

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 5, 2009

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: SB2104 by Uresti (Relating to the operation of video lottery games by licensed operators for certain veterans organizations; providing penalties.), **As Introduced**

The fiscal implications to the state cannot be determined because the number of video lottery machines that might be involved, and the fee amounts and the state's share of net terminal income from video lottery operations would be set by rule.

The bill would amend the Occupations Code to allow the operation of video lottery games by licensed veterans organizations on the premises of, and for the benefit of, the American Legion or the Veterans of Foreign Wars.

The bill would require licenses for video lottery vendors and distributors, and registration of each video lottery terminal. The Texas Lottery Commission (TLC) would be required to establish rules and procedures for video lottery operations, including the percentage of net terminal income to be paid to the state and the fee amounts for licenses and terminal registrations. After the payment of net terminal income to the state, the remainder of net terminal income would be the property of the qualified veterans organization. The bill would require to TLC to submit an annual report of video lottery operations to the Governor, Comptroller, and the Legislature.

Under the provisions of the bill, video lottery income and fee revenue paid to TLC would be deposited to the credit of a new State Video Lottery Account in the General Revenue Fund, to be used to pay the administrative costs of video lottery operations incurred by TLC. After covering administrative costs, any remaining money would be deposited to the credit of a new Veterans Mental Health Assistance Account in the General Revenue Fund to provide mental health services or other assistance for veterans identified by the Texas Veterans Commission. The bill would require the Texas Veterans Commission to establish a Veterans' Assistance Advisory Committee to assist the Veterans Commission in identifying veterans who require mental health services.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house or otherwise on September 1, 2009.

Based on the analysis of the Comptroller's office, it is assumed the provisions of the bill would generate net revenue gains for the state, but would reduce revenues from existing lottery and bingo operations. Because the number of video lottery machines that might be involved, and the fee amounts and the state's share of net terminal income from video lottery operations would be set by rule, the fiscal implications to the state cannot be determined.

TLC indicates that there are approximately 1,000 veterans organizations in the state that would be qualified to participate in video lottery operations under the provisions of the bill. Based on the analysis of TLC, it is assumed the commission would require 35 additional full-time-equivalent positions for video lottery gaming licensing, regulation, enforcement, legal services, information resources, internal audit, and support services at a cost of approximately \$2.1 million each year; plus additional operating costs of approximately \$0.5 million each year if at full implementation with 1,000 participating veterans organizations. Also based on the analysis of TLC, it is assumed the commission would incur information technology costs of \$0.6 million in the first year of implementation. It is

assumed the costs of TLC video lottery duties would be accommodated within revenues deposited to the new State Video Lottery Account.

Based on the analysis of the Veteran's Commission, it is assumed any costs or duties associated with implementing the provisions of the bill would be accommodated within available video lottery revenues deposited to the new Veterans Mental Health Assistance account or within the agency's existing resources.

Note: Although this bill would not make an appropriation, it would establish the basis for an appropriation.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993, and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The fiscal implications to units of local government cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts, 362 Texas Lottery Commission, 403 Veterans Commission

LBB Staff: JOB, KJG, MW, TG