



Capitol Office:
Room 3S.6
P.O. Box 2910
Austin, Texas 78768
phone (512) 463-0720

TEXAS HOUSE OF REPRESENTATIVES

Senfronia Thompson

District Office:
10527 Homestead
Houston, Texas 77016
phone (713) 633-3390
fax (713) 633-7830

May 7, 2020

Mr. Tom Hanson, Acting Director
Charitable Bingo Operations Division
Texas Lottery Commission
611 East 6th Street
Austin, Texas 78701
sent via email

Dear Mr. Hanson:

I am writing to provide clarification and legislative intent on H.B. 914, relating to the regulation of bingo games, which I authored and was passed during the 86th Legislative Session.

One of the primary purposes of H.B. 914 was to allow local governments to opt out of their share of the prize fee collected from players if they were receiving the fees prior to the bill's passage. In doing so, the bill repealed the prior system by which charities collected the local share of the prize fee, remitted it to the Texas Lottery Commission (Commission) and then the Commission allocated it to the local governments. H.B. 914 was intended to end this complex process and sever the link between the State and local prize fees. Charities now pay prize fees directly to the eligible local governments on a quarterly basis. In cities and counties that opt not to keep receiving those funds, the charities deposit that portion of the prize fees into their charity account. Prize fees collected by charities are held in their bingo account prior to disbursement and charities are allowed to retain up to \$50,000 in their bingo accounts for operating capital.

Prior to H.B. 914, all prize fees were payable to the Commission. Section 2001.451(i) of the Bingo Enabling Act provides that prize fees held in escrow for remittance "to the Commission" do not count toward an organization's operating capital limit. Following H.B. 914, there are now three categories of prize fees: those due the Commission, those due to local governments, and those retained by the charities. The Bingo Enabling Act does not address whether and how prize fees held for local governments or retained by organizations affect operating capital limits of the charities.

H.B. 914 was not intended to have the local prize fees count toward the operating capital limit and it was not intended to change the limits on how much capital the charities can retain in operating capital. If local prize fees were to be counted toward an organization's operating



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capital limit, the unintended effect would be to reduce the operating capital available to the charities. The result would be that those organizations that have taken the risk by opting to retain less capital than allowed would be hurt the worst and many would find their finances overwhelmed. This situation would be exacerbated as charities begin to reopen following the COVID-19 crisis.

To be clear, the intent of H.B. 914 is to treat local prize fees held by charities as separate and apart from the calculation of the operating capital limits, the same way that prize fees due to the Commission are treated. Charities should simply collect the prize fees and remit the local governments' share to the local governments without regard to the operating capital limits.

With regard to the disposition of money collected from players in those jurisdictions that opted to stop receiving bingo prize fees, the intent of H.B. 914 is for the money that would have been the local governments' share be deposited into the charities' general funds to be used for charitable purposes rather than being deposited into the bingo account. It was not the intent of H.B. 914 for prize fees retained by charities to count toward their operating capital limit.

Thanks for the opportunity to provide this information. I understand the challenges of implementing major legislation and greatly appreciate your colleagues and you working with my office to get it right for the charities.

Sincerely,


Senfronia Thompson
State Representative