

SUBJECT: Authorizing Legislature to allow banks to hold raffles promoting saving

COMMITTEE: Investments and Financial Services — favorable, without amendment

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*: 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)

BACKGROUND: Art. 3, sec. 47 of the Texas Constitution requires the Legislature to prohibit lotteries and gift enterprises in the state, with certain exceptions, including bingo games and charitable raffles conducted by various nonprofit or religious organizations.

DIGEST: HJR 37 would amend Art. 3, sec. 47 of the Texas Constitution to specify that the section did not prohibit the Legislature from authorizing credit unions or other financial institutions to conduct promotional activities to encourage savings. These promotional activities could award a prize to one or more of the institution's depositors selected by lot.

The ballot proposal would be presented to voters at an election on November 7, 2017. The proposal would read: "The constitutional amendment relating to legislative authority to permit credit unions and other financial institutions to award prizes by lot to promote savings."

**SUPPORTERS
SAY:**

HJR 37 would authorize the Legislature to allow banks and credit unions 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 about half do not have a three-month emergency fund.

Many states have removed legal barriers to PLSAs and 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 to 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. They are unlike other raffles, in that they directly benefit the consumer even if the consumer does 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.

While the enabling legislation, HB 471 by E. Johnson, probably would not be subject to constitutional challenge, HJR 37 is nonetheless necessary and would finally resolve any constitutional questions. Last session, HB 1628 by E. Johnson was vetoed by the governor on the grounds that it would violate Art. 3, sec. 47 of the Texas Constitution.

**OPPONENTS
SAY:**

HJR 37, if accompanied by the enabling legislation, HB 417 by E. Johnson, 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.

**OTHER
OPPONENTS
SAY:**

HJR 37 is unnecessary, as the Texas Constitution only requires the prohibition of lotteries, which require some form of payment or consideration to enter. Because a savings promotion raffle merely requires a deposit into an ordinary savings account, it would not be subject to the

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constitutional prohibition or challenge, and thus HJR 37 would have no functional effect.

NOTES:

According to the Legislative Budget Board, HJR 37 would have no fiscal implication to the state other than the cost of publication, which would be \$114,393.

The enabling legislation for HJR 37 is HB 471 by E. Johnson, which is on the General State Calendar for today.