

- SUBJECT:** Lottery ticket sales at locations with certain alcoholic beverage permits
- COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment
- VOTE:** 7 ayes — Kuempel, Thompson, Gutierrez, Hamilton, Jones, Menendez, Quintanilla
- 0 nays
- 1 present not voting — Geren
- 1 absent — Chisum
- WITNESSES:** For — None
- Against — (*Registered, but did not testify*: Rob Kohler, Christian Life Commission of the Baptist General Convention of Texas)
- On — Michael Anger, Texas Lottery Commission
- BACKGROUND:** The State Lottery Act (Government Code, ch. 466) governs operations of the state lottery. In 1997, the Legislature dedicated lottery revenue to public schools.
- Under Government Code, sec. 466.155 (a)(4)(C), certain individuals do not qualify for a license to sell lottery tickets, including a person whose location for the sales is a location for which the person holds a wine and beer retailer's permit, mixed beverage permit, mixed beverage late hours permit, private club registration permit, or private club late hours permit issued under the Alcoholic Beverage Code.
- DIGEST:** HB 357 would allow the Lottery Commission to grant licenses for the sale of lottery tickets to applicants whose location for the sales would be one where the applicant also held one or more of the following permits:
- wine and beer retailer's permit;
 - mixed beverage permit;
 - mixed beverage late hours permit;

- private club registration permit; or
- private club late hours permit.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

**SUPPORTERS
SAY:**

By allowing lottery tickets to be sold at locations with permits to sell alcohol for on-premises consumption, HB 357 would provide an additional opportunity to generate revenue for Texas schools in an appropriate setting. The sale of lottery tickets at these locations would create additional marketing opportunities to adult Texans for lottery products. The bill likely would increase lottery ticket sales, resulting in increased state revenue for the Foundation School Fund, an important source of funding for public schools. Gains for the Foundation School Fund are estimated in the fiscal note to be \$13.3 million for fiscal 2010-11 and to total \$37.1 million through fiscal 2014.

There is no reason to think that persons purchasing lottery tickets at the locations that would be authorized by HB 357 need special protections. Currently, tickets are sold in grocery, convenience, and liquor stores. Patrons at bars or restaurants drinking alcoholic beverages would be at least 21 years old and presumably could exercise reasonable judgment about their spending.

Under HB 357, only responsible sales agents would be able to get a license to sell lottery tickets. Agents would have to meet all the current requirements to get a license, including having no felony conviction in the previous 10 years. The Lottery Commission has experience regulating the 16,500 current sales agents, and it would be able to do the same with any new sellers authorized under HB 357.

Other state lotteries allow the sale of tickets at locations with alcoholic beverage permits, and Texas should follow suit.

**OPPONENTS
SAY:**

HB 357 would repeal the sensible prohibition against the sale of lottery tickets in private clubs, wine and beer retailers, and other locations where people buy and consume alcohol. The restriction provides some separation between a temptation created by the state and the impulses of people who may be suffering from impaired judgment, inebriation, or alcoholism. The buffer between lottery sales and alcohol consumption should remain. It

would be a significant change in policy for the state to go from allowing lottery ticket sales at stores that also sell alcohol to allowing sales at places with on-premise consumption.

NOTES:

According to the fiscal note, HB 357 would result in a revenue gain to the Foundation School Fund, amounting to an estimated \$5.5 million in fiscal 2010 and \$7.5 million in fiscal 2011. The total gain would be \$37.1 million through fiscal 2014. Additionally, the unclaimed prizes would be a gain in the general revenue fund of \$423,000 in fiscal 2010 and \$589,000 in fiscal 2009.

During the 2007 regular session, the House passed an identical bill, HB 2739 by Quintanilla, which died in the Senate.