





# INTEROFFICE MEMO

*Gary Grief, Executive Director    Ed Rogers, Acting Charitable Bingo Operations Director*

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

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

**Date:** June 6, 2018

**Re:** FY 2019 Operating Budget

The FY 2019 Operating Budget is provided under a separate notebook.

The Operating Budget for FY 2019 is \$252,655,475 and reflects 321.0 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 2019 Operating Budget Briefing document

**Texas Lottery Commission  
FY 2019 Operating Budget**

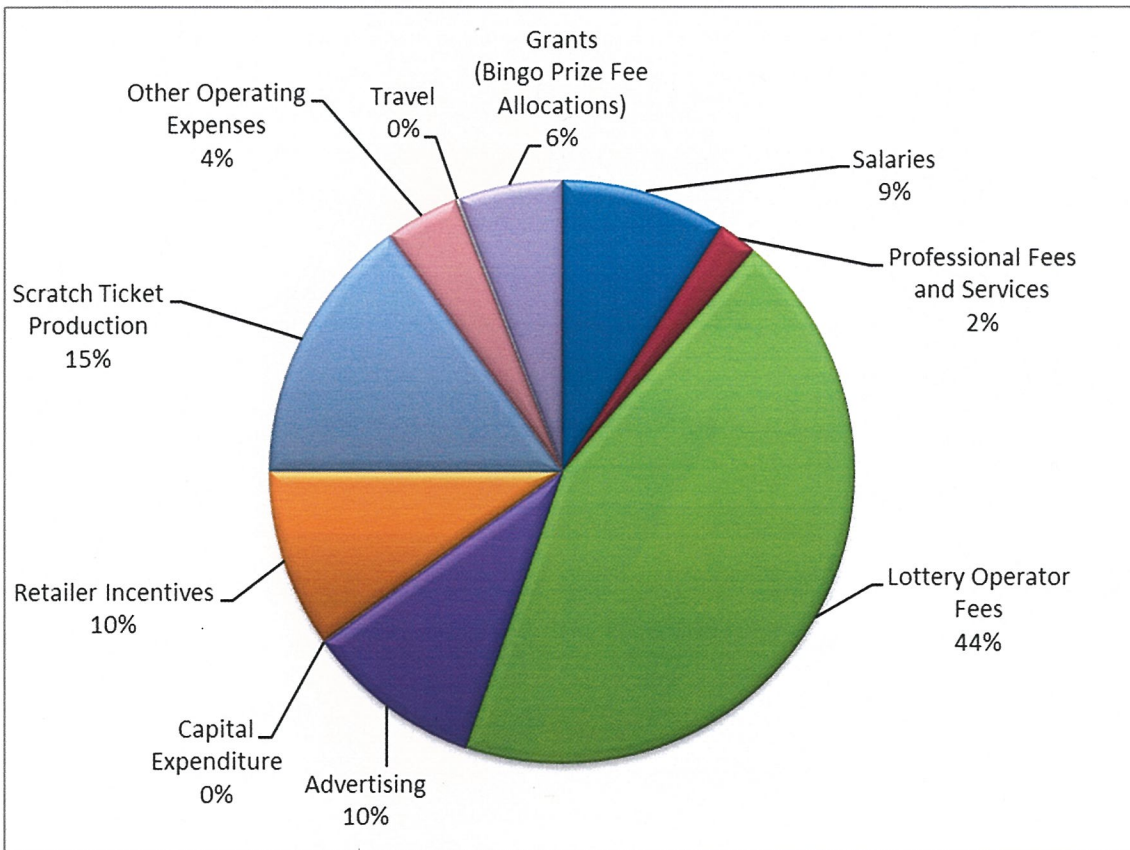
**Budget**

<b>FY 2019 Operating Budget</b>	<b>Budget</b>	<b>FTEs</b>
Lottery Dedicated Account	\$ 235,684,815	280.00
Bingo Administration Account	16,970,659	41.00
<b>Total</b>	<b>\$ 252,655,475</b>	<b>321.00</b>

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

<b>FY 2019 Increase (Decrease) From FY 2018</b>	<b>Budget</b>	<b>FTEs</b>
Lottery Dedicated Account	\$ 5,240,983	(1.00)
Bingo Administration Account	(840)	-
<b>Total</b>	<b>\$ 5,240,143</b>	<b>(1.00)</b>

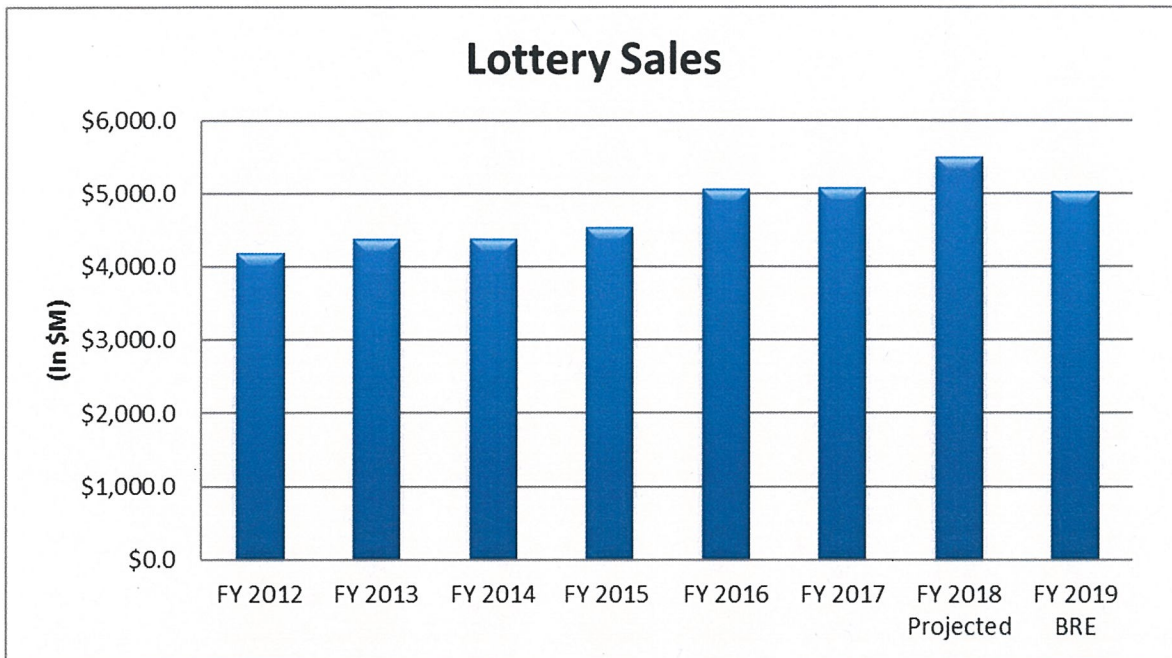
**Summary by Object of Expense**



- 79% of the Lottery Dedicated Budget is contractual outsourced services.

## Lottery Sales Projection

- The budget was developed using the Comptroller's Biennial Revenue Estimate of \$5.02B for FY 2019.



## Appropriation Authority

### Lottery Dedicated Account

- Original Appropriation. \$232,166,621.
- Rider 9: Retailer Incentive. Estimated appropriation of 0.5% of sales. Appropriation of \$25.1M 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 \$5.02B.
- Rider 11: Appropriation for Increased Fees-Unexpended Balance Authority. The budget reflects \$8.3M of Rider 11 funds estimated to be earned in FY 2018 and carried forward to FY 2019.
- Rider 11: Appropriation for Increased Fees. Estimated appropriation of 1.49% of the amount by which sales exceed \$5.02B. Should BRE sales target of \$5.02B 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 \$201K, 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 \$101K, to the Employees Retirement System for retirement program.
- Article IX, Section 8.0 Third Party Reimbursement. \$461K in funding for contracts reimbursed by Lottery Operator vendor.

### Bingo Administration 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 \$41,290 in capital budget for Lottery Drawing Equipment.
- FTE Cap: Budget reflects 321.0 FTE's representing 2.5 FTE's under cap restriction of 323.5 FTE's.

### **Budget Highlights**

- Lottery Operator Fees are reflected at \$111.2M, or 44% of the Commission budget.
- The Advertising budget is reflected at \$24.6M or 10% of budget.
- 10% of the budget, or \$25.1M, is dedicated to the Retailer Incentive Program. Retailer Bonuses budget of \$4.2M was eliminated in the FY 2019 budget due to Governor's Veto Proclamation Reductions.
- Salaries are \$23.1M, or 9% of Budget.
- Scratch Ticket Production, including Printing and Licensing Fees, is budgeted at \$37.7M or 15% of the Budget. This budget includes use of \$7.6M of Rider 11 carryforward funds from FY 2018. This is a 25% increase from FY 2018.
- Bingo Prize Fees are included at \$14.5M, or 6% of the budget.
- The balance of the budget, or \$16.4M, or 7% relates to Other Operating, Professional Fees, Travel and Capital Outlay.
- FTE's are budgeted at 321.0 FTE's, including a FTE reduction of 1.0 position in the Lottery Dedicated Account.

### **Unbudgeted Appropriation**

- \$737,748 in Lottery Account appropriation is unbudgeted.
- \$20,905 of Bingo Administration Account appropriation is unbudgeted.