

SUBJECT: Amending certain charitable bingo regulations

COMMITTEE: Licensing & Administrative Procedures — committee substitute recommended

VOTE: *After recommitted:*
6 ayes — K. King, Walle, Goldman, Harless, T. King, S. Thompson

0 nays

5 absent — Hernandez, Herrero, Patterson, Schaefer, Shaheen

SENATE VOTE: On final passage (March 16) — 29 - 1

WITNESSES: None (*Considered in a formal meeting on May 17*)

BACKGROUND: Occupations Code Sec. 2001.002(25-a) defines a "regular license" as a license to conduct bingo that is issued by the Texas Lottery Commission (TLC) and that expires on the first or second anniversary of the date of issuance unless revoked or suspended before that date by the commission. The term includes an annual license. "Unit" means two or more licensed authorized organizations that conduct bingo at the same location joining together to share revenues, authorized expenses, and inventory related to bingo operations.

Under the Occupations Code, an authorized organization that holds an annual license to conduct bingo may receive not more than 24 temporary licenses during the 12-month period following the issuance or renewal of the license. The holder of a license that is effective for two years may receive not more than 24 temporary licenses for each 12-month period that ends on an anniversary of the date the license was issued or renewed.

Some have suggested certain regulations related to charitable bingo should be amended to provide for an increase in authorized temporary licenses, eliminate annual regular bingo licenses, raise the cap on the total amount of bingo prizes that can be awarded, and clarify how penalties are

to be imposed.

DIGEST: CSSB 643 would repeal certain provisions on charitable bingo related to temporary licenses, prizes, and payment for certain services, and remove language that applied to an annual license.

The bill would amend the definition of "nonprofit organization" to reference authority granted by the Business Organizations Code rather than the Texas Non-Profit Corporation Act. The definition of "regular license" would be amended to mean a license to conduct bingo issued by the Texas Lottery Commission (TLC) that was not a temporary license.

The bill would remove a provision allowing an authorized organization holding an annual license to receive not more than 24 temporary licenses during the 12-month period following the issuance or renewal of the license. Instead, the bill would require TLC to issue to an authorized organization that held a regular license 48 temporary licenses for each 12-month period that ended on an anniversary of date the regular license was issued or renewed. Additionally, each unused temporary license issued to the license holder would expire on the anniversary of the date the temporary license was issued.

Before using a temporary license, the license holder would be required to notify TLC, in a manner prescribed by the commission, of the specific date, time, and location of the bingo occasion for which the temporary license would be used. The bill would remove the specified time limits in which TLC was required to provide notice of receipt. TLC would be required to provide verification of receipt to the license holder, and the license holder would be required to maintain the verification in the records of the authorized organization. Statutory regulations requiring that notice be given to the appropriate governing body and law enforcement offices would not apply to a temporary license issued to the holder of a regular license.

The bill would specify that TLC could issue a temporary or regular license or renew a regular license if it determined that the applicant had made and

could demonstrate significant progress toward the accomplishment of the organization's purposes during the 24 months, rather than 12 months, preceding the date of application. Rather than expiring after one year, a regular license to conduct bingo would expire two years after the license was issued unless TLC revoked or suspended the license before that date.

The bill would increase the maximum value from \$2,500 to \$5,000 for the amount a person could offer or award on a single bingo occasion prize, with certain exceptions. The bill would specify that an award deposit would have to be made by the third, rather than second, business day after the bingo occasion.

A person could not lease or otherwise make a premises available for conducting bingo to an organization unless the organization had been issued a temporary license and did not hold a regular license. If a unit on which a penalty was imposed for violation of these provisions demonstrated that a violation was wholly attributable to a specific licensed authorized organization member or members of the unit:

- a penalty for the violation could not be imposed on a unit member to which the violation was not attributable; and
- the penalty imposed on a unit member to which the violation was attributable could not be in an amount greater than the amount initially assessed against each unit member.

The bill would remove certain requirements regarding net profits of licensed bingo operations and amend the timeline related to these provisions. The bill would specify that prize fees would not be included in the calculation of operating capital if the prize fees were retained by a licensed authorized organization or held in escrow for remittance to TLC, a county, or a municipality.

The bill would require a licensed authorized organization or unit that collected a prize fee for a bingo game conducted in a relevant county or municipality to remit or deposit any remaining amount not deposited to TLC to the county or municipality. The amount and beneficiary of the

deposit would vary based on where the bingo game was held along with certain other conditions established in the bill.

By January 1, 2024, TLC would be required to adopt rules necessary to implement the bill.

The bill would take effect September 1, 2023, and would apply only to notifications of TLC by a license holder and penalties imposed on or after the effective date.

NOTES:

According to the Legislative Budget Board, CSSB 643 would have an indeterminate fiscal impact to the state. The increase in the number of temporary licenses an organization could receive from TLC and the maximum amount of prizes that could be awarded from bingo halls is unknown.