



# The Economic Impact of Charitable Bingo in Texas

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Presented by



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# SUMMARY

In 1981, Texas approved legislation that allows Texas charities to raise money through state-regulated charitable bingo games. Charitable bingo is a popular exception to restrictive state gaming laws in the U.S. Texas joins 45 other states that allow some degree of regulated, charitable bingo. Since 1994, charitable bingo has been regulated by the Charitable Bingo Division of the Texas Lottery Commission (the Commission). According to the Commission's 2017 Annual Report:

**Since the first licenses were issued in 1982, charitable bingo has benefited charities, players, and state, county and municipal governments in Texas. Gross receipts from the conduct of charitable bingo total \$20.8 billion, bingo prizes awarded have exceeded \$15 billion, and allocations to local jurisdictions have totaled approximately \$340.4 million. The total amount of charitable distributions from the conduct of bingo exceeds \$1 billion.**

Charitable bingo has a substantial economic impact in Texas. Adjusted gross receipts (AGR) are the sum of card sales, electronic card sales, and pull-tab bingo sales minus total prizes awarded to players and fees captured by state and local jurisdictions. AGR represents the gross revenue of the sponsoring organization.

In 2017, the combination of total charitable bingo AGR and government revenue, or total direct impact, was approximately \$216.4 million. The total economic output, or impact, was almost \$462.8 million in 2017. Direct and indirect employment is 2,961 with labor income of almost \$111 million.

It is noteworthy that, since 2000, the rate of decline in traditional bingo card sales (paper and electronic combined) exactly matches the rate of inflation. A second scenario was run in which prize caps were allowed to rise with inflation. In this scenario, total direct revenue last year would have been \$262.7 million, with just under 3,600 direct and indirect employment and labor income of \$134.57 million. This study found the following total economic impact:

## 2017 ACTUAL AND POTENTIAL ECONOMIC IMPACT OF CHARITABLE BINGO IN TEXAS

	Output	Value Added	Labor Income	Employment
<b>Actual Impact</b>	\$462,797,061	\$258,126,327	\$110,880,423	2,961
<b>Impact with Inflation-Adjusted Prizes</b>	\$561,703,703	\$313,291,777	\$134,577,225	3,594

Source: TXP, Inc. Note: see pages 6, 7 for definitions of economic impact terms used.

In conclusion, Texas charitable bingo is a sizable source of economic activity and government revenue, as well as employment opportunity for many who might otherwise be challenged in finding and maintaining a job. More importantly, it is a significant source of revenue for charitable organizations throughout the state. As Texas looks to the future, policies and procedures that allow charitable bingo to remain competitive with similar forms of entertainment will stand each of these constituencies in good stead.



## OVERVIEW

Bingo descends from the Italian National Lottery held since the 16th century, evolving through several iterations across various European countries. In 1929, Edwin Lowe developed the modern version of bingo in the United States when he observed a carnival game called Beano (a variation of Lotto popular in Germany). "Beano" became "Bingo" after an early winner accidentally shouted the latter when announcing a win. Soon after, churches and other nonprofits adopted the game as a means of raising funds. By 1934, there were an estimated 10,000 bingo games played each week, across the country.

While Texas continues to ban most forms of gaming, in 1981 the state approved legislation to allow Texas charities to raise money through state-regulated bingo games. Only two states, Hawaii and Utah, restrict charitable gaming altogether.

Bingo and raffles are the most common forms of charitable gaming and regulation varies among states. Texas charitable bingo laws are fairly standard. There are prize caps for individual games and bingo "occasions," or sessions. It also limits the number and frequency of sessions.

Texas restricts certain types of expenses such as rent, but has no limit on total expenses. There are limitations on advertising by some in the industry, but bingo halls can advertise their games. Licensed organizations are also required to collect a five percent tax on prizes above five dollars. It is divided between certain cities and counties where bingo is played, and the state's General Revenue Fund. The revenue to pay for Bingo Division operations and enforcement comes from the city and county share of the prize fee and through license fees on manufacturers and distributors of bingo products and commercial lessors.

Charitable bingo is a critical source of revenue for many non-profit organizations in the state. For some, charitable bingo is the organization's only source of funding. There are numerous accounts of the positive impacts charitable bingo has had on Texas non-profits and their clients. Currently, bingo is authorized in 120 Texas counties, 160 justice precincts, and 272 cities. There are 998 licensed charitable organizations, which is down from 1,330 in 2008.

Since 1994, the Texas Lottery Commission (the Commission) has regulated charitable bingo. According to the Commission's 2017 Annual Report:

**Since the first licenses were issued in 1982, charitable bingo has benefited charities, players, and state, county and municipal governments in Texas. Gross receipts from the conduct of charitable bingo total \$20.8 billion, bingo prizes awarded have exceeded \$15 billion, and allocations to local jurisdictions have totaled approximately \$340.4 million. The total amount of charitable distributions from the conduct of bingo exceeds \$1 billion.**

**Distributions by organizations conducting charitable bingo benefit the people of Texas in many ways that include providing assistance to local libraries, veterans organizations, museums, women's shelters, needy**

children, the disabled, homeless shelters, churches, schools, drug and alcohol treatment programs, medical treatment and research programs, volunteer fire departments, EMS units, police officer organizations, and senior citizen organizations, to name a few. Local jurisdictions benefit from charitable bingo activity through allocations derived from charitable bingo prize fees.

The table that follows provides data related to gross receipts, prizes paid to players, net proceeds, and prize fees withheld for allocation to the state, counties and cities from 2008 through 2017. Overall, revenue has increased at a moderate pace as shown in Table 1, but attendance has declined, as shown in Figure 1.

**TABLE 1: CHARITABLE BINGO IN TEXAS (\$MILLIONS)**

	Prizes Paid to Players	Fees to State/ Local Government	Adjusted Gross Receipts	Net Proceeds
2008	\$513.2	\$25.0	\$172.3	\$32.4
2009	\$518.4	\$25.9	\$174.9	\$33.1
2010	\$526.7	\$26.0	\$172.7	\$28.8
2011	\$534.0	\$26.5	\$172.1	\$28.6
2012	\$549.0	\$27.1	\$174.5	\$28.8
2013	\$549.4	\$27.6	\$170.2	\$26.0
2014	\$566.5	\$28.0	\$175.2	\$27.5
2015	\$575.3	\$29.0	\$181.5	\$32.4
2016	\$579.7	\$29.2	\$181.8	\$31.8
2017	\$590.5	\$29.1	\$186.0	\$33.9

Source: Texas Lottery Commission, TXP

**FIGURE 1: TOTAL ATTENDANCE FIGURES (MILLIONS)**



Source: Texas Lottery Commission, TXP



# ESTIMATING THE IMPACT OF CHARITABLE BINGO IN TEXAS

## Calculation of the Economic Impact

### BASELINE 2017 IMPACT

Adjusted gross receipts (AGR) are the sum of card sales, electronic card sales, and pull-tab bingo sales minus total bingo prizes awarded and state and local fees. It represents the gross revenue of the sponsoring organization. Last year, charitable bingo AGR was slightly more than \$186 million. Meanwhile, the state and local governments received \$30.4 million over and above the AGR figure, for a total direct impact of \$216.4 million. This is the input used as the basis of the initial calculations.

### Input-Output Modeling

The second step in the process is to translate the direct impact, identified above, into the total economic impact through an input-output model of the Texas economy that allows measurement of the secondary, or “ripple” effects.

Economists use a number of statistics to describe regional economic activity. Four common measures are:

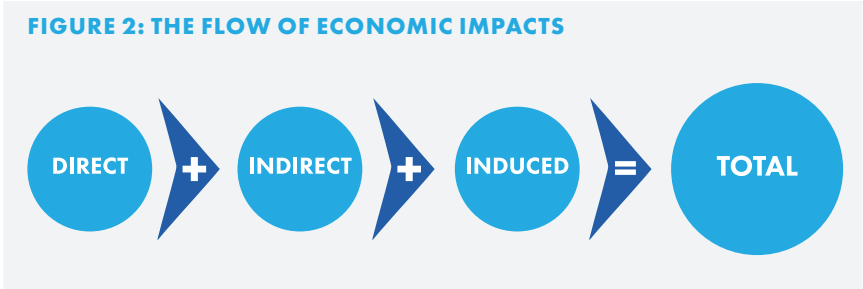
- **Output** – (also known as Economic Activity and equivalent to top-line revenue), which describes total economic activity and is equivalent to a firm’s gross sales or top-line
- **Value Added** – which equals gross output of an industry or a sector less its intermediate inputs or purchases from other firms used in the production process
- **Labor Income** – which corresponds to wages and benefits
- **Employment** – which refers to jobs that have been created in the local economy

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced.

**Direct effects** are changes associated with the immediate effects or final demand changes. Spending by charitable bingo organizations to buy materials and services, and pay their employees are examples of direct effects.

**Indirect effects** are changes in backward-linked industries caused by the changing input needs of directly affected industries — typically, additional purchases to produce additional output. Satisfying the demand from charitable bingo organizations means that suppliers themselves must purchase goods and other services. These downstream purchases affect the economic output of other merchants.

**Induced effects** are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. For example, the restaurant owner in the community experiences increased income from spending by those who work for charitable bingo organizations, as does the cleaning supplies outlet. Induced effects capture the way in which increased income is spent in the economy.



A multiplier reflects the interaction between different sectors of the economy. An output multiplier of 2.5 for example, means that for every \$1,000 injected into the economy, all other sectors produce an additional \$1,500 in output. The larger the multiplier, the greater the economic impact.

In this analysis, TXP used the RIMS II input-output multipliers produced by the U.S. Bureau of Economic Analysis for Texas. The results that follow provide the total impacts associated with charitable bingo in Texas.

# ECONOMIC IMPACT IN TEXAS

## 2017 ACTUAL TOTAL IMPACT

The current total economic impact of charitable bingo in Texas is significant. It injects \$216.4 million in direct spending into the Texas economy generating \$462.8 million in total economy output. Of the total output, \$258.1 million is value-added and \$110.9 million is labor income, representing a total of 2,961 permanent jobs.

While the bulk of the gains are in the Arts & Entertainment sector (which includes gaming), every segment of the state's economy has gains. Moreover, these gains are widespread across the state. Table 2 provides detailed results.

**TABLE 2: BASELINE TOTAL 2017 ECONOMIC IMPACT OF CHARITABLE BINGO**

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$1,523,876	\$652,223	\$349,268	18
Mining	\$3,930,721	\$2,698,289	\$694,596	7
Utilities	\$5,436,700	\$2,934,549	\$834,050	8
Construction	\$6,933,508	\$3,839,397	\$2,298,017	38
Durable Manufacturing	\$6,743,514	\$2,516,973	\$1,399,873	25
Non-Durable Manufacturing	\$18,805,946	\$5,602,564	\$3,174,831	52
Wholesale Trade	\$9,790,909	\$6,641,541	\$3,127,729	43
Retail Trade	\$12,807,681	\$8,526,314	\$4,658,345	157
Transportation & Warehousing	\$10,614,395	\$5,175,449	\$3,186,183	68
Information	\$12,760,615	\$7,275,512	\$2,876,212	46
Finance & Insurance	\$39,950,815	\$20,851,220	\$11,180,019	200
Real Estate	\$32,029,939	\$22,106,592	\$5,046,123	174
Professional Services	\$32,273,845	\$22,081,442	\$15,117,477	204
Management of Firms	\$3,939,587	\$2,365,573	\$1,660,572	20
Administrative & Waste Services	\$14,188,474	\$8,911,174	\$5,711,945	198
Educational Services	\$1,849,929	\$1,139,646	\$867,830	29
Health Services	\$13,689,740	\$8,208,302	\$6,349,268	129
Arts/Entertainment/Recreation	\$188,889,195	\$104,727,752	\$29,287,612	1,222
Accommodation	\$1,748,983	\$1,106,260	\$488,211	15
Food Services	\$5,708,515	\$2,983,898	\$1,896,637	89
Other Services	\$39,180,174	\$17,621,076	\$10,515,041	204
Households	NA	NA	\$160,582	14
<b>TOTAL ANNUAL</b>	<b>\$462,797,061</b>	<b>\$258,126,327</b>	<b>\$110,880,423</b>	<b>2,961</b>

Source: TXP



## 2017 INFLATION-ADJUSTED SCENARIO

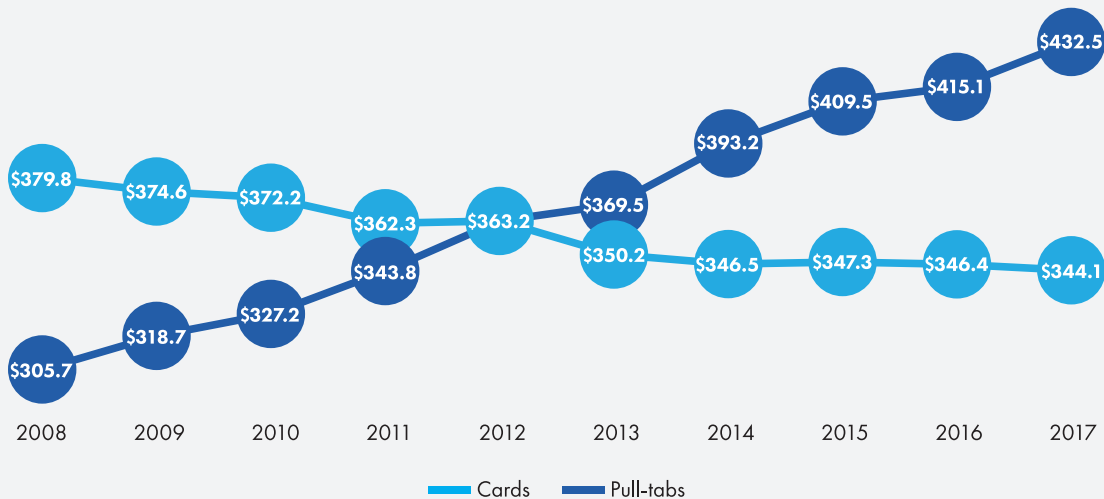
While overall revenue is slightly positive, there is an interesting trend difference between the two major categories of charitable bingo: traditional, or regular bingo, and pull-tabs.

As the name implies, traditional bingo involves matching called numbers on paper or an electronic card-minder. Pull-tabs more closely resemble lottery scratch-off tickets. As the chart below indicates, the volume of pull-tab revenue has grown sharply in recent years, while card revenue has experienced a steady decline.

An explanation could lie in the fact that regular bingo prizes are capped (\$750 per game; \$2,500 per session). These caps have been the same for decades. It is possible that pull-tab sales, with no prize cap and an immediate player experience similar to lottery scratch off tickets, are supplanting traditional bingo due to the effects of inflation over time. The decline in the real (inflation-adjusted) value of traditional bingo prizes could translate into reduced participation and, thus, an associated drop in revenue.

As a test of this hypothesis, the rate of inflation from 2000 was compared to the level of traditional card sales for the same period. Interestingly, the data indicate that compound annual inflation (as measured by the Consumer Price Index or CPI) rose 2.17 percent from 2000-2017; while traditional bingo card sales (paper and electronic) over the same period fell at exactly the same compound annual rate (i.e., 2.17 percent). This lends support to the idea that the declining real value of prizes is depressing traditional bingo card sales. To further amplify the point, a scenario was run in which regular bingo prizes rose with inflation.

**FIGURE 3: REVENUE FROM TRADITIONAL BINGO VS. PULL-TABS (\$MILLIONS)**



Source: Texas Lottery Commission, TXP



Allowing prizes to rise with the rate of inflation is estimated to yield a total direct impact of \$262.7 million — or an estimated \$46.3 million more than the actual direct impact in 2017. The increase in direct activity would in turn yield the following total economic impacts: \$561.7 million in total output, \$313.3 million in value-added, \$134.6 million in labor income, and a total of 3,594 permanent jobs. Net proceeds to charities, meanwhile, rises from \$33.9 million in the baseline scenario to \$41.2 million if prizes were adjusted for inflation — an increase of 21.5 percent.

**TABLE 3: INFLATION-ADJUSTED TOTAL 2017 ECONOMIC IMPACT OF CHARITABLE BINGO**

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$1,849,551	\$791,612	\$423,912	22
Mining	\$4,770,775	\$3,274,953	\$843,041	9
Utilities	\$6,598,604	\$3,561,706	\$1,012,299	9
Construction	\$8,415,302	\$4,659,933	\$2,789,138	46
Durable Manufacturing	\$8,184,703	\$3,054,888	\$1,699,047	30
Non-Durable Manufacturing	\$22,825,057	\$6,799,916	\$3,853,340	63
Wholesale Trade	\$11,883,372	\$8,060,937	\$3,796,171	52
Retail Trade	\$15,544,873	\$10,348,514	\$5,653,903	190
Transportation & Warehousing	\$12,882,850	\$6,281,519	\$3,867,118	82
Information	\$15,487,749	\$8,830,398	\$3,490,902	56
Finance & Insurance	\$48,488,901	\$25,307,437	\$13,569,356	243
Real Estate	\$38,875,215	\$26,831,101	\$6,124,555	212
Professional Services	\$39,171,248	\$26,800,576	\$18,348,308	248
Management of Firms	\$4,781,535	\$2,871,132	\$2,015,461	24
Administrative & Waste Services	\$17,220,763	\$10,815,625	\$6,932,672	241
Educational Services	\$2,245,286	\$1,383,205	\$1,053,299	35
Health Services	\$16,615,441	\$9,962,539	\$7,706,201	156
Arts/Entertainment/Recreation	\$229,257,636	\$127,109,637	\$35,546,812	1,483
Accommodation	\$2,122,767	\$1,342,684	\$592,549	19
Food Services	\$6,928,510	\$3,621,602	\$2,301,977	108
Other Services	\$47,553,563	\$21,386,964	\$12,762,263	248
Households	NA	NA	\$194,901	17
<b>TOTAL ANNUAL</b>	<b>\$561,703,703</b>	<b>\$313,291,777</b>	<b>\$134,577,225</b>	<b>3,594</b>

# BEYOND THE NUMBERS

Real lives are profoundly influenced by charitable bingo. The following brief case studies highlight the difference being made for many individuals, organizations, and communities all across Texas.

## **BELTON FIRE CORPS – Belton, Texas**

“Bingo is our main source of income,” says DeShon Williams, vice president and activities coordinator for the Belton Fire Corps. It’s a refrain you hear from many non-profits who operate charitable bingo games in Texas. “We couldn’t do all that we do without the money that comes from bingo,” she emphasizes. And, the Belton Fire Corps does more than just supplement the Central Texas city’s fire department. Bingo proceeds paid for a drone system that helps direct first responders to area wildfires and adds support for search and rescue and on-scene surveys. Bingo proceeds also pay to refuel, rehydrate and cool down firefighters. And, it enables the Corps to conduct food and toy drives. “This game does so much more than entertain players,” says DeShon. “It makes our whole town better.”

## **FAMILY CARE FOUNDATION – Amarillo, Texas**

When a student in the Amarillo Independent School District needs a prescription, nebulizer, eyeglasses, a doctor appointment, medical equipment or dental services, school counselors know where to turn — the Family Care Foundation. An AISD counselor learned about the Foundation through its annual fundraiser, “Up In The Air For Family Care.”

Counselor Rozee Hernandez said, “I’d never heard of [the Family Care Foundation] before and I surely didn’t know that a lot of their money came from bingo. All I know is the children in my school needed a helping hand and they were there to help us.”

For 21 years, the Foundation has helped young and old alike in the Texas Panhandle get the healthcare they need in a Christian and caring way. Where does the money come from? A major source is charitable. “Charitable bingo helped our kids and I didn’t even know that’s where the money comes from,” said Rozee. “But, I’m grateful to the Family Care Foundation for making sure it was there.”

## **MEXICAN AMERICAN SCHOLARSHIP COMMITTEE – Odessa, Texas**

If you want to put a face on charitable bingo, look no further than to Iris Fierro and David Gonzales. Both are graduates of the University of Texas of the Permian Basin, and both received scholarships from the Mexican American Scholarship Committee (MASC).

The MASC has awarded about 580 scholarships to U.T.P.B. students since the early 1970’s. Charitable bingo is their major source of funding.

“That scholarship made all the difference,” says Iris. David notes, “Getting a college education was important to me and I never would have been able to do it without the scholarship from MASC.” The numbers mean something. But, the faces of those helped by charitable bingo tell the full story.



### **NEW DANVILLE COMMUNITY ALLIANCE – Conroe, Texas**

For New Danville, in Southeast Texas, it's all about community. The idea originated with the mother of a high functioning, young adult with intellectual and developmental disabilities. The dream was to build a community where her son, and others like him, could live, learn, work, and grow.

"This one-of-a-kind community became a reality in 2005," notes Eva Aguirre, president and CEO. "Bingo helped make it possible. It's the game that gives back." Since it opened, New Danville has served countless people, providing them with the help they need to live just like any Texan aspires to – independently.

### **CITY WIDE CLUB – Houston, Texas**

City Wide Club served 2.1 million people in the Houston area last year. Charitable bingo helped provide the resources to serve them.

Best known for the SUPER FEAST held annually on Thanksgiving and Christmas Eve Day at the George R. Brown Convention Center, the City Wide Club took on even more in 2017 to help Houstonians hit hard by Hurricane Harvey.

"Harvey didn't just pick on friends. He picked on everyone," says Stephanie Lewis, Regional Project Director for the City Wide Club in Houston. "People lost everything and we still have calls coming in. If it weren't for the revenue generated from charitable bingo, there's no way we could do all that we do," Stephanie says. "It let us step up after Harvey to do even more."



# DISCUSSION & CONCLUSION

The latest numbers from the Texas Lottery Commission estimate that there are over 1,300 licensed organizations in the state, including charity conductors, commercial lessors, distributors, and manufacturers. Although Texas gambling laws are generally very restrictive, bingo is considered a more acceptable form of gaming due to its linkage to charitable fundraising. According to University of Houston professor Brandon Rottinghaus:

**Charitable gambling is more about raising funds for charity than about giving Texas an opportunity to gamble, so organizations sponsoring the events get a pass of the hard line the state has taken against gambling.**

This analysis shows that the current impact of charitable bingo is significant:

<b>\$216.4</b> MILLION	<b>\$246.4</b> MILLION	<b>\$462.8</b> MILLION	<b>2,961</b>
Direct 2017 Economic Impact	Secondary ("Ripple") 2017 Economic Impact	Total 2017 Economic Impact	Total 2017 Jobs Impact

In addition, this analysis looked at one facet of Texas regulations — prize caps — and found that accounting for inflation may increase the total economic impact significantly. Specifically, allowing prize caps to rise with inflation increased the impact to the economy, governments, and charities by about 23 percent.

In conclusion, charitable bingo is a source of economic activity, government revenue, funding for worthwhile causes and an employment opportunity for many who might otherwise be challenged in finding and maintaining a job. As Texas looks to the future, policies and procedures that allow charitable bingo to remain competitive with other forms of entertainment will stand each of these constituencies in good stead.



## ABOUT TEXAS CHARITY ADVOCATES

Founded in 2005, Texas Charity Advocates (TCA) is a statewide organization made up of all segments of the charitable bingo industry. Its mission is to promote and grow the game to the benefit of Texas charities, their clients and their bingo-playing customers. Legislative and regulatory advocacy is a key component of TCA's work.

## ABOUT TXP

TXP, Inc. is an economic analysis and public policy consulting firm founded in 1987 in Austin, Texas that consults on a range of projects across the country. Members of TXP are involved in the community and understand the challenges faced by an increasingly complex world, as heightened media attention and an ever more diverse set of stakeholders shine a brighter spotlight on public decision-making and public policy.

### **Jon Hockenyos**

Following stints as an aide to a member of the British Parliament and work on a Senatorial campaign in his home state of Illinois, Mr. Hockenyos founded TXP in 1987. Since then, TXP has successfully completed hundreds of projects for a wide variety of clients. In his role as President of the firm, Mr. Hockenyos is involved in managing the day-to-day operations of the organization, performing technical analysis, and developing strategies for clients. In addition, he makes numerous public presentations and speeches. Mr. Hockenyos has served as a resource witness on a variety of issues in front of city councils, state legislatures, and the U.S. Congress.

Mr. Hockenyos received a Bachelor of Arts in Philosophy from the University of Illinois and Masters of Public Affairs from the LBJ School of Public Affairs, where he has taught as an Adjunct Professor.



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