

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 6, 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 regulation of charitable bingo and amusement redemption machine game rooms; requiring an occupational permit; authorizing fees; creating civil and administrative penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2642, As Introduced: a negative impact of (\$55,118,000) through the biennium ending August 31, 2017. This amount could be affected further by an indeterminate change in fee revenue resulting from changes in HB2642; however, those amounts are not expected to be significant.

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
2016	(\$27,559,000)
2017	(\$27,559,000)
2018	(\$27,559,000)
2019	(\$27,559,000)
2020	(\$27,559,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from New General Revenue Dedicated	Probable Savings/(Cost) from New General Revenue Dedicated
2016	(\$27,559,000)	\$13,780,000	(\$13,780,000)
2017	(\$27,559,000)	\$13,780,000	(\$13,780,000)
2018	(\$27,559,000)	\$13,780,000	(\$13,780,000)
2019	(\$27,559,000)	\$13,780,000	(\$13,780,000)
2020	(\$27,559,000)	\$13,780,000	(\$13,780,000)

Fiscal Analysis

The bill would amend the Occupations Code and the Local Government Code relating to the regulation of charitable bingo and amusement redemption machine game rooms; requiring an occupational permit; authorizing fees; creating civil and administrative penalties.

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. A licensed authorized organization would be required 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 Texas Lottery Commission (TLC). The bill would authorize TLC to set license fees based on an organization's total receipts from bingo gaming. It would also allow all bingo licenses to be issued with two year terms.

The bill would amend the Occupations Code to state that the value of a merchandise bingo prize is the amount paid for the merchandise by the licensed organization. Additionally, the bill would allow TLC to adopt rules for an individual bingo market that affects the percentage of total receipts from the conduct of bingo that are paid as prizes within that market, if TLC determines that the current percentages paid for prizes unreasonably reduces net proceeds within the market. TLC may adopt a rule that would establish a minimum price for bingo cards, pull-tabs and card-minding devices and that would allow flexibility in compliance. A bingo market region must at least include all land in a single county and may include parts of an adjacent county. These rules must be reviewed annually by TLC.

The bill would amend the Occupations Code to require those bingo worker registry applicants listed on a license application to submit to a background check conducted by TLC. Bingo worker registry applicants not listed on license applications may either submit to a background check conducted by TLC or obtain a criminal history background check from the Department of Public Safety (DPS) or a local law enforcement agency. The bill states that TLC may impose a fee for registry applications and on those TLC conducts a criminal history background check.

The bill would amend the Occupations Code to require an organization to only collect the 5% prize fee on cash prizes, but not merchandise prizes. The organization shall submit 2.5%, instead of 5%, of the amount collected for distribution to the Comptroller of Public Accounts (CPA) to be deposited into a newly created General Revenue-Dedicated account for collection and disbursement of the prize fees to cities and counties, with the remaining 2.5% deposited in the general charitable fund of the organization.

The bill would amend Chapter 234 of the Local Government Code to require amusement redemption machine game rooms to be permitted by the county sheriff's office. The bill would establish permitting requirements and fees due to the local sheriff's office.

The bill would repeal Subchapter E, Chapter 234, of the Government Code as added by HB 1127, 83rd Legislature, Regular Session (2013) which is almost identical to Subchapter E, Chapter 234 of the Government Code as added by HB 2123, 83rd Legislature, Regular Session (2013).

The bill would 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.

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 CPA's 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. The bill would change the amount collected from 5% to 2.5% and require the amounts collected to be deposited into a newly created General Revenue-Dedicated Account. Utilizing the CPA's BRE estimates, the revenue deposited into the newly created GR-D account would be approximately \$13.8 million each year. This amount would be offset by transfers made by the CPA of \$13.8 million to cities and counties as required by the bill.

The bill would amend several fees that TLC collects related to licensing and registration. Due to the unknown effect this would have on licensee and charitable organization behavior, the fiscal impact of the bill on fee revenue cannot be determined at this time.

Based on information provided by TLC, the agency currently does not employ individuals with the market regulation and cost analysis experience needed to develop a record to support the designation of bingo market regions and minimum prices. Without such staff experience, TLC would need to either hire FTE's or contract for these specific consulting services. Should this provision of the bill be implemented, TLC anticipates a fiscal impact for staffing or contracting for the services. For the purpose of this analysis a staffing model of 2 FTE's was utilized to determine the costs. If this service is required, a cost benefit analysis would be performed to determine whether staffing will be hired or the function will be procured. For the five year period it is estimated that there could be a \$1.0 million cost in General Revenue, including \$236,035 of indirect costs.

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

This legislation 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 this 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.

The bill would require a county sheriff to regulate and issue permits of amusement game rooms. There may be personnel and administrative costs to comply with the provisions of the bill; however, the fiscal impact to vary by county depending on the resources of the department and

number of permits. Under the provisions of the bill, the game room operator must comply with certain keeping of records, personnel hiring requirements, and amusement redemption machines permits. Failure to comply with such requirements would result in civil and administrative penalties. Revenue to local governments from penalties would vary based on the number of violation assessed. The game room operator is permitted to appeal the revocation or suspension of a permit through a hearing examiner and through a district court. 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

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