

BILL ANALYSIS

Senate Research Center

S.B. 432
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DIGEST

Currently, the Bingo Division of the Texas Lottery Commission issues licenses to conduct bingo games in 10 different classes. Classes are given alphabetical designation, from A to J, according to the amount of gross receipts generated by the charity. In this designation system, class A would represent those groups with receipts of up to \$25,000 per year. Meanwhile, the class J would be representative of gross receipts over \$400,000 per year.

The next component of the bingo formula is a class of licenses known as lessors. In 1995 this class had approximately 794 fraternal organizations, 529 veterans organizations, 257 religious organizations, 109 volunteer fire departments, and 71 medical organizations. Their intent is to bridge the gap between public and private assistance for a variety of purposes.

Because of the breakdown of charitable distribution, concern was reflected in the percentage of charitable distributions that organizations in various classes were able to make on average. Bingo was created to allow those groups licensed to conduct bingo the ability to raise larger amounts of money than they had previously been able to raise. Often bingo operations cannot raise enough money to pay expenses; thus no money is left over for charities. Bingo generally should return approximately 75 percent of gross play back to the players as prizes. The net, after prizes, is the revenue available to the charity, not the gross wagered amount. Any decrease in gross play will produce a much smaller net income and magnify the percentages associated with the fixed expenses.

Since the introduction of the lottery and with the growth of gaming on our borders and within the state, bingo gross play has been underutilized. Bingo also competes with other forms of entertainment and has done so with limited ability, due to certain regulatory and advertising restrictions. S.B. 432 grants rulemaking authority to the Texas Commission of Licensing and Regulation for bingo activity and outlines provisions regarding the regulation and operation of bingo.

PURPOSE

As proposed, S.B. 432 outlines provisions regarding the regulation and operation of bingo.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Texas Commission of Licensing and Regulation under SECTIONS 2, 5, 6, 8, and 9 (Sections 11(f) and (u), 14(e), 16(a), (c) and (j), 20(c) and Sec. 44(c), Article 179d, V.T.C.S.) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2(20), Article 179d, V.T.C.S. (Bingo Enabling Act), to redefine "commission."

SECTION 2. Amends Section 11, Article 179d, V.T.C.S., by amending Subsections (f), (g), (k), (p), (q), and (u), to authorize a licensed authorized organization (organization) to offer or award a series of prizes on not more than one bingo occasion each week as provided by rules adopted by the Texas Commission of Licensing and Regulation (commission). Deletes text prohibiting bingo games other than instant bingo from aggregating more than \$2,500. Prohibits a game of chance other than a raffle conducted under the Charitable Raffle Enabling Act (Article 179f, V.T.C.S.) from being

conducted when bingo is being played. Sets forth the persons authorized to promote bingo. Sets forth the persons prohibited from obtaining reimbursement for advertising expenses from an organization. Prohibits a person from including the amount of a prize offered at a bingo occasion in an advertisement. Sets forth prohibitions for an organization. Requires the commission, by rule, to prohibit the playing of bingo by use of a uniform product code bar coding device or symbol. Deletes text prohibiting an organization from awarding a door prize to persons present at a bingo occasion in addition to prizes awarded for winning the individual bingo games. Makes nonsubstantive changes.

SECTION 3. Amends Section 11a(a), Article 179d, V.T.C.S., to prohibit the rent charged by a lessor to an organization to conduct bingo from exceeding \$450, rather than \$600, for each bingo occasion. Make a conforming change.

SECTION 4. Amends Section 13, Article 179d, V.T.C.S., by adding Subsection (p), to prohibit the commission from issuing a commercial license to lease bingo premises to an organization unless the commission receives evidence indicating that the organization is able to perform certain actions.

SECTION 5. Amends Section 14, Article 179d, V.T.C.S., by amending Subsection (b) and adding Subsections (d) and (e), to authorize a license to be amended on payment of a \$10, rather than a \$25 fee. Deletes text prohibiting a licensee from changing the time of the licensee's bingo games. Requires a licensee to notify the commission before changing the time or date of a bingo game. Authorizes a licensee to provide notice to the commission regarding the change of time or date of a bingo game by use of telephone or facsimile. Requires the commission, by rule, to provide a method by which a licensee may pay the amendment fee required by this section.

SECTION 6. Amends Section 16, Article 179d, V.T.C.S., to require the commission, rather than the administrator, to employ a director of bingo operations to administer the division under the direction of the commission. Authorizes the commission to temporarily, rather than summarily, suspend a license. Requires the director of bingo operations to follow any prehearing rules adopted by the commission to determine if the licensee's operation constitutes a threat to the welfare of the public before temporarily suspending a license. Provides that a proceeding to temporarily suspend a license is initiated by the director of bingo operations by serving notice to the licensee informing the licensee of the rules adopted by the commission regarding the rehearing temporary suspension process and of the licensee's right to a hearing. Makes a standard recodification change. Makes conforming and nonsubstantive changes.

SECTION 7. Amends Sections 19b(a) and (b), Article 179d, V.T.C.S., to require an organization to collect a fee from each person who wins a prize valued at more than \$250 in a bingo game. Provides that the fee imposed by this section is five percent of the amount computed by subtracting \$250 from the value of the prize.

SECTION 8. Amends Section 20, Article 179d, V.T.C.S., to require a licensee or any person conducting bingo games without a license to report to the comptroller, rather than the state treasurer, quarterly the taxes and fees authorized or imposed by this Act. Provides that the taxes and fees authorized by this Act are due and payable by the licensee or a person conducting bingo games without a license to the comptroller semimonthly. Sets forth the requirements of a taxpayer. Requires the commission to adopt rules regarding payment of taxes and fees.

SECTION 9. Amends Article 179d, V.T.C.S., by adding Sections 44 and 45, as follows:

Sec. 44. TRAINING PROGRAM. Requires the person designated by the organization under Section 12(a)(7) of this Act to annually complete 15 hours of training as provided by the rules of the commission. Sets forth information to be included in a program approved by the commission. Sets forth information the commission is required to establish, by rule.

Sec. 45. OTHER POWERS AND DUTIES OF COMMISSION. Provides that the powers and duties of the commission under this Act are in addition to the powers and duties of the commission under Article 9100, V.T.C.S.

SECTION 10. Repealer: Section 11(e) and Section 25, Bingo Enabling Act (Restrictions on

Bingo Games and Delivery of Return; Remittance).

SECTION 11. (a) Provides that the powers and duties of the Texas Lottery Commission with regard to regulation of the playing of bingo in this state are transferred to the Texas Commission of Licensing and Regulation.

(b) Provides that the Texas Commission of Licensing and Regulation assumes the position of the Texas Lottery Commission in relation to any liability, obligation, agreement, or contract of the Texas Lottery Commission for the regulation of bingo.

(c) Requires the Texas Lottery Commission to transfer the records and other property used for the regulation of bingo to the Texas Commission of Licensing and Regulation and requires any unexpended and unobligated appropriation to the Texas Lottery Commission for the regulation of bingo to be transferred to the Texas Commission of Licensing and Regulation on the effective date of this Act.

(d) Provides that a rule applicable to the regulation of bingo adopted by the Texas Lottery Commission that is in effect immediately before the effective date of this Act becomes a rule of the Texas Commission of Licensing and Regulation and remains in effect until amended or repealed by the Texas Commission of Licensing and Regulation.

(e) Provides that the validity of actions taken by the Texas Lottery Commission, including the issuance of a license, is not affected by this Act. Provides that to the extent those actions continue to have any effect on or after September 1, 1997, they are considered to be the actions of the Texas Commission of Licensing and Regulation.

SECTION 12. Effective date: September 1, 1997.
Makes application of this Act prospective.

SECTION 13. Requires the Texas Legislative Council to prepare a nonsubstantive revision of the Bingo Enabling Act (Article 179d, V.T.C.S.) for consideration by the 76th Legislature at its regular session in 1999.

SECTION 14. Emergency clause.