

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

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

**April 20, 2015**

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

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

**IN RE: HB3839** by Deshotel (Relating to the operation of casino gaming in this state by licensed persons in certain areas of this state to provide additional money for residual windstorm insurance coverage in the coastal areas; requiring occupational licenses or certifications; creating criminal offenses and providing other penalties; authorizing fees; imposing a tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3839, As Introduced: a negative impact of (\$171,049,000) through the biennium ending August 31, 2017.

However, there would be an estimated revenue gain to the new GR Account of \$550,956,000 in the 2016-17 biennium and upon full implementation, a gain of \$1,101,990,000 each biennium thereafter before distribution to the other funds.

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	(\$73,307,000)
2017	(\$97,742,000)
2018	(\$97,742,000)
2019	(\$97,742,000)
2020	(\$97,742,000)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from <i>General Revenue Fund</i> 1</b>	<b>Probable Revenue Gain/(Loss) from <i>State Casino Gaming</i> <i>Account.</i></b>	<b>Change in Number of State Employees from FY 2015</b>
2016	(\$73,307,000)	\$183,652,000	135.0
2017	(\$97,742,000)	\$367,304,000	135.0
2018	(\$97,742,000)	\$550,995,000	135.0
2019	(\$97,742,000)	\$550,995,000	135.0
2020	(\$97,742,000)	\$550,995,000	135.0

**Fiscal Analysis**

The bill would amend the Occupations Code to add new Chapter 2004 regarding casino gaming.

The bill would authorize the Texas Lottery Commission (TLC) to have broad authority and control over casino gaming in the state. TLC would be required to adopt rules, procedures, and fees for casino gaming and would be required to submit an annual report to the Governor, Comptroller, and Legislature regarding casino gaming revenues and expenses.

The bill would require that a person must hold a casino gaming operator license in order to conduct casino gaming in the state. A maximum of nine licenses would be awarded in the state, with one license awarded each to the counties of Galveston, Jefferson, and Nueces; three licenses awarded to racetrack license holders in Bexar and Harris Counties; and one license awarded in each of three first tier or second tier coastal counties to racetrack license holders.

The bill would establish certifications for gaming vendors, gaming managers, and gaming employees and would allow TLC to obtain criminal history record information for certificate and license applicants.

The bill would establish a special account in the General Revenue Fund to deposit all revenue received by TLC from casino gaming and fees. A casino gaming tax of 18 percent of gross gaming revenue would be created; revenue from the gaming tax would be allocated to the Catastrophe Reserve Trust Fund in an amount sufficient to ensure that the premium and other revenue of the Texas Windstorm Insurance Association together with the money deposited equals the insured losses and operating expenses of the association each fiscal year. The remainder of tax revenues would be allocated to the General Revenue Fund.

The bill would establish criminal, administrative, and civil penalties for offenses related to casino gaming.

The bill would make conforming changes to the Penal Code.

The bill would take effect on December 1, 2015 if the constitutional amendment authorizing the legislature to authorize casino games is approved by voters.

**Methodology**

The bill requires that TLC establish license fees for casino gaming operator licenses and for certificates for gaming vendors, gaming managers, and gaming employees. The fiscal impact from fees and certificates cannot be determined.

This analysis assumes the state would receive \$550,956,000 per fiscal year upon full implementation of the nine casinos in the third year.

This analysis assumes TLC would require 135 additional FTEs and administrative costs of (\$73,307,000) in FY 2016 and (\$97,742,000) each fiscal year thereafter to regulate casino gaming.

This analysis assumes the provisions of the bill would not result in a significant impact on state correctional agencies.

### **Local Government Impact**

The bill would create misdemeanor offenses. Costs associated with enforcement, prosecution, and confinement could likely be absorbed with existing resources. Revenue from fines imposed and collected is not anticipated to have a significant fiscal impact.

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

**LBB Staff:** UP, CL, SD, ESi, KVe