

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB894 by Raymond (Relating to local option elections to legalize or prohibit the operation of eight-liners; imposing fees; creating criminal penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB894, As Introduced: a negative impact of (\$525,000) through the biennium ending August 31, 2019.

However, there would be an indeterminate gain to the state as a result of the bill. Gains would depend upon which local jurisdictions would opt for an election, whether the outcome would be to either legalize or prohibit eight liners, and the number of machines that would be deployed in those counties choosing legalization.

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
2018	(\$525,000)
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2018	(\$525,000)
2019	\$0
2020	\$0
2021	\$0
2022	\$0

Fiscal Analysis

The bill would amend the Occupations, Penal, Election and Local Government Codes to establish procedures for local option elections to legalize or prohibit the operation of eight-liner electronic gaming machines in political subdivisions.

The bill would add new Chapter 502 to the Election Code to establish procedures for counties, justice precincts or municipalities to conduct elections to legalize or prohibit the operation of eight-liners as defined by the provisions of the bill.

The bill would add new Subchapter K to the Occupations Code to impose an annual fee of \$350 for each eight-liner machine that an owner exhibits or displays that would be prorated by the quarter in which machines are put into operation. The Comptroller would collect the fee and deposit 30 percent of the revenue to the General Revenue Fund. The remaining 70 percent would be distributed to the municipality or county in which the eight-liner is located. Eight-liners, as defined by this bill, would be exempted from the provisions for amusement redemption machine licenses.

Eight-liners would no longer be subject to the coin-operated amusement machine tax, and businesses whose only coin-operated amusement machines are eight-liners would no longer be required to pay the annual coin-operated business license fee. The proposed \$350 fee (30 percent of which goes to the state) would essentially offset the current tax and license fee revenue. The tax and license fee are deposited to the General Revenue Fund.

The bill would amend Chapter 47 of the Penal Code to define eight-liner game machines; establish their legality; and set the maximum prize at \$1,500 in cash, or merchandise valued at \$1,500 wholesale, on a single play of a game. The bill also would define a bona fide amusement device and an amusement redemption machine which would not include an eight-liner, an electronic, electromechanical, or mechanical version of bingo, keno, blackjack, lottery, roulette, video poker, or other similar game.

The bill would establish exceptions to offenses for the operation of eight-liners and bona fide amusement devices within an area that had legalized the operation of the machines, and would create state jail felonies for offenses related to the monetary prize limits of eight-liners and bona fide amusement devices as provided by the provisions of the bill.

The bill would repeal Section 47.02(e) of the Penal Code.

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

The bill would take effect only if the constitutional amendment proposed by the 85th Legislature, Regular Session, 2017, authorizing local option elections legalizing or prohibiting the operation of eight-liners is approved by voters.

Methodology

The Comptroller of Public Accounts (CPA) reported there would be a one-time technology cost of \$525,000 in fiscal 2018 for an estimated 3,500 hours of application design, security, architecture, and programming. This is a new fee, exclusive of any other tax/fee currently administered by the Comptroller's Office. It differs from amusement and cigarette machine permit fees in that there is local allocation; it differs from other allocation taxes in that there is a definitive link between each

permitted machine and the taxing location. Assuming there would likely be multiple machines at any one location, there would have to be a link between each individual machine, identified by decal and serial number, and its location. The machine permit is a decal firmly affixed to the machine; it would have to be numbered for singular identification and location for allocation purposes. Programming will need to address eligibility and application, permit/decal generation, location/machine interface, Web/EDI reporting, tax processing, and remittance processing.

Technology

The Comptroller of Public Accounts (CPA) reported there would be a one-time technology cost of \$525,000 in fiscal 2018.

Local Government Impact

According to the Texas Municipal League (TML), there would be costs to a municipality to hold a local option election to determine the legality of eight liners if it was not held on the date of another election. The costs of calling an election would vary from a few thousand dollars in smaller municipalities to \$500,000 in larger cities. In addition, a municipality that approved the operation of eight-liners would experience a revenue gain for the fees collected on the machines; however, the amounts gained would vary depending on the number of machines located in the municipality.

According to the Texas Association of Counties (TAC) the fiscal impact of the bill would primarily be from election costs. The bill would allow a county, municipality, or precinct one election per year. The following are estimated single election costs by jurisdiction compiled by TAC:

- Brazos County: \$40,000 to \$50,000;
- Chambers County: \$20,000;
- Fort Bend County: \$50,000 to \$150,000, if election held in November \$10,000 to \$15,000;
- Hunt County: \$20,000, but could be an insignificant amount if held in November; .
- Webb County: \$35,000 to \$40,000;
- Williamson County: \$100,000, but could be lower (tens of thousands in dollars) if the election is held during a November general election; and
- Young County: \$5,000 to \$10,000.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 307 Secretary of State, 362 Texas Lottery Commission, 405 Department of Public Safety, 696 Department of Criminal Justice, 304 Comptroller of Public Accounts

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