

SUBJECT: Proposing a constitutional amendment authorizing casino gambling

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 9 ayes — Hunter, Hernandez, Anchía, Geren, Guillen, Raymond, Spiller,  
S. Thompson, Turner

3 nays — Metcalf, Slawson, Smithee

1 absent — Dean

WITNESSES: For —Gerry Del Prete, Fertitta Entertainment; J.T. Foley, Chris Hughes, Las Vegas Sands; Eric Schippers, Penn Entertainment; Carlton Schwab, Texas Economic Development Council; Garrett Coppedge, Texas Hotel and Lodging Association; Paul James; Arthuro McDowell; George Zodrow. (*Registered, but did not testify*: Jay Propes, Circuit of the Americas; James Parnell, Dallas Police Association; Ray Hunt, HPOU; CJ Tredway, Independent Electrical Contractors of Texas; Glenn Hamer, Texas Association of Business; Lance Lively, Texas Package Stores Association; Daniel Hodge, The Chickasaw Nation; Chris Gordon, Wynn Resorts Development; Justin Berry; William Busby; Art Granado; Evan Kirkham; Samuel Sheetz)

Against — Rob Kohler, Christian Life Commission of the Baptist General Convention of Texas; Mary Smith, Concerned Women for America; Tom Giovanetti, Institute for Policy Innovation; Jennifer Hughes, Kickapoo Traditional Tribe of Texas; Jill Glover, Republican Party of Texas; Cindy Asmussen, Southern Baptists of Texas Convention; Cindi Castilla, Texas Eagle Forum; Jonathan Covey, Texas Values (*Registered, but did not testify*: Steve Bresnen, Bingo Interest Group; Matt Rinaldi, Republican Party of Texas; Tisha Crow, RPT; Russ Coleman, Texans Against Gambling; John Litzler, Texas Baptists Christian Life Commission; Stephen Fenoglio, Texas Charity Advocates; Fran Rhodes, True Texas Project; Vera Billingsley; Adam Cahn; Jack Finger; Becky Green; Teresa Thomas)

On — Nita Battise, Alabama-Coushatta Tribe of Texas; Rob Werstler, Texas Quarter Horse Association

**BACKGROUND:** Some have suggested that allowing a limited number of destination resorts that include casino gaming and sports wagering along with other amenities would help Texas compete with other states to attract conventions and tourism and provide substantial economic benefit to the state.

**DIGEST:** CSHJR 155 would amend the Texas Constitution to authorize casino gaming under casino licenses for eight destination resorts in the following metropolitan statistical areas:

- two in Dallas-Fort Worth-Arlington;
- two in Houston-The Woodlands-Sugar Land;
- one in San Antonio-New Braunfels;
- one in Corpus Christi;
- one in McAllen-Edinburg-Mission; and
- one in another area, located in a county at least 100 miles from any of the other statistical areas and in which a majority of voters voting on the question voted in favor of the resolution.

The Legislature would authorize sports wagering only in a place and manner prescribed by general law, regulate sports wagering by general law, and direct the Texas Gaming Commission to adopt rules regulating sports wagering.

The Legislature would be required to establish the Texas Gaming Commission as a state agency with broad authority to regulate casino gambling and sports wagering. The commission would be composed of five members appointed by the governor serving staggered six-year terms and meet qualifications established by the Legislature.

The commission would issue a casino license to each initial qualified applicant, who would be required to:

- be of good moral character, be honest, and have integrity;
- demonstrate that the issuance of the license would not be detrimental to public interest or the casino gaming industry;
- satisfy qualifications and any other requirements under general law;
- demonstrate the financial ability to complete the development of and operate the applicable destination resort;
- have adequate experience in resort development, management, and casino gaming operations; and
- provide a detailed estimate of the applicant's total new development investment in the resort.

For each specified metropolitan statistical area, an initial qualified applicant for a casino license would have to be a racetrack association that, as of January 1, 2022, held a license to conduct racing in the area, or be a person designated by the racetrack association to apply for and hold a casino license. The applicant also would be required to commit to investing for new development of a destination resort the following amounts:

- for Dallas-Fort Worth-Arlington, at least \$2 billion;
- for Houston-The Woodlands-Sugar Land, at least \$2 billion
- for San Antonio-New Braunfels, at least \$1 billion;
- for Corpus Christi, at least \$250 million; and
- for McAllen-Edinburg-Mission at least \$250 million.

A licensed racetrack in the Brownsville-Harlingen metropolitan statistical area could apply for a casino license in the Houston-The Woodlands-Sugar Land metropolitan statistical area.

For the remaining casino license designated for an unspecified metropolitan statistical area, the applicant would be selected through an open bid process and would have to commit to investing at least \$1 billion.

A destination resort at which casino gaming was licensed could be located anywhere in the metropolitan statistical area for which the license was issued.

The Legislature by general law would regulate casino gaming and sports wagering by prescribing:

- additional requirements for casino licenses;
- restrictions on the transfer of casino licenses;
- definitions of terms necessary or useful to implement the amendment;
- qualifications for the issuance of new casino licenses to person who were not initial qualified applicants or did not satisfy an applicable requirement;
- restrictions and penalties for unlawful casino gaming and sports wagering.

Public money or facilities developed or built with public assistance or tax incentives of any kind could not be used for the development or operation of a destination resort. The Legislature would be required to prescribe measures to ensure that a casino license applicant was financially capable of satisfying and did satisfy minimum investment requirements.

A person could not have an ownership interest in more than two casino license holders.

The Legislature by general law would direct the Texas Gaming Commission to adopt rules ensuring that a person who held a casino license and a class 1 racetrack horse racing license maintained a number of live races at least equivalent to the number held in 2022. A racetrack association licensed to conduct greyhound racing and any racetrack association holding a racing license in the Laredo metropolitan statistical area would have to cease all racing operations and surrender the license as a condition of holding a casino license.

The Legislature would impose a 15 percent tax on gross casino gaming

revenue on each casino license holder and a tax as provided by general law on gross sports wagering revenue. The state, a state agency, or a political subdivision could not impose any other tax on this revenue or a license holder's operations, except for taxes or fees generally applicable to a business in the state. A portion of revenue from taxes imposed on gross casino gaming revenue would be allocated to be used as horse racing purse money for the public purpose of promoting the horse racing industry.

The Legislature would establish casino license application fees of:

- \$2.5 million for Dallas-Fort Worth-Arlington or Houston-The Woodlands-Sugar Land;
- \$1.25 million for San Antonio-New Braunfels;
- \$1.25 million for the unspecified metropolitan statistical area; and
- \$500,000 for Corpus Christi or McAllen-Edinburg-Mission.

The resolution would provide for the governor, at the request of any of the three federally recognized Indian tribes with Indian lands in the state, to negotiate a Tribal-State compact with the tribe to authorize Class III gaming on Indian lands as prescribed by the Indian Gaming Regulatory Act (IGRA). If either the Alabama-Coushatta Tribe of Texas or Ysleta del Sur Pueblo was not authorized to offer gaming under the IGRA at the time the amendment took effect, gaming by those tribes would be governed by the Ysleta Del sur Pueblo and Alabama and Coushatta Indian Tribes of Texas Restoration Act.

The amendment would provide for the severability of its provisions.

The ballot proposal would be presented to voters at an election on November 7, 2023, and would read: "The constitutional amendment to foster economic development and job growth, provide tax relief and funding for education and public safety programs, support the horse racing industry, and reform horse racing and greyhound racing by authorizing casino gaming at destination resorts, authorizing sports wagering, authorizing Tribal-State compacts with federally recognized

Indian tribes, and creating the Texas Gaming Commission to regulate casino gaming and sports wagering; requiring a license to conduct casino gaming; and requiring the imposition of a casino gaming tax, sports wagering tax, and license application fees.”

NOTES:

CSHB 2843 by Kuempel, the enabling legislation for CSHJR 155, is set for second reading consideration today.

According to the Legislative Budget Board, CSHJR 155 would have no cost to the state other than the cost of publication, which would be \$206,406.