

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 5, 2025

TO: Honorable Bryan Hughes, Chair, Senate Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1988 by Hall (Relating to the abolishment of the state lottery.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1988, As Introduced: a negative impact of (\$3,872,365,345) through the biennium ending August 31, 2027.

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, Six- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2025	\$0
2026	(\$1,928,316,053)
2027	(\$1,944,049,292)
2028	(\$1,926,532,292)
2029	(\$1,913,611,292)
2030	(\$1,901,789,292)

All Funds, Six-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Lottery Acct 5025	Probable Revenue Gain/(Loss) from General Revenue-Dedicated Account 5025 — Lottery (Other Funds)	Probable Revenue Gain/(Loss) from Teaching Hospital Account 5049
2025	\$0	(\$73,000)	\$0	\$0
2026	(\$1,890,346,000)	(\$591,262,000)	(\$521,000)	\$0
2027	(\$1,906,118,000)	(\$624,082,000)	(\$516,000)	(\$439,000)
2028	(\$1,888,601,000)	(\$618,317,000)	(\$510,000)	(\$439,000)
2029	(\$1,875,680,000)	(\$614,120,000)	(\$505,000)	(\$439,000)
2030	(\$1,863,858,000)	(\$610,269,000)	(\$499,000)	(\$439,000)

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from Fund for Veterans' Assistance 368</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2025</i>
2025	\$0	\$0	(274.5)
2026	(\$24,002,000)	(\$37,970,053)	(274.5)
2027	(\$25,488,000)	(\$37,931,292)	(274.5)
2028	(\$25,060,000)	(\$37,931,292)	(274.5)
2029	(\$24,874,000)	(\$37,931,292)	(274.5)
2030	(\$24,678,000)	(\$37,931,292)	(274.5)

Fiscal Analysis

The bill would amend the Government Code to repeal Chapter 466 (State Lottery) and abolish the state lottery. While the state lottery would be abolished on September 1, 2025, the bill would renew the Texas Lottery Commission (Government Code, Chapter 467) and Bingo Division (Occupations Code, Chapter 2001) until September 1, 2029 under the provisions of the Sunset Act.

The bill would require the Lottery Commission to develop a transition plan to be provided to the Legislature by October 1, 2025. The agency's abolished Lottery Division will transfer its powers, duties, rights, obligations, contracts, bonds, appropriations, records, and property to the Texas Lottery Commission on January 1, 2026.

The bill would allocate any remaining lottery operations funding, as of January 1, 2026, to the state treasury solely for Foundation School Program purposes. The rules governing the payment of prizes and enforcement of penalties would remain in effect until all payments and enforcements have been finalized, respectively.

This bill would take effect September 1, 2025.

Methodology

The bill would abolish the state lottery and require ticket sales to cease on September 1, 2025. Accordingly, revenue from ticket sales and subsequent transfers to the Foundation School Fund No. 193, Fund for Veterans' Assistance No. 0368, and State Owned Multicategorical Teaching Hospital No. 5049 would cease in fiscal 2026 and beyond. The estimate above does not assume any impact on lottery sales in fiscal 2025. Additionally, under current law, Lottery Proceeds are a method of finance for the Foundation School Program (FSP). The CPA assumes the bill would decrease future Lottery Proceeds revenues for the FSP in the 2026-27 biennium, which would increase the amount of unrestricted GR required to fund the FSP by the same amount as shown in the tables above.

The bill would require any unclaimed prizes after September 1, 2025 to be distributed according to the statute that exists as of August 31, 2025. Under current statute, prizes become unclaimed after 180 days. Accordingly, it is assumed that the estimated allocations from unclaimed prizes to Foundation School Fund No. 0193 and Fund for Veterans' Assistance No. 0368 will be reduced to half of the Comptroller's 2026-27 Biennial Revenue Estimate (BRE) for fiscal 2026 and then cease thereafter. Under current statute, the allocation to State Owned Multicategorical Teaching Hospital No. 5049 is the highest priority and the funding amount has been small relative to the overall unclaimed prize amount, so it is assumed that account will receive the full allocation in fiscal 2026.

It is assumed that if this bill passed, entities would not apply for an initial license to become a lottery sales agent. As a result, revenue related to Lottery license application fees and Lottery security fees from initial license applications would decrease beginning June 1, 2025 and the State Lottery Account No. 5025 would receive less revenue in fiscal 2025 than estimated in the 2026-27 BRE. No impact on lottery ticket sales is anticipated in fiscal 2025 due to the change in the number of initially licensed sales agents.

The Charitable Bingo Division is currently appropriated \$2,507,155 in fiscal year 2024 and \$2,596,625 in fiscal year 2025 to operate the regulation and enforcement of bingo operations. These amounts do not include

the indirect administrative support that is currently funded by the State Lottery Account No. 5025 which the agency estimates to be \$764,974 each fiscal year. Elimination of the State Lottery Account No. 5025 would require \$2,822,026 in General Revenue Fund for the agency to hire an additional 17.0 full-time equivalent positions for indirect support in legal, accounting, information technology, human resources, governmental affairs, media services, enforcement, administration, and internal audit for Charitable Bingo operations. Additionally, included in the General Revenue cost, the agency would need \$289,695 to pay for the exempt Executive Director position salary as listed in the General Appropriation Bill.

Based on the BRE from January 2025, approximately 84.8 percent of revenues to Fund for Veterans' Assistance No. 368 come from lottery sale proceeds. The Texas Veterans Commission is anticipated to expend \$76,025,691 in the 2024-25 biennium, or \$38,012,846 per year on average, from the Fund for Veterans' Assistance No. 368 primarily for veterans assistance grants. Elimination of lottery revenues would leave all but \$2,865,000 per year in revenues to the account from gifts, grants and donations. The remainder of \$35,147,846 in each fiscal year would need to be replaced with another funding source which this estimate assumes would be General Revenue funds.

Local Government Impact

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

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 362 Texas Lottery Commission, 403 Veterans Commission, 451 Department of Banking

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