

**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: HB817** by Moody (Relating to the operation of a quick draw lottery game; requiring an occupational license.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB817, As Introduced : a positive impact of \$87,995,536 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	\$30,974,493
2023	\$57,021,043
2024	\$63,991,745
2025	\$69,055,750
2026	\$74,033,116

**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	\$30,974,493	(\$5,428,453)	7.0
2023	\$57,021,043	(\$2,627,386)	7.0
2024	\$63,991,745	(\$627,386)	7.0
2025	\$69,055,750	(\$627,386)	7.0
2026	\$74,033,116	(\$627,386)	7.0

**Fiscal Analysis**

The bill would amend the Government Code as it relates to the definition of certain lottery game tickets and to the sale of these tickets at locations with specific licenses.

The bill would define a "quick draw lottery game" in Section 466.002 of the Government Code as a lottery game in which a drawing occurs twelve to fifteen times per hour between 7 a.m. and 2 a.m.

The bill would direct the Texas Lottery Commission (TLC) to operate a quick draw lottery game and to establish ticket prices, payout amounts, occupational licensing of sales agents, the game's market

competitiveness, and the manner by which the game functions.

The bill would specify that the sales of quick draw tickets be limited to authorized sales agents who also hold specific permits or licenses issued by the Texas Alcoholic Beverage Commission (TABC). These permit and license types allow locations to offer on-premises alcohol consumption and include (1) winery permits, (2) wine and malt beverage retailer permits, (3) mixed beverage permits, (4) private club registration permits, (5) retail dealer's on-premises licenses, (6) brewpub licenses, (7) brewer's licenses, and (8) distiller and rectifier's permits.

The bill would dictate that TLC adopt all necessary rules, begin issuing quick draw sales agent licenses, and establish the quick draw game no later than January 1, 2022. 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 Texas Lottery Commission's (TLC's) analysis of sales data from comparable states that implemented quick draw style games in the last ten years, the agency does not anticipate significant impacts to established lottery game sales.

TLC estimates that of the retailers that would be eligible to offer quick draw style games, 1,400 would pursue licensure during the initial five years of game operation. Based upon analysis of other states' quick draw sales data, average weekly sales per participating Texas retailer is projected to be \$2,278 in the first fiscal year, increasing to \$3,106 per week by the end of FY 2026. These estimated sales would amount to \$110.6 million in estimated revenue for the remaining eight months of FY 2022 following implementation of the bill, \$180.9 million in FY 2023, \$196.0 million in FY 2024, \$211.1 million in FY 2025, and \$226.2 million in FY 2026. Based upon these assumptions and estimations, \$295.1 million in additional revenue could be transferred to the Foundation School Fund (FSF) from FY 2022 to FY 2026.

TLC projects that an additional 7.0 FTEs would be needed to meet the objectives of the bill, amounting to \$423,100 in additional salary costs per year. These FTE changes include three Accounts Examiners, two Lottery Operation Program Specialists, one Enforcement Field Investigator, and one Information Resources Systems Analyst. The agency also anticipates promotion costs to increase by \$4.5 million in FY 2022 and \$2.0 million in FY 2023 in order to create player awareness for quick draw gaming in the state.

Probable costs to General Revenue Dedicated Lottery Account 5025 are based upon the Lottery Commission's estimates for authorized administrative expenses related to the bill. Additional expenses paid from the 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. TLC assumes that the lottery operator will purchase the necessary equipment for quick draw games.

### **Local Government Impact**

Texas Lottery Commission indicates that a negative impact to local jurisdictions is probable due to a reduction in bingo prize fees as a result of the implementation of quick draw gaming. Further fiscal implications of the bill cannot be quantified at this time.

**Source Agencies:** 362 Texas Lottery Commission

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