

## **BILL ANALYSIS**

S.B. 3070  
By: Hall  
State Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Sunset Advisory Commission's Staff Report with Commission Recommendations to the 89th Legislature notes that the Texas Lottery Commission ("commission" or "agency") has been unwilling or unable to fully embrace some of its regulatory responsibilities. Specifically, the report stated that the agency needs an active, involved commission that provides staff guidance and direction while ensuring the agency fully meets its regulatory responsibilities. However, the commission has not risen to the challenge and often plays a passive role in critical functions like planning and rulemaking, leaving the agency with no clear vision for its future and struggling to adapt to current circumstances. The report also noted public criticism for the commission's stance on lottery courier companies, an unregulated and controversial business model that now accounts for an estimated nine percent of the agency's draw ticket sales.

To address these oversight and leadership issues, S.B. 3070 seeks to abolish the Texas Lottery Commission and transfer the administration of the state lottery and the licensing and regulation of charitable bingo to the Texas Commission of Licensing and Regulation and the Texas Department of Licensing and Regulation. Among other provisions, the bill requires a limited-scope sunset review of the state lottery for the state fiscal biennium ending August 31, 2027, limits the number of lottery tickets allowed to be sold to one individual in a single transaction, and prohibits play or facilitation of play by telephone, Internet application, or mobile Internet application.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill expressly does one or more of the following: creates a criminal offense, increases the punishment for an existing criminal offense or category of offenses, or changes the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Licensing and Regulation in SECTIONS 20 and 75 of this bill and to the Texas Commission of Licensing and Regulation in SECTIONS 7, 33, 43, 60, 64, 66, 67, and 72 of this bill.

### **ANALYSIS**

S.B. 3070 amends the Government Code, Occupations Code, Penal Code, and Transportation Code to repeal provisions relating to the Texas Lottery Commission and set out provisions relating to the transfer of the administration of the state lottery and the licensing and regulation of charitable bingo to the Texas Commission of Licensing and Regulation (TCLR) and the Texas Department of Licensing and Regulation (TDLR).

S.B. 3070 establishes that, on September 1, 2025:

- all functions and activities performed by the lottery commission relating to the state lottery under the State Lottery Act and the regulation of bingo operations under the Bingo Enabling Act immediately before that date are transferred to TCLR or TDLR, as applicable;
- a rule, policy, procedure, decision, or form adopted by the lottery commission relating to the State Lottery Act, provisions governing the lottery commission, or the Bingo Enabling Act is a rule, policy, procedure, decision, or form of TCLR or TDLR, as applicable, and remains in effect until amended or repealed by TCLR or TDLR unless the rule, policy, procedure, decision, or form conflicts with the changes made by the bill;
- unless the context clearly indicates otherwise, a reference to the lottery commission in a law or administrative rule that relates to the State Lottery Act, provisions governing the lottery commission, or the Bingo Enabling Act, means TCLR or TDLR, as applicable;
- a complaint, investigation, or other proceeding before the lottery commission that is related to the State Lottery Act, provisions governing the lottery commission, or the Bingo Enabling Act, is transferred without change in status to TDLR, and TDLR assumes, as appropriate and without a change in status, the position of the lottery commission in an action or proceeding to which the lottery commission is a party;
- a license, permit, certification, or registration in effect that was issued by the lottery commission under the State Lottery Act, provisions governing the lottery commission, or the Bingo Enabling Act, is continued in effect as a license, permit, certification, or registration of TDLR;
- all money, contracts, leases, property, and obligations of the lottery commission relating to the State Lottery Act, provisions governing the lottery commission, or the Bingo Enabling Act, are transferred to TDLR; and
- the unexpended and unobligated balance of any money appropriated by the legislature for the lottery commission related to the State Lottery Act, provisions governing the lottery commission, or the Bingo Enabling Act, is transferred to TDLR.

## **Government Code Provisions**

### Criminal History Record Information

S.B. 3070 amends the Government Code to entitle TDLR to obtain criminal history record information as provided by applicable state law that relates to an applicant for or the holder of a license under the State Lottery Act or a license under the Bingo Enabling Act.

### Clear Alert for Missing Adult

S.B. 3070 includes TDLR among the entities to which the Department of Public Safety (DPS) must send a coordinated law enforcement adult rescue alert for a missing adult.

### References to the Lottery Commission

S.B. 3070 replaces references to the lottery commission and the lottery division of the lottery commission, as applicable, with references to TDLR, including in provisions relating to powers and duties of administration under the State Lottery Act and the authorization for the agency to be investigated by certain attorneys for a violation or alleged violation of the State Lottery Act and of the penal laws of Texas.

### Limited-Scope Sunset Review of State Lottery

S.B. 3070 requires the Sunset Advisory Commission to conduct a limited-scope review of the state lottery during the state fiscal biennium ending August 31, 2027, in the manner provided by the Texas Sunset Act, that must provide an evaluation and recommendations regarding the

continuation of the state lottery. Unless continued in existence, the state lottery is abolished and the State Lottery Act expires September 1, 2027.

#### TCLR Rules for State Lottery Administration

S.B. 3070, with respect to the requirement for TCLR to adopt rules governing the enforcement of prohibitions on a person playing a lottery game by telephone, to the extent that the rules are not inconsistent with state open meetings law or state public information law, changes the prohibitions for which enforcement is required to be governed by TCLR rule from prohibitions on a person playing a lottery game by telephone to prohibitions on a person playing or facilitating the play of a lottery game through an Internet application or mobile Internet application in violation of the bill's provisions. The bill prohibits TCLR from adopting a rule to administer the State Lottery Act that is inconsistent with any provision of state law.

#### Annual Audit; Authorized Inspection of Sales Agents

S.B. 3070 requires the state auditor to conduct annually a comprehensive audit of TDLR's state lottery program, including any action taken by TDLR relating to the program, that must specifically identify any lottery program action or activity that varies from a lottery program action or activity identified in a preceding audit conducted by the state auditor. The bill establishes that the governor, lieutenant governor, speaker of the house of representatives, and attorney general are TDLR-approved inspectors and are entitled to inspect the operations of any lottery operator or sales agent.

#### Department of Security

S.B. 3070 requires the executive director of TDLR to maintain a department of security for the state lottery within the financial crimes intelligence center of TDLR. The bill requires DPS, at TDLR's request, to perform a full criminal background investigation of a prospective deputy or investigator of the department of security and requires TDLR to reimburse DPS for the actual costs of such an investigation.

#### Prohibited Use of Certain Software Programs; Preservation of Lottery-Related Documents

S.B. 3070 prohibits TDLR from using any email program or document management software that automatically deletes an email or other document on expiration of a specified period and requires TDLR to preserve all TDLR documentation, including emails, relating to the operation of the state lottery for at least 18 months from the last date the document is modified.

S.B. 3070 requires TDLR to post on TDLR's website for each informal or formal meeting between TDLR employees related to contracting, procurement, or policymaking for the state lottery, at a minimum the following information:

- the purpose of the meeting;
- the minutes of the meeting; and
- the name of each individual who attends the meeting, including the name of any business with which the individual is associated.

The bill requires TDLR to maintain that information until at least the fifth anniversary of the meeting date.

#### Automatic Renewal of Certain Contracts

S.B. 3070 prohibits TDLR from automatically renewing or extending a contract for goods or services relating to the operation, implementation, and administration of the lottery under the State Lottery Act that was entered into on or before September 1, 2025.

## Prohibited Acts; Criminal Offenses

S.B. 3070 creates a Class A misdemeanor offense for an applicable person who purchases a ticket or claims, collects, or receives a lottery prize or a share of a lottery prize. The bill specifies that, in addition to the persons to which the prohibition against such an action applies under current law, the prohibition also applies to a member, officer, or employee of a person that has a contract with TDLR to sell or lease goods or services used in the operation of the lottery and is directly involved in selling or leasing such goods or services, a TDLR officer or employee, or a specified family member residing as a member of the same household of an applicable person.

S.B. 3070 creates a Class B misdemeanor offense for a person who sells to one individual more than 100 lottery tickets in a single transaction. The bill creates a Class B misdemeanor for a licensed sales agent or an employee of a sales agent who fails to use an age verification process prescribed by TCLR rule to verify the age of each ticket purchaser at the point of sale.

S.B. 3070 restricts the purchase of a lottery ticket to be in person, at the location of a licensed sales agency, and during the normal business hours of the sales agency.

## Limitation on Provision of Certain Lottery Equipment

S.B. 3070 prohibits TDLR from providing to a licensed location of a sales agent more than five lottery vending machines, lottery computer terminals, or other lottery equipment that prints tickets.

## Sale of Ticket to Person Younger Than 18 Years of Age

S.B. 3070 revises the provision establishing an offense for a sales agent or employee of a sales agent that sells or offers to sell a lottery ticket to an individual that the person knows is younger than 18 years of age by replacing the requirement that the sale or offer to sell be done intentionally or knowingly to qualify under the offense with a requirement that the sale or offer to sell be done with criminal negligence to qualify under the offense.

## Play or Facilitating Play by Telephone or by Internet or Mobile Internet Application

S.B. 3070 prohibits a person from, by telephone or through an Internet application or mobile Internet application, purchasing or ordering the purchase of a ticket for a lottery game or from doing the following for compensation:

- accepting an order for a ticket for a lottery game from a player;
- selling a ticket for a lottery game to a player; or
- 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.

The bill creates a Class A misdemeanor offense for a person who violates the prohibition.

## **Occupations Code Provisions**

### Transfer of Power or Duty

S.B. 3070 establishes that a power granted or duty assigned to TCLR under the Bingo Enabling Act is a power or duty of the executive director, TDLR, or TCLR, as established by TCLR rule. The bill replaces references to the lottery commission with references to TDLR in provisions under the Bingo Enabling Act, including the authorization to employ officers or investigators the agency considers necessary to administer that act.

### Sunset Date

S.B. 3070 establishes that the Bingo Enabling Act expires September 1, 2033, unless continued in existence under the Texas Sunset Act.

### TCLR Membership Eligibility

S.B. 3070 establishes that in addition to existing eligibility requirements, a person is not eligible for appointment as a member of TCLR if the person has been convicted of a felony or of any crime involving moral turpitude or is not a citizen of the United States.

### Lottery Advisory Committee

S.B. 3070 requires TCLR to establish a lottery advisory committee to provide external expertise on the lottery. The bill requires TCLR to appoint to the advisory committee members who represent a balance of interests, including representatives of the public, licensed sales agents, interest groups with divergent viewpoints on the lottery and lottery operations, and entities associated with or benefiting from the lottery's contributions to Texas. The bill requires TCLR to appoint one committee member with experience in lottery law enforcement, one member with experience in lottery legal matters, and one member with experience in lottery finance. The bill establishes that a committee member serves at the pleasure of the commission and is not entitled to receive compensation for serving as a member but is entitled to reimbursement for reasonable expenses incurred in performing duties as a member.

S.B. 3070 requires the lottery advisory committee to do the following:

- advise TCLR and TDLR on the needs and problems of Texas' lottery industry;
- comment on proposed lottery rules during development and before final adoption unless an emergency requires immediate action by TCLR;
- annually report to TCLR and TDLR on the advisory committee's activities;
- annually brief TCLR and TDLR on advancements and challenges in Texas' lottery industry;
- perform other duties as determined by TCLR and TDLR; and
- meet quarterly or at TCLR's or TDLR's request.

S.B. 3070 requires TCLR to adopt rules to govern the lottery advisory committee, including rules on the following:

- member composition, appointment procedures, and terms;
- quorum requirements for advisory committee meetings;
- additional representation requirements for and qualifications of advisory committee members, including experience or geographic location;
- any necessary training requirements for advisory committee members; and
- the method for the public to provide comments on issues the advisory committee considers.

The bill prohibits TCLR from adopting a rule that restricts the committee from discussing any lottery-related topic and requires each committee meeting to be open to the public. The bill requires TCLR, not later than December 1, 2025, to appoint members to the lottery advisory committee and adopt rules to govern the operations of the committee, as required by the bill.

### Annual Report

S.B. 3070 requires TDLR to annually submit a report to the governor and the legislature that, as follows:

- includes a summary of lottery revenue, prize disbursements, and other expenses for the state fiscal year preceding the report;

- includes a comprehensive business plan to guide TDLR's major lottery initiatives that contains specific goals for TDLR and an evaluation of the following:
  - TDLR's overall performance on lottery operations;
  - the effectiveness of specific lottery programs and initiatives;
  - the efficiency of TDLR's lottery operations;
  - the amount of lottery revenue generated for state purposes other than the payment of prizes; and
  - the factors affecting the amount of lottery revenue received and disbursed, including ticket sales and administrative efficiency;
- addresses the trends and issues related to violations of state laws under TDLR's lottery and bingo jurisdiction identified as follows:
  - in complaints submitted to TDLR as analyzed to identify the trends and issues by alleged violation type and to evaluate the effectiveness of TDLR's enforcement process; and
  - through an inspection, audit, or other means of regulating lottery operations under the State Lottery Act and bingo under the Bingo Enabling Act;
- includes for the preceding calendar year charitable bingo information on the following:
  - the total amount reported by licensed authorized organizations of adjusted gross receipts, defined by the bill as the amount remaining after deducting prizes paid but excluding prize fees collected from bingo players, from bingo operations under the Bingo Enabling Act;
  - the total amount reported by licensed authorized organizations of net proceeds from bingo operations under the Bingo Enabling Act; and
  - a comparison of the two total amounts reported, including the percentage the net proceeds represents compared to the adjusted gross receipts; and
- provides biennial recommendations to the legislature on emerging trends, technological advancements, regulatory developments, and market dynamics affecting the lottery and bingo industries.

The bill requires TDLR to determine the total amount of net proceeds in a manner that does not reduce gross receipts by the amount of rent paid for the rental of bingo premises by a licensed authorized organization to another licensed authorized organization if the other organization pays rent for the premises to a licensed commercial lessor.

#### Bingo Advisory Committee

S.B. 3070 requires TDLR to appoint the bingo advisory committee under the Bingo Enabling Act. With respect to provisions authorizing the advisory committee to take certain actions, the bill does the following:

- includes TDLR among the agencies which the committee must advise on the needs and problems of Texas' bingo industry and report to annually on the committee's activities, and which determines duties the committee is required to perform;
- requires the committee to annually brief TDLR and TDLR on advancements and challenges in Texas' bingo industry;
- changes the authorization for the committee to meet at a specified frequency to a requirement to do so; and
- includes TDLR among the agencies on whose request the committee is required to meet.

The bill requires TDLR to adopt rules to govern the operations of the bingo advisory committee and to prohibit the committee's involvement in committee member selection. The bill prohibits TDLR from adopting a rule that prohibits or restricts the bingo advisory committee from discussing any bingo-related topic and prohibits this bill provision from being construed to require action by TDLR on each item submitted by the committee or otherwise alter the commission's decision-making authority. The bill requires TDLR, not later than December 1, 2025, to appoint members to the bingo advisory committee and adopt rules to govern the operations of the committee.

### Advisory Opinions

S.B. 3070 gives the option for TCLR to respond to a request for an advisory opinion regarding compliance with the Bingo Enabling Act and TCLR rules not later than the second commission meeting after the date the request is received as an alternative deadline to not later than the 60th day after that date, whichever of those deadlines is later. The bill gives the option for TCLR to respond to such a request, if TCLR requests additional information from the requestor, not later than the second commission meeting after the date additional information is received as an alternative deadline to the 60th day after that date, whichever of those deadlines is later. The bill provides for the authorization for TCLR to delegate all or part of the authority and procedures for issuing advisory opinions to an employee of TDLR.

### Commercial Lessor License Eligibility

S.B. 3070 authorizes TCLR to place an administrative hold on the license of a person who was a licensed commercial lessor on June 10, 1989, whose license has been in effect continuously since that date, and who is otherwise eligible for the license, for a period TCLR determines not to exceed 10 years. If the administrative hold on the license remains on the last day of that period, TCLR must remove the administrative hold, and the lessor is not eligible to renew the license as a continuous license holder. These bill provisions apply only to a license placed on administrative hold on or after the bill's effective date.

### Inspection of Premises

S.B. 3070 requires TCLR, in developing and implementing a policy or procedure to prioritize the inspection of certain premises where bingo is being conducted or intended to be conducted, to consult with the bingo advisory committee to collaboratively define and implement specific fiscal accountability criteria for inspections of premises.

### Auditing License Holders

S.B. 3070 specifies that the requirement for TDLR to use audit risk analysis procedures established by TCLR to annually identify the license holder most at risk of violating the Bingo Enabling Act or rules under that act includes consideration of the license holder compliance history in the identification.

### Department of Security

S.B. 3070 requires the financial crimes intelligence center established by TCLR to maintain a department of security within the center as required by Government Code provisions and authorizes the center's department of security to identify and respond to criminal activity related to financial crimes associated with the state lottery and charitable bingo.

### **Transfer of Provisions**

S.B. 3070 transfers from the Government Code to the Occupations Code provisions relating to the State Lottery Act, provisions governing the lottery commission, and the Bingo Enabling Act, including provisions that specify that TCLR records relating to the state lottery and the regulation of charitable bingo are subject to public inspection in accordance with state public information law.

### **Conforming Changes**

S.B. 3070 amends the Penal Code and the Transportation Code to make conforming changes.

## **Transition Provisions**

S.B. 3070 requires the lottery commission, on and after September 1, 2025, to grant TDLR inquiry-only security access to the following:

- all licensing, enforcement, and examination software or computer systems used by the lottery commission in administering or enforcing the State Lottery Act or provisions governing the lottery commission, or the Bingo Enabling Act; and
- the uniform statewide accounting system, the state property accounting system, the uniform statewide payroll system, and the human resources information system for the lottery commission.

The bill authorizes the lottery commission, on and after September 1, 2025, to agree with TDLR to transfer any property of the lottery commission to TDLR to implement the transfers required by the bill. The bill requires TDLR and the lottery commission to coordinate implementation of these bill provisions and requires the lottery commission to cooperate with TDLR in transferring all data and records necessary to implement the transfers required by the bill. The bill requires the lottery commission and TDLR, not later than December 1, 2025, to develop and enter into a memorandum of understanding regarding the transfers required by the bill that must include a transition plan with a timetable and specific steps and deadlines required to complete the transfer. The bill requires a manufacturer of bingo equipment or supplies that submitted a bond to the lottery commission before September 1, 2025, that is in effect on the bill's effective date, to amend the bond to name TDLR as the payee for the bond not later than December 1, 2025.

## **Applicability**

S.B. 3070 establishes that the bill's provisions amending the Bingo Enabling Act apply only to a tax or fee charged on or after September 1, 2025. A tax or fee charged before September 1, 2025, is governed by the law in effect immediately before that date, and the former law is continued in effect for that purpose.

S.B. 3070 applies only to an offense committed on or after the bill's effective date. An offense committed before the bill's effective date is governed by the law in effect on the date the offense was committed, and the former law is continued in effect for that purpose. For these purposes, an offense was committed before the bill's effective date if any element of the offense occurred before that date.

## **TCLR Rules**

S.B. 3070 requires TCLR, not later than December 1, 2025, to adopt rules necessary to implement the bill's provisions.

## **TDLR Recommendations**

S.B. 3070 requires TDLR, not later than December 1, 2026, to submit to the Sunset Advisory Commission and each standing committee of the legislature with primary jurisdiction over the state lottery or regulation of charitable bingo any legislative recommendations necessary to improve the lottery or charitable bingo.

## **Repealed Provisions**

S.B. 3070 repeals Section 232.0021, Family Code, and Section 721.003(e), Transportation Code.

S.B. 3070 repeals the following provisions of the Government Code:

- Section 411.108;
- Section 466.012;
- Section 466.016;



- Section 466.028;
- Sections 467.001(1) and (2);
- the heading to Section 467.001;
- Section 467.002;
- Section 467.021;
- Section 467.022;
- Section 467.023;
- Section 467.024;
- Section 467.0255;
- Section 467.026;
- Section 467.027;
- Section 467.028;
- Section 467.029;
- Section 467.030;
- Section 467.031;
- Section 467.032;
- Section 467.033;
- Section 467.034;
- Section 467.035;
- Section 467.037;
- Section 467.102;
- Section 467.103;
- Section 467.109;
- Section 467.110;
- Section 467.111;
- the headings to Subchapters A, B, and C, Chapter 467; and
- the heading to Chapter 467.

S.B. 3070 repeals the following provisions of the Occupations Code:

- Section 2001.051;
- Section 2001.052;
- Section 2001.060;
- Section 2001.061; and
- Section 2001.307.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.