

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 15, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2577** by Thompson, Senfronia (Relating to the regulation of bingo games; authorizing fee refunds.), **As Engrossed**

The fiscal implications of the bill relating to the termination of the state, county, and municipality share of bingo prize fees and changes to the threshold for prize fee remittance by bingo organizations cannot be determined at this time; however, it is anticipated that the provisions of the bill would have a negative impact on revenue to the state and to local units of government. The expected number of illegal gambling complaints and amounts of bingo prize fees collected below the proposed threshold are unknown; therefore, the cost associated with investigating those complaints and the revenue loss associated with termination of and changes to bingo prize fee collections are also unknown.

The bill would amend the Occupations Code relating to the regulation of bingo games; authorizing fee refunds.

The bill would permit any person to request that the Texas Lottery Commission (TLC) determine whether a business located in a county in which bingo is operated is conducting illegal gambling, and that the illegal gambling is a detriment to the conduct of charitable bingo. If TLC finds that these qualifications are met, the bill requires TLC to notify the Comptroller of Public Accounts (CPA) to terminate the state's authority to collect bingo prize fees under Section 2001.502 of the Occupations Code, and the entitlement to a local share of the prize fees under Section 2001.503 of the Occupations Code, in the county under investigation on the 30th day after the date of notice. The bill allows for lifting the suspension if it was made in error or if required by an order from the State Office of Administrative Hearings (SOAH).

The bill would require the TLC to refund applicants for certain bingo licenses if the applicant does not use the license within one year of its issuance, requests a withdrawal of the application before the license is issued, or is denied licensure by TLC. The bill allows TLC to retain certain amounts, depending on the license type, to defray administrative costs.

The bill would amend the requirement that licensed authorized bingo organizations remit to TLC a fee in the amount of five percent of the value of all bingo prizes awarded, to require remittance of five percent of the value of all bingo prizes of more than \$5 awarded. This provision applies only to the collection or remittance of a bingo prize fee for a bingo prize awarded on or after October 1, 2017.

Unless otherwise specified, the bill would take effect September 1, 2017.

Organizations with a license to conduct bingo currently remit a fee to the state in the amount of five percent of all bingo prizes awarded by the organization. Of this amount, fifty percent is then allocated to the organization's county and its municipalities. The CPA estimates biennial prize fees allocated to counties and municipalities to be \$28,961,000 in its 2018-19 Biennial Revenue Estimate.

The CPA estimates that provisions of the bill regarding the suspension of the collection of bingo prize fees would likely have a negative impact on both the state and local units of government, as the fees would remain with the bingo organizations under these circumstances. The CPA also estimates that provisions of the bill regarding the threshold for remittance of prize fees by bingo organizations to the state would also likely have a negative impact on both the state and local units of government. However, the CPA states that the amounts for both of these provisions cannot be estimated.

TLC estimates that provisions of the bill requiring it to investigate illegal gambling complaints would require an additional two full-time equivalents (FTEs), at a cost of \$168,923 in fiscal year 2018 and \$162,589 each year thereafter. However, this analysis assumes the number of potential complaints that may arise is unknown.

Based on information provided by TLC and the CPA, it is estimated that provisions of the bill requiring refunds of licensing and registration fees could result in an annual revenue loss to General Revenue of up to \$20,000.

Based on the analysis of SOAH, duties and responsibilities associated with implementing the provisions of the bill for those agencies could be accomplished by utilizing existing resources.

Local Government Impact

According to the CPA, the fiscal impact to local units of government cannot be estimated, but would likely be negative.

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

LBB Staff: UP, AG, EH, AO