

## BILL ANALYSIS

Senate Research Center  
89R4161 BEE-D

S.B. 28  
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State Affairs  
2/21/2025  
As Filed

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

When created by the legislature in 1991, the Texas Lottery Commission had clearly articulated boundaries by which it could operate. Those boundaries included that the Lottery is not authorized to sell products by any method other than in person. That included that the products could not be sold over the phone, and never contemplated the online play or apps that are prevalent today.

In fact, in 1995 when a New Jersey police officer used the vendor Pick-a-State to win a \$10.4 million Texas Lottery jackpot, the commission rejected his claim to the prize on the basis that the ticket was sold over the phone, across state lines, for more than face value—violating multiple regulations requiring in-person sales at face value.

Fast forward to 2023 when the commission has allowed out-of-state couriers to come into the state to offer novel ways to play by facilitating the purchase of games via a mobile/internet application. In fact, the commission helped to facilitate an anonymous, out of state player who won a \$95 million Texas lottery jackpot by purchasing nearly all 25.8 million possible ticket combinations within 72 hours, raising questions about who was behind the win and how such a large-scale ticket purchase complied with commission rules. The winning ticket, which led to a \$57.8 million payout, was claimed by a private company.

Reports from the *Houston Chronicle* suggest that the operation was orchestrated by a gaming entrepreneur from Malta, with funding likely provided by a London betting company. Financial enterprises exist that specialize in buying lottery tickets when jackpots are high. In this case, the *Houston Chronicle* suggests one such enterprise enlisted Lottery.com and an affiliate in Waco to process nearly seven million tickets. Although the operation sparked controversy, the commission alleged it did not break any Texas laws or lottery rules and they did not have authority to regulate the practice.

Despite their earlier assertion, the commission discussed new administrative rules at an October 29, 2024, hearing. The new rules would provide a band-aid solution to a festering wound by finally denying applicants who intend to sell lottery tickets via the Internet, prohibiting ticket sales via the Internet, and ensuring that all aspects of a ticket purchase take place at a licensed retail location.[1]

Regardless of the commission's recent action, the commission's inaction and mismanagement can no longer be tolerated, and changes in statute are necessary to prevent future lapses in management and enforcement.

This Bill Would:

- Prohibit the order, purchase, sale, and facilitation of the sale of a lottery game by telephone or digitally by mobile device, including the facilitation of a game via a mobile application or website by an independent third-party courier;
- Require the commission to adopt rules to enforce the prohibitions on the order or purchase of a lottery game by mobile device; and
- Clarify that the sale of lottery tickets via the internet is prohibited.

[1] October 29, 2024, Texas Lottery Commission Interoffice Memorandum.

As proposed, S.B. 28 amends current law relating to a lottery game played or facilitated for play by telephone or through an Internet or mobile Internet application and creates criminal offenses.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the Texas Lottery Commission is modified in SECTION 1 (Section 466.015, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 466.015(b), Government Code, as follows:

(b) Requires the Texas Lottery Commission to adopt rules to the extent they are not inconsistent with Chapters 551 (Open Meetings) and 552 (Public Information) governing certain subjects, including enforcement of prohibitions on a person playing or facilitating the play of a lottery game by telephone or through an Internet application or mobile Internet application in violation of Section 466.318.

SECTION 2. Amends Subchapter G, Chapter 466, Government Code, by adding Section 466.318, as follows:

Sec. 466.318. PLAY OR FACILITATING PLAY BY TELEPHONE OR BY INTERNET OR MOBILE INTERNET APPLICATION. (a) Prohibits a person, by telephone or through an Internet application or mobile Internet application, from:

(1) purchasing or ordering the purchase of a ticket for a lottery game; or

(2) for compensation:

(A) accepting an order for a ticket for a lottery game from a player;

(B) selling a ticket for a lottery game to a player; or

(C) arranging to purchase a ticket on behalf of a person playing a lottery game or for another person to purchase a ticket on behalf of a person playing a lottery game.

(b) Provides that a person commits an offense if the person violates this section.

(c) Provides that an offense under Subsection (a)(1) is a Class C misdemeanor.

(d) Provides that an offense under Subsection (a)(2) is a Class A misdemeanor.

SECTION 3. Effective date: September 1, 2025.