

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 20, 2025

TO: Honorable Ken King, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB3070** by Hall (Relating to the abolishment of the Texas Lottery Commission and 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; creating criminal offenses.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB3070, As Engrossed: a negative impact of (\$126,282,000) through the biennium ending August 31, 2027, if the bill receives a successful two-thirds majority vote and would go into effect immediately; or a negative impact of (\$119,392,000) through the biennium ending August 31, 2027, if the effective date of the bill is September 01, 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.

The table below assumes the bill would go into effect immediately upon enactment.

All Funds, Six-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/(Loss) from <i>Lottery Acct</i> 5025	Probable Revenue Gain/(Loss) from <i>General Revenue-Dedicated Account 5025 — Lottery (Other Funds)</i>	Probable Revenue Gain/(Loss) from <i>Teaching Hospital Account</i> 5049
2025	(\$6,890,000)	(\$2,260,000)	\$0	\$0
2026	(\$93,162,000)	(\$30,538,000)	\$0	\$0
2027	(\$26,230,000)	(\$8,654,000)	\$0	\$0
2028	(\$1,776,918,000)	(\$578,190,000)	(\$510,000)	\$0
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>	Probable Revenue Gain/(Loss) from <i>Fund for Veterans' Assistance</i> 368
2025	\$0
2026	\$0
2027	\$0
2028	(\$23,306,000)
2029	(\$24,874,000)
2030	(\$24,678,000)

The table below assumes the bill would go into effect on September 1, 2025.

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/(Loss) from <i>Lottery Acct</i> 5025	Probable Revenue Gain/(Loss) from <i>General Revenue-Dedicated Account 5025 — Lottery (Other Funds)</i>	Probable Revenue Gain/(Loss) from <i>Teaching Hospital Account</i> 5049
2026	(\$93,162,000)	(\$30,538,000)	\$0	\$0
2027	(\$26,230,000)	(\$8,654,000)	\$0	\$0
2028	(\$1,776,918,000)	(\$578,190,000)	(\$510,000)	\$0
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>	Probable Revenue Gain/(Loss) from <i>Fund for Veterans' Assistance</i> 368
2026	\$0
2027	\$0
2028	(\$23,306,000)
2029	(\$24,874,000)
2030	(\$24,678,000)

Fiscal Analysis

This bill would abolish the Texas Lottery Commission and transfer the administration of the state lottery and licensing and regulation of charitable bingo to the Texas Department of Licensing and Regulation (TDLR).

The bill would require the Sunset Advisory Commission to conduct a limited-scope review of the state lottery during the state fiscal biennium ending August 31, 2027. Unless continued, the bill would abolish the state lottery and Chapter 466 of the Government Code.

The bill would requires the State Auditor to conduct an annual comprehensive audit of the state lottery program, including any action taken relating to the program. Each audit must specifically identify any lottery program action or activity that varies from a lottery program action or activity identified in a preceding audit. Additionally, the bill would authorize the Governor, Lieutenant Governor, Speaker of the House, and Attorney General as inspectors of any lottery operator or sales agent.

The bill would prohibit a person from purchasing or ordering the purchase of a lottery ticket by telephone, Internet application, or mobile Internet application and would also prohibit a person from being compensated for 1) accepting an order for a lottery ticket from a player; 2) selling a lottery ticket to a player; or 3) 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 would limit the number of lottery tickets one individual can purchase to no more than 100 lottery ticket per transaction. If a person violate this provision, the offense would be a Class B misdemeanor.

The bill would create a new offense when a person, by means of telephone, internet, or mobile internet, either purchases or orders a lottery ticket, which would be punishable as a Class C misdemeanor, or to facilitate for compensation for the order, sale, or purchase of a lottery ticket, which would be punishable as a Class A misdemeanor.

This bill would require TDLR to adopt rules with respect to the enforcement of prohibitions on playing or facilitating the playing of a lottery game through an Internet application or mobile Internet application.

The bill would designate the method, location and hour of purchase to require that a person may only purchase a ticket in person, at the location of a licensed sales agent and during the normal business hours of the licensed

sales agent. Licensed sales agents would also be required to use an age verification process prescribed by TDLR rule to verify the age of each ticket purchaser at the point of sale.

The bill would restrict the number of lottery vending machines, lottery computer terminals or other lottery equipment that prints ticket that can be provided to a licensed location to no more than five per equipment type.

The bill would create and establish the Lottery Advisory Committee to provide external expertise on the state lottery. TDLR shall appoint the advisory committee members who represent the following interests: 1) the public, 2) licensed sales agents, 3) interest groups with divergent viewpoints on the lottery and lottery operations, and 4) entities associated with or benefitting from the lottery's contributions to the state.

The bill would prohibit TDLR from automatically renewing or extending a contract for goods or services relating to the operation, implementation, and administration of the lottery that was entered into on or before September 1, 2025.

The bill would require TDLR to submit an annual report to the Governor and Legislature that includes: 1) a summary of lottery revenue, prize disbursements, and other expenses for the state fiscal year preceding the report; 2) a comprehensive business plan to guide the department's major lottery initiatives; 3) address the trends and issues related to violations of state laws under the department's lottery and bingo jurisdiction; 4) preceding calendar year charitable bingo information; and lastly, 5) provide biennial recommendation to the legislature on emerging trends, technological advancements, regulator developments, and market dynamics affecting the lottery and bingo industries.

The bill would make the lottery division within TDLR not subject to certain planning and procurement requirements.

The bill would take effect immediately upon enactment, assuming it received a requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2025.

Methodology

This analysis assumes that the merger of the Texas Lottery Commission into the Texas Department of Licensing and Regulation (TDLR) would be cost neutral to the state as the funds appropriated to the Lottery Commission in the 2026-27 biennium would be transferred to TDLR for the operations of the state lottery and charitable bingo.

This estimate assumes a 6-month pause in Texas-based draw games due to a contracting issue identified by the Lottery Commission. Lottery currently has contracts set to expire at the end of fiscal year 2025 that can not be automatically renewed or extended under the provision in the bill. Based on information provided by the Lottery Commission, the pause to enter into a new contract could last up to 6 months for draw games consequently reducing sale revenue for the first half of fiscal year 2026 as shown in the tables above.

This estimate is based on the analysis of the Comptroller of Public Accounts using data provided by the Texas Lottery Commission (TLC). In fiscal year 2024, sales from retailers that are known to sell to courier companies (as reported by the TLC) totaled \$229.4 million, about 2.7 percent of lottery gross sales.

The state share of the overall lottery after accounting for prizes paid and administration is approximately 24 percent of the total ticket sales. Bases on these figures, this estimate assumes that the share of the courier sales for lottery tickets in fiscal year 2024 would be approximately \$55.1 million.

This estimate assumes that while most lottery ticket sales would be expected to continue as players would purchase tickets through a brick-and-mortar retailer, an estimated 2.7 percent of lottery sales that are currently associated with courier activity would cease by September 1, 2025. This estimated revenue loss would reduce allocations to General Revenue-Dedicated State Lottery Account No. 5025 in amounts as shown in the tables above. 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.

This estimate assumes to the extent that purchases of lottery tickets via courier services are by individuals who would not make the purchases in the absence of the services there would be a decline in lottery sales and the derivative state revenue. A marginal decline in lottery gross sales would be anticipated following implementation of the provisions of the bill, with effects on state revenue in 2025, if the bill receives immediate effect, and in 2026 and 2027 indicated in the table above.

The bill would abolish the state lottery on September 1, 2027 unless reauthorized by the Legislature. 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 2028 and beyond. This estimate assumes that the September 2027 transfer to GR Account 0193, which will be based on August 2027 revenues, will still occur. 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. It is assumed that if the state lottery is not reauthorized, entities would not apply for an initial license to become a lottery sales agent in fiscal 2027. As a result, revenue related to Lottery license application fees and Lottery security fees from initial license applications would decrease beginning June 1, 2027 and GR Account 5025 – Lottery would receive less revenue in fiscal 2027 than estimated in the 2026-27 BRE. No impact on lottery ticket sales is anticipated in fiscal 2027 due to the change in the number of initially licensed sales agents.

The bill would require any unclaimed prizes after September 1, 2027 to be distributed according to current statute. 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.

Additionally, the bill would have a positive, but indeterminate fiscal impact to the state due to increases in court cost revenue associated with an increase in the number of misdemeanors from new offenses created by the bill; however, the number of additional misdemeanors cannot be estimated.

This estimate assumes creating a new criminal offense may result in an increase in demands upon state correctional resources due to a possible increase in the number of individuals placed under supervision in the community. The impact on state correctional populations, on the demand for state correctional resources, and on court cost revenue increases resulting from an increase in misdemeanor convictions cannot be determined due to a lack of data to estimate the prevalence of conduct outlined in the bill's provisions that would be subject to criminal penalties.

Local Government Impact

The fiscal implications of the bill cannot be determined because the impact on local correctional populations or on the demand for local correction resources cannot be determined.

Source Agencies: 116 Sunset Advisory Commission, 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 313 Department of Information Resources, 362 Texas Lottery Commission, 452 Department of Licensing and Regulation

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