

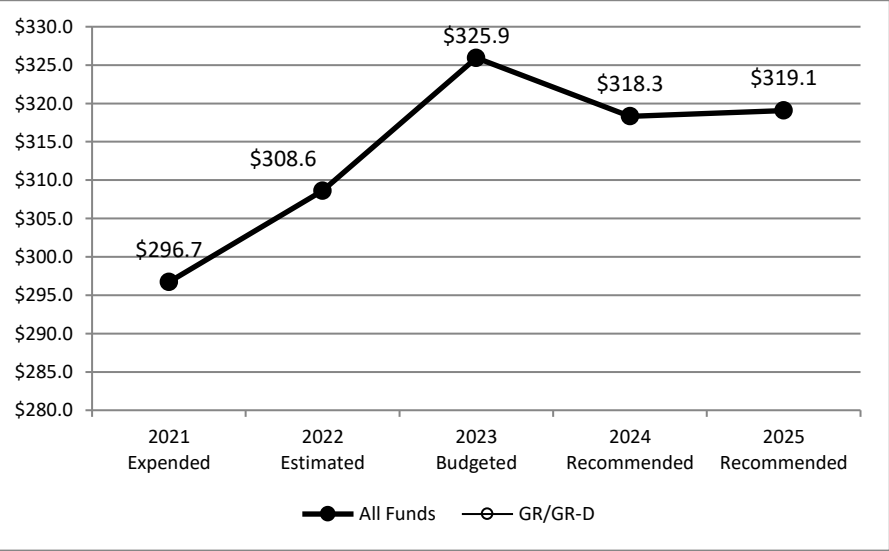
**Texas Lottery Commission
Summary of Budget Recommendations - House**

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 Gary Grief, Executive Director
 Jeb Bell, LBB Analyst

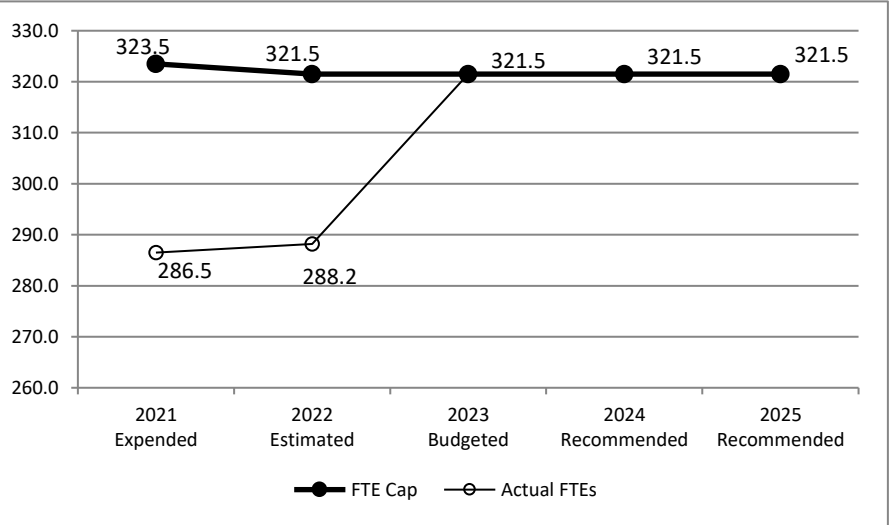
Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$4,839,181	\$5,103,780	\$264,599	5.5%
GR Dedicated Funds	\$629,719,203	\$632,292,695	\$2,573,492	0.4%
<i>Total GR-Related Funds</i>	<i>\$634,558,384</i>	<i>\$637,396,475</i>	<i>\$2,838,091</i>	<i>0.4%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$634,558,384	\$637,396,475	\$2,838,091	0.4%

	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	321.5	321.5	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

Texas Lottery Commission
Summary of Funding Changes and Recommendations - House

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):						
1) Maintain General Revenue-Dedicated Lottery Account No. 5025 due to agency's lottery sale estimates for the 2024–25 biennium.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	A.1.6 , A.1.11
OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):						
A) Decrease in Fund 5025 from one-time costs in 2022-23 and savings in 2024-25 from relocation to the George H. W. Bush Building.	\$0.0	(\$6.4)	\$0.0	\$0.0	(\$6.4)	A.1.1, A.1.3 , A.1.4 , A.1.5
B) Increase in Fund 5025 due to increase in lottery operations contracts for scratch ticket production.	\$0.0	\$4.3	\$0.0	\$0.0	\$4.3	A.1.7 , A.1.9
C) Increase in General Revenue and Fund 5025 for a general state employee salary increase.	\$0.3	\$3.4	\$0.0	\$0.0	\$3.7	A.1.5, C.1.1
D) Increase in Fund 5025 due to development of technology for the lottery competitive market.	\$0.0	\$0.7	\$0.0	\$0.0	\$0.7	A.1.3 , A.1.5
E) Increase in Fund 5025 due to salary vacancies savings within the 2022-23 biennium.	\$0.0	\$0.6	\$0.0	\$0.0	\$0.6	A.1.1, A.1.2 , A.1.3 , A.1.4 , A.1.5
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	\$0.3	\$2.6	\$0.0	\$0.0	\$2.9	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$0.3	\$9.0	\$0.0	\$0.0	\$9.3	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	\$0.0	(\$6.4)	\$0.0	\$0.0	(\$6.4)	As Listed

NOTE: Totals may not sum due to rounding.

Texas Lottery Commission
Selected Fiscal and Policy Issues - House

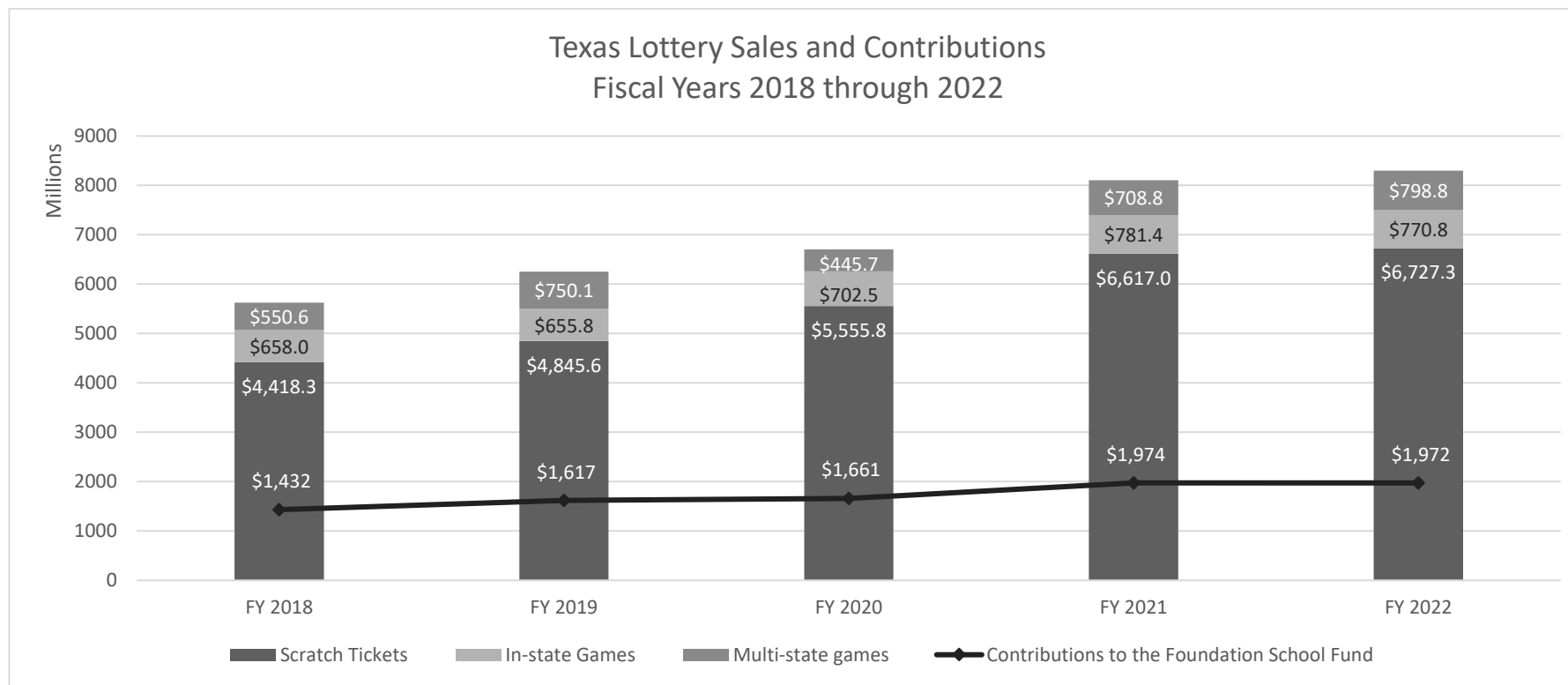
1. **Lottery Sale Estimates for the 2024 – 25 Biennium.** Recommendations maintain General Revenue–Dedicated funding for lottery operations within Strategy A.1.6, Lottery Operator Contracts, and Strategy A.1.11, Retailer Commissions, at the 2022–23 spending level. The Lottery Commission estimates \$7.8 billion in lottery ticket sales for each year of the 2022–23 biennium which continues the increase in lottery sales realized over the last 12 years. For the 2024–25 biennium, the Comptroller’s Biennial Revenue Estimate estimates lottery ticket sales remain at \$7.8 billion each year. Recommendations maintain funding within the Lottery operator strategies at the 2022–23 spending level assuming no biennial change with the expectation that these amounts would be adjusted through technical correction based on the Comptroller’s Biennial Revenue Estimate during markup.

Per Rider 9 of the agency's bill pattern, recommendations set 2024-25 appropriations for the Lottery Operator contract at an amount equal to 2.0331% of projected gross lottery sales in fiscal year 2024 and decreases to an amount equal to 1.9889% in fiscal year 2025. Based on the projected gross lottery sales from the BRE, adjusted recommendations would include a decrease of \$1.8 million in fiscal year 2024 and \$5.2 million in fiscal year 2025 to the Lottery Operator Contracts from \$161 million to \$159.3 million in fiscal year 2024 and \$161 million to \$155.8 million in fiscal year 2025.

Rider 8(b) of the agency’s bill pattern sets sales performance-based retailer commissions at 0.5% of projected gross lottery sales. Based on the same projected sales figures, adjusted recommendation would include an increase of \$6.8 million to the Retailer Commission strategy from \$32.3 million to \$39.1 million in each year of the biennium.

2. **Scratch Ticket Production and Services Contracts.** Recommendations do not include an agency request for an additional \$17.4 million in General Revenue – Dedicated No. 5025, State Lottery Account funding in fiscal year 2025 for authority to utilize administrative funds generated from the sale of lottery tickets to address an approximately 40% increase in contractual costs included in new contracts signed by the agency in fiscal year 2021 with the only three vendors that produce scratch tickets. These new contracts are higher than previous contracted amounts due to vendor scratch ticket production cost increases. The agency has communicated that a fixed budget of \$64.1 million would print 71 games. Due to increased costs in scratch ticket productions, it is estimated that the cost to print the same number of games in fiscal year 2025 under the new contracts would be \$90.0 million.

The table on the next page shows Lottery sales by game and contributions to the Foundation School Fund from fiscal years 2018 to 2022. Sales from Lottery games have grown each year. For example, total game sales of \$5.6 billion in fiscal year 2018 increased to \$8.3 billion in fiscal year 2022. Scratch tickets have continued to grow in sales over the past five fiscal years, from \$4.4 billion dollars in fiscal year 2018 to \$6.7 billion in fiscal year 2022, constituting a majority of lottery sales revenue. In-state games are the second most popular with a growth of \$112.8 million over five years followed by multi-state games with a growth of \$248.1 million. As sales have grown, so too have contributions to the Foundation School Fund which increased from \$1.4 billion in fiscal year 2018 to \$1.9 billion in fiscal year 2022. Texas Veterans Commission contributions have remained constant over the five-year span with fiscal year 2022 totaling \$26.0 million being annually deposited to credit of the account.



**Texas Lottery Commission
Rider Highlights - House**

Modification of Existing Riders

9. **Lottery Operator Contract.** Recommendations amend Rider 9 to reflect the revised contractual percentage of gross sales to lottery operators in Strategy A.1.6, Lottery Operators Contracts, to 2.0331% and 1.9889% in fiscal year 2024 and 2025 respectively, which are estimates appropriated out of the State Lottery Account.

Deleted Riders

16. **Unexpended Balances of Capital Budget for Construction of Buildings and Facilities.** Recommendations delete this rider because the agency has completed their Capitol Complex relocation.

**Texas Lottery Commission
Items Not Included in Recommendations - House**

	2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	GR-Dedicated funding in fiscal year 2025 to address the approximately 40 percent increase in contractual costs to vendors for scratch ticket production. (See also Selected Fiscal and Policy Issues #2)	\$17,410,868	\$17,410,868	0.0	No	Yes	\$34,821,736
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TOTAL Items Not Included in Recommendations	\$17,410,868	\$17,410,868	0.0			\$34,821,736
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**Texas Lottery Commission
Appendices - House**

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* Appendix is not included - no significant information to report

**Texas Lottery Commission
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS**

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
LOTTERY OPERATIONS A.1.1	\$13,001,769	\$8,255,433	(\$4,746,336)	(36.5%)	Recommendations reflect the following General Revenue- Dedicated Lottery Account No. 5025 changes: 1) An increase of \$108,979 due to Fiscal Year 22 salary expenses reflects reduction due to vacancy savings. 2) A decrease of \$290,725 due to services no longer being needed in 24-25 for a temporary employee whom was dedicated to the renovation and relocation services unique to the agency. 3) A decrease of \$65,000 due to a reduction in consumables because the agency has moved to electronic files where possible, saving on paper, toner, etc. 4) A decrease of \$85,742 in utilities due to old HQ building lease being terminated. 5) An increase of \$900 in travel due to business operations returning to normal levels post COVID pandemic. 6) A decrease of \$3,928,956 in rent due to old HQ building lease being terminated. 7) A decrease of \$485,492 due to Capitol Complex move expenses that will no longer be required in 24-25. This includes studio design and construction, uninterrupted power supply construction and design, modular offices, emergency lighting, studio access control, drawing studio access control and construction, drawings production installation, DIR cable installation.
LOTTERY FIELD OPERATIONS A.1.2	\$6,511,045	\$6,665,229	\$154,184	2.4%	Recommendations reflect the following General Revenue- Dedicated Lottery Account No. 5025 changes: 1) An increase of \$96,852 due to Fiscal Year 22 salary expenses reflects reduction due to vacancy savings 2) An increase of \$9,055 in travel due to business operations returning to normal levels post COVID pandemic 3) An increase of \$49,217 due to addition of new fire proof safes and a rolling file system that have not been purchased for the new building.

Texas Lottery Commission
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
PRODUCT DEVELOPMENT A.1.3	\$13,314,717	\$13,497,503	\$182,786	1.4%	Recommendations reflect the following General Revenue- Dedicated Lottery Account No. 5025 changes: 1) An increase of \$93,652 due to Fiscal Year 22 salary expenses reflects reduction due to vacancy savings 2) An increase of \$93,606 due to contractual increases for product contracts 3) A decrease of \$170,910 due to rental of state fair furnishing and equipment is no longer being paid for by agency and has been taken over by the lottery operator 4) An increase of \$166,783 for operating expenses
SECURITY A.1.4	\$11,656,730	\$10,923,308	(\$733,422)	(6.3%)	Recommendations reflect the following General Revenue- Dedicated Lottery Account No. 5025 changes: 1) A decrease of \$497,842 related to overlap in uniformed guard and security system and monitoring services in Fiscal Year 22 that relates to the transition from previous HQ to new HQ. 2) A decrease of \$158,058 related to overlap in equipment and digital storage services in Fiscal Year 22 that relates to the transition from previous HQ to new HQ. 3) A decrease of \$50,037 in Capital Expenditures following move to Bush building 4) An increase of \$18,430 due to Fiscal Year 22 salary expenses reflects reduction due to vacancy savings 5) A decrease of \$38,575 in professional fees and services

Texas Lottery Commission
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
CENTRAL ADMINISTRATION A.1.5	\$28,731,994	\$29,203,612	\$471,618	1.6%	<p>Recommendations reflect the following General Revenue and General Revenue-Dedicated Lottery Account No. 5025 changes:</p> <p>General Revenue:</p> <p>1) An increase of \$1,780 for a general state employee salary increase for the Executive Director</p> <p>General Revenue - Dedicated Lottery Account No. 5025</p> <p>1) An increase of \$310,175 due to Fiscal Year 22 salary expenses reflects reduction due to vacancy savings</p> <p>2) A decrease of \$234,347 in net savings due to IT contract staffing following move to Bush building</p> <p>3) An increase of \$58,417 for Utilities</p> <p>4) A decrease of \$220,083 due to timing of PC lease renewal caused higher costs in Fiscal Year 23</p> <p>5) An increase of \$543,442 due to increased IT costs related to communication services, TEXAN costs and computer software increases</p> <p>6) An increase of \$22,700 for a general state employee salary increase for the Executive Director</p>
LOTTERY OPERATOR CONTRACT(S) A.1.6	\$321,995,448	\$321,995,448	\$0	0.0%	
SCRATCH TICKET PRODUCT. CONTRACT(S) A.1.7	\$140,930,566	\$145,178,265	\$4,247,699	3.0%	Recommendations reflect an increase of General Revenue- Dedicated Lottery Account No. 5025 funding attributed to scratch ticket printing required to support increased product demand and associated increase in scratch ticket product sales and revenue realized over past several years.
PROMOTE LOTTERY GAMES CONTRACT(S) A.1.8	\$20,210,000	\$20,000,000	(\$210,000)	(1.0%)	Recommendations reflect a decrease in General Revenue- Dedicated Lottery Account No. 5025 funding of a one time expenditure related to point of sale materials to promote lottery.
DRAWING & BROADCAST CONTRACT(S) A.1.9	\$4,493,800	\$4,509,600	\$15,800	0.4%	Recommendations reflect an increase of General Revenue- Dedicated Lottery Account No. 5025 funding due to a result of new vendor contract rate.

**Texas Lottery Commission
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS**

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
RETAILER BONUS A.1.10	\$4,180,000	\$4,020,000	(\$160,000)	(3.8%)	Recommendations reflect a decrease in General Revenue- Dedicated Lottery Account No. 5025 funding due a decrease in retailer bonuses.
RETAILER COMMISSIONS A.1.11	\$64,693,134	\$64,693,134	\$0	0.0%	
Total, Goal A, OPERATE LOTTERY	\$629,719,203	\$628,941,532	(\$777,671)	(0.1%)	
BINGO LICENSING B.1.1	\$1,315,544	\$1,315,544	\$0	0.0%	
BINGO EDUCATION AND DEVELOPMENT B.1.2	\$195,948	\$195,948	\$0	0.0%	
BINGO LAW COMPLIANCE FIELD OPER B.1.3	\$2,774,001	\$2,774,001	\$0	0.0%	
BINGO PRIZE FEE COLLECTION & ACCT B.1.4	\$553,688	\$553,688	\$0	0.0%	
Total, Goal B, ENFORCE BINGO LAWS	\$4,839,181	\$4,839,181	\$0	0.0%	
SALARY ADJUSTMENTS C.1.1	\$0	\$3,615,762	\$3,615,762	100.0%	Recommendations reflect the following increase for the general state employee salary: 1) An increase of \$262,819 in General Revenue 2) An increase of \$3,352,943 in General Revenue- Dedicated Lottery Account No. 5025
Total, Goal C, SALARY ADJUSTMENTS	\$0	\$3,615,762	\$3,615,762	100.0%	
Grand Total, All Strategies	\$634,558,384	\$637,396,475	\$2,838,091	0.4%	

**Texas Lottery Commission
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2021	Estimated 2022	Budgeted 2023	Recommended 2024	Recommended 2025
Cap	323.5	321.5	321.5	321.5	321.5
Actual/Budgeted	286.5	288.2	321.5	NA	NA

Schedule of Exempt Positions					
Executive Director, Group 7	\$213,334	\$213,344	\$213,344	\$225,584	\$225,584

Notes:

- a) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 22-706, August 2022), indicates an average market salary of \$225,584 for the Executive Director position at the Texas Lottery Commission. The agency is not requesting any changes to its exempt position.
- b) The State Auditor's Office is the source for the fiscal year 2021 and fiscal year 2022 annual average (actual) FTE levels.