

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

April 20, 2009

TO: Honorable Edmund Kuempel, Chair, House Committee on Licensing & Administrative Procedures

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

IN RE: HB1474 by Geren (Relating to the operation and regulation of charitable bingo and the use of bingo proceeds.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1474, Committee Report 1st House, Substituted: a positive impact of \$2,652,000 through the biennium ending August 31, 2011.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$990,000
2011	\$1,662,000
2012	\$1,700,000
2013	\$1,732,000
2014	\$1,769,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	(\$191,911)	\$1,181,911	3.0
2011	(\$165,511)	\$1,827,511	3.0
2012	(\$165,511)	\$1,865,511	3.0
2013	(\$165,511)	\$1,897,511	3.0
2014	(\$165,511)	\$1,934,511	3.0

Fiscal Analysis

The bill would amend Chapter 2001 of the Occupations Code, regarding the operation and regulation of charitable bingo. The bill would require the Texas Lottery Commission (TLC), on or before June 1 of each even-numbered year, to prepare and deliver to the Governor, Lieutenant governor, the Speaker of the House, and the chairs of the House/Senate standing committees with primary jurisdiction over charitable bingo a report for each of the preceding two calendar years stating the total amount of adjusted gross receipts and net proceeds reported by licensed authorized organizations from their bingo operations. The bill would require TLC to determine the total amount of net proceeds in the manner specified by the bill.

The bill would increase from 12 to 24 the maximum number of temporary licenses an organization may receive during the 12-month period following the issuance of a license or license renewal.

The bill would require a bingo license form to include the address of the premises where bingo is to be conducted and would remove two license form and content requirements under current law.

The bill would amend provisions regarding the amount of operating capital that may be retained by bingo operators and would require TLC to adopt rules allowing a licensed organization to retain a maximum amount of operating capital in excess of amounts specified by the bill if the organization has (1) conducted bingo for less than one year; (2) experiences circumstances beyond its control that necessitate an increase in operating capital; or (3) provides TLC with a business plan for the conduct of bingo or for existing or planned charitable purposes that would benefit from an increase in capital. The bill would authorize TLC to grant a waiver from the operating capital and certain other requirements upon a showing of good cause by the organization that compliance is detrimental to its charitable purpose.

The bill would require an organization to disburse all of its net proceeds from the preceding quarter other than certain amounts that may be retained for bingo operations, rather than 35 percent of adjusted gross receipts less authorized expenses under current law. The bill would require TLC, if an organization fails to meet the disbursement requirements for a quarter, to consider whether the organization has disbursed a total amount sufficient to have met the disbursement requirement for that quarter and the three preceding quarters combined.

The bill would require an organization to collect a prize fee in the amount of five percent of the value of the prize from a person who wins a prize of more than \$5 [rather than 5 percent on any prize under current law] and would require an organization to remit to TLC a fee in the amount of five percent of the amount or value of all bingo prizes awarded.

The bill would repeal the \$1 price limit on pull-tab tickets sold by a pull-tab dispenser.

The bill would take effect on October 1, 2009.

Methodology

Based on the analysis of TLC, it is assumed the agency would require three new full-time-equivalent (FTE) positions with an estimated annual salary of \$41,894 each to implement the provisions of the bill. The costs for computers and office equipment for the new positions is estimated to be \$24,600 in fiscal year 2014. Employee benefits costs associated with the new positions is estimated to be \$35,907 each year (28.57% of salaries). It is assumed TLC would assess and collect fees in an amount sufficient to cover the agency's costs.

Based on the analysis of the Comptroller's office, it is assumed eliminating the requirement that the bingo prize fee be collected from winners on prizes below \$5 would have a positive revenue impact because it would increase the prize payback percentages for players and increase the level of play. For the purposes of this analysis, it is assumed this change would be effective on October 1, 2009, since it is assumed this provision would require no change in TLC operations. Also based on the analysis of the Comptroller's office, it is assumed allowing pull-tab tickets that sell for more than \$1 would have a positive impact on state revenues to the extent that it increases the total amount spent on pull-tab tickets. Sales projections over time incorporate inflation forecasts and current bingo revenue estimates for future years. Based on this analysis, it is assumed the provisions of the bill would result in positive revenue impact of \$990,000 in fiscal year 2010; \$1,662,000 in fiscal year 2011; \$1,700,000 in fiscal year 2012; \$1,732,000 in fiscal year 2013; and \$1,769,000 in fiscal year 2014.

Technology

Technology costs are estimated to be \$5,400 in fiscal year 2010 for computers and desk printers.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 362 Texas Lottery Commission, 405 Department of Public Safety

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