

BILL ANALYSIS

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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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

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, TLC 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 TLC has permitted out-of-state couriers to offer novel ways to play by facilitating the purchase of games via a mobile/internet application. In fact, TLC helped to facilitate a sale to 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 TLC 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* suggested one such enterprise enlisted Lottery.com and an affiliate in Waco to process nearly seven million tickets. Although the operation sparked controversy, TLC alleged it did not break any Texas laws or lottery rules and they did not have authority to regulate the practice.

Following a disastrous witness testimony during the Senate Finance Committee hearing on February 12, 2025, serious questions about the continuation of lottery operations have arisen. Based upon the actions of TLC's executive director, lack of oversight by the TLC commissioners, and failure to carry out their mandates, it is clear that TLC is a rogue agency and is incapable of regulating lottery operations.

This Bill Would:

- Repeal the Lottery Act (Government Code Chapter 466);
- Shift remaining lottery funds to the Foundation School Program;
- Move the Bingo Division under TDLR's oversight; and
- Make changes in other statutes to reflect the abolition of the Lottery Act.

As proposed, S.B. 1988 amends current law relating to the abolishment of the state lottery.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Texas Lottery Commission is rescinded in SECTION 1.09 (Section 466.015, 466.024, 466.1005, 466.108, 466.154, 466.155, 466.158, 466.205, 466.252, and 466.351, Government Code) of this bill.

Rulemaking authority previously granted to the executive director of the Texas Lottery Commission is rescinded in SECTION 1.09 (Section 466.015, Government Code) of this bill.

Rulemaking authority previously granted to the Comptroller of Public Accounts of the State of Texas is rescinded in SECTION 1.09 (Section 466.205, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. ABOLISHMENT OF STATE LOTTERY

SECTION 1.01. Amends Section 467.002, Government Code, as follows:

Sec. 467.002. APPLICATION OF SUNSET ACT. Deletes existing text providing that, unless continued in existence as provided by Chapter 325 (Texas Sunset Act), Chapter 466 (State Lottery) of the Government Code expires September 1, 2029. Makes nonsubstantive changes.

SECTION 1.02. Amends Sections 467.024(a) and (c), Government Code, as follows:

(a) Deletes existing text providing that an individual is not eligible to be an appointed member of the Texas Lottery Commission (commission) if the individual is registered, certified, or licensed by a regulatory agency in the field of lottery. Makes a conforming change.

(c) Makes conforming changes to this subsection.

SECTION 1.03. Amends Section 467.025(a), Government Code, to delete existing text prohibiting a commission member from accepting any employment or remuneration from a person that has a significant financial interest in the lottery and to make conforming and nonsubstantive changes.

SECTION 1.04. Amends Section 467.031, Government Code, as follows:

Sec. 467.031. New heading: BINGO DIVISION. Requires the commission to establish a division to oversee bingo, rather than separate divisions to oversee the state lottery.

SECTION 1.05. Amends Section 467.035(a), Government Code, to delete existing text prohibiting the commission from employing or continuing to employ a person who owns a financial interest in a lottery sales agency or a lottery operator and to make nonsubstantive changes.

SECTION 1.06. Amends Sections 467.101(a) and (c), Government Code, to make conforming and nonsubstantive changes.

SECTION 1.07. Amends Section 467.108(a), Government Code, as follows:

(a) Deletes existing text prohibiting a former commission member, former executive director, or former director from, for compensation, representing a person that has made or intends to make a bid to operate the lottery before the commission before the second anniversary of the date that the person's service in office or employment with the commission ceases. Deletes existing text prohibiting a former commission member, former executive director, or former director from, for compensation communicating directly with a member of the legislative branch to influence legislation on behalf of a person that has a significant financial interest in the lottery, before the second anniversary of the date that the person's service in office or employment with the commission ceases. Makes nonsubstantive changes.

SECTION 1.08. Amends Section 467.111(f), Government Code, to make a conforming change.

SECTION 1.09. Repealer: Chapter 466 (State Lottery), Government Code.

Repealer: Section 467.001(9) (relating to defining "person that has a significant financial interest in the lottery"), Government Code.

Repealers: Sections 467.106 (Gift or Political Contribution to Officer or Employee) and 467.107 (Gift or Political Contribution to Former Officer or Employee), Government Code.

SECTION 1.10. (a) Provides that, subject to Subsection (b) of this section, on January 1, 2026:

(1) the lottery division of the commission is abolished and all division powers and duties related to lottery prize payments, penalties, enforcement provisions, and any necessary continued operations under Chapter 466, Government Code, as it existed immediately before the effective date of this Act, and other law are transferred to the commission;

(2) all obligations, rights, contracts, bonds, appropriations, records, and property of the lottery division are transferred to the commission;

(3) a rule, policy, procedure, or decision related to lottery prize payments, penalties, enforcement provisions, and any necessary continued operations of the lottery division continues in effect until superseded by a later act of the commission; and

(4) a reference in law to the lottery division means the commission.

(b) Provides that any lottery division funds that on January 1, 2026, are allocated to specific lottery operations, are required to be deposited in the state treasury and authorized to be used only for Foundation School Program purposes.

SECTION 1.11. (a) Requires the commission, not later than October 1, 2025, to adopt a comprehensive transition plan for the transfer described by Section 1.10 of this article and identify any essential lottery division personnel necessary for the continued payment of lottery prizes and assessment and enforcement of penalties.

(b) Effective date, this section: September 1, 2025.

SECTION 1.12. (a) Provides that, notwithstanding the repeal by this Act of Chapter 466, Government Code, that chapter as it existed immediately before the effective date of this Act continues in effect for the payment of lottery prizes and the assessment and enforcement of penalties until each lottery prize and installment prize payment is made to the lottery prize winner entitled to the payment and each penalty assessment is finally determined as required by that chapter and rules adopted under that chapter as they existed immediately before the effective date of this Act.

(b) Prohibits a lottery sales agent, on or after the effective date of this Act, from selling or offering to sell a lottery ticket for a lottery game authorized under Chapter 466, Government Code, as repealed by this Act.

SECTION 1.13. Makes application of this article prospective.

ARTICLE 2. CONFORMING AMENDMENTS

SECTION 2.01. Amends Article 2A.001, Code of Criminal Procedure, to conform to Section 2, Chapter 624 (H.B. 4372), Section 1, Chapter 870 (H.B. 3981), Section 1, Chapter 950 (S.B. 1727), and Section 1, Chapter 984 (S.B. 2612), Acts of the 88th Legislature, Regular Session, 2023, and further amends it, as follows:

Art. 2A.001. PEACE OFFICERS GENERALLY. Provides that the following are peace officers:

(1)-(7) makes no changes to these subdivisions;

(8) an officer commissioned under certain provisions, including Section 37.0818 (Private School Peace Officers), Education Code;

(9)-(22) makes no changes to these subdivisions;

(23) deletes existing text providing that peace officers include a security officer or investigator commissioned as a peace officer under Chapter 466, Government Code, and makes a nonsubstantive change;

(24)-(25) redesignates existing Subdivisions (25) and (26) as Subdivisions (24) and (25) and makes no further changes;

(26) an officer appointed by the inspector general of the Texas Juvenile Justice Department (TJJD) under Section 242.102 (Office of Inspector General), rather than an apprehension specialist or inspector general commissioned by TJJD as an officer under Section 242.102 or Section 243.052 (Apprehension Specialists), Human Resources Code;

(27)-(30) redesignates existing Subdivisions (28)-(31) as Subdivisions (27)-(30) and makes no further changes;

(31) a fire marshal or any officer, inspector, or investigator of a municipality who holds a permanent peace officer license issued under Chapter 1701 (Law Enforcement Officers), Occupations Code;

(32) makes no changes to this subdivision; and

(33) an Alamo complex ranger commissioned by the General Land Office under Section 31.0515 (Duties Related to the Alamo Complex), Natural Resources Code, subject to the limitations imposed by that section, rather than an investigator commissioned by TJJD as an officer under Section 221.011 (Investigators), Human Resources Code.

Makes nonsubstantive changes to this subsection.

SECTION 2.02. Amends Section 411.108(a-2), Government Code, as follows:

(a-2) Deletes existing text providing that subject to Section 466.201 (Access to Criminal History Record Information) of the Government Code, the commission is entitled to obtain through certain agencies certain criminal history record information, including to obtain through the Federal Bureau of Investigation criminal history record information maintained or indexed by that bureau that pertains to a person described by Subsection (a) (relating to entitling the commission to obtain certain criminal history record information). Makes conforming and nonsubstantive changes.

SECTION 2.03. Amends Section 434.017(a), Government Code, to delete existing text providing that the fund for veterans' assistance is composed of money transferred to the fund from proceeds of the lottery game operated under Section 466.027 (Veterans' Assistance Game) or transferred to the fund under Section 466.408(b) (relating to requiring that the prize money be used in a certain way, if a claim is not made for prize money on or before a certain date) and to make nonsubstantive changes.

SECTION 2.04. Amends Section 544.0456(c), Government Code, as effective April 1, 2025, to delete existing text requiring the Health and Human Services Commission, on a monthly basis, to conduct electronic data matches with the commission to determine whether a recipient of

supplemental nutrition assistance benefits or a recipient's household member received reportable lottery winnings and to make nonsubstantive changes.

SECTION 2.05. Amends Section 572.003(b), Government Code, to redefine "appointed officer of a major state agency."

SECTION 2.06. Amends Section 2113.102(a), Government Code, to delete existing text creating exceptions under Chapter 466, pertaining to the state lottery, and Chapter 361 (State Highway Turnpike Projects), Transportation Code, pertaining to the Texas Turnpike Authority division of the Texas Department of Transportation, and to make nonsubstantive changes.

SECTION 2.07. Amends Section 47.02(c), Penal Code, to delete existing text providing that it is a defense to prosecution under Section 47.02 (Gambling) that the actor reasonably believed that the conduct consisted entirely of participation in the state lottery authorized by the State Lottery Act (Chapter 466, Government Code) and to make nonsubstantive changes.

SECTION 2.08. Amends Section 47.09(a), Penal Code, to delete existing text providing that it is a defense to prosecution under Chapter 47 (Gambling) that the conduct consisted entirely of participation in the state lottery authorized by Chapter 466, Government Code, or was a necessary incident to the operation of the state lottery and was directly or indirectly authorized by certain provisions or entities and to make nonsubstantive changes.

SECTION 2.09. Repealer: Section 9.406(k) (relating to providing that an assignment under Section 9.406 (Discharge of Account Debtor; Notification of Assignment; Identification and Proof of Assignment; Restrictions on Assignment of Accounts, Chattel Paper, Payment Intangibles, and Promissory Notes Ineffective) is subject to Section 466.410 (Assignment of Prizes), Government Code), Business & Commerce Code.

Repealer: Section 232.0021 (Application of Chapter to Texas Lottery Commission), Family Code.

Repelaer: Section 2054.007 (Exception: State Lottery Operations), Government Code.

Repealers: Sections 411.108(a) (relating to entitling the commission to obtain criminal history record information that relates to certain persons) and 467.030(b) (relating to providing that Section 551.002 (Open Meetings Requirement) does not apply to certain closed meetings of the commission), Government Code.

Repealer: Section 2002.056(c) (relating to authorizing a raffle prize to consist of one or more of certain tickets in the state lottery), Occupations Code.

SECTION 2.10. Makes application of this article prospective.

ARTICLE 3. CONFLICT OF LAW; EFFECTIVE DATE

SECTION 3.01. Provides that, to the extent of any conflict, this Act prevails over another Act of the 89th Legislature, Regular Session, 2025, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 3.02. Effective date: September 1, 2025.