

**SUBJECT:** Bingo regulation revisions

**COMMITTEE:** Licensing and Administrative Procedures — committee substitute recommended

**VOTE:** 9 ayes — Wilson, Kubiak, Brimer, Dear, Goolsby, D. Jones, Pickett, Torres, Yarbrough  
0 nays

**WITNESSES:** For — Robert Hughes, Bingo Charities and Bingo Distributors  
Against — None  
On — Nora Linares, Texas Lottery Commission; Deborah D. Tucker, Bingo Is Good for Non-Profit Organizations; Dan Martin, Texans Against Gambling

**BACKGROUND:** State-licensed nonprofit organizations in Texas can conduct bingo games if voters in the local political subdivision approve the games in an election. Profit-making organizations may operate bingo halls, leasing them to nonprofit groups, but are prohibited from operating the games. The Texas Lottery Commission regulates bingo and licenses the nonprofit organizations, the lessors of bingo halls and manufacturers and distributors of products. The commission also regulates prizes, accounting methods and other details of the game. In 1993 the Legislature eliminated the state and local tax on bingo gross receipts

**DIGEST:** CSHB 3021 would change the required portion of receipts that must go to charity, allow the use of card-minding devices and authorize pull-tab bingo and non-gambling amusement games where bingo is being played. The bill would make other changes in bingo regulation including requiring temporary licenses in some situations, repeal a limit on the number of bingo games in a 24-hour period, repeal a limit on prizes per game, allow lessors to advertise and allow advertising of prizes.

CSHB 3021 would take effect September 1, 1995.

**Charity requirement.** CSHB 3021 would replace the requirement that organizations give to charity at least 35 percent of their adjusted gross receipts, less authorized expenses of up to 6 percent of the gross receipts, with a requirement that they give to charities all of their net proceeds. Net proceeds would be the sum of the organization's gross sales and bingo-related rental income less expenses allowed by statute. Organizations would be able to keep up to \$4,000 in their account as a reserve for expenses allowed by the bingo act.

The bill would specify that the rule requiring net proceeds of bingo games and rental of premises to be devoted to charity applies only to licensed authorized organizations.

**Card-minding devices.** CSHB 3021 would allow bingo players to use "card-minding devices." The devices would be defined as computerized or electronic devices that register and verify bingo winnings on a card played with the assistance of the device and that are continuously interfaced with and audited by an independent data processing device.

Card-minding devices could not be used to generate or determine the letters, numbers or other symbols used in playing a bingo card, as a receptacle for tokens or money in payment for playing the card with the device's assistance or as a dispenser for the payment of bingo prizes.

**Pull-tab games, break-open tickets, instant tickets.** CSHB 3021 would authorize pull-tab bingo games, break-open bingo tickets and instant bingo tickets and would allow the commission to regulate the games. Ticket or pull-tab dispensers would be defined as electronic or mechanical devices that dispense the tickets or games after a person inserts money.

Ticket or pull-tab dispensers could not be used to generate or determine the letters, numbers or other symbols used in a game, to affect the chances of winning at a game or as a dispenser for the payment of bingo prizes. Break-open bingo tickets, instant bingo tickets and pull-tab bingo games sold by a ticket or pull-tab dispenser could not cost more than \$1 each.

**Licenses.** A temporary license would be automatically issued if the lottery commission had not issued or denied a license by the 31st day after the

filing of an application, the payment of the license fee, a copy of a valid Internal Revenue Service 501(c) exemption statement and the completion of a criminal background investigation. The license would be subject to automatic revocation.

CSHB 3021 would give all licensed commercial lessors the current authority given to lessors who are individuals to transfer a license to a corporation formed by the licensee and would authorize all commercial lessors to transfer a license from one corporation owned by the licensee to another corporation owned by the licensee.

**Commission regulation.** The commission would be permitted, instead of authorized, to establish the number and type of bingo games that may be played on one occasion.

**Limit on games.** The current limit of no more than four hours of a bingo game per 24-hour period would be changed to limit games to no more than four hours per occasion. The minimum intermission between bingo occasions by different organizations in the same place would be reduced from 30 minutes to 10 minutes.

**Prizes.** CSHB 3021 would repeal the limit on prizes of a maximum of \$500 in a single game.

**Advertising.** Licensed lessors would be given authority to advertise bingo. The prohibition on including in advertising the amount of prizes offered would be repealed.

**Limiting admissions by age.** In addition to the current authorization for licensees to prohibit all persons under the age of 18 from entering their premises, CSHB 3021 would allow licensees to set the prohibition cutoff at an age younger than 18 years old.

**Equipment.** The prohibition against using bingo game equipment that is not owned by the licensed organization would be repealed.

The lease of equipment or supplies by licensed distributors to anyone other than licensed organizations, distributors or other licensed persons would be

prohibited. Licensed distributors would be authorized to receive equipment or supplies from other licensed distributors.

**Amusement games.** CSHB 3021 would authorize the exhibition and play of amusement machines that are not prohibited by the Penal Code.

SUPPORTERS  
SAY:

CSHB 3021 would make it easier for charities to operate games and attract players and eliminate some overly burdensome and unnecessary restrictions while retaining adequate oversight of bingo. The May 9 Comptroller Fiscal Note on CSHB 3021 would result in an approximate \$310,000 gain in prize fees and bingo rent tax revenue to the state and \$310,000 in revenue gains to local governments.

**Charity requirement.** Requiring organizations to give all of net proceeds to charity would be an easier, more efficient way to make sure charities receive the benefits from bingo. The current requirement that charities receive at least 35 percent of adjusted gross receipts, is complicated to calculate and monitor. Net proceeds — less prizes and the expenses that are outlined in the statutes — would be easier to compute and to audit. This would ensure that charities get the proceeds from bingo and would eliminate the opportunity for organizations to give charities the required 35 percent and to have some other funds "disappear."

Allowing organizations to keep up to \$4,000 in their account as an expense reserve would allow organizations to have a small amount of money for expenses until they take in more money.

**Card-minding devices.** The card-minding devices that would be authorized by this bill are apparatuses that allow a person to play several cards at one time while the device keeps track of the called numbers on each card. These devices are in no way video lottery games. The bill would allow only devices that register winnings and would prohibit anything that generated letters or numbers, took tokens or dispensed prizes. The devices can help persons who are elderly or physically impaired monitor several bingo cards at once.

**Pull-tab games, break open tickets, instant tickets.** The pull-tab and other games authorized by this bill are similar to scratch-off lottery tickets and are being sold now and have been sold at bingo games in the past under the oversight of the regulatory agencies. This bill would authorize them specifically and allow them to be sold from machines instead of by a person. The dispensers would in no way be video lottery games and could not be used to generate letters or numbers or to pay prizes.

**Licenses.** Allowing organizations to play under a temporary license if an application, criminal history investigation and non-profit verification have been submitted to the commission for a month would eliminate any undue delays in starting bingo games for organizations that have done their part. In most cases the commission is able to act on applications within a month. In cases in which they cannot, the organizations should not be penalized. At any time a temporary license could be revoked.

**Commission regulation.** The commission does not exercise its current authority to establish the number and type of bingo games but exercises oversight and regulation in other ways such as limiting prizes and lengths of sessions. The bill would just remove the requirements that the commission regulate the number and type of games but give it the authority to do so if necessary.

**Limit on games.** Making the current four-hour limit on games apply to a bingo "occasion" (from beginning to ending of a period of playing bingo) instead of a 24-hour period would allow organizations to offer more than one occasion in a day but under limited circumstances. Because organizations are limited to one occasion per day under each license, they would have to receive a temporary permit to offer more than one session on one day. The Bingo Act limits organizations to six temporary licenses per year. This would allow organizations to offer two sessions up to six times a year such as holiday weekends.

**Prizes.** While the bill would repeal the \$500 prize limit on a single game, the limit of \$2,500 in prizes in one occasion would be retained. This would allow organizations to vary their games and offer large or small prizes within the \$2,500 limit for each occasion.

**Advertising.** Allowing lessors to advertise would let the lessors pick up some of the advertising expenses, leaving more funds for charities. Allowing the advertising of prizes would help attract more players resulting in more funds for the charities.

**Limiting admission by age.** The bill would authorize organizations to lower their admission age limit from 18 years old to a younger age. Under current law, bingo organizations may either bar everyone under 18 or bar no one on the basis of age; the bill would grant them broader discretion to set an age cutoff lower than 18.

**Amusement games.** The amusement games that would be permitted by this bill are all legal under the Penal Code and would include harmless games such as ones that allow persons to pick up fuzzy animals with a crane. This authorization would in no way allow illegal video lottery or poker games into bingo halls.

OPPONENTS  
SAY:

CSHB 3021 would increase the commercialization of bingo and allow the gambling aspect to be emphasized while doing little to ensure that charities benefit from it.

**Charity requirement.** The current rule that 35 percent of adjusted gross receipts go to charity ensures that a minimum amount of receipts go for charitable purposes and should be retained.

**Card-minding devices.** Allowing card-minding devices would help move bingo away from its intended purpose as a recreational game and would further the proliferation of computer gambling.

**Licenses.** Organizations should not be permitted to play under an automatically granted temporary license. All licensees should be examined and approved before games are started.

**Commission regulation.** The commission should be required to regulate the number and type of games to keep a check on organizations.

**Limit on games.** To ensure that bingo organizations do not hold marathon sessions and to keep a check on the length of games, the limit per 24-hours on the number of games should be retained.

**Prizes.** The limit on prizes should be retained to bar high-dollar bingo games, which are contrary to the original idea of small, charitable games.

**Advertising.** Allowing lessors to advertise would further the encroachment of organizations other than the charities into the running of the games. Prohibiting the advertising of prizes should be retained so that the gambling aspect of bingo is kept in check.

**Limiting admission by age.** Licensees should not be able to set prohibitions against admitting persons at some arbitrary age. The authorization to prohibit persons younger than 18 establishes a uniform cut off throughout the state for those organizations that wish to prohibit children.

**Amusement games.** Allowing amusement games to be set up in bingo halls would further their development into gaming parlors.

NOTES:

The committee substitute made numerous changes in the original bill including adding a definition of card-minding devices, allowing the automatic issuance of temporary licenses, changing the charitable allowance, allowing organizations to retain some funds for expenses, and eliminating the requirement that licensees file price schedules.