

**House Committee on Licensing and Administrative Procedures
Interim Charges Formal Request
October 2020**

Interim Charge #1: Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature.



TABLE OF CONTENTS

TEXAS LOTTERY

<i>Sales and Revenue</i>	<i>3</i>
<i>2020 Census</i>	<i>3</i>

CHARITABLE BINGO

<i>House Bill 914 (Representative Senfronia Thompson).....</i>	<i>4</i>
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ATTACHMENTS

<i>Attachment 1 – Texas Lottery FY 2020 Results News Release.....</i>	<i>6</i>
<i>Attachment 2 – Texas Lottery Sales, Prizes Paid, Revenue Graphic</i>	<i>12</i>
<i>Attachment 3 – Legislative Letter of Intent (HB 914)</i>	<i>14</i>
<i>Attachment 4 – Legislative Letter of Intent (HB 914)</i>	<i>17</i>

TEXAS LOTTERY COMMISSION

Texas Lottery and Charitable Bingo Report

Texas Lottery

Sales and Revenue

The Texas Lottery continues to generate record amounts of revenue through the responsible sale of lottery products. Since the first lottery ticket was sold in 1992, the Texas Lottery has generated over \$31.6 billion for the state of Texas, which includes more than \$25.7 billion to the Foundation School Fund.

As authorized by the Texas Legislature, certain Texas Lottery revenues benefit other state programs including the Fund for Veterans' Assistance. Since the first veterans' dedicated scratch ticket game was launched in 2009, the Texas Lottery has contributed over \$142.7 million to the Fund for Veterans' Assistance.

Below are highlights regarding the record-breaking results for FY 2020, the 28th year of the Texas Lottery.

- **In FY 2020, the Texas Lottery Commission transferred \$1.66 billion to the Foundation School Fund and the Fund for Veterans' Assistance received \$22.2 million, the highest contribution to date to these beneficiaries.**
- **The Commission's revenue transfer in FY 2020 was based on overall lottery sales of \$6.704 billion, breaking the sales record set in fiscal year 2019.**
- **FY 2020 was the Texas Lottery's tenth consecutive record-breaking sales year, which also resulted in a record total revenue contribution of \$1.684 billion generated for the state.**

For additional information the following attachments are included for reference:

- Attachment 1 – News Release issued on September 24, 2020 regarding the Texas Lottery's FY 2020 results.
- Attachment 2 – FY 1992 – 2020 Texas Lottery Sales, Prizes Paid and Revenue Graphic

2020 Census

The Texas Secretary of State asked state agencies to help communicate and promote awareness about participation in the census. The Texas Lottery was able to promote awareness of the 2020 census in several ways. Promoting awareness began with a simple, straightforward message: "Shape Your Future, Participate in the 2020 Census." The Texas Lottery was able to print this messaging directly on all draw game tickets such as, Powerball®, Lotto Texas®, etc. The message was also communicated via: digital monitors in over 17,000 lottery retail locations across the state, the Texas Lottery website homepage, the agency's social media channels, posters that were produced and displayed at the Texas Lottery's 16 claim centers across the state, the agency's on-hold phone recording, and as a direct message to the Texas Lottery's email and text subscribers.

The Texas Lottery is in a unique position among most state agencies by having many platforms available to communicate with Texas residents. The census and the information gathered is vital to the state and the agency proudly partnered and participated in this important effort.

Charitable Bingo

House Bill 914 (Representative Senfronia Thompson)

House Bill (HB) 914 by Representative Senfronia Thompson was passed during the 86th Legislative Session (2019). Agency staff worked with the Commission's Bingo Advisory Committee and with industry stakeholders regarding the implementation of the bill, including applicable rulemaking. Additionally, the agency sought guidance and clarification from Representative Thompson on two topics – 1) the percentage share of bingo prize fees; and 2) the operating capital calculation. Representative Thompson provided the agency with letters of legislative intent and these are submitted as attachments for reference.

- Attachment 3 – Letter of Legislative Intent from Representative Thompson dated September 19, 2019, regarding the percentage share of prize fees.
- Attachment 4 – Letter of Legislative Intent from Representative Thompson dated May 7, 2020, regarding the operating capital calculation for licensed organizations.

Some of the provisions of the law relate to:

Prize Fees- The most significant changes resulting from HB 914 relate to bingo prize fees and the process for the distribution and allocation of prize fees to local jurisdictions. Prize fee payments to local governments are now made directly by the licensed organizations conducting charitable bingo as opposed to these allocations being made by the commission.

The payment of prize fees requires licensed organizations to pay the portion due to eligible counties and municipalities directly, and in some cases, to retain that portion in their general charitable fund. HB 914 stipulated local governments that had been receiving their 50% share of prize fees would only be entitled to continue receiving it if they voted again to impose the fee by November 1, 2019. If a local government did not vote to impose the fee by the stated November 1 deadline, their 50% share of the prize fee would be deposited in the general charitable fund of the licensed organization to be used for charitable purposes.

Bingo Product Sales- The law clarifies that bingo cards, pull-tab bingo tickets, and the use of card-minding devices for a bingo occasion can be sold at the licensed premises at any time beginning one hour before the occasion and ending at the conclusion of the occasion.

Earnings- The deadline for a licensed authorized organization to deposit bingo earnings into the bingo account is extended to the third business day after the event, rather than the second.

Bingo Workers- The bill extends the period of time that a bingo worker can work while waiting for a pending background check from 14 days to 30 days for Texas residents. For non-residents, TLC is authorized to set the time period.

*Attachment 1 – Texas Lottery FY 2020 Results
News Release*

FOR IMMEDIATE RELEASE

MEDIA CONTACT: Media Relations, 512-344-5131

mediarelations@lottery.state.tx.us



SUPPORTING TEXAS EDUCATION
AND VETERANS

TEXAS RETAILERS COME THROUGH FOR PUBLIC EDUCATION AND VETERANS WITH RECORD LOTTERY SALES AND REVENUE

Texas Lottery surpasses all-time sales record with new \$6.7 billion mark in FY 2020

(AUSTIN) – The hard work and dedication of Texas Lottery retailers – essential businesses serving their communities throughout the COVID-19 health crisis – enabled the Texas Lottery to achieve **\$6.704 billion in sales** during its 10th-consecutive record-breaking year, a \$452.5 million increase (7.2%) over FY 2019. This achievement also resulted in a record **total contribution of \$1.684 billion for Texas education and veterans**.

“Never in the 28-year history of the Texas Lottery has a year unfolded quite like Fiscal Year 2020 did, and our success is attributed first and foremost to our hard-working retailers,” said Gary Grief, executive director of the Texas Lottery. “Understanding that nearly all of the 20,000 retail locations where lottery tickets are sold were deemed ‘essential service’ locations, we are proud to close out this fiscal year with a new sales record, and more importantly, provide another record-breaking year of revenue for public schools and veterans’ services in Texas.”

This year’s revenue transfer included **\$1.661 billion to the Foundation School Fund** and **\$22.2 million to the Fund for Veterans’ Assistance**, the Texas Lottery’s largest contributions to Texas education and Texas veterans to-date. The Texas Lottery has now contributed more than **\$25.7 billion to Texas public education** and more than **\$142 million to Texas veterans** since the dedication of such funds by the Texas Legislature.

“The Texas Lottery is proud to partner with each and every one of our retailers across the state to provide *The Games of Texas* to as many players as possible,” said Robert G. Rivera, chairman of the Texas Lottery Commission. “In a year marked by uncertainty in so many ways, these record achievements are especially noteworthy. Our retailers should be as proud as we are of their hard work and support for the schoolchildren and veterans of Texas. Likewise, we owe a debt of gratitude to our employees and vendor partners for their dedication, attention to detail and hard work in helping us achieve these record results.”

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New Sales Records Achieved

Scratch ticket sales for FY 2020 totaled **\$5.556 billion, a new Texas Lottery scratch ticket sales record**, accounting for 82.9% of the portfolio's total sales and a 14.7% increase over FY 2019. With strategic planning that led to a robust ticket lineup, the Texas Lottery saw **33 weeks of scratch ticket sales greater than \$100 million** during the fiscal year – including the 27 best weeks the Texas Lottery has ever experienced.

Core scratch ticket games were once again the anchor to the Texas Lottery's scratch ticket sales success. A year after a \$20 game was first added to the Loteria family of games, the extended play family generated \$947.9 million in sales, a \$210.3 million increase from the previous year. During the fiscal year, strong sales for the \$250,000 50X Cashword scratch ticket game solidified the \$10 game's core status, making it regularly available throughout the year in order to meet high player demand.

The Texas Lottery's scratch ticket families also provided momentum for the portfolio's latest record-breaking year. In FY 2020, the agency took the creative step of branding its annual Multiplier family of games with the MONOPOLY™ theme and incorporating the return of the \$5 Million Vegas Challenge™ – the popular multi-game second-chance drawing promotion first launched in FY 2019. These features were vital in generating record retailer commissions and revenue for beneficiaries, as the FY 2020 edition of the Multiplier family saw more than \$421.8 million in sales across the family's five price points.

In addition to record scratch ticket sales, draw games generated a total of **\$1.148 billion in sales for the Texas Lottery.**

In-state jackpot games outperformed the growth experienced in FY 2019 with \$702.5 million in FY 2020 sales, the highest amount since FY 2010. Propelled by the longest-rolling jackpot in the history of the game, Lotto Texas with Extra! boasted a healthy jackpot for a majority of the year, leading to \$146.7 million in sales, the highest amount since FY 2014. Of that, Extra! – the game's add-on feature – set a new record with \$31.1 million in total sales.

Likewise, the daily draw game portion of the portfolio generated \$495.1 million in sales during FY 2020, breaking the FY 1997 record of \$481.4 million. In particular, sales for Pick 3 and Daily 4 performed exceptionally well in FY 2020 as a result of the growing popularity of the Fireball add-on feature, which launched in April 2019. The two draw games combined generated \$412.3

(more)

million in sales, accounting for more than 35% of total draw sales for FY 2020. All or Nothing also experienced a notable sales gain, with a \$4.5 million increase from the previous year.

Texas sales of the multi-state games Powerball and Mega Millions combined for a total of \$445.7 million in FY 2020. These games saw a national decline in sales this year, primarily as a result of sales in other states more severely impacted by the COVID-19 pandemic.

Record Year for Retailer Commissions

FY 2020 was a record year for the Texas Lottery's nearly 20,000 retailers across the state. Retailer commissions totaled **\$335.6 million, the highest payment to retailers** in Texas Lottery history and **an average amount of \$16,734** for each of the Texas Lottery's retail partners.

Record Year for Prizes Paid to Players

FY 2020 was also a big year for Texas Lottery players. Highlighted by a \$157,091,592 Mega Millions jackpot prize paid out to a Leander resident – the largest unshared prize ever paid out to a Texas Lottery player – players collected **\$4.523 billion in prizes, the highest prize payment** in Texas Lottery history. This total was a \$391.6 million increase over the previous prize payout record amount of \$4.132 billion set in FY 2019. The Texas Lottery paid an average of more than \$12.359 million a day in prizes to players during FY 2020.

Responsible Gaming Efforts Recognized

While achieving another year of record sales growth, the Texas Lottery remained laser focused on social responsibility by enhancing implementation of its responsible gaming initiatives. The agency improved awareness training for retailers, vendor staff and agency employees, participated in the international campaigns for Problem Gambling Awareness Month and responsible holiday gifting and made PLAY RESPONSIBLY campaign information widely available to players and retailers. During FY 2020, the Texas Lottery was certified by the National Council on Problem Gambling (NCPG) and the North American Association of State and Provincial Lotteries (NASPL) for meeting the NASPL/NCPG Responsible Gaming Verification Standards at the Implementation Level. As the fiscal year closed, the Texas Lottery received international recognition, as it achieved recertification by the World Lottery Association (WLA) at Level 3 of the WLA Responsible Gaming Framework.

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Record Year for Fiscal Stewardship

The Texas Lottery continued to adhere to its conservative budgeting approach in FY 2020, as it reduced its FY 2019 administrative costs rate of 3.97% – one of the lowest administrative expenditure rates in the country – to just **3.23%, a new agency record**.

FY 2020 by the Numbers

- If it were a publicly traded company, **\$6.704 billion in annual sales would place the Texas Lottery tied at No. 450 on the [2020 Fortune 500 list](#)** with Booz Allen Hamilton Holding and ahead of other well-known brands including S&P Global, Wynn Resorts, Ralph Lauren and Clorox.
- This is the **17th consecutive year** that the Texas Lottery generated more than \$1 billion in revenue for Texas, **with a total contribution to the state of \$1.684 billion**.
- **97.8% of Texas Lottery sales are returned** in the form of contributions to the Foundation School Fund, the Fund for Veterans' Assistance and other state programs, and through prizes, retailer commissions, and incentives.

The Beneficiaries: Texas Education and Texas Veterans

The Foundation School Fund, administered by the Texas Education Agency, funds the operational needs and special program services for Texas school districts, including teacher salaries, utilities, equipment, bilingual education, special education, gifted and talented education, and career and technical education.

[The Texas Veterans Commission Fund for Veterans' Assistance](#) makes grants available to eligible charitable organizations, local government agencies, and Veterans Service Organizations that provide direct services to Texas veterans and their families. With 1.7 million veterans spread across the state, these programs provide financial assistance, transportation services, Post-Traumatic Stress Disorder counseling and housing assistance.

About the Texas Lottery

Beginning with the first ticket sold in 1992, the Texas Lottery has generated \$31 billion in revenue for the state and distributed \$66 billion in prizes to lottery players. Since 1997, the Texas Lottery has contributed \$25.7 billion to the Foundation School Fund, which supports public education in Texas. As authorized by the Texas Legislature, certain Texas Lottery revenues benefit state programs including the Fund for Veterans' Assistance. Since the first veterans' themed scratch ticket game was launched in 2009, the Texas Lottery has contributed more than \$142 million for programs supporting Texas veterans.

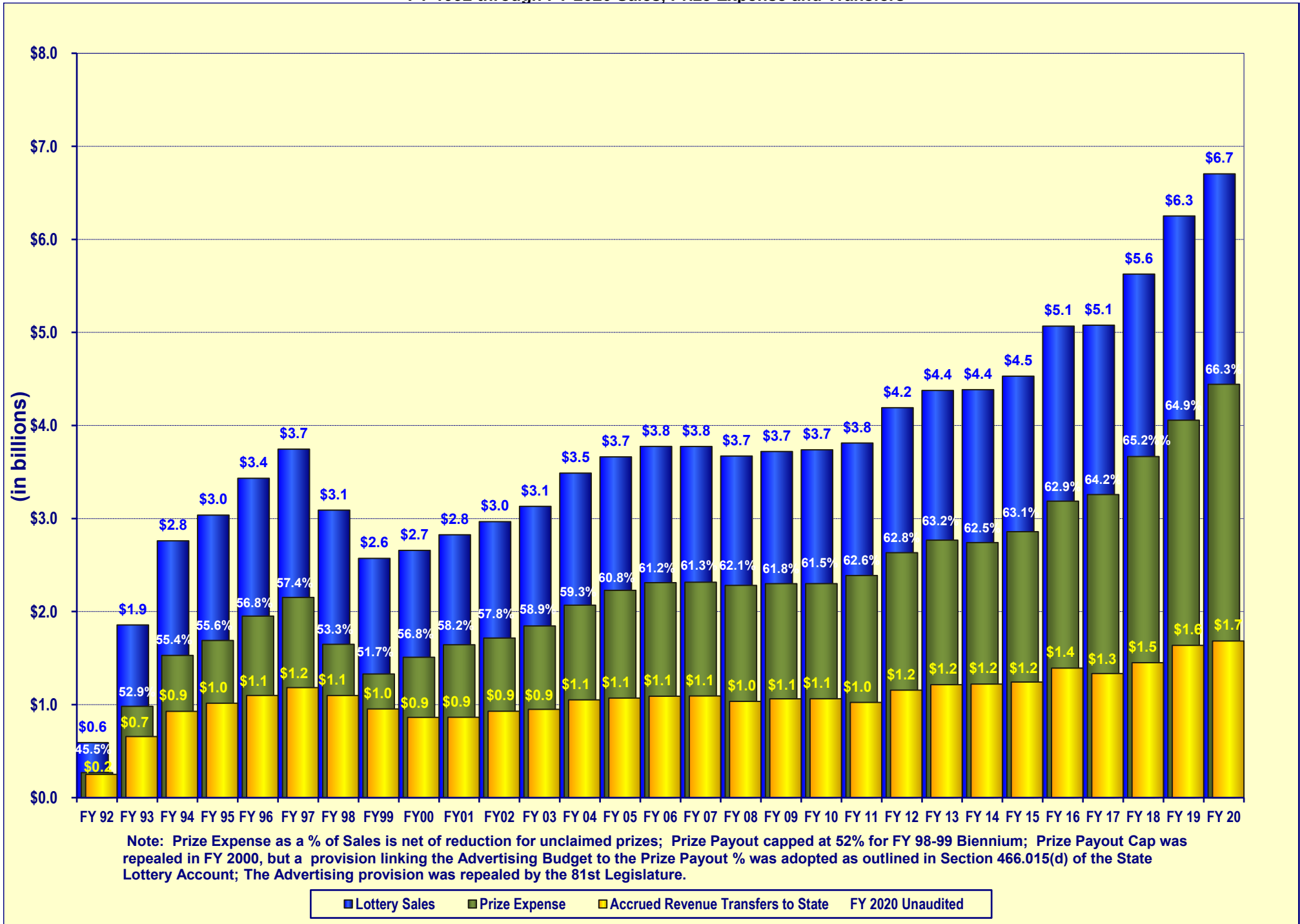
(more)

The Texas Lottery provides several entertaining games for lottery players including Powerball®, Mega Millions®, Lotto Texas®, All or Nothing™, Texas Two Step®, Pick 3™, Daily 4™, Cash Five® and scratch ticket games. For more information visit us on Facebook, Twitter, Instagram, YouTube or at www.txlottery.org. PLAY RESPONSIBLY.

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*Attachment 2 – Texas Lottery Sales, Prizes Paid,
Revenue Graphic*

Texas Lottery Commission
FY 1992 through FY 2020 Sales, Prize Expense and Transfers



Attachment 3 – Legislative Letter of Intent (HB 914)



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TEXAS HOUSE OF REPRESENTATIVES

Senfronia Thompson

District Office:
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Houston, Texas 77016
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September 19, 2019

Winston Krause
Chairman
Texas Lottery Commission
611 East 6th Street
Austin, Texas 78701

Dear Chairman Krause:

It has come to my attention that House Bill 914 (86R) contains an unintended ambiguity regarding the allocation to local governments and bingo charities of prize fees collected by the charities from bingo players.

The purpose in passing H.B. 914 was to keep with the spirit of our Texas Constitution in requiring "all proceeds from the games are spent in Texas for charitable purposes of the organization." House Bill 914 provides an opportunity for the charities to obtain additional proceeds from their bingo operations by allowing cities and counties that previously received a portion of the fees to opt not to impose the fees going forward. If a local government opts not to impose the fee, the charities would be required to deposit the money into their general funds to be used solely for charitable purposes.

The ambiguity involves situations in which a bingo hall is located in a county that previously received a portion of the prize fees and also in a city that previously received a portion of the fees. The Legislature's intention was to have the share previously received by a local government that opted out to go to the charity, such that if before November 1st the county opted in and the city opted out, the city's share would go to the charities. It was not the Legislature's intent, in that scenario, for the city's share to go to the county, which would deprive the charity of money it generates through its bingo operations. This intent can be seen by the fact that the statute clearly provides that if either local government opts out on or after November 1st, the money from a local government that opts out goes to the charity and not the other local government. The Legislature did not intend a different allocation of these prize fees depending on whether the vote took place before or after October 31st and there would be no conceivable policy reason to do so.



page 2 (cont'd)
September 19, 2019

I understand that the fees in question will not belong to the State of Texas or come through the Commission and that this matter is of interest to the local governments and the charities that conduct bingo within their jurisdictions. The Legislature sought to maintain this revenue to eligible local governments who opt in but also allow them to defer to the organizations that use their bingo funds to perform charitable activities in their jurisdictions.

I would appreciate your agency providing a copy of this letter to any local government that raises the issue addressed in this letter with your agency or with which your staff has previously communicated regarding the issue.

Thanks for your consideration of my request.

Sincerely,


Senfronia Thompson
State Representative

ST/mm

Attachment 4 – Legislative Letter of Intent (HB 914)



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TEXAS HOUSE OF REPRESENTATIVES

Senfronia Thompson

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May 7, 2020

Mr. Tom Hanson, Acting Director
Charitable Bingo Operations Division
Texas Lottery Commission
611 East 6th Street
Austin, Texas 78701
sent via email

Dear Mr. Hanson:

I am writing to provide clarification and legislative intent on H.B. 914, relating to the regulation of bingo games, which I authored and was passed during the 86th Legislative Session.

One of the primary purposes of H.B. 914 was to allow local governments to opt out of their share of the prize fee collected from players if they were receiving the fees prior to the bill's passage. In doing so, the bill repealed the prior system by which charities collected the local share of the prize fee, remitted it to the Texas Lottery Commission (Commission) and then the Commission allocated it to the local governments. H.B. 914 was intended to end this complex process and sever the link between the State and local prize fees. Charities now pay prize fees directly to the eligible local governments on a quarterly basis. In cities and counties that opt not to keep receiving those funds, the charities deposit that portion of the prize fees into their charity account. Prize fees collected by charities are held in their bingo account prior to disbursement and charities are allowed to retain up to \$50,000 in their bingo accounts for operating capital.

Prior to H.B. 914, all prize fees were payable to the Commission. Section 2001.451(i) of the Bingo Enabling Act provides that prize fees held in escrow for remittance "to the Commission" do not count toward an organization's operating capital limit. Following H.B. 914, there are now three categories of prize fees: those due the Commission, those due to local governments, and those retained by the charities. The Bingo Enabling Act does not address whether and how prize fees held for local governments or retained by organizations affect operating capital limits of the charities.

H.B. 914 was not intended to have the local prize fees count toward the operating capital limit and it was not intended to change the limits on how much capital the charities can retain in operating capital. If local prize fees were to be counted toward an organization's operating



page 2 (cont'd)
May 7, 2020

capital limit, the unintended effect would be to reduce the operating capital available to the charities. The result would be that those organizations that have taken the risk by opting to retain less capital than allowed would be hurt the worst and many would find their finances overwhelmed. This situation would be exacerbated as charities begin to reopen following the COVID-19 crisis.

To be clear, the intent of H.B. 914 is to treat local prize fees held by charities as separate and apart from the calculation of the operating capital limits, the same way that prize fees due to the Commission are treated. Charities should simply collect the prize fees and remit the local governments' share to the local governments without regard to the operating capital limits.

With regard to the disposition of money collected from players in those jurisdictions that opted to stop receiving bingo prize fees, the intent of H.B. 914 is for the money that would have been the local governments' share be deposited into the charities' general funds to be used for charitable purposes rather than being deposited into the bingo account. It was not the intent of H.B. 914 for prize fees retained by charities to count toward their operating capital limit.

Thanks for the opportunity to provide this information. I understand the challenges of implementing major legislation and greatly appreciate your colleagues and you working with my office to get it right for the charities.

Sincerely,


Senfronia Thompson
State Representative