



May 15, 2024

Texas Sunset Commission
P.O. Box 13066
Austin, Texas 78711

Dear Sunset Commission Members:

Texas Charity Advocates (TCA) is a statewide association of licensed charity bingo conductors, lessors, distributors, and manufacturers.

Founded in 2005, TCA's mission is to promote and grow the game to the benefit of charity members, their clients, and their customers. We have approximately 300 members. Roughly 90 percent are non-profits. They conduct bingo to generate revenue that funds their work in cities and towns across Texas.

We appreciate the work of the Sunset Advisory Commission staff to prepare their report and recommendations to you related to the Texas Lottery Commission (TLC) in general and the Charitable Bingo Operations Division (CBOD) specifically. We also appreciate the work done by agency staff in this process.

We look forward to having our members testify before you at a public hearing later this year. In the meantime, we offer this summary of TCA's position on the recommendations made specific to charitable bingo and its oversight by the CBOD.

First, recommendations with which **we agree** with Sunset staff:

- Modify statute to require the Bingo Advisory Committee and improve its effectiveness. We anticipate suggesting ways to improve effectiveness in this process.
- Direct the agency to establish a plan prioritizing IT updates and eliminating paper-based processes in CBOD.
- Direct the agency to improve data practices, including data validation and other quality controls.

- Continue the Texas Lottery Commission for 12 years and remove the Sunset date of the agency's statutes. Led by Chairman Rivera, TLC members are accessible and open to conversations when necessary. Commissioner Fields, in particular, has been engaged and collaborative. Finally, LaDonna Castañuela, the Director of the Charitable Bingo Operations Division and her staff do their level best to be responsive and diligent in their day-to-day operations. All have our thanks for the important role they play.

Second, recommendations where **we disagree** with Sunset staff:

- Modify statute to clarify TLC's organizational hierarchy. The current hierarchy works well and provides a higher degree of engagement between the regulator, its staff, and the regulated.
- Eliminate the licenses for manufacturers and distributors of bingo materials. The unintended consequence of this step imposes a significantly higher regulatory, and financial, risk on volunteer-based charities that – at their core – simply want a source of revenue to do their work. TCA's fear is the higher regulatory risk – in the form of ensuring bingo product meets state standards (which licensed manufacturers and distributors are responsible for today) – will be too high a burden for many charitable conductors.
- Proposed options related to lessors: **Option 1.** Treat all lessors as grandfathered lessors; **Option 2.** Convert all grandfathered lessors to regular lessors. We oppose both options. The lessor licensing structure was established 35 years ago in 1989 and has worked well. Grandfathered lessors have invested significant capital and time in developing charitable bingo halls; either option will effectively, and suddenly, eliminate the value held by lessors who played by rules established by the state. Further, converting all grandfathered lessor licenses to regular lessor licenses could eliminate virtually all charitable bingo halls in most metro areas due to the \$600/day rent limitation.

Third, **TCA is neutral** as to the issue of the House Appropriations and Senate Finance committees should consider modifying TLC's budget pattern to include an indirect administration goal. It's our understanding this recommendation could add as much as \$1.2 million to the CBOD budget needs.

It is important to note that charitable bingo was never intended as a revenue source for the state or for local government. It was established to benefit charitable organizations.

In fact, charitable bingo typically produces about \$30 million annually in net proceeds (or net profits) for charitable purposes. State and local government split revenues generated from a 5 percent fee on prizes of more than \$5. The fee is funds collected by the charitable organizations at no cost to state or local governments.

Put another way, charitable bingo is taxed nearly 100 percent on its net profits. Therefore, we strongly believe any additional revenue needed to regulate charitable bingo should come from existing prize fees (either General Revenue or from the local governments' share). It should not come from licensed entities.

Finally, as Sunset staff noted, CBD's only mission is to be the regulatory cop on the beat. Unlike the Texas Lottery, there is no promotional element to its statutory mission.

Meanwhile, data shows a steady decline in charitable bingo attendance since the lottery was authorized in the early 1990's. Between 2018 to 2023, attendance has declined nearly 30 percent.

Market research conducted by TCA in recent years shows that bingo, as a form of entertainment, is nowhere near top of mind for most Texas consumers. Yet, when asked about bingo as a form of entertainment, virtually 100 percent have a positive opinion of the game.

That clearly suggests charitable bingo has an awareness problem. That is a problem that can be addressed through paid promotional initiatives. Twice, TCA has test marketed advertising. Once on a limited scale in the Austin market using both radio and digital advertising. The other was a statewide test using digital advertising. In both cases, there were measurable and anecdotal improvements in attendance.

The challenge is finding the resources to significantly scale promotions that turn the tide on attendance declines. That scale could be achieved, however, if promotion were made part of the CBOD's statutory mission combined with a public/private collaboration to generate a high six- or low-seven figure funding source. We believe licensees would be more likely to continue contribute funding if matching resources are found. We suggest, again, that a portion of the local (not state) prize fee money as a possible source. We welcome the chance to discuss this concept further.

Again, we look forward to expanding on TCA's views in the public hearing, and we expect to reach out to individual members, and your staff, in coming days.

Sincerely,

A handwritten signature in blue ink that reads "Tom Stewart".

J. Thomas Stewart
Executive Director

cc: Texas Lottery Commission