



# LEGISLATIVE APPROPRIATIONS REQUEST

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FOR FISCAL YEARS 2020 AND 2021

Submitted to the  
Office of the Governor, Budget Division,  
and the Legislative Budget Board

by

Texas Lottery Commission

August 17, 2018



# Legislative Appropriations Request for Fiscal Years 2020 and 2021

Submitted to the  
Office of the Governor, Budget Division,  
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Texas Lottery Commission

## Commission Members

J. Winston Krause  
Carmen Arrieta-Candelaria  
Doug Lowe  
Robert Rivera

## Dates of Term

March 27, 2009 – February 1, 2019  
August 10, 2015 – February 1, 2017  
August 10, 2015 – February 1, 2017  
August 10, 2015 – February 1, 2021

## Hometown

Austin, Texas  
El Paso, Texas  
Palestine, Texas  
Dallas, Texas

Submitted: August 17, 2018

Submitted by: \_\_\_\_\_

Gary Grief, Executive Director

Approved by: \_\_\_\_\_

J. Winston Krause, Chairman



**Legislative Appropriations Request  
for Fiscal Years 2020 and 2021  
Texas Lottery Commission**

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## Administrator's Statement

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Automated Budget and Evaluation System of Texas (ABEST)

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### 362 Texas Lottery Commission

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#### Names, Terms of Office, Hometowns of Commission Members

|                           |                                    |               |
|---------------------------|------------------------------------|---------------|
| J. Winston Krause         | March 27, 2009 – February 1, 2019  | Austin, TX    |
| Carmen Arrieta-Candelaria | August 10, 2015 – February 1, 2017 | El Paso, TX   |
| Doug Lowe                 | August 10, 2015 – February 1, 2017 | Palestine, TX |
| Robert Rivera             | August 10, 2015 – February 1, 2021 | Dallas, TX    |

#### Texas Lottery Sales and Revenue

The Texas Lottery continues to generate record amounts of revenue through the responsible sale of lottery products. Through FY 2017 the Texas Lottery has generated over \$26.8 billion for the state of Texas since the first ticket was sold in 1992. Prior to 1997, lottery proceeds were allocated to the General Revenue Fund. Since 1997, lottery proceeds have been dedicated to the Foundation School Fund to support public education in our state. The Texas Lottery has contributed more than \$21.0 billion to the Foundation School Fund for that purpose.

As authorized by the Texas Legislature, certain Texas Lottery revenues benefit state programs including the Funds for Veterans' Assistance. Since the first veterans' themed scratch ticket game was launched in 2009, the Texas Lottery has contributed more than \$83.0 million to the Fund for Veterans' Assistance, with a record amount of revenue transferred during FY 2017.

In FY 2017, the Texas Lottery Commission transferred \$1.313 billion to the Foundation School Fund and the Fund for Veterans' Assistance received \$16.2 million, the largest amount transferred to the program by the Texas Lottery. Including unclaimed prize money, total revenue transferred to the state was \$1.33 billion, resulting in the second-highest revenue year. This also marked the 14th consecutive year the Texas Lottery has reached the \$1 billion mark in total transfers since 2004. The Commission's revenue transfer in FY 2017 was based on overall lottery sales of \$5.077 billion, breaking the sales record set in fiscal year 2016.

Prior to the end of FY 2018, a new lottery sales record has already been established with an anticipated increase of \$500 million over FY 2017 sales levels, primarily due to the continued strong growth in its scratch ticket product category in FY 2018. This growth in sales will also result in a new record year in total revenue transferred to the state for both the Foundation School Fund and the Fund for Veterans' Assistance.

In addition to transfers to the Foundation School Fund and the Fund for Veterans' Assistance, the Texas Lottery Commission also contributed revenue from other sources such as unclaimed prizes and collection of debts owed to the state.

During FY 2017, the Texas Lottery Commission transferred \$69.7 million in unclaimed prizes to the state. This brings the total to \$1.09 billion since the first statutory change addressing unclaimed prizes in 1999. The biggest beneficiaries to date have been the General Revenue Fund and the Multi-Categorical Teaching Hospital Account (UTMB), which have received \$431.3 million and \$191.1 million respectively in unclaimed prizes. Beginning with the 2014 – 2015 biennium, unclaimed prizes previously transferred to General Revenue Fund are transferred to the Foundation School Fund.

The Commission also assists in collecting debts owed to the state of Texas. Before the Commission pays a claimant his or her prize, Commission staff checks to ensure that the winner does not owe outstanding debts to the state. This effort has garnered more than \$5.58 million for the state over the past three years to satisfy debt that might have otherwise gone unpaid.

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#### Lottery Administrative Expenses

The sale of lottery tickets is used to pay for all costs of Texas Lottery operations. This includes the payment of prizes to the holders of winning tickets, retailer commissions, and all other costs incurred in the operation and administration of the lottery. The State Lottery Act limits the combined total of retailer compensation and agency administration to no more than 12 percent of gross ticket revenues. Of this 12 percent, the State Lottery Act mandates that no less than five percent be allocated to retailers as commissions, with the remaining seven percent of ticket sales allowed to be expended on administration of the Texas Lottery. The Commission returns any “unspent administrative funds” to the Foundation School Fund.

A major part of the Texas Lottery’s budget, 79%, is for contractual outsourced services and is concentrated in the Lottery Operations Division budget. The current lottery operator contract, which became effective September 1, 2011, includes a compensation rate to the lottery operator of 2.2099 percent of gross sales through fiscal year 2020. This is by far the largest contract, valued at approximately \$952 million over the initial nine-year term, managed by the agency.

Effective September 1, 2020 the compensation rate to the lottery operator is reduced to 2.0773 percent of gross sales. The contract rate will be further adjusted with reduced rates in fiscal years 2023 and 2025. This contract expires August 31, 2026.

#### Charitable Bingo Revenue and Business Activities

Since the first licenses were issued in 1982, charitable bingo has delivered positive benefits for charities, players, and state, county and municipal governments in Texas. Local jurisdictions benefit from charitable bingo activity through allocations derived from charitable bingo prize fees. Charitable bingo in Texas benefits a wide range of charitable causes, including veterans’ organizations, women’s shelters, needy children, the disabled, homeless shelters, churches, schools, local libraries, museums, addiction treatment programs, medical treatment and research programs, emergency medical services, volunteer fire departments, senior citizens groups and education scholarships.

Cumulative gross receipts through calendar year 2017 from the conduct of charitable bingo total \$20.8 billion. For the same period, bingo prizes awarded have been in excess of \$15.1 billion, and allocations to local jurisdictions have totaled approximately \$340.4 million. The total amount of charitable distributions from the conduct of bingo exceeds \$1 billion.

In addition, for calendar year 2017, net proceeds reported by licensed organization total \$33.9 million or 18.21% of adjusted gross receipts of \$186.0 million.

#### Exceptional Items

The Commission is requesting two exceptional items: 1) Construction Required for Texas Capitol Complex Building for \$1.8 million in FY 2021 and 2) Restoration of the Retailer Bonus Program for \$8.4 million (\$4.2 million each year).

#### Construction Required for Texas Capitol Complex Building

Phase I of the Texas Capitol Complex Master Plan includes the construction of a new office building at 1801 Congress Avenue. The Texas Lottery Commission (TLC) will relocate its headquarters facility from its leased location at 611 E. 6th Street to the new building upon completion in 2022. In coordination with the Texas Facilities Commission, TLC is requesting an exceptional item for building construction to support the agency's lottery drawings production studio and specialized building space. The drawings studio and claim center have unique infrastructure requirements that support the agency's core business operations and these requirements are not included in the building construction appropriation provided to the Texas Facilities Commission. These requirements include, but are not limited to, satellite antennas, uninterruptable power supply, studio set floor, backdrop, electrical and lighting grid, and claim center and studio millwork and glass.

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There would be no cost to the Appropriations Bill to appropriate authority for the construction funding as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA). Funding of this item would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

#### Restoration of the Retailer Bonus Program

The Commission is requesting that the \$4.2 million annual retailer bonus budget be restored in the FY 2020-21 biennium. The \$4.2 million annual retailer bonus budget was vetoed by the Governor and was zeroed out in the second year of the 2018-19 biennium. Bonus payments are earned by retailers for selling certain prizewinning tickets. This key program is utilized for retailer sales promotion/motivation to carry games that offer bonuses, as well as retailer recruitment, retention and development opportunities. The loss of this key program impacts retailer sales performance, recruitment, retention and development opportunities.

There would be no cost to the Appropriations Bill to restore funding for this program as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA). Funding of this item would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

#### Rider Revisions

The Commission is requesting a new Rider to allow for the transfer of Rider 11 (Appropriation of Increased Revenue) funds between the biennia. Rider 11 funds are appropriated to the agency once specific sales thresholds (BRE) are met and are used for fulfilling contractual obligations and other administrative costs of the lottery. These funds are not earned until late in the fiscal year and only if sales thresholds are exceeded. Therefore, funds earned in the second year of biennium typically cannot be used to address agency needs.

Funding for this Rider is from the General Revenue-Dedicated Lottery Account which is part of the funds that do not count toward certification by the Comptroller of Public Accounts. Funding under this Rider would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

In addition, the Commission is requesting a revision to Rider 10-Lottery Operator Contract to revise the contract rate in FY 2021 from 2.2099 percent of gross sales to 2.0773 percent of gross sales in accordance with the current lottery operator contract. This reduced contract rate is also reflected in Strategy A.1.6. Lottery Operator Contract appropriation's request for FY 2021.

#### Agency's Exempt Position

The current rate for the Executive Director position in the agency's Schedule of Exempt Positions is a Salary Group 6. A report by the State Auditor's Office on executive compensation at state agencies (Report No. 16-706) categorized the position as a "Tier 1 Position" within state government. Tier 1 includes 19 executive officer positions at state agencies, most of which have the largest number of authorized FTE employees and/or budget amounts within Texas government. The Report includes a recommendation that the Texas Lottery Commission Executive Director position be classified within Salary Group 7 at a salary rate up to \$261,068.

Consistent with the State Auditor's report and recommendation, the Commission respectfully requests an increase to the Executive Director's exempt position to a Salary Group 7 and at the maximum salary rate of the salary group, or \$261,068. If approved, the salary increase will be absorbed within the agency's current appropriation. Therefore, there is not an Exceptional Item requesting additional funding for the agency's exempt position.

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To be flexible in its recruitment and retention of an Executive Director, it is important to maintain a competitive salary rate for this position.

**10% Reduction from Base Appropriation Levels – GR Dedicated Bingo Administration Account**

In order to achieve a 10% across the board reduction for the Bingo program, the Commission would reduce a total of 4.0 FTE's in the areas of Bingo Law Compliance Field Operations and Bingo Prize Fee Collections and Accounting for the biennium to generate savings of \$509,863. Excluding the Bingo Prize Fee Allocation appropriation, 90% of Bingo's budget is salary related. Bingo Prize Fee collections would account for the balance of the reduction or \$2,896,100.

A reduction in Bingo Law Compliance Program funding would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

A reduction in Bingo Prize Fee Collections and Accounting funding would limit the operating capabilities and efficiencies in processing quarterly prize fees and analyzing licensed bingo conductors' quarterly reports for completeness.

The Bingo Prize Fee Allocation program is authorized by Section 2001.503 of the Texas Occupations Code which provides for an annual allocation to counties and cities of bingo prize fees collected by the Commission. These payments are based on bingo prize fees collected at counties and municipalities that impose a gross receipts tax on the conduct of bingo. Statute entitles these local jurisdictions up to 50% of the fees collected by the Commission. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental prize fee appropriations as the appropriation is estimated and appropriated based on actual bingo prize fees collected.

**Agency Statutory Authority to Conduct Background Checks**

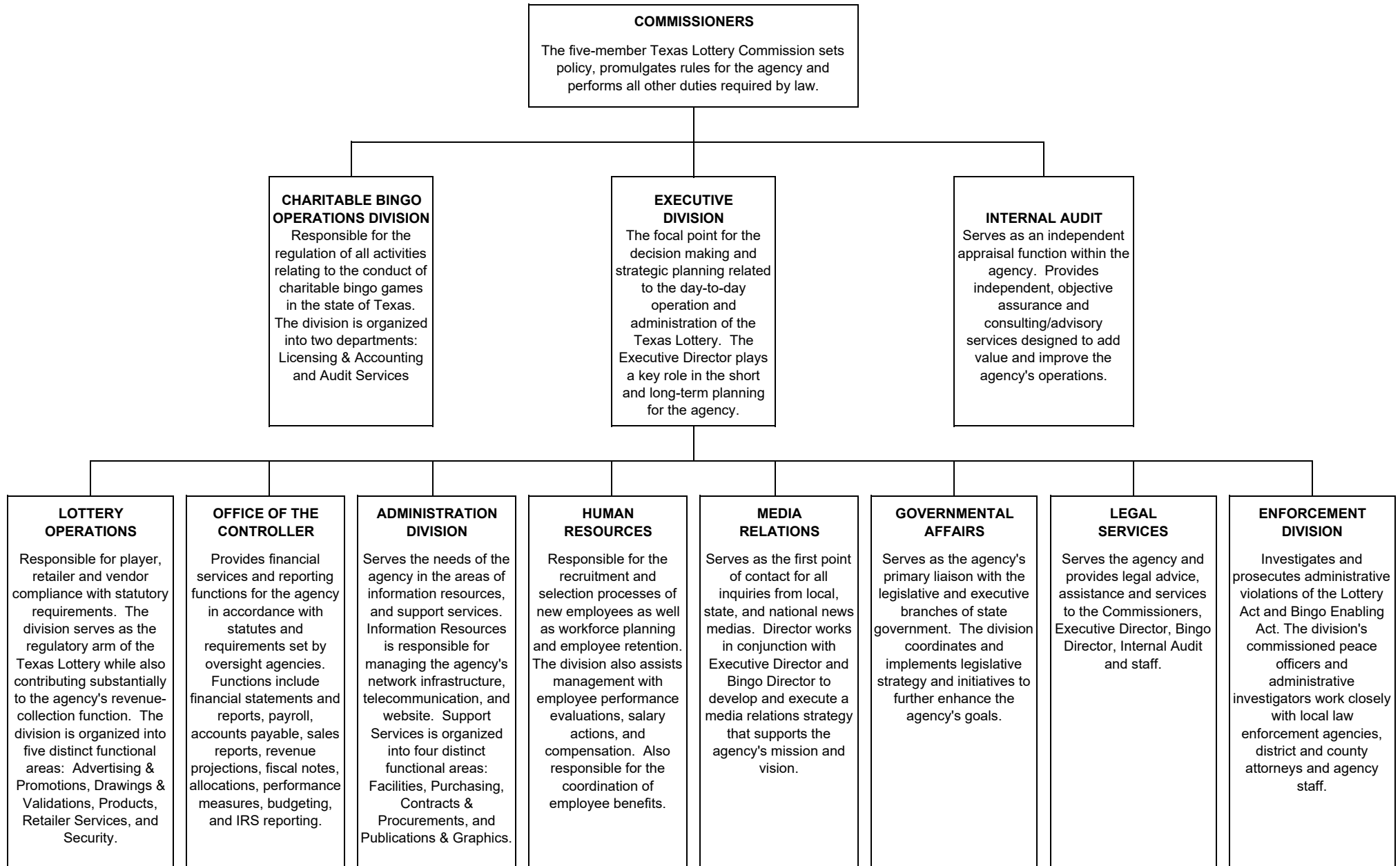
The Commission's Enforcement Division conducts background investigations of Texas Lottery applicants, bingo workers, bingo and lottery licensees, contract vendors, and contract vendor employees. Authority is granted to the Commission under Chapters 411, 466 and 467 of the Texas Government Code and the Bingo Enabling Act, Occupations Code, Chapter 2001.

**Centralized Accounting and Payroll/Personnel System (CAPPS)**

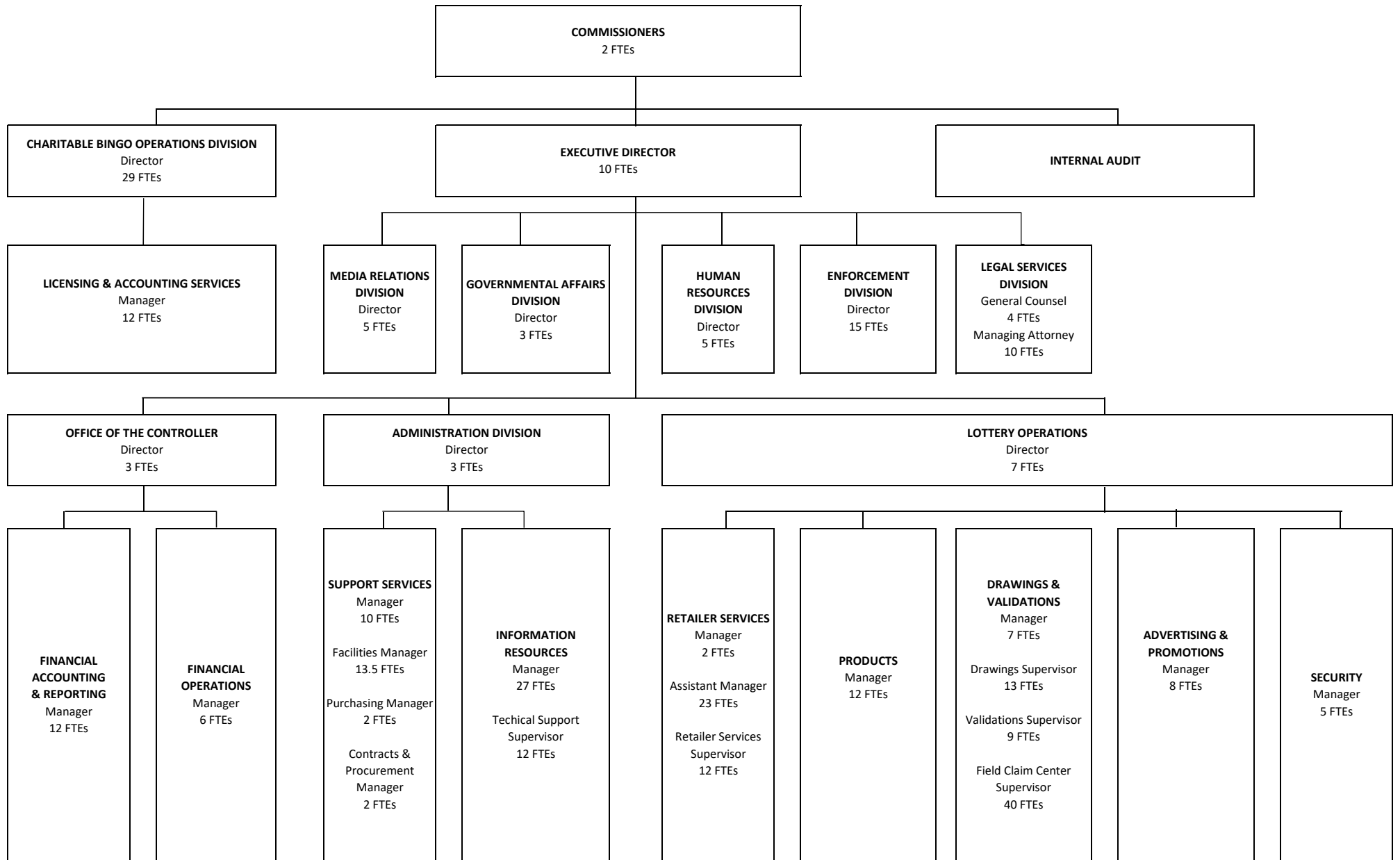
The Commission has been identified to transition to the Centralized Accounting and Payroll/Personnel System in the 2020-21 biennium. No additional funding is being requested as the conversion process can be implemented with current resources.

# TEXAS LOTTERY COMMISSION ORGANIZATIONAL STRUCTURE

## Descriptions



**TEXAS LOTTERY COMMISSION ORGANIZATIONAL STRUCTURE**  
**AGENCY FTEs 323.5**





## CERTIFICATE

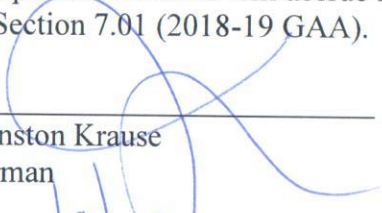
Agency Name: Texas Lottery Commission

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2018-19 GAA).

  
\_\_\_\_\_  
Gary Grief  
Executive Director

5/9/18  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
J. Winston Krause  
Chairman

5/9/18  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Kathy Pyka  
Controller

8-9-2018  
\_\_\_\_\_  
Date





**Budget Overview - Biennial Amounts**  
**86th Regular Session, Agency Submission, Version 1**  
Automated Budget and Evaluation System of Texas (ABEST)

| 362 Texas Lottery Commission   |         |              |             |               |         |             |         |             |             |                              |  |
|--|---------|--------------|-------------|---------------|---------|-------------|---------|-------------|-------------|------------------------------|--|
| Appropriation Years: 2020-21   |         |              |             |               |         |             |         |             |             |                              |  |
| GENERAL REVENUE FUNDS  |         | GR DEDICATED |             | FEDERAL FUNDS |         | OTHER FUNDS |         | ALL FUNDS   |             | EXCEPTIONAL<br>ITEM<br>FUNDS |  |
| 2018-19  | 2020-21 | 2018-19      | 2020-21     | 2018-19       | 2020-21 | 2018-19     | 2020-21 | 2018-19     | 2020-21     | 2020-21                      |  |
| <b>Goal: 1. Run Self-supporting, Revenue-producing, and Secure Lottery</b>             |         |              |             |               |         |             |         |             |             |                              |  |
| 1.1.1. Lottery Operations  |         | 14,555,525   | 15,160,203  |               |         |             |         | 14,555,525  | 15,160,203  | 1,511,255                    |  |
| 1.1.2. Lottery Field Operations  |         | 6,257,136    | 6,745,140   |               |         |             |         | 6,257,136   | 6,745,140   |                              |  |
| 1.1.3. Marketing And Promotion   |         | 13,220,599   | 14,381,773  |               |         |             |         | 13,220,599  | 14,381,773  |                              |  |
| 1.1.4. Security  |         | 11,066,304   | 11,555,189  |               |         |             |         | 11,066,304  | 11,555,189  | 303,882                      |  |
| 1.1.5. Central Administration  |         | 25,423,483   | 27,613,510  |               |         |             |         | 25,423,483  | 27,613,510  |                              |  |
| 1.1.6. Lottery Operator Contract(S)  |         | 243,441,181  | 236,259,124 |               |         |             |         | 243,441,181 | 236,259,124 |                              |  |
| 1.1.7. Scratch Ticket Product. Contract(S)   |         | 76,218,710   | 79,000,000  |               |         |             |         | 76,218,710  | 79,000,000  |                              |  |
| 1.1.8. Mass Media Advertising Contract(S)  |         | 50,566,896   | 50,566,896  |               |         |             |         | 50,566,896  | 50,566,896  |                              |  |
| 1.1.9. Drawing & Broadcast Contract(S)   |         | 4,818,828    | 4,818,828   |               |         |             |         | 4,818,828   | 4,818,828   |                              |  |
| 1.1.10. Retailer Bonus   |         | 3,360,000    |             |               |         |             |         | 3,360,000   |             | 8,400,000                    |  |
| 1.1.11. Retailer Commissions   |         | 52,280,025   | 55,108,024  |               |         |             |         | 52,280,025  | 55,108,024  |                              |  |
| Total, Goal  |         | 501,208,687  | 501,208,687 |               |         |             |         | 501,208,687 | 501,208,687 | 10,215,137                   |  |
| <b>Goal: 2. Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully</b> |         |              |             |               |         |             |         |             |             |                              |  |
| 2.1.1. Bingo Licensing   |         | 1,326,984    | 1,345,544   |               |         |             |         | 1,326,984   | 1,345,544   |                              |  |
| 2.1.2. Bingo Education And Development   |         | 217,395      | 220,966     |               |         |             |         | 217,395     | 220,966     |                              |  |
| 2.1.3. Bingo Law Compliance Field Oper   |         | 2,925,113    | 2,898,432   |               |         |             |         | 2,925,113   | 2,898,432   |                              |  |
| 2.1.4. Bingo Prize Fee Collection & Acct   |         | 29,590,138   | 633,688     |               |         |             |         | 29,590,138  | 633,688     |                              |  |
| Rdr: 8-1 Local Bingo Prize Fee   |         |              | 28,961,000  |               |         |             |         |             | 28,961,000  |                              |  |
| Total, Goal  |         | 34,059,630   | 34,059,630  |               |         |             |         | 34,059,630  | 34,059,630  |                              |  |
| Total, Agency  |         | 535,268,317  | 535,268,317 |               |         |             |         | 535,268,317 | 535,268,317 | 10,215,137                   |  |
| Total FTEs   |         |              |             |               |         |             |         | 323.5       | 323.5       | 0.0                          |  |



**362 Texas Lottery Commission**

| <b>Goal / Objective / STRATEGY</b>                                  | <b>Exp 2017</b> | <b>Est 2018</b> | <b>Bud 2019</b> | <b>Req 2020</b> | <b>Req 2021</b> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>1</b> Run Self-supporting, Revenue-producing, and Secure Lottery |                 |                 |                 |                 |                 |
| <b>1</b> <i>Generate Revenue through Ticket Sales</i>               |                 |                 |                 |                 |                 |
| <b>1 LOTTERY OPERATIONS</b>   | 7,501,269       | 7,241,821       | 7,313,704       | 7,578,241       | 7,581,962       |
| <b>2 LOTTERY FIELD OPERATIONS</b>                                   | 2,735,455       | 2,990,367       | 3,266,769       | 3,372,136       | 3,373,004       |
| <b>3 MARKETING AND PROMOTION</b>                                    | 6,755,164       | 6,610,884       | 6,609,715       | 7,176,996       | 7,204,777       |
| <b>4 SECURITY</b>   | 5,136,988       | 5,628,971       | 5,437,333       | 6,020,886       | 5,534,303       |
| <b>5 CENTRAL ADMINISTRATION</b>                                     | 11,584,341      | 12,324,277      | 13,099,206      | 13,957,932      | 13,655,578      |
| <b>6 LOTTERY OPERATOR CONTRACT(S)</b>                               | 105,850,954     | 121,657,957     | 121,783,224     | 121,783,224     | 114,475,900     |
| <b>7 SCRATCH TICKET PRODUCT. CONTRACT(S)</b>                        | 48,672,071      | 31,956,547      | 44,262,163      | 39,000,000      | 40,000,000      |
| <b>8 MASS MEDIA ADVERTISING CONTRACT(S)</b>                         | 31,812,364      | 24,633,448      | 25,933,448      | 25,283,448      | 25,283,448      |
| <b>9 DRAWING &amp; BROADCAST CONTRACT(S)</b>                        | 2,629,178       | 2,668,828       | 2,150,000       | 2,409,414       | 2,409,414       |
| <b>10 RETAILER BONUS</b>  | 1,906,442       | 3,360,000       | 0               | 0               | 0               |
| <b>11 RETAILER COMMISSIONS</b>                                      | 20,461,975      | 24,726,013      | 27,554,012      | 27,554,012      | 27,554,012      |

2.A. Summary of Base Request by Strategy

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Automated Budget and Evaluation System of Texas (ABEST)

| 362 Texas Lottery Commission   |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
| Goal / Objective / STRATEGY  | Exp 2017      | Est 2018      | Bud 2019      | Req 2020      | Req 2021      |
| TOTAL, GOAL 1  | \$245,046,201 | \$243,799,113 | \$257,409,574 | \$254,136,289 | \$247,072,398 |
| 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully |               |               |               |               |               |
| 1 Curtail Violations of Bingo Laws/Rules                                 |               |               |               |               |               |
| 1 BINGO LICENSING  | 769,145       | 654,212       | 672,772       | 672,772       | 672,772       |
| 2 BINGO EDUCATION AND DEVELOPMENT  | 84,599        | 106,912       | 110,483       | 110,483       | 110,483       |
| 3 BINGO LAW COMPLIANCE FIELD OPER  | 1,149,596     | 1,475,897     | 1,449,216     | 1,449,216     | 1,449,216     |
| 4 BINGO PRIZE FEE COLLECTION & ACCT                                      | 14,236,186    | 14,792,794    | 14,797,344    | 316,844       | 316,844       |
| TOTAL, GOAL 2  | \$16,239,526  | \$17,029,815  | \$17,029,815  | \$2,549,315   | \$2,549,315   |
| TOTAL, AGENCY STRATEGY REQUEST   | \$261,285,727 | \$260,828,928 | \$274,439,389 | \$256,685,604 | \$249,621,713 |
| TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*                              |               |               |               | \$14,480,500  | \$14,480,500  |
| GRAND TOTAL, AGENCY REQUEST  | \$261,285,727 | \$260,828,928 | \$274,439,389 | \$271,166,104 | \$264,102,213 |

2.A. Summary of Base Request by Strategy

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| Goal / Objective / STRATEGY             | Exp 2017             | Est 2018             | Bud 2019             | Req 2020             | Req 2021             |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>METHOD OF FINANCING:</u>             |                      |                      |                      |                      |                      |
| <b>General Revenue Funds:</b>           |                      |                      |                      |                      |                      |
| 1 General Revenue Fund                  | 16,239,526           | 0                    | 0                    | 0                    | 0                    |
| <b>SUBTOTAL</b>                         | <b>\$16,239,526</b>  | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>           |
| <b>General Revenue Dedicated Funds:</b> |                      |                      |                      |                      |                      |
| 5025 Lottery Acct                       | 245,046,201          | 243,799,113          | 257,409,574          | 254,136,289          | 247,072,398          |
| 5175 Bingo Administration               | 0                    | 17,029,815           | 17,029,815           | 17,029,815           | 17,029,815           |
| <b>SUBTOTAL</b>                         | <b>\$245,046,201</b> | <b>\$260,828,928</b> | <b>\$274,439,389</b> | <b>\$271,166,104</b> | <b>\$264,102,213</b> |
| <b>TOTAL, METHOD OF FINANCING</b>       | <b>\$261,285,727</b> | <b>\$260,828,928</b> | <b>\$274,439,389</b> | <b>\$271,166,104</b> | <b>\$264,102,213</b> |

\*Rider appropriations for the historical years are included in the strategy amounts.



**2.B. Summary of Base Request by Method of Finance**

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86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

| Agency code:  | 362          | Agency name: | Texas Lottery Commission |          |          |  |
|---|--------------|--------------|--------------------------|----------|----------|--|
| METHOD OF FINANCING   | Exp 2017     | Est 2018     | Bud 2019                 | Req 2020 | Req 2021 |  |
| <u>GENERAL REVENUE</u>                                      |              |              |                          |          |          |  |
| <u>1</u> General Revenue Fund                               |              |              |                          |          |          |  |
| REGULAR APPROPRIATIONS                                      |              |              |                          |          |          |  |
| Regular Appropriations from MOF Table (2016-17 GAA)         | \$2,772,945  | \$0          | \$0                      | \$0      | \$0      |  |
| Regular Appropriations from MOF Table (2018-19 GAA)         | \$0          | \$2,549,315  | \$2,549,315              | \$0      | \$0      |  |
| RIDER APPROPRIATION   |              |              |                          |          |          |  |
| Rider 8, Local Bingo Prize Fees (2016-17 GAA)               | \$12,635,500 | \$0          | \$0                      | \$0      | \$0      |  |
| Rider 8, Local Bingo Prize Fees Additional                  | \$1,337,018  | \$0          | \$0                      | \$0      | \$0      |  |
| Art IX, Sec 8.02, Reimbursements and Payments (2016-17 GAA) | \$439        | \$0          | \$0                      | \$0      | \$0      |  |
| Rider 8, Local Bingo Prize Fees (2018-19 GAA)               | \$0          | \$14,480,500 | \$14,480,500             | \$0      | \$0      |  |

**2.B. Summary of Base Request by Method of Finance**

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86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: <b>362</b>   |                             | Agency name: <b>Texas Lottery Commission</b> |                |                |            |            |
|---|-----------------------------|--|----------------|----------------|------------|------------|
| METHOD OF FINANCING   |                             | Exp 2017                                     | Est 2018       | Bud 2019       | Req 2020   | Req 2021   |
| <b><u>GENERAL REVENUE</u></b>   |                             |  |                |                |            |            |
| Art IX, Sec. 6.17 Consolidated Funds  |                             | \$0  | \$(17,029,815) | \$(17,029,815) | \$0        | \$0        |
| <i>TRANSFERS</i>  |                             |  |                |                |            |            |
| Art IX, Sec 18.02 Appropriation for a Salary Increase for General State Employees (2016-17 GAA) |                             | \$33,968                                     | \$0            | \$0            | \$0        | \$0        |
| <i>LAPSED APPROPRIATIONS</i>  |                             |  |                |                |            |            |
| Regular Appropriations from MOF Table (2016-17 GAA)   |                             | \$(301,363)                                  | \$0            | \$0            | \$0        | \$0        |
| Savings due to Hiring Freeze  |                             | \$(238,981)                                  | \$0            | \$0            | \$0        | \$0        |
| <b>TOTAL,</b>   | <b>General Revenue Fund</b> | <b>\$16,239,526</b>                          | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b> | <b>\$0</b> |
| <b>TOTAL, ALL</b>   | <b>GENERAL REVENUE</b>      | <b>\$16,239,526</b>                          | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b> | <b>\$0</b> |

**GENERAL REVENUE FUND - DEDICATED**

**5025** GR Dedicated - Lottery Account No. 5025



**2.B. Summary of Base Request by Method of Finance**

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Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: <b>362</b>                                    | Agency name: <b>Texas Lottery Commission</b> |               |               |               |               |
|--|--|---------------|---------------|---------------|---------------|
| METHOD OF FINANCING  | Exp 2017                                     | Est 2018      | Bud 2019      | Req 2020      | Req 2021      |
| <b><u>GENERAL REVENUE FUND - DEDICATED</u></b>             |  |               |               |               |               |
| <i>REGULAR APPROPRIATIONS</i>                              |  |               |               |               |               |
| Regular Appropriations from MOF Table (2016-17 GAA)        | \$220,196,185                                | \$0           | \$0           | \$0           | \$0           |
| Regular Appropriations from MOF Table (2018-19 GAA)        | \$0  | \$230,568,190 | \$232,166,621 | \$0           | \$0           |
| Governor's Veto Proclamation Reductions                    | \$0  | \$0           | \$(4,200,000) | \$0           | \$0           |
| Regular Appropriations from MOF Table (2020-21)            | \$0  | \$0           | \$0           | \$253,675,539 | \$246,611,648 |
| <i>RIDER APPROPRIATION</i>                                 |  |               |               |               |               |
| Rider 10, Lottery Operator Contract (2016-17 GAA)          | \$14,758,544                                 | \$0           | \$0           | \$0           | \$0           |
| Rider 11, Appropriation of Increased Revenue (2016-17 GAA) | \$9,950,781                                  | \$0           | \$0           | \$0           | \$0           |

**2.B. Summary of Base Request by Method of Finance**

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Automated Budget and Evaluation System of Texas (ABEST)

| Agency code:  | <b>362</b> | Agency name: | <b>Texas Lottery Commission</b> |              |           |           |
|---|------------|--------------|---------------------------------|--------------|-----------|-----------|
| METHOD OF FINANCING   |            | Exp 2017     | Est 2018                        | Bud 2019     | Req 2020  | Req 2021  |
| <b><u>GENERAL REVENUE FUND - DEDICATED</u></b>                              |            |              |                                 |              |           |           |
| Art IX, Sec 8.02, Reimbursements and Payments (2016-17 GAA)                 |            | \$424,311    | \$0                             | \$0          | \$0       | \$0       |
| Art IX, Sec 8.02, Reimbursements and Payments (2018-19 GAA)                 |            | \$0          | \$856,998                       | \$460,750    | \$0       | \$0       |
| Rider 9, Retailer Commissions (2018-19 GAA)                                 |            | \$0          | \$2,799,657                     | \$2,457,109  | \$0       | \$0       |
| Rider 10, Lottery Operator Contract (2018-19 GAA)                           |            | \$0          | \$12,373,925                    | \$10,859,931 | \$0       | \$0       |
| Rider 11, Appropriation of Increased Revenue (2018-19 GAA)                  |            | \$0          | \$8,342,978                     | \$7,322,185  | \$0       | \$0       |
| Art IX, Sec 8.02 Reimbursements and Payments (2020-21)                      |            | \$0          | \$0                             | \$0          | \$460,750 | \$460,750 |
| <i>TRANSFERS</i>  |            |              |                                 |              |           |           |
| Art IX, Sec 18.02 Salary Increase for General State Employees (2016-17 GAA) |            |              |                                 |              |           |           |

**2.B. Summary of Base Request by Method of Finance**

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Automated Budget and Evaluation System of Texas (ABEST)

|  |               |               |                          |          |          |  |
|--|---------------|---------------|--------------------------|----------|----------|--|
| Agency code:   | 362           | Agency name:  | Texas Lottery Commission |          |          |  |
| METHOD OF FINANCING  | Exp 2017      | Est 2018      | Bud 2019                 | Req 2020 | Req 2021 |  |
| <u>GENERAL REVENUE FUND - DEDICATED</u>                    |               |               |                          |          |          |  |
|  | \$369,419     | \$0           | \$0                      | \$0      | \$0      |  |
| LAPSED APPROPRIATIONS                                      |               |               |                          |          |          |  |
| Regular Appropriations from MOF Table (2016-17 GAA)        |               |               |                          |          |          |  |
|  | \$(2,237,658) | \$0           | \$0                      | \$0      | \$0      |  |
| Rider 9, Retailer Commission (2016-17 GAA)                 |               |               |                          |          |          |  |
|  | \$(8,691,422) | \$0           | \$0                      | \$0      | \$0      |  |
| Rider 9, Retailer Commission (2018-18 GAA)                 |               |               |                          |          |          |  |
|  | \$0           | \$(2,799,657) | \$0                      | \$0      | \$0      |  |
| Rider 10, Lottery Operator Contract (2016-17 GAA)          |               |               |                          |          |          |  |
|  | \$(6,334,780) | \$0           | \$0                      | \$0      | \$0      |  |
| Savings due to hiring freeze                               |               |               |                          |          |          |  |
|  | \$(491,515)   | \$0           | \$0                      | \$0      | \$0      |  |
| UNEXPENDED BALANCES AUTHORITY                              |               |               |                          |          |          |  |
| Rider 11, Appropriation of Increased Revenue (2016-17 GAA) |               |               |                          |          |          |  |

**2.B. Summary of Base Request by Method of Finance**

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Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: <b>362</b>                        |  | Agency name: <b>Texas Lottery Commission</b> |                      |                      |                      |                      |
|--|--|--|----------------------|----------------------|----------------------|----------------------|
| METHOD OF FINANCING                            |  | Exp 2017                                     | Est 2018             | Bud 2019             | Req 2020             | Req 2021             |
| <b><u>GENERAL REVENUE FUND - DEDICATED</u></b> |  |  |                      |                      |                      |                      |
|  |  | \$9,927,154                                  | \$0                  | \$0                  | \$0                  | \$0                  |
|  | Rider 9, Retailer Commission (2016-17 GAA)                 |  |                      |                      |                      |                      |
|  |  | \$7,105,276                                  | \$0                  | \$0                  | \$0                  | \$0                  |
|  | Art IX, Sec. 14.03(i), Capital Budget UB (2016-17 GAA)     |  |                      |                      |                      |                      |
|  |  | \$69,906                                     | \$0                  | \$0                  | \$0                  | \$0                  |
|  | Rider 11, Appropriation of Increased Revenue (2018-19 GAA) |  |                      |                      |                      |                      |
|  |  | \$0  | \$(8,342,978)        | \$8,342,978          | \$0                  | \$0                  |
| <b>TOTAL,</b>                                  | <b>GR Dedicated - Lottery Account No. 5025</b>             | <b>\$245,046,201</b>                         | <b>\$243,799,113</b> | <b>\$257,409,574</b> | <b>\$254,136,289</b> | <b>\$247,072,398</b> |
| <b><u>5175</u></b>                             | GR Dedicated - Bingo Administration Account No. 5175       |  |                      |                      |                      |                      |
|  | <i>REGULAR APPROPRIATIONS</i>                              |  |                      |                      |                      |                      |
|  | Regular Appropriations from MOF Table (2020-21)            |  |                      |                      |                      |                      |
|  |  | \$0  | \$0                  | \$0                  | \$2,549,315          | \$2,549,315          |
|  | <i>RIDER APPROPRIATION</i>                                 |  |                      |                      |                      |                      |
|  | Art IX, Sec. 6.17 Consolidated Funds-Bingo Operations      |  |                      |                      |                      |                      |

**2.B. Summary of Base Request by Method of Finance**

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Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: 362   |  | Agency name: Texas Lottery Commission |               |               |               |               |
|--|--|---------------------------------------|---------------|---------------|---------------|---------------|
| METHOD OF FINANCING  |  | Exp 2017                              | Est 2018      | Bud 2019      | Req 2020      | Req 2021      |
| <u>GENERAL REVENUE FUND - DEDICATED</u>                            |  |                                       |               |               |               |               |
|  |  | \$0                                   | \$2,549,315   | \$2,549,315   | \$0           | \$0           |
|  |  |                                       |               |               |               |               |
| Art IX, Sec. 6.17 Consolidated Funds-Rider 8-Local Bingo Prize Fee |  | \$0                                   | \$14,480,500  | \$14,480,500  | \$0           | \$0           |
|  |  |                                       |               |               |               |               |
| Rider 8, Local Bingo Prize Fees (2020-21)                          |  | \$0                                   | \$0           | \$0           | \$14,480,500  | \$14,480,500  |
|  |  |                                       |               |               |               |               |
| TOTAL,   | GR Dedicated - Bingo Administration Account No. 5175 | \$0                                   | \$17,029,815  | \$17,029,815  | \$17,029,815  | \$17,029,815  |
|  |  |                                       |               |               |               |               |
| TOTAL, ALL   | GENERAL REVENUE FUND - DEDICATED                     | \$245,046,201                         | \$260,828,928 | \$274,439,389 | \$271,166,104 | \$264,102,213 |
|  |  |                                       |               |               |               |               |
| TOTAL,   | GR & GR-DEDICATED FUNDS                              | \$261,285,727                         | \$260,828,928 | \$274,439,389 | \$271,166,104 | \$264,102,213 |
|  |  |                                       |               |               |               |               |
| GRAND TOTAL  |  | \$261,285,727                         | \$260,828,928 | \$274,439,389 | \$271,166,104 | \$264,102,213 |

**2.B. Summary of Base Request by Method of Finance**

8/7/2018 11:21:26AM

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: <b>362</b>                                | Agency name: <b>Texas Lottery Commission</b> |                 |                 |                 |                 |
|--|--|-----------------|-----------------|-----------------|-----------------|
| <b>METHOD OF FINANCING</b>                             | <b>Exp 2017</b>                              | <b>Est 2018</b> | <b>Bud 2019</b> | <b>Req 2020</b> | <b>Req 2021</b> |
| <b>FULL-TIME-EQUIVALENT POSITIONS</b>                  |  |                 |                 |                 |                 |
| REGULAR APPROPRIATIONS                                 |  |                 |                 |                 |                 |
| Regular Appropriations from MOF Table<br>(2016-17 GAA) | 326.5  | 0.0             | 0.0             | 0.0             | 0.0             |
| Regular Appropriations from MOF Table<br>(2018-19 GAA) | 0.0  | 323.5           | 323.5           | 0.0             | 0.0             |
| Regular Appropriations from MOF Table<br>(2020-21)     | 0.0  | 0.0             | 0.0             | 323.5           | 323.5           |
| LAPSED APPROPRIATIONS                                  |  |                 |                 |                 |                 |
| Savings due to Hiring Freeze                           | (17.7)                                       | 0.0             | 0.0             | 0.0             | 0.0             |
| UNAUTHORIZED NUMBER OVER (BELOW) CAP                   |  |                 |                 |                 |                 |
| Unauthorized Amount over cap/ (amount<br>below cap)    | (7.3)  | (0.5)           | 0.0             | 0.0             | 0.0             |
| <b>TOTAL, ADJUSTED FTES</b>                            | <b>301.5</b>                                 | <b>323.0</b>    | <b>323.5</b>    | <b>323.5</b>    | <b>323.5</b>    |

**NUMBER OF 100% FEDERALLY FUNDED  
FTEs**

**2.C. Summary of Base Request by Object of Expense**

8/7/2018 11:21:26AM

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)**362 Texas Lottery Commission**

| <b>OBJECT OF EXPENSE</b>            | <b>Exp 2017</b>      | <b>Est 2018</b>      | <b>Bud 2019</b>      | <b>BL 2020</b>       | <b>BL 2021</b>       |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1001 SALARIES AND WAGES             | \$20,340,084         | \$21,766,067         | \$22,750,203         | \$22,843,278         | \$22,843,278         |
| 1002 OTHER PERSONNEL COSTS          | \$794,268            | \$454,392            | \$446,480            | \$446,480            | \$446,480            |
| 2001 PROFESSIONAL FEES AND SERVICES | \$6,119,051          | \$6,299,218          | \$5,558,915          | \$6,384,329          | \$6,032,329          |
| 2002 FUELS AND LUBRICANTS           | \$1,936              | \$5,000              | \$4,000              | \$4,000              | \$4,000              |
| 2003 CONSUMABLE SUPPLIES            | \$189,859            | \$236,070            | \$208,808            | \$208,808            | \$208,808            |
| 2004 UTILITIES                      | \$338,372            | \$349,900            | \$360,437            | \$360,437            | \$360,437            |
| 2005 TRAVEL                         | \$387,799            | \$471,020            | \$453,492            | \$453,492            | \$453,492            |
| 2006 RENT - BUILDING                | \$4,658,409          | \$4,894,678          | \$4,989,004          | \$5,085,321          | \$5,088,211          |
| 2007 RENT - MACHINE AND OTHER       | \$1,103,236          | \$911,162            | \$1,069,544          | \$1,069,544          | \$1,069,544          |
| 2009 OTHER OPERATING EXPENSE        | \$213,123,514        | \$210,850,921        | \$224,076,716        | \$219,529,915        | \$213,115,134        |
| 4000 GRANTS                         | \$13,972,518         | \$14,480,500         | \$14,480,500         | \$0                  | \$0                  |
| 5000 CAPITAL EXPENDITURES           | \$256,681            | \$110,000            | \$41,290             | \$300,000            | \$0                  |
| <b>OOE Total (Excluding Riders)</b> | <b>\$261,285,727</b> | <b>\$260,828,928</b> | <b>\$274,439,389</b> | <b>\$256,685,604</b> | <b>\$249,621,713</b> |
| <b>OOE Total (Riders)</b>           |                      |                      |                      | <b>\$14,480,500</b>  | <b>\$14,480,500</b>  |
| <b>Grand Total</b>                  | <b>\$261,285,727</b> | <b>\$260,828,928</b> | <b>\$274,439,389</b> | <b>\$271,166,104</b> | <b>\$264,102,213</b> |





**2.D. Summary of Base Request Objective Outcomes**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

8/7/2018 11:21:27AM

| <b>362 Texas Lottery Commission</b>  |                 |                 |                 |                |                |
|--|-----------------|-----------------|-----------------|----------------|----------------|
| <i>Goal/ Objective / Outcome</i>   | <b>Exp 2017</b> | <b>Est 2018</b> | <b>Bud 2019</b> | <b>BL 2020</b> | <b>BL 2021</b> |
| 1 Run Self-supporting, Revenue-producing, and Secure Lottery               |                 |                 |                 |                |                |
| 1 <i>Generate Revenue through Ticket Sales</i>                             |                 |                 |                 |                |                |
| <b>KEY</b> <b>1 Percent of Retailers Satisfied with Lottery Commission</b> |                 |                 |                 |                |                |
|  | 97.14%          | 96.00%          | 96.00%          | 96.00%         | 96.00%         |
| <b>2 Per Capita Net Lottery Sales</b>                                      |                 |                 |                 |                |                |
|  | 190.58          | 205.07          | 203.78          | 202.32         | 200.90         |
| <b>3 % of Net Lottery Sales Spent on Agency Administration</b>             |                 |                 |                 |                |                |
|  | 4.83%           | 4.41%           | 4.66%           | 4.60%          | 4.48%          |
| <b>4 Percentage of Bad Debt to Lottery Sales</b>                           |                 |                 |                 |                |                |
|  | 0.00%           | 0.02%           | 0.02%           | 0.02%          | 0.02%          |
| <b>5 Ratio of Advertising Expense to Net Lottery Sales</b>                 |                 |                 |                 |                |                |
|  | 0.63%           | 0.45%           | 0.47%           | 0.46%          | 0.46%          |
| <b>KEY</b> <b>6 State Revenue Received Per Advertising Dollar Expended</b> |                 |                 |                 |                |                |
|  | 41.93           | 57.03           | 54.02           | 55.41          | 55.41          |
| <b>7 Percent of Licensees with No Recent Violations</b>                    |                 |                 |                 |                |                |
|  | 99.21%          | 98.00%          | 98.00%          | 98.00%         | 98.00%         |

**2.D. Summary of Base Request Objective Outcomes**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

8/7/2018 11:21:27AM

| <b>362 Texas Lottery Commission</b>  |                 |                 |                 |                |                |
|--|-----------------|-----------------|-----------------|----------------|----------------|
| <b>Goal/ Objective / Outcome</b>   | <b>Exp 2017</b> | <b>Est 2018</b> | <b>Bud 2019</b> | <b>BL 2020</b> | <b>BL 2021</b> |
| 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully   |                 |                 |                 |                |                |
| 1 Curtail Violations of Bingo Laws/Rules                                   |                 |                 |                 |                |                |
| 1 Percent of Licensees with No Recent Violations                           |                 |                 |                 |                |                |
|  | 87.59%          | 90.81%          | 90.00%          | 90.00%         | 90.00%         |
| 2 Percentage of Bingo Audits Referred for Disciplinary Action              |                 |                 |                 |                |                |
|  | 71.29%          | 58.00%          | 65.00%          | 65.00%         | 65.00%         |
| KEY 3 Percent of Complaints Referred for Disciplinary Action               |                 |                 |                 |                |                |
|  | 6.49%           | 0.82%           | 3.99%           | 3.99%          | 3.99%          |
| 4 Percent of Documented Complaints Completed within Six Months             |                 |                 |                 |                |                |
|  | 97.40%          | 96.72%          | 97.00%          | 97.00%         | 97.00%         |
| KEY 5 Net Bingo Games Revenue Received by Charitable Orgs (in Millions)    |                 |                 |                 |                |                |
|  | 30.35           | 30.42           | 30.50           | 30.50          | 30.50          |
| KEY 6 % of Organizations Who Met the Statutory Charitable Distribution Req |                 |                 |                 |                |                |
|  | 99.11%          | 98.00%          | 98.00%          | 98.00%         | 98.00%         |
| 7 Percentage of Organizations Receiving an Audit                           |                 |                 |                 |                |                |
|  | 12.64%          | 6.67%           | 9.66%           | 9.66%          | 9.66%          |
| 8 Percentage of Organizations Receiving an Inspection                      |                 |                 |                 |                |                |
|  | 20.69%          | 27.52%          | 24.11%          | 24.11%         | 24.11%         |

DATE: 8/7/2018  
TIME : 11:21:27AM

Agency name: **Texas Lottery Commission**

|   |                                   | 2020                      |                    |      | 2021                   |                    |      | Biennium               |                     |
|---|-----------------------------------|---------------------------|--------------------|------|------------------------|--------------------|------|------------------------|---------------------|
| Priority                                | Item                              | GR and<br>GR/GR Dedicated | All Funds          | FTEs | GR and<br>GR Dedicated | All Funds          | FTEs | GR and<br>GR Dedicated | All Funds           |
| 1                                       | Construction-Capital Complex Bldg | \$0                       | \$0                |      | \$1,815,137            | \$1,815,137        |      | \$1,815,137            | \$1,815,137         |
| 2                                       | Restore Retailer Bonus Program    | \$4,200,000               | \$4,200,000        |      | \$4,200,000            | \$4,200,000        |      | \$8,400,000            | \$8,400,000         |
| <b>Total, Exceptional Items Request</b> |                                   | <b>\$4,200,000</b>        | <b>\$4,200,000</b> |      | <b>\$6,015,137</b>     | <b>\$6,015,137</b> |      | <b>\$10,215,137</b>    | <b>\$10,215,137</b> |

### Method of Financing

|                             |                    |                    |                    |                    |                     |                     |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| General Revenue             |                    |                    |                    |                    |                     |                     |
| General Revenue - Dedicated | 4,200,000          | 4,200,000          | 6,015,137          | 6,015,137          | 10,215,137          | 10,215,137          |
| Federal Funds               |                    |                    |                    |                    |                     |                     |
| Other Funds                 |                    |                    |                    |                    |                     |                     |
|                             | <b>\$4,200,000</b> | <b>\$4,200,000</b> | <b>\$6,015,137</b> | <b>\$6,015,137</b> | <b>\$10,215,137</b> | <b>\$10,215,137</b> |

### Full Time Equivalent Positions

**Number of 100% Federally Funded FTEs**



**2.F. Summary of Total Request by Strategy**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/7/2018  
TIME : 11:21:27AM

Agency code: 362                      Agency name: Texas Lottery Commission

| Goal/Objective/STRATEGY   | Base<br>2020         | Base<br>2021         | Exceptional<br>2020 | Exceptional<br>2021 | Total Request<br>2020 | Total Request<br>2021 |
|---|----------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>1</b> Run Self-supporting, Revenue-producing, and Secure Lottery |                      |                      |                     |                     |                       |                       |
| <b>1</b> <i>Generate Revenue through Ticket Sales</i>               |                      |                      |                     |                     |                       |                       |
| <b>1</b> LOTTERY OPERATIONS   | \$7,578,241          | \$7,581,962          | \$0                 | \$1,511,255         | \$7,578,241           | \$9,093,217           |
| <b>2</b> LOTTERY FIELD OPERATIONS                                   | 3,372,136            | 3,373,004            | 0                   | 0                   | 3,372,136             | 3,373,004             |
| <b>3</b> MARKETING AND PROMOTION                                    | 7,176,996            | 7,204,777            | 0                   | 0                   | 7,176,996             | 7,204,777             |
| <b>4</b> SECURITY   | 6,020,886            | 5,534,303            | 0                   | 303,882             | 6,020,886             | 5,838,185             |
| <b>5</b> CENTRAL ADMINISTRATION                                     | 13,957,932           | 13,655,578           | 0                   | 0                   | 13,957,932            | 13,655,578            |
| <b>6</b> LOTTERY OPERATOR CONTRACT(S)                               | 121,783,224          | 114,475,900          | 0                   | 0                   | 121,783,224           | 114,475,900           |
| <b>7</b> SCRATCH TICKET PRODUCT. CONTRACT(S)                        | 39,000,000           | 40,000,000           | 0                   | 0                   | 39,000,000            | 40,000,000            |
| <b>8</b> MASS MEDIA ADVERTISING CONTRACT(S)                         | 25,283,448           | 25,283,448           | 0                   | 0                   | 25,283,448            | 25,283,448            |
| <b>9</b> DRAWING & BROADCAST CONTRACT(S)                            | 2,409,414            | 2,409,414            | 0                   | 0                   | 2,409,414             | 2,409,414             |
| <b>10</b> RETAILER BONUS  | 0                    | 0                    | 4,200,000           | 4,200,000           | 4,200,000             | 4,200,000             |
| <b>11</b> RETAILER COMMISSIONS                                      | 27,554,012           | 27,554,012           | 0                   | 0                   | 27,554,012            | 27,554,012            |
| <b>TOTAL, GOAL 1</b>  | <b>\$254,136,289</b> | <b>\$247,072,398</b> | <b>\$4,200,000</b>  | <b>\$6,015,137</b>  | <b>\$258,336,289</b>  | <b>\$253,087,535</b>  |

**2.F. Summary of Total Request by Strategy**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/7/2018  
TIME : 11:21:27AM

| Agency code: 362  | Agency name: Texas Lottery Commission |                      |                     |                     |                       |                       |
|---|---------------------------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|
| Goal/Objective/STRATEGY   | Base<br>2020                          | Base<br>2021         | Exceptional<br>2020 | Exceptional<br>2021 | Total Request<br>2020 | Total Request<br>2021 |
| 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Law |                                       |                      |                     |                     |                       |                       |
| 1 Curtail Violations of Bingo Laws/Rules                            |                                       |                      |                     |                     |                       |                       |
| 1 BINGO LICENSING   | \$672,772                             | \$672,772            | \$0                 | \$0                 | \$672,772             | \$672,772             |
| 2 BINGO EDUCATION AND DEVELOPMENT                                   | 110,483                               | 110,483              | 0                   | 0                   | 110,483               | 110,483               |
| 3 BINGO LAW COMPLIANCE FIELD OPER                                   | 1,449,216                             | 1,449,216            | 0                   | 0                   | 1,449,216             | 1,449,216             |
| 4 BINGO PRIZE FEE COLLECTION & ACCT                                 | 316,844                               | 316,844              | 0                   | 0                   | 316,844               | 316,844               |
| <b>TOTAL, GOAL 2</b>  | <b>\$2,549,315</b>                    | <b>\$2,549,315</b>   | <b>\$0</b>          | <b>\$0</b>          | <b>\$2,549,315</b>    | <b>\$2,549,315</b>    |
| <b>TOTAL, AGENCY<br/>STRATEGY REQUEST</b>                           | <b>\$256,685,604</b>                  | <b>\$249,621,713</b> | <b>\$4,200,000</b>  | <b>\$6,015,137</b>  | <b>\$260,885,604</b>  | <b>\$255,636,850</b>  |
| <b>TOTAL, AGENCY RIDER<br/>APPROPRIATIONS REQUEST</b>               | <b>\$14,480,500</b>                   | <b>\$14,480,500</b>  | <b>\$0</b>          | <b>\$0</b>          | <b>\$14,480,500</b>   | <b>\$14,480,500</b>   |
| <b>GRAND TOTAL, AGENCY REQUEST</b>                                  | <b>\$271,166,104</b>                  | <b>\$264,102,213</b> | <b>\$4,200,000</b>  | <b>\$6,015,137</b>  | <b>\$275,366,104</b>  | <b>\$270,117,350</b>  |

**2.F. Summary of Total Request by Strategy**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/7/2018  
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|                                  |                      |                                       |               |                  |                  |                    |                    |
|----------------------------------|----------------------|---------------------------------------|---------------|------------------|------------------|--------------------|--------------------|
| Agency code: 362                 |                      | Agency name: Texas Lottery Commission |               |                  |                  |                    |                    |
| Goal/Objective/STRATEGY          |                      | Base 2020                             | Base 2021     | Exceptional 2020 | Exceptional 2021 | Total Request 2020 | Total Request 2021 |
| General Revenue Funds:           |                      |                                       |               |                  |                  |                    |                    |
| 1                                | General Revenue Fund | \$0                                   | \$0           | \$0              | \$0              | \$0                | \$0                |
|                                  |                      | \$0                                   | \$0           | \$0              | \$0              | \$0                | \$0                |
| General Revenue Dedicated Funds: |                      |                                       |               |                  |                  |                    |                    |
| 5025                             | Lottery Acct         | 254,136,289                           | 247,072,398   | 4,200,000        | 6,015,137        | 258,336,289        | 253,087,535        |
| 5175                             | Bingo Administration | 17,029,815                            | 17,029,815    | 0                | 0                | 17,029,815         | 17,029,815         |
|                                  |                      | \$271,166,104                         | \$264,102,213 | \$4,200,000      | \$6,015,137      | \$275,366,104      | \$270,117,350      |
| TOTAL, METHOD OF FINANCING       |                      | \$271,166,104                         | \$264,102,213 | \$4,200,000      | \$6,015,137      | \$275,366,104      | \$270,117,350      |
|                                  |                      |                                       |               |                  |                  |                    |                    |
| FULL TIME EQUIVALENT POSITIONS   |                      | 323.5                                 | 323.5         | 0.0              | 0.0              | 323.5              | 323.5              |





**2.G. Summary of Total Request Objective Outcomes**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/7/2018  
Time: 11:21:27AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Goal/ Objective / Outcome

|            |  | <b>BL<br/>2020</b> | <b>BL<br/>2021</b> | <b>Excp<br/>2020</b> | <b>Excp<br/>2021</b> | <b>Total<br/>Request<br/>2020</b> | <b>Total<br/>Request<br/>2021</b> |
|------------|--|--------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| 1          | Run Self-supporting, Revenue-producing, and Secure Lottery             |                    |                    |                      |                      |                                   |                                   |
| 1          | Generate Revenue through Ticket Sales                                  |                    |                    |                      |                      |                                   |                                   |
| <b>KEY</b> | <b>1 Percent of Retailers Satisfied with Lottery Commission</b>        |                    |                    |                      |                      |                                   |                                   |
|            |  | 96.00%             | 96.00%             |                      |                      | 96.00%                            | 96.00%                            |
|            | <b>2 Per Capita Net Lottery Sales</b>                                  |                    |                    |                      |                      |                                   |                                   |
|            |  | 202.32             | 200.90             |                      |                      | 202.32                            | 200.90                            |
|            | <b>3 % of Net Lottery Sales Spent on Agency Administration</b>         |                    |                    |                      |                      |                                   |                                   |
|            |  | 4.60%              | 4.48%              |                      |                      | 4.60%                             | 4.48%                             |
|            | <b>4 Percentage of Bad Debt to Lottery Sales</b>                       |                    |                    |                      |                      |                                   |                                   |
|            |  | 0.02%              | 0.02%              |                      |                      | 0.02%                             | 0.02%                             |
|            | <b>5 Ratio of Advertising Expense to Net Lottery Sales</b>             |                    |                    |                      |                      |                                   |                                   |
|            |  | 0.46%              | 0.46%              |                      |                      | 0.46%                             | 0.46%                             |
| <b>KEY</b> | <b>6 State Revenue Received Per Advertising Dollar Expended</b>        |                    |                    |                      |                      |                                   |                                   |
|            |  | 55.41              | 55.41              |                      |                      | 55.41                             | 55.41                             |
|            | <b>7 Percent of Licensees with No Recent Violations</b>                |                    |                    |                      |                      |                                   |                                   |
|            |  | 98.00%             | 98.00%             |                      |                      | 98.00%                            | 98.00%                            |
| 2          | Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully |                    |                    |                      |                      |                                   |                                   |
| 1          | Curtail Violations of Bingo Laws/Rules                                 |                    |                    |                      |                      |                                   |                                   |

**2.G. Summary of Total Request Objective Outcomes**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/7/2018  
Time: 11:21:27AM

Agency code: **362**

Agency name: **Texas Lottery Commission**

Goal/ Objective / Outcome

|   | <b>BL<br/>2020</b> | <b>BL<br/>2021</b> | <b>Excp<br/>2020</b> | <b>Excp<br/>2021</b> | <b>Total<br/>Request<br/>2020</b> | <b>Total<br/>Request<br/>2021</b> |
|---|--------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| <b>1 Percent of Licensees with No Recent Violations</b>                           |                    |                    |                      |                      |                                   |                                   |
|   | 90.00%             | 90.00%             |                      |                      | 90.00%                            | 90.00%                            |
| <b>2 Percentage of Bingo Audits Referred for Disciplinary Action</b>              |                    |                    |                      |                      |                                   |                                   |
|   | 65.00%             | 65.00%             |                      |                      | 65.00%                            | 65.00%                            |
| <b>KEY 3 Percent of Complaints Referred for Disciplinary Action</b>               |                    |                    |                      |                      |                                   |                                   |
|   | 3.99%              | 3.99%              |                      |                      | 3.99%                             | 3.99%                             |
| <b>4 Percent of Documented Complaints Completed within Six Months</b>             |                    |                    |                      |                      |                                   |                                   |
|   | 97.00%             | 97.00%             |                      |                      | 97.00%                            | 97.00%                            |
| <b>KEY 5 Net Bingo Games Revenue Received by Charitable Orgs (in Millions)</b>    |                    |                    |                      |                      |                                   |                                   |
|   | 30.50              | 30.50              |                      |                      | 30.50                             | 30.50                             |
| <b>KEY 6 % of Organizations Who Met the Statutory Charitable Distribution Req</b> |                    |                    |                      |                      |                                   |                                   |
|   | 98.00%             | 98.00%             |                      |                      | 98.00%                            | 98.00%                            |
| <b>7 Percentage of Organizations Receiving an Audit</b>                           |                    |                    |                      |                      |                                   |                                   |
|   | 9.66%              | 9.66%              |                      |                      | 9.66%                             | 9.66%                             |
| <b>8 Percentage of Organizations Receiving an Inspection</b>                      |                    |                    |                      |                      |                                   |                                   |
|   | 24.11%             | 24.11%             |                      |                      | 24.11%                            | 24.11%                            |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE                        | DESCRIPTION  | Exp 2017     | Est 2018     | Bud 2019     | BL 2020      | BL 2021      |
|-----------------------------|--|--------------|--------------|--------------|--------------|--------------|
| <b>Output Measures:</b>     |  |              |              |              |              |              |
| KEY 1                       | Number of Retailer Business Locations Licensed             | 17,848.00    | 17,985.00    | 18,135.00    | 18,285.00    | 18,435.00    |
| 2                           | Number of Denials or Revocations of Licenses               | 114.00       | 111.00       | 120.00       | 120.00       | 120.00       |
| 3                           | Dollars Collected via the Debt Set-off Program (Thousands) | 1,774,077.68 | 1,840,860.00 | 1,800,000.00 | 1,800,000.00 | 1,800,000.00 |
| 4                           | # New Licenses Issued to Individual Retailers              | 1,930.00     | 2,611.00     | 2,020.00     | 2,020.00     | 2,020.00     |
| 5                           | # Licenses Renewed to Individual Retailers                 | 8,212.00     | 6,996.00     | 8,185.00     | 7,534.00     | 8,368.00     |
| <b>Efficiency Measures:</b> |  |              |              |              |              |              |
| 1                           | Average Cost Per License Application Completed             | 155.43       | 106.00       | 137.00       | 141.00       | 141.00       |
| <b>Objects of Expense:</b>  |  |              |              |              |              |              |
| 1001                        | SALARIES AND WAGES   | \$2,716,792  | \$2,743,169  | \$2,877,743  | \$2,877,743  | \$2,877,743  |
| 1002                        | OTHER PERSONNEL COSTS                                      | \$161,129    | \$70,940     | \$67,920     | \$67,920     | \$67,920     |
| 2001                        | PROFESSIONAL FEES AND SERVICES                             | \$488,800    | \$294,966    | \$294,966    | \$294,966    | \$294,966    |
| 2002                        | FUELS AND LUBRICANTS                                       | \$1,936      | \$5,000      | \$4,000      | \$4,000      | \$4,000      |
| 2003                        | CONSUMABLE SUPPLIES  | \$175,548    | \$205,000    | \$186,888    | \$186,888    | \$186,888    |
| 2004                        | UTILITIES  | \$162,751    | \$157,148    | \$171,895    | \$171,895    | \$171,895    |
| 2005                        | TRAVEL   | \$13,789     | \$13,225     | \$12,100     | \$12,100     | \$12,100     |
| 2006                        | RENT - BUILDING  | \$3,082,277  | \$3,140,558  | \$3,211,772  | \$3,308,089  | \$3,310,979  |
| 2007                        | RENT - MACHINE AND OTHER                                   | \$217,528    | \$73,079     | \$0          | \$0          | \$0          |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION             | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2009   | OTHER OPERATING EXPENSE | \$403,813          | \$538,736          | \$486,420          | \$654,640          | \$655,471          |
| 4000   | GRANTS                  | \$0                | \$0                | \$0                | \$0                | \$0                |
| 5000   | CAPITAL EXPENDITURES    | \$76,906           | \$0                | \$0                | \$0                | \$0                |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                         | <b>\$7,501,269</b> | <b>\$7,241,821</b> | <b>\$7,313,704</b> | <b>\$7,578,241</b> | <b>\$7,581,962</b> |
| <b>Method of Financing:</b>                              |                         |                    |                    |                    |                    |                    |
| 5025   | Lottery Acct            | \$7,501,269        | \$7,241,821        | \$7,313,704        | \$7,578,241        | \$7,581,962        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$7,501,269</b> | <b>\$7,241,821</b> | <b>\$7,313,704</b> | <b>\$7,578,241</b> | <b>\$7,581,962</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                    |                    |                    | <b>\$7,578,241</b> | <b>\$7,581,962</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$7,501,269</b> | <b>\$7,241,821</b> | <b>\$7,313,704</b> | <b>\$7,578,241</b> | <b>\$7,581,962</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                         | <b>48.9</b>        | <b>51.5</b>        | <b>52.0</b>        | <b>52.0</b>        | <b>52.0</b>        |
| <b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>           |                         |                    |                    |                    |                    |                    |

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**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

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Activities relating to this strategy include vendor and retailer compliance with Texas Government Code Chapters 466 and 467 and applicable administrative rules. The strategy ensures the needs of the Commission and its customers are met in certain areas of vendor compliance, scratch ticket warehousing/distribution, retailer services, prize payments, retailer inspections and support services.

The strategy goals are met by providing necessary services to our players and retailers along with overseeing certain key activities of the Lottery Operator. Communication and education of players and retailers are done through the use of the agency web site, newsletters, brochures, public seminars retailer training and visits as well as through a toll-free hotline. The strategy oversees recruitment of new retailers and monitors retailer satisfaction with lottery operations and services. The strategy encourages voluntary compliance from our retailers and players regarding licensing rules and prize payment policies. The strategy also provides oversight of the Lottery Operator in the areas of ticket warehousing/distribution, retailer service levels, scratch game accounting and draw terminal installations. Finally, this strategy provides for certain agency-wide functions such as facilities support, mail center functions, and certain administrative services.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, Texas Occupational Code Chapter 2001, and Texas Constitution Article III, Section 47(e).

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

External factors impacting this strategy include: 1) The number of lottery retailer locations licensed and/or applying for licenses; 2) The sales level of lottery tickets; 3) Potential change of the Lottery Operator and/or change in scope of Lottery Operator contract; 4) Changes to the agency's enabling statutes and/or administrative rules; 5) The number of licensed retailer and the desire of new retailers to obtain Lottery sales agent licenses; 6) The propensity of lottery retailers and players to adhere to the Lottery Act and/or the agency's applicable rules; 7) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the agency; 8) Decisions made by local law enforcement authorities; 9) Natural disaster or other catastrophic event; and 10) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission's staff, financial and information technology resources; 2) The number and scope of contracted services brought in-house; 3) Staff turnover; 4) The ability of the staff to react quickly and responsively to changes in the external factors; 5) Organizational restructuring; 6) Retailer recruitment efforts; and 7) Long-range business planning.

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |                                      | BIENNIAL<br>CHANGE | <u>EXPLANATION OF BIENNIAL CHANGE</u> |  |
|--|--------------------------------------|--------------------|---------------------------------------|--|
| Base Spending (Est 2018 + Bud 2019)        | Baseline Request (BL 2020 + BL 2021) |                    | \$ Amount                             | Explanation(s) of Amount (must specify MOFs and FTEs)  |
| \$14,555,525                               | \$15,160,203                         | \$604,678          | \$267,000                             | Building rent increase due to consumer price index rate increase.  |
|  |                                      |                    | \$275,000                             | Increase due to the elimination of the market research strategy and the transfer of the remaining activities to Lottery Operations strategy. |
|  |                                      |                    | \$62,678                              | Remaining increase attributed to various operating expenses.   |
|  |                                      |                    | <b>\$604,678</b>                      | <b>Total of Explanation of Biennial Change</b>   |

**3.A. Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:27AM

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 2 Lottery Field Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE                            | DESCRIPTION  | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|---------------------------------|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Output Measures:</b>         |  |                    |                    |                    |                    |                    |
| 1                               | Number of Prize Checks Processed from Claim Centers<br>(Thousands) | 68,517.00          | 69,740.00          | 68,200.00          | 68,800.00          | 68,800.00          |
| <b>Objects of Expense:</b>      |  |                    |                    |                    |                    |                    |
| 1001                            | SALARIES AND WAGES   | \$2,419,003        | \$2,717,252        | \$3,001,965        | \$3,001,965        | \$3,001,965        |
| 1002                            | OTHER PERSONNEL COSTS  | \$159,655          | \$78,780           | \$80,900           | \$80,900           | \$80,900           |
| 2001                            | PROFESSIONAL FEES AND SERVICES                                     | \$0                | \$199              | \$0                | \$0                | \$0                |
| 2002                            | FUELS AND LUBRICANTS   | \$0                | \$0                | \$0                | \$0                | \$0                |
| 2003                            | CONSUMABLE SUPPLIES  | \$959              | \$1,500            | \$1,500            | \$1,500            | \$1,500            |
| 2004                            | UTILITIES  | \$0                | \$0                | \$0                | \$0                | \$0                |
| 2005                            | TRAVEL   | \$92,889           | \$110,381          | \$93,410           | \$93,410           | \$93,410           |
| 2006                            | RENT - BUILDING  | \$780              | \$2,000            | \$2,000            | \$2,000            | \$2,000            |
| 2007                            | RENT - MACHINE AND OTHER   | \$298              | \$600              | \$1,053            | \$1,053            | \$1,053            |
| 2009                            | OTHER OPERATING EXPENSE  | \$61,871           | \$79,655           | \$85,941           | \$191,308          | \$192,176          |
| 4000                            | GRANTS   | \$0                | \$0                | \$0                | \$0                | \$0                |
| 5000                            | CAPITAL EXPENDITURES   | \$0                | \$0                | \$0                | \$0                | \$0                |
| <b>TOTAL, OBJECT OF EXPENSE</b> |  | <b>\$2,735,455</b> | <b>\$2,990,367</b> | <b>\$3,266,769</b> | <b>\$3,372,136</b> | <b>\$3,373,004</b> |



**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 2 Lottery Field Operations

Service Categories:

Service: 03 Income: A.2 Age: B.3

| CODE   | DESCRIPTION  | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|--|--------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Method of Financing:</b>                              |              |                    |                    |                    |                    |                    |
| 5025   | Lottery Acct | \$2,735,455        | \$2,990,367        | \$3,266,769        | \$3,372,136        | \$3,373,004        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |              | <b>\$2,735,455</b> | <b>\$2,990,367</b> | <b>\$3,266,769</b> | <b>\$3,372,136</b> | <b>\$3,373,004</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |              |                    |                    |                    | <b>\$3,372,136</b> | <b>\$3,373,004</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |              | <b>\$2,735,455</b> | <b>\$2,990,367</b> | <b>\$3,266,769</b> | <b>\$3,372,136</b> | <b>\$3,373,004</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |              | <b>50.0</b>        | <b>54.0</b>        | <b>56.0</b>        | <b>56.0</b>        | <b>56.0</b>        |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include player and retailer compliance with Texas Government Code Chapters 466 and 467 and applicable administrative rules. The strategy ensures the needs of the Commission and the public are met in the areas of customer service, payment of prizes and retailer support in communities throughout the State.

The strategy goals are met by providing customer service and educational information to our players and retailers via the field claim center locations. Field personnel also gather survey data from retailer licensees in support of the agency's Marketing and Customer Service efforts. Through such communication and education, the strategy encourages voluntary compliance from our players regarding prize payment policies. Lottery Field Operations coordinates with Headquarters Claim Center Operations, Lottery Operations Security Department and Enforcement Division staff when violations are detected.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

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**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 2 Lottery Field Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The sales level of lottery tickets; 2) Changes to the agency's enabling statutes and/or administrative rules; 3) The propensity of lottery retailers and players to adhere to the Lottery Act and/or the agency's applicable rules; 4) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the agency; and 5) Natural disaster or other catastrophic event; and 6) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission's staff, financial and information technology resources; 2) Staff turnover; 3) The ability of the staff to react quickly and responsively to changes in the external factors; 4) Changes to the number and location of field claim center locations; 5) Organizational restructuring; and 6) Long-range business planning.

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 2 Lottery Field Operations

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |                                      | BIENNIAL  | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|--------------------------------------|-----------|---------------------------------------|---|
| Base Spending (Est 2018 + Bud 2019)        | Baseline Request (BL 2020 + BL 2021) | CHANGE    | \$ Amount                             | Explanation(s) of Amount (must specify MOFs and FTEs)   |
| \$6,257,136                                | \$6,745,140                          | \$488,004 | \$284,713                             | Salary increase due to the addition of two new FTEs in the Claim Centers to assist with workload demands and maintain quality customer service. |
|  |                                      |           | \$203,291                             | Remaining increase attributed to various operating expenses to support the areas of customer service and payment of prizes.                     |
|  |                                      |           | <b>\$488,004</b>                      | <b>Total of Explanation of Biennial Change</b>  |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 3 Marketing and Promotion

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE                        | DESCRIPTION                                    | Exp 2017    | Est 2018    | Bud 2019    | BL 2020     | BL 2021     |
|-----------------------------|--|-------------|-------------|-------------|-------------|-------------|
| <b>Output Measures:</b>     |  |             |             |             |             |             |
| 1                           | Number of Newsletters Distributed to Retailers | 217,038.00  | 219,828.00  | 221,628.00  | 223,428.00  | 225,228.00  |
| 2                           | Number of Retailer Visits                      | 509,163.00  | 467,610.00  | 471,510.00  | 475,410.00  | 479,310.00  |
| 3                           | Number of Retailer Surveys Completed           | 4,335.00    | 4,766.00    | 4,479.00    | 2,286.00    | 2,304.00    |
| <b>Efficiency Measures:</b> |  |             |             |             |             |             |
| KEY 1                       | Average Cost Per Survey Issued                 | 2.12        | 1.86        | 1.80        | 1.07        | 1.09        |
| <b>Objects of Expense:</b>  |  |             |             |             |             |             |
| 1001                        | SALARIES AND WAGES                             | \$2,640,155 | \$2,622,561 | \$2,659,260 | \$2,659,260 | \$2,659,260 |
| 1002                        | OTHER PERSONNEL COSTS                          | \$59,113    | \$43,880    | \$44,780    | \$44,780    | \$44,780    |
| 2001                        | PROFESSIONAL FEES AND SERVICES                 | \$80,607    | \$45,000    | \$48,550    | \$48,550    | \$48,550    |
| 2002                        | FUELS AND LUBRICANTS                           | \$0         | \$0         | \$0         | \$0         | \$0         |
| 2003                        | CONSUMABLE SUPPLIES                            | \$6,771     | \$8,120     | \$3,120     | \$3,120     | \$3,120     |
| 2004                        | UTILITIES                                      | \$108       | \$160       | \$210       | \$210       | \$210       |
| 2005                        | TRAVEL   | \$104,243   | \$101,485   | \$82,300    | \$82,300    | \$82,300    |
| 2006                        | RENT - BUILDING                                | \$1,566,281 | \$1,739,220 | \$1,764,832 | \$1,764,832 | \$1,764,832 |
| 2007                        | RENT - MACHINE AND OTHER                       | \$113,592   | \$214,150   | \$214,150   | \$214,150   | \$214,150   |
| 2009                        | OTHER OPERATING EXPENSE                        | \$2,172,774 | \$1,836,308 | \$1,792,513 | \$2,359,794 | \$2,387,575 |
| 4000                        | GRANTS   | \$0         | \$0         | \$0         | \$0         | \$0         |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 3 Marketing and Promotion

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION          | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 5000   | CAPITAL EXPENDITURES | \$11,520           | \$0                | \$0                | \$0                | \$0                |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                      | <b>\$6,755,164</b> | <b>\$6,610,884</b> | <b>\$6,609,715</b> | <b>\$7,176,996</b> | <b>\$7,204,777</b> |
| <b>Method of Financing:</b>                              |                      |                    |                    |                    |                    |                    |
| 5025   | Lottery Acct         | \$6,755,164        | \$6,610,884        | \$6,609,715        | \$7,176,996        | \$7,204,777        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                      | <b>\$6,755,164</b> | <b>\$6,610,884</b> | <b>\$6,609,715</b> | <b>\$7,176,996</b> | <b>\$7,204,777</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                      |                    |                    |                    | <b>\$7,176,996</b> | <b>\$7,204,777</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                      | <b>\$6,755,164</b> | <b>\$6,610,884</b> | <b>\$6,609,715</b> | <b>\$7,176,996</b> | <b>\$7,204,777</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                      | <b>34.1</b>        | <b>35.0</b>        | <b>34.0</b>        | <b>34.0</b>        | <b>34.0</b>        |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include lottery product development, as well as, promotional and sales functions of the Texas Lottery Commission. Staff works with contracted vendors to determine the interests, opinions, awareness levels and purchase behaviors of adult Texans in order to facilitate the planning, development, and implementation of effective and entertaining games. Other activities include introducing lottery products to adult Texans across the State of Texas; educating players and providing opportunities to learn about lottery products and responsible gaming; communicating game information, marketing ideas, responsible gaming and operational information to Lottery retailers.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 3 Marketing and Promotion Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The general impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the agency; 2) The willingness of the general public to learn about and participate in lottery games; 3) The number of licensed retailers and the desire of new retailers to obtain Lottery sales agent licenses; 4) Natural disaster or other catastrophic event; and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission's staff, financial and information technology resources; 2) The effective dissemination of information within the agency and to the general public; 3) Organizational restructuring; 4) Staff turnover; 5) Long-range business planning; and 6) Development of emerging technologies and product lines.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|---|----------------------------|---------------------------------------|---|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>  |
| \$13,220,599                               | \$14,381,773                                | \$1,161,174                | \$1,161,174                           | Increase attributable to additional funds allocated to promote and market the Texas Lottery brand and products. |
|  |   |                            | <b>\$1,161,174</b>                    | <b>Total of Explanation of Biennial Change</b>  |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 4 Security

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE                        | DESCRIPTION   | Exp 2017    | Est 2018    | Bud 2019    | BL 2020     | BL 2021     |
|-----------------------------|---|-------------|-------------|-------------|-------------|-------------|
| <b>Output Measures:</b>     |   |             |             |             |             |             |
| 1                           | Number of Lottery Investigations Initiated                        | 1,595.00    | 1,400.00    | 1,400.00    | 1,400.00    | 1,400.00    |
| 2                           | Number of Lottery Investigations Completed                        | 1,095.00    | 900.00      | 900.00      | 900.00      | 900.00      |
| 3                           | Number of Lottery Background Investigations Completed             | 450.00      | 450.00      | 450.00      | 450.00      | 450.00      |
| <b>Efficiency Measures:</b> |   |             |             |             |             |             |
| 1                           | Average Time to Complete Investigations (Days)                    | 38.83       | 38.00       | 38.00       | 38.00       | 38.00       |
| 2                           | Average Cost Per Complete Investigation                           | 221.03      | 275.00      | 275.00      | 275.00      | 275.00      |
| 3                           | Average Time to Complete Lottery Background Investigations (Days) | 10.64       | 40.00       | 40.00       | 40.00       | 40.00       |
| <b>Objects of Expense:</b>  |   |             |             |             |             |             |
| 1001                        | SALARIES AND WAGES  | \$2,449,693 | \$2,705,621 | \$2,770,557 | \$2,770,557 | \$2,770,557 |
| 1002                        | OTHER PERSONNEL COSTS   | \$64,285    | \$42,100    | \$45,780    | \$45,780    | \$45,780    |
| 2001                        | PROFESSIONAL FEES AND SERVICES                                    | \$1,416,748 | \$1,687,270 | \$1,301,661 | \$1,517,661 | \$1,470,661 |
| 2002                        | FUELS AND LUBRICANTS  | \$0         | \$0         | \$0         | \$0         | \$0         |
| 2003                        | CONSUMABLE SUPPLIES   | \$4,140     | \$6,800     | \$5,900     | \$5,900     | \$5,900     |
| 2004                        | UTILITIES   | \$0         | \$0         | \$0         | \$0         | \$0         |
| 2005                        | TRAVEL  | \$74,435    | \$69,722    | \$68,000    | \$68,000    | \$68,000    |
| 2006                        | RENT - BUILDING   | \$0         | \$0         | \$0         | \$0         | \$0         |

**3.A. Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:27AM

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 4 Security

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION              | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|--|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2007   | RENT - MACHINE AND OTHER | \$311,721          | \$331,200          | \$331,668          | \$331,668          | \$331,668          |
| 2009   | OTHER OPERATING EXPENSE  | \$679,456          | \$676,258          | \$872,477          | \$981,320          | \$841,737          |
| 4000   | GRANTS                   | \$0                | \$0                | \$0                | \$0                | \$0                |
| 5000   | CAPITAL EXPENDITURES     | \$136,510          | \$110,000          | \$41,290           | \$300,000          | \$0                |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                          | <b>\$5,136,988</b> | <b>\$5,628,971</b> | <b>\$5,437,333</b> | <b>\$6,020,886</b> | <b>\$5,534,303</b> |
| <b>Method of Financing:</b>                              |                          |                    |                    |                    |                    |                    |
| 5025   | Lottery Acct             | \$5,136,988        | \$5,628,971        | \$5,437,333        | \$6,020,886        | \$5,534,303        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                          | <b>\$5,136,988</b> | <b>\$5,628,971</b> | <b>\$5,437,333</b> | <b>\$6,020,886</b> | <b>\$5,534,303</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                          |                    |                    |                    | <b>\$6,020,886</b> | <b>\$5,534,303</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                          | <b>\$5,136,988</b> | <b>\$5,628,971</b> | <b>\$5,437,333</b> | <b>\$6,020,886</b> | <b>\$5,534,303</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                          | <b>36.4</b>        | <b>41.5</b>        | <b>39.5</b>        | <b>39.5</b>        | <b>39.5</b>        |
| <b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>           |                          |                    |                    |                    |                    |                    |



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**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 4 Security Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

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Activities relating to this strategy include protecting and maintaining the security and integrity of lottery games, systems and drawings, assures the physical security of all commission operating sites, and investigates possible regulatory and criminal violations related to both lottery and bingo. Investigate complaints, conduct background investigations on prospective employees, applicants of licenses under the State Lottery Act and Bingo Enabling Act and Texas Lottery vendors. Investigators also act as liaison with local law enforcement agencies.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, Texas Occupations Code Chapter 2001, and Texas Constitution Article III, Section 47 (b), (c), and (e).

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the Lottery and/or the regulation and administration of charitable bingo; 2) Other types of gaming; 3) Natural disaster or other catastrophic event; and 4) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission's staff, financial and information technology resources; 2) The ability of the staff to react quickly and responsively to changes in the external factors; 3) New lottery games and variations to existing games; 4) Changes in or elimination of contracted services; 5) Organizational restructuring; 6) Staff turnover; 7) Long-range business planning; and 8) Changes to the agency's policies, procedures, rules or regulations.

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 4 Security

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |  |
|--|---|----------------------------|---------------------------------------|--|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>   |
| \$11,066,304                               | \$11,555,189                                | \$488,885                  | \$340,175                             | Increase attributable to additional funds allocated to protect and maintain the security and integrity of lottery games and drawings as well as the physical security of commission operating sites. |
|  |   |                            | \$148,710                             | Increase in capital is attributable maintaining adequate funding for the purchase drawing related equipment. This includes needs for both new game initiatives and replacement equipment.            |
|  |   |                            | <u>\$488,885</u>                      | <b>Total of Explanation of Biennial Change</b>   |

**3.A. Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:27AM

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 5 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

| CODE   | DESCRIPTION                    | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Objects of Expense:</b>                               |                                |                     |                     |                     |                     |                     |
| 1001   | SALARIES AND WAGES             | \$8,271,817         | \$8,740,286         | \$9,226,399         | \$9,319,474         | \$9,319,474         |
| 1002   | OTHER PERSONNEL COSTS          | \$245,268           | \$162,180           | \$165,260           | \$165,260           | \$165,260           |
| 2001   | PROFESSIONAL FEES AND SERVICES | \$1,305,637         | \$1,504,376         | \$1,665,159         | \$2,015,159         | \$1,710,159         |
| 2002   | FUELS AND LUBRICANTS           | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| 2003   | CONSUMABLE SUPPLIES            | \$2,412             | \$13,100            | \$10,100            | \$10,100            | \$10,100            |
| 2004   | UTILITIES                      | \$175,209           | \$192,592           | \$187,876           | \$187,876           | \$187,876           |
| 2005   | TRAVEL                         | \$68,411            | \$129,707           | \$148,600           | \$148,600           | \$148,600           |
| 2006   | RENT - BUILDING                | \$9,071             | \$12,900            | \$10,400            | \$10,400            | \$10,400            |
| 2007   | RENT - MACHINE AND OTHER       | \$431,022           | \$276,598           | \$506,156           | \$506,156           | \$506,156           |
| 2009   | OTHER OPERATING EXPENSE        | \$1,043,749         | \$1,292,538         | \$1,179,256         | \$1,594,907         | \$1,597,553         |
| 4000   | GRANTS                         | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| 5000   | CAPITAL EXPENDITURES           | \$31,745            | \$0                 | \$0                 | \$0                 | \$0                 |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                                | <b>\$11,584,341</b> | <b>\$12,324,277</b> | <b>\$13,099,206</b> | <b>\$13,957,932</b> | <b>\$13,655,578</b> |
| <b>Method of Financing:</b>                              |                                |                     |                     |                     |                     |                     |
| 5025   | Lottery Acct                   | \$11,584,341        | \$12,324,277        | \$13,099,206        | \$13,957,932        | \$13,655,578        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                                | <b>\$11,584,341</b> | <b>\$12,324,277</b> | <b>\$13,099,206</b> | <b>\$13,957,932</b> | <b>\$13,655,578</b> |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 5 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

| CODE   | DESCRIPTION | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b> |             |                     |                     |                     | <b>\$13,957,932</b> | <b>\$13,655,578</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b> |             | <b>\$11,584,341</b> | <b>\$12,324,277</b> | <b>\$13,099,206</b> | <b>\$13,957,932</b> | <b>\$13,655,578</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>             |             | <b>96.6</b>         | <b>99.0</b>         | <b>100.0</b>        | <b>100.0</b>        | <b>100.0</b>        |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include the executive and support functions of the Texas Lottery Commission through executive management, financial services, information technology, legal services, governmental affairs, human resources, and internal audit.

The primary functions carried out through this strategy are agency management, providing legal advice, counsel and assistance to agency staff and Commissioners; responding to open records request; agency records management; media relations; and providing human resources support to staff and employment recruitment. Additional functions include operation and maintenance of the agency's information technology infrastructure; financial services, and acting as liaison with the Texas Legislature and other governmental entities.

The Internal Audit function is outsourced to an independent contractor and is responsible for identifying, assessing, and monitoring internal controls to minimize risk exposure of the agency's operations to ensure the security and integrity of the games.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, Texas Occupations Code Chapter 2001, and Texas Constitution Article III, Section 47 (b), (c), and (e).

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**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 5 Central Administration

Service Categories:

Service: 09      Income: A.2      Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) Changes to the agency's enabling statutes and other applicable laws; 2) The level of lottery ticket sales and revenues to the state; 3) The number of lottery players and prize winners; 4) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the lottery and/or the regulation and administration of charitable bingo; 5) Technology developments which require changes to the agency's information technology infrastructure; and 6) Lottery industry advances that change the competitive market climate.

Internal factors impacting this strategy include 1) Long-range business planning; 2) The efficient alignment of agency resources; 3) The effective use of management information systems supporting the agency; 4) Organizational restructuring; and 5) Requests for support services from other areas of the agency and from the general public.

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 5 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|---|----------------------------|---------------------------------------|---|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>  |
| \$25,423,483                               | \$27,613,510                                | \$2,190,027                | \$350,000                             | Increase attributable to programming services required to provide needed enhancements and improvements to Bingo Operations System Service.                |
|  |   |                            | \$150,000                             | Additional resources allocated to assist with infrastructure upgrades and replacements needed to maintain agency's information technology infrastructure. |
|  |   |                            | \$230,000                             | Shift of resources for new copier contract from strategy 1.1.1 to 1.1.5 due to the additional technology features of copiers.                             |
|  |   |                            | \$186,150                             | Addition of a new FTE in Human Resources to assist in providing support to agency staff and employment recruitment.                                       |
|  |   |                            | \$45,000                              | Additional resources allocated for programming services as result of transition to the Centralized Accounting and Payroll/Personnel System.               |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 5 Central Administration

Service Categories:

Service: 09      Income: A.2      Age: B.3

| CODE | DESCRIPTION  | Exp 2017     | Est 2018           | Bud 2019  | BL 2020   | BL 2021 |
|------|--------------|--------------|--------------------|-----------|---|---------|
|      | \$25,423,483 | \$27,613,510 | \$2,190,027        | \$486,113 | Increase in salaries is largely due to understated FY 2018 expenditures as result of vacancy savings and the lag in filling position after 2017 hiring freeze was lifted. |         |
|      |              |              |                    | \$742,764 | Remaining increase attributed to various operating expenses.  |         |
|      |              |              | <u>\$2,190,027</u> |           | <b>Total of Explanation of Biennial Change</b>  |         |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 6 Lottery Operator Contract(s). Estimated and Nontransferable.

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION             | Exp 2017             | Est 2018             | Bud 2019             | BL 2020              | BL 2021              |
|--|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Objects of Expense:</b>                               |                         |                      |                      |                      |                      |                      |
| 2009   | OTHER OPERATING EXPENSE | \$105,850,954        | \$121,657,957        | \$121,783,224        | \$121,783,224        | \$114,475,900        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                         | <b>\$105,850,954</b> | <b>\$121,657,957</b> | <b>\$121,783,224</b> | <b>\$121,783,224</b> | <b>\$114,475,900</b> |
| <b>Method of Financing:</b>                              |                         |                      |                      |                      |                      |                      |
| 5025   | Lottery Acct            | \$105,850,954        | \$121,657,957        | \$121,783,224        | \$121,783,224        | \$114,475,900        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$105,850,954</b> | <b>\$121,657,957</b> | <b>\$121,783,224</b> | <b>\$121,783,224</b> | <b>\$114,475,900</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                      |                      |                      | <b>\$121,783,224</b> | <b>\$114,475,900</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$105,850,954</b> | <b>\$121,657,957</b> | <b>\$121,783,224</b> | <b>\$121,783,224</b> | <b>\$114,475,900</b> |

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include contracting lottery gaming and management system operations, telecommunications and terminal/hardware network, field sales and business development staff, market research and promotion, scratch ticket warehousing, ordering and distribution and retailer hotline technical support.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).



**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 6 Lottery Operator Contract(s). Estimated and Nontransferable. Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The availability of qualified vendors; 2) Changes to the agency's enabling statutes and other applicable laws; 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the agency; 4) The sales level of lottery tickets; and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission's staff, financial and information technology resources; 2) The ability of the agency to monitor and enforce the requirements of the Lottery Operator contract; and 3) The ability of the staff to react quickly and responsively to changes in the external factors.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |                                      | <u>BIENNIAL</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |  |
|--|--------------------------------------|-----------------|---------------------------------------|--|
| Base Spending (Est 2018 + Bud 2019)        | Baseline Request (BL 2020 + BL 2021) | CHANGE          | \$ Amount                             | Explanation(s) of Amount (must specify MOFs and FTEs)  |
| \$243,441,181                              | \$236,259,124                        | \$(7,182,057)   | \$(7,182,057)                         | The lottery operator contract will have a revised contract rate of 2.0773 percent of gross sales in fiscal year 2021 |
|  |                                      |                 | <b>\$(7,182,057)</b>                  | <b>Total of Explanation of Biennial Change</b>   |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 7 Scratch Ticket Production and Services Contract(s).

Service Categories:

Service: 03 Income: A.2 Age: B.3

| CODE   | DESCRIPTION             | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Objects of Expense:</b>                               |                         |                     |                     |                     |                     |                     |
| 2009   | OTHER OPERATING EXPENSE | \$48,672,071        | \$31,956,547        | \$44,262,163        | \$39,000,000        | \$40,000,000        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                         | <b>\$48,672,071</b> | <b>\$31,956,547</b> | <b>\$44,262,163</b> | <b>\$39,000,000</b> | <b>\$40,000,000</b> |
| <b>Method of Financing:</b>                              |                         |                     |                     |                     |                     |                     |
| 5025   | Lottery Acct            | \$48,672,071        | \$31,956,547        | \$44,262,163        | \$39,000,000        | \$40,000,000        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$48,672,071</b> | <b>\$31,956,547</b> | <b>\$44,262,163</b> | <b>\$39,000,000</b> | <b>\$40,000,000</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                     |                     |                     | <b>\$39,000,000</b> | <b>\$40,000,000</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$48,672,071</b> | <b>\$31,956,547</b> | <b>\$44,262,163</b> | <b>\$39,000,000</b> | <b>\$40,000,000</b> |

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include contracting for scratch ticket development and manufacturing services through a scratch ticket vendor(s). Other services under this contract include production of coupons, second chance drawing programs, provision of branded/licensed/proprietary scratch products and related services (including associated marketing and game promotion support packages, drawings and prize fulfillment), and sales performance analysis related to scratch ticket products.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 7 Scratch Ticket Production and Services Contract(s). Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The availability of qualified vendors; 2) Changes to the agency's enabling statutes and other applicable laws; 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery; 4) The sales level of lottery tickets; and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources; 2) The ability of the agency to monitor and enforce the requirements of the contract; and 3) The ability of the staff to react quickly and responsively to changes in the external factors.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|---|----------------------------|---------------------------------------|---|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>  |
| \$76,218,710                               | \$79,000,000                                | \$2,781,290                | \$2,781,290                           | Additional resources to scratch ticket printing to support the increased product demand and the associated increase in scratch ticket product sales and revenue realized over the past several years. |
|  |   |                            | <b>\$2,781,290</b>                    | <b>Total of Explanation of Biennial Change</b>  |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 8 Mass Media Advertising Contract(s)

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION  | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Output Measures:</b>                                  |  |                     |                     |                     |                     |                     |
|  | 1 \$ Amount of Advertising Budget Spent on Print Advertising (Millions)  | 1.92                | 1.29                | 1.30                | 1.30                | 1.30                |
|  | 2 \$ Amount of Advertising Budget Spent on Radio Advertising Millions)   | 4.42                | 3.65                | 3.90                | 3.60                | 3.60                |
|  | 3 Dollar Amount of Advertising Budget Spent on TV Advertising (Millions) | 4.52                | 0.03                | 0.05                | 0.05                | 0.05                |
| KEY  | 4 \$ Amt of Advertising Budget Spent on Other Advertising (Millions)     | 21.10               | 19.66               | 20.68               | 20.33               | 20.33               |
| <b>Objects of Expense:</b>                               |  |                     |                     |                     |                     |                     |
| 2009   | OTHER OPERATING EXPENSE  | \$31,812,364        | \$24,633,448        | \$25,933,448        | \$25,283,448        | \$25,283,448        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |  | <b>\$31,812,364</b> | <b>\$24,633,448</b> | <b>\$25,933,448</b> | <b>\$25,283,448</b> | <b>\$25,283,448</b> |
| <b>Method of Financing:</b>                              |  |                     |                     |                     |                     |                     |
| 5025   | Lottery Acct   | \$31,812,364        | \$24,633,448        | \$25,933,448        | \$25,283,448        | \$25,283,448        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |  | <b>\$31,812,364</b> | <b>\$24,633,448</b> | <b>\$25,933,448</b> | <b>\$25,283,448</b> | <b>\$25,283,448</b> |

**362 Texas Lottery Commission**

|            |   |  |  |
|------------|---|--|--|
| GOAL:      | 1 | Run Self-supporting, Revenue-producing, and Secure Lottery |  |
| OBJECTIVE: | 1 | Generate Revenue through Ticket Sales                      | Service Categories:                        |
| STRATEGY:  | 8 | Mass Media Advertising Contract(s)                         | Service: 03      Income: A.2      Age: B.3 |

| CODE   | DESCRIPTION | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b> |             |                     |                     |                     | <b>\$25,283,448</b> | <b>\$25,283,448</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b> |             | <b>\$31,812,364</b> | <b>\$24,633,448</b> | <b>\$25,933,448</b> | <b>\$25,283,448</b> | <b>\$25,283,448</b> |

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include contracting for the planning, development, and implementation of lottery advertising including creative conceping, production, planning, buying and placement of broadcast, print, digital, experiential and out of home media across the State of Texas. The advertising services vendor(s) support the Texas Lottery in achieving the following goals: Enhancing the marketing effectiveness of the Texas Lottery; effectively reaching and educating the public to increase sales and enhance the awareness of Texas Lottery games.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 8 Mass Media Advertising Contract(s) Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

External factors impacting this strategy include: 1) The availability of qualified vendors; 2) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery; 3) The confidence of the general public in the lottery games; 4) The expansion of media communication vehicles (which has made it more difficult to reach large groups of the general public); and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources; 2) The ability of the agency to monitor and enforce the requirements of the contract; 3) The ability of the staff to react quickly and responsively to changes in the external factors; and 4) the effective dissemination of information within the agency and to the general public.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |  |
|--|---|----------------------------|---------------------------------------|--|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u> |
| \$50,566,896                               | \$50,566,896                                | \$0                        |                                       |  |
|  |   |                            | <b>\$0</b>                            | <b>Total of Explanation of Biennial Change</b>               |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 9 Drawing and Broadcast Services Contract(s)

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION                    | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|--|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Objects of Expense:</b>                               |                                |                    |                    |                    |                    |                    |
| 2001   | PROFESSIONAL FEES AND SERVICES | \$2,629,178        | \$2,668,828        | \$2,150,000        | \$2,409,414        | \$2,409,414        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                                | <b>\$2,629,178</b> | <b>\$2,668,828</b> | <b>\$2,150,000</b> | <b>\$2,409,414</b> | <b>\$2,409,414</b> |
| <b>Method of Financing:</b>                              |                                |                    |                    |                    |                    |                    |
| 5025   | Lottery Acct                   | \$2,629,178        | \$2,668,828        | \$2,150,000        | \$2,409,414        | \$2,409,414        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                                | <b>\$2,629,178</b> | <b>\$2,668,828</b> | <b>\$2,150,000</b> | <b>\$2,409,414</b> | <b>\$2,409,414</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                                |                    |                    |                    | <b>\$2,409,414</b> | <b>\$2,409,414</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                                | <b>\$2,629,178</b> | <b>\$2,668,828</b> | <b>\$2,150,000</b> | <b>\$2,409,414</b> | <b>\$2,409,414</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                                |                    |                    |                    |                    |                    |
| <b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>           |                                |                    |                    |                    |                    |                    |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 9 Drawing and Broadcast Services Contract(s) Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

Activities relating to this strategy include contracting for the conduct of the broadcast and production of all Texas draw game drawings. Drawing and broadcast services vendors provide drawing production services, webcast services (live and archived drawings) and satellite transmission services for the broadcast of Texas Lottery and multi-state draw games. The broadcast drawings for all Texas draw games are held in a secure drawings studio located at the Texas Lottery's headquarters. The drawings are held in accordance with the State Lottery Act and applicable administrative rules and procedures.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The availability of qualified vendors; and 2) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) New Lottery draw games and new variations of established games; 2) The potential automation of Lottery game drawings; 3) The ability of the agency to monitor and enforce the requirements of the contract; and 4) The ability of the staff to react quickly and responsively to changes in the external factors.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |  |
|--|---|----------------------------|---------------------------------------|--|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u> |
| \$4,818,828                                | \$4,818,828                                 | \$0                        |                                       |  |
|  |   |                            | <b>\$0</b>                            | <b>Total of Explanation of Biennial Change</b>               |



**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 10 Retailer Bonus

Service Categories:

Service: 03      Income: A.2      Age: B.3

| CODE   | DESCRIPTION             | Exp 2017           | Est 2018           | Bud 2019   | BL 2020    | BL 2021    |
|--|-------------------------|--------------------|--------------------|------------|------------|------------|
| <b>Objects of Expense:</b>                               |                         |                    |                    |            |            |            |
| 2009   | OTHER OPERATING EXPENSE | \$1,906,442        | \$3,360,000        | \$0        | \$0        | \$0        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                         | <b>\$1,906,442</b> | <b>\$3,360,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>Method of Financing:</b>                              |                         |                    |                    |            |            |            |
| 5025   | Lottery Acct            | \$1,906,442        | \$3,360,000        | \$0        | \$0        | \$0        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$1,906,442</b> | <b>\$3,360,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                    |                    |            | <b>\$0</b> | <b>\$0</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$1,906,442</b> | <b>\$3,360,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include maximizing revenue to the State of Texas by providing lottery sales agents with incentive bonuses in accordance with Commission statutes, rules and procedures.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 10 Retailer Bonus

Service Categories:

Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The number of retailers that qualify for a bonus; 2) the value of the bonuses; and 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|---|----------------------------|---------------------------------------|---|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>  |
| \$3,360,000                                | \$0   | \$(3,360,000)              | \$(3,360,000)                         | The \$4.2M retailer bonus program was vetoed by the Governor and zeroed out in FY 2019. The agency has included an exceptional item to request reinstatement of retailer bonus program and related funds. |
|  |   |                            | <b>\$(3,360,000)</b>                  | <b>Total of Explanation of Biennial Change</b>  |

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery  
OBJECTIVE: 1 Generate Revenue through Ticket Sales  
STRATEGY: 11 Retailer Commissions. Estimated and Nontransferable.

Service Categories:

Service: 03 Income: A.2 Age: B.3

| CODE   | DESCRIPTION             | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Objects of Expense:</b>                               |                         |                     |                     |                     |                     |                     |
| 2009   | OTHER OPERATING EXPENSE | \$20,461,975        | \$24,726,013        | \$27,554,012        | \$27,554,012        | \$27,554,012        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                         | <b>\$20,461,975</b> | <b>\$24,726,013</b> | <b>\$27,554,012</b> | <b>\$27,554,012</b> | <b>\$27,554,012</b> |
| <b>Method of Financing:</b>                              |                         |                     |                     |                     |                     |                     |
| 5025   | Lottery Acct            | \$20,461,975        | \$24,726,013        | \$27,554,012        | \$27,554,012        | \$27,554,012        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$20,461,975</b> | <b>\$24,726,013</b> | <b>\$27,554,012</b> | <b>\$27,554,012</b> | <b>\$27,554,012</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                     |                     |                     | <b>\$27,554,012</b> | <b>\$27,554,012</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$20,461,975</b> | <b>\$24,726,013</b> | <b>\$27,554,012</b> | <b>\$27,554,012</b> | <b>\$27,554,012</b> |

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include maximizing revenue to the State of Texas by providing lottery sales agents with incentive bonuses in accordance with Commission statutes, rules and procedures.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

**362 Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:

STRATEGY: 11 Retailer Commissions. Estimated and Nontransferable. Service: 03 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The number of retailers that qualify for an incentive; 2) the value of the incentives; and 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|---|----------------------------|---------------------------------------|---|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>  |
| \$52,280,025                               | \$55,108,024                                | \$2,827,999                | \$2,827,999                           | Amounts included in this strategy are based on an estimated amount equal to 0.5% of gross sales each fiscal year and may only be used for the purpose of paying sales performance retailer commissions. |
|  |   |                            | <u>\$2,827,999</u>                    | <b>Total of Explanation of Biennial Change</b>  |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 1 Determine Eligibility and Process Applications

Service: 17

Income: A.2

Age: B.3

| CODE                               | DESCRIPTION  | Exp 2017  | Est 2018  | Bud 2019  | BL 2020   | BL 2021   |
|------------------------------------|--|-----------|-----------|-----------|-----------|-----------|
| <b>Output Measures:</b>            |  |           |           |           |           |           |
| KEY 1                              | Number of Licenses Issued  | 9,473.00  | 11,403.00 | 10,438.00 | 10,438.00 | 10,438.00 |
| 2                                  | Number of Applications Processed                                 | 3,437.00  | 6,963.00  | 7,000.00  | 7,000.00  | 7,000.00  |
| 3                                  | Number of Worker Registry Applications Approved                  | 2,843.00  | 3,028.00  | 2,936.00  | 2,936.00  | 2,936.00  |
| <b>Efficiency Measures:</b>        |  |           |           |           |           |           |
| 1                                  | Average Bingo License (New) Processing Time (Days)               | 48.85     | 79.52     | 65.00     | 65.00     | 65.00     |
| 2                                  | Average Bingo License (Renewal) Processing Time (Days)           | 27.08     | 27.50     | 27.30     | 27.30     | 27.30     |
| 3                                  | Average Cost Per Application Processed                           | 32.07     | 31.00     | 31.50     | 31.50     | 31.50     |
| 4                                  | Average Bingo Worker Registry Application Processing Time (Days) | 10.12     | 9.41      | 9.77      | 9.77      | 9.77      |
| <b>Explanatory/Input Measures:</b> |  |           |           |           |           |           |
| 1                                  | Number of Annual License Holders                                 | 1,373.00  | 1,408.00  | 1,410.00  | 1,410.00  | 1,410.00  |
| 2                                  | Number of Annual Workers Registrants                             | 8,914.00  | 9,814.00  | 9,364.00  | 9,364.00  | 9,364.00  |
| <b>Objects of Expense:</b>         |  |           |           |           |           |           |
| 1001                               | SALARIES AND WAGES   | \$505,059 | \$512,042 | \$508,326 | \$508,326 | \$508,326 |
| 1002                               | OTHER PERSONNEL COSTS  | \$21,464  | \$19,079  | \$14,960  | \$14,960  | \$14,960  |
| 2001                               | PROFESSIONAL FEES AND SERVICES                                   | \$198,081 | \$94,125  | \$94,125  | \$94,125  | \$94,125  |
| 2002                               | FUELS AND LUBRICANTS   | \$0       | \$0       | \$0       | \$0       | \$0       |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 1 Determine Eligibility and Process Applications

Service: 17

Income: A.2

Age: B.3

| CODE   | DESCRIPTION              | Exp 2017         | Est 2018         | Bud 2019         | BL 2020          | BL 2021          |
|--|--------------------------|------------------|------------------|------------------|------------------|------------------|
| 2003   | CONSUMABLE SUPPLIES      | \$0              | \$500            | \$500            | \$500            | \$500            |
| 2004   | UTILITIES                | \$304            | \$0              | \$456            | \$456            | \$456            |
| 2005   | TRAVEL                   | \$90             | \$318            | \$318            | \$318            | \$318            |
| 2006   | RENT - BUILDING          | \$0              | \$0              | \$0              | \$0              | \$0              |
| 2007   | RENT - MACHINE AND OTHER | \$29,075         | \$15,535         | \$16,517         | \$16,517         | \$16,517         |
| 2009   | OTHER OPERATING EXPENSE  | \$15,072         | \$12,613         | \$37,570         | \$37,570         | \$37,570         |
| 4000   | GRANTS                   | \$0              | \$0              | \$0              | \$0              | \$0              |
| 5000   | CAPITAL EXPENDITURES     | \$0              | \$0              | \$0              | \$0              | \$0              |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                          | <b>\$769,145</b> | <b>\$654,212</b> | <b>\$672,772</b> | <b>\$672,772</b> | <b>\$672,772</b> |
| <b>Method of Financing:</b>                              |                          |                  |                  |                  |                  |                  |
| 1  | General Revenue Fund     | \$769,145        | \$0              | \$0              | \$0              | \$0              |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>             |                          | <b>\$769,145</b> | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       |
| <b>Method of Financing:</b>                              |                          |                  |                  |                  |                  |                  |
| 5175   | Bingo Administration     | \$0              | \$654,212        | \$672,772        | \$672,772        | \$672,772        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                          | <b>\$0</b>       | <b>\$654,212</b> | <b>\$672,772</b> | <b>\$672,772</b> | <b>\$672,772</b> |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 1 Determine Eligibility and Process Applications

Service: 17

Income: A.2

Age: B.3

| CODE   | DESCRIPTION | Exp 2017         | Est 2018         | Bud 2019         | BL 2020          | BL 2021          |
|--|-------------|------------------|------------------|------------------|------------------|------------------|
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b> |             |                  |                  |                  | <b>\$672,772</b> | <b>\$672,772</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b> |             | <b>\$769,145</b> | <b>\$654,212</b> | <b>\$672,772</b> | <b>\$672,772</b> | <b>\$672,772</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>             |             | <b>7.5</b>       | <b>8.0</b>       | <b>8.0</b>       | <b>8.0</b>       | <b>8.0</b>       |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include reviewing license applications and worker registrations to determine the eligibility of applicants by providing current and prospective licensees and workers streamlined applications, clear instructions, and the option to complete multiple applications electronically.

This strategy promotes communication and cooperation between licensees and registered workers and the Charitable Bingo Operations Division (CBOD) so that qualified applicants, licensees and registered workers are well versed on the Act and Charitable Bingo Administrative Rules (Rules) requirements. Communications with bingo licensees, registered workers and applicants will continue to improve with the efficient utilization of planned technologies.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully  
OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:  
STRATEGY: 1 Determine Eligibility and Process Applications Service: 17 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

External factors impacting this strategy include: 1) The number of licensed individuals and organizations; 2) The number of applications submitted by individuals and organizations; 3) The number of individuals seeking to be placed on the Registry of Approved Bingo Workers; 4) The ability and willingness of applicants, licensees and registered workers to cooperate with the licensing and registry process; 5) The willingness of applicants and licensees to utilize the website for information. 6) Changes to the Act; and 7) The impact of judicial decisions and legislative enactment as they relate to or impact the regulation and administration of charitable bingo.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) The ability to disseminate information to applicants, licensees and registered workers; 3) The capability for applicants to apply on-line; and 4) available staff resources.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|---|----------------------------|---------------------------------------|---|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>                  |
| \$1,326,984                                | \$1,345,544                                 | \$18,560                   | \$18,560                              | Increase attributed to various operating expenses to support bingo licensing. |
|  |   |                            | <b>\$18,560</b>                       | <b>Total of Explanation of Biennial Change</b>                                |



**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements

Service: 17

Income: A.2

Age: B.3

| CODE                            | DESCRIPTION                               | Exp 2017        | Est 2018         | Bud 2019         | BL 2020          | BL 2021          |
|---------------------------------|---|-----------------|------------------|------------------|------------------|------------------|
| <b>Output Measures:</b>         |   |                 |                  |                  |                  |                  |
| 1                               | Number of Individuals Receiving Education | 616.00          | 925.00           | 1,230.00         | 1,230.00         | 1,230.00         |
| <b>Objects of Expense:</b>      |   |                 |                  |                  |                  |                  |
| 1001                            | SALARIES AND WAGES                        | \$79,391        | \$88,279         | \$87,238         | \$87,238         | \$87,238         |
| 1002                            | OTHER PERSONNEL COSTS                     | \$4,017         | \$794            | \$480            | \$480            | \$480            |
| 2001                            | PROFESSIONAL FEES AND SERVICES            | \$0             | \$4,454          | \$4,454          | \$4,454          | \$4,454          |
| 2002                            | FUELS AND LUBRICANTS                      | \$0             | \$0              | \$0              | \$0              | \$0              |
| 2003                            | CONSUMABLE SUPPLIES                       | \$0             | \$0              | \$0              | \$0              | \$0              |
| 2004                            | UTILITIES                                 | \$0             | \$0              | \$0              | \$0              | \$0              |
| 2005                            | TRAVEL                                    | \$0             | \$2,418          | \$5,000          | \$5,000          | \$5,000          |
| 2006                            | RENT - BUILDING                           | \$0             | \$0              | \$0              | \$0              | \$0              |
| 2009                            | OTHER OPERATING EXPENSE                   | \$1,191         | \$10,967         | \$13,311         | \$13,311         | \$13,311         |
| 4000                            | GRANTS                                    | \$0             | \$0              | \$0              | \$0              | \$0              |
| 5000                            | CAPITAL EXPENDITURES                      | \$0             | \$0              | \$0              | \$0              | \$0              |
| <b>TOTAL, OBJECT OF EXPENSE</b> |   | <b>\$84,599</b> | <b>\$106,912</b> | <b>\$110,483</b> | <b>\$110,483</b> | <b>\$110,483</b> |
| <b>Method of Financing:</b>     |   |                 |                  |                  |                  |                  |
| 1                               | General Revenue Fund                      | \$84,599        | \$0              | \$0              | \$0              | \$0              |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully  
OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules  
STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements

Service Categories:

Service: 17 Income: A.2 Age: B.3

| CODE   | DESCRIPTION          | Exp 2017        | Est 2018         | Bud 2019         | BL 2020          | BL 2021          |
|--|----------------------|-----------------|------------------|------------------|------------------|------------------|
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>             |                      | <b>\$84,599</b> | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       |
| <b>Method of Financing:</b>                              |                      |                 |                  |                  |                  |                  |
| 5175   | Bingo Administration | \$0             | \$106,912        | \$110,483        | \$110,483        | \$110,483        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                      | <b>\$0</b>      | <b>\$106,912</b> | <b>\$110,483</b> | <b>\$110,483</b> | <b>\$110,483</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                      |                 |                  |                  | <b>\$110,483</b> | <b>\$110,483</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                      | <b>\$84,599</b> | <b>\$106,912</b> | <b>\$110,483</b> | <b>\$110,483</b> | <b>\$110,483</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                      | <b>2.0</b>      | <b>2.0</b>       | <b>2.0</b>       | <b>2.0</b>       | <b>2.0</b>       |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

**362 Texas Lottery Commission**

|            |   |  |  |
|------------|---|--|--|
| GOAL:      | 2 | Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully |  |
| OBJECTIVE: | 1 | Curtail Violations of Bingo Laws/Rules                                 | Service Categories:                        |
| STRATEGY:  | 2 | Provide Education and Training for Bingo Regulatory Requirements       | Service: 17      Income: A.2      Age: B.3 |

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

Activities relating to this strategy include providing education and training to all licensed organizations, individuals and bingo workers that conduct charitable bingo activities, lease bingo premises, manufacture or distribute bingo equipment, or are listed on the Registry of Approved Bingo Workers by educating applicants, licensees and workers on the requirements of the Bingo Enabling Act and the Charitable Bingo Administrative Rules.

The Charitable Bingo Operations Division (CBOD) educates applicants and licensees on requirements of the Bingo Enabling Act (Act) and Charitable Bingo Administrative Rules (Rules). CBOD uses instructor-led seminars and on-line version of the Operator Training Program. The online version is available seven days a week to any party with access to a computer. Operator training provides easy to understand details on licensing requirements, record keeping requirements, up to date information on changes in the Act or Rules, conducting bingo, administering, operating bingo and promoting bingo.

CBOD publishes informational newsletters, such as the Bingo Bulletin, and maintains the Charitable Bingo website containing relevant information relating to regulatory requirements. These activities contribute to the education and development of licensees.

The education and development of licensees will continue to expand and improve with the implementation of this strategy.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully  
OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:  
STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements Service: 17 Income: A.2 Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

External factors impacting this strategy include: 1) The number of licensed individuals and organizations; 2) The willingness of applicants and licensees to utilize the wide variety of training programs offered; 3) The impact of judicial decisions and legislative enactments as they relate to or impact the regulation and administration of charitable bingo; and 4) Changes to the Act or Rules.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) the effectiveness of the Operator Training Program and other educational efforts; and 3) available staff resources.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |                                      | BIENNIAL<br>CHANGE | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|--------------------------------------|--------------------|---------------------------------------|---|
| Base Spending (Est 2018 + Bud 2019)        | Baseline Request (BL 2020 + BL 2021) |                    | \$ Amount                             | Explanation(s) of Amount (must specify MOFs and FTEs)   |
| \$217,395                                  | \$220,966                            | \$3,571            | \$3,571                               | Increase attributed to various operating expenses to support the training and education of bingo organizations and workers. |
|  |                                      |                    | <b>\$3,571</b>                        | <b>Total of Explanation of Biennial Change</b>  |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 3 Bingo Law Compliance Field Operations

Service: 17

Income: A.2

Age: B.3

| CODE                        | DESCRIPTION   | Exp 2017    | Est 2018    | Bud 2019    | BL 2020     | BL 2021     |
|-----------------------------|---|-------------|-------------|-------------|-------------|-------------|
| <b>Output Measures:</b>     |   |             |             |             |             |             |
|                             | 1 Number of Inspections Conducted   | 280.00      | 355.00      | 240.00      | 240.00      | 240.00      |
|                             | 2 Number of Bingo Audits and Reviews Completed                            | 171.00      | 111.00      | 141.00      | 141.00      | 141.00      |
| KEY                         | 3 Number of Bingo Complaints Investigations Completed                     | 155.00      | 163.00      | 158.00      | 158.00      | 158.00      |
|                             | 4 \$ Amt of Adjustments to Charitable Distributions by Audit & Inspection | 16,488.00   | 132,782.00  | 16,000.00   | 16,000.00   | 16,000.00   |
|                             | 5 Number of Bingo Background Investigations Completed                     | 246.00      | 250.00      | 250.00      | 250.00      | 250.00      |
| <b>Efficiency Measures:</b> |   |             |             |             |             |             |
|                             | 1 Average Time for Bingo Complaint Investigation Completion (Days)        | 54.47       | 54.06       | 54.26       | 54.26       | 54.26       |
|                             | 2 Average Cost Per Bingo Complaint Investigation Completed                | 224.94      | 338.11      | 385.00      | 385.00      | 385.00      |
|                             | 3 Average Time to Conduct Compliance Audit and Review (Hours)             | 71.89       | 91.42       | 82.00       | 82.00       | 82.00       |
|                             | 4 Average Time to Complete Bingo Background Investigations (Days)         | 16.92       | 40.00       | 40.00       | 40.00       | 40.00       |
|                             | 5 Average Cost per Bingo Audit and Review Completed                       | 2,203.68    | 2,816.10    | 2,510.00    | 2,510.00    | 2,510.00    |
| <b>Objects of Expense:</b>  |   |             |             |             |             |             |
| 1001                        | SALARIES AND WAGES  | \$1,007,477 | \$1,349,800 | \$1,316,347 | \$1,316,347 | \$1,316,347 |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 3 Bingo Law Compliance Field Operations

Service: 17

Income: A.2

Age: B.3

| CODE   | DESCRIPTION             | Exp 2017           | Est 2018           | Bud 2019           | BL 2020            | BL 2021            |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1002   | OTHER PERSONNEL COSTS   | \$69,767           | \$31,806           | \$23,680           | \$23,680           | \$23,680           |
| 2003   | CONSUMABLE SUPPLIES     | \$29               | \$750              | \$500              | \$500              | \$500              |
| 2005   | TRAVEL                  | \$33,942           | \$43,764           | \$43,764           | \$43,764           | \$43,764           |
| 2009   | OTHER OPERATING EXPENSE | \$38,381           | \$49,777           | \$64,925           | \$64,925           | \$64,925           |
| <b>TOTAL, OBJECT OF EXPENSE</b>                          |                         | <b>\$1,149,596</b> | <b>\$1,475,897</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> |
| <b>Method of Financing:</b>                              |                         |                    |                    |                    |                    |                    |
| 1  | General Revenue Fund    | \$1,149,596        | \$0                | \$0                | \$0                | \$0                |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>             |                         | <b>\$1,149,596</b> | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         |
| <b>Method of Financing:</b>                              |                         |                    |                    |                    |                    |                    |
| 5175   | Bingo Administration    | \$0                | \$1,475,897        | \$1,449,216        | \$1,449,216        | \$1,449,216        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$0</b>         | <b>\$1,475,897</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                    |                    |                    | <b>\$1,449,216</b> | <b>\$1,449,216</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$1,149,596</b> | <b>\$1,475,897</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                         | <b>20.5</b>        | <b>26.0</b>        | <b>26.0</b>        | <b>26.0</b>        | <b>26.0</b>        |

**362 Texas Lottery Commission**

|            |   |  |  |
|------------|---|--|--|
| GOAL:      | 2 | Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully |  |
| OBJECTIVE: | 1 | Curtail Violations of Bingo Laws/Rules                                 | Service Categories:                        |
| STRATEGY:  | 3 | Bingo Law Compliance Field Operations                                  | Service: 17      Income: A.2      Age: B.3 |

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Activities relating to this strategy include regulating licensees' compliance with the Bingo Enabling Act (Act) and the Charitable Bingo Administrative Rules (Rules). Utilizing a system of enforcement including conducting inspections, reviews, audits, and complaint investigations, the Charitable Bingo Operations Division (CBOD) supervises bingo conducted in this state so that the games are fairly conducted and the proceeds derived from bingo are used for charitable purposes.

The Audit Services Department is responsible for evaluating compliance with bingo laws and can recommend administrative disciplinary action as appropriate. Administrative actions will occur as violations are detected and appropriate Commission Orders are issued for acts of non-compliance.

The Audit Services Department is also responsible for performing testing on bingo products for use in the state of Texas.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The number of licensed individuals and organizations; 2) The willingness of licensees to cooperate with the audit process; 3) The level of licensee compliance with the Bingo Enabling Act and Administrative Rules, 4) The impact of judicial decisions and legislative enactments as they relate to or impact the regulation and administration of charitable bingo; and 5) Changes to the Act or Rules.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) The effectiveness of the auditor training program, and 3) available staff resources.

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 3 Bingo Law Compliance Field Operations

Service: 17

Income: A.2

Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |   | <u>BIENNIAL<br/>CHANGE</u> | <u>EXPLANATION OF BIENNIAL CHANGE</u> |  |
|--|---|----------------------------|---------------------------------------|--|
| <u>Base Spending (Est 2018 + Bud 2019)</u> | <u>Baseline Request (BL 2020 + BL 2021)</u> |                            | <u>\$ Amount</u>                      | <u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>               |
| \$2,925,113                                | \$2,898,432                                 | \$(26,681)                 | \$(26,681)                            | The decreases of less than 1% is attributed to various operating expenses. |
|  |   |                            | <u>\$(26,681)</u>                     | <b>Total of Explanation of Biennial Change</b>                             |



**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully  
OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules  
STRATEGY: 4 Bingo Prize Fee Collections and Accounting

Service Categories:

Service: 17 Income: A.2 Age: B.3

| CODE   | DESCRIPTION                             | Exp 2017            | Est 2018            | Bud 2019            | BL 2020          | BL 2021          |
|--|---|---------------------|---------------------|---------------------|------------------|------------------|
| <b>Output Measures:</b>                      |   |                     |                     |                     |                  |                  |
| 1  | Percentage of Licensees Who Fail to Pay | 9.50 %              | 10.28 %             | 9.89 %              | 9.89 %           | 9.89 %           |
| 2  | Number of Bingo Reports Processed       | 5,060.00            | 5,444.00            | 5,566.00            | 5,566.00         | 5,566.00         |
| <b>Objects of Expense:</b>                   |   |                     |                     |                     |                  |                  |
| 1001   | SALARIES AND WAGES                      | \$250,697           | \$287,057           | \$302,368           | \$302,368        | \$302,368        |
| 1002   | OTHER PERSONNEL COSTS                   | \$9,570             | \$4,833             | \$2,720             | \$2,720          | \$2,720          |
| 2003   | CONSUMABLE SUPPLIES                     | \$0                 | \$300               | \$300               | \$300            | \$300            |
| 2005   | TRAVEL                                  | \$0                 | \$0                 | \$0                 | \$0              | \$0              |
| 2009   | OTHER OPERATING EXPENSE                 | \$3,401             | \$20,104            | \$11,456            | \$11,456         | \$11,456         |
| 4000   | GRANTS                                  | \$13,972,518        | \$14,480,500        | \$14,480,500        | \$0              | \$0              |
| <b>TOTAL, OBJECT OF EXPENSE</b>              |   | <b>\$14,236,186</b> | <b>\$14,792,794</b> | <b>\$14,797,344</b> | <b>\$316,844</b> | <b>\$316,844</b> |
| <b>Method of Financing:</b>                  |   |                     |                     |                     |                  |                  |
| 1  | General Revenue Fund                    | \$14,236,186        | \$0                 | \$0                 | \$0              | \$0              |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b> |   | <b>\$14,236,186</b> | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>       | <b>\$0</b>       |
| <b>Method of Financing:</b>                  |   |                     |                     |                     |                  |                  |
| 5175   | Bingo Administration                    | \$0                 | \$14,792,794        | \$14,797,344        | \$316,844        | \$316,844        |

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully  
OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules  
STRATEGY: 4 Bingo Prize Fee Collections and Accounting

Service Categories:

Service: 17 Income: A.2 Age: B.3

| CODE   | DESCRIPTION             | Exp 2017            | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b> |                         | <b>\$0</b>          | <b>\$14,792,794</b> | <b>\$14,797,344</b> | <b>\$316,844</b>    | <b>\$316,844</b>    |
| <b>Rider Appropriations:</b>                             |                         |                     |                     |                     |                     |                     |
| 5175 Bingo Administration                                |                         |                     |                     |                     |                     |                     |
| 8  | 1 Local Bingo Prize Fee |                     |                     |                     | \$14,480,500        | \$14,480,500        |
| <b>TOTAL, RIDER &amp; UNEXPENDED BALANCES APPROP</b>     |                         |                     |                     |                     | <b>\$14,480,500</b> | <b>\$14,480,500</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>       |                         |                     |                     |                     | <b>\$14,797,344</b> | <b>\$14,797,344</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>       |                         | <b>\$14,236,186</b> | <b>\$14,792,794</b> | <b>\$14,797,344</b> | <b>\$316,844</b>    | <b>\$316,844</b>    |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                   |                         | <b>5.5</b>          | <b>6.0</b>          | <b>6.0</b>          | <b>6.0</b>          | <b>6.0</b>          |
| <b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>           |                         |                     |                     |                     |                     |                     |

**362 Texas Lottery Commission**

|            |   |  |  |
|------------|---|--|--|
| GOAL:      | 2 | Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully |  |
| OBJECTIVE: | 1 | Curtail Violations of Bingo Laws/Rules                                 | Service Categories:                        |
| STRATEGY:  | 4 | Bingo Prize Fee Collections and Accounting                             | Service: 17      Income: A.2      Age: B.3 |

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

Activities relating to this strategy include assisting licensees with the filing of quarterly reports, reviewing filed reports for completeness, managing their financial data and analyzing the data reported by licensed bingo conductors that fail to report positive net proceeds on their quarterly reports to help them review their charitable bingo operations.

To assist with the efficient and timely filing of quarterly reports, current licensees are provided with the capability to complete and submit reports electronically. This is another CBOD initiative to encourage voluntary compliance with bingo licensing requirements.

Compliance with reporting requirements of the Act and Charitable Bingo Administrative Rules (Rules) is determined with this strategy. When necessary, CBOD uses an automated system to notify licensees of non-compliance of regulatory matters in a timely manner.

This strategy supports the effectiveness of the CBOD in processing quarterly prize fees and quarterly reports and maximizing interest to the state .

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External factors impacting this strategy include: 1) The number of licensed organizations; 2) The number of licensees timely filing and remitting the applicable prize fee due; 3) The number of licensees utilizing electronic filing; 4) The impact of judicial decisions and legislative enactments as they relate to or impact the regulation and administration of charitable bingo; and 5) The ability of licensees to correctly report their bingo activities.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) the effectiveness of the delinquent taxpayer contact program, and 3) available staff resources.

**362 Texas Lottery Commission**

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully

OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules

Service Categories:

STRATEGY: 4 Bingo Prize Fee Collections and Accounting

Service: 17

Income: A.2

Age: B.3

| CODE | DESCRIPTION | Exp 2017 | Est 2018 | Bud 2019 | BL 2020 | BL 2021 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

| <u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u> |                                      | BIENNIAL<br>CHANGE | <u>EXPLANATION OF BIENNIAL CHANGE</u> |   |
|--|--------------------------------------|--------------------|---------------------------------------|---|
| Base Spending (Est 2018 + Bud 2019)        | Baseline Request (BL 2020 + BL 2021) |                    | \$ Amount                             | Explanation(s) of Amount (must specify MOFs and FTEs)                     |
| \$29,590,138                               | \$29,594,688                         | \$4,550            | \$4,550                               | The increase of less than 1% is attributed to various operating expenses. |
|  |                                      |                    | <u>\$4,550</u>                        | <b>Total of Explanation of Biennial Change</b>                            |

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**SUMMARY TOTALS:**

|   |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>OBJECTS OF EXPENSE:</b>                    | <b>\$261,285,727</b> | <b>\$260,828,928</b> | <b>\$274,439,389</b> | <b>\$256,685,604</b> | <b>\$249,621,713</b> |
| <b>METHODS OF FINANCE (INCLUDING RIDERS):</b> |                      |                      |                      | <b>\$271,166,104</b> | <b>\$264,102,213</b> |
| <b>METHODS OF FINANCE (EXCLUDING RIDERS):</b> | <b>\$261,285,727</b> | <b>\$260,828,928</b> | <b>\$274,439,389</b> | <b>\$256,685,604</b> | <b>\$249,621,713</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>        | <b>301.5</b>         | <b>323.0</b>         | <b>323.5</b>         | <b>323.5</b>         | <b>323.5</b>         |



**3.A.1. PROGRAM-LEVEL REQUEST SCHEDULE**  
86th Regular Session, Agency Submission, Version 1

| Agency Code: 362      |                    | Agency: TEXAS LOTTERY COMMISSION |   |         |  | Prepared By: Kathy Pyka |                   |                   |                           |                     |         |
|-----------------------|--------------------|----------------------------------|---|---------|--|-------------------------|-------------------|-------------------|---------------------------|---------------------|---------|
| Date: August 17, 2018 |                    |                                  |   |         |  | 18-19<br>Base           | Requested<br>2020 | Requested<br>2021 | Biennial Total<br>2020-21 | Biennial Difference |         |
| Goal                  | Goal Name          | Strategy                         | Strategy Name                           | Program | Program Name                           |                         |                   |                   |                           | \$                  | %       |
| A                     | Operate Lottery    | A.1.1.                           | Lottery Operations                      |         | Operations                             | \$14,555,525            | \$7,578,241       | \$7,581,962       | \$15,160,203              | \$604,678           | 4.2%    |
| A                     | Operate Lottery    | A.1.2.                           | Lottery Field Operations                |         | Operations                             | \$6,257,136             | \$3,372,136       | \$3,373,004       | \$6,745,140               | \$488,004           | 7.8%    |
| A                     | Operate Lottery    | A.1.3.                           | Marketing and Promotion                 |         | Marketing, Promotions, and Advertising | \$13,220,599            | \$7,176,996       | \$7,204,777       | \$14,381,773              | \$1,161,174         | 8.8%    |
| A                     | Operate Lottery    | A.1.4.                           | Security                                |         | Security                               | \$11,066,304            | \$6,020,886       | \$5,534,303       | \$11,555,189              | \$488,885           | 4.4%    |
| A                     | Operate Lottery    | A.1.5.                           | Central Administration                  |         | Central Administration                 | \$25,423,483            | \$13,957,932      | \$13,655,578      | \$27,613,510              | \$2,190,027         | 8.6%    |
| A                     | Operate Lottery    | A.1.6.                           | Lottery Operator Contract(s)            |         | Contracting                            | \$243,441,181           | \$121,783,224     | \$114,475,900     | \$236,259,124             | (\$7,182,057)       | -3.0%   |
| A                     | Operate Lottery    | A.1.7.                           | Scratch Ticket Production Contract(s)   |         | Contracting                            | \$76,218,710            | \$39,000,000      | \$40,000,000      | \$79,000,000              | \$2,781,290         | 3.6%    |
| A                     | Operate Lottery    | A.1.8.                           | Mass Media Advertising Contract(s)      |         | Contracting                            | \$50,566,896            | \$25,283,448      | \$25,283,448      | \$50,566,896              | \$0                 | 0.0%    |
| A                     | Operate Lottery    | A.1.9.                           | Drawing & Broadcast Contract(s)         |         | Contracting                            | \$4,818,828             | \$2,409,414       | \$2,409,414       | \$4,818,828               | \$0                 | 0.0%    |
| A                     | Operate Lottery    | A.1.10.                          | Retailer Bonus                          |         | Retailer Bonuses and Incentives        | \$3,360,000             | \$0               | \$0               | \$0                       | (\$3,360,000)       | -100.0% |
| A                     | Operate Lottery    | A.1.11.                          | Retailer Commissions                    |         | Retailer Bonuses and Incentives        | \$52,280,025            | \$27,554,012      | \$27,554,012      | \$55,108,024              | \$2,827,999         | 5.4%    |
| Total Goal A          |                    |                                  |   |         |  | \$501,208,687           | \$254,136,289     | \$247,072,398     | \$501,208,687             | \$0                 | 0.0%    |
| B                     | Enforce Bingo Laws | B.1.1.                           | Bingo Licensing                         |         | Licensing Services                     | \$1,326,984             | \$672,772         | \$672,772         | \$1,345,544               | \$18,560            | 1.4%    |
| B                     | Enforce Bingo Laws | B.1.2.                           | Bingo Education & Development           |         | Bingo Education & Training             | \$217,395               | \$110,483         | \$110,483         | \$220,966                 | \$3,571             | 1.6%    |
| B                     | Enforce Bingo Laws | B.1.3.                           | Bingo Law Compliance Field Operations   |         | Bingo Auditors                         | \$2,925,113             | \$1,449,216       | \$1,449,216       | \$2,898,432               | (\$26,681)          | -0.9%   |
| B                     | Enforce Bingo Laws | B.1.4.                           | Bingo Prize Fee Collection & Accounting |         | Accounting Services                    | \$29,590,138            | \$14,797,344      | \$14,797,344      | \$29,594,688              | \$4,550             | 0.0%    |
| Total Goal B          |                    |                                  |   |         |  | \$34,059,630            | \$17,029,815      | \$17,029,815      | \$34,059,630              | \$0                 | 0.0%    |
| Total                 |                    |                                  |   |         |  | \$535,268,317           | \$271,166,104     | \$264,102,213     | \$535,268,317             | \$0                 | 0.0%    |





### 3.B. Rider Revisions and Additions Request

| <b>Agency Code:</b><br>362                                     | <b>Agency Name:</b><br>Texas Lottery Commission | <b>Prepared By:</b><br>Kathy Pyka   | <b>Date:</b><br>8/17/2018 | <b>Request Level:</b><br>Base |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
|--|---|---|---------------------------|-------------------------------|--|-------------|-------------|-------------|-------------|--|--|--|--|--|-------------------------------|----|---------|----|---------|--|--|--|--|--|---|----|---------|----|---|-----------------------|-------------------|----------------|-----------|------------------|---------------------------------------|--|--|--|--|---|----|------------------------|----|------------------|----------------------------|-------------------|----------------|-----------|------------------|
| <b>Current<br/>Rider<br/>Number</b>                            | <b>Page #<br/>2018-19<br/>GAA</b>               | <b>Proposed Rider Language</b>  |                           |                               |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| 2.   | VII-10  | <p><b>Capital Budget.</b> None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in the provision as appropriations either for "Lease Payments to the Master Equipment Purchase Program" or for items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code §1232.103.</p> <table style="width: 100%; margin-top: 20px;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 10%; text-align: center;"><u>2018</u></th> <th style="width: 10%; text-align: center;"><u>2020</u></th> <th style="width: 10%; text-align: center;"><u>2019</u></th> <th style="width: 10%; text-align: center;"><u>2021</u></th> </tr> </thead> <tbody> <tr> <td><del>a. Acquisition of Information Resource Technologies</del></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;"><del>(1) PC Replacement</del></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">125,640</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">125,640</td> </tr> <tr> <td><br/><del>b a.</del> Acquisition of Capital Equipment and Items</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">(1) Capitalized Lottery Drawing Equipment</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">300,000</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 40px;">Total, Capital Budget</td> <td style="text-align: right;"><u>\$ 425,640</u></td> <td style="text-align: right;"><u>300,000</u></td> <td style="text-align: right;"><u>\$</u></td> <td style="text-align: right;"><u>125,640 0</u></td> </tr> <tr> <td colspan="5" style="padding-top: 10px;">Method of Financing (Capital Budget):</td> </tr> <tr> <td style="padding-left: 40px;">GR Dedicated - Lottery Account No. 5025</td> <td style="text-align: right;">\$</td> <td style="text-align: right;"><u>425,640 300,000</u></td> <td style="text-align: right;">\$</td> <td style="text-align: right;"><u>125,640 0</u></td> </tr> <tr> <td style="padding-left: 40px;">Total, Method of Financing</td> <td style="text-align: right;"><u>\$ 425,640</u></td> <td style="text-align: right;"><u>300,000</u></td> <td style="text-align: right;"><u>\$</u></td> <td style="text-align: right;"><u>125,640 0</u></td> </tr> </tbody> </table> <p style="margin-top: 20px;"><i>This rider revision is requested to reflect the FY 2020-21 Capital Budget Request submitted as a baseline request. An explanation of the capital budget item requested is included in the Capital Budget Supporting Schedules.</i></p> |                           |                               |  | <u>2018</u> | <u>2020</u> | <u>2019</u> | <u>2021</u> | <del>a. Acquisition of Information Resource Technologies</del> |  |  |  |  | <del>(1) PC Replacement</del> | \$ | 125,640 | \$ | 125,640 | <br><del>b a.</del> Acquisition of Capital Equipment and Items |  |  |  |  | (1) Capitalized Lottery Drawing Equipment | \$ | 300,000 | \$ | 0 | Total, Capital Budget | <u>\$ 425,640</u> | <u>300,000</u> | <u>\$</u> | <u>125,640 0</u> | Method of Financing (Capital Budget): |  |  |  |  | GR Dedicated - Lottery Account No. 5025 | \$ | <u>425,640 300,000</u> | \$ | <u>125,640 0</u> | Total, Method of Financing | <u>\$ 425,640</u> | <u>300,000</u> | <u>\$</u> | <u>125,640 0</u> |
|  | <u>2018</u>                                     | <u>2020</u>   | <u>2019</u>               | <u>2021</u>                   |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| <del>a. Acquisition of Information Resource Technologies</del> |   |   |                           |                               |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| <del>(1) PC Replacement</del>                                  | \$  | 125,640   | \$                        | 125,640                       |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| <br><del>b a.</del> Acquisition of Capital Equipment and Items |   |   |                           |                               |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| (1) Capitalized Lottery Drawing Equipment                      | \$  | 300,000   | \$                        | 0                             |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| Total, Capital Budget  | <u>\$ 425,640</u>                               | <u>300,000</u>  | <u>\$</u>                 | <u>125,640 0</u>              |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| Method of Financing (Capital Budget):                          |   |   |                           |                               |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| GR Dedicated - Lottery Account No. 5025                        | \$  | <u>425,640 300,000</u>  | \$                        | <u>125,640 0</u>              |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |
| Total, Method of Financing                                     | <u>\$ 425,640</u>                               | <u>300,000</u>  | <u>\$</u>                 | <u>125,640 0</u>              |  |             |             |             |             |  |  |  |  |  |                               |    |         |    |         |  |  |  |  |  |   |    |         |    |   |                       |                   |                |           |                  |                                       |  |  |  |  |   |    |                        |    |                  |                            |                   |                |           |                  |

### 3.B. Rider Revisions and Additions Request (continued)

|    |        |   |
|----|--------|---|
| 3. | VII-10 | <p><b>Operate Lottery.</b> Pursuant to Government Code, Chapter 466, appropriations made to Goal A, Operate Lottery, shall not exceed twelve percent of the gross revenue from the sale of lottery tickets. This appropriation shall be used for the administration of the lottery and for retailer commissions.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>  |
| 4. | VII-10 | <p><b>Appropriation: Payment of Prizes.</b> In addition to the amounts appropriated above for the administration of the lottery and retailer commissions, there is hereby appropriated pursuant to Government Code, Chapter 466, out of the State Lottery Account in the General Revenue Fund, sufficient funds for the payment of prizes to the holders of winning tickets.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>  |
| 5. | VII-11 | <p><b>Limitation: Pooled Reserve Fund.</b> Pursuant to Government Code, Chapter 466, the Executive Director of the Texas Lottery Commission shall maintain balances in a pooled reserve fund to cover the potential loss of state revenue as a result of lottery retailer defaults. The Executive Director of the Texas Lottery Commission shall transfer all pooled reserve fund revenues and balances that exceed \$5 million to the Foundation School Fund No. 193 monthly.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>  |
| 6. | VII-11 | <p><b>Appropriations Limited to Revenue Collections.</b> Fees, fines, and other miscellaneous revenues as authorized and generated by the operation of charity bingo pursuant to Occupations Code §2001 shall cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal B, Enforce Bingo Laws, as well as the "other direct and indirect costs" made elsewhere in this Act associated with this goal. Direct costs for the strategy items in Goal B, Enforce Bingo Laws are estimated to be \$<del>2,549,315</del> <u>xxx</u> in fiscal year <del>2018</del> <u>2020</u> and \$<del>2,549,315</del> <u>xxx</u> in fiscal year <del>2019</del> <u>2021</u> and "other direct and indirect costs" for Goal B, Enforce Bingo Laws, are estimated to be \$<del>865,744</del> <u>xxx</u> for fiscal year <del>2018</del> <u>2020</u> and \$<del>868,912</del> <u>xxx</u> for fiscal year <del>2019</del> <u>2021</u>.</p> <p>In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.</p> <p><i>This rider revision is requested to reflect updated estimates of other direct and indirect costs for the FY 2020-21 biennium. The amounts are to be provided by the Legislative Budget Board.</i></p> |

### 3.B. Rider Revisions and Additions Request (continued)

|    |        |  |
|----|--------|--|
| 7. | VII-11 | <p><b>Petty Cash Fund Authorized.</b> The Texas Lottery Commission is authorized to establish a petty cash fund to be used by Commission employees for the purchase of evidence and/or information and other expenses deemed necessary for agency security and enforcement activities, including audits and expenses, incurred by auditing. The petty cash fund, not to exceed \$1,500, may be maintained in cash or at a local bank and shall be subject to such rules and regulations as the executive director may recommend and the commission may adopt.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>  |
| 8. | VII-11 | <p><b>Local Bingo Prize Fees.</b> In addition to the amounts appropriated above in Strategy B.1.4, Bingo Prize Fee Collection and Accounting, bingo prize fees collected pursuant to Texas Occupations Code, Section 2001.502 for allocation to counties and municipalities as required by the Texas Occupations Code, Section 2001.503, are appropriated to the Texas Lottery Commission, estimated to be \$14,480,500 in fiscal year <del>2018</del> <u>2020</u> and \$14,480,500 in fiscal year <del>2019</del> <u>2021</u>.</p> <p><i>This rider revision is requested to reflect updated fiscal years.</i></p>  |
| 9. | VII-11 | <p><b>Retailer Commissions.</b></p> <ul style="list-style-type: none"> <li>a. Pursuant to Government Code, Chapter 466, an amount equal to 5 percent of gross sales shall be made available for the purpose of paying retailer commissions.</li> <li>b. The amounts included above in Strategy A.1.12, Retailer Commissions, include an estimated amount equal to one-half of one percent of gross sales each fiscal year that is in addition to the 5 percent retailer commission amount in subsection (a) above and may only be used for the purpose of paying sales performance retailer commissions. Any unobligated and unexpended balances of appropriations for the fiscal year ending August 31, <del>2018</del> <u>2020</u>, are appropriated to the agency for the same purposes for the fiscal year beginning September 1, <del>2018</del> <u>2020</u>. Prior to providing an additional retail commission above 5 percent of gross sales, the Texas Lottery Commission shall provide a report to the Governor and the Legislative Budget Board outlining the Texas Lottery Commission's plans to implement a retailer sales performance commission or similar sales performance incentive program and the projected benefits of the program to lottery ticket sales and state revenues.</li> </ul> <p><i>This rider revision is requested to reflect updated fiscal years.</i></p> |

### 3.B. Rider Revisions and Additions Request (continued)

|     |        |  |
|-----|--------|--|
| 10. | VII-11 | <p><b>Lottery Operator Contract.</b> The amounts included above in Strategy A.1.6, Lottery Operator Contract, are estimated appropriations out of the State Lottery Account in the General Revenue Fund and may only be used for payment of lottery operator contractual obligations. The estimated amount appropriated for fiscal year <del>2018</del> <u>2020</u> is an amount equal to 2.2099 percent of gross sales in fiscal year <del>2018</del> <u>2020</u>; and the estimated amount appropriated in fiscal year <del>2019</del> <u>2021</u> is an amount equal to <del>2.2099</del> <u>2.0773</u> percent of gross sales in fiscal year <del>2019</del> <u>2021</u>.</p> <p><i>This rider revision is requested to reflect updated fiscal years and revised contract rate for FY 2021.</i></p>  |
| 11. | VII-11 | <p><b>Appropriation of Increased Revenues.</b> In addition to the amounts appropriated above, there is hereby appropriated out of the State Lottery Account in the General Revenue Fund, an amount equal to 1.49 percent of the amount by which gross sales exceed \$4,945,202,607 <u>\$5,510,802,475</u> in fiscal year <del>2018</del> <u>2020</u> and the amount by which gross sales exceed \$5,019,380,646 <u>\$5,510,802,475</u> in fiscal year <del>2019</del> <u>2021</u> for the purpose of fulfilling contractual obligations and other administrative costs in administration of the Lottery. Any unexpended balances remaining from this appropriation as of August 31, <del>2018-2020</del>, are hereby appropriated for the same purposes for the fiscal year beginning September 1, <del>2018</del> <u>2020</u>.</p> <p>a. <b>Notification of Planned Use of Funds.</b> Prior to the use of the funds appropriated by this rider, the agency shall submit to the Legislative Budget Board a report, in a manner prescribed by the Legislative Budget Board, outlining the planned use of the funds.</p> <p>b. <b>Reporting Requirement on Use of Funds.</b> The agency shall submit to the Legislative Budget Board, by December 1 each fiscal year, a report, in a manner prescribed by the Legislative Budget Board, that includes the following information:</p> <ul style="list-style-type: none"> <li>(1) the amounts of the funds appropriated by this rider that were expended in the previous fiscal year and the purpose of the expenditures; and</li> <li>(2) the amount of the funds that were lapsed at the end of the previous fiscal year.</li> </ul> <p><i>This rider revision is requested to reflect current estimates of lottery sales for the FY 2020-21 biennium and to reflect updated fiscal years.</i></p> |
| 12. | VII-12 | <p><b><del>Scratch</del>Instant Ticket Game Closure.</b> The commission shall provide a semi-annual report on April 1 and October 1 of each fiscal year, to the Legislative Budget Board detailing the number of <del>scratch</del><u>instant</u> ticket games closed and the amount of time to end the sale of each game following closure.</p> <p><i>The Commission is requesting a revision to this Rider to modify the reference of scratch tickets from “instant” to “scratch” consistent with industry terminology.</i></p>  |

### 3.B. Rider Revisions and Additions Request (continued)

|     |             |  |
|-----|-------------|--|
| 13. | VII-12      | <p><b>Sale of Lottery.</b> None of the funds appropriated above may be spent for the purpose of exploring, investigating, negotiating, calculating, or otherwise taking any action that would result in selling the Texas Lottery.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>   |
| 14. | VII-12      | <p><b>Bingo Third Party Reimbursements.</b> Included in amounts appropriated above in Strategy B.1.3, Bingo Law Compliance Field Operations, is an estimated \$60,000 in fiscal year <del>2018</del> <u>2020</u> and \$60,000 in fiscal year <del>2019</del> <u>2021</u> in General Revenue-Dedicated Bingo Administrative Account No. 5175 collected from third party reimbursements by the Bingo division in accordance with Texas Occupations Code §§2001.205(b), 2001.209(b), and 2001.560(d).</p> <p><i>This rider revision is requested to reflect updated fiscal years.</i></p>   |
| 15. | VII-12      | <p><b>Limitations on Transfers.</b> Notwithstanding Article IX, §14.01, Appropriation Transfers of this Act, appropriations may not be transferred from Strategy A.1.7, Scratch Ticket Production Contract(s) to other strategies without prior written approval from the Legislative Budget Board.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>  |
| 16. | VII-12      | <p><b>Notification Requirement.</b> The agency shall notify the Legislative Budget Board, in a manner prescribed by the board, at least 30 calendar days before any amendment or change order is executed on the Lottery Operator Contract.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>  |
| 701 | Article VII | <p><b><u>Unexpended Balances Between Biennia.</u></b> Included in amounts appropriated above are <u>any unexpended balances out of the State Lottery Account in the General Revenue Fund (estimated to be \$xx) from Rider 11 remaining as of August 31, 2019 in appropriations made to the Texas Lottery Commission for the same purpose for the biennium beginning September 1, 2019.</u></p> <p><i>The Commission is requesting a new Rider to allow for the transfer of Rider 11 (Appropriation of Increased Revenue) funds between the biennia. Rider 11 funds are appropriated to the agency once specific sales thresholds (BRE) are met and are used for fulfilling contractual obligations and other administrative costs of the lottery. These funds are not earned until late in the fiscal year and only if sales thresholds are exceeded. Therefore, funds earned in the second year of biennium typically cannot be used to address agency needs.</i></p> <p><i>Funding for this Rider is from the General Revenue-Dedicated Lottery Account which is part of the funds that do not count toward certification by the Comptroller of Public Accounts. Funding under this Rider would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.</i></p> |



**3.C. Rider Appropriations and Unexpended Balances Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME: **11:21:30AM**

**Agency Code: 362 Texas Lottery Commission**

| RIDER                             | STRATEGY                                | Exp 2017   | Est 2018            | Bud 2019            | BL 2020             | BL 2021             |
|-----------------------------------|---|------------|---------------------|---------------------|---------------------|---------------------|
| 8 1                               | Local Bingo Prize Fee                   |            |                     |                     |                     |                     |
|                                   | 2-1-4 BINGO PRIZE FEE COLLECTION & ACCT | \$0        | \$14,480,500        | \$14,480,500        | \$14,480,500        | \$14,480,500        |
| <b>OBJECT OF EXPENSE:</b>         |   |            |                     |                     |                     |                     |
|                                   | 4000 GRANTS                             | \$0        | \$14,480,500        | \$14,480,500        | \$14,480,500        | \$14,480,500        |
| <b>Total, Object of Expense</b>   |   | <b>\$0</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> |
| <b>METHOD OF FINANCING:</b>       |   |            |                     |                     |                     |                     |
|                                   | 5175 Bingo Administration               | \$0        | \$14,480,500        | \$14,480,500        | \$14,480,500        | \$14,480,500        |
| <b>Total, Method of Financing</b> |   | <b>\$0</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> |

**Description/Justification for continuation of existing riders or proposed new rider**

In addition to the amounts appropriated in Strategy 2.1.4, Bingo Prize Fee Collection and Accounting, bingo prize fees collected pursuant to Texas Occupations Code, Section 2001.502 for allocation to counties and municipalities as required by the Texas Occupations Code, Section 2001.503, are appropriated to the Texas Lottery Commission, estimated to be \$14,480,500 in fiscal year 2020 and \$14,480,500 in fiscal year 2021.

**3.C. Rider Appropriations and Unexpended Balances Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME: **11:21:30AM**

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**Agency Code: 362 Texas Lottery Commission**

| <b>RIDER</b>                     | <b>STRATEGY</b> | <b>Exp 2017</b> | <b>Est 2018</b>     | <b>Bud 2019</b>     | <b>BL 2020</b>      | <b>BL 2021</b>      |
|----------------------------------|-----------------|-----------------|---------------------|---------------------|---------------------|---------------------|
| <b>SUMMARY:</b>                  |                 |                 |                     |                     |                     |                     |
| <b>OBJECT OF EXPENSE TOTAL</b>   |                 | <b>\$0</b>      | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> |
| <b>METHOD OF FINANCING TOTAL</b> |                 | <b>\$0</b>      | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> |



**4.A. Exceptional Item Request Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME: **11:21:31AM**

Agency code: **362**

Agency name:

**Texas Lottery Commission**

| CODE                              | DESCRIPTION   |  | Excp 2020  | Excp 2021          |
|-----------------------------------|---|--|------------|--------------------|
|                                   | <b>Item Name:</b> Construction Required for TX Capital Complex Building<br><b>Item Priority:</b> 1<br><b>IT Component:</b> No<br><b>Anticipated Out-year Costs:</b> No<br><b>Involve Contracts &gt; \$50,000:</b> Yes<br><b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-01 Lottery Operations<br>01-01-04 Security |  |            |                    |
| <b>OBJECTS OF EXPENSE:</b>        |   |  |            |                    |
| 2007                              | RENT - MACHINE AND OTHER  |  | 0          | 79,462             |
| 2009                              | OTHER OPERATING EXPENSE   |  | 0          | 46,800             |
| 5000                              | CAPITAL EXPENDITURES  |  | 0          | 1,688,875          |
| <b>TOTAL, OBJECT OF EXPENSE</b>   |   |  | <b>\$0</b> | <b>\$1,815,137</b> |
| <b>METHOD OF FINANCING:</b>       |   |  |            |                    |
| 5025                              | Lottery Acct  |  | 0          | 1,815,137          |
| <b>TOTAL, METHOD OF FINANCING</b> |   |  | <b>\$0</b> | <b>\$1,815,137</b> |

**DESCRIPTION / JUSTIFICATION:**

Phase I of the Texas Capitol Complex Master Plan includes the construction of a new office building at 1801 Congress Avenue. The Texas Lottery will relocate its headquarters facility from its leased location at 611 E. 6th Street to the new building upon completion in 2022. In coordination with the Texas Facilities Commission, the Texas Lottery is requesting an exceptional item for building construction to support the agency's drawings production studio and specialized building space. The drawings studio and claim center have unique infrastructure requirements that support the agency's core business operations and these requirements are not included in the building construction appropriation provided to the Texas Facilities Commission. These requirements include, but are not limited to, satellite antennas, uninterruptable power supply, studio set floor, backdrop, electrical and lighting grid, and claim center and studio millwork and glass.

There would be not cost to the Appropriations Bill to appropriate authority for the construction funding as the GR -D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA).

**EXTERNAL/INTERNAL FACTORS:**

External factors that may affect this exceptional item include construction delays or schedule changes approved by the Texas Facilities Commission.

**PCLS TRACKING KEY:**

**4.A. Exceptional Item Request Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME: **11:21:31AM**

Agency code: **362**

Agency name:  
**Texas Lottery Commission**

| <b>CODE</b> | <b>DESCRIPTION</b> | <b>Excp 2020</b> | <b>Excp 2021</b> |
|-------------|--------------------|------------------|------------------|
|-------------|--------------------|------------------|------------------|

**APPROXIMATE PERCENTAGE OF EXCEPTIONAL ITEM :** 98.00%

**CONTRACT DESCRIPTION :**

Contracted services may include but not be limited to: architect, construction, electrical, and moving. The contracts are for the design, construction and installation of specialized building infrastructure components to support the lottery drawings and production studio and the Austin Claim Center operations. The contract services will be required for fiscal year 2021 during the construction rough-in phase of the 1801 Congress Avenue facility. All services will be procured through a competitive bid process unless the Texas Facilities Commission designates a proprietary construction vendor. The Texas Lottery will follow all procurement statutes, rules and procedures when contracting for all goods/services.

**4.A. Exceptional Item Request Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME: **11:21:31AM**

Agency code: **362**

Agency name:

**Texas Lottery Commission**

| CODE                        | DESCRIPTION   | Excp 2020          | Excp 2021          |
|-----------------------------|---|--------------------|--------------------|
|                             | <b>Item Name:</b> Restore Retailer Bonus Program<br><b>Item Priority:</b> 2<br><b>IT Component:</b> No<br><b>Anticipated Out-year Costs:</b> Yes<br><b>Involve Contracts &gt; \$50,000:</b> No<br><b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-10     Retailer Bonus |                    |                    |
| <b>OBJECTS OF EXPENSE:</b>  |   |                    |                    |
| 2009                        | OTHER OPERATING EXPENSE   | 4,200,000          | 4,200,000          |
|                             | <b>TOTAL, OBJECT OF EXPENSE</b>   | <b>\$4,200,000</b> | <b>\$4,200,000</b> |
| <b>METHOD OF FINANCING:</b> |   |                    |                    |
| 5025                        | Lottery Acct  | 4,200,000          | 4,200,000          |
|                             | <b>TOTAL, METHOD OF FINANCING</b>   | <b>\$4,200,000</b> | <b>\$4,200,000</b> |

**DESCRIPTION / JUSTIFICATION:**

The Commission is requesting that the \$4.2 million annual retailer bonus budget be restored in the FY 2020-21 biennium. The \$4.2 million annual retailer bonus budget was vetoed by the Governor and was zeroed out in the second year of the 2018-19 biennium. Bonus payments are earned by retailers for selling certain prizewinning tickets. This key program is utilized for retailer sales promotion/motivation to carry games that offer bonuses, as well as retailer recruitment, retention and development opportunities. The loss of this key program impacts retailer sales performance, recruitment, retention and development opportunities.

There would be no cost to the Appropriations Bill to restore funding for this program as the GR -D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA).

**EXTERNAL/INTERNAL FACTORS:**

External factors impacting this program include: 1) The number of retailers that qualify for a bonus; 2) the value of the bonuses; and 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources.

**PCLS TRACKING KEY:**

DATE: **8/7/2018**  
TIME: **11:21:31AM**

Agency code: **362** Agency name: **Texas Lottery Commission**

| 2022        | 2023        | 2024        |
|-------------|-------------|-------------|
| \$4,200,000 | \$4,200,000 | \$4,200,000 |

**4.B. Exceptional Items Strategy Allocation Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018  
TIME: 11:21:31AM

|                            |   |                    |                          |             |  |
|----------------------------|---|--------------------|--------------------------|-------------|--|
| Agency code:               | 362   | Agency name:       | Texas Lottery Commission |             |  |
| Code                       | Description   |                    | Excp 2020                | Excp 2021   |  |
| Item Name:                 | Construction Required for TX Capital Complex Building |                    |                          |             |  |
| Allocation to Strategy:    | 1-1-1   | Lottery Operations |                          |             |  |
| OBJECTS OF EXPENSE:        |   |                    |                          |             |  |
| 2007                       | RENT - MACHINE AND OTHER                              |                    | 0                        | 7,836       |  |
| 2009                       | OTHER OPERATING EXPENSE                               |                    | 0                        | 22,800      |  |
| 5000                       | CAPITAL EXPENDITURES                                  |                    | 0                        | 1,480,619   |  |
| TOTAL, OBJECT OF EXPENSE   |   |                    | \$0                      | \$1,511,255 |  |
| METHOD OF FINANCING:       |   |                    |                          |             |  |
| 5025                       | Lottery Acct  |                    | 0                        | 1,511,255   |  |
| TOTAL, METHOD OF FINANCING |   |                    | \$0                      | \$1,511,255 |  |

**4.B. Exceptional Items Strategy Allocation Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018  
TIME: 11:21:31AM

| Agency code:                      | <b>362</b>               | Agency name:  | <b>Texas Lottery Commission</b> |            |                  |
|-----------------------------------|--------------------------|---|---------------------------------|------------|------------------|
| Code                              | Description              |   |                                 | Excp 2020  | Excp 2021        |
| <b>Item Name:</b>                 |                          | Construction Required for TX Capital Complex Building |                                 |            |                  |
| <b>Allocation to Strategy:</b>    |                          | 1-1-4   | Security                        |            |                  |
| <b>OBJECTS OF EXPENSE:</b>        |                          |   |                                 |            |                  |
| 2007                              | RENT - MACHINE AND OTHER |   |                                 | 0          | 71,626           |
| 2009                              | OTHER OPERATING EXPENSE  |   |                                 | 0          | 24,000           |
| 5000                              | CAPITAL EXPENDITURES     |   |                                 | 0          | 208,256          |
| <b>TOTAL, OBJECT OF EXPENSE</b>   |                          |   |                                 | <b>\$0</b> | <b>\$303,882</b> |
| <b>METHOD OF FINANCING:</b>       |                          |   |                                 |            |                  |
| 5025                              | Lottery Acct             |   |                                 | 0          | 303,882          |
| <b>TOTAL, METHOD OF FINANCING</b> |                          |   |                                 | <b>\$0</b> | <b>\$303,882</b> |

**4.B. Exceptional Items Strategy Allocation Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME: **11:21:31AM**

|                            |                                |                |                          |             |             |
|----------------------------|--------------------------------|----------------|--------------------------|-------------|-------------|
| Agency code:               | 362                            | Agency name:   | Texas Lottery Commission |             |             |
| Code                       | Description                    |                |                          | Excp 2020   | Excp 2021   |
| Item Name:                 | Restore Retailer Bonus Program |                |                          |             |             |
| Allocation to Strategy:    | 1-1-10                         | Retailer Bonus |                          |             |             |
| OBJECTS OF EXPENSE:        |                                |                |                          |             |             |
| 2009                       | OTHER OPERATING EXPENSE        |                |                          | 4,200,000   | 4,200,000   |
| TOTAL, OBJECT OF EXPENSE   |                                |                |                          | \$4,200,000 | \$4,200,000 |
| METHOD OF FINANCING:       |                                |                |                          |             |             |
| 5025                       | Lottery Acct                   |                |                          | 4,200,000   | 4,200,000   |
| TOTAL, METHOD OF FINANCING |                                |                |                          | \$4,200,000 | \$4,200,000 |





**4.C. Exceptional Items Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/7/2018  
**TIME:** 11:21:31AM

Agency Code: **362** Agency name: **Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales

STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03 Income: A.2 Age: B.3

| CODE                             | DESCRIPTION              | Excp 2020  | Excp 2021          |
|----------------------------------|--------------------------|------------|--------------------|
| <b>OBJECTS OF EXPENSE:</b>       |                          |            |                    |
| 2007                             | RENT - MACHINE AND OTHER | 0          | 7,836              |
| 2009                             | OTHER OPERATING EXPENSE  | 0          | 22,800             |
| 5000                             | CAPITAL EXPENDITURES     | 0          | 1,480,619          |
| <b>Total, Objects of Expense</b> |                          | <b>\$0</b> | <b>\$1,511,255</b> |

**METHOD OF FINANCING:**

|      |              |   |           |
|------|--------------|---|-----------|
| 5025 | Lottery Acct | 0 | 1,511,255 |
|------|--------------|---|-----------|

|                                 |            |                    |
|---------------------------------|------------|--------------------|
| <b>Total, Method of Finance</b> | <b>\$0</b> | <b>\$1,511,255</b> |
|---------------------------------|------------|--------------------|

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Construction Required for TX Capital Complex Building

**4.C. Exceptional Items Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/7/2018  
**TIME:** 11:21:31AM

Agency Code: **362** Agency name: **Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales

STRATEGY: 4 Security

Service Categories:

Service: 03 Income: A.2 Age: B.3

| CODE DESCRIPTION | Excp 2020 | Excp 2021 |
|------------------|-----------|-----------|
|------------------|-----------|-----------|

**OBJECTS OF EXPENSE:**

|                                  |            |                  |
|----------------------------------|------------|------------------|
| 2007 RENT - MACHINE AND OTHER    | 0          | 71,626           |
| 2009 OTHER OPERATING EXPENSE     | 0          | 24,000           |
| 5000 CAPITAL EXPENDITURES        | 0          | 208,256          |
| <b>Total, Objects of Expense</b> | <b>\$0</b> | <b>\$303,882</b> |

**METHOD OF FINANCING:**

|                                 |            |                  |
|---------------------------------|------------|------------------|
| 5025 Lottery Acct               | 0          | 303,882          |
| <b>Total, Method of Finance</b> | <b>\$0</b> | <b>\$303,882</b> |

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Construction Required for TX Capital Complex Building

**4.C. Exceptional Items Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/7/2018  
**TIME:** 11:21:31AM

Agency Code: **362** Agency name: **Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales

STRATEGY: 10 Retailer Bonus

Service Categories:

Service: 03 Income: A.2 Age: B.3

| <b>CODE</b> | <b>DESCRIPTION</b> | <b>Excp 2020</b> | <b>Excp 2021</b> |
|-------------|--------------------|------------------|------------------|
|-------------|--------------------|------------------|------------------|

**OBJECTS OF EXPENSE:**

|      |                         |           |           |
|------|-------------------------|-----------|-----------|
| 2009 | OTHER OPERATING EXPENSE | 4,200,000 | 4,200,000 |
|------|-------------------------|-----------|-----------|

|                                  |  |                    |                    |
|----------------------------------|--|--------------------|--------------------|
| <b>Total, Objects of Expense</b> |  | <b>\$4,200,000</b> | <b>\$4,200,000</b> |
|----------------------------------|--|--------------------|--------------------|

**METHOD OF FINANCING:**

|      |              |           |           |
|------|--------------|-----------|-----------|
| 5025 | Lottery Acct | 4,200,000 | 4,200,000 |
|------|--------------|-----------|-----------|

|                                 |  |                    |                    |
|---------------------------------|--|--------------------|--------------------|
| <b>Total, Method of Finance</b> |  | <b>\$4,200,000</b> | <b>\$4,200,000</b> |
|---------------------------------|--|--------------------|--------------------|

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Restore Retailer Bonus Program



**5.A. Capital Budget Project Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME : **11:21:31AM**

Agency code: **362**

Agency name: **Texas Lottery Commission**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2018**

**Bud 2019**

**BL 2020**

**BL 2021**

**5002 Construction of Buildings and Facilities**

*2/2 Construction Required for TX Capital Complex  
Building*

**OBJECTS OF EXPENSE**

Capital

|                                 |      |                          |            |            |            |            |
|---------------------------------|------|--------------------------|------------|------------|------------|------------|
| General                         | 2007 | RENT - MACHINE AND OTHER | \$0        | \$0        | \$0        | \$0        |
| General                         | 2009 | OTHER OPERATING EXPENSE  | \$0        | \$0        | \$0        | \$0        |
| General                         | 5000 | CAPITAL EXPENDITURES     | \$0        | \$0        | \$0        | \$0        |
| Capital Subtotal OOE, Project 2 |      |                          | \$0        | \$0        | \$0        | \$0        |
| Subtotal OOE, Project 2         |      |                          | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**TYPE OF FINANCING**

Capital

|                                       |    |      |              |            |            |            |            |
|---------------------------------------|----|------|--------------|------------|------------|------------|------------|
| General                               | CA | 5025 | Lottery Acct | \$0        | \$0        | \$0        | \$0        |
| Capital Subtotal TOF, Project 2       |    |      |              | \$0        | \$0        | \$0        | \$0        |
| Subtotal TOF, Project 2               |    |      |              | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| Capital Subtotal, Category 5002       |    |      |              | \$0        | \$0        | \$0        | \$0        |
| Informational Subtotal, Category 5002 |    |      |              |            |            |            |            |
| <b>Total, Category 5002</b>           |    |      |              | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**5007 Acquisition of Capital Equipment and Items**

*1/1 Capitalized Lottery Drawing Equipment*

**OBJECTS OF EXPENSE**

Capital

|         |      |                      |           |          |           |     |
|---------|------|----------------------|-----------|----------|-----------|-----|
| General | 5000 | CAPITAL EXPENDITURES | \$110,000 | \$41,290 | \$300,000 | \$0 |
|---------|------|----------------------|-----------|----------|-----------|-----|

**5.A. Capital Budget Project Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME : **11:21:31AM**

Agency code: **362**

Agency name: **Texas Lottery Commission**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2018**

**Bud 2019**

**BL 2020**

**BL 2021**

Capital Subtotal OOE, Project 1

\$110,000

\$41,290

\$300,000

\$0

Subtotal OOE, Project 1

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**

**TYPE OF FINANCING**

Capital

General CA 5025 Lottery Acct

\$110,000

\$41,290

\$300,000

\$0

Capital Subtotal TOF, Project 1

\$110,000

\$41,290

\$300,000

\$0

Subtotal TOF, Project 1

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**

Capital Subtotal, Category 5007

\$110,000

\$41,290

\$300,000

\$0

Informational Subtotal, Category 5007

**Total, Category 5007**

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**

**AGENCY TOTAL -CAPITAL**

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**

**AGENCY TOTAL -INFORMATIONAL**

**AGENCY TOTAL**

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**

**METHOD OF FINANCING:**

Capital

General 5025 Lottery Acct

\$110,000

\$41,290

\$300,000

\$0

Total, Method of Financing-Capital

\$110,000

\$41,290

\$300,000

\$0

**Total, Method of Financing**

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**

**5.A. Capital Budget Project Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**  
TIME : **11:21:31AM**

Agency code: **362**

Agency name: **Texas Lottery Commission**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2018**

**Bud 2019**

**BL 2020**

**BL 2021**

**TYPE OF FINANCING:**

Capital

General CA CURRENT APPROPRIATIONS

\$110,000

\$41,290

\$300,000

\$0

Total, Type of Financing-Capital

\$110,000

\$41,290

\$300,000

\$0

**Total,Type of Financing**

**\$110,000**

**\$41,290**

**\$300,000**

**\$0**





**5.B. Capital Budget Project Information**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018  
TIME: 11:21:31AM

|                  |             |                |                                  |
|------------------|-------------|----------------|----------------------------------|
| Agency Code:     | <b>362</b>  | Agency name:   | <b>Texas Lottery Commission</b>  |
| Category Number: | <b>5007</b> | Category Name: | <b>ACQUISITN CAPEQUIP ITEMS</b>  |
| Project number:  | <b>1</b>    | Project Name:  | <b>Lottery Drawing Equipment</b> |

**PROJECT DESCRIPTION**

**General Information**

In order to meet the goals of the agency, carry out the agency mission and to ensure the integrity and security of all games, the agency is required to purchase lottery drawing related equipment on a routine basis. In addition future opportunities such as new games and add-on features to current games may require the procurement of equipment. Postponing new games and features could affect the opportunity to provide incremental revenue to the state. Postponing replacement equipment could have a detrimental affect on the integrity and security of games should equipment fail.

**PLCS Tracking Key**

Number of Units / Average Unit Cost 0

Estimated Completion Date 0

|  |             |             |
|--|-------------|-------------|
| <b>Additional Capital Expenditure Amounts Required</b> | <b>2022</b> | <b>2023</b> |
|  | 0           | 0           |

Type of Financing CA CURRENT APPROPRIATIONS  
Projected Useful Life 3-7 Years

Estimated/Actual Project Cost \$300,000

Length of Financing/ Lease Period 0

| <b><u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u></b> |             |             |             | <b>Total over<br/>project life</b> |
|---|-------------|-------------|-------------|------------------------------------|
| <b>2020</b>   | <b>2021</b> | <b>2022</b> | <b>2023</b> |                                    |
| 0   | 0           | 0           | 0           | 0                                  |

**REVENUE GENERATION / COST SAVINGS**

| <b><u>REVENUE COST FLAG</u></b> | <b><u>MOF CODE</u></b> | <b><u>AVERAGE AMOUNT</u></b> |
|---------------------------------|------------------------|------------------------------|
|---------------------------------|------------------------|------------------------------|

**Explanation:** Lottery drawing-equipment is used in the critical function of conducting lottery and ensuring the security and integrity of games.

**Project Location:** Texas Lottery Commission Headquarters, Austin, Texas

**Beneficiaries:** Agency staff and the general public.

**Frequency of Use and External Factors Affecting Use:**

The draw machines may be used twice a week or up to multiple times a day to conduct draw games.

**5.B. Capital Budget Project Information**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018  
TIME: 11:21:31AM

|                  |             |                |  |
|------------------|-------------|----------------|--|
| Agency Code:     | <b>362</b>  | Agency name:   | <b>Texas Lottery Commission</b>          |
| Category Number: | <b>5002</b> | Category Name: | <b>CONST OF BLDGS/FACILITIES</b>         |
| Project number:  | <b>2</b>    | Project Name:  | <b>Construction-Capital Complex Bldg</b> |

**PROJECT DESCRIPTION**

**General Information**

Phase I of the Texas Capitol Complex Master Plan includes the construction of a new office building at 1801 Congress Avenue. The Texas Lottery will relocate its headquarters facility from its leased location at 611 E. 6th Street to the new building upon completion in 2022. In coordination with the Texas Facilities Commission, the Texas Lottery is requesting an exceptional item for building construction to support the agency's drawings production studio and specialized building space. The drawings studio and claim center have unique infrastructure requirements that support the agency's core business operations and these requirements are not included in the building construction appropriation provided to the Texas Facilities Commission. These requirements include, but are not limited to, satellite antennas, uninterruptible power supply, studio set floor, backdrop, electrical and lighting grid, and claim center and studio millwork and glass.

**PLCS Tracking Key** N/A  
**Number of Units / Average Unit Cost** N/A  
**Estimated Completion Date** 8/31/2021

|  |                           |             |
|--|---------------------------|-------------|
| <b>Additional Capital Expenditure Amounts Required</b> | <b>2022</b>               | <b>2023</b> |
|  | 0                         | 0           |
| <b>Type of Financing</b>                               | CA CURRENT APPROPRIATIONS |             |
| <b>Projected Useful Life</b>                           | 20-30 years               |             |
| <b>Estimated/Actual Project Cost</b>                   | \$1,815,137               |             |
| <b>Length of Financing/ Lease Period</b>               | N/A                       |             |

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

|  |             |             |             |             |                                    |
|--|-------------|-------------|-------------|-------------|------------------------------------|
|  | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>Total over<br/>project life</b> |
|  | 0           | 0           | 0           | 0           | 0                                  |

**REVENUE GENERATION / COST SAVINGS**

|                                 |                        |                              |
|---------------------------------|------------------------|------------------------------|
| <b><u>REVENUE COST FLAG</u></b> | <b><u>MOF CODE</u></b> | <b><u>AVERAGE AMOUNT</u></b> |
|---------------------------------|------------------------|------------------------------|

**Explanation:** N/A  
**Project Location:** Texas Lottery Commission Headquarters, Austin, Texas  
**Beneficiaries:** Agency staff and the general public.

**Frequency of Use and External Factors Affecting Use:**

Upon completion, the building will be occupied Monday through Friday for business operations and the lottery drawings will be conducted Monday through Saturday, with occasional drawings occurring on Sundays. External factors that may affect this project include construction delays or schedule changes approved by the Texas Facilities Commission.

Agency code: 362 Agency name: Texas Lottery Commission

Category Code/Name

Project Sequence/Project Id/Name

| Goal/Obj/Str   | Strategy Name                     | Est 2018  | Bud 2019 | BL 2020   | BL 2021 |
|--|-----------------------------------|-----------|----------|-----------|---------|
| <b>5002 Construction of Buildings and Facilities</b>   |                                   |           |          |           |         |
| 2/2  | Construction-Capital Complex Bldg |           |          |           |         |
| <b><u>GENERAL BUDGET</u></b>                           |                                   |           |          |           |         |
| Capital  | 1-1-1 LOTTERY OPERATIONS          | 0         | 0        | \$0       | \$0     |
|  | 1-1-4 SECURITY                    | 0         | 0        | 0         | 0       |
|  | TOTAL, PROJECT                    | \$0       | \$0      | \$0       | \$0     |
| <b>5007 Acquisition of Capital Equipment and Items</b> |                                   |           |          |           |         |
| 1/1  | Lottery Drawing Equipment         |           |          |           |         |
| <b><u>GENERAL BUDGET</u></b>                           |                                   |           |          |           |         |
| Capital  | 1-1-4 SECURITY                    | 110,000   | 41,290   | 300,000   | 0       |
|  | TOTAL, PROJECT                    | \$110,000 | \$41,290 | \$300,000 | \$0     |
|  | TOTAL CAPITAL, ALL PROJECTS       | \$110,000 | \$41,290 | \$300,000 | \$0     |
|  | TOTAL INFORMATIONAL, ALL PROJECTS |           |          |           |         |
|  | TOTAL, ALL PROJECTS               | \$110,000 | \$41,290 | \$300,000 | \$0     |



362 Texas Lottery Commission

| Category Code / Category Name |  |           |           |
|-------------------------------|--|-----------|-----------|
| Project Number / Name         |  |           |           |
| OOE / TOF / MOF CODE          |  | Excp 2020 | Excp 2021 |
| 5002                          | Construction of Buildings and Facilities |           |           |
| 2                             | Construction-Capital Complex Bldg        |           |           |
| Objects of Expense            |  |           |           |
| 2007                          | RENT - MACHINE AND OTHER                 | 0         | 79,462    |
| 2009                          | OTHER OPERATING EXPENSE                  | 0         | 46,800    |
| 5000                          | CAPITAL EXPENDITURES                     | 0         | 1,688,875 |
| Subtotal OOE, Project         | 2  | 0         | 1,815,137 |
| Type of Financing             |  |           |           |
| CA                            | 5025 Lottery Acct                        | 0         | 1,815,137 |
| Subtotal TOF, Project         | 2  | 0         | 1,815,137 |
| Subtotal Category             | 5002                                     | 0         | 1,815,137 |
| AGENCY TOTAL                  |  | 0         | 1,815,137 |
| METHOD OF FINANCING:          |  |           |           |
| 5025                          | Lottery Acct                             | 0         | 1,815,137 |
| Total, Method of Financing    |  | 0         | 1,815,137 |
| TYPE OF FINANCING:            |  |           |           |
| CA                            | CURRENT APPROPRIATIONS                   | 0         | 1,815,137 |
| Total, Type of Financing      |  | 0         | 1,815,137 |



## 362 Texas Lottery Commission

## Category Code/Name

## Project Number/Name

| Goal/Obj/Str                                  |                                   |   |                    | Strategy Name | Excp 2020 | Excp 2021 |
|---|-----------------------------------|---|--------------------|---------------|-----------|-----------|
| 5002 Construction of Buildings and Facilities |                                   |   |                    |               |           |           |
| 2   | Construction-Capital Complex Bldg |   |                    |               |           |           |
| 1   | 1                                 | 1 | LOTTERY OPERATIONS |               | 0         | 7,836     |
| 1   | 1                                 | 1 | LOTTERY OPERATIONS |               | 0         | 22,800    |
| 1   | 1                                 | 1 | LOTTERY OPERATIONS |               | 0         | 1,480,619 |
| 1   | 1                                 | 4 | SECURITY           |               | 0         | 71,626    |
| 1   | 1                                 | 4 | SECURITY           |               | 0         | 24,000    |
| 1   | 1                                 | 4 | SECURITY           |               | 0         | 208,256   |
| TOTAL, PROJECT                                |                                   |   |                    |               | 0         | 1,815,137 |
| TOTAL, ALL PROJECTS                           |                                   |   |                    |               | 0         | 1,815,137 |





**6.A. Historically Underutilized Business Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/7/2018**  
Time: **11:21:32AM**

Agency Code: **362**      Agency: **Texas Lottery Commission**

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year 2016 - 2017 HUB Expenditure Information**

| Statewide<br>HUB Goals | Procurement<br>Category   | % Goal | HUB Expenditures FY 2016 |        |                     | Total<br>Expenditures |        | HUB Expenditures FY 2017 |        |                     | Total<br>Expenditures |  |
|------------------------|---------------------------|--------|--------------------------|--------|---------------------|-----------------------|--------|--------------------------|--------|---------------------|-----------------------|--|
|                        |                           |        | % Actual                 | Diff   | Actual \$           | FY 2016               | % Goal | % Actual                 | Diff   | Actual \$           | FY 2017               |  |
| 21.1%                  | Building Construction     | 0.0 %  | 0.0%                     | 0.0%   | \$0                 | \$0                   | 0.0 %  | 0.0%                     | 0.0%   | \$0                 | \$0                   |  |
| 32.9%                  | Special Trade             | 10.2 % | 44.7%                    | 34.5%  | \$19,537            | \$43,678              | 11.1 % | 6.9%                     | -4.2%  | \$4,463             | \$64,966              |  |
| 23.7%                  | Professional Services     | 23.7 % | 92.2%                    | 68.5%  | \$1,060,528         | \$1,149,793           | 23.7 % | 78.2%                    | 54.5%  | \$1,191,818         | \$1,523,626           |  |
| 26.0%                  | Other Services            | 26.0 % | 11.8%                    | -14.2% | \$19,848,506        | \$167,971,515         | 26.0 % | 12.9%                    | -13.1% | \$23,343,172        | \$180,715,243         |  |
| 21.1%                  | Commodities               | 21.1 % | 63.0%                    | 41.9%  | \$2,078,861         | \$3,302,352           | 21.1 % | 62.7%                    | 41.6%  | \$1,761,706         | \$2,810,340           |  |
|                        | <b>Total Expenditures</b> |        | <b>13.3%</b>             |        | <b>\$23,007,432</b> | <b>\$172,467,338</b>  |        | <b>14.2%</b>             |        | <b>\$26,301,159</b> | <b>\$185,114,175</b>  |  |

**B. Assessment of Fiscal Year 2016 - 2017 Efforts to Meet HUB Procurement Goals**

**Attainment:**

The agency attained or exceeded three of four, or 75% of the applicable agency HUB procurement goals in fiscal year 2016.

The agency attained or exceeded two of four, or 50% of the applicable agency HUB procurement goals in fiscal year 2017.

**Applicability:**

The Heavy Construction and Building Construction categories were not applicable to agency operations in either Fiscal Year 2016 or 2017, since the agency did not have any strategies or programs relating to heavy or building construction.

**Factors Affecting Attainment:**

FY 2017: Special Trade Construction continues to be challenging for the TLC. As a tenant agency, the majority of contract decisions for renovations and lease improvements are not subject to the agency's control.

FY 2016-2017: Several specialized contracts account for a large percentage of the agency's spending in the Other Services category. There are very few vendors worldwide that provide lottery operations or scratch ticket manufacturing services, and there are no HUB prime vendors available for these contracts. The agency's HUB credit in "Other Services" is attained mainly through subcontracting expenditures, which may fluctuate from year to year.

**"Good-Faith" Efforts:**

Included the TLC HUB Coordinator in procurements over \$100,000 to assist in identifying subcontracting opportunities and evaluating subcontracting plans.

Provided potential bidders/proposers with lists of certified HUBs for subcontracting opportunities.

Held pre-bid/proposal conferences, offered one-on-one workshops, and reviewed draft HUB subcontracting plans to assist bidders/proposers with HUB subcontracting requirements.

**6.A. Historically Underutilized Business Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/7/2018**  
Time: **11:21:32AM**

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Agency Code: **362**      Agency: **Texas Lottery Commission**

Participated in statewide HUB forums and other outreach events to provide information about agency procurement processes and contract opportunities.  
Hosted an annual agency HUB Forum that offered networking sessions with key staff and TLC contractors.  
Provided HUB participation updates to Texas Lottery Commissioners.  
Made HUB information available via the TLC Web site.  
Continued to maintain a minority lottery retailer percentage of more than 40%.  
Maintained current mentor protégé relationships while working to establish new relationships.

**6.E. Estimated Revenue Collections Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

| <b>FUND/ACCOUNT</b>                   | <b>Act 2017</b>       | <b>Exp 2018</b> | <b>Exp 2019</b> | <b>Bud 2020</b> | <b>Est 2021</b> |
|---------------------------------------|-----------------------|-----------------|-----------------|-----------------|-----------------|
| <b><u>1</u> General Revenue Fund</b>  |                       |                 |                 |                 |                 |
| Beginning Balance (Unencumbered):     | \$0                   | \$0             | \$0             | \$0             | \$0             |
| Estimated Revenue:                    |                       |                 |                 |                 |                 |
| 3152 Bingo Operators/Lessors          | 2,010,133             | 0               | 0               | 0               | 0               |
| 3153 Bingo Equipment                  | 71,200                | 0               | 0               | 0               | 0               |
| 3170 Bingo Prize Fees                 | 29,104,663            | 0               | 0               | 0               | 0               |
| 3719 Fees/Copies or Filing of Records | 422                   | 0               | 0               | 0               | 0               |
| 3754 Other Surplus/Salvage Property   | 6                     | 0               | 0               | 0               | 0               |
| 3770 Administrative Penalties         | 65,925                | 0               | 0               | 0               | 0               |
| 3795 Other Misc Government Revenue    | 329                   | 0               | 0               | 0               | 0               |
| 3802 Reimbursements-Third Party       | 17                    | 0               | 0               | 0               | 0               |
| Subtotal: Actual/Estimated Revenue    | 31,252,695            | 0               | 0               | 0               | 0               |
| <b>Total Available</b>                | <b>\$31,252,695</b>   | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      |
| <b>DEDUCTIONS:</b>                    |                       |                 |                 |                 |                 |
| Expended/Budgeted                     | (16,239,526)          | 0               | 0               | 0               | 0               |
| Transfer - Employee Benefits          | (570,099)             | 0               | 0               | 0               | 0               |
| Benefit Replacement Pay               | (5,134)               | 0               | 0               | 0               | 0               |
| <b>Total, Deductions</b>              | <b>\$(16,814,759)</b> | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      |
| <b>Ending Fund/Account Balance</b>    | <b>\$14,437,936</b>   | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>      |

**REVENUE ASSUMPTIONS:**

The funding stream for the administration of Bingo was transferred in the 85th Legislative Session (HB 2578) from Fund 0001 General Revenue to Fund 5175 GR Dedicated-Bingo Administration Account. HB 2578 also included a provision to refund each license holder who paid a license fee under Section 2001.014 or 2001.437, Occupations Code, any portion of the fee attributable to the license period after September 1, 2017, the effective date of the legislation. The reduction is noted in 2017 under 3152, Bingo Operators/Lessors.

**CONTACT PERSON:**

Kathy Pyka

**6.E. Estimated Revenue Collections Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

| <b>FUND/ACCOUNT</b>                                  | <b>Act 2017</b>          | <b>Exp 2018</b>          | <b>Exp 2019</b>          | <b>Bud 2020</b>          | <b>Est 2021</b>          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b><u>5025</u> Lottery Acct</b>                      |                          |                          |                          |                          |                          |
| Beginning Balance (Unencumbered):                    | \$0                      | \$0                      | \$0                      | \$0                      | \$0                      |
| Estimated Revenue:                                   |                          |                          |                          |                          |                          |
| 3176 Lottery License Application Fees                | 300,855                  | 311,427                  | 306,141                  | 306,141                  | 306,141                  |
| 3177 Lottery Ticket Sales                            | 5,077,461,652            | 5,505,134,027            | 5,510,802,475            | 5,510,802,475            | 5,510,802,475            |
| 3178 Lottery Security Proceeds                       | 53,875                   | 74,340                   | 64,108                   | 64,108                   | 64,108                   |
| 3719 Fees/Copies or Filing of Records                | 9,000                    | 6,407                    | 7,704                    | 7,704                    | 7,704                    |
| 3727 Fees - Administrative Services                  | 349,866                  | 355,472                  | 352,669                  | 352,669                  | 352,669                  |
| 3802 Reimbursements-Third Party                      | 440,311                  | 856,998                  | 460,750                  | 460,750                  | 460,750                  |
| Subtotal: Actual/Estimated Revenue                   | 5,078,615,559            | 5,506,738,671            | 5,511,993,847            | 5,511,993,847            | 5,511,993,847            |
| <b>Total Available</b>                               | <b>\$5,078,615,559</b>   | <b>\$5,506,738,671</b>   | <b>\$5,511,993,847</b>   | <b>\$5,511,993,847</b>   | <b>\$5,511,993,847</b>   |
| <b>DEDUCTIONS:</b>                                   |                          |                          |                          |                          |                          |
| Expended/Budgeted                                    | (216,744,502)            | (231,425,188)            | (228,427,371)            | (254,136,289)            | (247,072,398)            |
| Transfer - Employee Benefits                         | (5,227,714)              | (5,143,365)              | (5,299,385)              | (5,299,385)              | (5,299,385)              |
| Benefit Replacement Pay                              | (54,382)                 | (42,794)                 | (42,794)                 | (42,794)                 | (42,794)                 |
| Unemployment Benefits                                | (4,824)                  | (973)                    | (973)                    | (973)                    | (973)                    |
| Rider 10, Lottery Operator Contract (2016-17 GAA)    | (8,423,764)              | 0                        | 0                        | 0                        | 0                        |
| Rider 11, Appn of Increased Revenue UB (2016-17 GAA) | (9,927,154)              | 0                        | 0                        | 0                        | 0                        |
| Rider 11, Appn of Increased Revenue (2016-17 GAA)    | (9,950,781)              | 0                        | 0                        | 0                        | 0                        |
| Rider 9, Retailer Commission (2018-19 GAA)           | 0                        | 0                        | (2,457,109)              | 0                        | 0                        |
| Rider 10, Lottery Operator Contract (2018-19 GAA)    | 0                        | (12,373,925)             | (10,859,931)             | 0                        | 0                        |
| Rider 11, Appn of Increased Revenue UB (2018-19 GAA) | 0                        | 0                        | (8,342,978)              | 0                        | 0                        |
| Rider 11, Appn of Increased Revenue (2018-19 GAA)    | 0                        | 0                        | (7,322,185)              | 0                        | 0                        |
| Lottery Winnings/Install Payments                    | (3,257,375,437)          | (3,647,995,532)          | (3,659,510,368)          | (3,659,510,368)          | (3,659,510,368)          |
| Retailer Commissions                                 | (253,928,168)            | (275,256,701)            | (275,540,124)            | (275,540,124)            | (275,540,124)            |
| Transfers to Foundation School Fund                  | (1,312,856,719)          | (1,387,258,315)          | (1,383,266,545)          | (1,383,266,543)          | (1,383,266,545)          |
| Transfers to Department of State Health Services     | (4,904,882)              | (439,444)                | (439,442)                | (439,444)                | (439,442)                |
| Transfers to Texas Veterans Commission               | (16,206,348)             | (17,149,013)             | (17,237,330)             | (17,237,330)             | (17,237,330)             |
| <b>Total, Deductions</b>                             | <b>\$(5,095,604,675)</b> | <b>\$(5,577,085,250)</b> | <b>\$(5,598,746,535)</b> | <b>\$(5,595,473,250)</b> | <b>\$(5,588,409,359)</b> |

**6.E. Estimated Revenue Collections Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

| <b>FUND/ACCOUNT</b>                | <b>Act 2017</b>       | <b>Exp 2018</b>       | <b>Exp 2019</b>       | <b>Bud 2020</b>       | <b>Est 2021</b>       |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Ending Fund/Account Balance</b> | <b>\$(16,989,116)</b> | <b>\$(70,346,579)</b> | <b>\$(86,752,688)</b> | <b>\$(83,479,403)</b> | <b>\$(76,415,512)</b> |

**REVENUE ASSUMPTIONS:**

The lottery ticket sales estimate for FY 2018 was prepared in May for submission with the Base Reconciliation. Following three months of extraordinary scratch ticket sales growth and multi-state jackpot rolls, the sales estimate for FY 2018 is now projected at \$5.59 billion.

Lottery sales projections for FY 2019-2021 are anticipated in the range of \$5.51 billion.

**CONTACT PERSON:**

Kathy Pyka

**6.E. Estimated Revenue Collections Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

| <b>FUND/ACCOUNT</b>                     | <b>Act 2017</b> | <b>Exp 2018</b>       | <b>Exp 2019</b>       | <b>Bud 2020</b>       | <b>Est 2021</b>       |
|---|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b><u>5175</u> Bingo Administration</b> |                 |                       |                       |                       |                       |
| Beginning Balance (Unencumbered):       | \$0             | \$0                   | \$0                   | \$0                   | \$0                   |
| Estimated Revenue:                      |                 |                       |                       |                       |                       |
| 3152 Bingo Operators/Lessors            | 0               | 629,282               | 629,282               | 629,282               | 629,282               |
| 3153 Bingo Equipment                    | 0               | 63,600                | 63,600                | 63,600                | 63,600                |
| 3170 Bingo Prize Fees                   | 0               | 29,400,000            | 29,400,000            | 29,400,000            | 29,400,000            |
| 3719 Fees/Copies or Filing of Records   | 0               | 587                   | 587                   | 587                   | 587                   |
| 3770 Administrative Penalties           | 0               | 21,270                | 21,270                | 21,270                | 21,270                |
| Subtotal: Actual/Estimated Revenue      | 0               | 30,114,739            | 30,114,739            | 30,114,739            | 30,114,739            |
| <b>Total Available</b>                  | <b>\$0</b>      | <b>\$30,114,739</b>   | <b>\$30,114,739</b>   | <b>\$30,114,739</b>   | <b>\$30,114,739</b>   |
| <b>DEDUCTIONS:</b>                      |                 |                       |                       |                       |                       |
| Expended/Budgeted                       | 0               | (17,029,815)          | (17,029,815)          | (17,029,815)          | (17,029,815)          |
| Transfer - Employee Benefits            | 0               | (551,190)             | (614,570)             | (614,570)             | (614,570)             |
| Benefit Replacement Pay                 | 0               | (4,364)               | (4,364)               | (4,364)               | (4,364)               |
| <b>Total, Deductions</b>                | <b>\$0</b>      | <b>\$(17,585,369)</b> | <b>\$(17,648,749)</b> | <b>\$(17,648,749)</b> | <b>\$(17,648,749)</b> |
| <b>Ending Fund/Account Balance</b>      | <b>\$0</b>      | <b>\$12,529,370</b>   | <b>\$12,465,990</b>   | <b>\$12,465,990</b>   | <b>\$12,465,990</b>   |

**REVENUE ASSUMPTIONS:**

Revenues are projected to remain relatively flat.

The estimate for FY 2018-21 3152 Bingo Operator/Lessor is based on the repeal of bingo license fees for conductors in the 85th Legislative Session (HB 2578).

**CONTACT PERSON:**

Kathy Pyka

# 6.I. Percent Biennial Base Reduction Options

## 10 % REDUCTION

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018  
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

| Item Priority and Name/<br>Method of Financing | REVENUE LOSS |      |                   | REDUCTION AMOUNT |      |                   | PROGRAM AMOUNT |      | TARGET            |
|--|--------------|------|-------------------|------------------|------|-------------------|----------------|------|-------------------|
|  | 2020         | 2021 | Biennial<br>Total | 2020             | 2021 | Biennial<br>Total | 2020           | 2021 | Biennial<br>Total |

### 1 Bingo Prize Fee Reduction-Option 1

**Category:** Programs - Grant/Loan/Pass-through Reductions

**Item Comment:** If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

Gr Dedicated

|                           |            |            |            |                  |                  |                  |                     |                     |                     |
|---------------------------|------------|------------|------------|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| 5175 Bingo Administration | \$0        | \$0        | \$0        | \$362,012        | \$362,013        | \$724,025        | \$14,480,500        | \$14,480,500        | \$28,961,000        |
| <b>Gr Dedicated Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$362,012</b> | <b>\$362,013</b> | <b>\$724,025</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |
| <b>Item Total</b>         | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$362,012</b> | <b>\$362,013</b> | <b>\$724,025</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |

FTE Reductions (From FY 2020 and FY 2021 Base Request)

### 2 Bingo Prize Fee Reduction-Option 2

**Category:** Programs - Grant/Loan/Pass-through Reductions

**Item Comment:** If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

# 6.I. Percent Biennial Base Reduction Options

## 10 % REDUCTION

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018  
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

| Item Priority and Name/<br>Method of Financing | REVENUE LOSS |            |                   | REDUCTION AMOUNT |                  |                   | PROGRAM AMOUNT      |                     | TARGET              |
|--|--------------|------------|-------------------|------------------|------------------|-------------------|---------------------|---------------------|---------------------|
|  | 2020         | 2021       | Biennial<br>Total | 2020             | 2021             | Biennial<br>Total | 2020                | 2021                | Biennial<br>Total   |
| <u>Gr Dedicated</u>                            |              |            |                   |                  |                  |                   |                     |                     |                     |
| 5175 Bingo Administration                      | \$0          | \$0        | \$0               | \$362,012        | \$362,013        | \$724,025         | \$14,480,500        | \$14,480,500        | \$28,961,000        |
| <b>Gr Dedicated Total</b>                      | <b>\$0</b>   | <b>\$0</b> | <b>\$0</b>        | <b>\$362,012</b> | <b>\$362,013</b> | <b>\$724,025</b>  | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |
| <b>Item Total</b>                              | <b>\$0</b>   | <b>\$0</b> | <b>\$0</b>        | <b>\$362,012</b> | <b>\$362,013</b> | <b>\$724,025</b>  | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |

FTE Reductions (From FY 2020 and FY 2021 Base Request)

### 3 Bingo Prize Fee Reduction-Option 3

Category: Programs - Grant/Loan/Pass-through Reductions

**Item Comment:** If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

Gr Dedicated

|                           |            |            |            |                  |                  |                  |                     |                     |                     |
|---------------------------|------------|------------|------------|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| 5175 Bingo Administration | \$0        | \$0        | \$0        | \$362,012        | \$362,013        | \$724,025        | \$14,480,500        | \$14,480,500        | \$28,961,000        |
| <b>Gr Dedicated Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$362,012</b> | <b>\$362,013</b> | <b>\$724,025</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |
| <b>Item Total</b>         | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$362,012</b> | <b>\$362,013</b> | <b>\$724,025</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |

FTE Reductions (From FY 2020 and FY 2021 Base Request)



## 6.I. Percent Biennial Base Reduction Options

### 10 % REDUCTION

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018  
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

| Item Priority and Name/<br>Method of Financing | REVENUE LOSS |      |                   | REDUCTION AMOUNT |      |                   | PROGRAM AMOUNT |      | TARGET            |
|--|--------------|------|-------------------|------------------|------|-------------------|----------------|------|-------------------|
|  | 2020         | 2021 | Biennial<br>Total | 2020             | 2021 | Biennial<br>Total | 2020           | 2021 | Biennial<br>Total |

#### 4 Bingo Prize Fee Reduction-Option 4

**Category:** Programs - Grant/Loan/Pass-through Reductions

**Item Comment:** If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

Gr Dedicated

|                           |            |            |            |                  |                  |                  |                     |                     |                     |
|---------------------------|------------|------------|------------|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| 5175 Bingo Administration | \$0        | \$0        | \$0        | \$362,012        | \$362,012        | \$724,024        | \$14,480,500        | \$14,480,500        | \$28,961,000        |
| <b>Gr Dedicated Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$362,012</b> | <b>\$362,012</b> | <b>\$724,024</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |
| <b>Item Total</b>         | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$362,012</b> | <b>\$362,012</b> | <b>\$724,024</b> | <b>\$14,480,500</b> | <b>\$14,480,500</b> | <b>\$28,961,000</b> |

FTE Reductions (From FY 2020 and FY 2021 Base Request)

#### 5 Bingo Administrative Fund Reduction-Option 1

**Category:** Programs - Service Reductions (FTEs-Layoffs)

**Item Comment:** If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.3. (Bingo Law Compliance Field Operation). This reduction would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

Strategy: 2-1-3 Bingo Law Compliance Field Operations

# 6.I. Percent Biennial Base Reduction Options

## 10 % REDUCTION

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018  
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

| Item Priority and Name/<br>Method of Financing                | REVENUE LOSS |            |                   | REDUCTION AMOUNT |                 |                   | PROGRAM AMOUNT     |                    | TARGET             |
|---|--------------|------------|-------------------|------------------|-----------------|-------------------|--------------------|--------------------|--------------------|
|   | 2020         | 2021       | Biennial<br>Total | 2020             | 2021            | Biennial<br>Total | 2020               | 2021               | Biennial<br>Total  |
| <u>Gr Dedicated</u>   |              |            |                   |                  |                 |                   |                    |                    |                    |
| 5175 Bingo Administration                                     | \$0          | \$0        | \$0               | \$63,733         | \$63,733        | \$127,466         | \$1,449,216        | \$1,449,216        | \$2,898,432        |
| <b>Gr Dedicated Total</b>                                     | <b>\$0</b>   | <b>\$0</b> | <b>\$0</b>        | <b>\$63,733</b>  | <b>\$63,733</b> | <b>\$127,466</b>  | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$2,898,432</b> |
| <b>Item Total</b>   | <b>\$0</b>   | <b>\$0</b> | <b>\$0</b>        | <b>\$63,733</b>  | <b>\$63,733</b> | <b>\$127,466</b>  | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$2,898,432</b> |
| <b>FTE Reductions (From FY 2020 and FY 2021 Base Request)</b> |              |            |                   |                  | <b>1.0</b>      | <b>1.0</b>        |                    |                    |                    |

## 6 Bingo Administrative Fund Reduction-Option 2

**Category:** Programs - Service Reductions (FTEs-Layoffs)

**Item Comment:** If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.3. (Bingo Law Compliance Field Operation). This reduction would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

Strategy: 2-1-3 Bingo Law Compliance Field Operations

Gr Dedicated

|                           |            |            |            |                 |                 |                  |                    |                    |                    |
|---------------------------|------------|------------|------------|-----------------|-----------------|------------------|--------------------|--------------------|--------------------|
| 5175 Bingo Administration | \$0        | \$0        | \$0        | \$63,733        | \$63,733        | \$127,466        | \$1,449,216        | \$1,449,216        | \$2,898,432        |
| <b>Gr Dedicated Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$63,733</b> | <b>\$63,733</b> | <b>\$127,466</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$2,898,432</b> |
| <b>Item Total</b>         | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$63,733</b> | <b>\$63,733</b> | <b>\$127,466</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$2,898,432</b> |

# 6.I. Percent Biennial Base Reduction Options

## 10 % REDUCTION

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018  
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

| Item Priority and Name/<br>Method of Financing         | REVENUE LOSS |      |                   | REDUCTION AMOUNT |      |                   | PROGRAM AMOUNT |      | TARGET            |
|--|--------------|------|-------------------|------------------|------|-------------------|----------------|------|-------------------|
|  | 2020         | 2021 | Biennial<br>Total | 2020             | 2021 | Biennial<br>Total | 2020           | 2021 | Biennial<br>Total |
| FTE Reductions (From FY 2020 and FY 2021 Base Request) |              |      |                   |                  | 1.0  | 1.0               |                |      |                   |

### 7 Bingo Administrative Fund Reduction-Option 3

**Category:** Programs - Service Reductions (Contracted)

**Item Comment:** If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.3. (Bingo Law Compliance Field Operation). This reduction would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

Strategy: 2-1-3 Bingo Law Compliance Field Operations

Gr Dedicated

|  |            |            |            |                 |                 |                  |                    |                    |                    |
|--|------------|------------|------------|-----------------|-----------------|------------------|--------------------|--------------------|--------------------|
| 5175 Bingo Administration                              | \$0        | \$0        | \$0        | \$63,733        | \$63,733        | \$127,466        | \$1,449,216        | \$1,449,216        | \$2,898,432        |
| <b>Gr Dedicated Total</b>                              | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$63,733</b> | <b>\$63,733</b> | <b>\$127,466</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$2,898,432</b> |
| <b>Item Total</b>                                      | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$63,733</b> | <b>\$63,733</b> | <b>\$127,466</b> | <b>\$1,449,216</b> | <b>\$1,449,216</b> | <b>\$2,898,432</b> |
| FTE Reductions (From FY 2020 and FY 2021 Base Request) |            |            |            |                 | 1.0             | 1.0              |                    |                    |                    |

### 8 Bingo Administrative Fund Reduction-Option 4

**Category:** Programs - Service Reductions (Contracted)

**Item Comment:** If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.4. (Bingo Prize Fee Collection and Accounting). This reduction would limit the operating capabilities and efficiencies in processing quarterly prize fees and analyzing licensed bingo conductors quarterly reports for completeness.

# 6.I. Percent Biennial Base Reduction Options

## 10 % REDUCTION

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018  
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

|   | REVENUE LOSS |      |                   | REDUCTION AMOUNT |             |                   | PROGRAM AMOUNT |              | TARGET            |             |
|---|--------------|------|-------------------|------------------|-------------|-------------------|----------------|--------------|-------------------|-------------|
| Item Priority and Name/<br>Method of Financing                | 2020         | 2021 | Biennial<br>Total | 2020             | 2021        | Biennial<br>Total | 2020           | 2021         | Biennial<br>Total |             |
| Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting    |              |      |                   |                  |             |                   |                |              |                   |             |
| <u>Gr Dedicated</u>   |              |      |                   |                  |             |                   |                |              |                   |             |
| 5175 Bingo Administration                                     | \$0          | \$0  | \$0               | \$63,733         | \$63,733    | \$127,466         | \$316,844      | \$316,844    | \$633,688         |             |
| Gr Dedicated Total  | \$0          | \$0  | \$0               | \$63,733         | \$63,733    | \$127,466         | \$316,844      | \$316,844    | \$633,688         |             |
| Item Total  | \$0          | \$0  | \$0               | \$63,733         | \$63,733    | \$127,466         | \$316,844      | \$316,844    | \$633,688         |             |
| FTE Reductions (From FY 2020 and FY 2021 Base Request)        |              |      |                   |                  | 1.0         | 1.0               |                |              |                   |             |
| AGENCY TOTALS   |              |      |                   |                  |             |                   |                |              |                   |             |
| GR Dedicated Total  |              |      |                   | \$1,702,980      | \$1,702,983 | \$3,405,963       |                |              |                   | \$3,405,963 |
| Agency Grand Total  | \$0          | \$0  | \$0               | \$1,702,980      | \$1,702,983 | \$3,405,963       | \$62,586,492   | \$62,586,492 | \$125,172,984     | \$3,405,963 |
| Difference, Options Total Less Target                         |              |      |                   |                  |             |                   |                |              |                   |             |
| Agency FTE Reductions (From FY 2020 and FY 2021 Base Request) |              |      |                   |                  | 4.0         | 4.0               |                |              |                   |             |
| Article Total   |              |      |                   | \$1,702,980      | \$1,702,983 | \$3,405,963       | \$62,586,492   | \$62,586,492 | \$125,172,984     |             |
| Statewide Total   |              |      |                   | \$1,702,980      | \$1,702,983 | \$3,405,963       | \$62,586,492   | \$62,586,492 | \$125,172,984     |             |