

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 9, 2021

TO: Honorable Senfronia Thompson, Chair, House Committee on Licensing & Administrative Procedures

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB394 by Moody (Relating to Texas Lottery Commission rules on lottery game drawings.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB394, As Introduced : a positive impact of \$27,646,868 through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	\$6,081,063
2023	\$21,565,805
2024	\$21,565,805
2025	\$21,589,876
2026	\$21,589,876

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain from Foundation School Fund 193</i>	<i>Probable Savings/(Cost) from Lottery Acct 5025</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	\$6,081,063	(\$1,794,768)	5.0
2023	\$21,565,805	(\$1,377,353)	5.0
2024	\$21,565,805	(\$1,377,353)	5.0
2025	\$21,589,876	(\$1,377,353)	5.0
2026	\$21,589,876	(\$1,377,353)	5.0

Fiscal Analysis

The bill would amend the Government Code as it relates to the permissible dates of lottery game drawings. The bill would require the Texas Lottery Commission (TLC) to adopt rules which permit game drawings to be held on Sundays.

Unless otherwise specified, the bill would take effect immediately upon receipt of two-thirds vote of all members elected to each house or on September 1, 2021.

Methodology

Based on the analysis of the Comptroller of Public Accounts (CPA) and the Texas Lottery Commission (TLC), it is assumed that the agency would perform four draws on Sundays for the daily games Pick 3 with Fireball, Daily 4 with Fireball, Cash Five, and All or Nothing.

Rulemaking is anticipated to be completed by January 1, 2022 and the first day of sales and drawings is projected to occur on April 3, 2022. The gap between the establishment of rulemaking and game play is estimated to allow sufficient time for programming of various lottery operation systems. TLC anticipates that sales could reach \$18.7 million in the five remaining months of FY 2022 following launch and then \$54.4 million per year from FY 2023 to FY 2026. Of the revenue generated from these sales, estimates suggest that \$6.1 million would be transferred to the Foundation School Fund (FSF) in the first fiscal year and \$21.6 million would be transferred to the FSF each year after.

Sales growth for daily games is estimated to be 9% in FY 2022 and 11% in FY 2023 to FY 2026. These projections are based upon percentage ranges noted by TLC when daily game draws were increased from two to four times a day in FY 2012. TLC notes additional data from a lottery industry analysis to further estimate growth changes. This analysis reported that sales growth increased an average of 14.3% when Sunday draws were added.

TLC projects that an additional 5.0 FTE would be needed to meet the objective of the bill, amounting to \$427,397 in additional salary costs each year. These positions include two Program Specialist IIIs, one Program Specialist V, one Network Specialist VI, and one Information Resources Programmer VI. Furthermore, the agency notes a projected increase in agency contracts for Drawings CPA Audit Services, Drawings Broadcast and Production, and a Statistician. Approximate costs for the associated increases in contracting obligations are \$309,963 in FY 2022 and \$488,471 in each year after.

Probable revenue losses to General Revenue-Dedicated Lottery Account 5025 are based upon estimated authorized administrative expenses related

to the bill. Additional expenses paid from Lottery Account 5025 such as prize payouts, retailer commissions, and lottery operator expenses can further influence the amount of revenue ultimately transferred to the FSF.

Technology

TLC indicates that drawing equipment is needed in the first year of operation in order to implement the provisions of adding draws on Sundays. This represents a one time expense in Capital Equipment totaling \$211,018. To accommodate the introduction of draw games on Sundays, increases in computer infrastructure and maintenance are also anticipated. The agency estimates this IT development to have an initial cost of \$752,000 in FY 2022 and \$292,000 in the following four years.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JMc, SZ, MB, EJ, SD