

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 16, 2017**

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

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

**IN RE:** **HB2578** by Thompson, Senfronia (Relating to the elimination of certain fees for licensure and the disposition of certain fees collected by the Texas Lottery Commission under the Bingo Enabling Act.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2578, Committee Report 1st House, Substituted: a negative impact of (\$6,496,000) through the biennium ending August 31, 2019. Additionally, there will be a loss of (\$33,293,334) beginning with the 2020-21 biennium.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$3,248,000)
2019	(\$3,248,000)
2020	(\$16,646,667)
2021	(\$16,646,667)
2022	(\$16,646,667)

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

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Savings/(Cost) from Bingo Administration Account	Probable Revenue Gain/(Loss) from Bingo Administration Account
2018	\$0	(\$3,248,000)	\$0	\$0
2019	\$0	(\$3,248,000)	\$0	\$0
2020	\$16,249,333	(\$32,896,000)	(\$13,023,304)	\$29,648,000
2021	\$16,249,333	(\$32,896,000)	(\$13,023,304)	\$29,648,000
2022	\$16,249,333	(\$32,896,000)	(\$13,023,304)	\$29,648,000

**Fiscal Analysis**

The bill would amend Chapter 2001 of the Occupations Code, regarding bingo, to abolish the fees for certain licenses, establish a new special fund, and dedicate other bingo license and prize fees

to the new special fund.

The bill would abolish several license fees, including those for the bingo operator licenses, unit manager licenses, and bingo worker registration. Not later than January 1, 2018, the bill would require the Texas Lottery Commission (TLC) to return to each license holder any portion of a fee that covers a period after August 31, 2017.

The bill would create the bingo administration account as a special fund in the treasury outside the General Revenue Fund for use of TLC to support the administration of bingo and to pay local shares of the bingo prize fee. The bill would require that fees from several licenses, including the commercial lessor, manufacturer's and distributor's licenses, be deposited into the bingo administration account.

The bill would direct bingo prize fee revenue collected under Section 2001.502 to be deposited to the bingo administration account. The local share of bingo prize fees would be reduced on a pro rata basis as necessary to retain the estimated amount required by TLC for the administration of bingo, less the amount of license fees that are expected to be deposited to the bingo administration account. Local governments would receive this disbursement annually, instead of quarterly. Interest earned on money in the bingo administration account would not be subject to distribution to local jurisdictions.

The bill would add new Section 2001.003 to establish the Legislature's intent that funding for this chapter's administration be appropriated from bingo prize fee collections, and fee collections from the commercial lessor, manufacturer's and distributor's licenses.

The bill would take effect September 1, 2017. Sections of the bill eliminating fees apply to the issuance of licenses on or after September 1, 2017. Sections of the bill regarding the new allocation of bingo prize fees, deposit of remaining license fees and the creation of a special fund apply beginning September 1, 2019.

## **Methodology**

The fiscal impact is based on the amount of revenue these fees would generate as estimated by the Comptroller in the 2018-19 Biennial Revenue Estimate.

The elimination of fees for licenses to conduct bingo, temporary conductor licenses, license amendments, and bingo worker registration would result in a loss of general revenue of approximately \$3.2 million per year for fiscal years 2018 and 2019.

Beginning in fiscal year 2020, all fees deposited on behalf of bingo in general revenue, excluding the eliminated fees mentioned above, would be deposited into the special fund Bingo Administration Account. Similarly, all bingo expenditures would no longer cost general revenue but now charged to the new Bingo Administration Account. This would result in a reduction in general revenue of an estimated \$32.9 million per year and a savings in expenditures of \$16.2 million. The Bingo Administration Account would gain approximately \$29.6 million in revenue with expenditures of approximately \$13.0 million.

TLC estimates they could counter cash flow issues beginning in fiscal year 2020 as a result of funding from collected fees in a special fund rather than general revenue appropriation dependent on collected fees. To further demonstrate, September license fee collections will not be sufficient to process the September payroll. The second quarter bingo prize fee collections are not due until September 25th.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, 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**

Eliminating the bingo fees would have a positive fiscal impact on the bingo conductors and bingo workers.

The local cities and counties would see a decrease estimated at \$3.2 million per year in allocations from bingo prize fee as a result of using a portion of their allocation to make up the difference in funding the administration of bingo.

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

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