

SUBJECT: Allowing credit unions, banks to have savings promotion raffles

COMMITTEE: Investments and Financial Services — committee substitute recommended

VOTE: 6 ayes — Parker, Stephenson, Burrows, Dean, Holland, Longoria

0 nays

1 absent — E. Johnson

WITNESSES: For — Karen Neeley, Independent Bankers Association of Texas; Jeff Huffman, Texas Credit Union Association; Joshua Houston, Texas Impact; (*Registered, but did not testify*: Stacey Pogue, Center for Public Policy Priorities; Melodie Durst, Credit Union Coalition of Texas; Woody Widrow, RAISE Texas; James Thurston, United Ways of Texas)

Against — None

On — (*Registered, but did not testify*: Everette Jobe, Texas Department of Banking)

DIGEST: CSHB 471, the enabling legislation for HJR 37 by E. Johnson, would allow credit unions and financial institutions to hold savings promotion raffles, where individuals could enter the raffle by depositing a certain amount of money in a savings account or other savings program.

Accounts eligible for a savings promotion raffle would have to have certain characteristics commensurate with comparable accounts that were not eligible for the raffle. Fees, premiums, withdrawal limits, and interest or dividends would have to be consistent between eligible and ineligible accounts. A depository could require a certain account balance for a certain period of time for the deposit to represent an entry.

The raffle would have to be conducted in a manner that did not jeopardize the ability of a depository to operate in a safe and sound manner and did

not mislead depositors.

The Credit Union Commission and the Finance Commission of Texas would be required to adopt rules to enforce the provisions of the bill. Both commissions could require depositories under their authority to maintain all records deemed necessary to examine a raffle.

CSHB 471 would specify that a deposit of a certain amount of money in a savings account was not consideration. The bill also would exempt savings promotion raffles from certain provisions in the Business and Commerce, Occupations, and Penal codes relating to sweepstakes by mail, charitable raffles, and gambling, respectively.

This bill would take effect on the date that HJR 37 by E. Johnson was approved by voters. If that amendment was not approved by voters, CSHB 471 would have no effect.

**SUPPORTERS
SAY:**

CSHB 471 would give banks and credit unions the ability to host savings promotion raffles, also known as prize-linked savings accounts (PLSAs), which offer incentives to save rather than spend or gamble away earnings. Savings incentives are needed in the state, as more than one-third of Texas households lack a savings account, and around half do not have a three-month emergency fund.

Many states have removed legal barriers to PLSAs and have seen millions of dollars in consumer savings and thousands of new accounts as a result. These savings can allow households to weather financial emergencies such as car repairs or medical bills or accumulate wealth over time to pursue retirement, higher education, or home ownership. Savings also reduce reliance on sometimes destructive short-term lending.

Savings promotion raffles are not gambling, as they require no form of payment or consideration. Moreover, savings promotion raffles are unlike other raffles, in that they directly benefit the consumer even if they do not win a prize. Depositors could withdraw their money at any time and thus could not lose as in a raffle in any other industry

OPPONENTS
SAY: HB 471 would be a carve-out for one industry to do a raffle and would be the only non-charitable raffle allowed in the state. The Legislature should consider the equity of allowing a single industry to conduct raffles.

NOTES: CSHB 471 by E. Johnson is the enabling legislation for HJR 37, which would authorize the Legislature to permit credit unions and financial institutions to hold savings promotion raffles. HJR 37 is on the Constitutional Amendments Calendar for today.