





## INTEROFFICE MEMO

*Gary Grief, Executive Director*

*Alfonso D. Royal III, Charitable Bingo Operations Director*

**To:** J. Winston Krause, Chairman  
Carmen Arrieta-Candelaria, Commissioner  
Peggy A. Heeg, Commissioner  
Doug Lowe, Commissioner  
Robert Rivera, Commissioner

**From:** Kathy Pyka, Controller *KP*

**Date:** July 21, 2017

**Re:** FY 2018 Operating Budget

The FY 2018 Operating Budget is provided under a separate notebook.

The Operating Budget for FY 2018 is \$247,415,332 and reflects 322.0 Full Time Equivalent Positions (FTE's). The budget was developed in accordance with appropriation amounts outlined in Senate Bill 1 adjusted for Rider and Article IX funding provisions.

The initial draft of the budget was developed by the Office of the Controller and delivered to division management for their direct input. The final draft was developed after receiving feedback from the divisions and reviewed by executive management.

Attached to this memorandum is a briefing document.

Please feel free to contact me at 512-344-5410 if you need additional information or have any questions.

Attachment: FY 2018 Operating Budget Briefing document

## Texas Lottery Commission FY 2018 Operating Budget

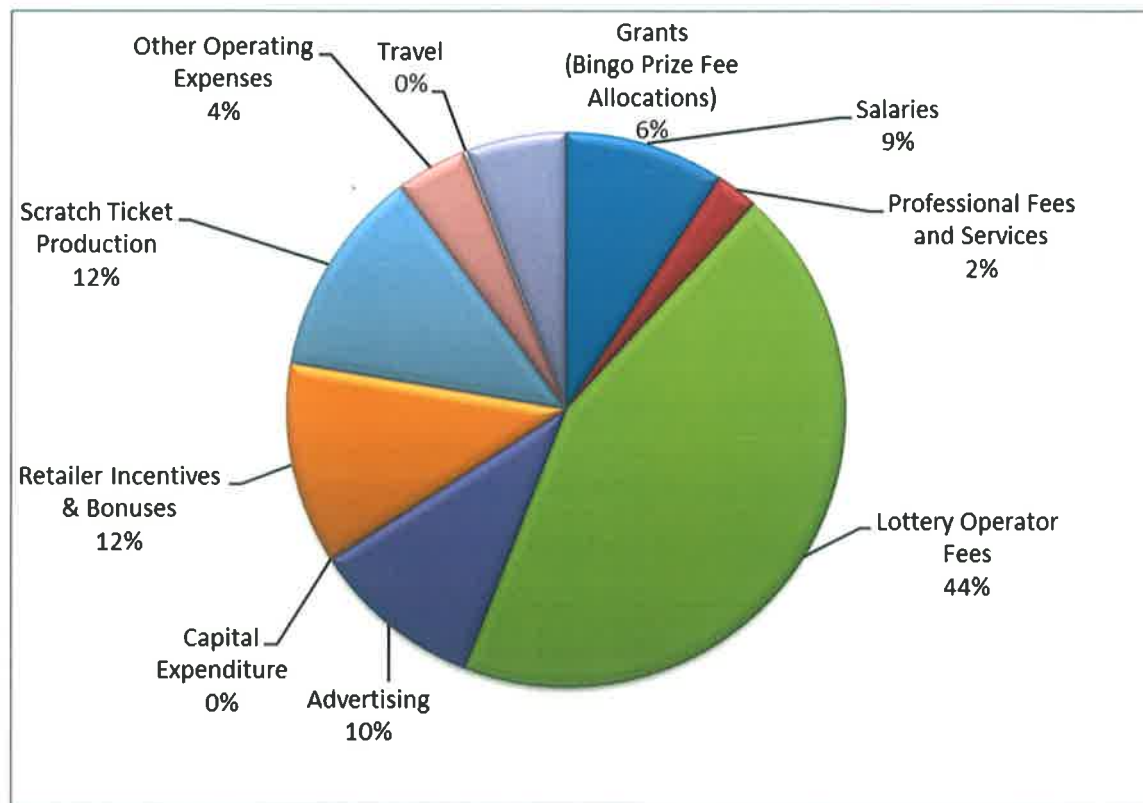
### Budget

FY 2018 Operating Budget	Budget	FTEs
Lottery Dedicated Account	\$ 230,443,833	281.00
General Revenue	16,971,499	41.00
<b>Total</b>	<b>\$ 247,415,332</b>	<b>322.00</b>

FY 2017 Operating Budget	Budget	FTEs
Lottery Dedicated Account	\$ 232,297,994	285.00
General Revenue	15,358,972	45.00
<b>Total</b>	<b>\$ 247,656,966</b>	<b>330.00</b>

FY 2018 Increase (Decrease) From FY 2017	Budget	FTEs
Lottery Dedicated Account	\$ (1,854,161)	(4.00)
General Revenue	1,612,527	(4.00)
<b>Total</b>	<b>\$ (241,634)</b>	<b>(8.00)</b>

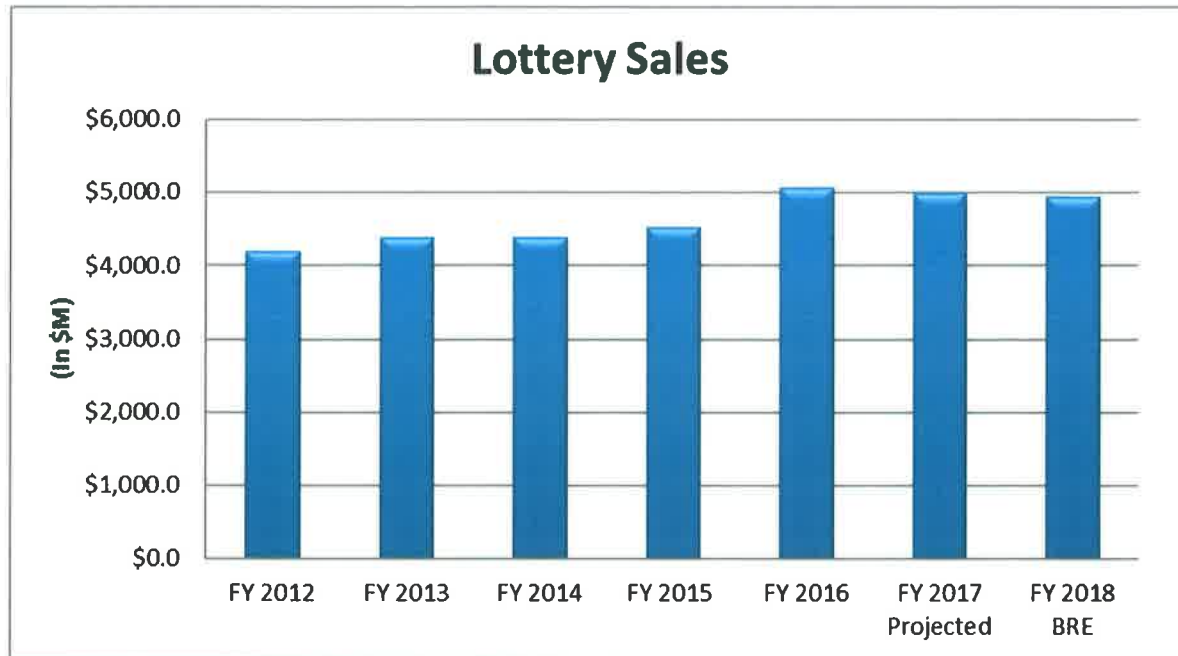
### Summary by Object of Expense



- 77% of the Lottery Dedicated Budget is contractual outsourced services.

## Lottery Sales Projection

- Sales Projection of \$4.94B for FY 2018 based on the Comptroller's Biennial Revenue Estimate which was not adjusted for budgetary reductions included in Senate Bill 1. The Commission's anticipates reduced sales based on reductions to the Advertising appropriation as well as the fixed Scratch Ticket Printing budget included in Senate Bill 1.



## Appropriation Authority

### Lottery Dedicated Account

- Original Appropriation. \$230,568,190.
- Rider 9: Retailer Incentive. Estimated appropriation of 0.5% of sales. Appropriation of \$24.73M included in the budget.
- Rider 10: Lottery Operator Contract. Estimated appropriation of 2.2099% of sales based on Comptroller's Biennial Revenue Estimate (BRE) of \$4.94B.
- Rider 11: Appropriation for Increased Fees. Estimated appropriation of 1.49% of the amount by which sales exceed \$4.94B. Should BRE sales target of \$4.94B be exceeded, budget increase authority is available.
- Article IX, Section 17.03 Payroll Contribution-Health Insurance. Required transfer of 1% of Salaries and Wages, or \$198K, to the Employees Retirement System for group health insurance.
- Article IX, Section 17.06 Payroll Contribution-Retirement. Required transfer of 0.5% of Salaries and Wages, or \$99K, to the Employees Retirement System for retirement program.
- Article IX, Section 8.0 Third Party Reimbursement. \$471K in funding for contracts reimbursed by Lottery Operator vendor.

### Bingo General Revenue Account

- Original Appropriation. \$2,549,315.
- Rider 8, Local Bingo Prize Fees. Estimated appropriation of \$14,480,500 for allocation of bingo prize fees to cities and counties included in budget.
- Rider 14: Bingo Third Party Reimbursement. Budget does not reflect appropriation for third party reimbursements at this time. As funds become available the budget will be amended.
- Article IX, Section 17.03 Payroll Contribution-Health Insurance. Required transfer of 1% of Salaries and Wages, or \$22K, to the Employees Retirement System for group health insurance.
- Article IX, Section 17.06 Payroll Contribution-Retirement. Required transfer of 0.5% of Salaries and Wages, or \$11K, to the Employees Retirement System for retirement program.

### General Restrictions

- Rider 2: Capital Budget Authority. Budget reflects \$110,000 in capital budget for Lottery Drawing Equipment.
- FTE Cap: Budget reflects 322.0 FTE's representing 1.5 FTE's under cap restriction of 323.5 FTE's.

### **Budget Highlights**

- Lottery Operator Fees are reflected at \$109.5M, or 44% of the Commission budget.
- The Advertising budget is reflected at \$24.6M or 10% of budget. This is a \$7.4M reduction from the FY 2017 Operating Budget.
- 12% of the budget, or \$28.9M, is dedicated to the Retailer Incentive Program and Retailer Bonuses.
- Salaries are \$22.8M, or 9% of Budget.
- Scratch Ticket Production, including Printing and Licensing Fees, is budgeted at \$30.15M or 12% of the Budget. This represents a significant reduction from the planned expenditure of \$50M in FY 2017.
- Bingo Prize Fees are included at \$14.5M, or 6% of the budget.
- The balance of the budget, or \$16.9M, or 7% relates to Other Operating, Professional Fees, Travel and Capital Outlay.
- FTE's are budgeted at 322.0 FTE's, including a FTE reduction of 4.0 positions in the Lottery Dedicated Account and 4.0 positions in the General Revenue Account.

### **Unbudgeted Appropriation**

- \$175,732 in Lottery Account appropriation is unbudgeted.
- \$15,678 of Bingo General Revenue appropriation is unbudgeted.