

BILL ANALYSIS

Senate Research Center
83R29156 E

C.S.H.B. 2197
By: Anchia (Huffman)
State Affairs
5/14/2013
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The purpose of this bill is to enact the recommendations of the Sunset Advisory Commission on the Texas Lottery Commission (commission). Since 1993, the commission has administered the state lottery and regulated charitable bingo activities. To achieve its mission of generating revenue for the state, primarily for education, the commission licenses lottery retailers; develops, approves, and markets lottery games; conducts lottery drawings; and processes winning ticket claims. In overseeing charitable bingo, the commission licenses and monitors bingo industry participants, including charitable organizations and for-profit business.

The commission is subject to the Sunset Act and will be abolished on September 1, 2013, unless continued by the legislature. The Sunset Advisory Commission concluded that Texas has an ongoing need for the functions of the commission, but that opportunities exist to increase the effectiveness and accountability of the commission.

The commission is governed by Chapters 466 (State Lottery) and 467 (Texas Lottery Commission) of the Government Code, and by Chapter 2001 (Bingo) of the Occupations Code.

This legislation addresses issues differently from current law by:

- continuing the commission for 12 years;
- increasing the size of the commission from three to five members, and requiring the commission to approve major contracts;
- requiring the commission to develop a comprehensive business plan to potentially improve the lottery's efficiency and performance for the benefit of the Foundation School Fund;
- removing the fixed bingo license amendment fee from statute and requiring the commission to adjust fees by rule;
- authorizing the commission to charge a fee to cover the costs of adding bingo hall workers to the Registry of Approved Bingo Workers;
- requiring the commission to target high-risk bingo halls for inspections and to audit high-risk bingo licensees within a certain timeframe; and
- requiring the commission to address criminal history information in bingo regulation in a way that relates directly to the duties and responsibilities of the regulated occupation.

C.S.H.B. 2197 also includes three provisions added by House Floor amendments, including provisions that:

- require scratch game tickets containing words in a foreign language to include disclosures in that language;
- require unclaimed lottery prizes currently going to general revenue to be deposited in the Foundation School Fund; and
- establish a 10-member legislative review committee to study the process and impacts of eliminating the state lottery.

C.S.H.B. 2197 amends current law relating to the continuation and functions of the Texas Lottery Commission, provides penalties, and imposes and changes fees.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Lottery Commission in SECTION 3 (Section 466.1005, Government Code), SECTION 7 (Section 466.252, Government Code), SECTION 17 (Section 467.111, Government Code), SECTION 18 (Section 2001.0541, Occupations Code), SECTION 19 (Section 2001.061, Occupations Code), SECTION 26 (Section 2001.205, Occupations Code), SECTION 29 (Section 2001.209, Occupations Code), SECTION 31 (Section 2001.306, Occupations Code), SECTION 32 (Section 2001.313, Occupations Code), SECTION 34 (Section 2001.353, Occupations Code), SECTION 36 (Section 2001.355, Occupations Code), SECTION 37 (Section 2001.358, Occupations Code), SECTION 39 (Section 2001.557, Occupations Code), SECTION 40 (Section 2001.560, Occupations Code), and SECTION 45 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 466.014, Government Code, by adding Subsection (d), to require that a contract between the lottery division established by the Texas Lottery Commission (division) (commission) and a lottery operator under Subsection (b) (relating to authorizing the executive director of the commission (executive director) to contract with or employ a person to perform a function, activity, service in connection with the operation of the lottery as prescribed by the executive director and requiring such persons to be eligible for a sales agent license under Section 466.155) contain a provision allowing the contract to be terminated without penalty if the division is abolished.

SECTION 2. Amends Subchapter B, Chapter 466, Government Code, by adding Section 466.028, as follows:

Sec. 466.028. COMPREHENSIVE BUSINESS PLAN. (a) Requires the commission to develop a comprehensive business plan to guide the commission's major initiatives. Requires that the plan at a minimum include:

(1) specific goals for the commission; and

(2) an evaluation of the commission's overall performance, the effectiveness of specific programs and initiatives, the ongoing efficiency of commission operations, the amount of lottery revenue that is generated for state purposes other than the payment of prizes, and the factors affecting the amount of lottery revenue received and disbursed, including ticket sales and administrative efficiency.

(b) Requires the commission as frequently as the commission determines appropriate to review the comprehensive business plan and at least annually hold a public meeting to discuss the plan or updates to the plan.

SECTION 3. Amends Subchapter C, Chapter 466, Government Code, by adding Section 466.1005, as follows:

Sec. 466.1005. PROCUREMENTS. (a) Authorizes the commission to purchase or lease facilities, goods, and services and make any purchases, leases, or contracts necessary for carrying out the purposes of this chapter.

(b) Requires the commission to review and to approve all major procurements as provided by commission rule. Requires the commission by rule to establish a procedure to determine what constitutes a major procurement based on the cumulative value of a contract and other relevant factors. Provides that this subsection does not require a commission member to sign the contract.

(c) Authorizes the commission to delegate to the executive director the authority to approve procurements other than major procurements.

SECTION 4. Amends Sections 466.101(a) and (b), Government Code, as follows:

(a) Authorizes the commission and executive director to establish procedures for the purchase or lease of facilities, goods, and services and make any purchases, leases, or contracts that are necessary for carrying out the purposes of this chapter. Requires that the procedures, as determined feasible and appropriate by the commission and executive director promote competition to the maximum extent possible.

(b) Requires the commission and executive director, rather than the executive director, in all procurement decisions, to take into account the particularly sensitive nature of the lottery and to act to promote and ensure integrity, security, honesty, and fairness in the operation and administration of the lottery and the objective of producing revenues for the state treasury.

SECTION 5. Amends Section 466.155, Government Code, by adding Subsection (b-1), to provide that a hearing under this section is required to be conducted by the State Office of Administrative Hearings (SOAH) and is subject to Section 2001.058(e) (relating to authorizing a state agency to change a finding of fact or conclusion of law made by the administrative law judge, or to vacate or modify an order issued by the administrative judge, only under certain conditions).

SECTION 6. Amends Sections 466.160(b) and (c), Government Code, as follows:

(b) Authorizes the commission to summarily suspend a sales agent's license if proceedings for a preliminary hearing before SOAH, rather than before the commission or the commission's representative, are initiated simultaneously with the summary suspension.

(c) Deletes existing text providing that Chapter 2001 does not apply in the administration and enforcement of the summary suspension of a license under this section. Provides that a hearing under this section is subject to Section 2001.058(e).

SECTION 7. Amends Section 466.252, Government Code, by adding Subsection (c), to require the commission by rule to require that a ticket that contains a number of words, as determined by commission rule, in a language other than English is required to include disclosures in that language.

SECTION 8. Amends Section 466.408, Government Code, by amending Subsection (b) and adding Subsection (b-1), as follows:

(b) Requires that the prize money, if a claim is not made for prize money on or before the 180th day after the date on which the winner was selected, be used in the following order of priority:

(1) subject to legislative appropriation, not more than \$20 million in prize money each year is authorized to be deposited to the Department of State Health Services state-owned multicategorical teaching hospital account, which is an account in the general revenue fund, or appropriated from that account to provide indigent health care services as specified in Chapter 61 (Indigent Health Care and Treatment Act), Health and Safety Code, rather than not more than \$20 million in prize money each year is authorized to be deposited to or appropriated from the Texas Department of Health state-owned multicategorical teaching hospital account, which is an account in the general revenue fund;

(2)-(3) Makes no change to these subsections; and

(4) all prize money subject to this section and not deposited or appropriated in accordance with Subdivision (1), (2) (relating to authorizing that prize money be used in the second order of priority in such a way that not more than \$5 million in prize money each year be appropriated to the Health and Human Services

Commission and requiring it to be used to support the provision of inpatient hospital services in hospitals located in the 15 counties that comprise the Texas-Mexico border area), or (3) (relating to authorizing that prize money be used in the third order of priority in such a way that the remaining amount, not to exceed \$5 million in prize money in each state fiscal year less any amount deposited in the fund in that year attributable to the lottery game operated under Section 466.027, is required to be deposited to the fund for veterans' assistance) is required to be deposited to the credit of the foundation school fund, rather than all prize money subject to this section and not appropriated from the Texas Department of Health state-owned multicategorical teaching hospital account, not appropriated to the Health and Human Services Commission for the purpose specified in Subdivision (2), and not deposited under Subdivision (3), is required to be deposited in the general revenue fund and is authorized to be appropriated for any purpose as determined by the legislature, including the provision of indigent health care services as specified in Chapter 61, Health and Safety Code.

(b-1) Requires that all unclaimed prize money, notwithstanding Subsection (b), be deposited to the credit of the foundation school fund if the legislature appropriates money from the general revenue fund to the programs described by Subsection (b) in an amount equal to the maximum amount of money that could be appropriated from unclaimed prize money to those programs under that subsection.

SECTION 9. Amends Section 467.002, Government Code, to provide that unless continued in existence as provided by that chapter, the commission is abolished and this chapter, Chapter 466 of this code, and Chapter 2001, Occupations Code, expire September 1, 2025, rather than September 1, 2013.

SECTION 10. Amends Subchapter A, Chapter 467, Government Code, by adding Section 467.0021, as follows:

Sec. 467.0021. LEGISLATIVE REVIEW. (a) Provides that the Legislative Committee to Review the Texas Lottery and Texas Lottery Commission (committee) is composed of 10 members as follows:

- (1) five members of the senate appointed by the lieutenant governor; and
- (2) five members of the house of representatives appointed by the speaker of the house of representatives.

(b) Requires the lieutenant governor and speaker to each name a co-chair of the committee from the members appointed by each officer.

(c) Requires the committee to study:

(1) charitable bingo authorized under Chapter 2001, Occupations Code, and the distribution of charitable bingo revenue, including:

(A) the portion of the total amount of charitable bingo revenue collected by a licensed authorized organization that the organization should be required to use for the charitable purposes of the organization;

(B) any detrimental impact to the organization, or other policy considerations, related to the establishment of mandatory distribution requirements for charitable bingo revenue; and

(C) market-based approaches to conducting and administering bingo operations and revenues that maximize the availability of funds to be used for charitable purposes; and

(2) the elimination of the state lottery, including:

(A) development of a proposed schedule and process for phasing out the state lottery;

(B) any potential consequences detrimental to this state of phasing out the state lottery or of the proposed schedule and process;

(C) the potential impact of eliminating the state lottery on this state's biennial budget and on any programs funded by the state lottery; and

(D) any other concerns identified by the committee related to eliminating the state lottery.

(d) Provides that the committee has all the powers provided by resolution adopted by the 82nd or 83rd Legislature for a joint interim study committee.

(e) Requires the committee to make any finding and recommendations the committee determines appropriate and to report its finding and recommendations to the legislature. Authorizes the committee, as part of its findings and recommendations, to recommend that the commission audit specific licensed authorized organizations conducting bingo in this state. Requires the committee to make its initial report not later than December 1, 2014, and authorizes it to make any supplemental reports the committee considers appropriate.

(f) Provides that this section expires September 1, 2015.

SECTION 11. Amends Section 467.021(a), Government Code, to provide that the commission is composed of five members, rather than three members, appointed by the governor with the advice and consent of the senate.

SECTION 12. Amends Section 467.022, Government Code, to provide that members hold office for staggered terms of six years, with the terms of either one or two members expiring February 1 of each odd-numbered year, rather than with one member's term expiring February 1 of each odd-numbered year.

SECTION 13. Amends Section 467.024, Government Code, by amending Subsection (a) and adding Subsections (c) and (d), as follows:

(a) Provides that an individual is not eligible to be an appointed member of the commission if the individual meets certain conditions, including if the individual is registered, certified, or licensed by a regulatory agency in the field of bingo or lottery. Makes nonsubstantive changes.

(c) Prohibits a person from being a commission employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.), if:

(1) the person is an officer, employee, or paid consultant of a Texas trade association in the field of bingo or lottery; or

(2) the person's spouse is an officer, manager, or paid consultant of a Texas trade association in the field of bingo or lottery.

(d) Prohibits a person from acting as the general counsel to the commission if the person is required to register as a lobbyist under Chapter 305 (Registration of Lobbyists) because of the person's activities for compensation on behalf of a profession related to the operation of the commission.

SECTION 14. Amends Subchapter B, Chapter 467, Government Code, by adding Section 467.0255, as follows:

Sec. 467.0255. TRAINING. (a) Prohibits a person who is appointed to and qualified for office as a member of the commission from voting, deliberating, or being counted as a member in attendance at a meeting of the commission until the person completes a training program that complies with this section.

(b) Requires that the training program provide the person with information regarding the legislation that created the commission; the programs, functions, rules, and budget of the commission; the results of the most recent formal audit of the commission; the requirements of laws relating to open meetings, public information, administrative procedure, and conflicts of interest; and any applicable ethics policies adopted by the commission or the Texas Ethics Commission.

(c) Entitles a person appointed to the commission to reimbursement, as provided by the General Appropriations Act, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.

SECTION 15. Amends Sections 467.026(a) and (c), Government Code, as follows:

(a) Provides that it is a ground for removal from the commission that a member does not have at the time of taking office the qualifications required by Sections 467.023 (Residence Requirement) and 467.024; does not maintain during service on the commission the qualifications required by Sections 467.023 and 467.024; is ineligible for membership under Section 467.023, 467.024, or 467.025 (Prohibited Conduct); cannot discharge the member's duties for a substantial part of the member's term because of illness or disability; or is absent from more than half of the regularly scheduled commission meetings that the member is eligible to attend during a calendar year without an excuse approved by majority vote of the commission. Deletes existing text authorizing the governor to remove a commission member if the member does not have at the time of appointment the qualifications required for appointment to the commission; does not maintain during service on the commission the qualifications required for appointment to the commission; violates a prohibition established by Section 467.025; cannot discharge the member's duties for a substantial part of the term for which the member is appointed because of illness or disability; or is absent from more than half of the regularly scheduled commission meetings that the member is eligible to attend during a calendar year unless the absence is excused by majority vote of the commission.

(c) Requires the executive director, rather than the presiding officer, if the executive director, rather than the presiding officer, has knowledge that a potential ground for removal exists, to notify the presiding officer of the commission of the potential ground. Requires the presiding officer to then notify the governor and the attorney general that a potential ground for removal exists. Requires the executive director, if the potential ground for removal involves the presiding officer, to notify the next highest ranking officer of the commission, who shall then notify the governor and the attorney general that a potential ground for removal exists.

SECTION 16. Amends Subchapter B, Chapter 467, Government Code, by adding Section 467.037, as follows:

Sec. 467.037. DIVISION OF RESPONSIBILITIES. Requires the commission to develop and implement policies that clearly separate the policymaking responsibilities of the commission and the management responsibilities of the executive director and the staff of the commission.

SECTION 17. Amends Subchapter C, Chapter 467, Government Code, by adding Sections 467.109, 467.110, and 467.111, as follows:

Sec. 467.109. **NEGOTIATED RULEMAKING AND ALTERNATIVE DISPUTE RESOLUTION POLICY.** (a) Requires the commission to develop and implement a policy to encourage the use of negotiated rulemaking procedures under Chapter 2008 (Negotiated Rulemaking) for the adoption of commission rules and appropriate alternative dispute resolution procedures under Chapter 2009 (Alternative Dispute Resolution For Use By Governmental Bodies) to assist in the resolution of internal and external disputes under the commission's jurisdiction.

(b) Requires that the commission's procedures relating to alternative dispute resolution conform, to the extent possible, to any model guidelines issued by SOAH for the use of alternative dispute resolution by state agencies.

(c) Requires the commission to coordinate the implementation of the policy adopted under Subsection (a), provide training as needed to implement the procedures for negotiated rulemaking or alternative dispute resolution, and collect data concerning the effectiveness of those procedures.

Sec. 467.110. **PUBLIC PARTICIPATION.** Requires the commission to develop and implement policies that provide the public with a reasonable opportunity to appear before the commission and to speak on any issue under the jurisdiction of the commission.

Sec. 467.111. **COMPLAINTS.** (a) Requires the commission to maintain a system to promptly and efficiently act on each complaint filed with the commission. Requires the commission to maintain information about parties to the complaint, the subject matter of the complaint, a summary of the results of the review or investigation of the complaint, and its disposition.

(b) Requires the commission to make information available to the public describing the commission's procedures for complaint investigation and resolution.

(c) Requires the commission to periodically notify the complaint parties of the status of the complaint until final disposition.

(d) Requires the commission by rule to adopt and publish procedures governing the entire complaint process from submission to disposition.

(e) Requires the commission to analyze the complaints filed with the commission to identify any trends or issues related to violations of state laws under the commission's jurisdiction. Requires that the analysis categorize complaints based on the type of violation alleged, track each complaint from submission to disposition, evaluate the effectiveness of the commission's enforcement process, and include any additional information the commission considers necessary.

(f) Requires the commission to prepare a report on the trends and issues identified under Subsection (e) and make the report available to the public. Requires the commission to address the identified trends and issues, including trends and issues related to the regulation of lottery operations under Chapter 466 and of bingo under Chapter 2001, Occupations Code.

SECTION 18. Amends Subchapter B, Chapter 2001, Occupations Code, by adding Section 2001.0541, as follows:

Sec. 2001.0541. **RULES ON CONSEQUENCES OF CRIMINAL CONVICTION.** Requires the commission to adopt rules and guidelines as necessary to comply with Chapter 53 (Consequences of Criminal Conviction) when using criminal history record

information under this chapter to issue or renew a bingo license or to list or renew the listing of an individual in the registry of approved bingo workers.

SECTION 19. Amends Subchapter B, Chapter 2001, Occupations Code, by adding Section 2001.061, as follows:

Sec. 2001.061. LICENSE RENEWAL PROCESS. Requires the commission to adopt rules governing each part of the license renewal process for all licenses issued under this chapter, from application submission to completion of the renewal process. Requires that the process require a license holder renewing a license to submit to the commission the information required in the initial license application.

SECTION 20. Amends Section 2001.104(d), Occupations Code, to authorize an applicant for a license or renewal of a license to obtain a license that is effective for two years by paying an amount equal to two times the amount of the annual license fee, rather than by paying an amount equal to two times the amount of the annual license fee, or by paying the license fee for the first year at the time the applicant submits the application and the fee for the second year not later than the first anniversary of the date the license becomes effective.

SECTION 21. Amends Sections 2001.105(a) and (b), Occupations Code, as follows:

(a) Requires the commission to issue or renew a license to conduct bingo on payment of the license fee provided by Section 2001.104 if the commission determines that, among other qualifications, no person under whose name bingo will be conducted and no person working at the proposed bingo has been convicted of a gambling offense or criminal fraud, rather than convicted of a felony, a gambling offense, criminal fraud, or a crime of moral turpitude if less than 10 years has elapsed since the termination of a sentence, parole, mandatory supervision, or community supervision served for the offense.

(b) Prohibits the commission from issuing a license to an authorized organization to conduct bingo if an officer or member of the board of directors of the organization has been convicted of criminal fraud or a gambling or gambling-related offense, rather than convicted of a felony, criminal fraud, gambling or gambling-related offense, or a crime of moral turpitude if less than 10 years has elapsed since the termination for a sentence, parole, mandatory supervision, or community supervision served for the offense.

SECTION 22. Amends Section 2001.154(a), Occupations Code, to prohibit the commission from issuing a commercial lessor license to or renew a commercial lessor license of, among other entities and individuals, a person convicted of criminal fraud or a gambling or gambling-related offense, rather than convicted of a felony, criminal fraud, a gambling or gambling-related offense, or a crime of moral turpitude if less than 10 years has elapsed since the termination of a sentence, parole, mandatory supervision, or community supervision served for the offense.

SECTION 23. Amends Section 2001.158(d), Occupations Code, to authorize an applicant for a commercial lessor license or renewal of a license to obtain a license that is effective for two years by paying an amount equal to two times the amount of the annual license fee, rather than by paying an amount equal to two times the amount of the annual license fee, or by paying the license fee for the first year at the time the applicant submits the application and the license fee for the second year not later than the first anniversary of the date the license becomes effective.

SECTION 24. Amends Section 2001.202, Occupations Code, to provide that a person convicted of criminal fraud or a gambling or gambling-related offense, among other entities and individuals, is not eligible for a manufacturer's license, rather than providing that a person convicted of a felony, criminal fraud, a gambling or gambling-related offense, or a crime of moral turpitude if less than 10 years has elapsed since the termination of a sentence, parole, mandatory supervision, or community supervision served for the offense, is not eligible for a manufacturer's license.

SECTION 25. Amends Section 2001.203(b), Occupations Code, to require that the application include certain information, including information regarding whether the applicant or a person

required to be named in the application has been convicted in this state or another state of criminal fraud or a gambling or gambling-related offense, rather than convicted in this state or another state of a felony, criminal fraud, a gambling or gambling-related offense, or a crime of moral turpitude.

SECTION 26. Amends Section 2001.205(a), Occupations Code, to require the commission by rule to set the annual manufacturer's license fee in an amount reasonable to defray administrative costs, rather than providing that the annual manufacturer's license fee is \$3,000.

SECTION 27. Amends Section 2001.207, Occupations Code, to provide that a person convicted of criminal fraud or a gambling or gambling-related offense, among other individuals, rather than a person convicted of a felony, criminal fraud, a gambling or gambling-related offense, or a crime of moral turpitude if less than 10 years has elapsed since the termination of a sentence, parole, community supervision, or mandatory supervision served for the offense, is not eligible for a distributor's license.

SECTION 28. Amends Section 2001.208(b), Occupations Code, to require that the application include certain information, including information regarding whether the applicant or a person required to be named in the application has been convicted in this state or another state of criminal fraud or a gambling or gambling-related offense, rather than convicted in this state or another state of a felony, criminal fraud, a gambling or gambling-related offense, or a crime of moral turpitude.

SECTION 29. Amends Section 2001.209(a), Occupations Code, to require the commission by rule to set the annual distributor's license fee in an amount reasonable to defray administrative costs, rather than providing that the distributor's license fee is \$1,000.

SECTION 30. Amends Section 2001.214(b), Occupations Code, to authorize a manufacturer or distributor to obtain a license that is effective for two years by paying an amount equal to two times the amount of the annual license fee, rather than paying an amount equal to two times the amount of the annual license fee plus \$1,000.

SECTION 31. Amends Section 2001.306, Occupations Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Authorizes a license issued under this chapter to be amended on application to the commission and on payment of a fee in the amount required by the commission, rather than on payment of a \$10 fee, if the subject matter of the proposed amendment could properly have been included in the original license.

(a-1) Requires the commission by rule to establish an amendment fee schedule. Authorizes the amount of a fee charged by the commission to vary based on the complexity of the proposed license amendment.

SECTION 32. Amends Section 2001.313, Occupations Code, by adding Subsection (b-2), as follows:

(b-2) Requires the commission by rule to impose a fee for an initial registration application and renewal application submitted under this section. Requires the commission to set the fee in an amount sufficient to cover the application processing costs, including a criminal history background check, identification card, and other administrative costs the commission considers appropriate.

SECTION 33. Amends Section 2001.352, Occupations Code, by adding Subsection (c), to require that a hearing conducted under this section be conducted by SOAH and be subject to Section 2001.058(e), Government Code.

SECTION 34. Amends Section 2001.353, Occupations Code, as follows:

Sec. 2001.353. New heading: DISCIPLINE OF LICENSE AND REGISTRATION HOLDERS. (a) Creates this subsection from existing text. Authorizes the commission, after a hearing, to suspend, revoke, or refuse to renew a license or registration issued under this chapter, rather than authorizing the commission to suspend or revoke a license issued under this chapter, for failure to comply with this chapter or a commission rule or a reason that would allow or require the commission to refuse to issue or renew a license or registration of the same class.

(b) Authorizes the commission to place on probation a person whose license or registration is suspended. Authorizes the commission, if a license or registration suspension is probated, to require the person to report regularly to the commission on the matters that are the basis of the probation, to limit the person's activities under the license or registration in the manner prescribed by the commission, or to take any other reasonable action prescribed by the commission to address the matters that are the basis of the probation.

(c) Authorizes the commission to suspend or revoke the person's license or registration if the person fails to comply with the conditions of probation.

(d) Requires the commission by rule to adopt written guidelines to ensure that probation is administered consistently and develop a system to track compliance with probation requirements.

SECTION 35. Amends Section 2001.354, Occupations Code, by adding Subsection (c), to require that a hearing under this section be conducted by SOAH and is subject to Section 2001.058(e), Government Code.

SECTION 36. Amends Section 2001.355, Occupations Code, by amending Subsection (b) and adding Subsection (d), as follows:

(b) Requires the director of bingo operations, before temporarily suspending a license, to follow any prehearing rules adopted by the commission to determine if the license holder's continued operation may constitute an immediate threat to the health, safety, morals, or welfare of the public, or a financial loss to this state, which includes a license holder's failure to remit taxes under Section 2001.501 (Gross Rentals Tax) or prize fee payments under Section 2001.502 (Prize Fee) to the commission as required by those sections.

(d) Requires the commission to adopt rules to govern the temporary suspension of a license under this section.

SECTION 37. Amends Subchapter H, Chapter 2001, Occupations Code, by adding Section 2001.358, as follows:

Sec. 2001.358. SCHEDULE OF SANCTIONS. (a) Requires the commission by rule to adopt a schedule of sanctions that defines and summarizes violations of this chapter or commission rules adopted under this chapter to ensure that the sanctions imposed are appropriate to the violation.

(b) Requires that the schedule allow deviations from the schedule for mitigating circumstances clearly established by the commission; include a list of the most common violations and the sanctions assessed for those violations, including revocation, suspension, and denial of license or registration renewal; and establish the sanctions in accordance with the seriousness or frequency of each type of violation.

SECTION 38. Amends Sections 2001.437(d) and (g), Occupations Code, as follows:

(d) Requires an applicant for a unit manager license to file with the commission a written application on a form prescribed by the commission that includes the name and address

of the applicant; information regarding whether the applicant, or any officer, director, or employee of the applicant, has been convicted of criminal fraud or a gambling or gambling-related offense, rather than convicted of a felony, criminal fraud, gambling or gambling-related offense, or crime of moral turpitude; and any other information required by commission rule.

(g) Provides that a person is not eligible for a unit manager license under this subchapter if the person, or any officer, director, or employee of the person, among other conditions, has been convicted of criminal fraud or a gambling or gambling-related offense, rather than convicted of a felony, criminal fraud, a gambling or gambling-related offense, or crime of moral turpitude, if less than 10 years has elapsed since the termination of a sentence, parole, or community supervision served for the offense.

SECTION 39. Amends Section 2001.557, Occupations Code, as follows:

Sec. 2001.557. INSPECTION OF PREMISES. (a) Creates this subsection from existing text. Makes no further change to this subsection.

(b) Requires the commission by rule to develop and implement policies and procedures to:

(1) prioritize the inspection of premises where bingo is being conducted or is intended to be conducted in accordance with the risk factors the commission considers important, including:

(A) the amount of money derived from the conduct of bingo at the premises;

(B) the compliance history of the premises; and

(C) the amount of time that has elapsed since the date of the immediately preceding commission inspection of the premises; and

(2) inspect premises where bingo is being conducted or is intended to be conducted in accordance with the priorities established under Subdivision (1).

SECTION 40. Amends Section 2001.560, Occupations Code, by adding Subsections (c-1) and (c-2), as follows:

(c-1) Requires the commission by rule to develop a policy for auditing license holders. Requires the bingo division to use audit risk analysis procedures established by the commission to:

(1) annually identify which license holders are most at risk of violating this chapter or rules adopted under this chapter; and

(2) develop a plan for auditing the identified license holders that includes a schedule for the audits of the identified license holders, procedures to annually update the plan based on successive risk analyses, and a completion date for each audit that is not later than the fifth anniversary of the date the license holder was identified as a candidate for audit.

(c-2) Requires the bingo division to provide to the commission a copy of the auditing plan developed under Subsection (c-1).

SECTION 41. Amends Section 2001.605, Occupations Code, by adding Subsection (c), to require that a hearing under this section be conducted by SOAH and is subject to Section 2001.058(e), Government Code.

SECTION 42. Repealer: Section 466.003 (Application of Sunset Act), Government Code.

Repealer: Section 466.025 (Reports of Tickets Sold and Prizes Awarded), Government Code.

Repealer: Section 2001.002(8-a) (defining "crime of moral turpitude"), Occupations Code.

SECTION 43. Provides that Section 466.252(c), Government Code, as added by this Act, applies only to a lottery game ticket that is initially offered on or after January 1, 2014.

SECTION 44. Provides that Section 466.408(b), Government Code, as amended by this Act, applies only to a prize for which the winner is selected on or after September 1, 2013. Provides that a prize for which the winner was selected before September 1, 2013, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 45. (a) Requires the commission, not later than January 1, 2014, to adopt all rules, policies, and procedures required by the changes in law made by this Act.

(b) Requires the commission, not later than September 1, 2014, to adopt the comprehensive business plan required by Section 466.028, Government code, as added by this Act.

SECTION 46. (a) Provides that the changes in law made by this Act in the prohibitions or qualifications applying to a member of the commission do not affect the entitlement of a member serving on the commission immediately before September 1, 2013, to continue to serve and function as a member of the commission for the remainder of the member's term. Provides that those changes in law apply only to a member appointed on or after September 1, 2013.

(b) Requires the governor, as soon as practicable after the effective date of this Act, to appoint two additional members to the commission. Requires the governor, in appointing those members, to appoint one person to a term expiring February 1, 2017, and one to a term expiring February 1, 2019.

(c) Provides that the change in law made by this Act to Chapter 467, Government Code, relating to the investigation of a complaint applies only to a complaint filed with the commission on or after September 1, 2013. Provides that a complaint filed with the commission or a division of the commission before September 1, 2013, is governed by the law as it existed immediately before that date, and the former law is continued in effect for that purpose.

(d) Provides that the change in law made by this Act requiring the commission to approve a procurement applies only to a procurement or a contract for a procurement made on or after the effective date of this Act. Provides that a procurement or procurement contract made before the effective date of this Act is governed by the law in effect when the procurement or contract was made, and the former law is continued in effect for that purpose.

(e) Provides that the changes in law made by this Act governing eligibility of a person for a license apply only to the issuance or renewal of a license by the commission under Chapter 466, Government Code, as amended by this Act, or Chapter 2001, Occupations Code, as amended by this Act, on or after the effective date of this Act. Provides that a license issued by the commission under either of those laws before the effective date of this Act is governed by the applicable licensing requirements in effect when the license was last issued or renewed until the license expires or is renewed as provided by Chapter 466, Government Code, as amended by this Act, or Chapter 2001, Occupations Code, as amended by this Act.

SECTION 47. Requires the commission, to the extent practicable and as authorized by law, to make every effort to implement the findings and recommendations of the committee.

SECTION 48. Effective date: September 1, 2013.