

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**April 24, 2015**

**TO:** Honorable Wayne Smith, Chair, House Committee on Licensing & Administrative Procedures

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2642** by Thompson, Senfronia (Relating to the transfer of the licensing and regulation of charitable bingo to the Texas Department of Licensing and Regulation and regulation by counties of amusement redemption machine game rooms on bingo premises; requiring an occupational permit; authorizing fees and taxes; creating civil and administrative penalties; increasing a criminal penalty.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2642, Committee Report 1st House, Substituted: a negative impact of (\$58,796,000) through the biennium ending August 31, 2017.

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:**

| <b>Fiscal Year</b> | <b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b> |
|--------------------|---|
| 2016               | (\$29,398,000)  |
| 2017               | (\$29,398,000)  |
| 2018               | (\$29,398,000)  |
| 2019               | (\$29,398,000)  |
| 2020               | (\$29,398,000)  |

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

| <b>Fiscal Year</b> | <b>Probable Revenue Gain/(Loss) from General Revenue Fund</b> |
|--------------------|---|
|                    | <b>1</b>  |
| 2016               | (\$29,398,000)  |
| 2017               | (\$29,398,000)  |
| 2018               | (\$29,398,000)  |
| 2019               | (\$29,398,000)  |
| 2020               | (\$29,398,000)  |

## **Fiscal Analysis**

The bill would amend the Occupations Code, Government Code, and the Local Government Code relating to the transfer of the licensing and regulation of charitable bingo to the Texas Department of Licensing and Regulation and regulation by counties of amusement redemption machine game rooms on bingo premises; requiring an occupational permit; authorizing taxes; creating civil and administrative penalties; increasing a criminal penalty.

The bill would transfer the regulation and licensing of charitable bingo from the Texas Lottery Commission (TLC) to the Texas Department of Licensing and Regulation (TDLR) and makes conforming changes to the Occupations Code regarding the transfer of licensing and regulation of charitable bingo from TLC to TDLR. TDLR would be required to appoint a nine member bingo advisory committee.

The bill would redefine "gross gaming revenue" as the total receipts collected at the premises where bingo is conducted less the amount of cash prizes paid out. Additionally, it would redefine "net proceeds" as the total receipts collected from the conduct of bingo after deducting expenses and prize fees. The bill would require a licensed authorized organization to meet minimum net proceed requirements based on the gross gaming revenue collected at a single bingo premises, unless the requirement is waived by the TDLR.

The 5 percent bingo prize fee currently collected on all bingo winnings valued at more than \$5 would no longer be collected by TDLR and deposited into the General Revenue (GR) Fund. Instead, the prize fee would be considered a prize tax and collected by the licensed authorized organization on cash prize payouts and would not apply to merchandise payouts. Half of the tax collected would be remitted to qualifying counties and municipalities and the other half would be kept by the collecting licensed authorized organization in the organization's general charitable fund.

The bill would also authorize TDLR to set license fees based on an organization's total receipts from bingo gaming. The Texas Commission of Licensing and Regulation (TCLR) would be authorized to set bingo lessor fees based on an organization's annual gross rentals. The bill would further eliminate the bingo worker registry fee and the bingo rental tax.

The bill would amend Chapter 234 of the Local Government Code to create regulations for amusement redemption machine game rooms located on licensed bingo premises and repeal Section 234.132 of the Local Government Code, thereby removing a bracketing provision that limited Subchapter E game rooms to a county with a population of less than 25,000 that is adjacent to the Gulf of Mexico and is within 50 miles of an international border. The bill would also repeal Subchapter E, Chapter 234, of the Government Code as added by HB 1127, 83rd Legislature, Regular Session (2013).

This bill would take effect September 1, 2015.

## **Methodology**

Under current law, the 5% bingo prize fee collected on all bingo winnings valued over \$5 are collected and deposited into General Revenue. The Comptroller of Public Account's (CPA) Biennial Revenue Estimate (BRE) reflects this amount to be approximately \$27.6 million each fiscal year, of which 50% is distributed through TLC to cities and counties. Under the provisions of the bill, the prize fees would no longer be deposited into General Revenue. Instead, the remitting organizations would keep half and half would be remitted to authorized counties and

municipalities. The loss to General Revenue is based on the 2016-17 Biennial Revenue Estimate for bingo prize fees. Allocations to municipalities and counties would not be significantly impacted.

Based on information provided by the CPA and TLC, provisions of the bill that would authorize TDLR to charge different license fees based on gross receipts and annual rents would reduce fee collections by \$580,000 per fiscal year. The elimination of the bingo worker registration fee and repealing of the bingo rental tax would further reduce collections by \$70,000 and \$1,148,000, respectively, each fiscal year.

The bill would transfer the regulation and licensing of charitable bingo from TLC to TDLR, including all money, contracts, leases, property, obligations and FTEs. This analysis assumes a transfer amount of \$2,793,744 in General Revenue and 47.0 FTEs each year. This amount is equal to fiscal year 2014 appropriation and FTE levels, less any amounts for one-time appropriations, direct and indirect costs, and reductions in appropriations resulting from provisions in the bill.

Based on information provided by TLC, TDLR, CPA, and the Department of Public Safety, it is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished utilizing existing staff and resources.

The bill would 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. The fund, account, or revenue dedication included in the bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

According to the comptroller, revenue to municipalities and counties from the bingo prize fee would not be significantly impacted.

Revenue to local governments from civil penalties would vary based on the number of violation assessed. This analysis assumes no significant implication to local courts.

**Source Agencies:** 304 Comptroller of Public Accounts, 362 Texas Lottery Commission, 405 Department of Public Safety, 452 Department of Licensing and Regulation

**LBB Staff:** UP, CL, NV, ER, KVe