

# **LEGISLATIVE COMMITTEE TO REVIEW THE TEXAS LOTTERY AND CHARITABLE BINGO IN TEXAS**

**Report to the 84th Texas Legislature  
November 2014**

**Co-Chairmen:  
State Senator Charles Schwertner  
State Representative John Kuempel**

**TABLE OF CONTENTS**

EXECUTIVE SUMMARY..... 2

BACKGROUND AND HISTORY..... 6

REVIEW AND ANALYSIS OF THE TEXAS LOTTERY..... 8

REVIEW AND ANALYSIS OF CHARITABLE BINGO IN TEXAS..... 13

COMMITTEE RECOMMENDATIONS..... 19

## EXECUTIVE SUMMARY

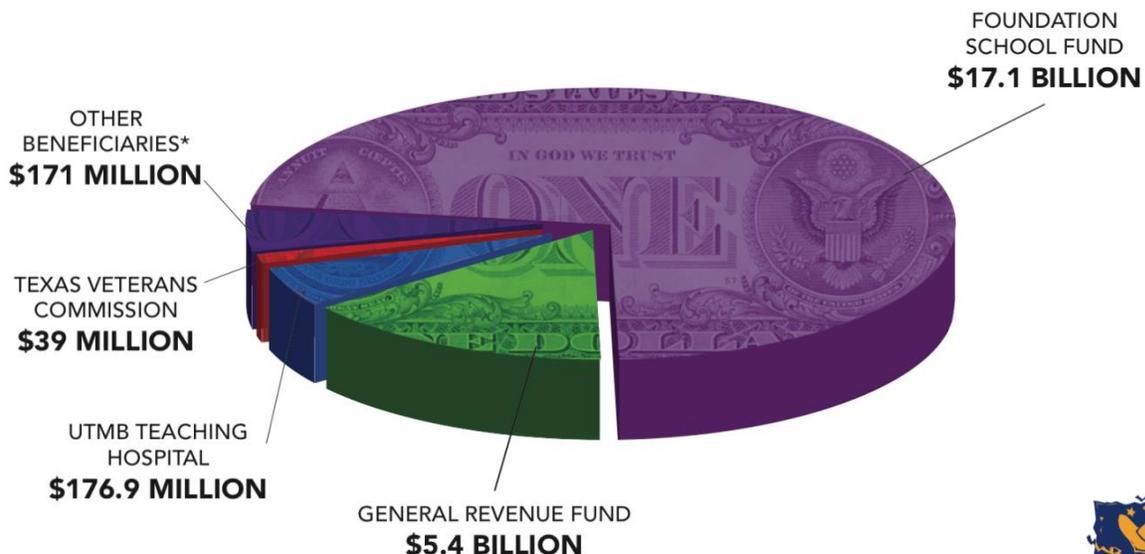
With passage of House Bill 2197 (Anchia/Huffman), the 83rd Legislature directed the Speaker of the House and the Lieutenant Governor to appoint five members from each chamber to the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas (hereinafter "the Committee").<sup>1</sup> The Committee was charged with studying the impact of eliminating the Texas Lottery and considering how to maximize the distributions of charitable bingo in Texas.<sup>2</sup>

### I. Elimination of the Texas Lottery

Since its authorization by Texas voters in 1991, the Texas Lottery has generated nearly \$23 billion for the state, with over \$17 billion going to the Foundation School Fund over the past 17 years.<sup>3</sup> For many years, the Texas Lottery has transferred more than \$1 billion to the Foundation School Fund, and in 2014 the Texas Lottery contributed a record \$1.2 billion to the Fund.<sup>4</sup>

Beyond supplementing public education funding in Texas, the Texas Lottery has also supported the Texas Veterans Commission with over \$39 million in historical transfers, the UTMB Teaching Hospital with over \$176 million in historical transfers, and other state programs, such as the Health and Human Services Commission's Graduate Medical Program and the Tertiary Care Facility.<sup>5</sup>

#### **THE TEXAS LOTTERY CONTRIBUTES OVER \$22.8 BILLION SINCE INCEPTION IN 1992**



\*OTHER BENEFICIARIES  
TERTIARY CARE FACILITY - \$131 MILLION  
HHSC GRADUATE MEDICAL PROGRAM - \$40 MILLION

PRIOR TO 1997, LOTTERY PROCEEDS WERE ALLOCATED TO THE GENERAL REVENUE FUND.  
SINCE 1997, LOTTERY PROCEEDS HAVE BEEN DEDICATED TO THE FOUNDATION SCHOOL FUND TO SUPPORT PUBLIC EDUCATION IN TEXAS.



It is important to consider the aforementioned funds and programs when considering elimination of the lottery, as they would either have to be eliminated or funded by other means. Eliminating the Texas Lottery would result in one, or a combination of, the following:

1. A reduction in public education funding of approximately \$1 billion annually and significant reductions in the funding of other programs that benefit from the lottery;
2. A reduction in spending in other areas of the budget to offset the loss of lottery funds;
3. Increased taxes to replace public education funding and other funding that would be lost from elimination of the lottery; and/or
4. The need for approval by two-thirds of the Legislature to use funds from the Economic Stabilization Fund (the "Rainy Day Fund") to replace the public education funds and other funds that would be lost from elimination of the lottery.

Aside from significant losses in funding for public education and other state programs, elimination of the lottery would have a negative economic impact on businesses in Texas. A study by Angelou Economics estimated that "[f]or convenience store owners, the Texas Lottery creates, on average, as much as \$130,200 per year in non-lottery purchases made by lottery players."<sup>6</sup> Elimination of the lottery would also result in each of the more than 17,000 lottery retailers not receiving the \$13,000, on average, in commission and incentive payments they received in 2014.

For the foregoing reasons, the Committee recommends the Legislature continue the Texas Lottery and the Texas Lottery Commission. It is the Committee's opinion that the loss of state funding for education and other valuable programs, as well as the loss to Texas businesses, would be highly detrimental to the state.

Though it is not the Committee's recommendation, the Legislature directed the Committee to explore and develop a schedule for phasing out the Texas Lottery. Should the Legislature ultimately proceed with eliminating the lottery, a gradual step down over an extended timeframe would be the only palatable approach. An immediate elimination would be detrimental to the state and even a decade-long drawdown would be difficult to absorb. Further, while the lottery is a revenue source, it is dependent on player participation and, therefore, rates cannot be adjusted like a tax. Due to this distinction, a phase out would likely have to be based on yearly decreases in lottery advertising and the number of lottery products offered.

## **II. Charitable Bingo Reform to Maximize Charitable Distributions**

In total, charitable bingo in Texas has generated more than \$1 billion for Texas charities.<sup>7</sup> In 2013, Texas charities received \$26.5 million in charitable bingo proceeds.<sup>8</sup> These funds are critical to the continuation of charitable services in Texas and interested parties assert that many Texas charities would not be able to find similar funding elsewhere.

While the benefits of charitable bingo for many Texas charities are indisputable, the benefits for others are minimal and insufficient. Last year, 189 of the 1,095 licensed bingo charities in the state received less than \$1,000 in charitable distributions from bingo and 131 bingo charities even had negative net proceeds from their affiliation with charitable bingo.<sup>9</sup> While it would be

unfair to generalize all bingo operators as bad actors, evidence presented to the Committee suggests a problem does exist. This issue was recognized by the 83rd Legislature, which charged the Committee with developing a response.

Fortunately, stakeholders interested in charitable bingo in Texas also recognize the need for reform to address insufficient charitable distributions from bingo.<sup>10</sup> Interested parties have developed reform proposals that will increase standards on those charitable bingo operators providing little to no charitable benefit *and* assist excellent bingo operators in increasing their charitable distributions.

#### A. Minimum Charitable Distribution Requirements

In order to improve the financial benefit to charities participating in bingo, it is necessary to require a minimum charitable distribution. The Committee's recommended strategy for increasing charitable distributions is discussed in greater detail in this report, but in general, the Committee recommends phasing in a tiered system of minimum distributions based on percentages of gross gaming revenue (calculated as the sum total of gross receipts, less prizes paid). This system will have the effect of moving charities "to the front of the line," as opposed to their current position of being last to receive funds.

It has been noted that this system may force some bingo hall operators to cease operations;<sup>11</sup> however, it is a necessary reform to ensure an appropriate financial benefit to the charities that lend their names to charitable bingo operations.

#### B. Authority to Address Excessive Prize Payout Percentages

While studying the issue of charitable bingo distributions, Committee members were informed that many charitable bingo locations can do little to improve their charitable distributions because market demand dictates that they payout most of their gross receipts in the form of prizes. The Committee thinks it beneficial to grant the Lottery Commission the authority to take corrective actions to address excessive prize payout percentages on a geographical basis. This flexibility will ensure substantial proceeds remain for charities and will shield bingo operators from ever-increasing prize payouts by their competition.

#### C. Conversion of the Bingo Prize Fee

Under current law, the Lottery Commission receives a five percent prize fee from bingo operators for all prizes paid.<sup>12</sup> Such prize fees are then split between the state, counties, and municipalities.<sup>13</sup> Last year, more than \$27.5 million was collected in prize fees. Of that, \$14.5 million was distributed to the state's General Revenue Fund, nearly \$7 million was distributed to counties, and just over \$6 million was distributed to municipalities.<sup>14</sup>

The General Appropriations Act requires the Lottery Commission to generate sufficient fees to cover the cost of charitable bingo regulation.<sup>15</sup> For this reason, the prize fee is purely general revenue generation for the state.

The Committee recommends a statutory change to convert the state's portion of the bingo prize fee into a mandatory player contribution, which would be deposited directly into the participating charities' general funds and used solely for charitable purposes. Had such a provision been in place in 2013, the state's \$14.5 million portion of the prize fee would have been transmitted to Texas charities, increasing the charitable benefit of bingo from \$26.5 million to \$41 million.

The Committee believes its recommendations will ensure proper charitable bingo distributions to participating charities and will offer charitable bingo operators a means of maximizing charitable proceeds.

D. Encourage Local Law Enforcement to Eliminate Illegal Gambling

Charitable bingo, which operates for the benefit of charities, has a difficult time competing with illegal eight-line gambling rooms, which award cash prizes and operate purely for the benefit of their owners. As a result of difficulties in enforcement, this type of illegal gambling has flourished in Texas.

The Committee recommends legislation similar to House Bill 1127 (83R - Smith/Patrick) to afford local authorities across the state greater regulatory access to illegal operations and provide civil and criminal penalties that encourage stronger enforcement.<sup>16</sup> This recommendation will decrease illegal gambling in Texas, while increasing the benefits of charitable bingo.

# **BACKGROUND AND HISTORY**

## **I. Texas Lottery**

In 1991, Texas voters approved the creation of a state lottery by a two-to-one margin and lottery sales began in 1992.<sup>17</sup> The 73rd Legislature created the Texas Lottery Commission in 1993.<sup>18</sup> In 1997, legislation passed that required lottery proceeds to be transferred to the Foundation School Fund instead of the state's General Revenue Fund.<sup>19</sup> Since then, more than \$17 billion has been allocated to the Foundation School Fund.<sup>20</sup> In addition to benefitting education, over \$39 million in lottery revenue has been allocated to the Texas Veterans Commission over the past 5 years and nearly \$177 million has gone to the UTMB Teaching Hospital since 2000.<sup>21</sup> In total, almost \$23 billion in Texas Lottery proceeds have been transferred to the state since the lottery's creation.<sup>22</sup>

The Texas Lottery is a public-private partnership, known as the "Texas Model."<sup>23</sup> The Lottery Commission works with private vendors to supply the various services and products offered by the Texas Lottery, including advertising, ticket manufacturing, auditing, and studio and broadcast services. Most significantly, the Lottery Commission has its primary contract with GTECH, which produces lottery products and provides significant services for lottery operations. GTECH, an international company, has over \$200 million of capital invested in Texas and has roughly 600 employees in the state.<sup>24</sup>

The Lottery Commission itself develops and approves lottery games, provides prize redemption services, conducts lottery drawings, provides information to the public, enforces statutes, and develops and enforces rules and policies.<sup>25</sup> In addition, the Lottery Commission licenses and regulates more than 17,000 lottery retailers across the state.<sup>26</sup>

### **Texas Lottery Overview Public-Private "Texas Model" Concept**



## **II. Charitable Bingo**

Texas voters approved charitable bingo in 1980, with nearly 65 percent voter approval.<sup>27</sup> Despite winning statewide approval, the legislation authorizing bingo requires further authorization on a local option basis.<sup>28</sup> The Bingo Enabling Act became effective following the 67th Legislature and the Texas Comptroller began to distribute bingo licenses in 1982.<sup>29</sup> In 1990, regulation of charitable bingo was transferred from the Comptroller to the Texas Alcoholic Beverage Commission.<sup>30</sup> Regulation of charitable bingo was transferred to the Lottery Commission in 1994 and remains there to date.<sup>31</sup>

The Lottery Commission, through its Bingo Operations Division, licenses and regulates more than 1,000 charitable organizations that participate in bingo, 267 bingo halls and 29 bingo product distributors and manufacturers.<sup>32</sup> The charitable organizations participating in bingo consist of fraternal organizations, veteran organizations, religious organizations, volunteer fire departments, and other non-profit organizations.<sup>33</sup>

Since its authorization, charitable bingo has produced more than \$1 billion for charities in Texas.<sup>34</sup> In 2013, gross receipts from charitable bingo operations in Texas totaled over \$719 million.<sup>35</sup> Of those gross receipts, roughly \$549 million was paid in prizes and more than \$49 million was paid in bingo workers' salaries, while approximately \$26.5 million (or 3.7 percent of gross receipts) was distributed to charitable organizations.<sup>36</sup> Pursuant to state law, approximately \$27.5 million was paid to state and local government from bingo prize fee collections.<sup>37</sup>

## **III. Creation and Charge of the Lottery and Bingo Legislative Review Committee**

The Sunset Advisory Commission reviewed the Lottery Commission in 2003, 2005, and 2012.<sup>38</sup> In 2013, the Sunset bill regarding the Lottery Commission (83(R) House Bill 2197 - by Anchia/Huffman) initially failed to pass the Texas House of Representatives, with 65 yeas and 81 nays.<sup>39</sup> The Texas House of Representatives later reconsidered and passed the bill.<sup>40</sup>

When House Bill 2197 was passed in its final form, the bill included a provision that directed the Speaker of the House and the Lieutenant Governor to appoint five members of the House of Representatives and five members of the Senate to a legislative review committee.<sup>41</sup>

The Committee was charged with studying the elimination of the state lottery, including: development of a schedule for phasing out the state lottery; any potential consequences to the state of phasing out the state lottery; the potential impact of eliminating the state lottery on the state's budget; and any other concerns identified by the Committee related to eliminating the state lottery.<sup>42</sup> The Committee was also charged with studying charitable bingo and the distribution of charitable bingo revenue, including: the portion of bingo revenue that should be required to be used for charitable purposes; the detrimental impact of establishing a mandatory charitable distribution; and market-based approaches to conducting and administering bingo operations and revenues that maximize the availability of funds used for charitable purposes.<sup>43</sup>

The Committee was appointed in July of 2014 and held a hearing on October 8, 2014 that included both invited and public testimony regarding the Texas Lottery and charitable bingo.<sup>44</sup>

## LOTTERY ISSUES AND ANALYSIS

### I. Benefit to the State and State Programs

Since its creation in 1992, revenue from the Texas Lottery has contributed nearly \$23 billion to state funds.<sup>45</sup> Prior to 1997, all lottery revenue was transferred to the state's General Revenue Fund, and roughly \$5.4 billion in lottery proceeds have gone into the General Revenue Fund to date.<sup>46</sup> Following the passage of legislation in 1997, the bulk of lottery revenue began to be transferred to the Foundation School Fund.<sup>47</sup> In the 17 years since this legislative change, more than \$17 billion has been allocated to the Foundation School Fund.<sup>48</sup> In fiscal year 2014, the Texas Lottery transferred a record \$1.2 billion to the Foundation School Fund, amounting to nearly 6 percent of the \$20.7 billion in state funding for public education.<sup>49</sup>

**Texas Lottery Commission**  
**Accrued Revenue Transfers and Allocations**  
**FY 1992-2014**  
(in Millions)

| Fiscal Year  | Foundation School Fund | Texas Veterans Commission | General Revenue    | Multi-Categorical Teaching Hospital Account | Other Beneficiaries* | Total Accrued Revenue Transfers |
|--------------|------------------------|---------------------------|--------------------|---|----------------------|---------------------------------|
| 1992         | \$ -                   | \$ -                      | \$ 248.88          | \$ -  | \$ -                 | \$ 248.88                       |
| 1993         | -                      | -                         | 858.34             | -   | -                    | 858.34                          |
| 1994         | -                      | -                         | 927.88             | -   | -                    | 927.88                          |
| 1995         | -                      | -                         | 1,015.04           | -   | -                    | 1,015.04                        |
| 1996         | -                      | -                         | 1,088.32           | -   | -                    | 1,088.32                        |
| 1997         | 174.24                 | -                         | 1,008.54           | -   | -                    | 1,182.78                        |
| 1998         | 1,097.30               | -                         | -                  | -   | -                    | 1,097.30                        |
| 1999         | 853.37                 | -                         | -                  | -   | -                    | 853.37                          |
| 2000         | 827.33                 | -                         | -                  | 35.52                                       | -                    | 862.85                          |
| 2001         | 825.08                 | -                         | -                  | 4.48  | 34.48                | 864.00                          |
| 2002         | 358.28                 | -                         | -                  | 40.00                                       | 28.82                | 827.10                          |
| 2003         | 332.09                 | -                         | -                  | -   | 88.99                | 849.08                          |
| 2004         | 1,008.45               | -                         | 18.47              | 10.73                                       | 11.33                | 1,051.03                        |
| 2005         | 1,008.64               | -                         | 22.38              | 8.22  | 28.87                | 1,070.10                        |
| 2006         | 1,038.11               | -                         | 44.22              | 10.00                                       | -                    | 1,092.33                        |
| 2007         | 1,034.07               | -                         | 43.85              | 10.00                                       | -                    | 1,087.92                        |
| 2008         | 830.74                 | -                         | 44.13              | 10.00                                       | -                    | 1,034.87                        |
| 2009         | 898.42                 | -                         | 62.73              | 10.00                                       | -                    | 1,062.15                        |
| 2010         | 838.14                 | 7.35                      | 68.68              | 10.00                                       | -                    | 1,063.03                        |
| 2011         | 881.39                 | 3.85                      | 43.25              | 10.00                                       | -                    | 1,022.78                        |
| 2012         | 1,088.03               | 5.31                      | 45.43              | 5.75  | -                    | 1,155.52                        |
| 2013         | 1,143.52               | 8.13                      | 63.88              | 5.75  | -                    | 1,221.28                        |
| 2014         | 1,203.77               | 11.54                     | -                  | 5.41  | -                    | 1,220.72                        |
| <b>Total</b> | <b>\$ 17,080.88</b>    | <b>\$ 28.03</b>           | <b>\$ 5,287.72</b> | <b>\$ 178.81</b>                            | <b>\$ 171.07</b>     | <b>\$ 22,866.58</b>             |

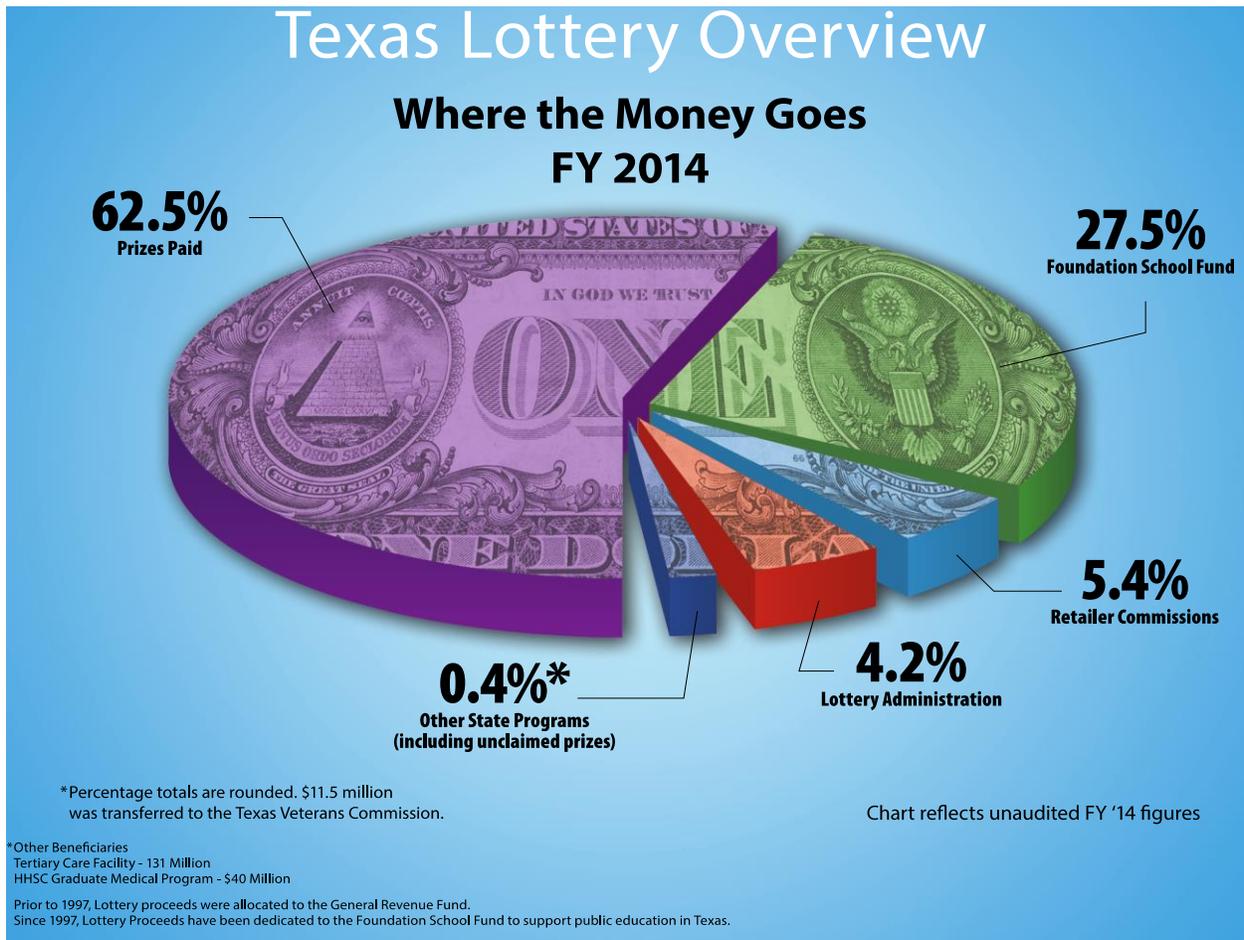
\*Includes HHSC Graduate Medical Education and Tertiary Care

The Texas Lottery's revenue distribution is defined in statute. After the award of prizes and payment of costs incurred in the operation and administration of the lottery, remaining lottery proceeds are contributed to the Foundation School Fund.

#### A. Lottery Transfer to the Foundation School Fund

Last year, the Texas Lottery had record sales of nearly \$4.4 billion.<sup>50</sup> Of those sales, a little over \$2.8 billion was paid out in prizes, nearly \$237 million was paid in retailer commissions and payments, and roughly \$173 million was used for administrative expenses (including payment

for lottery operations).<sup>51</sup> From lottery sales and unclaimed prizes, more than \$1.2 billion was transferred to the Foundation School Fund.<sup>52</sup>



### B. Other State Programs Supported by the Texas Lottery

Unclaimed lottery prizes are retained by the Lottery Commission for 180 days.<sup>53</sup> If a lottery prize is not claimed, it may be transferred, subject to the legislative appropriations process, to the UTMB Teaching Hospital through the Multi-Categorical Teaching Hospital Account, the Health and Human Services Commission for inpatient hospital services in hospitals located in the 15 counties along the Texas-Mexico border, and/or the Texas Veterans Commission to provide veterans' assistance.<sup>54</sup> Any remaining unclaimed prizes not appropriated to the aforementioned accounts are transferred to the Foundation School Fund.<sup>55</sup>

In 2014, over \$78 million in prizes went unclaimed, resulting in a \$5.4 million distribution to the UTMB Teaching Hospital and a \$950,000 distribution to the Texas Veterans Commission.<sup>56</sup> The remaining portion of unclaimed prizes was transferred to the Foundation School Fund.<sup>57</sup> Unclaimed prize funds were not allocated to the Health and Human Services Commission through the legislative appropriations process.<sup>58</sup>

The Legislature began transferring lottery funds to the UTMB Teaching Hospital in 2000.<sup>59</sup> To date, the Teaching Hospital has received nearly \$177 million from lottery revenue.<sup>60</sup>

In 2007, the 80th Legislature established the Fund for Veterans Assistance, which has been funded, in part, by a Texas Lottery scratch-off game.<sup>61</sup> Through the Fund for Veterans Assistance, nearly \$34 million in grants have been awarded to 113 non-profit and local government entities to provide general assistance and mental health services to veterans in Texas.<sup>62</sup> In total, more than 177,000 Texas Veterans have benefitted from grants offered through the Fund for Veterans Assistance.<sup>63</sup>

### **TEXAS FUND FOR VETERANS ASSISTANCE**

|                                     | <b>FY2010</b>      | <b>FY2011</b>      | <b>FY2012</b>      | <b>FY2013</b>      | <b>FY2014</b>       | <b>Total</b>        |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Lottery*                            | \$7,353,334        | \$8,648,112        | \$5,306,574        | \$6,178,158        | \$11,539,036        | <b>\$38,451,661</b> |
| Vehicle Registrations               | \$5,443            | \$7,885            | \$373,946          | \$601,841          | \$690,425           | <b>\$1,679,540</b>  |
| Driver License                      |                    |                    |                    |                    | \$234,486           | <b>\$234,486</b>    |
| SECC                                | \$22,701           | \$30,927           | \$34,244           | \$45,216           | \$43,050            | <b>\$176,138</b>    |
| Restricted & Unrestricted Donations | \$300              | \$4,560            | \$5,874            | \$2,205            | \$143,384           | <b>\$156,323</b>    |
| <b>Totals</b>                       | <b>\$7,381,778</b> | <b>\$8,691,484</b> | <b>\$5,720,638</b> | <b>\$6,253,867</b> | <b>\$12,650,381</b> | <b>\$40,698,148</b> |

## **II. Economic Benefit to Businesses in Texas**

Beyond providing significant benefit to the state and state programs, the Texas Lottery also provides a substantial economic benefit to businesses operating in Texas. Currently, more than 17,000 retailers in Texas are licensed to sell lottery products. These licensed retailers are predominantly convenience and grocery stores, but lottery products are also sold in liquor stores, gift shops, and pharmacies.<sup>64</sup>

Pursuant to state statute, lottery retailers are entitled to a five percent commission on their lottery product sales and may receive incentive bonuses based on sales.<sup>65</sup> In 2014, this resulted in retailers receiving more than \$219 million in commissions and an additional \$17 million in bonus payments.<sup>66</sup> On average, each of the more than 17,000 retailers received more than \$13,000 in commission and incentive payments in 2014.

In addition to the financial benefit of lottery commissions and incentives, retailers also benefit from increased non-lottery sales to lottery product purchasers. A study by Angelou Economics estimated that "[f]or convenience store owners, the Texas Lottery creates, on average, as much as \$130,200 per year in non-lottery purchases made by lottery players."<sup>67</sup> That same study found that lottery customers buy 50 percent more items and spend 70 percent more on purchases than other customers.<sup>68</sup>

The Texas Lottery has its primary contract for operations and services with a private vendor, GTECH Corporation. Under this contract, which began in September 2011 and runs through August 2020, GTECH is compensated based on 2.2099 percent of lottery sales.<sup>69</sup> For fiscal year 2014, this resulted in a roughly \$97 million payment to GTECH.<sup>70</sup> While this figure is significant, it is supported by the investment GTECH has made in Texas. Beyond providing

operations services to the Texas Lottery, GTECH has also made over \$200 million of capital investments in Texas and employs 600 people in the state.<sup>71</sup> GTECH has facilities in Abilene, Austin, Corpus Christi, El Paso, Houston, Fort Worth, Irving, McAllen, Lubbock, San Antonio, Tyler, and Victoria.<sup>72</sup>

**A. Benefit to Historically Underutilized Businesses**

The Texas Lottery Commission expends great effort to maximize its utilization of historically underutilized businesses ("HUB"). In 2013, the Lottery Commission had the highest percentage of HUB expenditures when compared to the 18 largest-spending state agencies in Texas.<sup>73</sup> Of the \$153 million expended by the Lottery Commission, more than \$47 million (over 30 percent) was paid to historically underutilized businesses.<sup>74</sup>

| RANK | AGENCY NAME                           | TOTAL EXPENDITURES | HUB EXPENDITURES | HUB PERCENTAGE |
|------|---------------------------------------|--------------------|------------------|----------------|
| 1    | TEXAS LOTTERY COMMISSION              | \$153,290,299      | \$47,159,620     | 30.76%         |
| 2    | UNIVERSITY OF TEXAS SYSTEM            | \$499,296,255      | \$141,135,301    | 28.27%         |
| 3    | TEXAS TECH UNIVERSITY                 | \$159,716,481      | \$41,557,249     | 26.02%         |
| 4    | THE TEXAS A & M UNIVERSITY SYSTEM     | \$251,515,450      | \$61,376,906     | 24.40%         |
| 5    | HEALTH & HUMAN SERVICES COMMISSION    | \$750,633,686      | \$174,604,252    | 23.26%         |
| 6    | TEXAS A & M UNIVERSITY (MAIN UNIV)    | \$226,151,115      | \$49,548,000     | 21.91%         |
| 7    | UNIVERSITY OF HOUSTON                 | \$310,835,987      | \$67,639,122     | 21.76%         |
| 8    | TEXAS STATE UNIVERSITY - SAN MARCOS   | \$169,503,937      | \$34,870,144     | 20.57%         |
| 9    | UNIVERSITY OF TEXAS AT AUSTIN         | \$311,546,426      | \$55,542,094     | 17.83%         |
| 10   | TEXAS DEPARTMENT OF CRIMINAL JUSTICE  | \$283,345,114      | \$45,018,856     | 15.89%         |
| 11   | UT SOUTHWESTERN MEDICAL CENTER/DALLAS | \$693,128,262      | \$96,457,986     | 13.92%         |
| 12   | DEPARTMENT OF STATE HEALTH SERVICES   | \$349,746,637      | \$48,595,992     | 13.89%         |
| 13   | TEXAS EDUCATION AGENCY                | \$162,351,287      | \$20,924,290     | 12.89%         |
| 14   | DEPARTMENT OF PUBLIC SAFETY           | \$180,843,259      | \$21,216,289     | 11.73%         |
| 15   | UNIVERSITY OF TEXAS MEDICAL BRANCH    | \$336,711,147      | \$26,745,692     | 7.94%          |
| 16   | UT MD ANDERSON CANCER CENTER          | \$1,295,468,249    | \$99,932,628     | 7.71%          |
| 17   | TEXAS DEPARTMENT OF TRANSPORTATION    | \$5,206,374,314    | \$385,347,063    | 7.40%          |
| 18   | GENERAL LAND OFFICE                   | \$ 220,551,390     | \$8,016,352      | 3.63%          |

**III. Public Service Initiatives of the Texas Lottery**

Upon receipt of notice from the Texas Department of Public Safety that the Texas AMBER Alert Network has been activated, signaling the abduction of a child, the Texas Lottery disseminates AMBER Alert information at its retail locations through multimedia monitors.<sup>75</sup> The Texas Lottery uses the same system and infrastructure to participate in providing Silver Alerts, which issue notice of missing senior citizens; Blue Alerts, which issue information about offenders who flee after killing or injuring members of law enforcement; and Endangered Missing Person Alerts, which assist in locating missing persons with intellectual disabilities.<sup>76</sup>

The Texas Lottery also assists in the collection of debts owed to the state, such as delinquent child support payments, student loan debts, and back taxes.<sup>77</sup> Before a prize is paid to a lottery winner, Texas Lottery staff checks to ensure the claimant does not owe a debt to the state.<sup>78</sup> If

the claimant does have an outstanding debt, the debt is paid through their lottery winnings before any prize is paid. Over the past three years, Texas Lottery staff has recovered approximately \$8.2 million for the state to satisfy these outstanding debts.<sup>79</sup>

#### **IV. Texas Lottery Player Demographics**

State law requires the Lottery Commission to contract with an outside entity to conduct a demographic study of Texas Lottery players every two years.<sup>80</sup> However, since 2005, the Texas Lottery has conducted demographics studies annually.<sup>81</sup> In 2013, the Hobby Center for Public Policy at the University of Houston conducted the study.<sup>82</sup>

The Hobby Center's study surveyed 1,695 people via telephone about their income, employment status, education, age, gender, race, and whether they were of Hispanic origin.<sup>83</sup> The study found that 36 percent of those surveyed played a Texas Lottery game in the previous year.<sup>84</sup>

Some of the Hobby Center's more notable findings follow: in 2013, 25.9 percent of players had a yearly income of less than \$30,000 per year, 35.6 percent had a yearly income between \$30,000 and \$74,999, and 38.5 percent had a yearly income above \$75,000.<sup>85</sup> Roughly 70 percent of players had at least some college education and 45.5 percent held a college degree, whereas less than 4 percent had not completed high school.<sup>86</sup> Of those lottery players surveyed, 51.2 percent were male and 48.8 percent were female.<sup>87</sup>

The Hobby Center's study found that 65.9 percent of lottery players were white, 17.5 percent were Hispanic, 12.7 percent were African-American, 1.8 percent were Asian, 1 percent were Native American and 1.2 percent identified as other.<sup>88</sup> According to the U.S. Census Bureau, in 2012, the state's population was 44.5 percent white, 38.2 percent Hispanic, 12.3 percent African-American, 4.2 percent Asian, and 1 percent American Indian and Alaska Native.<sup>89</sup>

While the Hobby Center's findings are helpful in understanding the demographics of the lottery playing population, some contend that they are not truly representative of the player population because they are based on telephone surveys, rather than actual lottery sales. Further, some expressed concern about the accuracy of a player self-reporting whether or not they played, their frequency of play, and amounts spent playing the lottery. The Committee recommends directing the Lottery Commission to incorporate an analysis of sales and retailer penetration based on zip code into its annual independent study and compare such information against the general population demographics in each zip code.

## **CHARITABLE BINGO ISSUES AND ANALYSIS**

### **I. Benefit to Texas Charities**

Since its receipt of voter approval in 1980 and legislative authorization the following year, charitable bingo operations in Texas have generated more than \$1 billion for Texas charities.<sup>90</sup> Last year, charitable bingo produced \$26.5 million for charities around the state.<sup>91</sup> Without these funds, many charities would not be able to provide the valuable services they currently supply.

#### **Charitable Bingo For Calendar Years 2004 - 2013**

| YEAR | TOTAL GROSS RECEIPTS | PRIZES PAID TO PLAYERS | CHARITABLE DISTRIBUTIONS | LOCAL ALLOCATIONS |
|------|----------------------|------------------------|--------------------------|-------------------|
| 2004 | \$604,736,529        | \$444,841,402          | \$30,044,665             | \$10,303,938      |
| 2005 | \$634,031,612        | \$471,503,840          | \$30,384,530             | \$10,912,959      |
| 2006 | \$658,325,172        | \$492,181,753          | \$31,997,726             | \$11,589,240      |
| 2007 | \$658,203,740        | \$493,339,524          | \$32,090,655             | \$11,598,956      |
| 2008 | \$685,573,612        | \$513,228,658          | \$32,852,800             | \$11,866,340      |
| 2009 | \$693,290,588        | \$518,394,364          | \$36,036,457             | \$12,264,641      |
| 2010 | \$699,434,079        | \$526,737,400          | \$33,910,570             | \$12,338,567      |
| 2011 | \$706,128,229        | \$534,010,163          | \$29,044,762             | \$12,576,181      |
| 2012 | \$723,514,858        | \$549,003,354          | \$29,464,079             | \$12,898,689      |
| 2013 | \$719,612,130        | \$549,385,412          | \$26,554,863             | \$13,044,976      |

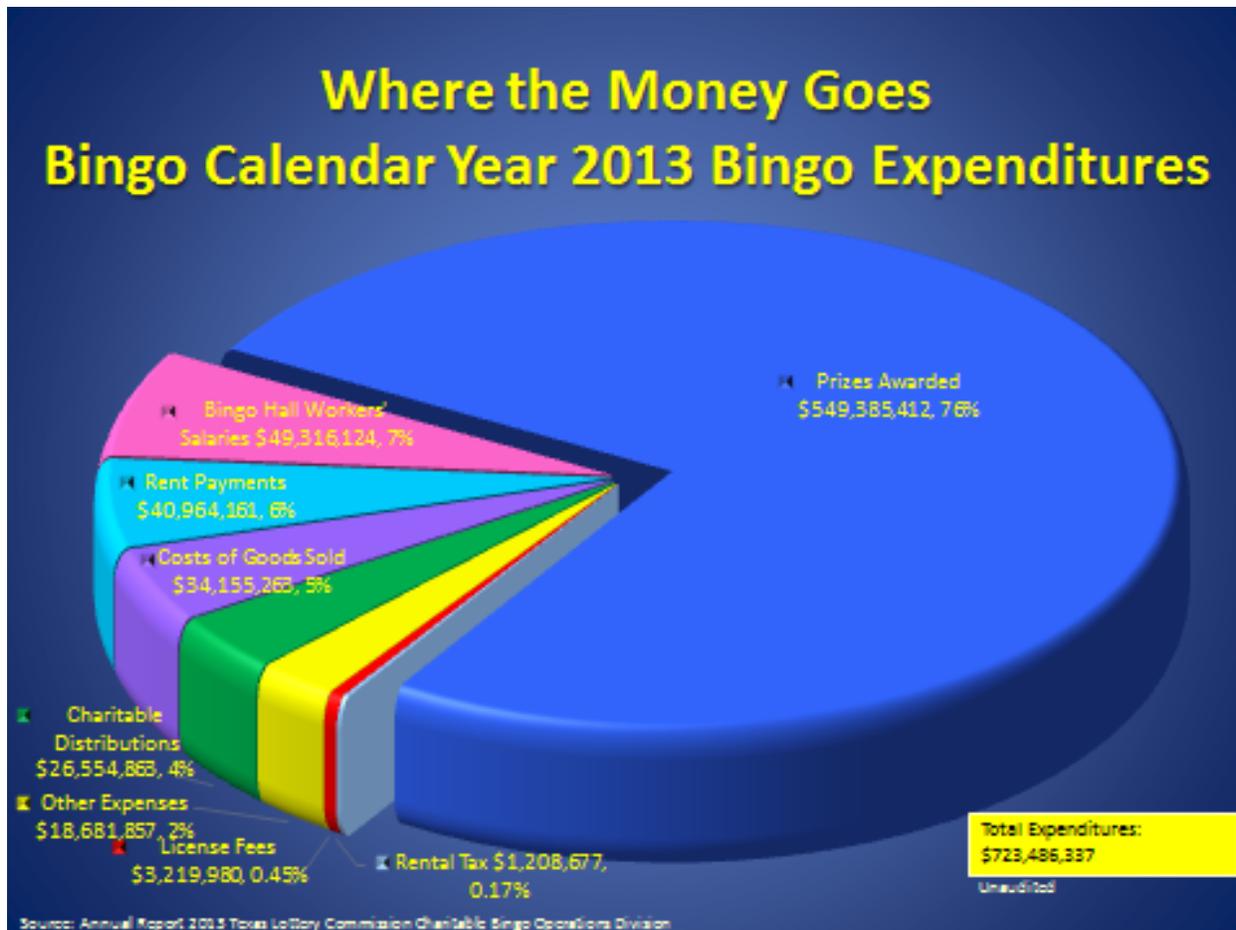
#### **A. Minimum Charitable Distribution Requirement**

While many charities benefit significantly from bingo operations, there are some that receive little to no financial gain despite lending their names to bingo hall operators. In 2013, 189 (17 percent) of the 1,095 licensed bingo charities in Texas had less than \$1,000 in charitable distributions.<sup>92</sup> Additionally, 131 of the licensed bingo charities had negative net proceeds from the operation of charitable bingo.<sup>93</sup>

During the 83rd legislative session, Representative Byron Cook offered an amendment to House Bill 2197 that would have instituted a minimum charitable distribution of five percent of bingo gross receipts.<sup>94</sup> The amendment was not included in the bill, as finally passed, but the concern for ensuring an appropriate charitable distribution was submitted to the Committee for further consideration.

Following the Committee's study of charitable bingo distributions and testimony from the Committee's October 8, 2014 hearing, it has become apparent that a minimum distribution is necessary. However, it is important to note that for each charitable bingo hall that does not provide an appropriate financial benefit to charities, there are several that do. Any change in legislation must keep this in mind, so as to raise the standard for those bingo halls not operating in the best interest of the charities, while still allowing the good actors to continue to provide the charitable benefits that they currently do.

In response to Representative Cook's call for an increased charitable benefit, two bingo industry organizations, The Bingo Interest Group and Texas Charity Advocates, submitted a proposal aimed at maximizing the financial benefit to charities that participate in bingo. The groups' proposal calls for a tiered system of required minimum charitable distributions based on "gross gaming revenue."<sup>95</sup> Gross gaming revenue is calculated as the sum total of gross receipts of a bingo occasion, less prizes paid.<sup>96</sup> Gross gaming revenue is a more appropriate means of calculating minimum charitable distributions than gross receipts, as it takes prizes paid into account. In sum, gross gaming revenue is an appropriate measure of a bingo licensee's charitable performance, whereas gross receipts is not.



The Bingo Interest Group and Texas Charity Advocates proposed a phased-in three-tier system based on gross gaming revenue at each bingo hall location.<sup>97</sup> The Committee appreciates their efforts and has incorporated a significant portion of their tiered system into its formal recommendation, which imposes a required minimum charitable distribution based on gross gaming revenue from each bingo location, as follows:

- "Tier One" bingo locations, which are those with gross gaming revenue above \$500,000 per calendar year, would be required to provide a minimum charitable distribution of:
  - 6 percent of gross gaming revenue in 2016;

- 8 percent of gross gaming revenue in 2017; and
  - 10 percent of gross gaming revenue in 2018.
- "Tier Two" bingo locations, which are those with gross gaming revenue at or below \$500,000 per calendar year, would be required to provide a minimum charitable distribution of:
    - 3 percent of gross gaming revenue in 2016;
    - 4 percent of gross gaming revenue in 2017; and
    - 5 percent of gross gaming revenue in 2018.
  - "Tier Three" bingo locations, which are those noncommercial locations that conduct no more than two bingo occasions per week, would not be subject to the aforementioned minimum charitable distribution requirements, due to their size and infrequency. However, the Committee recommends granting the Lottery Commission the authority to impose minimum distribution requirements by rule.

In the tiered system, minimum charitable distributions would be required to be distributed directly to participating charities and used solely for charitable purposes. The tiered system would be phased in over the course of three years to afford bingo operators an opportunity to reduce their expenses in order to meet distribution requirements. The Committee recognizes it may be appropriate to allow an adjustment for bingo operators affected by their location near an out-of-state casino. It should be noted that any additional proceeds beyond the organizations' and units' reasonable and necessary expenses and the minimum distribution would still be statutorily required to be distributed to the charities.

While the Committee recognizes a minimum charitable distribution requirement will likely put some bingo licensees out of the bingo business, it is a necessary change to ensure charities are receiving an appropriate financial benefit from lending their names to charitable bingo operations.

#### B. Lottery Commission Authority to Address Excessive Prize Payout Percentages

Charitable bingo operators assert that their ability to improve distributions is limited by the amount of prizes the market dictates they pay. However, while awarding a high prize percentage is likely to improve bingo's appeal, it is done so at the detriment of charities. As an example, some bingo halls payout more than 90 percent of their gross receipts in prizes. Prize payouts at this level are unacceptable and incompatible with the notion of conducting bingo for the benefit of charities.

The Committee believes it beneficial to grant the Lottery Commission the authority to address excessive prize payout percentages within a specific geographic area. In addition, the Lottery Commission should seek to address the variables that result in excessive prize payout percentages, as opposed to merely setting a prize percentage cap. This flexibility will increase the benefit of bingo to charities and protect them from the demand for consistently increasing prize payouts.

## II. Benefit to the State and Local Governments

Pursuant to state statute, the Lottery Commission receives a five percent prize fee from bingo operators for all prizes.<sup>98</sup> Such prize fees are then split between the state and those counties and municipalities that have imposed a gross receipts tax on the conduct of bingo.<sup>99</sup> Prize fees apportioned to the state are deposited in the state's General Revenue Fund and are not appropriated to the Lottery Commission. In 2013, more than \$27.5 million was collected in prize fees, with \$14.5 million distributed to the state, nearly \$7 million distributed to counties, and just above \$6 million distributed to municipalities.<sup>100</sup>

**Charitable Bingo Prize Fee Collections FY 2004-2014**



Beyond the prize fees collected, the state also benefits from the collection of bingo location lease/rental taxes, license fees, and administrative penalties. In total, the state received \$19 million in bingo taxes and fees last year.<sup>101</sup>

Though the collection of bingo taxes and fees clearly presents a significant financial benefit to the state, many contend that the generation of state revenue was not the intention of voters in authorizing bingo, and the state could do a great service to Texas' charities by removing itself from bingo revenue. This argument is based on Article 3, Section 47 of the Texas Constitution, which authorized the Legislature to enact laws permitting bingo operations in Texas for the benefit of charities.

In addition, the General Appropriations Act requires the Lottery Commission to generate sufficient fees to cover the cost of charitable bingo regulation.<sup>102</sup> For this reason, the prize fee is purely for general revenue generation and not for purposes of regulating charitable bingo.

Accordingly, the state's portion of the prize fee should be converted into a mandatory player contribution and deposited directly into the participating charities' general funds to be used solely for charitable purposes. Had such a provision been in place in 2013, the state's \$14.5 million portion of the prize fee would have been deposited to Texas charities, increasing the charitable benefit of bingo from \$26.5 million to \$41 million.

### **III. Encourage Local Law Enforcement to Eliminate Illegal Gambling**

Charitable bingo, which operates legally and for the benefit of charities, has a difficult time competing with illegal eight-line gambling rooms, which operate purely for the benefit of their owners. As a result of difficulties in enforcement against this type of illegal gambling, the number of illegal eight-line operations has proliferated throughout the state and the landscape of gaming in Texas has shifted.

Illegal eight-line gaming rooms operate machines that award cash prizes - a clear violation of state law. Unfortunately, these operations have become very sophisticated and institute measures that effectively restrict law enforcement access. Last session, the Legislature passed 83(R) House Bill 1127 (Smith/Patrick), which gave local authorities in Harris County greater authority to regulate these operations and provided civil and criminal penalties that encourage stronger enforcement.<sup>103</sup> House Bill 1127 has been successful in driving illegal eight-line gaming rooms out of Harris County. The Committee recommends expanding the regulatory and enforcement provisions in House Bill 1127 to the rest of the state. This will have the two-fold benefit of decreasing illegal gambling in Texas and increasing the benefits of charitable bingo.

### **IV. Where to Regulate Bingo?**

Throughout its history, charitable bingo has been regulated by the Texas Comptroller, the Texas Alcoholic Beverage Commission, and the Lottery Commission, where it currently resides. Some members of the bingo industry have expressed concerns about being regulated by the Lottery Commission, due to the Lottery Commission running bingo's primary competition, the state lottery. Other interested stakeholders have commented that the Lottery Commission is the most suitable regulatory agency for bingo, as it is the only state agency accustomed to regulating a form of gambling.

The Bingo Interest Group and Texas Charity Advocates have advocated a transfer of bingo regulatory authority from the Lottery Commission to the Texas Department of Licensing and Regulation (hereinafter "TDLR"). The Committee heard invited testimony from the TDLR at its October 8, 2014 hearing.

While the Committee believes the TDLR has the infrastructure in place to regulate charitable bingo and has a commendable track record of regulating a diverse group of industries, the Committee also sees the value in housing the regulation of gaming businesses within one agency. While the Committee appreciates concerns about the potential conflict in regulating bingo and the lottery, the Committee believes the Lottery Commission has properly balanced the two and does not believe there is a need, at this time, to fund the expense of transferring the regulation of

charitable bingo from the Lottery Commission to the TDLR. However, this is an issue that the 84th Legislature should continue to explore.

## **COMMITTEE RECOMMENDATIONS**

Pursuant to the 83rd Legislature's charge to study the impact of eliminating the Texas Lottery and considering how to maximize the charitable bingo distributions, the Committee has developed the following recommendations:

**I. The Legislature should continue the Texas Lottery and the Texas Lottery Commission (statutory change unnecessary).**

It is the Committee's opinion that the loss of state funding for education and other valuable programs, and the loss to Texas businesses, would be gravely detrimental to the state. In order for the state to eliminate the Texas Lottery, it would have to accept one or more of the following:

- A reduction in public education funding of approximately \$1 billion annually and significant reductions in the funding of other critical programs;
- A reduction in spending in other areas of the budget to offset the loss of lottery funds;
- The need for higher taxes to replace the more than \$1 billion in annual public education funding and other funding that would be lost; and/or
- The need for approval by two-thirds of the Legislature to use funds from the Economic Stabilization Fund (the "Rainy Day Fund") to replace the public education funds and other funds that would be lost from elimination of the lottery.

Due to the unattractive nature of the foregoing actions, the Committee recommends the continuation of the Texas Lottery.

**II. The Legislature should instruct the Texas Lottery Commission to include a study of geographical lottery sales and retailer penetration by zip code, as part of its contracted demographics study, to gain better insight into the demographics of lottery players (statutory change necessary).**

The Lottery Commission's yearly demographics study is helpful in understanding the demographics of lottery players, but some contend surveying players months after purchases may result in inaccuracies. For this reason, the Committee recommends the demographics study include analysis of lottery sales and retailer penetration by zip code, so that they may be compared to the general population demographics of each zip code.

**III. The Legislature should instruct the Texas Lottery Commission to conduct an external study of its advertising media expenditures every other year to ensure lottery advertising is not targeted towards any specific demographic (statutory change necessary).**

Over the course of the lottery's existence, some have expressed concern that the games are most prevalently played by members of particular demographic groups. The Lottery Commission should contract with an external entity to conduct an advertising media expenditure study every other year to ensure advertising is not targeted towards any specific demographic group.

**IV. The Legislature should instruct the Lottery Commission to discontinue the promotion of lottery games via print advertising (statutory change unnecessary).**

Television, radio, billboards, and multimedia monitors at retailer locations are the most efficient use of lottery advertising funds. In addition, the nature of print media makes it more susceptible to targeted advertisements than the aforementioned mediums. For this reason, the Committee recommends the Lottery Commission discontinue the promotion of lottery games and sales through print media.

**V. The Legislature should impose a statutorily required minimum charitable distribution based on a bingo location's gross gaming revenue (statutory change necessary).**

The Committee supports the tiered system proposed by charitable bingo stakeholders for ensuring minimum charitable bingo distributions. The three-tiered system based on gross gaming revenue (calculated as the sum total of all gross receipts, less prizes paid) from each bingo location should be phased in over three years, as follows:

- "Tier One" bingo locations, with gross gaming revenue above \$500,000 per calendar year, would be required to provide a minimum charitable distribution of:
  - 6 percent of gross gaming revenue in 2016;
  - 8 percent of gross gaming revenue in 2017; and
  - 10 percent of gross gaming revenue in 2018.
- "Tier Two" bingo locations, with gross gaming revenue at or below \$500,000 per calendar year, would be required to provide a minimum charitable distribution of:
  - 3 percent of gross gaming revenue in 2016;
  - 4 percent of gross gaming revenue in 2017; and
  - 5 percent of gross gaming revenue in 2018.
- "Tier Three" bingo locations, which are those noncommercial locations that conduct no more than two bingo occasions per week, would not be subject to the aforementioned minimum charitable distribution requirements, due to their size and infrequency. However, the Committee recommends granting the Lottery Commission the authority to impose minimum distribution requirements by rule.

It should be noted, any additional proceeds beyond the organizations' and units' allowable expenses and the minimum required distribution would still be statutorily required to be distributed by the charities for charitable purposes.

**VI. The Legislature should grant the Lottery Commission the authority to address excessive prize payout percentages (statutory change necessary).**

Charitable bingo operators assert that their ability to improve charitable distributions is limited by the amount of prizes the market dictates they pay, with some awarding as much as 90 percent of their gross receipts in prizes. Such payouts are to the detriment of charities and are wholly

unacceptable. The Committee recommends granting the Lottery Commission the authority to address prize payout percentages in regions where prize payout percentages are excessive. This will increase charitable distributions and protect charities from the demand for growing prize payouts.

**VII. The Legislature should convert the state's portion of the bingo prize fee into a mandatory player contribution, which would be deposited directly into the participating charities' general funds and used solely for charitable purposes (statutory change necessary).**

The Committee believes it inappropriate for the state to benefit financially from a game authorized by voters for the benefit of charities. Further, since the regulation of bingo is funded through the imposition of license fees, additional bingo funds need not be collected by the state. Converting the state's portion of the bingo prize fee into a required charitable player contribution will offer a substantial benefit to Texas charities. Had such a provision been in place last year, the charitable benefit of bingo would have increased by \$14.5 million.

**VIII. The Legislature should encourage local law enforcement to eliminate illegal gambling (statutory change necessary).**

Illegal eight-line gambling operations have proliferated throughout the state and have changed the landscape of gaming in Texas. These operations, which violate state law by awarding cash prizes, have become very effective at restricting law enforcement access.

For this reason, the Committee recommends statewide legislation similar to 83(R) House Bill 1127 (Smith/Patrick) to give local authorities greater ability to regulate these illegal gaming operations and provide civil and criminal penalties that encourage stronger enforcement. This will have the dual benefit of decreasing operations that skirt the law and increasing the benefit of charitable bingo.

**IX. The Legislature should continue to evaluate the proper regulatory home for charitable bingo (statutory change unnecessary).**

Interested stakeholders in the charitable bingo industry have expressed concerns about being regulated by the Lottery Commission, given its potentially conflicting interest in running the state lottery. Others have supported the Lottery Commission as the most suitable regulatory home for charitable bingo, as it is the only state agency accustomed to regulating a form of gaming.

The Committee appreciates the concerns expressed regarding the potential for a conflict of interest, but believes the Lottery Commission has a strong record of properly balancing lottery and charitable bingo regulation. While the Committee believes the TDLR has the infrastructure in place to properly regulate charitable bingo, it does not believe there is a need, at this time, to fund the expense of transferring regulation from one suitable agency to another. However, given the concerns of interested stakeholders, this is an issue the 84th Legislature should continue to explore.

- 
- <sup>1</sup> HOUSE BILL 2197, 83rd Regular Session, 2013 (Anchia/Huffman).
- <sup>2</sup> *Id.*
- <sup>3</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).
- <sup>4</sup> *Id.*
- <sup>5</sup> *Id.*
- <sup>6</sup> ANGELOU ECONOMICS, THE TEXAS LOTTERY'S ECONOMIC IMPACT ON THE STATE OF TEXAS 15 (2013).
- <sup>7</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Alfonso Royal, Director, Texas Lottery Commission).
- <sup>8</sup> *Id.*
- <sup>9</sup> *Id.*
- <sup>10</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (statement of Steve Bresnen, Attorney, Texas Charity Advocates).
- <sup>11</sup> *Id.*
- <sup>12</sup> TEX. OCCUPATIONS CODE tit. 13, § 2001.502.
- <sup>13</sup> TEX. OCCUPATIONS CODE tit. 13, § 2001.503.
- <sup>14</sup> CHARITABLE BINGO OPERATIONS DIV., TEX. LOTTERY COMM'N, ANNUAL REPORT 11 (2013).
- <sup>15</sup> TEX. GEN. APPROPRIATIONS ACT, art. VII, 8-12 (2014-15).
- <sup>16</sup> HOUSE BILL 1127, 83rd Regular Session, 2013 (Smith/Patrick).
- <sup>17</sup> TEX. LOTTERY COMM'N, SELF-EVALUATION REPORT 31 (2011).
- <sup>18</sup> *Id.* at 37.
- <sup>19</sup> *Id.* at 42.
- <sup>20</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).
- <sup>21</sup> *Id.*
- <sup>22</sup> *Id.*
- <sup>23</sup> *Id.*
- <sup>24</sup> *Id.*
- <sup>25</sup> *Id.*
- <sup>26</sup> *Id.*
- <sup>27</sup> SELF-EVALUATION REPORT at 33.
- <sup>28</sup> *Id.*
- <sup>29</sup> *Id.*
- <sup>30</sup> *Id.* at 35.
- <sup>31</sup> *Id.* at 38.
- <sup>32</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Alfonso Royal, Director, Texas Lottery Commission).
- <sup>33</sup> *Id.*
- <sup>34</sup> *Id.*
- <sup>35</sup> *Id.*
- <sup>36</sup> *Id.*
- <sup>37</sup> *Id.*
- <sup>38</sup> TEX. LOTTERY COMM'N, 2015-2019 COMPREHENSIVE STRATEGIC PLAN 6 (2014).
- <sup>39</sup> TEX. HOUSE JOURNAL, 83rd Legislature, Regular Session, 1762 (2013).
- <sup>40</sup> *Id.* at 1797.
- <sup>41</sup> HOUSE BILL 2197, 83rd Regular Session, 2013 (Anchia/Huffman).
- <sup>42</sup> *Id.*
- <sup>43</sup> *Id.*
- <sup>44</sup> Minutes of the Legislative Comm. to Review the Texas Lottery and Charitable Bingo in Tex., available at <http://www.legis.state.tx.us/tlodocs/83R/minutes/html/C8952014100811001.HTM>.
- <sup>45</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).
- <sup>46</sup> *Id.*

---

<sup>47</sup> *Id.*  
<sup>48</sup> *Id.*  
<sup>49</sup> TEX. GEN. APPROPRIATIONS ACT, art. III, 1 (2014-15).  
<sup>50</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).  
<sup>51</sup> *Id.*  
<sup>52</sup> *Id.*  
<sup>53</sup> TEX. GOV'T CODE tit. 4, § 466.408.  
<sup>54</sup> *Id.*  
<sup>55</sup> *Id.*  
<sup>56</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).  
<sup>57</sup> *Id.*  
<sup>58</sup> *Id.*  
<sup>59</sup> *Id.*  
<sup>60</sup> *Id.*  
<sup>61</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Thomas Palladino, Executive Director, Texas Veterans Commission).  
<sup>62</sup> *Id.*  
<sup>63</sup> *Id.*  
<sup>64</sup> SELF-EVALUATION REPORT at 97-98.  
<sup>65</sup> TEX. GOV'T CODE tit. 4, § 466.408.  
<sup>66</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).  
<sup>66</sup> SELF-EVALUATION REPORT at 97-98.  
<sup>67</sup> ANGELOU ECONOMICS, THE TEXAS LOTTERY'S ECONOMIC IMPACT ON THE STATE OF TEXAS 15 (2013).  
<sup>68</sup> *Id.*  
<sup>69</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Gary Grief, Executive Director, Texas Lottery Commission).  
<sup>70</sup> *Id.*  
<sup>71</sup> *Id.*  
<sup>72</sup> *Id.*  
<sup>73</sup> TEX. LOTTERY COMM'N, MINORITY BUSINESS PARTICIPATION REPORT 12 (2013).  
<sup>74</sup> *Id.*  
<sup>75</sup> TEX. LOTTERY COMM'N, 2015-2019 COMPREHENSIVE STRATEGIC PLAN 87 (2014).  
<sup>76</sup> *Id.* at 88.  
<sup>77</sup> *Id.* at 8.  
<sup>78</sup> *Id.* at 63.  
<sup>79</sup> *Id.*  
<sup>80</sup> TEX. GOV'T CODE tit. 4, § 466.021.  
<sup>81</sup> 2015-2019 COMPREHENSIVE STRATEGIC PLAN at 37.  
<sup>82</sup> *Id.*  
<sup>83</sup> UNIVERSITY OF HOUSTON HOBBY CENTER FOR PUBLIC POLICY, DEMOGRAPHIC SURVEY OF TEXAS LOTTERY PLAYERS 8 (2013).  
<sup>84</sup> *Id.* at 1.  
<sup>85</sup> 2015-2019 COMPREHENSIVE STRATEGIC PLAN at 37.  
<sup>86</sup> *Id.* at 37.  
<sup>87</sup> *Id.* at 38.  
<sup>88</sup> DEMOGRAPHIC SURVEY OF TEXAS LOTTERY PLAYERS at 10.  
<sup>89</sup> 2015-2019 COMPREHENSIVE STRATEGIC PLAN at 41.  
<sup>90</sup> Hearing of the Legislative Committee to Review the Texas Lottery and Charitable Bingo in Texas, 83rd Legislature (October 8, 2014) (written testimony of Alfonso Royal, Director, Texas Lottery Commission).

---

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> *Id.*

<sup>94</sup> TEX. HOUSE JOURNAL at 1797.

<sup>95</sup> THE BINGO INTEREST GROUP AND TEXAS CHARITY ADVOCATES, REFORMING CHARITABLE BINGO FOR TEXAS CHARITIES 11-15 (2014).

<sup>96</sup> *Id.* at 11-12.

<sup>97</sup> *Id.* at 11-15.

<sup>98</sup> TEX. OCCUPATIONS CODE tit. 13, § 2001.502.

<sup>99</sup> TEX. OCCUPATIONS CODE tit. 13, § 2001.503.

<sup>100</sup> CHARITABLE BINGO OPERATIONS DIV., TEX. LOTTERY COMM'N, ANNUAL REPORT 11 (2013).

<sup>101</sup> *Id.*

<sup>102</sup> TEX. GEN. APPROPRIATIONS ACT, art. VII 8-12 (2014-15).

<sup>103</sup> HOUSE BILL 1127, 83rd Regular Session, 2013 (Smith/Patrick).