LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 12, 2023

TO: Honorable Ken King, Chair, House Committee on Licensing & Administrative Procedures

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB3940** by Bhojani (Relating to the compensation paid to sale agents for state lottery ticket sales.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3940, As Introduced : a negative impact of ($783,300,000) through the biennium ending August 31, 2025.

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:

Fiscal Year	**Probable Net Positive/(Negative) Impact to *General Revenue Related Funds***
2024	($391,650,000)
2025	($391,650,000)
2026	($391,650,000)
2027	($391,650,000)
2028	($391,650,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Revenue (Loss) from *Foundation School Fund* 193**
2024	($391,650,000)
2025	($391,650,000)
2026	($391,650,000)
2027	($391,650,000)
2028	($391,650,000)

Fiscal Analysis

The bill would increase compensation paid to a sales agent of lottery tickets from five percent of the retail price of tickets sold to an amount no less than ten percent.

Methodology

Under current law, the Lottery Commission pays in compensation five percent of gross ticket sales to sales agents of license retailers. The bill would increase the compensation paid to sales agents to ten percent.

Based on the analysis of the Comptroller of Public Accounts, the change in compensation paid to a sales agent of lottery tickets from the current five percent to ten percent will decrease the amount transferred to the Foundation School Fund by $391,650,000 each fiscal year. This estimate also assumes increased retailer commissions would not reduce amounts allocable to the Veterans Commission.

Note: According to the Comptroller of Public Accounts, there would be effects on the Economic Stabilization Fund (ESF) balance limit and consequent effects for General Revenue reserves and transfers to ESF. Because net lottery proceeds are deposited to the General Revenue fund, the reduction in lottery revenue in the 2024-25 biennium would reduce the 2026-27 ESF balance limit by ten percent of the reduction in lottery revenue, reducing 2025 severance tax reserves for transfer to the ESF by the amount of the balance limit reduction, and increasing available GR in 2025 by the amount of reduction of the reserves. There would be a further effect on ESF interest earnings allocable to GR; however, the interest effects are provisionally treated as negligible.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JMc, SZ, GDZ, JBel, CMA