

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 29, 2019

TO: Honorable Tracy O. King, Chair, House Committee on Licensing & Administrative Procedures

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: HB494 by Deshotel (Relating to the operation of casino gaming in certain coastal areas of this state by licensed persons to provide additional money for residual windstorm insurance coverage and catastrophic flooding assistance in the coastal areas; requiring occupational licenses or certifications; authorizing fees; imposing a tax; creating criminal offenses and providing other penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB494, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from Casino Gaming Account	Probable Savings/(Cost) from Casino Gaming Account	Probable Savings/(Cost) from Catastrophe Reserve Trust Fund	Probable Savings/(Cost) from Catastrophic Flooding Assistance Trust Fund
2020	\$201,782,000	(\$201,782,000)	\$100,891,000	\$100,891,000
2021	\$403,564,000	(\$403,564,000)	\$201,782,000	\$201,782,000
2022	\$605,346,000	(\$605,346,000)	\$302,673,000	\$302,673,000
2023	\$605,346,000	(\$605,346,000)	\$302,673,000	\$302,673,000
2024	\$605,346,000	(\$605,346,000)	\$302,673,000	\$302,673,000

Fiscal Analysis

The bill would amend the Occupations Code to add new Chapter 2005 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 casino gaming account as a special account in the general revenue fund which would consist of all revenue received by the commission from casino gaming, fees or any other fund or source. The bill would establish a casino gaming tax of 18 percent to be imposed on gross gaming revenue for each holder of a casino gaming operator's license.

The bill would create the catastrophic flooding assistance trust fund to be established outside the treasury and administered by the office of the governor. Under the provisions of the bill, the trust fund would consist of money deposited to the fund from casino gaming tax and appropriations to the fund made by the legislature.

The bill would require the comptroller to transfer a certain amount of revenue from gaming tax to the Catastrophe Reserve Trust Fund (CRTF) and the remaining amount to the catastrophic flooding assistance trust fund.

The bill would establish criminal, administrative, and civil penalties for violations and offenses related to casino gaming. The bill would make conforming changes to the Government Code and Penal Code.

The bill would take effect December 1, 2019 if the constitutional amendment authorizing the operation of casino gaming 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.

The bill would authorize casino gaming at not more than nine coastal locations throughout the state imposing a gaming tax of 18 percent to be imposed on gross gaming revenue. This analysis assumes one license can be used to operate casino gaming at only one location and the state would receive \$605,346,000 per fiscal year upon full implementation of the nine casinos in the third year. Without knowing the exact allocation of the revenue to the two trust funds, the tables above assume a 50 percent split.

TLC anticipates the authorization to expand gaming will result in a decline in lottery revenue to the Foundation School Fund and the Texas Veterans Commission's Fund for Veterans' Assistance

as well as annual gross receipts for Charitable Bingo due to increased gaming competition to the State.

TLC estimates the need to hire additional FTEs for related costs to implement, issue licenses, conduct background investigations, develop rules and procedures and monitor casino gaming, but the number of FTEs cannot be determined. Procedures for the approval, monitoring, and inspection of casino gaming operations as necessary to protect the public health, welfare, and safety and the integrity of the state and to prevent financial loss to this state would need to be developed. TLC would be required to assess fees in amounts necessary to cover any administrative or regulatory costs.

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.

Technology

According to the Comptroller's Office, there would be a one-time technology cost of \$495,000 in fiscal 2020 for an estimated 3300 hours to develop a state only tax system with monthly collections, funds allocation, and audit capabilities. This cost is not included in the tables above.

Local Government Impact

The Texas Association of Counties does not anticipate a fiscal impact to counties.

The Texas Municipal League does not anticipate a significant fiscal impact to cities.

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

LBB Staff: WP, CLo, SD, AF