

# **Texas Lottery Commission**



## **Annual Report of Non-Financial Data Fiscal Year 2011**

Mary Ann Williamson  
Chairman

J. Winston Krause  
Commissioner

Cynthia Tauss Delgado  
Commissioner



# TEXAS LOTTERY COMMISSION

Gary Grief, *Executive Director*

Philip D. Sanderson, *Charitable Bingo Operations Director*

December 15, 2011

Honorable Rick Perry, Governor  
John O'Brien, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Gentlemen:

We are pleased to submit the Texas Lottery Commission's *Annual Report of Nonfinancial Data* for the year ended August 31, 2011, in compliance with TEX.GOV'T CODE ANN §2101.0115 and in accordance with the instructions for completing the Annual Report of Nonfinancial Data.

The accompanying report has not been audited and is considered to be independent of the agency's *Annual Financial Report*.

If you have any questions, please contact Kathy Pyka, Controller, at 344-5410.

Sincerely,

A handwritten signature in blue ink that reads "Gary Grief".

Gary Grief  
Executive Director

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**Unaudited**

**Texas Lottery Commission (362)**

**APPROPRIATION ITEM TRANSFER SCHEDULE\***

For Fiscal Year Ended August 31, 2011

**ITEM OF APPROPRIATION**

<b>ITEM OF APPROPRIATION</b>	<b>Transfers - In</b>	<b>Transfers - Out</b>	<b>Net Transfers</b>
<b>A. Goal:</b> (Operate Lottery)			
<b>Strategies:</b>			
<b>A.1.1.</b> 13005 Lottery Operations	\$ 2,411.91	\$ (222,930.00)	\$ (220,518.09)
<b>A.1.2.</b> 13012 Lottery Field Operations	\$ 145,901.00	\$ (7,902.24)	\$ 137,998.76
<b>A.1.3.</b> 13006 Marketing and Promotion	\$ 135,659.03	\$ (60,341.85)	\$ 75,317.18
<b>A.1.4.</b> 13008 Security	\$ 139,628.60	\$ (460,000.00)	\$ (320,371.40)
<b>A.1.5.</b> 13009 Central Administration	\$ 483,500.00	\$ (51,846.45)	\$ 431,653.55
<b>A.1.6.</b> 13014 Lottery Operator Contract	\$ -	\$ -	\$ -
<b>A.1.7.</b> 13015 Instant Ticket Production Contract	\$ -	\$ -	\$ -
<b>A.1.8.</b> 13007 Mass Media Advertising Contracts	\$ -	\$ -	\$ -
<b>A.1.9.</b> 13017 Drawing & Broadcast Contract	\$ -	\$ (244,750.00)	\$ (244,750.00)
<b>A.1.10.</b> 13018 Market Research Contract	\$ 164,170.00	\$ (23,500.00)	\$ 140,670.00
<b>A.1.11.</b> 13019 Retailer Bonus	\$ -	\$ -	\$ -
<b>A.1.12.</b> 13016 Inst Tkt Vending Machine Contract	\$ -	\$ -	\$ -
<b>Total, Goal A:</b> (Operate Lottery)	<u>\$ 1,071,270.54</u>	<u>\$ (1,071,270.54)</u>	<u>\$ (0.00)</u>
<b>B. Goal:</b> (Enforce Bingo Laws)			
<b>Strategies:</b>			
<b>B.1.1.</b> 13004 Bingo Licensing	\$ -	\$ (5,623.00)	\$ (5,623.00)
<b>B.1.2.</b> 13010 Bingo Education and Development	\$ -	\$ (20,076.00)	\$ (20,076.00)
<b>B.1.3.</b> 13003 Bingo Law Compliance Field Oper	\$ -	\$ (10,047.00)	\$ (10,047.00)
<b>B.1.4.</b> 13020 Bingo Prize Fee Collection & Acct	\$ 35,746.00	\$ -	\$ 35,746.00
<b>B.1.5.</b> 13021 Bingo Prize Fee Allocations	\$ -	\$ -	\$ -
<b>Total, Goal B:</b> (Enforce Bingo Laws)	<u>\$ 35,746.00</u>	<u>\$ (35,746.00)</u>	<u>\$ -</u>
<b>NET APPROPRIATION ITEM TRANSFERS</b>	<u><u>\$ 1,107,016.54</u></u>	<u><u>\$ (1,107,016.54)</u></u>	<u><u>\$ (0.00)</u></u>

\* This schedule does not include Salary Increases, Benefit Replacement Pay Transfers or Capital Transfers.

ATTACHMENT C  
**Unaudited**  
**Texas Lottery Commission - Agency 362**

**HUB STRATEGIC PLAN PROGRESS REPORT**  
For the Fiscal Year Ended August 31, 2011

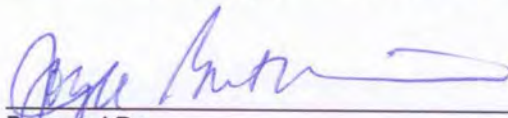
(Source: Texas Government Code, Section 2161.124)

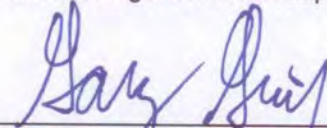
Category	Actual for FY 10*	Actual for FY 11*	Goal for FY 12**
Heavy construction other than building contracts ***	N/A	N/A	N/A
Building construction, including general contractors and operative builders contracts ***	N/A	N/A	N/A
Special trade construction contracts	60.6%	1.39%	32.7%
Professional services contracts	87.5%	59.36%	23.6%
Other services contracts	21.1%	26.80%	24.6%
Commodities contracts	54.7%	22.80%	21.0%

\* Actual = Percent spent with HUBs from Annual Statewide HUB report.

\*\*Goal = The goals for FY12 in the above chart represent the Texas Lottery Commission's agency-specific goals, which were developed and established in accordance with 34 TAC §20.13 (c).

\*\*\*NOTE: The Texas Lottery Commission does not have strategies or programs related to construction. Therefore, the "Heavy Construction" and "Building Construction" categories are not applicable.

  
\_\_\_\_\_  
Prepared By  
**Joyce Bertolacini, HUB Coordinator**  
Printed Name  
  
**(512) 344-5293**  
\_\_\_\_\_  
Phone Number

  
\_\_\_\_\_  
APPROVED BY (Signature Required)  
**Gary Grief, Executive Director**  
Printed Name  
  
**(512) 344-5160**  
\_\_\_\_\_  
Phone Number

**Unaudited**

**Texas Lottery Commission (362)**

**INDIRECT COST SCHEDULE**

For the Fiscal Year Ended August 31, 2011

**A. Payroll Related Costs**

FICA Employer Matching Contribution	-	
Group Health Insurance	-	
Retirement	-	
Unemployment	-	
FICA Employee Share Paid by State	-	
<b>Total Payroll Related Costs</b>	-	\$ -

Workers' Compensation	-	
Benefit Replacement Pay (BRP)	-	
<b>Total Workers' Compensation and BRP</b>	-	\$ -

**B. Indirect Costs**

Bond Debt Service Payments		
TFC	30,941.00	
TPFA	-	
Other (if applicable)	-	
<b>Total Indirect Costs</b>	-	\$ 30,941.00

**C. Indirect Costs - Statewide Full Cost Allocation Plan**

(based on FY 10 data)

Building Depreciation	10,788.00	
Equipment Depreciation	-	
(304) CPA Administration	133,467.00	
(304) CPA Fiscal and ITD	99,562.00	
(304) CPA Purchasing & Support (TPASS)	9,576.00	
(304) CPA Rebates	(1,727.00)	
(313) Dept of Information Resources	1,379.00	
DPS Capitol Security	-	
(303) TFC Admin	-	
(303) TFC Building & Utilities	18,163.00	
(303)TFC Fac Const & Space Mgmt	11,661.00	
Governor Budget and Planning	31,884.00	
(479) State Office of Risk Management	-	
(809) State Preservation Brd	-	
(101) State Senate	18,463.00	
(102) House of Representatives	23,434.00	
(103) Legislative Council	17,561.00	
(104) Legislative Budget Board	126,629.00	
(105) Ref Library	17,529.00	
(116) Sunset Advisory Commission	19,886.00	

<b>Total Indirect Costs -</b>		
<b>Statewide Full Cost Allocation Plan</b>		\$ 538,255.00

<b>TOTAL INDIRECT COSTS</b>		\$ 569,196.00
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**Unaudited**

**Texas Lottery Commission (362)**

**SCHEDULE OF PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICE FEES**

For the Fiscal Year Ended August 31, 2010

<b>Name</b>	<b>Type of Service Rendered</b>	<b>Amount</b>
<b>Professional/Consulting Fees</b>		
Denim Group LTD	Educational/Training	16,000.00
Variate Consulting	Educational/Training	18,175.00
Davila Buschhorn & Associates, PC	Financial and Accounting Services	628,025.00
Grant Thornton LLP	Financial and Accounting Services	124,299.46
Maxwell Locke and Ritter, LLP	Financial and Accounting Services	79,165.50
Barker & Herbert Analytical Laboratories, Inc.	Other Professional Services	168,450.00
Battelle	Other Professional Services	121,060.00
Elephant Productions Inc.	Other Professional Services	802,421.34
Eubank & Young Statistical Consulting, LLC	Other Professional Services	108,810.00
Grant Thornton LLP	Other Professional Services	193,701.97
IPSOS-Reid Corp.	Other Professional Services	535,350.00
M and S Works, Inc.	Other Professional Services	772,727.70
Paul Adams Productions	Other Professional Services	114,900.00
Texas Department of Public Safety	Other Professional Services	66,653.48
TLP Inc DBA Tracy Locke	Other Professional Services	96,662.25
University of Houston	Other Professional Services	50,000.00
UT Center for Social Work	Other Professional Services	12,480.00
SunGard Availability Services	Computer Programming Services	278,448.20
Payments to Other Vendors - Under \$10,000		<u>(287,829.00)</u>
Total Professional/Consulting Fees		<u>\$ 3,899,500.90</u>
<b>Legal Service Fees</b>		
Graves Dougherty Hearon & Moody	Legal Services	274,160.00
Meyertons Hood Kilvin Kowert & Goetzel PC	Legal Services	77,260.12
Total Legal Services Fees		<u>\$ 351,420.12</u>
Total Professional/Consulting Fees and Legal Services Fees		<u><u>\$ 4,250,921.02</u></u>

*Unaudited*  
Texas Lottery Commission (362)

**SCHEDULE OF SPACE OCCUPIED**

For the Fiscal Year Ended August 31, 2011

Location	Address	Lessor	Lease Number	Type	Usable Square Feet /Units	FTE's	Rental per Month		Actual Annual Cost	Remarks
							Sq. Ft./ Units	Cost per Month		
<b>STATE-OWNED BUILDINGS</b>										
El Paso	401 E. Franklin Ave, Ste. 150	State Owned		Office	1,052	2.00	0.0000	0.00	0.00	
<b>FREE SPACE</b>					<b>1,052</b>	<b>2.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	
None										
<b>LEASED SPACE</b>										
Ablene	209 S. Danville, Suite C-103	LJ Property	8976	Office	500	2.00	0.6378	318.92	3,827.04	Lease expires 7/31/15
Amarillo	7120 IH-40 West, Suite 110	Amarillo Independent School District	9612	Office	500	2.00	0.8809	440.43	5,285.16	Lease expires 4/30/12
Austin Warehouse & Office Space	8006 Cameron Rd., Suite 720-A	Sabrehal International, LTD	362-8905	W/H, Off	21,600	2.00	1.0185	22,000.00	264,000.00	Lease expires 2/14/15
Austin Central Office	611 E. 6th Street	Grant Buildings, L.P.	362-9756	Office	75,578	252.50	2.4811	187,515.93	2,250,191.16	Lease expires 5/7/20
Austin Convention Center				Reserved						
Parking Garage	601 E. 5th Street	City of Austin	362-1121	Parking	102 Spaces	0.00	130.00	13,260.00	159,120.00	Lease expires 5/31/15
				Unreserved						
Beaumont	6444 Concord Road	Walker Brothers Properties, L.L.C.	303-6-10142	Parking	10 Spaces	0.00	110.00	1,100.00	13,200.00	Lease expires 5/31/15
Corpus Christi	4639 Corona, Suite 19	Corona Business Park, L.L.C.	1612	Office	1,044	2.00	0.9722	1,014.93	12,179.16	Lease expires 2/29/16
Dallas	1555 W. Mockingbird Ln., Ste 203	Oakbrook Ltd.	9873	Office	1,030	2.00	0.8408	868.06	10,392.72	Lease expires 10/31/14
Fort Worth	4040 Fossil Creek Blvd, Ste 102	Perry-Tubb Holdings, L.L.P.	9996	Office	3,746	11.00	1,2168	4,558.30	54,699.60	Lease expires 7/31/13
Houston	1919 N. Loop W., Suite 100	Weingarten Realty Investors	10614	Office	880	4.00	1.1378	1,001.29	12,015.48	Lease expires 4/30/13
Houston Parking Garage	1202 Del Mar Blvd., Ste. 4	ANB Resources-Laredo, LTD	8087	Parking	2,359	11.00	1.4917	3,518.84	42,226.08	Lease expires 8/31/13
Lubbock	6202 Iola Avenue, Ste #900A	Alliance Realty Services	303-7-10360	Office	11 Spaces	0.00	300.00	3,300.00	3,960.00	Lease expires 8/31/13
McAllen	4501 West Business 83	John P Tomac and Vazma I Tomac, Trustees	10252	Office	704	2.00	1.1598	816.50	9,798.00	Lease expires 5/31/13
Odessa	4682 E. University, Ste. 100	American Heritage Commercial Properties, Inc.	20112	Office	615	2.00	0.9458	581.69	6,980.28	Lease expires 6/30/12
San Antonio	9514 Console, Ste. 111	Sonora Properties	9328	Office	960	2.00	1.3410	1,287.35	15,448.20	Lease expires 12/14/14
Tyler	3800 Paluxy Dr, Ste. 330	Genecov Investment, Ltd	9797	Office	1,064	4.00	0.6667	709.33	8,511.96	Lease expires 8/31/14
Victoria	2601 Azalea, Ste. 16	Westlakes Mall, Ltd.	7365	Office	2,418	10.00	0.9447	2,284.19	27,410.28	Lease expires 4/30/16
				Office	500	2.00	1.0366	518.28	6,219.36	Lease expires 8/31/12
				Office	580	2.00	0.8300	481.40	5,776.80	Lease expires 2/29/12
				<b>Note</b>	<b>114,078</b>	<b>314.50</b>		<b>242,603.44</b>	<b>2,911,241.28</b>	
				<b>TOTAL ALL SPACE</b>	<b>115,130</b>	<b>316.50</b>		<b>242,603.44</b>	<b>2,911,241.28</b>	

**Note** Excludes parking spaces.



**Unaudited**

**Texas Lottery Commission (362)**

<b>FY 2011 Agency Report of Recycled, Remanufactured and Environmentally Sensitive Purchases</b>					
Agency No. 362		Agency Name: Texas Lottery Commission			
Point of Contact: Debbie Pina					
Phone Number: (512) 344-5367					
E-Mail Address: debbie.pina@lottery.state.tx.us					
E1, E2, or E3	Description	Total Expenditures			
		Non-Delegated	Delegated	Total	
Total E1 Including 1 <sup>st</sup> Choice	Recycled	\$80.00	\$379,098.39	\$379,178.39	
Total E2 Including 1 <sup>st</sup> Choice	Remanufactured	\$0.00	\$12,811.09	\$12,811.09	
Total E3 Including 1 <sup>st</sup> Choice	Environmentally Sensitive	\$0.00	\$166,569.12	\$166,569.12	
<b>Total of E1, E2 and E3 includes Recycled 1<sup>st</sup> Choice Targeted Totals</b>		\$80.00	\$558,478.60	\$558,558.60	
FY 2011 1 <sup>st</sup> Choice Targeted Commodities * Non-Delegated		Expenditures			% Spent on 1 <sup>st</sup> Choice Products 100 * [A/(A+B)]
		1 <sup>st</sup> Choice Products (A)	Virgin Counterpart (B)	Total (A+B)	
Motor Oil & Lubricants		\$0.00	\$0.00	\$0.00	0%
Toilet Paper, Toilet Seat Covers & Paper Towels		\$0.00	\$0.00	\$0.00	0%
Printing Paper, Copier Paper & Computer Paper		\$0.00	\$0.00	\$0.00	0%
Business Envelopes		\$0.00	\$0.00	\$0.00	0%
Plastic Trash Bags		\$0.00	\$0.00	\$0.00	0%
Plastic Covered Binders		\$0.00	\$0.00	\$0.00	0%
Recycling Containers		\$0.00	\$0.00	\$0.00	0%
Photocopiers		\$0.00	\$0.00	\$0.00	0%
<b>Total 1<sup>st</sup> Choice Targeted Commodities</b>		\$0.00	\$0.00	\$0.00	0%
Summary of Total Number of FY 2011 Virgin Counterpart Justifications * Non-Delegated		Total Cost	Total Quality	Total Not Available	Total Other
Motor Oil & Lubricants		0	0	0	0
Toilet Paper, Toilet Seat Covers & Paper Towels		0	0	0	0
Printing Paper, Copier Paper & Computer Paper		0	0	0	0
Business Envelopes		0	0	0	0
Plastic Trash Bags		0	0	0	0
Plastic Covered Binders		0	0	0	0
Recycling Containers		0	0	0	0
Photocopiers		0	0	0	0
<b>Total Number(s)</b>		0	0	0	0

**Note1: This report is included in the Non-Financial Report sent to the governor's office by December 31st**

**Unaudited**

**Texas Lottery Commission (362)**

**SCHEDULE OF AIRCRAFT OPERATION**

For the Fiscal Year Ended August 31, 2011

<u>Flight</u>	<u>Start Date</u>	<u>End Date</u>	<u>Flight Time</u>	<u>Rate/Hr.</u>	<u>Flight Time Cost</u>	<u>Co-Pilot Fee</u>	<u>Total Flight Cost</u>
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Not Applicable

**Unaudited  
Texas Lottery Commission (362)**

**SCHEDULE OF ITEMIZED PURCHASES**  
For the Fiscal Year Ended August 31, 2011

Need for specifications	Competing products not satisfactory	Products purchased	PO amount	Vendor name	PO number
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$8,000.00	Rave Marketing & Events LLC	362-11-0020
Maintenance on Draw Machines	Smartplay International Inc is the manufacturer of the existing machines and equipment utilized by TLC. The working components of the machine and the design are proprietary in nature and can only be serviced by Smartplay International Inc.	Maintenance of draw machines and equipment	9,900.00	Smartplay International, Inc.	362-11-9448
Hosting & maintenance	This service was purchased from GovDelivery Inc to improve ongoing communication and outreach to Lottery stakeholders. Changing to another vendor for this service would be at a considerable cost to the TLC. Another benefit is that GovDelivery is the only vendor that provides users an option to access other Texas State Agencies' subscription programs.	Hosting and maintenance fee for GovDelivery Digital and Email Subscription Management Services	\$12,060.00	GovDelivery Inc.	362-11-9246
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$7,500.00	Houston Asian American Festival	362-11-0121
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$17,000.00	Round Rock Baseball Club LLP	362-11-0186
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$7,000.00	Poteet Strawberry Festival	362-11-2085
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$6,500.00	San Antonio Zulu Assoc (SAZA) Commission, Inc.	362-11-2088

**Unaudited  
Texas Lottery Commission (362)**

**SCHEDULE OF ITEMIZED PURCHASES**  
For the Fiscal Year Ended August 31, 2011

Need for specifications	Competing products not satisfactory	Products purchased	PO amount	Vendor name	PO number
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$6,000.00	The Pecan Street Association, Inc.	362-11-0225
Promotional event to promote the Games of Texas	Participation in this event allows the Texas Lottery to promote and educate the public on Lottery products in areas of the state that have limited promotional opportunities. Events are scheduled for participation and entertainment for local communities. TLC attendance is based on location, participation and time of the event.	Rental of space and related services	\$6,500.00	Corpus Christi Baseball Club LP	362-11-0234
Trademark License	Licensed property scratch-off games help serve a niche by capitalizing on well known, branded concepts. The TLC has evaluated the potential for a licensed property scratch-off games featuring the Dallas Cowboys and believes that the strength of the Cowboys' brand combined with the excitement related to second chance drawings for team and experiential prize packages will create a successful game that will contribute positively to lottery sales and revenue generation for the Foundation School Fund.	Dallas Cowboys Licensing Fee and Merchandise Prize Packs	\$3,700,000.00	Pro Silver Star Ltd	362-11-0299
Trademark License	Licensed property scratch-off games help serve a niche by capitalizing on well known, branded concepts. The TLC has evaluated the potential for a licensed property scratch-off games featuring the Houston Texans and believes that the strength of the Texans' brand combined with the excitement related to second chance drawings for team and experiential prize packages will create a successful game that will contribute positively to lottery sales and revenue generation for the Foundation School Fund.	Houston Texans Licensing Fee and Merchandise Prize Packs	\$1,485,000.00	Houston NFL Holdings, LP	362-11-0298

**Unaudited**

**Texas Lottery Commission (362)**

**SCHEDULE OF VEHICLES PURCHASED**

For the Fiscal Year Ended August 31, 2011

<b>Make</b>	<b>Model</b>	<b>Purchase Price</b>	<b>Type of Use</b>	<b>Fuel Efficiency</b>
Not Applicable				

**Unaudited**

**Texas Lottery Commission (362)**

**PERSONNEL USE OF STATE VEHICLES**

For the Fiscal Year Ended August 31, 2011

<b>Year</b>	<b>License Plate</b>	<b>Model</b>	<b>Description</b>	<b>Name and job title of each employee authorized to use a state-owned or state-leased vehicle:</b>
1996	709005	1500	Dodge Ram Cargo Van	By Lottery Commission policy, a Commission motor vehicle may not be assigned to a specific employee or agency head, but must be available for use by all eligible employees authorized to operate the vehicles. Therefore, all Lottery Commission state-owned or state-leased vehicles are considered pooled vehicles and are used in the daily course of business by employees meeting the Lottery's requirements for operating a vehicle.
2004	861890	Ford E150	Ford Cargo Van	

*Unaudited*

***Texas Lottery Commission (362)***

**SCHEDULE OF BONDED EMPLOYEES**

For the Fiscal Year Ended August 31, 2011

**LIST OF BONDED EMPLOYEES**

None



**Texas Lottery Commission**  
**P. O. Box 16630**  
**Austin, Texas 78761-6630**  
**Phone (512) 344-5000      FAX (512) 478-3682**  
**[www.txlottery.org](http://www.txlottery.org)**