conducted under the Texas Racing Act (Article 179e,  
5 Vernon's Texas Civil Statutes).

6 (c) The Department of Public Safety or a state or local law  
7 enforcement agency in this state, in accordance with an interagency  
8 agreement with the commission, shall provide any assistance  
9 requested by the commission in the administration and enforcement  
10 of this subtitle, including conducting background investigations  
11 of a person seeking a license, certificate of registration, finding  
12 of suitability, or other affirmative regulatory approval required  
13 under this subtitle or of any person required to be named in an  
14 application for a license, certificate of registration, finding of  
15 suitability, or other affirmative regulatory approval under this  
16 subtitle.

17 (d) This section does not limit the commission's right to  
18 obtain criminal history record information from any other local,  
19 state, or federal agency. The commission may enter into a  
20 confidentiality agreement with the agency as necessary and proper.

21 (e) Except as otherwise provided by this subtitle or other  
22 law, criminal history record information obtained by the commission  
23 under this section may be disclosed only:

24 (1) to another law enforcement agency to assist in or  
25 further an investigation related to the commission's operation and  
26 oversight of gaming; or

27 (2) under a court order.

1       Sec. 2021.124. PLAYER AGREEMENT TO ABIDE BY RULES AND  
2 INSTRUCTIONS. By participating as a player in a gambling game, a  
3 player agrees to abide by and be bound by the commission's rules and  
4 instructions, including the rules or instructions applicable to the  
5 particular gambling game involved. The player also acknowledges  
6 that the determination of whether the player is a valid winner is  
7 subject to:

8           (1) the commission's rules, instructions, and claims  
9 procedures, including those developed for the particular gambling  
10 game involved;

11           (2) any validation tests established by the commission  
12 for the particular gambling game involved; and

13           (3) the limitations and other provisions prescribed by  
14 this subtitle.

15       Sec. 2021.125. VENUE. Venue is proper in Travis County or  
16 any county in which venue is proper under Chapter 13, Code of  
17 Criminal Procedure, for:

18           (1) an offense under this subtitle;

19           (2) an offense under the Penal Code, if the accused:

20                   (A) is regulated under this subtitle; and

21                   (B) is alleged to have committed the offense  
22 while engaged in gaming activities; or

23           (3) an offense under Title 7 or 11, Penal Code, that  
24 involves property consisting of or including a gaming device or  
25 gambling game prize.

26       [Sections 2021.126-2021.150 reserved for expansion]

1 SUBCHAPTER D. PUBLIC PARTICIPATION AND COMPLAINT PROCEDURES

2 Sec. 2021.151. PUBLIC INTEREST INFORMATION. (a) The  
3 commission shall prepare and disseminate consumer information that  
4 describes the regulatory functions of the commission and the  
5 procedures by which consumer complaints are filed with and resolved  
6 by the commission.

7 (b) The commission shall make the information available to  
8 the public and appropriate state agencies.

9 Sec. 2021.152. COMPLAINTS. (a) The commission by rule  
10 shall establish methods by which consumers and service recipients  
11 are notified of the name, mailing address, and telephone number of  
12 the commission for the purpose of directing complaints to the  
13 commission. The commission may provide for that notice:

14 (1) on each form, application, or written contract for  
15 services of a person regulated under a law administered by the  
16 commission;

17 (2) on a sign prominently displayed in the place of  
18 business of each person regulated under a law administered by the  
19 commission; or

20 (3) in a bill for service provided by a person  
21 regulated under a law administered by the commission.

22 (b) The commission shall list with its regular telephone  
23 number any toll-free telephone number established under other state  
24 law that may be called to present a complaint about a person  
25 regulated under a law administered by the commission.

26 Sec. 2021.153. RECORDS OF COMPLAINTS. (a) The commission  
27 shall maintain a system to promptly and efficiently act on

1 complaints filed with the commission. The commission shall  
2 maintain:

3 (1) information about the parties to the complaint and  
4 the subject matter of the complaint;

5 (2) a summary of the results of the review or  
6 investigation of the complaint; and

7 (3) information about the disposition of the  
8 complaint.

9 (b) The commission shall make information available  
10 describing its procedures for complaint investigation and  
11 resolution.

12 (c) The commission shall periodically notify the parties of  
13 the status of the complaint until final disposition of the  
14 complaint.

15 Sec. 2021.154. GENERAL RULES REGARDING COMPLAINT  
16 INVESTIGATION AND DISPOSITION. The commission shall adopt rules  
17 concerning the investigation of a complaint filed with the  
18 commission. The rules must:

19 (1) distinguish between categories of complaints;

20 (2) ensure that complaints are not dismissed without  
21 appropriate consideration;

22 (3) require that the commission be advised of a  
23 complaint that is dismissed and that a letter be sent to the person  
24 who filed the complaint explaining the action taken on the  
25 dismissed complaint;

26 (4) ensure that the person who files a complaint has an  
27 opportunity to explain the allegations made in the complaint; and

1           (5) prescribe guidelines concerning the categories of  
2 complaints that require the use of a private investigator and the  
3 procedures for the commission to obtain the services of a private  
4 investigator.

5           Sec. 2021.155. DISPOSITION OF COMPLAINT. (a) The  
6 commission shall:

7           (1) dispose of each complaint in a timely manner; and  
8           (2) establish a schedule for conducting each phase of  
9 a complaint that is under the control of the commission not later  
10 than the 30th day after the date the commission receives the  
11 complaint.

12           (b) Each party shall be notified of the projected time  
13 requirements for pursuing the complaint. The commission shall  
14 notify each party to the complaint of any change in the schedule  
15 established under Subsection (a)(2) not later than the seventh day  
16 after the date the change is made.

17           (c) The executive director shall notify the commission of a  
18 complaint that is not resolved within the time prescribed by the  
19 commission for resolving the complaint.

20           Sec. 2021.156. PUBLIC PARTICIPATION. (a) The commission  
21 shall develop and implement policies that provide the public with a  
22 reasonable opportunity to appear before the commission and to speak  
23 on any issue under the commission's jurisdiction.

24           (b) The commission shall prepare and maintain a written plan  
25 that describes how a person who does not speak English may be  
26 provided reasonable access to the commission's programs.

27           Sec. 2021.157. INFORMAL SETTLEMENT CONFERENCE. The

1 commission shall establish guidelines for an informal settlement  
2 conference related to a complaint filed with the commission.

3 CHAPTER 2022. CASINO AND SLOT GAMING

4 SUBCHAPTER A. GENERAL PROVISIONS

5 Sec. 2022.001. PUBLIC POLICY. (a) All casino gaming that  
6 is conducted in this state and that is authorized by law shall be  
7 regulated and licensed under this chapter, unless federal law or  
8 another state law specifically provides otherwise.

9 (b) The legislature hereby finds, and declares it to be the  
10 public policy of this state, that:

11 (1) the development of regulated limited casino gaming  
12 in the state will benefit the general welfare of the people of this  
13 state by enhancing investment, development, and tourism in this  
14 state, resulting in new jobs and additional revenues to the state;

15 (2) the conduct of regulated casino gaming in a  
16 limited number of casinos and slot establishments will not harm the  
17 people of this state;

18 (3) the regulation of gaming in this state is  
19 important to ensure that gaming is:

20 (A) conducted honestly and competitively; and

21 (B) free from criminal and corruptive elements;

22 (4) public confidence and trust can be maintained only  
23 by strict regulation of all persons, locations, practices,  
24 associations, and activities related to the conduct of gaming and  
25 the casino service industry;

26 (5) persons owning any direct or indirect material  
27 interest in a casino should be licensed and controlled to protect

1 the public health, safety, morals, good order, and general welfare  
2 of the people of this state;

3 (6) certain operators and employees of casinos and  
4 slot establishments should be regulated, licensed, and controlled  
5 to accomplish and promote these public policies while protecting  
6 the public health, safety, morals, good order, and general welfare  
7 of the people of this state;

8 (7) certain persons engaging in the casino service  
9 industry should be regulated, licensed, and controlled to  
10 accomplish and promote these public policies while protecting the  
11 public health, safety, morals, good order, and general welfare of  
12 the people of this state; and

13 (8) it is the intent of this chapter, where possible,  
14 to use the resources, goods, labor, and services of the people of  
15 this state in the ownership, operation, and construction of casinos  
16 and slot establishments and related amenities to the extent  
17 allowable by law.

18 Sec. 2022.002. EXEMPTION FROM FEDERAL STATUTES. (a) Under  
19 Section 2, 64 Stat. 1134 (15 U.S.C. Section 1172), this state  
20 declares that this state is exempt from that section.

21 (b) All shipments of gaming devices into this state,  
22 including slot machines, conducted in compliance with the  
23 applicable provisions of 15 U.S.C. Sections 1173 and 1174 are legal  
24 shipments of the devices into this state.

25 Sec. 2022.003. CONSTRUCTION; APPLICABILITY OF OTHER LAWS.

26 (a) Nothing in this chapter may be construed to implicitly repeal  
27 or modify existing state laws with respect to gambling, except that

1 gaming devices or slot machines are not prohibited by another law if  
2 conducted as authorized under this chapter.

3 (b) To the extent of any inconsistency between Chapter 2003,  
4 Government Code, and this chapter or a commission rule governing  
5 gaming devices, this chapter or the commission rule controls in all  
6 matters related to gaming devices, including hearings before the  
7 State Office of Administrative Hearings.

8 Sec. 2022.004. AUTHORITY TO IMPLEMENT GAMING. (a) The  
9 commission may implement gaming in accordance with this subtitle  
10 and, for a slot establishment at a racetrack, the Texas Racing Act  
11 (Article 179e, Vernon's Texas Civil Statutes). This chapter  
12 supersedes any conflicting or inconsistent provision of the Texas  
13 Racing Act.

14 (b) The commission shall allow the operation of gaming  
15 pursuant to this subtitle at locations on Indian lands in  
16 accordance with an effective gaming agreement and in compliance  
17 with applicable federal law.

18 Sec. 2022.005. RULES FOR ADDITIONAL QUALIFICATIONS. The  
19 commission by rule may establish other license, certificate of  
20 registration, finding of suitability, or approval qualifications  
21 under this chapter that the commission determines are in the public  
22 interest and consistent with the declared policy of this state.

23 Sec. 2022.006. IMMUNITY FOR STATEMENT MADE IN PROCEEDING OR  
24 INVESTIGATION. Any written or oral statement made in the course of  
25 an official commission proceeding or investigative activities  
26 related to an application for commission licensing, certificate of  
27 registration, finding of suitability, or other affirmative

1 regulatory approval under this chapter, by any member or agent of  
2 the commission or any witness testifying under oath, that is  
3 relevant to the purpose of the proceeding is absolutely privileged  
4 and does not impose liability for defamation or constitute a ground  
5 for recovery in any civil action.

6 Sec. 2022.007. FINDING OF SUITABILITY. To promote the  
7 integrity and security of gaming under this subtitle, the  
8 commission in its discretion may require a finding of suitability  
9 for any person doing business with or in relation to the operation  
10 of gaming who is not otherwise required to obtain a license,  
11 certificate of registration, or other affirmative regulatory  
12 approval from the commission for the person's gaming-related  
13 operations.

14 Sec. 2022.008. CONSENT TO COMMISSION DETERMINATION. (a)  
15 An application for a license, certificate of registration, finding  
16 of suitability, or other affirmative regulatory approval under this  
17 chapter constitutes a request to the commission for a decision on  
18 the applicant's general suitability, character, integrity, and  
19 ability to participate or engage in or be associated with gaming  
20 under this chapter in the manner or position sought.

21 (b) By filing an application with the commission, the  
22 applicant specifically consents to the commission's decision at the  
23 commission's election when the application, after filing, becomes  
24 moot for any reason other than death.

25 Sec. 2022.009. ABSOLUTE AUTHORITY OF COMMISSION. To  
26 protect the integrity of gaming under this subtitle or the public  
27 health, welfare, or safety, or to prevent financial loss to this

1 state, the commission has full and absolute power and authority to:

2 (1) deny any application or limit, condition,  
3 restrict, revoke, or suspend any license, certificate of  
4 registration, finding of suitability, or other affirmative  
5 regulatory approval; and

6 (2) fine any person licensed, registered, found  
7 suitable, or approved for any cause considered reasonable by the  
8 commission.

9 Sec. 2022.010. LICENSING, REGISTRATION, SUITABILITY, AND  
10 REGULATORY APPROVAL AS REVOCABLE PERSONAL PRIVILEGES. (a) An  
11 applicant for a license, certificate of registration, finding of  
12 suitability, or other affirmative regulatory approval under this  
13 chapter does not have any right to the license, certificate of  
14 registration, finding of suitability, or approval sought.

15 (b) Any license, certificate of registration, finding of  
16 suitability, or other affirmative regulatory approval granted  
17 under this chapter is a revocable privilege, and a holder of the  
18 privilege does not acquire any vested right in or under the  
19 privilege.

20 (c) The courts of this state do not have jurisdiction to  
21 review a decision to deny, limit, or condition the license,  
22 certificate of registration, finding of suitability, or approval  
23 unless the judicial review is sought on the ground that the denial,  
24 limitation, or condition is based on a suspect classification, such  
25 as race, color, religion, sex, or national origin, in violation of  
26 the Equal Protection Clause of the Fourteenth Amendment to the  
27 United States Constitution. The state court must affirm the

1 commission's action unless the violation is proven by clear and  
2 convincing evidence. If a state court has jurisdiction over a claim  
3 under this section, then this state's sovereign immunity is waived  
4 only to the extent expressly provided by Section 2022.410.

5 (d) A license, certificate of registration, finding of  
6 suitability, or other affirmative regulatory approval granted or  
7 renewed under this chapter may not be transferred or assigned to  
8 another person unless approved in advance by the commission, and a  
9 license, certificate, finding of suitability, or approval may not  
10 be pledged as collateral. The purchaser or successor of a person  
11 who has been granted a license, certificate, finding of  
12 suitability, or approval must independently qualify for a license,  
13 certificate, finding of suitability, or approval required by this  
14 chapter.

15 (e) The following acts void the license, certificate,  
16 finding of suitability, or other affirmative regulatory approval of  
17 the holder unless approved in advance by the commission:

18 (1) the transfer, sale, or other disposition of an  
19 interest in the holder that results in a change in the identity of  
20 an equity or creditor interest holder; or

21 (2) the sale of the assets of the holder, other than  
22 assets bought and sold in the ordinary course of business, or any  
23 interest in the assets, to any person not already determined to have  
24 met the applicable qualifications of this chapter.

25 Sec. 2022.011. PRIZE RULES, PAYMENT, AND REDEMPTION. (a)  
26 The commission shall adopt rules governing:

27 (1) the amount a player may be charged to play a

1 gambling game; and

2 (2) the prizes and credits that may be awarded to the  
3 player of a gambling game.

4 (b) Payment of prizes is the sole and exclusive  
5 responsibility of the casino or slot establishment, as applicable.  
6 A prize may not be paid by the commission or this state except as  
7 otherwise authorized.

8 (c) Nothing in this chapter limits the ability of a casino  
9 or slot establishment to provide promotional prizes, including wide  
10 area progressive networks, in addition to prize payouts regulated  
11 by the commission.

12 (d) The commission shall enact rules consistent with this  
13 section governing the use and redemption of prizes and credits  
14 recorded on player account records, such as players' club cards and  
15 smart cards.

16 Sec. 2022.012. REPORT ON LITIGATION. (a) A casino or slot  
17 establishment shall report to the commission any litigation  
18 relating to the casino or slot establishment, including a criminal  
19 proceeding, a proceeding involving an issue related to racing  
20 activities that impact slot machine operations, or a matter related  
21 to character or reputation relevant to a person's suitability under  
22 this chapter.

23 (b) The report required under Subsection (a) must be filed  
24 not later than the fifth day after the date the owner or operator  
25 acquires knowledge of the litigation.

26 Sec. 2022.013. COMMISSION APPROVAL REQUIRED FOR PROCEDURES  
27 AND ADMINISTRATIVE AND ACCOUNTING CONTROLS. (a) The commission's

1 approval is required for all internal procedures and administrative  
2 and accounting controls of a casino owner or operator or a slot  
3 establishment owner or operator.

4 (b) The commission by rule shall establish general  
5 accounting and auditing requirements and internal control  
6 standards for casinos and slot establishments.

7 Sec. 2022.014. EMPLOYEE REPORTING. (a) On or before the  
8 15th day of each month, a casino owner or operator or slot  
9 establishment owner or operator shall submit to the commission an  
10 employee report for the casino or slot establishment operated by  
11 the owner or operator. For each employee of the casino or  
12 establishment, the report must provide the employee's name, job  
13 title, date of birth, and social security number.

14 (b) The employee report is confidential and may not be  
15 disclosed except under commission order or in accordance with this  
16 subtitle.

17 (c) The commission may conduct criminal history  
18 investigations for employees of casinos or slot establishments.

19 (d) The commission may prohibit an employee from performing  
20 any act relating to gaming if the commission finds that an employee  
21 has:

22 (1) committed, attempted, or conspired to commit any  
23 act prohibited by this chapter;

24 (2) concealed or refused to disclose any material fact  
25 in any commission investigation;

26 (3) committed, attempted, or conspired to commit  
27 larceny or embezzlement;

1           (4) been convicted in any jurisdiction of an offense  
2 involving or relating to gambling;

3           (5) accepted employment in a position for which  
4 commission approval is required after commission approval was  
5 denied for a reason involving personal unsuitability or after  
6 failing to apply for approval on commission request;

7           (6) been prohibited under color of governmental  
8 authority from being present on the premises of any casino or slot  
9 establishment or any establishment where pari-mutuel wagering is  
10 conducted for any reason relating to improper gambling activity or  
11 for any illegal act;

12           (7) willfully defied any legislative investigative  
13 committee or other officially constituted body acting on behalf of  
14 the United States or any state, county, or municipality that sought  
15 to investigate alleged or potential crimes relating to gaming,  
16 corruption of public officials, or any organized criminal  
17 activities; or

18           (8) been convicted of any felony or any crime  
19 involving moral turpitude.

20           (e) The commission may prohibit an employee from performing  
21 any act relating to gaming based on a revocation or suspension of  
22 any gaming or wagering license, certificate of registration,  
23 finding of suitability, or other affirmative regulatory approval or  
24 for any other reason the commission finds appropriate, including a  
25 refusal by a regulatory authority to issue a license, certificate  
26 of registration, finding of suitability, or other approval for the  
27 employee to engage in or be involved with gaming or with regulated

1 gaming or pari-mutuel wagering in any jurisdiction.

2 (f) In this section, "employee" includes any person  
3 connected directly with or compensated by an applicant or license  
4 holder as an agent, personal representative, consultant,  
5 independent contractor, or lobbyist for the advocacy of the  
6 adoption or amendment of a law related to gaming activities or the  
7 furtherance of gaming activities in any jurisdiction or as  
8 otherwise specified by commission rule.

9 Sec. 2022.015. REPORT OF VIOLATIONS. A person who holds a  
10 license, certificate of registration, finding of suitability, or  
11 other affirmative regulatory approval under this chapter shall  
12 immediately report a violation or suspected violation of this  
13 chapter or a rule adopted under this chapter by any license,  
14 certificate, suitability, or approval holder, by an employee of a  
15 license, certificate, suitability, or approval holder, or by any  
16 person on the premises of a casino or slot establishment, whether or  
17 not associated with the license, certificate, suitability, or  
18 approval holder.

19 Sec. 2022.016. INDEMNIFICATION, INSURANCE, AND BONDING  
20 REQUIREMENTS. (a) A license, certificate, suitability, or  
21 approval holder shall indemnify and hold harmless this state, the  
22 commission, and all officers and employees of this state and the  
23 commission from any and all claims which may be asserted against a  
24 holder of a license, certificate, suitability, or approval, the  
25 commission, this state, and the members, officers, employees, and  
26 authorized agents of this state or the commission arising from the  
27 license, certificate, suitability, or approval holder's

1 participation in gaming authorized under this subtitle.

2 (b) Surety and insurance required under this chapter shall  
3 be issued by companies or financial institutions financially rated  
4 "A" or better as rated by A.M. Best Company or other rating  
5 organization designated by the commission and duly licensed,  
6 admitted, and authorized to conduct business in this state, or by  
7 other surety approved by the commission.

8 (c) The commission shall be named as the obligee in each  
9 required surety and as an additional insured in each required  
10 insurance contract.

11 (d) A casino owner or operator or a slot establishment owner  
12 or operator may not be self-insured with regard to gaming  
13 operations under this section.

14 (e) The commission by rule shall establish minimum  
15 insurance coverage requirements for license holders under this  
16 chapter, including:

17 (1) insurance for performance;

18 (2) insurance against losses caused by fraudulent or  
19 dishonest acts by an officer or employee of the license holder;

20 (3) general liability insurance;

21 (4) property insurance;

22 (5) liability insurance for vehicles used and drivers  
23 employed by a license holder; and

24 (6) crime insurance for the location.

25 Sec. 2022.017. LIABILITY FOR CREDIT AWARDED OR DENIED;  
26 PLAYER DISPUTE. This state and the commission are not liable for  
27 any gaming device malfunction or error by a casino or slot

1 establishment that causes credit to be wrongfully awarded or denied  
2 to players.

3 [Sections 2022.018-2022.050 reserved for expansion]

4 SUBCHAPTER B. CASINO OWNER'S LICENSE

5 Sec. 2022.051. CASINO OWNER'S LICENSE. (a) Gaming may  
6 lawfully be conducted in a casino operating under a casino owner's  
7 license.

8 (b) It is unlawful for a person to own an equity interest in  
9 a casino that conducts gaming in this state for which a casino  
10 owner's license is not in effect.

11 (c) A separate casino owner's license must be obtained for  
12 each casino conducting gaming.

13 Sec. 2022.052. ALLOCATION AND ISSUANCE OF CASINO OWNER'S  
14 LICENSES; TEMPORARY LICENSE. (a) The commission shall award nine  
15 casino owner's licenses to applicants for casino-anchored  
16 destination attraction development projects as follows:

17 (1) seven casino owner's licenses in urban areas,  
18 allocated by population; and

19 (2) two casino owner's licenses on islands in the Gulf  
20 of Mexico that are tourist destinations with at least 1,000 guest  
21 rooms available for visitors in hotels, motels, or condominiums  
22 existing on January 1, 2009.

23 (b) In addition to the casino owner's licenses issued under  
24 the other provisions of this section, the commission may issue  
25 three additional casino owner's licenses to applicants based on  
26 evidence that demonstrates that the issuance of the license to the  
27 applicant would have a significant positive economic impact in the

1 area in which the casino would be operated and on this state.

2 (c) In addition to the casino owner's licenses issued under  
3 the other provisions of this section, the commission may issue a  
4 casino owner's license to a federally recognized Indian tribe that  
5 had land in this state held in trust by the United States on January  
6 1, 1998. A license under this subsection authorizes the tribe to  
7 operate only one casino on tribal lands held in trust by the United  
8 States on January 1, 1998.

9 (d) A casino owner's license issued by the commission under  
10 Subsection (c) to an Indian tribe constitutes an agreement between  
11 this state and the tribe for purposes of the Indian Gaming  
12 Regulatory Act (18 U.S.C. Section 1166 et seq. and 25 U.S.C. Section  
13 2701 et seq.).

14 (e) Except as to simulcast common pool wagering conducted in  
15 a casino and except as otherwise authorized by the commission, the  
16 casino operations and financial records of a casino owner's license  
17 holder under Subsection (b) who also holds a pari-mutuel license  
18 under the Texas Racing Act (Article 179e, Vernon's Texas Civil  
19 Statutes) shall be kept separate from the racing operations and  
20 records of the license holder.

21 (f) An Indian tribe to which Subsection (c) applies may, in  
22 lieu of a casino owner's license, operate a casino on Indian land  
23 described by Subsection (c) under an agreement with this state. The  
24 agreement is governed by this chapter and Chapter 2023, except that  
25 the commission by rule may modify the provisions of this chapter and  
26 Chapter 2023 if necessary to make those provisions applicable to  
27 casino gaming.

1 (g) Notwithstanding Subsections (a), (b), and (c):

2 (1) a license may not be issued in a county unless:

3 (A) a majority of the voters of the county voting  
4 in the 2009 constitutional amendment election to authorize casino  
5 gaming voted in favor of the proposition to authorize casino  
6 gaming; or

7 (B) the voters of the county have approved a  
8 proposition legalizing casino gaming at a local option election  
9 held under this chapter;

10 (2) not more than three casino owner's licenses may be  
11 issued for casinos to be located in the same county; and

12 (3) a casino owner's license may not be issued for a  
13 location within an area in which casino gaming or slot gaming is  
14 prohibited under a gaming agreement.

15 (h) In allocating licenses under this section and in  
16 addition to the other suitability criteria described in this  
17 chapter, the commission may favorably consider whether a  
18 substantial percentage of the owners of a proposed casino facility  
19 are residents of this state who have maintained their residency in  
20 this state for not less than two years preceding the application  
21 date.

22 (i) For purposes of determining the location of a casino, a  
23 casino is considered to be located in the county in which the main  
24 public entrance to the casino is located.

25 (j) The commission may issue a temporary license for one  
26 year or less to authorize the casino owner's license holder to  
27 temporarily conduct casino gaming in accordance with commission

1 rules at a location within 1,000 feet of the site for which the  
2 casino license was granted.

3 (k) A person may not beneficially own, directly or  
4 indirectly, an equity interest of more than five percent of the  
5 total equity interest in more than three casino owner's license  
6 holders.

7 (l) A person may not operate, either under a casino owner's  
8 license or under a casino operator's license, more than three  
9 casinos.

10 Sec. 2022.053. APPLICATION. (a) Application for a casino  
11 owner's license shall be made according to the rules of the  
12 commission and shall contain information the commission finds  
13 necessary to determine the suitability and eligibility of the  
14 applicant, the eligibility of the proposed location, and the  
15 economic impact of the overall casino project.

16 (b) In addition to any other information the commission may  
17 require, an application must include the following information  
18 concerning the feasibility of the overall casino project:

19 (1) proof that gaming was approved under the 2009  
20 constitutional amendment or has been approved through a local  
21 option election under this chapter by the voters of the county where  
22 the casino is to be located;

23 (2) evidence that the applicant possesses, or has the  
24 right to acquire, sufficient real property on which the proposed  
25 casino will be located in order to allow the applicant's  
26 construction and operation of the casino project substantially as  
27 proposed;

1           (3) evidence that the applicant possesses, or  
2 reasonably expects to obtain, all state, county, and municipal  
3 permits and approvals necessary for the construction and operation  
4 of the proposed casino within the time periods prescribed in this  
5 chapter; and

6           (4) evidence that the applicant is prepared to begin  
7 construction of its proposed casino within 18 months of receiving a  
8 casino owner's license and to proceed with the construction of the  
9 casino without unnecessary delay.

10          (c) An applicant may apply for more than one casino owner's  
11 license relating to more than one casino but must submit a separate  
12 application for each casino for which a casino owner's license is  
13 sought.

14          (d) An application for a casino owner's license must be  
15 accompanied by the nonrefundable application fee set out in Section  
16 2022.252.

17          Sec. 2022.054. MANDATORY REQUIREMENTS. (a) A company is  
18 eligible to apply for and hold a casino owner's license only if:

19           (1) the company is incorporated or organized and in  
20 good standing in this state or organized under the laws of another  
21 state of the United States and qualified to do business in this  
22 state; and

23           (2) the company complies with all the laws of this  
24 state.

25          (b) To be eligible to receive a casino owner's license to  
26 own a casino, an applicant must submit an application to the  
27 commission by the date established by the commission.

1       (c) An application may not be considered filed for purposes  
2 of this chapter that does not include the information prescribed by  
3 Section 2022.053(b) or that is not accompanied by the prescribed  
4 application fee.

5       Sec. 2022.055. CASINO LICENSE AWARD CONSIDERATIONS. (a)  
6 The commission shall determine the initial and continuing  
7 suitability of each applicant for or holder of a casino owner's  
8 license based on suitability criteria the commission adopts to  
9 ensure that all casino owner's license holders are of good  
10 character, honesty, integrity, and financial stability, that a  
11 casino owner's license holder has sufficient business probity,  
12 competence, and experience in gaming, and that a casino owner's  
13 license holder is otherwise qualified to be licensed.

14       (b) The commission shall give due consideration to the  
15 protection of the public health, safety, morals, and general  
16 welfare of the people of this state and for the reputation of the  
17 state's gaming industry.

18       (c) The burden of proving suitability to receive or hold a  
19 casino owner's license is on the applicant or license holder.

20       (d) In considering the initial and continuing suitability  
21 of an applicant for or holder of a casino owner's license, the  
22 commission may consider the suitability of:

23               (1) each person holding an equity interest or creditor  
24 interest in the applicant or holder;

25               (2) each person holding, or proposed to receive, a  
26 casino operator's license, occupational license, or manufacturer's  
27 license employed by or doing business with the applicant or holder;

1 and

2 (3) each affiliate of the applicant or holder.

3 (e) An applicant for or holder of a casino owner's license  
4 may not receive or hold a casino owner's license if the person:

5 (1) has been convicted of a felony in the past 20 years  
6 under the laws of this state, any other state, or the United States;

7 (2) has ever been convicted of a gambling or gaming  
8 violation under the laws of this state or any other state;

9 (3) has ever knowingly or intentionally submitted an  
10 application for a license under this chapter that contained false  
11 information;

12 (4) served as a principal manager for a person  
13 described by Subdivision (1), (2), or (3);

14 (5) retains or employs another person described by  
15 Subdivision (2) or (3);

16 (6) beneficially owns any material equity interest or  
17 creditor interest in the applicant or holder and is a person  
18 described by Subdivision (1), (2), or (3);

19 (7) holds a manufacturer's license or casino service  
20 license;

21 (8) is a member of the commission; or

22 (9) is a member of the judiciary or an elected official  
23 of this state.

24 (f) The commission may adopt rules providing for a person's  
25 reciprocal determination of suitability to hold a casino owner's  
26 license based on a determination of suitability to own and operate a  
27 casino in any other jurisdiction the commission considers

1 reasonable in light of the purpose of this chapter.

2 Sec. 2022.056. ECONOMIC IMPACT ANALYSIS. (a) In  
3 determining whether or, in the case of multiple applicants  
4 competing for a limited number of casino owner's licenses within a  
5 county, to whom to grant a casino owner's license, the commission  
6 shall consider the following factors:

7 (1) the relative prospective revenues to be collected  
8 by the state from the conduct of gaming at the casino and the  
9 overall economic impact of each competing applicant's proposed  
10 casino and associated facilities;

11 (2) the relative number of residents of this state who  
12 would be employed in an applicant's proposed casino and any  
13 proposed associated hotel and nongaming businesses and the relative  
14 extent of the applicant's good faith plan to recruit, train, and  
15 promote a workforce that reflects the diverse populations of this  
16 state in all employment classifications;

17 (3) the relative extent to which an applicant's  
18 proposed casino and any proposed associated hotel and nongaming  
19 businesses could be reasonably expected to encourage interstate  
20 tourism to this state;

21 (4) the relative extent to which the scope, design,  
22 location, and construction of the applicant's casino and any  
23 associated hotel and nongaming businesses could be reasonably  
24 expected to contribute to developing a first-class gaming industry  
25 in this state;

26 (5) the applicant's experience in conducting licensed  
27 gaming operations and the applicant's financial ability to promptly

1 construct and adequately maintain the casino sought to be licensed,  
2 including the experience of partners of the applicant, of  
3 affiliated companies of the applicant or its partners, of key  
4 personnel of the applicant or its partners, and of operating  
5 companies under contract with the applicant; and

6 (6) the percentage of equity interest in the applicant  
7 owned or to be owned by residents of this state.

8 (b) To ensure that a requisite level of economic development  
9 benefiting the people of this state accompanies each casino for  
10 which a casino owner's license is granted, the commission shall  
11 require an applicant, as a condition to receiving and holding a  
12 casino owner's license, to commit to building a casino project that  
13 meets the requirements for a casino-anchored destination  
14 attraction development project established under Section 47a(g),  
15 Article III, Texas Constitution.

16 Sec. 2022.057. REVIEW OF APPLICATION. (a) The commission  
17 shall issue an order approving or denying an application for a  
18 casino owner's license not more than six months after the date of  
19 the filing of the application.

20 (b) The commission may adopt rules for awarding temporary or  
21 interim licensing the commission finds necessary to administer this  
22 chapter.

23 Sec. 2022.058. TRANSFERABILITY. A casino owner's license  
24 is not transferable and applies only to the specific site  
25 identified in the license.

26 Sec. 2022.059. DENIAL AND REVOCATION. (a) The commission  
27 may deny an application or revoke a casino owner's license for a

1 reasonable cause.

2 (b) If the commission determines it has reasonable grounds  
3 to believe that a casino owner's license holder may be unsuitable to  
4 continue to hold a casino owner's license, the commission shall  
5 conduct an investigation and hearing under Section 2022.401 and  
6 may, based on its determination, suspend, limit, or revoke the  
7 license. On suspension or revocation of a casino owner's license,  
8 the license holder must immediately cease all gaming.

9 (c) If the holder of a casino owner's license fails to begin  
10 construction of a casino within 18 months after the receipt of the  
11 casino owner's license, or fails to begin gaming operations within  
12 three years after the receipt of the license, the license is  
13 forfeited, unless the commission, for good cause, has previously  
14 granted an appropriate extension of time.

15 (d) The right to receive and hold a casino owner's license  
16 is a revocable privilege, and not a right or property under the  
17 United States Constitution or the Texas Constitution. An applicant  
18 for or holder of a casino owner's license does not have a vested  
19 interest or right in a license granted under this chapter.

20 Sec. 2022.060. REGISTRATION OF INTEREST IN LICENSE. (a)  
21 Except as provided by Subsection (b), a person who directly or  
22 indirectly owns an equity or creditor interest in an applicant for  
23 or holder of a casino owner's license shall register and qualify  
24 with the commission under commission rules and shall provide  
25 information the commission finds necessary to determine the  
26 suitability and eligibility of the person to retain the interest.

27 (b) The following persons are not required to register or

1 qualify under this section:

2 (1) a key employee of the casino owner's license holder  
3 that is required to apply for an occupational license under Section  
4 2022.102;

5 (2) an institutional investor;

6 (3) a person that beneficially owns 10 percent or less  
7 of the total equity or creditor interest of the casino owner's  
8 license holder; and

9 (4) any other group or class of persons that the  
10 commission by rule exempts from registration or qualification.

11 (c) A casino owner's license holder shall provide to the  
12 commission the name, address, and interest in the casino owner's  
13 license holder of each person who is exempt from registration or  
14 qualification under Subsection (b).

15 (d) A registration filed under this section must be  
16 accompanied by the application fee set out in Section 2022.252.

17 Sec. 2022.061. TRANSFERABILITY OF INTEREST. (a) Except as  
18 provided by this subsection, a casino owner's license holder may  
19 not issue an equity or creditor interest to a person without the  
20 commission's determination of the qualification of the proposed  
21 subscriber or purchaser to hold the interest. A casino owner's  
22 license holder that is a publicly held company may issue equity or  
23 creditor interests of five percent or less of its equity or creditor  
24 interest to any person without the consent of the commission.

25 (b) A person beneficially owning more than five percent of  
26 the equity or creditor interest of a casino owner's license holder  
27 may not transfer any portion of the interest in the license holder

1 to any person without the commission's determination of the  
2 qualification of the proposed transferee to hold the interest.

3 (c) A subscriber or proposed transferee of an interest by a  
4 casino owner's license holder shall provide the commission with  
5 information the commission considers necessary to determine the  
6 qualification of the person. The commission, not later than 60 days  
7 after the date of the application, shall determine the  
8 qualification of a subscriber or proposed transferee and approve or  
9 deny the issuance or transfer.

10 Sec. 2022.062. DETERMINATION OF QUALIFICATION. (a) The  
11 commission shall determine the qualification of a person to acquire  
12 or continue to hold an equity or creditor interest in an applicant  
13 for or holder of a casino owner's license based on the qualification  
14 requirements the commission adopts for the protection of the public  
15 interest to ensure that the persons holding securities issued by  
16 license holders are of good character, honesty, integrity, and  
17 financial stability, and are otherwise qualified to hold the  
18 interest.

19 (b) The burden of proving qualification to acquire or hold  
20 an equity or creditor interest in a license holder is on the person  
21 acquiring or holding the interest.

22 (c) A person is unsuitable to acquire or retain an equity or  
23 creditor interest in an applicant for or holder of a casino owner's  
24 license if the person would be unsuitable to receive a casino  
25 owner's license under Section 2022.055(e).

26 (d) If the commission has reasonable grounds to believe that  
27 a person holding an equity or creditor interest in an applicant for

1 or holder of a casino owner's license may be unqualified to retain  
2 the person's interest, the commission shall conduct an  
3 investigation and hearing under Section 2022.401 and may, based on  
4 its determination, issue an unsuitability finding and divestiture  
5 order to the holder of the interest and the issuer of the interest.  
6 On receipt of a divestiture order, the person holding the interest  
7 shall tender its entire interest for purchase to the issuer or a  
8 third party on terms the commission approves.

9 (e) If the commission issues an unsuitability finding and  
10 divestiture order to a holder of an equity interest or creditor  
11 interest, the person subject to the order may not:

12 (1) receive, directly or indirectly, a dividend,  
13 interest, payment, or distribution of any kind relating to the  
14 security that is the subject of the order; or

15 (2) exercise, directly or indirectly, any voting power  
16 or other right with respect to the security to which the order  
17 relates.

18 (f) A person subject to an order may receive payment for the  
19 sale of the person's interest on terms the commission approves.

20 Sec. 2022.063. TEXAS ENTERPRISE FUND GRANT. A casino owner  
21 is eligible to apply for and receive a grant from the Texas  
22 Enterprise Fund under Section 481.078, Government Code.

23 [Sections 2022.064-2022.100 reserved for expansion]

24 SUBCHAPTER C. CASINO OPERATOR'S LICENSE AND OCCUPATIONAL LICENSE

25 Sec. 2022.101. CASINO OPERATOR'S LICENSE. (a) A person may  
26 not provide services as a casino operator without holding a casino  
27 operator's license.

1       (b) A casino operator must hold a separate casino operator's  
2 license for each casino that the casino operator operates unless  
3 the operator is also the owner of the premises and holds a casino  
4 owner's license for the premises.

5       Sec. 2022.102. OCCUPATIONAL LICENSE. (a) A person may not  
6 be employed as a gaming employee without holding an occupational  
7 license.

8       (b) The holder of an owner's license or operator's license  
9 is not required to obtain an occupational license to provide  
10 services as a gaming employee in the casino or slot establishment to  
11 which the license relates.

12       (c) A casino or slot establishment owner must at all times  
13 have not less than one occupational license holder designated as a  
14 key employee having responsibility over all gaming activities who  
15 shall be available at the casino or slot establishment at all times  
16 when gaming is conducted on the owner's license holder's premises.

17       (d) A gaming employee designated or determined to be a key  
18 employee by the commission shall be issued an occupational license  
19 designated as a key employee occupational license. In determining  
20 whether an employee is a key employee, the commission is not  
21 restricted by the title of the job performed by the employee but may  
22 consider the functions and responsibilities of the employee in  
23 making decisions.

24       (e) A person employed in the field of gaming as a gaming  
25 employee shall obtain an occupational license designated as a  
26 support occupational license. A person required to hold a support  
27 occupational license may not be a gaming employee or assist the

1 casino owner's or operator's license holder until the employee  
2 obtains a support occupational license. A person licensed as a key  
3 employee is not required to obtain a support occupational license.

4 Sec. 2022.103. APPLICATION. (a) An application for a  
5 casino operator's license or an occupational license shall be made  
6 in compliance with commission rules and must contain information  
7 the commission finds necessary to determine the suitability and  
8 eligibility of the applicant to function as a casino operator or to  
9 be employed or retained as a gaming employee.

10 (b) An application for a casino operator's license or an  
11 occupational license must be accompanied by the required  
12 application fee.

13 (c) The commission may issue a temporary casino operator's  
14 license and a temporary occupational license.

15 Sec. 2022.104. RESIDENCY. A person is eligible to apply for  
16 and hold a casino operator's license or occupational license  
17 without regard to the residency of the applicant.

18 Sec. 2022.105. DETERMINATION OF SUITABILITY. (a) The  
19 commission shall determine the suitability of an applicant for or  
20 holder of a casino operator's license or occupational license based  
21 on suitability criteria the commission adopts in order to ensure  
22 that a license holder:

23 (1) is of good character, honesty, and integrity;

24 (2) has sufficient business probity, competence, and  
25 training or experience in the gaming industry to perform the  
26 function contemplated; and

27 (3) is otherwise qualified to be licensed.

1        (b) The burden of proving suitability to receive and hold a  
2 casino operator's license or occupational license is on the  
3 applicant or license holder.

4        (c) In considering the suitability of a company applying for  
5 or holding a casino operator's license or occupational license to  
6 receive and continue to hold the license, the commission shall  
7 consider the suitability of each principal manager and each holder  
8 of an equity interest and creditor interest of the company to  
9 individually receive and hold an occupational license based on the  
10 suitability standards that apply to the applicants for the license  
11 generally.

12        (d) A person may not be found suitable to receive or hold a  
13 casino operator's license or occupational license if that person  
14 would be found unsuitable to hold a casino owner's license under  
15 Section 2022.055(e), except that an applicant for a casino  
16 operator's license or occupational license who has been convicted  
17 of a felony may be found suitable if the person is found to be  
18 adequately rehabilitated under the rehabilitation requirements  
19 adopted by the commission, and the applicant or license holder is  
20 otherwise suitable for licensing.

21        Sec. 2022.106. DENIAL OR REVOCATION OF LICENSE. (a) The  
22 commission may deny an application for or revoke a casino  
23 operator's license or occupational license for any reasonable  
24 cause.

25        (b) If the commission determines that it has reasonable  
26 grounds to believe that a license holder may be unsuitable to  
27 continue to hold the license, giving due consideration to the

1 protection of the health, safety, morals, and general welfare of  
2 this state and to the reputation of the state's gaming industry, the  
3 commission shall conduct an investigation and hearing provided in  
4 Section 2022.401 and may, based on its determination, suspend,  
5 limit, or revoke any license.

6 (c) On the suspension or revocation of a license, the  
7 license holder shall cease the provision of all services in any  
8 capacity requiring a license under Section 2022.101 or 2022.102.

9 (d) A holder of an occupational license that has been  
10 revoked or suspended may not:

11 (1) receive, directly or indirectly, any  
12 compensation, consideration, or payment of any kind relating to the  
13 conduct of gaming in any capacity requiring a license under Section  
14 2022.101 or 2022.102, other than the payment for services rendered  
15 before the suspension or revocation; or

16 (2) serve or function in a capacity that would require  
17 a license under Section 2022.101 or 2022.102.

18 (e) The receipt and holding of a license is a privilege and  
19 is not a right or property under the United States Constitution or  
20 the Texas Constitution. An applicant for or holder of a casino  
21 operator's license or occupational license does not have a vested  
22 interest or right in a license granted under this chapter.

23 [Sections 2022.107-2022.150 reserved for expansion]

24 SUBCHAPTER D. MANUFACTURER'S AND OTHER SERVICE PROVIDERS' LICENSES

25 Sec. 2022.151. MANUFACTURER'S LICENSE. (a) A person may  
26 not engage in any segment of the slot machine manufacturing  
27 industry in this state for which a manufacturer's license is

1 required under this section without obtaining a manufacturer's  
2 license covering that segment of the industry.

3 (b) The commission shall adopt rules identifying segments  
4 of the manufacturing industry directly involved in the design,  
5 manufacture, assembly, production, programming, sale, lease,  
6 marketing, distribution, repair, or modification of slot machines  
7 or component parts of slot machines that the commission finds  
8 appropriate for licensing under this section.

9 (c) A manufacturer's license is personal to the license  
10 holder and allows the license holder to conduct business with any  
11 casino or slot establishment.

12 Sec. 2022.152. CASINO SERVICE LICENSE. (a) A person may  
13 not engage in any segment of the casino service industry that  
14 requires a license without obtaining a casino service license.

15 (b) The commission shall adopt rules identifying segments  
16 of the casino service industry directly involved with providing  
17 gaming-related services, equipment, and supplies that the  
18 commission finds appropriate for licensing.

19 (c) A person is required to obtain a casino service license  
20 if the person:

21 (1) operates, conducts, or maintains a gaming-related  
22 business in a casino or slot establishment; or

23 (2) furnishes goods, property, or services to a casino  
24 or slot establishment in exchange for:

25 (A) a payment based on a percentage of the  
26 earnings, profits, or receipts from the casino or slot  
27 establishment; or

1           (B) a payment the commission finds to be grossly  
2 disproportionate to the value of the goods, property, or service  
3 provided.

4           (d) A utility company, a municipality, or another political  
5 subdivision is not required to obtain a casino service license  
6 under this section.

7           (e) A casino service license is personal to the license  
8 holder and allows the license holder to conduct business with any  
9 casino or slot establishment.

10           Sec. 2022.153. APPLICATION. (a) Application for a  
11 manufacturer's license or casino service license shall be made in  
12 compliance with commission rules and shall contain information the  
13 commission finds necessary to determine the suitability and  
14 eligibility of the applicant.

15           (b) An application for a manufacturer's license or casino  
16 service license must be accompanied by the required application  
17 fee.

18           Sec. 2022.154. DETERMINATION OF SUITABILITY. (a) In  
19 considering the suitability of a company applying for or holding a  
20 manufacturer's license or casino service license to receive and  
21 continue to hold the license, the commission shall consider the  
22 suitability of each principal manager and each holder of an equity  
23 interest and creditor interest in the company applicant to  
24 individually receive and hold a manufacturer's license or casino  
25 service license based on the suitability standards that apply to  
26 the company applicant. A person may not be found suitable to  
27 receive or hold a manufacturer's license or casino service license

1 if that person would be found unsuitable to hold a casino owner's  
2 license under Section 2022.055(e).

3 (b) If the commission determines that it has reasonable  
4 grounds to believe that a license holder is unsuitable to hold a  
5 manufacturer's license or casino service license, the commission  
6 shall conduct an investigation and hearing under Section 2022.401  
7 and may, based on its determination, suspend, limit, or revoke a  
8 license.

9 (c) On suspension or revocation of a license, the license  
10 holder must cease the performance of manufacturing activity or  
11 casino service requiring a license under this chapter. After the  
12 revocation or suspension of the license, the affected license  
13 holder may not receive, directly or indirectly, compensation,  
14 consideration, or payment of any kind relating to manufacturing  
15 activity or provision of casino services in any capacity requiring  
16 a license under this chapter, other than the payment for goods or  
17 services provided before the suspension or revocation.

18 (d) An owner or casino operator who has entered into a lease  
19 with a manufacturer license holder or casino services license  
20 holder whose license has been revoked or suspended may continue to  
21 make payments on the lease based upon its original terms and  
22 conditions without modification or may accelerate the lease and pay  
23 it off, at the sole option of the owner or operator.

24 (e) The burden of proving suitability to receive and hold a  
25 manufacturer's license or casino service license is on the license  
26 holder.

27 [Sections 2022.155-2022.200 reserved for expansion]

1           SUBCHAPTER E. SLOT ESTABLISHMENT LICENSES

2           Sec. 2022.201. SLOT ESTABLISHMENT OWNER'S OR OPERATOR'S  
3 LICENSE REQUIRED. Except as otherwise provided by this chapter,  
4 Chapter 2023, or a gaming agreement, a person may not own or operate  
5 a slot machine if the person does not satisfy the requirements of  
6 this chapter and is not licensed by the commission to act as a slot  
7 establishment owner or operator. This section does not prohibit  
8 the operation of slot machines by the owner or operator of a casino  
9 licensed under this chapter.

10          Sec. 2022.202. APPLICATION AND QUALIFICATION. (a) An  
11 applicant for a slot establishment owner's or operator's license  
12 must apply to the commission under rules adopted by the commission,  
13 provide the information necessary to determine the applicant's  
14 eligibility for a license, and provide other information considered  
15 necessary by the commission.

16          (b) Except as provided by other law, an applicant for a slot  
17 establishment owner's license must hold a pari-mutuel license  
18 granted under the Texas Racing Act (Article 179e, Vernon's Texas  
19 Civil Statutes) and operate a racetrack.

20          (c) An applicant for a slot establishment operator's  
21 license must have a valid and executed contract with a racetrack  
22 that satisfies the requirements of Subsection (b) to act as a slot  
23 establishment operator for the racetrack subject to licensing under  
24 this chapter.

25          (d) Each officer, partner, director, key employee, equity  
26 interest holder, and gaming employee of slot establishment  
27 operations must be eligible and maintain eligibility in accordance

1 with this chapter to be involved in gaming in this state under this  
2 subchapter.

3 (e) An applicant for a slot establishment owner's or  
4 operator's license has the burden of proving qualification for a  
5 license by clear and convincing evidence. In addition to  
6 satisfying minimum requirements established by commission rules,  
7 an applicant for a slot establishment owner's or operator's license  
8 must:

9 (1) be a person of good character, honesty, and  
10 integrity;

11 (2) be a person whose background and prior activities,  
12 including criminal record, reputation, habits, and associations,  
13 do not pose a threat to the security and integrity of gaming or to  
14 the public interest of this state or to the effective operation and  
15 control of gaming, or do not create or enhance the dangers of  
16 unsuitable, unfair, or illegal practices, methods, and activities  
17 in the conduct of gaming or in the carrying on of the business and  
18 financial arrangements incidental to gaming;

19 (3) if applying for a new license, provide  
20 fingerprints for a criminal records evaluation by the Department of  
21 Public Safety or other law enforcement agency, including  
22 fingerprints for each person required to be named in an  
23 application, accompanied by a signed authorization for the release  
24 of information to the commission by the department and the Federal  
25 Bureau of Investigation;

26 (4) not have been convicted of an offense under this  
27 chapter or of any crime related to theft, bribery, gambling, or

1 involving moral turpitude;

2 (5) demonstrate adequate financing for the operation  
3 of the facility at which the slot machines will be operated from a  
4 source that meets the requirements of this chapter and is adequate  
5 to support the successful performance of the duties and  
6 responsibilities of the license holder and disclose all financing  
7 or refinancing arrangements for the purchase, lease, or other  
8 acquisition of gaming equipment in the degree of detail requested  
9 by the commission;

10 (6) when applying for a new license or renewing a  
11 license under this chapter, present evidence to the commission of  
12 the existence and terms of any agreement regarding the proceeds  
13 from the operation of slot machines;

14 (7) demonstrate that each equity interest holder in  
15 the applicant meets all applicable qualifications under this  
16 chapter;

17 (8) provide all information, including financial data  
18 and documents, consents, waivers, and any other materials,  
19 requested by the commission for purposes of determining  
20 qualifications for a license; and

21 (9) as part of its application, expressly waive any  
22 and all claims against the commission, this state, and a member,  
23 officer, employee, or authorized agent of the commission or this  
24 state for damages resulting from any background investigation,  
25 disclosure, or publication relating to an application for a slot  
26 establishment owner's or operator's license.

27 (f) An application or disclosure form and any other document

1 submitted to the commission by or on behalf of the applicant for  
2 purposes of determining qualification for a slot establishment  
3 owner's or operator's license must be sworn to or affirmed before an  
4 officer qualified to administer oaths.

5 (g) An applicant who knowingly fails to reveal any fact  
6 material to qualification for a license, finding of suitability, or  
7 other approval or who knowingly submits false or misleading  
8 material information is ineligible for a slot establishment owner's  
9 or operator's license.

10 (h) An applicant for a license or renewal of a license as a  
11 slot establishment owner or operator shall notify the commission of  
12 any change in the application information for a license or renewal  
13 of a license not later than the 10th day after the date of the  
14 change, except that a publicly traded corporation or other business  
15 association or entity applicant is not required to notify the  
16 commission of a transfer by which any person directly or indirectly  
17 becomes the beneficial owner of less than 10 percent of the stock of  
18 the corporation or association.

19 Sec. 2022.203. SLOT ESTABLISHMENT OWNER OR OPERATOR:  
20 EMPLOYEE INFORMATION. (a) A slot establishment owner or operator  
21 shall provide to the commission the name and address of the  
22 providers of surety and insurance required under this chapter.

23 (b) Not later than the 10th day following the date of the  
24 change, a license holder must report to the commission any change in  
25 an officer, partner, director, key employee, equity interest  
26 holder, gaming employee, or owner and any change in a surety or  
27 insurance provider.

1       Sec. 2022.204. SLOT ESTABLISHMENT: REQUIREMENTS; LOCATION.

2       (a) A slot establishment owner or operator may not operate slot  
3 machines at any place that is not licensed as a slot establishment.

4       (b) The commission by rule shall establish standards for  
5 slot establishments to ensure that establishments are accessible,  
6 safe, comfortable, durable, and of sufficiently high-quality  
7 construction to promote investments in establishments and related  
8 facilities that foster lasting economic development and continuity  
9 in producing state revenue, and that protect the health and welfare  
10 of employees, patrons, and all state residents. The standards must  
11 include or incorporate high-quality commercial building standards,  
12 including safety, air-conditioning, heating, and electrical  
13 standards.

14       (c) An applicant for a slot establishment license must:

15               (1) consent to the application of state laws with  
16 exclusive venue in Travis County, Texas, related to any action  
17 arising out of the operation of slot machines;

18               (2) provide office space for at least one commission  
19 employee as required by commission rule; and

20               (3) provide free and unrestricted access to the  
21 establishment by the commission.

22       (d) An applicant for a slot establishment license must  
23 provide the maps, surveys, site plans, architectural plans, and  
24 financial statements required by the commission and update the  
25 information at least annually if required by the commission.

26       (e) The commission may not deny, suspend, or revoke a  
27 license under this chapter based on the fact that a slot

1 establishment or a proposed slot establishment is a location for  
2 which a person holds a wine and beer retailer's permit, mixed  
3 beverage permit, mixed beverage late hours permit, private club  
4 registration permit, or private club late hours permit, issued  
5 under Chapter 25, 28, 29, 32, or 33, Alcoholic Beverage Code.

6 (f) The commission may not issue a slot establishment  
7 license to a racetrack if:

8 (1) as of January 1, 2009, any part of the real  
9 property on which the licensed premises of the racetrack is located  
10 is less than one-half mile from any part of the real property on  
11 which a public school is located; or

12 (2) the racetrack has held an inactive racing license  
13 for at least two of the three years preceding the date the  
14 application is submitted.

15 (g) A slot establishment license is valid only on the  
16 premises of the location for which the license is issued. The  
17 location for a licensed slot establishment may not be moved or  
18 transferred under the license issued, and the license may not be  
19 amended to provide a different location for the slot establishment  
20 even if the racetrack location is moved or transferred to a  
21 different location. A slot establishment license is void if the  
22 location of the racetrack to which the slot establishment owner's  
23 pari-mutuel license applies is moved.

24 Sec. 2022.205. SUMMARY SUSPENSION OF SLOT ESTABLISHMENT  
25 OWNER'S OR OPERATOR'S LICENSE. The commission may summarily  
26 suspend the license of a slot establishment owner or operator  
27 without notice or hearing if the commission finds the action is

1 necessary to maintain the integrity, security, honesty, or fairness  
2 of the operation or administration of gaming or to prevent  
3 financial loss to this state and:

4 (1) the license holder fails to deposit money received  
5 from slot machine operations as required by this chapter or  
6 commission rule;

7 (2) an event occurs that would render the license  
8 holder ineligible for a license under this chapter;

9 (3) the license holder refuses to allow the  
10 commission, the commission's agents, or the state auditor, or their  
11 designees, to examine the license holder's books, records, papers,  
12 or other objects; or

13 (4) the executive director learns the license holder  
14 failed to disclose information that would, if disclosed, render the  
15 owner or operator ineligible for a license under this chapter.

16 Sec. 2022.206. CAPITAL INVESTMENTS AND IMPROVEMENT  
17 REQUIREMENTS FOR SLOT ESTABLISHMENT. (a) A slot establishment  
18 owner or operator shall provide all necessary capital investments  
19 and required improvements at a slot establishment owned or operated  
20 by the owner or operator.

21 (b) The commission may not issue a license for the operation  
22 of a slot establishment at a class 2 racetrack that has not made at  
23 least \$40 million in capital investments or improvements to new or  
24 existing facilities at the racetrack.

25 [Sections 2022.207-2022.250 reserved for expansion]

26 SUBCHAPTER F. LICENSE RENEWAL AND FEES

27 Sec. 2022.251. TERMS; RENEWAL. (a) An original or renewal

1 license expires on the first anniversary of the date it is issued.

2 (b) The fee for an owner's license, operator's license,  
3 occupational license, manufacturer's license, or casino service  
4 license is in the amount established by Section 2022.253 and must be  
5 paid annually. A license holder may renew an unexpired license  
6 annually by meeting the licensing requirements of the commission  
7 and by paying the annual fee.

8 Sec. 2022.252. APPLICATION FEES. (a) An application fee  
9 received under this section shall be:

10 (1) deposited in the Texas casino and slot gaming  
11 fund; and

12 (2) used for the operation of the commission.

13 (b) An applicant for a casino owner's license must pay an  
14 application fee of \$100,000.

15 (c) An applicant for a slot establishment owner's license  
16 must pay an application fee of \$50,000.

17 (d) An applicant for a manufacturer's license must pay an  
18 application fee of \$200,000.

19 (e) An applicant for an operator's license must pay an  
20 application fee of \$50,000.

21 (f) An applicant for a casino service license must pay an  
22 application fee of \$100.

23 (g) A person registering and applying to qualify to hold an  
24 equity interest or creditor interest in a license holder must pay an  
25 application fee of \$100.

26 (h) An individual applying for an occupational license must  
27 pay an application fee of \$100.

1       (i) All application fees must be in the form of a money order  
2 or cashier's check and be payable to the Texas Gaming Commission,  
3 except that the commission may provide for the payment of the fees  
4 by electronic funds transfer or similar method. Application fees  
5 are nonrefundable.

6       (j) Application fees shall be applied toward the cost of  
7 investigating applicants' suitability for licensing or  
8 qualification under this chapter. Any costs of investigation  
9 incurred in excess of the application fee shall be paid by the  
10 applicant.

11       Sec. 2022.253. LICENSE FEES. (a) A holder of a casino  
12 owner's license must pay an annual license fee of \$100,000.

13       (b) A holder of a slot establishment owner's license must  
14 pay an annual fee of \$50,000.

15       (c) A holder of a manufacturer's license must pay an annual  
16 license fee of \$100,000.

17       (d) A holder of an operator's license must pay an annual  
18 license fee of \$50,000.

19       (e) A holder of a casino service license must pay an annual  
20 license fee of \$100.

21       (f) A holder of an equity interest or creditor interest in  
22 any license holder that is required to qualify with the commission  
23 must pay an annual fee of \$100.

24       (g) A holder of an occupational license must pay an annual  
25 license fee of \$100.

26       [Sections 2022.254-2022.300 reserved for expansion]

1 SUBCHAPTER G. CASINO AND SLOT GAMING FUND; TAXES ON GROSS GAMING

2 REVENUE AND NET SLOT INCOME

3 Sec. 2022.301. TEXAS CASINO AND SLOT GAMING FUND. (a) The  
4 Texas casino and slot gaming fund is a special fund in the state  
5 treasury.

6 (b) All application fees, investigation fees, and license  
7 fees collected by the commission or on the commission's behalf  
8 related to casino and slot gaming shall be deposited to the credit  
9 of the Texas casino and slot gaming fund.

10 (c) The Texas casino and slot gaming fund may be used only  
11 for the operation of the commission and the administration of this  
12 chapter. If the money in the fund exceeds the amount necessary for  
13 the operation of the commission and the administration of this  
14 chapter, the legislature may transfer any excess amount to a  
15 dedicated account to be known as the higher education trust account  
16 in the general revenue fund to be used solely to provide additional  
17 financial aid to assist in the payment of tuition and fees for  
18 resident students of institutions of higher education in this  
19 state.

20 (d) The operation of the commission and the administration  
21 of this chapter shall be supported by fees generated under this  
22 chapter and by a portion of the taxes imposed by Section 2022.302.

23 Sec. 2022.302. CASINO AND SLOT GAMING TAX; ALLOCATION OF  
24 TAX. (a) There is imposed on each holder of a casino owner's  
25 license a gaming tax in an amount equal to 15 percent of the gross  
26 gaming revenue of the casino operated under the license. The tax  
27 shall be computed and paid on a monthly basis in accordance with the

1 procedures established by commission rule.

2 (b) There is imposed on each holder of a slot establishment  
3 owner's license a slot gaming tax in an amount equal to 35 percent  
4 of the net slot income of the slot establishment operated under the  
5 license. The tax shall be computed and paid on a monthly basis in  
6 accordance with the procedures established by commission rule.

7 (c) Except as provided by Subsections (d), (e), and (f), the  
8 revenue from the taxes imposed by this section is allocated to the  
9 higher education trust account in the general revenue fund.

10 (d) Of the revenue from the tax imposed by Subsection (a):

11 (1) one-thirtieth of the revenue is allocated to the  
12 municipality in which the casino to which the license relates is  
13 located, and one-thirtieth of the revenue is allocated to the  
14 county in which the casino to which the license relates is located;  
15 or

16 (2) if the casino is located in an unincorporated  
17 area, one-fifteenth of the revenue is allocated to the county in  
18 which the casino to which the license relates is located.

19 (e) The comptroller shall transfer the appropriate amount  
20 allocated under Subsection (d) to the appropriate municipalities  
21 and counties not less than monthly in the manner the comptroller  
22 considers appropriate.

23 (f) Of the revenue from the taxes imposed by this section:

24 (1) one-tenth of one percent shall be allocated to the  
25 general revenue fund and may be appropriated only to fund a  
26 compulsive gambling program established under Subchapter L; and

27 (2) \$200,000 may be appropriated in each state fiscal

1 biennium to the Department of Public Safety to be used to provide  
2 grants to prosecuting attorneys for the investigation and  
3 prosecution of offenses related to the possession of gambling  
4 devices.

5 (g) The taxes imposed by this section are due and payable on  
6 or before the 20th day of the month following the month in which the  
7 taxes are imposed.

8 (h) If the amount of gaming taxes required to be reported  
9 and paid under this section is later determined to be greater or  
10 less than the amount actually reported and paid by the license  
11 holder, the commission shall:

12 (1) assess and collect the additional gaming taxes  
13 determined to be due with interest until paid; or

14 (2) refund any overpayment, with interest, to the  
15 license holder.

16 (i) Interest must be computed, until paid, at the rate of  
17 one percent per month from the first day of the first month  
18 following either the due date of the additional gaming taxes or the  
19 date of overpayment.

20 Sec. 2022.303. DETERMINATION OF GROSS GAMING REVENUE. (a)  
21 In calculating gross gaming revenue, a prize, premium, drawing,  
22 benefit, or ticket that is redeemable for money, merchandise, or  
23 other promotional allowance, except money or tokens paid at face  
24 value directly to a patron as the result of a specific wager and the  
25 amount of cash paid to purchase an annuity to fund winnings, may not  
26 be deducted from gross gaming revenue as a loss at any game except a  
27 slot machine.

1       (b) In calculating gross gaming revenue from slot machines  
2 at a casino, the actual cost to the license holder of any personal  
3 property distributed to a patron as the result of a legitimate wager  
4 may be deducted as a loss, but travel expenses, food, refreshments,  
5 lodging, or services at the license holder's facility may not be  
6 deducted. For the purposes of this subsection, "as the result of a  
7 legitimate wager" means that the patron must make a wager before  
8 receiving the personal property, regardless of whether the receipt  
9 of the personal property is dependent on the outcome of the wager.

10       (c) Cash or the value of noncash prizes awarded to patrons  
11 in a contest or tournament are not losses for purposes of  
12 determining gross gaming revenue.

13       Sec. 2022.304. REFUND OF OVERPAYMENT. (a) Taxes imposed  
14 under this subchapter that are erroneously collected may be  
15 refunded, on approval of the commission, as other claims against  
16 the state are paid.

17       (b) Not later than the 90th day after the date of the mailing  
18 of the notice of the commission's action on a claim for refund filed  
19 under this chapter, the claimant may bring an action against the  
20 commission on the grounds stated in the claim in any court of  
21 competent jurisdiction for the recovery of any part of the amount of  
22 the claim that has been disallowed.

23       (c) Failure to bring an action within the time specified by  
24 Subsection (b) constitutes a waiver of any demand against the state  
25 on account of alleged overpayments.

26       (d) If the commission fails to mail its notice of action on a  
27 claim within six months after the date the claim is filed, the

1 claimant may consider the claim disallowed and bring an action  
2 against the commission on the grounds set forth in the claim for the  
3 recovery of any part of the amount claimed as an overpayment.

4 (e) In a case where a refund is granted, interest is allowed  
5 at the rates provided in Section 111.064, Tax Code.

6 (f) A claim for refund of taxes imposed under this  
7 subchapter that are paid in excess of the amount required to be  
8 reported and paid must be filed not later than two years after the  
9 date of overpayment.

10 Sec. 2022.305. DETERMINATION OF DEFICIENCY. (a) If an  
11 owner's license holder fails to make a report of the taxes imposed  
12 under this subchapter as required by this chapter, or if the  
13 executive director is not satisfied with the owner's license  
14 holder's report of the taxes, the executive director may compute  
15 and determine the amount required to be paid on the basis of:

16 (1) the facts contained in the report, if any;  
17 (2) an audit conducted by the executive director;  
18 (3) an estimate of the amount of taxes due;  
19 (4) any information in the commission's possession or  
20 that may come in the executive director's possession; or

21 (5) any combination of the methods described by  
22 Subdivisions (1)-(4).

23 (b) In making a determination, the commission may offset  
24 overpayments and interest due against underpayments and interest or  
25 penalties due for the period of the audit.

26 (c) The executive director shall give prompt written notice  
27 of a determination of a deficiency under this section to the owner's

1 license holder. Except in the case of fraud or intent to evade the  
2 payment of the tax, a notice of a determination of a deficiency must  
3 be mailed not later than two years after the last day of the  
4 calendar month following the applicable reporting period in which  
5 the deficiency occurred or not later than two years after the report  
6 is filed by the owner's license holder, whichever is later.

7 (d) If the reasons for the deficiency are not apparent, the  
8 executive director shall include an explanation of those reasons in  
9 the notice of a determination of a deficiency.

10 (e) If overpayments and interest exceed underpayments,  
11 penalties, and interest, the excess amount shall be refunded to the  
12 owner's license holder.

13 Sec. 2022.306. PETITION FOR REVIEW. (a) An owner's license  
14 holder against whom a determination is made under Section 2022.305  
15 may petition the commission for a redetermination not later than  
16 the 30th day after the date of the service of notice of the  
17 determination. If a petition for redetermination satisfying the  
18 requirements of Subsection (c) is not filed within the 30-day  
19 period, the determination becomes final.

20 (b) If a petition for redetermination satisfying the  
21 requirements of Subsection (c) is filed within the 30-day period,  
22 the commission shall reconsider the determination and, if the  
23 petitioner requests, shall grant a hearing.

24 (c) A petition for redetermination must:

25 (1) specify the contested portions of the  
26 determination of deficiency;

27 (2) specify the grounds for redetermination;

1           (3) state whether a hearing is requested; and

2           (4) be accompanied by payment in full of the  
3 uncontested portion of the determination, including any interest  
4 and penalties.

5           (d) An order or decision of the commission on a petition for  
6 redetermination is final 10 days after the date of service on the  
7 petitioner.

8           (e) A petitioner against whom an order or decision of the  
9 commission becomes final may, not later than the 60th day after the  
10 date the decision is final, petition for judicial review in the  
11 manner provided by Chapter 2001, Government Code. The executive  
12 director may not petition for judicial review.

13           Sec. 2022.307. TAX ADMINISTRATION. (a) The commission  
14 shall perform all functions incident to the administration,  
15 collection, enforcement, and operation of a fee or tax imposed  
16 under this subchapter. The commission may adopt rules and prescribe  
17 forms for the administration, collection, and enforcement of a fee  
18 or tax and for the reporting of a fee or tax.

19           (b) Except as modified by this chapter, Subtitle B, Title 2,  
20 Tax Code, applies to the administration, collection, and  
21 enforcement of a tax imposed under this subchapter. For purposes of  
22 the application of Subtitle B, Title 2, Tax Code, to a tax imposed  
23 under this subchapter, the powers and duties assigned to the  
24 comptroller under that subtitle are assigned to the commission.

25           Sec. 2022.308. TAXES DEPOSITED IN STATE HIGHWAY FUND. (a)  
26 Notwithstanding any other law, the comptroller quarterly shall  
27 determine the net amount of receipts collected from a casino or slot

1 establishment from the taxes imposed under Chapters 151, 152, 156,  
2 171, and 183, Tax Code, and shall deposit that amount in the state  
3 highway fund.

4 (b) Money deposited in the state highway fund under this  
5 section may be used only for transportation in this state.

6 [Sections 2022.309-2022.350 reserved for expansion]

7 SUBCHAPTER H. REGULATION OF CASINO AND SLOT ESTABLISHMENT

8 OPERATIONS

9 Sec. 2022.351. REGULATION OF CASINO AND SLOT ESTABLISHMENT  
10 OPERATIONS. (a) The commission shall adopt rules applicable to the  
11 operation of casinos and slot establishments as the commission  
12 finds necessary for the protection of the health, safety, morals,  
13 and general welfare of this state and for the reputation of the  
14 state's gaming industry.

15 (b) Casinos and slot establishments may operate 24 hours a  
16 day, seven days a week. A license holder may elect other hours of  
17 operation.

18 (c) The commission may not authorize a casino or slot  
19 establishment to conduct wagering on the outcome of a sports event  
20 or sports activity other than greyhound or horse racing.

21 Sec. 2022.352. USE OF CHIPS OR TOKENS. All gaming must be  
22 conducted with chips or tokens approved by the commission or with  
23 the legal tender of the United States.

24 Sec. 2022.353. REPORTING REQUIREMENTS. (a) An owner's  
25 license holder shall keep the license holder's books and records in  
26 a manner that clearly shows the total amount of gross gaming revenue  
27 or net slot income, as applicable, and other revenues received.

1       (b) The books and records kept by an owner's license holder  
2 relating to gaming operations are not public records and the  
3 publication and dissemination of the materials by the commission is  
4 prohibited. The commission may publish and disseminate gaming  
5 revenues and incomes of each owner's license holder at a frequency  
6 and in the level of detail as it considers appropriate.

7       (c) An owner's license holder shall file a report of each  
8 change of the corporate officers and directors with the commission.  
9 The commission shall, not later than the 90th day after the date of  
10 the change, approve or disapprove the change. During the 90-day  
11 period, the officer or director is entitled to exercise the powers  
12 of the office to which the officer or director was elected or  
13 appointed.

14       (d) An owner's license holder shall report to the executive  
15 director in writing a change in company employees who have been  
16 designated as key employees.

17       (e) The commission may require that a company furnish the  
18 commission with a copy of its federal income tax return not later  
19 than the 30th day after the date the return is filed with the  
20 federal government.

21       Sec. 2022.354. EXCLUSION OF PERSONS. (a) The commission by  
22 rule shall provide for the establishment of a list of persons who  
23 are to be excluded or ejected from a casino or slot establishment.  
24 The list may include a person whose presence in the casino or  
25 establishment is determined by the commission to pose a threat to  
26 the interests of this state, to licensed gaming, or to both  
27 interests.

1       (b) In making a determination under this section, the  
2 commission may consider any:

3           (1) prior conviction of a crime that is a felony in  
4 this state or under the laws of the United States or a crime  
5 involving moral turpitude or a violation of the gaming laws of a  
6 state; or

7           (2) violation of or conspiracy to violate the  
8 provisions of this chapter relating to:

9                   (A) the failure to disclose an interest in a  
10 casino or slot establishment for which the person must obtain a  
11 license;

12                           (B) willful evasion of a fee or a tax;

13                   (C) notorious or unsavory reputation that would  
14 adversely affect public confidence and trust that the gaming  
15 industry is free from criminal or corruptive elements; or

16                   (D) a written order of a governmental agency that  
17 authorizes the exclusion or ejection of the person from a casino or  
18 slot establishment where gaming or pari-mutuel wagering is  
19 conducted.

20       Sec. 2022.355. INTERNAL AUDIT AND CONTROL SYSTEMS. (a) An  
21 owner's license holder shall adopt an internal control system that  
22 provides for:

23           (1) the safeguarding of its assets and revenues,  
24 especially the recording of cash and evidences of indebtedness; and

25           (2) the provision of reliable records, accounts, and  
26 reports of transactions, operations, and events, including reports  
27 to the executive director and the commission.

1       (b) The internal control system must be designed to  
2 reasonably ensure that:

3           (1) assets are safeguarded;  
4           (2) financial records are accurate and reliable;  
5           (3) transactions are performed only in accordance with  
6 management's general or specific authorization;

7           (4) transactions are recorded adequately to allow  
8 proper reporting of gaming revenue and of fees and taxes and to  
9 maintain accountability for assets;

10          (5) access to assets is allowed only in accordance  
11 with management's specific authorization;

12          (6) recorded accountability for assets is compared  
13 with actual assets at reasonable intervals and appropriate action  
14 is taken with respect to any discrepancies; and

15          (7) functions, duties, and responsibilities are  
16 appropriately segregated and performed in accordance with sound  
17 practices by competent, qualified personnel.

18       (c) An owner's license holder and an applicant for an  
19 owner's license shall describe, in a manner approved or required by  
20 the executive director, the license holder's or applicant's  
21 administrative and accounting procedures in detail in a written  
22 system of internal control. An owner's license holder and  
23 applicant for an owner's license shall submit a copy of the license  
24 holder's or applicant's written system to the executive director. A  
25 written system must include:

26           (1) an organizational chart depicting appropriate  
27 segregation of functions and responsibilities;

1           (2) a description of the duties and responsibilities  
2 of each position shown on the organizational chart;

3           (3) a detailed, narrative description of the  
4 administrative and accounting procedures designed to satisfy the  
5 requirements of Section 2022.353(a);

6           (4) a written statement signed by the license holder's  
7 chief financial officer and either the license holder's chief  
8 executive officer or an owner's license holder attesting that the  
9 system satisfies the requirements of this section;

10           (5) if the written system is submitted by an  
11 applicant, a letter from an independent certified public accountant  
12 stating that the applicant's written system has been reviewed by  
13 the certified public accountant and complies with the requirements  
14 of this section; and

15           (6) other items the executive director may require.

16           (d) The commission shall adopt minimum standards for  
17 internal control procedures.

18           Sec. 2022.356. AGE REQUIREMENTS. A person under the age of  
19 21 years may not:

20           (1) play, be allowed to play, place wagers, or collect  
21 winnings, personally or through an agent, from any gaming  
22 authorized under this chapter; or

23           (2) be employed as a gaming employee.

24           Sec. 2022.357. ACCEPTANCE OF NEGOTIABLE INSTRUMENTS. (a)  
25 A negotiable instrument evidencing a gaming transaction may be  
26 enforced by legal process.

27           (b) A license holder may accept an incomplete negotiable

1 instrument that is signed by a patron and states the amount of the  
2 debt. The license holder may complete the instrument as is  
3 necessary for the instrument to be presented for payment.

4 (c) A license holder:

5 (1) may not accept a negotiable instrument that is  
6 incomplete, except as authorized by Subsection (b); and

7 (2) may accept a negotiable instrument that is payable  
8 to an affiliate or may complete a negotiable instrument in the name  
9 of an affiliate as payee if the negotiable instrument otherwise  
10 complies with this section and the records of the affiliate  
11 pertaining to the negotiable instrument are made available to the  
12 executive director on request.

13 (d) This section does not prohibit the establishment of an  
14 account by a deposit of cash, recognized traveler's check, or any  
15 other instrument that is equivalent to cash.

16 (e) Any person, license holder, or the agents or employees  
17 of the person or license holder who violate this section are subject  
18 only to the penalties provided in this chapter relating to  
19 disciplinary actions. The failure of a person to comply with this  
20 section or commission rules does not invalidate a negotiable  
21 instrument or affect the ability to enforce the negotiable  
22 instrument or the transaction that the negotiable instrument  
23 represents.

24 Sec. 2022.358. GAMING DEBTS. (a) Except as otherwise  
25 provided by this chapter, gaming debts not evidenced by a  
26 negotiable instrument are void and unenforceable and do not give  
27 rise to any administrative or civil cause of action.

1       (b) A claim by a patron of a license holder for payment of a  
2 gaming debt not evidenced by a negotiable instrument may be  
3 resolved by the executive director under commission rules.

4       (c) The executive director shall send a copy of the  
5 director's ruling by first class mail to the attorneys of record and  
6 shall keep an appropriate copy of the mailing. If a party is not  
7 represented by an attorney of record, the executive director shall  
8 send a copy of the ruling by first class mail to the party and shall  
9 keep an appropriate record of the mailing.

10       (d) A party or attorney of record notified by mail under  
11 this section is presumed to have been notified on the date on which  
12 the notice is mailed.

13       (e) A party aggrieved by the executive director's ruling is  
14 entitled to have the claim resolved by the commission in a contested  
15 case if the party files a written complaint with the commission  
16 challenging the executive director's decision not later than the  
17 20th day after the date on which the party or the party's attorney  
18 of record is notified by mail.

19       Sec. 2022.359. QUESTIONING AND DETENTION OF PERSONS. (a)  
20 An owner's license holder or the license holder's officer,  
21 employee, or agent may question any person on the license holder's  
22 premises suspected of violating this chapter. The owner's license  
23 holder or the license holder's officer, employee, or agent is not  
24 criminally or civilly liable:

25               (1) as a result of the questioning; or  
26               (2) for reporting the person suspected of the  
27 violation to the executive director or law enforcement authorities.

1       (b) An owner's license holder or the license holder's  
2 officer, employee, or agent who has reasonable cause to believe  
3 that there has been a violation of this chapter in the license  
4 holder's casino or slot establishment by a person may take that  
5 person into custody and detain the person in the casino or slot  
6 establishment in a reasonable manner and for a reasonable length of  
7 time. The taking into custody and detention does not render the  
8 license holder or the license holder's officer, employee, or agent  
9 criminally or civilly liable unless it is established by clear and  
10 convincing evidence that the taking into custody and detention are  
11 unreasonable under all the circumstances.

12       (c) An owner's license holder or the license holder's  
13 officer, employee, or agent is not entitled to the immunity from  
14 liability provided by Subsection (a) or (b) unless there is  
15 displayed in a conspicuous place in the license holder's  
16 establishment a notice in bold-faced type, clearly legible, and in  
17 substantially this form:

18           AN OWNER'S LICENSE HOLDER OR AN OWNER'S LICENSE  
19           HOLDER'S OFFICER, EMPLOYEE, OR AGENT WHO HAS A  
20           REASONABLE CAUSE TO BELIEVE THAT A PERSON HAS VIOLATED  
21           A PROVISION OF CHAPTER 2005, OCCUPATIONS CODE, MAY  
22           QUESTION OR DETAIN THAT PERSON IN THE ESTABLISHMENT.

23       Sec. 2022.360. SLOT MACHINE DISABLED. (a) The commission  
24 may disable a slot machine operated by a license holder under this  
25 chapter at the time:

26           (1) a proceeding to summarily suspend the license is  
27 initiated;

1           (2) the commission discovers the license holder failed  
2 to deposit money received from slot machine operation as required  
3 if the license is being summarily suspended under this section; or

4           (3) an act or omission occurs that, under commission  
5 rules, justifies the termination of slot machine operations to:

6                   (A) protect the integrity of gaming or the public  
7 health, welfare, or safety; or

8                   (B) prevent financial loss to this state.

9           (b) The commission shall immediately disable a slot machine  
10 if necessary to protect the public health, welfare, or safety.

11           Sec. 2022.361. SLOT MACHINE: DISTRIBUTION AND COMMISSION  
12 APPROVAL. (a) A slot machine provider may not distribute a slot  
13 machine or other gaming or associated equipment for placement at a  
14 casino or slot establishment in this state unless the machine or  
15 equipment has been approved by the commission.

16           (b) Only a person that holds a manufacturer's license issued  
17 under this chapter may apply for approval of a slot machine or other  
18 gaming or associated equipment.

19           Sec. 2022.362. TECHNICAL STANDARDS FOR GAMING EQUIPMENT.  
20 The commission by rule shall establish minimum technical standards  
21 for gaming equipment that may be operated in this state.

22           Sec. 2022.363. INCIDENT REPORTS. (a) The owner or operator  
23 of a casino or slot establishment shall record all unusual  
24 occurrences related to gaming activity in the casino or slot  
25 establishment operated by the owner or operator.

26           (b) The owner or operator of a casino or slot establishment  
27 shall assign each incident, without regard to materiality, a

1 sequential number and, at a minimum, provide the following  
2 information in a permanent record prepared in accordance with  
3 commission rules to ensure the integrity of the record:

- 4 (1) the number assigned to the incident;
- 5 (2) the date and time of the incident;
- 6 (3) the nature of the incident;
- 7 (4) each person involved in the incident; and
- 8 (5) the name of the employee or other agent of the  
9 owner or operator who investigated the incident.

10 Sec. 2022.364. SLOT MACHINE EVENTS. The owner or operator  
11 of a casino or slot establishment shall keep a database of slot  
12 machine events. The commission by rule shall determine what  
13 constitutes a slot machine event for purposes of this section.

14 Sec. 2022.365. SECURITY. (a) The owner or operator of a  
15 casino or slot establishment shall:

16 (1) continuously monitor all slot machines through the  
17 use of a closed-circuit television system that records activity for  
18 a continuous 24-hour period, retain all videotapes or other media  
19 used to store video images for at least 30 days, and make the tapes  
20 or media available to the commission on request;

21 (2) submit for commission approval a security plan and  
22 a floor plan of the area where slot machines are operated showing  
23 slot machine locations and security camera mount locations; and

24 (3) employ at least the minimum number of private  
25 security personnel the commission determines is necessary to  
26 provide for safe and approved operation of the casino or slot  
27 establishment and the safety and well-being of the players.

1       (b) Private security personnel must be present during all  
2 hours of operation at each casino or slot establishment.

3       (c) An agent or employee of the commission or the Department  
4 of Public Safety or other law enforcement personnel may be present  
5 at a casino or slot establishment at any time.

6       (d) The commission may adopt rules to impose additional  
7 surveillance and security requirements related to casinos or slot  
8 establishments and the operation of slot machines.

9       Sec. 2022.366. COMMISSION RIGHT TO ENTER. The commission  
10 or the commission's representative, after displaying appropriate  
11 identification and credentials, has the free and unrestricted right  
12 to:

13               (1) enter the premises of a casino or slot  
14 establishment;

15               (2) enter at all times any other locations involved in  
16 operation or support of slot machines; and

17               (3) inspect and copy the records of the owner or  
18 operator of a casino or slot establishment pertaining to the  
19 operation of slot machines.

20       Sec. 2022.367. APPOINTMENT OF SUPERVISOR. (a) The  
21 commission by rule may provide for the appointment of a supervisor  
22 to manage and operate a casino or slot establishment at the  
23 direction of the commission and perform any act that a casino or  
24 slot establishment owner or operator is entitled to perform in the  
25 event that:

26               (1) an owner's or operator's license or other license  
27 required for operation of the casino or slot establishment is

1 revoked or suspended, lapses, or is surrendered;

2 (2) a casino or slot establishment has been conveyed  
3 or transferred to a secured party receiver or trustee who does not  
4 hold the licenses necessary to operate the casino or establishment;  
5 or

6 (3) any other event occurs that causes the casino or  
7 establishment to cease the operation of slot machines.

8 (b) The rules may allow the commission to:

9 (1) take any action or adopt any procedure necessary  
10 to operate a casino or slot establishment pending the licensing of  
11 an owner or operator or a successor on the transfer or sale of the  
12 casino, establishment, or property; and

13 (2) if necessary to continue the operation of the  
14 casino or slot establishment, sell the casino or establishment to a  
15 person that holds or has applied for the licenses required to  
16 operate the casino or establishment under this chapter and make  
17 appropriate distributions of the proceeds of the sale.

18 Sec. 2022.368. OFFENSE: CONVEYANCE OF CASINO OR SLOT  
19 ESTABLISHMENT PROPERTY. (a) A person commits an offense if during  
20 the pendency of any proceeding before the commission that may  
21 result in the appointment of a supervisor or during the period of  
22 supervision the person:

23 (1) sells, leases, or otherwise conveys for less than  
24 full market value or pledges as security any property of a casino or  
25 slot establishment; or

26 (2) removes from this state or secretes from the  
27 commission or the supervisor any property, money, books, or records

1 of the casino or slot establishment, including evidences of debts  
2 owed to the casino or establishment.

3 (b) An offense under Subsection (a) is a felony of the third  
4 degree.

5 [Sections 2022.369-2022.400 reserved for expansion]

6 SUBCHAPTER I. ENFORCEMENT

7 Sec. 2022.401. ENFORCEMENT. (a) The executive director  
8 shall conduct an appropriate investigation to:

9 (1) determine whether there has been a violation of  
10 this chapter or of a commission rule;

11 (2) determine facts, conditions, practices, or  
12 matters that the director considers necessary or proper to aid in  
13 the enforcement of a law or rule;

14 (3) aid in adopting rules;

15 (4) secure information as a basis for recommending  
16 legislation relating to this chapter; and

17 (5) determine whether a license holder is able to meet  
18 the license holder's financial obligations, including all  
19 financial obligations imposed by this chapter, as they become due.

20 (b) If after an investigation the executive director is  
21 satisfied that a license should be limited, conditioned, suspended,  
22 or revoked, or that a fine should be levied, the executive director  
23 shall initiate a hearing under Section 2022.406.

24 Sec. 2022.402. PRIVILEGED DOCUMENTS. (a) A communication  
25 or document of an applicant or license holder that is required by  
26 law or commission rule or by a subpoena issued by the commission and  
27 that is to be made or transmitted to the commission or the executive

1 director is privileged and does not impose liability for defamation  
2 or constitute a ground for recovery in a civil action by a person  
3 other than the commission.

4 (b) If a document or communication contains information  
5 that is privileged, the privilege is not waived or lost because the  
6 document or communication is disclosed to the commission or the  
7 executive director.

8 (c) Notwithstanding the powers granted to the commission  
9 and the executive director by this chapter:

10 (1) the commission and the executive director may not  
11 release or disclose privileged information, documents, or  
12 communications provided by an applicant and required by a lawful  
13 court order after timely notice of the proceedings has been given to  
14 the applicant or license holder without the prior written consent  
15 of the applicant or license holder;

16 (2) the commission and the executive director shall  
17 maintain all privileged information, documents, and communications  
18 in a secure place accessible only to members of the commission and  
19 the executive director; and

20 (3) the commission shall adopt procedures to protect  
21 the privileged nature of information, documents, and  
22 communications provided by an applicant or license holder.

23 Sec. 2022.403. RELEASE OF CONFIDENTIAL INFORMATION. An  
24 application to a court for an order requiring the commission or the  
25 executive director to release any information declared by law to be  
26 confidential shall be made only on a motion in writing delivered not  
27 later than the 10th day before the date of application to the

1 commission, the attorney general, and all persons who may be  
2 affected by the entry of the order. Copies of the motion and all  
3 papers filed in support of it shall be served with the notice by  
4 delivering a copy in person or by certified mail to the last known  
5 address of the person to be served.

6 Sec. 2022.404. EMERGENCY ORDERS. (a) The commission may  
7 issue an emergency order for suspension, limitation, or  
8 conditioning of a license or work permit or may issue an emergency  
9 order requiring a casino or slot establishment to keep an  
10 individual license holder from the premises of the licensed  
11 establishment or to not pay the license holder any remuneration for  
12 services or any profits, income, or accruals on the license  
13 holder's investment in the casino or slot establishment.

14 (b) An emergency order may be issued only if the commission  
15 determines that:

16 (1) a license holder has willfully failed to report,  
17 pay, or truthfully account for a fee imposed under this chapter or  
18 willfully attempted in any manner to evade or defeat a fee or  
19 payment;

20 (2) a license holder or gaming employee has cheated at  
21 a gambling game; or

22 (3) the action is necessary for the immediate  
23 preservation of the public peace, health, safety, morals, good  
24 order, or general welfare.

25 (c) The emergency order must state the grounds on which it  
26 is issued, including a statement of facts constituting the alleged  
27 emergency necessitating the action.

1       (d) An emergency order may be issued only with the approval  
2 of and under the signature of four or more members of the  
3 commission.

4       (e) An emergency order is effective immediately on issuance  
5 and service on the license holder or resident agent of the license  
6 holder, gaming employee, or, in cases involving registration, on  
7 issuance and service on the person or entity involved or resident  
8 agent of the entity involved. An emergency order may suspend,  
9 limit, condition, or take other action in relation to the license of  
10 one or more persons in an operation without affecting other  
11 individual license holders or the casino or slot establishment. An  
12 emergency order remains effective until further order of the  
13 commission or final disposition of the case.

14       (f) Not later than the fifth day after the date of issuance  
15 of an emergency order, the executive director shall file a  
16 complaint and serve it on the person or entity involved. The person  
17 or entity against whom the emergency order has been issued and  
18 served is entitled to a hearing before the commission and to  
19 judicial review of the decision and order of the commission under  
20 Chapter 2001, Government Code. Judicial review is under the  
21 substantial evidence rule.

22       Sec. 2022.405. REVOCATION OF LICENSE, CERTIFICATE OF  
23 REGISTRATION, FINDING OF SUITABILITY, OR OTHER APPROVAL. (a) The  
24 commission shall revoke or suspend a license, certificate of  
25 registration, finding of suitability, or other affirmative  
26 regulatory approval issued under this chapter if the holder of the  
27 license, certificate, suitability, or approval at any time fails to

1 meet the eligibility requirements set forth in this chapter.

2 (b) Failure to timely remit gaming revenue generated by slot  
3 machines to the commission or any tax or other fee owed to this  
4 state as demonstrated by report from the applicable taxing  
5 authority or to timely file any report or information required  
6 under this chapter as a condition of any license, certificate,  
7 finding of suitability, or other approval issued under this chapter  
8 may be grounds for suspension or revocation, or both, of a license,  
9 certificate, finding of suitability, or other approval issued under  
10 this chapter.

11 Sec. 2022.406. DISCIPLINARY HEARING. (a) Before the  
12 commission revokes or suspends a license, certificate of  
13 registration, finding of suitability, or approval or imposes  
14 monetary penalties for a violation of this chapter, the commission  
15 shall provide written notification to the license, certificate,  
16 finding of suitability, or approval holder of the revocation, the  
17 period of suspension, or the monetary penalty. The notice shall  
18 include:

19 (1) the effective date of the revocation or the period  
20 of suspension or the amount of the monetary penalty, as applicable;

21 (2) each reason for the revocation, suspension, or  
22 penalty;

23 (3) an explanation of the evidence supporting the  
24 reasons;

25 (4) an opportunity to present the license,  
26 certificate, finding of suitability, or approval holder's position  
27 in response on or before the 15th day after the effective date of

1 the revocation; and

2 (5) a statement explaining the person's right to an  
3 administrative hearing to determine whether the revocation,  
4 suspension, or penalty is warranted.

5 (b) The notice required under Subsection (a) must be made by  
6 personal delivery or by mail to the person's mailing address as it  
7 appears on the commission's records.

8 (c) To obtain an administrative hearing on a suspension,  
9 revocation, or penalty under this section, a person must submit a  
10 written request for a hearing to the commission not later than the  
11 20th day after the date notice is delivered personally or is mailed.

12 (d) If the commission receives a timely request under  
13 Subsection (c), the commission shall provide the person with an  
14 opportunity for a hearing as soon as practicable. If the commission  
15 does not receive a timely request under Subsection (c), the  
16 commission may impose the penalty, revoke or suspend a license,  
17 certificate, finding of suitability, or approval, or sustain the  
18 revocation or suspension without a hearing.

19 (e) Except as provided by Subsection (f), the hearing must  
20 be held not earlier than the 11th day after the date the written  
21 request is submitted to the commission.

22 (f) The commission may provide that a revocation or  
23 suspension takes effect on receipt of notice under Subsection (a)  
24 if the commission finds that the action is necessary to prevent or  
25 remedy a threat to public health, safety, or welfare. The  
26 commission by rule shall establish a nonexclusive list of  
27 violations that present a threat to the public health, safety, or

1 welfare.

2 (g) A hearing on a revocation or suspension that takes  
3 effect on receipt of notice must be held not later than the 14th day  
4 after the date the commission receives the request for hearing  
5 under this section. The revocation or suspension continues in  
6 effect until the hearing is completed. If the hearing is continued,  
7 the revocation or suspension shall continue in effect beyond the  
8 14-day period at the request of the license, certificate, finding  
9 of suitability, or approval holder or on a finding of good cause by  
10 the commission or administrative law judge.

11 (h) To prevail in a post-deprivation administrative hearing  
12 under this section, the license, certificate, finding of  
13 suitability, or approval holder must demonstrate by clear and  
14 convincing evidence that the deprivation or imposition of a penalty  
15 was unwarranted or otherwise unlawful. The post-deprivation  
16 hearing may be conducted by the commission or referred to the State  
17 Office of Administrative Hearings.

18 (i) The administrative record created by the hearing  
19 conducted by the State Office of Administrative Hearings shall be  
20 provided to the commission for review and determination on the  
21 revocation or suspension.

22 (j) If an administrative law judge of the State Office of  
23 Administrative Hearings conducts a hearing under this section and  
24 the proposal for decision supports the commission's position, the  
25 administrative law judge shall include in the proposal a finding of  
26 the costs, fees, expenses, and reasonable and necessary attorney's  
27 fees this state incurred in bringing the proceeding.

1       (k) The commission may adopt the findings for costs, fees,  
2 and expenses and make the finding a part of the final order entered  
3 in the proceeding. Proceeds collected from a finding made under  
4 this section shall be paid to the commission.

5       Sec. 2022.407. JUDICIAL REVIEW OF REVOCATION, SUSPENSION,  
6 OR PENALTY IMPOSITION. (a) A person aggrieved by a final decision  
7 of the commission to revoke or suspend a license, certificate of  
8 registration, finding of suitability, or approval or to impose any  
9 monetary penalty may obtain judicial review before a district court  
10 in Travis County.

11       (b) The judicial review must be instituted by serving on the  
12 commission and filing a petition not later than the 20th day after  
13 the effective date of the final decision and must identify the order  
14 appealed from and the grounds or reason why the petitioner contends  
15 the decision of the commission should be reversed or modified.

16       (c) The review must be conducted by the court sitting  
17 without jury, and must not be a trial de novo but is confined to the  
18 record on review. The reviewing court may only affirm the decision,  
19 remand the case for further proceedings, or reverse the decision if  
20 the substantial rights of the petitioner have been violated.

21       (d) If any court of competent jurisdiction concludes on  
22 judicial review limited to the administrative record before the  
23 commission and subject to the substantial evidence standard that  
24 the deprivation or penalty was unwarranted or otherwise unlawful,  
25 the sole remedy available is invalidation of the penalty or  
26 reinstatement of the license, certificate of registration, finding  
27 of suitability, or approval and the continued distribution,

1 manufacture, or operation of slot machines.

2 (e) The commission, this state, or the members, officers,  
3 employees, and authorized agents of either are not under any  
4 circumstances subject to monetary damages, attorney's fees, or  
5 court costs resulting from the penalty or license, certificate,  
6 finding of suitability, or approval revocation.

7 Sec. 2022.408. EFFECT OF DENIAL OF LICENSE, REGISTRATION,  
8 FINDING OF SUITABILITY, OR APPROVAL. (a) A person whose  
9 application for a license, certificate of registration, finding of  
10 suitability, or other affirmative regulatory approval has been  
11 denied may not have any interest in or association with a slot  
12 establishment owner or operator or any other business conducted in  
13 connection with slot machines under this chapter without prior  
14 approval of the commission.

15 (b) Any contract related to the operation of slot machines  
16 in this state between a person holding a license, certificate of  
17 registration, finding of suitability, or other affirmative  
18 regulatory approval and a person denied a license, certificate of  
19 registration, finding of suitability, or other affirmative  
20 regulatory approval must be terminated immediately. If the person  
21 denied a license, certificate, finding of suitability, or approval  
22 has previously been granted a temporary license, certificate,  
23 finding of suitability, or approval, the temporary license,  
24 certificate, finding of suitability, or approval expires  
25 immediately on denial of the permanent license, certificate,  
26 finding of suitability, or approval.

27 (c) Except as otherwise authorized by the commission, a

1 person denied a license, certificate of registration, finding of  
2 suitability, or other affirmative regulatory approval may not  
3 reapply for any license, certificate, finding of suitability, or  
4 approval before the second anniversary of the date of the denial.

5 Sec. 2022.409. AGREEMENT TO WAIVE ENFORCEABILITY. A  
6 license, certificate, finding of suitability, or approval holder by  
7 virtue of accepting the license, certificate, finding of  
8 suitability, or approval agrees that the privilege of holding a  
9 license, certificate, finding of suitability, or approval under  
10 this chapter is conditioned on the holder's agreement to Sections  
11 2022.405-2022.407 and waives any right to challenge or otherwise  
12 appeal the enforceability of those sections.

13 Sec. 2022.410. LIMITED WAIVER OF SOVEREIGN IMMUNITY; NO  
14 LIABILITY OF STATE FOR ENFORCEMENT. (a) This state does not waive  
15 its sovereign immunity by negotiating gaming agreements with Indian  
16 tribes or other persons for the operation of gaming or gambling  
17 games under this subtitle. An actor or agent for this state may not  
18 wave this state's sovereign immunity absent an express legislative  
19 grant of the authority. The only waiver of sovereign immunity  
20 relative to gaming operations is that expressly provided for in  
21 this section.

22 (b) With regard to gaming operations on Indian lands, this  
23 state consents to the jurisdiction of the District Court of the  
24 United States with jurisdiction in the county where the Indian  
25 lands are located, or if the federal court lacks jurisdiction, to  
26 the jurisdiction of a district court in Travis County, solely for  
27 the purpose of resolving disputes arising from a gaming agreement

1 authorized under this chapter or Chapter 2023 for declaratory or  
2 injunctive relief or contract damages of \$100,000 or more. Any  
3 disputes relating to damages or other awards valued at less than  
4 \$100,000 shall be arbitrated under the rules of the American  
5 Arbitration Association, provided, however, that application of  
6 the rules may not be construed as a waiver of sovereign immunity.

7 (c) All financial obligations of the commission are payable  
8 solely out of the income, revenues, and receipts of the commission  
9 and are subject to statutory restrictions and appropriations.

10 (d) This state and the commission are not liable if  
11 performance by the commission is compromised or terminated by acts  
12 or omissions of the legislature or the state or federal judiciary.

13 (e) This state and the commission are not liable related to  
14 enforcement of this chapter.

15 Sec. 2022.411. ABSOLUTE PRIVILEGE OF REQUIRED  
16 COMMUNICATIONS AND DOCUMENTS. (a) Any communication, document, or  
17 record of an applicant for or holder of a license, certificate,  
18 finding of suitability, or regulatory approval that is made or  
19 transmitted to the commission or any of its employees to comply with  
20 any law, including a rule of the commission, to comply with a  
21 subpoena issued by the commission, or to assist the commission or  
22 its designee in the performance of their respective duties is  
23 absolutely privileged, does not impose liability for defamation,  
24 and is not a ground for recovery in any civil action.

25 (b) If a communication, document, or record provided under  
26 Subsection (a) contains any information that is privileged under  
27 state law, that privilege is not waived or lost because the

1 communication, document, or record is disclosed to the commission  
2 or any commission employees.

3 (c) The commission shall maintain all privileged  
4 information, communications, documents, and records in a secure  
5 place as determined in the commission's sole discretion that is  
6 accessible only to commission members and authorized commission  
7 employees.

8 [Sections 2022.412-2022.450 reserved for expansion]

9 SUBCHAPTER J. PENALTIES AND OFFENSES

10 Sec. 2022.451. FAILURE TO PAY FEES. (a) License fees and  
11 other fees required by this chapter must be paid to the commission  
12 on or before the dates provided by law for each fee.

13 (b) A person failing to timely pay a fee or tax when due  
14 shall pay in addition a penalty of not less than \$50 or 25 percent of  
15 the amount due, whichever is the greater. The penalty may not  
16 exceed \$1,000 if the fee or tax is less than 10 days late and may not  
17 exceed \$5,000 under any circumstances. The penalty shall be  
18 collected as are other charges, license fees, and penalties under  
19 this chapter.

20 Sec. 2022.452. FAILURE TO REPORT, PAY, OR ACCOUNT FOR FEE OR  
21 TAX. (a) A person commits an offense if the person willfully fails  
22 to report, pay, or truthfully account for a fee or tax imposed under  
23 this chapter or willfully attempts in any manner to evade or defeat  
24 a fee or tax.

25 (b) An offense under this section is a Class A misdemeanor.

26 Sec. 2022.453. GAMING FRAUD. (a) A person commits an  
27 offense if the person knowingly:

1           (1) alters or misrepresents the outcome of a game or  
2 other event on which wagers have been made after the outcome is made  
3 sure but before it is revealed to the players;

4           (2) places, increases, or decreases a bet or  
5 determines the course of play after acquiring knowledge, not  
6 available to all players, of the outcome of the game or an event  
7 that affects the outcome of the game or that is the subject of the  
8 bet or aids anyone in acquiring such knowledge for the purpose of  
9 placing, increasing, or decreasing a bet or determining the course  
10 of play contingent on that event or outcome;

11           (3) claims, collects, or takes, or attempts to claim,  
12 collect, or take, money or anything of value in or from a gambling  
13 game, with intent to defraud, without having made a wager  
14 contingent on the game, or claims, collects, or takes an amount  
15 greater than the amount won;

16           (4) entices or induces another to go to a place where a  
17 gambling game is being conducted or operated in violation of this  
18 subtitle, with the intent that the other person play or participate  
19 in that gambling game;

20           (5) places or increases a bet after acquiring  
21 knowledge of the outcome of the game or other event that is the  
22 subject of the bet, including past posting and pressing bets;

23           (6) reduces the amount wagered or cancels the bet  
24 after acquiring knowledge of the outcome of the game or other event  
25 that is the subject of the bet, including pinching bets; or

26           (7) manipulates, with the intent to cheat, a component  
27 of a gaming device in a manner contrary to the designed and normal

1 operational purpose for the component, including varying the pull  
2 of the handle of a slot machine, with knowledge that the  
3 manipulation affects the outcome of the game or with knowledge of an  
4 event that affects the outcome of the game.

5 (b) An offense under this section is a felony of the third  
6 degree.

7 Sec. 2022.454. USE OF PROHIBITED DEVICES. (a) A person  
8 commits an offense if the person, at a casino or slot establishment,  
9 uses or possesses with the intent to use a device, other than those  
10 customarily used in the conduct of gaming to assist in:

11 (1) projecting the outcome of the game;  
12 (2) keeping track of the cards played;  
13 (3) analyzing the probability of the occurrence of an  
14 event relating to the game; or

15 (4) analyzing the strategy for playing or betting to  
16 be used in the game.

17 (b) An offense under this section is a felony of the third  
18 degree.

19 Sec. 2022.455. USE OF COUNTERFEIT OR UNAUTHORIZED TOKEN,  
20 CHIP, OR COIN. (a) A person commits an offense if the person  
21 knowingly uses counterfeit chips or tokens in a gambling game.

22 (b) A person commits an offense if the person, in playing  
23 any gambling game designed to receive, be played with, or be  
24 operated by chips or tokens approved by the executive director or by  
25 lawful coin of the United States of America:

26 (1) knowingly uses a chip, token, or coin other than  
27 chips or tokens approved by the commission or lawful coin of the

1 United States of America, or uses a coin not of the same  
2 denomination as the coin intended to be used in that gambling game;  
3 or

4 (2) uses any device or means to violate the provisions  
5 of this chapter.

6 (c) A person, other than an authorized employee of an  
7 owner's license holder acting in furtherance of the person's  
8 employment within an establishment, commits an offense if the  
9 person knowingly has on the person's body or in the person's  
10 possession on or off the premises of a casino a device intended to  
11 be used to violate the provisions of this chapter.

12 (d) A person, other than an authorized employee of a license  
13 holder acting in furtherance of the person's employment within a  
14 casino or slot establishment, commits an offense if the person  
15 knowingly has on the person's body or in the person's possession on  
16 or off the premises of a casino or slot establishment a key or  
17 device known to have been designed for the purpose of and suitable  
18 for opening, entering, or affecting the operation of a gambling  
19 game, a drop box, or an electronic or mechanical device connected to  
20 the game or box or for removing money or other contents from the  
21 game or box.

22 (e) A person commits an offense if the person, with the  
23 intent to manufacture slugs for unauthorized use in gaming devices  
24 located at a casino or slot establishment, knowingly has on the  
25 person's body or in the person's possession paraphernalia for  
26 manufacturing slugs. In this subsection, "paraphernalia for  
27 manufacturing slugs" means the equipment, products, and materials

1 that are intended for use or designed for use in manufacturing,  
2 producing, fabricating, preparing, testing, analyzing, packaging,  
3 storing, or concealing a counterfeit facsimile of the chips or  
4 tokens approved by the executive director or a lawful coin of the  
5 United States, the use of which is an offense under Subsection (b).

6 The term includes:

7 (1) lead or lead alloys;

8 (2) molds, forms, or similar equipment capable of  
9 producing a likeness of a gaming token or United States coin;

10 (3) melting pots or other receptacles;

11 (4) torches; and

12 (5) tongs, trimming tools, or other similar equipment.

13 (f) Possession of more than one of the devices, equipment,  
14 products, or materials described in this section permits a  
15 rebuttable inference that the possessor intended to use them for  
16 cheating.

17 (g) An offense under this section is a felony of the third  
18 degree.

19 Sec. 2022.456. CHEATING. (a) In this section, "cheat"  
20 means to alter the elements of chance, method of selection, or  
21 criteria that determine the result of a game or the amount or  
22 frequency of payment in a game.

23 (b) A person commits an offense if the person knowingly  
24 cheats at any gambling game.

25 (c) An offense under this section is a state jail felony.

26 Sec. 2022.457. POSSESSION OF UNLAWFUL DEVICES. (a) A  
27 person commits an offense if the person knowingly possesses any

1 slot machine or other gaming device that has been manufactured,  
2 sold, or distributed in violation of this chapter.

3 (b) An offense under this section is a Class A misdemeanor.

4 Sec. 2022.458. UNLAWFUL MANUFACTURE, SALE, OR DISTRIBUTION  
5 OF GAMING EQUIPMENT. (a) In this section, "cheat" has the meaning  
6 assigned by Section 2022.456.

7 (b) A person commits an offense if the person manufactures,  
8 sells, or distributes cards, chips, dice, a game, or a device  
9 intended to be used to violate this chapter.

10 (c) A person commits an offense if the person marks, alters,  
11 or otherwise modifies any associated equipment or gaming device in  
12 a manner that:

13 (1) affects the result of a wager by determining win or  
14 loss; or

15 (2) alters the normal criteria of random selection  
16 that affect the operation of a game or determine the outcome of a  
17 game.

18 (d) A person commits an offense if the person instructs  
19 another person in cheating or in the use of a device for cheating at  
20 any game authorized to be conducted at a casino or slot  
21 establishment, with the knowledge or intent that the information or  
22 use may be employed to violate this chapter.

23 (e) An offense under this section is a felony of the third  
24 degree.

25 Sec. 2022.459. REPORTING PENALTIES. (a) A person commits  
26 an offense if the person, in a license application, in a book or  
27 record required to be maintained by this chapter or a rule adopted

1 under this chapter, or in a report required to be submitted by this  
2 chapter or a rule adopted under this chapter:

3 (1) makes a statement or entry that the person knows to  
4 be false or misleading; or

5 (2) knowingly fails to maintain or make an entry the  
6 person knows is required to be maintained or made.

7 (b) A person commits an offense if the person knowingly  
8 refuses to produce for inspection by the executive director a book,  
9 record, or document required to be maintained or made by this  
10 chapter or a rule adopted under this chapter.

11 (c) An offense under this section is a Class A misdemeanor.

12 Sec. 2022.460. GENERAL PENALTY. (a) A person commits an  
13 offense if the person knowingly or wilfully violates, attempts to  
14 violate, or conspires to violate a provision of this chapter  
15 specifying a prohibited act.

16 (b) Unless another penalty is specified for the violation,  
17 an offense under this section is a Class A misdemeanor.

18 Sec. 2022.461. UNAUTHORIZED OPERATION, USE, OR POSSESSION  
19 OF GAMING DEVICE. (a) A person may not operate, use, or possess a  
20 gaming device unless the operation, use, or possession is expressly  
21 authorized by this chapter or other law.

22 (b) Except for transport to or from a casino or slot  
23 establishment and as provided by this chapter, a person commits an  
24 offense if the person operates, uses, or possesses a gaming device  
25 that is not authorized under this chapter or other law. An offense  
26 under this subsection is a felony of the third degree.

27 (c) Notwithstanding Subsection (b), a casino owner or

1 operator, slot establishment owner or operator, or a manufacturer  
2 may store a gaming device as authorized by the commission for a  
3 period not to exceed 120 consecutive days, and the commission may  
4 possess gaming devices for study and evaluation.

5 (d) Nothing in this section shall be construed to prohibit  
6 the operation, use, or possession of equipment, machines,  
7 technological aids, or other devices allowed in connection with the  
8 play of bingo under Chapter 2001.

9 Sec. 2022.462. PLAY OF GAME ON CREDIT. (a) A person  
10 licensed under this chapter or an employee of a person licensed  
11 under this chapter commits an offense if the person intentionally  
12 or knowingly allows a person to play or conduct a game on a gaming  
13 device by extending credit or lending money to the person to enable  
14 the person to play the game.

15 (b) An offense under this section is a Class C misdemeanor.

16 Sec. 2022.463. SALE OF GAMBLING GAME TO OR PURCHASE OF  
17 GAMBLING GAME BY PERSON YOUNGER THAN 21 YEARS OF AGE. (a) A person  
18 licensed under this chapter or an employee of the person commits an  
19 offense if the person intentionally or knowingly allows a person  
20 younger than 21 years of age to play a gambling game.

21 (b) An individual who is younger than 21 years of age  
22 commits an offense if the individual:

23 (1) plays a gambling game; or

24 (2) falsely represents the individual to be 21 years  
25 of age or older by displaying evidence of age that is false or  
26 fraudulent or misrepresents in any way the individual's age in  
27 order to play a gambling game.

1       (c) It is a defense to prosecution under Subsection (b) that  
2 the individual younger than 21 years of age is participating in an  
3 inspection or investigation on behalf of the commission or other  
4 appropriate governmental entity regarding compliance with this  
5 section.

6       (d) An offense under Subsection (a) is a Class C  
7 misdemeanor.

8       (e) An offense under Subsection (b) is a misdemeanor  
9 punishable by a fine not to exceed \$250.

10       Sec. 2022.464. PURCHASE OF GAMBLING GAME WITH PROCEEDS OF  
11 AFDC CHECK OR FOOD STAMPS. (a) A person commits an offense if the  
12 person intentionally or knowingly plays a gambling game with:

13               (1) the proceeds of a check issued as a payment under  
14 the Aid to Families with Dependent Children program administered  
15 under Chapter 31, Human Resources Code; or

16               (2) a food stamp coupon issued under the food stamp  
17 program administered under Chapter 33, Human Resources Code.

18       (b) An offense under this section is a Class C misdemeanor.

19       Sec. 2022.465. TAMPERING WITH GAMING OR ASSOCIATED  
20 EQUIPMENT. (a) A person commits an offense if the person  
21 intentionally or knowingly tampers with, damages, defaces, or  
22 renders inoperable any vending machine, electronic computer  
23 terminal, gaming device or other gaming or associated equipment, or  
24 other mechanical device used in a gambling game.

25       (b) An offense under this section is a felony of the third  
26 degree.

27       [Sections 2022.466-2022.500 reserved for expansion]

1                   SUBCHAPTER K. LOCAL OPTION ELECTIONS

2                   Sec. 2022.501. ORDERING LOCAL OPTION ELECTION. The  
3 commissioners court of a county may at any time order an election to  
4 legalize casino gaming under this chapter in that county. The  
5 commissioners court shall order and hold an election to legalize  
6 gaming under this chapter in the county if the commissioners court  
7 is presented with a petition that meets the requirements of Section  
8 2022.502 and is certified as valid under Section 2022.503.

9                   Sec. 2022.502. PETITION REQUIREMENTS. (a) A petition for a  
10 legalization election must include a statement substantially as  
11 follows before the space reserved for signatures on each page:  
12 "This petition is to require that an election be held in (name of  
13 county) to legalize casino gaming in (name of county)."

14                   (b) A petition is valid only if it is signed by registered  
15 voters of the county in a number that is not less than three percent  
16 of the total number of votes cast for governor by qualified voters  
17 of the county in the most recent gubernatorial general election.

18                   (c) Each voter must enter beside the voter's signature the  
19 date the voter signs the petition. A signature may not be counted  
20 as valid if the date of signing is earlier than the 90th day before  
21 the date the petition is submitted to the commissioners court.

22                   (d) Each voter must provide on the petition the voter's  
23 current voter registration number, printed name, and residence  
24 address, including zip code.

25                   Sec. 2022.503. VERIFICATION. (a) Not later than the fifth  
26 day after the date a petition for an election under this chapter is  
27 received in the office of the commissioners court, the

1 commissioners court shall submit the petition for verification to  
2 the county clerk.

3 (b) The county clerk shall determine whether the petition is  
4 signed by the required number of registered voters of the county.  
5 Not later than the 30th day after the date the petition is submitted  
6 to the clerk for verification, the clerk shall certify in writing to  
7 the commissioners court whether the petition is valid or invalid.  
8 If the clerk determines that the petition is invalid, the clerk  
9 shall state the reasons for that determination.

10 Sec. 2022.504. ORDERING ELECTION. If the county clerk  
11 certifies that a petition is valid, not later than the 30th day  
12 after the date of certification, the commissioners court shall  
13 order that an election be held in the county on the next uniform  
14 election date under Section 41.001, Election Code, that allows  
15 sufficient time to comply with applicable provisions of law,  
16 including Section 3.005, Election Code. The commissioners court  
17 shall state in the order the issue to be voted on. The county clerk  
18 shall notify the commission by certified mail, return receipt  
19 requested, that an election has been ordered.

20 Sec. 2022.505. BALLOT PROPOSITION. The ballot in a  
21 legalization election shall be printed to provide for voting for or  
22 against the proposition: "Legalizing casino gaming within (name of  
23 county)."

24 Sec. 2022.506. ELECTION RESULTS. (a) If the majority of  
25 the votes cast in a legalization election favor the legalization of  
26 casino gaming, casino gaming authorized under this chapter is  
27 permitted within the county holding the election effective on the

1 10th day after the date of the election.

2 (b) The commissioners court of a county in which a  
3 legalization election has been held shall give written notice of  
4 the results of the election to the commission not later than the  
5 third day after the date the election is canvassed.

6 (c) If less than a majority of the votes cast in a  
7 legalization election in any county are cast in favor of the  
8 legalization of casino gaming, casino gaming is not permitted in  
9 the county, and a subsequent election on the issue may not be held  
10 in the county before the corresponding uniform election date one  
11 year after the date of the election.

12 (d) If less than a majority of the votes cast in two  
13 consecutive legalization elections within any county are cast in  
14 favor of the legalization of casino gaming, casino gaming is not  
15 permitted in the county, and a subsequent election on the issue may  
16 not be held in the county before the corresponding uniform election  
17 date five years after the date of the second election.

18 [Sections 2022.507-2022.550 reserved for expansion]

19 SUBCHAPTER L. PROBLEM GAMBLING AND ADDICTION

20 Sec. 2022.551. PROBLEM GAMBLING AND ADDICTION GRANT FUND.

21 (a) The problem gambling and addiction grant fund is an account in  
22 the general revenue fund.

23 (b) Money credited to the fund may be used only for awarding  
24 grants under this subchapter. The fund shall be administered in  
25 accordance with this subchapter.

26 (c) An expenditure from the problem gambling and addiction  
27 grant fund shall be made in accordance with the General

1 Appropriations Act on warrants of the comptroller.

2 (d) Grants from money in the fund may be used only to:

3 (1) provide treatment for problem gaming and gambling  
4 addiction, alcoholism, drug abuse, and other addictive behaviors;  
5 and

6 (2) provide funding for research related to the impact  
7 of gambling on state residents.

8 Sec. 2022.552. GRANT PROGRAM. (a) The commission shall  
9 administer a grant program to provide assistance for the direct  
10 treatment of persons diagnosed as suffering from pathological  
11 gambling and other addictive behaviors and to provide funding for  
12 research regarding the impact of gambling on residents of this  
13 state.

14 (b) Research grants awarded under this section may include  
15 grants for determining the effectiveness of education and  
16 prevention efforts on the prevalence of pathological gambling in  
17 this state.

18 (c) A grant may be made only after open solicitation of  
19 proposals and evaluation of proposals against criteria established  
20 by commission rule.

21 (d) Public and private entities are eligible to apply for  
22 and receive grants under this section.

23 (e) A grant made in accordance with this section shall be  
24 made from the problem gambling and addiction grant fund.

25 Sec. 2022.553. GIFTS AND DONATIONS. The commission may  
26 solicit and accept grants, gifts, contributions, or bequests made  
27 for the purpose of funding grants under this subchapter and expend

1 the money for the purpose for which it was received.

2 Sec. 2022.554. RULES. (a) The commission shall administer  
3 this subchapter and adopt rules establishing criteria for  
4 qualification to receive grants and other matters considered  
5 necessary by the commission for the administration of this  
6 subchapter.

7 (b) The rules adopted by the commission must require that  
8 each recipient of a grant report at least annually to the commission  
9 the grantee's measurable achievement of specific outcome goals.

10 CHAPTER 2023. TRIBAL GAMING AGREEMENTS

11 Sec. 2023.001. DUTY OF GOVERNOR. The governor shall  
12 execute, on behalf of this state, with a federally recognized  
13 Indian tribe with Indian lands in this state a gaming agreement  
14 containing the terms set forth in Section 2023.002, as a  
15 ministerial act, without preconditions, not later than the 30th day  
16 after the date the governor receives a request from the tribe,  
17 accompanied by or in the form of a duly enacted resolution of the  
18 tribe's governing body, to enter into the gaming agreement.

19 Sec. 2023.002. MODEL TRIBAL GAMING AGREEMENT. (a) A gaming  
20 agreement executed under Section 2023.001 must be in the form and  
21 contain the provisions as follows:

22 GAMING AGREEMENT GOVERNING GAMING OPERATIONS Between the [Name of  
23 Tribe] and the STATE OF TEXAS

24 This agreement is made and entered into by and between the  
25 [Name of Tribe], a federally recognized Indian Tribe ("Tribe"), and  
26 the State of Texas ("State"), with respect to gaming on the Tribe's  
27 Indian lands (as defined by Chapter 2022, Texas Occupations Code).

1 This agreement governs gambling on Indian lands held in trust  
2 by the United States on January 1, 1998, for the Tribe.

3 Pursuant to express provisions of the Restoration Acts (Pub.  
4 L. No. 100-89) addressing jurisdiction, the Tribe may engage in any  
5 gaming activities that another person may be authorized to engage  
6 in under Subtitle A-1, Title 13, Occupations Code.

7 The Tribe shall regulate the gaming activities authorized  
8 under this agreement on the Tribe's Indian lands.

9 The Tribe shall adopt rules and procedures substantially  
10 similar to the requirements of Subtitle A-1, Title 13, Occupations  
11 Code, except that any regulatory oversight established under  
12 Subtitle A-1 for gaming conducted under a license shall be  
13 exercised by the Tribe for gaming conducted under this agreement.  
14 The Tribe may adopt the rules and procedures by reference to any  
15 provisions of Subtitle A-1, Title 13, Occupations Code.

16 (b) A gaming agreement under Subsection (a) between this  
17 state and a federally recognized Indian Tribe that is not subject to  
18 the Restoration Acts (Pub. L. No. 100-89) may not include the  
19 provision related to the Restoration Acts.

20 Sec. 2023.003. NEGOTIATION FOR DIFFERENT TRIBAL GAMING  
21 AGREEMENT TERMS. (a) Nothing in this subchapter may be construed  
22 to limit the ability of a federally recognized Indian tribe to  
23 request that a gaming agreement be negotiated with this state on  
24 terms that are different from those set forth in the gaming  
25 agreement under Section 2023.002, or the ability of this state to  
26 engage in negotiations and to reach agreement under any applicable  
27 federal law.

1       (b) In offering to enter into a gaming agreement with Indian  
2 tribes in this state under Section 2023.002, and, except for  
3 assessments by this state as provided in that section of the amounts  
4 necessary to defray state costs of regulating activities as  
5 provided under the gaming agreement, nothing in this chapter may be  
6 construed to mean that:

7           (1) this state is imposing any tax, fee, charge, or  
8 other assessment on an Indian tribe or on any other person or entity  
9 authorized by an Indian tribe as a condition to engaging in a Class  
10 III activity; or

11           (2) this state is refusing to enter into gaming  
12 agreement negotiations based on the lack of authority of this state  
13 or a political subdivision of this state to impose the tax, fee,  
14 charge, or other assessment.

15       (c) If any federally recognized tribe with jurisdiction  
16 over Indian lands in this state requests that the governor enter  
17 into negotiations for a gaming agreement under federal law  
18 applicable to the tribe, including the Indian Gaming Regulatory Act  
19 (18 U.S.C. Section 1166 and 25 U.S.C. Section 2701 et seq.), on  
20 terms different than those prescribed in the gaming agreement set  
21 forth in Section 2023.002, the governor shall enter into those  
22 negotiations under the federal law applicable to the tribe and  
23 without preconditions and is authorized to reach agreement and  
24 execute the agreement on behalf of this state.

25       Sec. 2023.004. IMPLEMENTATION OF GAMING AGREEMENT. The  
26 governor shall execute any documents necessary to implement a  
27 gaming agreement authorized under this subchapter.

1       Sec. 2023.005. INCORPORATION INTO STATE LAW. The model  
2 gaming agreement set out in Section 2023.002 is hereby incorporated  
3 into state law, and the operation of gaming authorized under the  
4 agreement is expressly authorized as a matter of state law for any  
5 Indian tribe entering into the gaming agreement in accordance with  
6 this subchapter.

7       Sec. 2023.006. REGULATORY MONEY RECEIVED UNDER GAMING  
8 AGREEMENT. All money received by the commission under a gaming  
9 agreement for regulatory costs incurred relative to tribal gaming  
10 operations may be used only to defray expenses of the commission  
11 incurred in the oversight, compliance with, and enforcement of  
12 gaming operations conducted pursuant to a gaming agreement.

13       Sec. 2023.007. INJUNCTION; CIVIL PENALTY. (a) If the  
14 commission, the appropriate governing body for an Indian tribe, or  
15 the attorney general has reason to believe that this chapter has  
16 been or is about to be violated, the attorney general may petition a  
17 court for appropriate injunctive relief to restrain the violation.  
18 Filing of the petition does not waive applicable sovereign  
19 immunity.

20       (b) Venue for an action by this state seeking injunctive  
21 relief is in a district court in Travis County.

22       (c) If the court finds that this chapter has been knowingly  
23 violated, the court shall order all proceeds from any illegal  
24 gambling to be forfeited to the appropriate governing body as a  
25 civil penalty.

26       (d) The remedies provided by this section are not exclusive.  
27 The commission may suspend or revoke a license, registration,

1 finding of suitability, or other affirmative regulatory approval,  
2 impose an administrative penalty, or seek injunctive or civil  
3 penalties or both, depending on the severity of the violation.

4 SECTION 2. Article 4, Texas Racing Act (Article 179e,  
5 Vernon's Texas Civil Statutes), is amended by adding Sections 4.07,  
6 4.08, and 4.09 to read as follows:

7 Sec. 4.07. NATIONAL LEADERSHIP IN EQUINE PURSES. (a) In  
8 this section:

9 (1) "Equine industry development fund" means a fund  
10 dedicated to any nonpurse expenditures that support or promote the  
11 industry of breeding, training, racing, riding, and competing with  
12 horses in this state.

13 (2) "Equine racing purse trust fund" means the trust  
14 fund established by Subsection (b) of this section.

15 (3) "Optimal Texas purse amount" means the annual  
16 amount of purse money determined by the comptroller under  
17 Subsection (d) of this section.

18 (4) "Target balance" means the amount of money needed  
19 in total purse funds for a particular calendar month that will be  
20 sufficient to aggregate, when combined with all other monthly  
21 target balances for the calendar year, to the optimal Texas purse  
22 amount for that calendar year.

23 (5) "Total purse funds" means the sum of the  
24 unallocated cash balance of pari-mutuel purse funds and the  
25 unallocated cash balance of the equine racing purse trust fund.

26 (b) The equine racing purse trust fund is established  
27 outside the state treasury and is held in trust by the comptroller

1 for administration of this Act. Money in the trust fund may be  
2 disbursed by the comptroller without appropriation as directed by  
3 the commission to carry out this Act.

4 (c) Each pari-mutuel license holder authorized to operate  
5 slot machines under Chapter 2022, Occupations Code, shall remit 15  
6 percent of the gross gaming revenues from the license holder's slot  
7 machines to the equine racing purse trust fund. Payments made  
8 pursuant to this subsection shall occur as directed by the  
9 commission but not less than twice per month. If a person makes a  
10 payment under this subsection more than two days after the deadline  
11 set by the commission, the person shall pay a penalty at the rate of  
12 25 percent of the amount due per day for each day after the deadline  
13 until the payment is received.

14 (d) The commission shall determine the optimal Texas purse  
15 amount in accordance with this section. The commission shall  
16 determine the annual total purse amount for all thoroughbred races  
17 in each of the three states that allow pari-mutuel racing, other  
18 than Texas, with the highest annual total purse amounts. In  
19 evaluating the purse amounts of other states, the commission shall  
20 include all breed development programs and all other supplemental  
21 purse payments. In determining the amounts of thoroughbred purses  
22 in other states, the commission shall use special care not to omit,  
23 undervalue, or unnecessarily discount any portion of the purse  
24 funds in those states. To calculate the optimal Texas purse amount,  
25 the commission shall take the average of the annual total purse  
26 amounts for the three states and multiply that amount by 1.05. The  
27 commission shall update the optimal Texas purse amount at least

1 quarterly. The commission shall publish the list of the three  
2 states used to determine the optimal Texas purse amount, the total  
3 purse amounts for each of those states, and the optimal Texas purse  
4 amount.

5 (e) Based on the current projected optimal Texas purse  
6 amount, the commission shall establish a target balance of total  
7 purse funds for each calendar month. The target balance shall vary  
8 from month to month in order to fully support the seasonal nature of  
9 horse racing.

10 Sec. 4.08. DEDUCTIONS FROM SLOT MACHINE INCOME AT GREYHOUND  
11 RACETRACKS. (a) The greyhound racing purse trust fund is  
12 established outside the state treasury and is held in trust by the  
13 comptroller for the administration of this Act. Money in the trust  
14 fund may be disbursed by the comptroller without appropriation as  
15 directed by the commission to carry out this Act.

16 (b) A pari-mutuel license holder that owns or operates a  
17 greyhound racetrack at which slot machine games are conducted under  
18 Chapter 2022, Occupations Code, shall allocate 15 percent of the  
19 net slot income generated from the operation of slot machines at the  
20 slot establishment at the racetrack to purses.

21 (c) A state breed registry that receives a disbursement  
22 under this section may allocate up to 50 percent of the amount  
23 received for Texas breeder awards.

24 Sec. 4.09. ADMINISTRATION OF SLOT MACHINE ALLOCATIONS FOR  
25 PURSES. The comptroller and commission shall jointly adopt rules  
26 to administer Sections 4.07 and 4.08 of this Act. A matter  
27 considered by the comptroller or commission under either section is

1 a contested case under Chapter 2001, Government Code, and requires  
2 a public hearing.

3 SECTION 3. Section 47.02(c), Penal Code, is amended to read  
4 as follows:

5 (c) It is a defense to prosecution under this section that  
6 the actor reasonably believed that the conduct:

7 (1) was permitted under Chapter 2001, Occupations  
8 Code;

9 (2) was permitted under Chapter 2002, Occupations  
10 Code;

11 (3) consisted entirely of participation in the state  
12 lottery authorized by the State Lottery Act (Chapter 466,  
13 Government Code);

14 (4) was permitted under the Texas Racing Act (Article  
15 179e, Vernon's Texas Civil Statutes); ~~or~~

16 (5) consisted entirely of participation in a drawing  
17 for the opportunity to participate in a hunting, fishing, or other  
18 recreational event conducted by the Parks and Wildlife Department;  
19 or

20 (6) consisted entirely of participation in authorized  
21 games in a casino or slot establishment licensed or authorized  
22 under Chapter 2022 or 2023, Occupations Code.

23 SECTION 4. Section 47.06(f), Penal Code, is amended to read  
24 as follows:

25 (f) It is a defense to prosecution under Subsection (a) or  
26 (c) that the person owned, manufactured, transferred, or possessed  
27 the gambling device, equipment, or paraphernalia for the sole

1 purpose of shipping it:

2 (1) to a casino or slot establishment licensed or  
3 authorized under Chapter 2022 or 2023, Occupations Code, for  
4 gaming; or

5 (2) to another jurisdiction where the possession or  
6 use of the device, equipment, or paraphernalia was legal.

7 SECTION 5. Section 47.09(a), Penal Code, is amended to read  
8 as follows:

9 (a) It is a defense to prosecution under this chapter that  
10 the conduct:

11 (1) was authorized under:

12 (A) Chapter 2001, Occupations Code;

13 (B) Chapter 2002, Occupations Code; ~~[or]~~

14 (C) the Texas Racing Act (Article 179e, Vernon's  
15 Texas Civil Statutes);

16 (D) Chapter 2022, Occupations Code; or

17 (E) Chapter 2023, Occupations Code;

18 (2) consisted entirely of participation in the state  
19 lottery authorized by Chapter 466, Government Code; or

20 (3) was a necessary incident to the operation of the  
21 state lottery and was directly or indirectly authorized by:

22 (A) Chapter 466, Government Code;

23 (B) the lottery division of the Texas Lottery  
24 Commission;

25 (C) the Texas Lottery Commission; or

26 (D) the director of the lottery division of the  
27 Texas Lottery Commission.

1 SECTION 6. Subchapter H, Chapter 151, Tax Code, is amended  
2 by adding Section 151.356 to read as follows:

3 Sec. 151.356. GAMING DEVICES. The sale or use of a gaming  
4 device permitted under Chapter 2022 or 2023, Occupations Code, is  
5 exempt from the tax imposed by this chapter and from the other  
6 provisions of this chapter.

7 SECTION 7. Sections 1.03(3) and (5), Texas Racing Act  
8 (Article 179e, Vernon's Texas Civil Statutes), are amended to read  
9 as follows:

10 (3) "Commission" means the Texas Gaming [~~Racing~~]  
11 Commission.

12 (5) "Executive secretary" means the executive  
13 director [~~secretary~~] of the Texas Gaming [~~Racing~~] Commission.

14 SECTION 8. The heading to Article 2, Texas Racing Act  
15 (Article 179e, Vernon's Texas Civil Statutes), is amended to read  
16 as follows:

17 ARTICLE 2. ADMINISTRATION BY TEXAS GAMING [~~RACING~~] COMMISSION

18 SECTION 9. Section 3.09(b), Texas Racing Act (Article 179e,  
19 Vernon's Texas Civil Statutes), is amended to read as follows:

20 (b) The commission shall deposit the money it collects under  
21 this Act in the State Treasury to the credit of a special fund to be  
22 known as the Texas Racing [~~Commission~~] fund. The Texas Racing  
23 [~~Commission~~] fund may be appropriated only for the administration  
24 and enforcement of this Act. Any unappropriated money remaining in  
25 that special fund at the close of each fiscal biennium shall be  
26 transferred to the General Revenue Fund and may be appropriated for  
27 any legal purpose. The legislature may also appropriate money from

1 the General Revenue Fund for the administration and enforcement of  
2 this Act. Any amount of general revenue appropriated for the  
3 administration and enforcement of this Act in excess of the  
4 cumulative amount deposited in the Texas Racing [~~Commission~~] fund  
5 shall be reimbursed from the Texas Racing [~~Commission~~] fund not  
6 later than one year after the date on which the general revenue  
7 funds are appropriated, with 12 percent interest per year until  
8 August 31, 1993, and 6-3/4 percent interest thereafter with all  
9 payments first attributable to interest.

10 SECTION 10. The following laws are repealed:

11 (1) Sections 2.01, 2.02, 2.03, 2.04, and 2.05, Texas  
12 Racing Act (Article 179e, Vernon's Texas Civil Statutes);

13 (2) Sections 2.073, 2.074, 2.08, 2.09, 2.10, and 2.11,  
14 Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes); and

15 (3) Sections 6.093(a) and 18.01(a), Texas Racing Act  
16 (Article 179e, Vernon's Texas Civil Statutes).

17 SECTION 11. (a) All funds in the Texas casino and slot  
18 gaming fund are appropriated to the Texas Gaming Commission for the  
19 operation of the commission and the administration of Subtitle A-1,  
20 Title 13, Occupations Code, as added by this Act, for the biennium  
21 ending August 31, 2011.

22 (b) Not later than January 1, 2010, the initial members of  
23 the Texas Gaming Commission shall be appointed in accordance with  
24 Chapter 2021, Occupations Code, as added by this Act. In making the  
25 initial appointments, the governor shall designate one member to a  
26 term expiring February 1, 2012, two members to terms expiring  
27 February 1, 2014, and two members to terms expiring February 1,

1 2016.

2 (c) On September 1, 2010, or an earlier date specified in  
3 the transition plan required under Section 13 of this Act, all  
4 powers, duties, functions, programs, and activities related to  
5 administrative support services, such as strategic planning and  
6 evaluation, audit, legal, human resources, information resources,  
7 accounting, purchasing, financial management, and contract  
8 management services, of a state agency or entity abolished by  
9 Section 16 of this Act are transferred to the Texas Gaming  
10 Commission.

11 (d) On the date specified by Subsection (c) of this section  
12 for the transfer described by that subsection:

13 (1) all obligations and contracts of a state agency or  
14 entity that are related to a power, duty, function, program, or  
15 activity transferred from the agency or entity under Subsection (c)  
16 of this section are transferred to the Texas Gaming Commission;

17 (2) all property and records in the custody of a state  
18 agency or entity that are related to a power, duty, function,  
19 program, or activity transferred from the agency or entity under  
20 Subsection (c) of this section and all funds appropriated by the  
21 legislature for the power, duty, function, program, or activity  
22 shall be transferred to the Texas Gaming Commission; and

23 (3) all complaints, investigations, or contested  
24 cases that are pending before a state agency or entity or the  
25 governing body of the agency or entity and that are related to a  
26 power, duty, function, program, or activity transferred from the  
27 agency or entity under Subsection (c) of this section are

1 transferred without change in status to the Texas Gaming  
2 Commission.

3 (e) A rule or form adopted by a state agency or entity that  
4 relates to a power, duty, function, program, or activity  
5 transferred from the agency or entity under Subsection (c) of this  
6 section is a rule or form of the Texas Gaming Commission and remains  
7 in effect until altered by the commission.

8 (f) A reference in law to a state agency or entity abolished  
9 by Section 16 of this Act, or to the governing body of the agency or  
10 entity, that relates to a power, duty, function, program, or  
11 activity transferred under Subsection (c) of this section means the  
12 Texas Gaming Commission.

13 (g) A license, permit, or certification in effect that was  
14 issued by a state agency or entity abolished by Section 16 of this  
15 Act and that relates to a power, duty, function, program, or  
16 activity transferred under Subsection (c) of this section is  
17 continued in effect as a license, permit, or certification of the  
18 Texas Gaming Commission.

19 SECTION 12. (a) The Texas Gaming Commission Transition  
20 Legislative Oversight Committee is created to facilitate the  
21 transfer of powers, duties, functions, programs, and activities  
22 between the agency abolished by Section 16 of this Act and the Texas  
23 Gaming Commission as provided by this Act with a minimal negative  
24 effect on the operation of those regulated activities in this  
25 state.

26 (b) The committee is composed of seven members as follows:

27 (1) two members of the senate, appointed by the

1 lieutenant governor not later than December 1, 2009;

2 (2) two members of the house of representatives,  
3 appointed by the speaker of the house of representatives not later  
4 than December 1, 2009; and

5 (3) three members of the public, appointed by the  
6 governor not later than December 1, 2009.

7 (c) Once the other members of the committee have been  
8 appointed, the executive director of the Texas Gaming Commission  
9 serves as an ex officio member of the committee.

10 (d) A member of the committee serves at the pleasure of the  
11 appointing official.

12 (e) The lieutenant governor and the speaker of the house of  
13 representatives shall alternate designating a presiding officer  
14 from among their respective appointments. The speaker of the house  
15 of representatives shall make the first appointment after the  
16 effective date of this section.

17 (f) A member of the committee may not receive compensation  
18 for serving on the committee but is entitled to reimbursement for  
19 travel expenses incurred by the member while conducting the  
20 business of the committee as provided by the General Appropriations  
21 Act.

22 (g) The committee shall:

23 (1) facilitate the transfer of powers, duties,  
24 functions, programs, and activities between the agencies abolished  
25 by Section 16 of this Act and the Texas Gaming Commission as  
26 provided by this Act with a minimal negative effect on the gaming  
27 activities regulated in this state;

1           (2) with assistance from the Texas Gaming Commission  
2 and the agency abolished by Section 16 of this Act, advise the  
3 executive commissioner of the Texas Gaming Commission concerning:

4           (A) the powers, duties, functions, programs, and  
5 activities transferred under this Act and the funds and obligations  
6 that are related to the powers, duties, functions, programs, or  
7 activities; and

8           (B) the transfer of the powers, duties,  
9 functions, programs, activities, records, property, funds,  
10 obligations, and employees by the entities as required by Section  
11 11 of this Act;

12           (3) meet at the call of the presiding officer;

13           (4) research, take public testimony, and issue reports  
14 on other appropriate issues or specific issues requested by the  
15 lieutenant governor, speaker, or governor; and

16           (5) review specific recommendations for legislation  
17 proposed by the Texas Gaming Commission or the other agencies.

18           (h) The committee may request reports and other information  
19 from the Texas Gaming Commission, other state agencies, and the  
20 attorney general relating to gaming in this state and other  
21 appropriate issues.

22           (i) The committee shall use existing staff of the senate,  
23 the house of representatives, and the Texas Legislative Council to  
24 assist the committee in performing its duties under this section.

25           (j) Chapter 551, Government Code, applies to the committee.

26           (k) The committee shall report to the governor, lieutenant  
27 governor, and speaker of the house of representatives not later

1 than November 15 of each even-numbered year. The report must  
2 include:

3 (1) identification of significant issues within  
4 gaming regulation, with recommendations for action;

5 (2) an analysis of the effectiveness and efficiency of  
6 gaming regulation, with recommendations for any necessary  
7 research; and

8 (3) recommendations for legislative action.

9 SECTION 13. (a) The transfer of powers, duties, functions,  
10 programs, and activities under Section 11 of this Act to the Texas  
11 Gaming Commission must be accomplished in accordance with a  
12 schedule included in a transition plan developed by the executive  
13 commissioner of the Texas Gaming Commission and submitted to the  
14 governor and the Legislative Budget Board not later than September  
15 1, 2010. The executive commissioner shall provide to the governor  
16 and the Legislative Budget Board transition plan status reports and  
17 updates on at least a quarterly basis following submission of the  
18 initial transition plan. The transition plan must be made  
19 available to the public.

20 (b) Not later than March 1, 2010, the Texas Gaming  
21 Commission shall hold a public hearing and accept public comment  
22 regarding the transition plan required to be developed by the  
23 executive commissioner of the Texas Gaming Commission under this  
24 section.

25 (c) In developing the transition plan, the executive  
26 commissioner of the Texas Gaming Commission shall hold public  
27 hearings in various geographic areas in this state before

1 submitting the plan to the governor and the Legislative Budget  
2 Board as required by this section.

3 SECTION 14. An action brought or proceeding commenced  
4 before the date of a transfer prescribed by this Act in accordance  
5 with the transition plan required under Section 13 of this Act,  
6 including a contested case or a remand of an action or proceeding by  
7 a reviewing court, is governed by the laws and rules applicable to  
8 the action or proceeding before the transfer.

9 SECTION 15. (a) The Texas Gaming Commission shall  
10 implement the powers, duties, functions, programs, and activities  
11 assigned to the commission under this Act in accordance with a work  
12 plan designed by the commission to ensure that the transfer of  
13 gaming regulation under this Act is accomplished in a careful and  
14 deliberative manner.

15 (b) A work plan designed by the commission under this  
16 section must include the following phases:

17 (1) a planning phase, during which the commission will  
18 focus on and stabilize the organization of the agency's powers,  
19 duties, functions, programs, and activities, and which must  
20 include:

21 (A) initiation of recommendations made by the  
22 Texas Gaming Commission Transition Legislative Oversight  
23 Committee;

24 (B) creation of interagency and intra-agency  
25 steering committees;

26 (C) development of global visions, goals, and  
27 organizational strategies; and

1 (D) development of communications and risk  
2 management plans;

3 (2) an integration phase, during which the commission  
4 will identify opportunities and problems and design customized  
5 solutions for those problems, and which must include:

6 (A) identification of key issues related to costs  
7 or legal requirements for other commission activities;

8 (B) planning for daily operations; and

9 (C) validation of fiscal and program synergies;

10 (3) an optimization phase, during which the commission  
11 will complete and expand on the initial transitions, and which must  
12 include:

13 (A) optimization of initial implementation  
14 initiatives;

15 (B) use of enterprise teaming operations;

16 (C) building infrastructures to support and  
17 facilitate changes in gaming regulation and oversight; and

18 (D) identification and use of beneficial assets  
19 management and facilities approaches; and

20 (4) a transformation phase, during which the  
21 commission will continue implementing initial and additional  
22 changes in gaming regulation and oversight, and which must include  
23 implementation of changes in agency management activities.

24 SECTION 16. (a) The Texas Racing Commission is abolished on  
25 the date on which the powers, duties, functions, programs, and  
26 activities are transferred under Section 11 of this Act, and after  
27 that date a reference in any law to the Texas Racing Commission

1 means the Texas Gaming Commission.

2 (b) The abolition of a state agency or entity under  
3 Subsection (a) of this section and the transfer of its powers,  
4 duties, functions, programs, activities, obligations, rights,  
5 contracts, records, property, funds, and employees as provided by  
6 this Act do not affect or impair an act done, any obligation, right,  
7 order, permit, certificate, rule, criterion, standard, or  
8 requirement existing, or any penalty accrued under former law, and  
9 that law remains in effect for any action concerning those matters.

10 SECTION 17. As soon as practicable after the constitutional  
11 amendment to authorize casino gaming and slot machine gaming in  
12 this state proposed by the 81st Legislature, Regular Session, 2009,  
13 is approved by the voters and becomes effective, the Texas Gaming  
14 Commission shall adopt the rules necessary to implement that gaming  
15 in accordance with Chapter 2022, Occupations Code, as added by this  
16 Act.

17 SECTION 18. (a) Sections 7 through 10 of this Act take  
18 effect on the date the Texas Racing Commission is abolished under  
19 Section 16 of this Act.

20 (b) Sections 1 through 6 and 11 through 17 of this Act and  
21 this section take effect on the date the amendment adding Section  
22 47-a, Article III, Texas Constitution, authorizing and regulating  
23 slot machines and casino games by licensed operators and certain  
24 Indian tribes to provide additional money to fund transportation in  
25 this state and to provide additional financial aid for higher  
26 education students proposed by the 81st Legislature, Regular  
27 Session, 2009, becomes effective. If that amendment is not

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1 approved by the voters, this Act has no effect.