

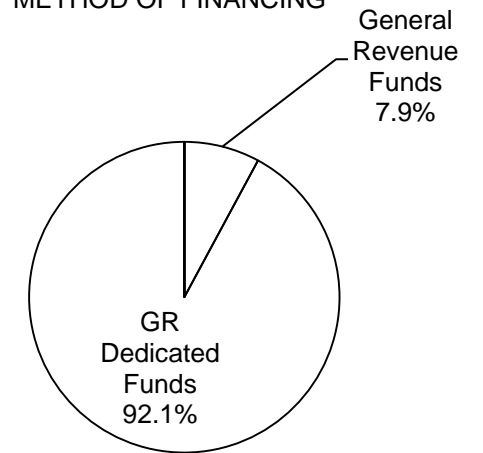
**Texas Lottery Commission  
Summary of Recommendations - Senate**

Page VII-8  
Gary Grief, Executive Director

Rachel Niven, LBB Analyst

| <b>Method of Financing</b>    | <b>2010-11<br/>Appropriations</b> | <b>2010-11<br/>Base</b> | <b>2012-13<br/>Recommended</b> | <b>Biennial<br/>Change</b> | <b>%<br/>Change</b> |
|-------------------------------|-----------------------------------|-------------------------|--------------------------------|----------------------------|---------------------|
| General Revenue Funds         | \$31,066,961                      | \$30,777,163            | \$29,513,612                   | (\$1,263,551)              | (4.1%)              |
| GR Dedicated Funds            | \$363,146,818                     | \$420,059,058           | \$345,523,258                  | (\$74,535,800)             | (17.7%)             |
| <i>Total GR-Related Funds</i> | <i>\$394,213,779</i>              | <i>\$450,836,221</i>    | <i>\$375,036,870</i>           | <i>(\$75,799,351)</i>      | <i>(16.8%)</i>      |
| Federal Funds                 | \$0                               | \$0                     | \$0                            | \$0                        | 0.0%                |
| Other                         | \$0                               | \$0                     | \$0                            | \$0                        | 0.0%                |
| <b>All Funds</b>              | <b>\$394,213,779</b>              | <b>\$450,836,221</b>    | <b>\$375,036,870</b>           | <b>(\$75,799,351)</b>      | <b>(16.8%)</b>      |

RECOMMENDED FUNDING  
BY METHOD OF FINANCING



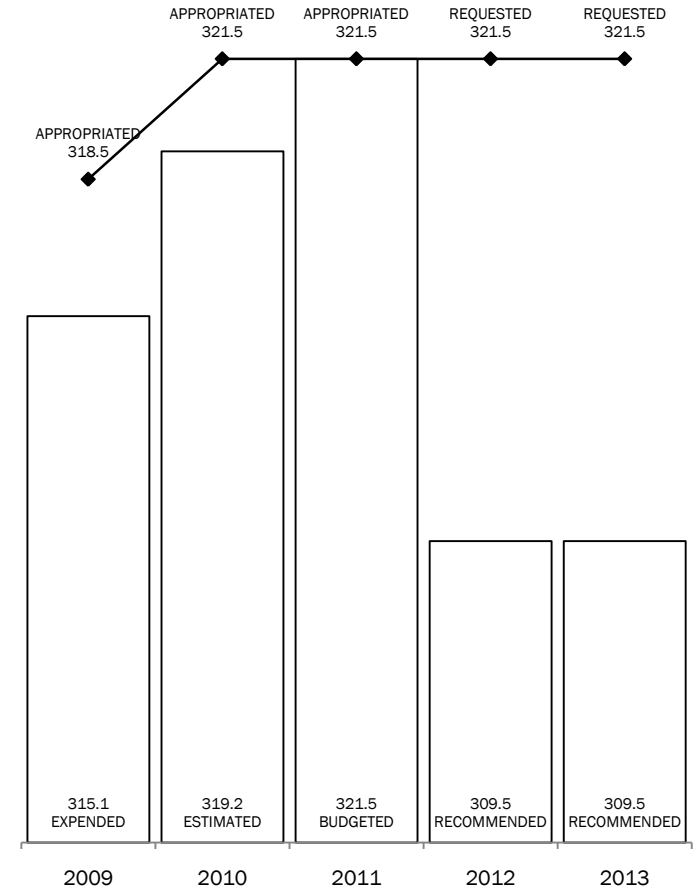
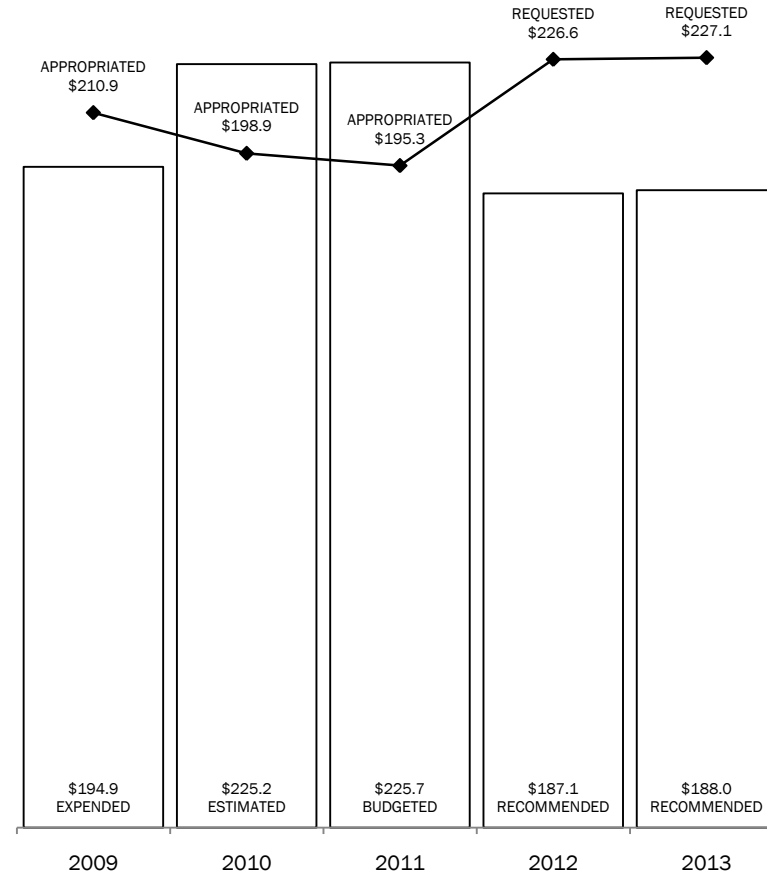
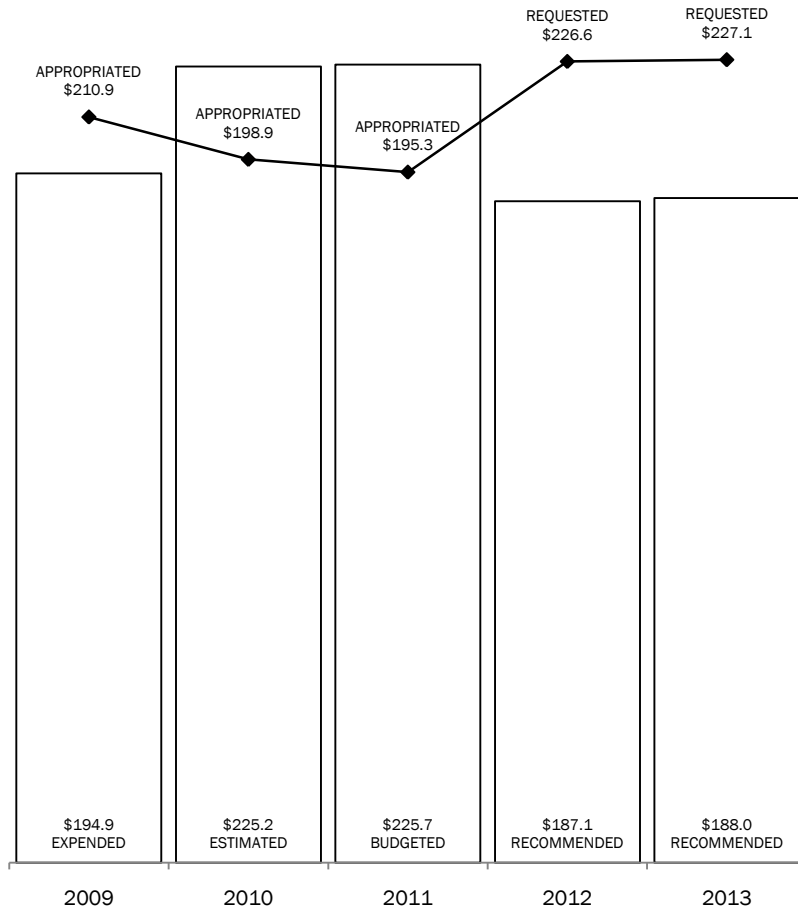
|             | <b>FY 2011<br/>Appropriations</b> | <b>FY 2011<br/>Budgeted</b> | <b>FY 2013<br/>Recommended</b> | <b>Biennial<br/>Change</b> | <b>%<br/>Change</b> |
|-------------|-----------------------------------|-----------------------------|--------------------------------|----------------------------|---------------------|
| <b>FTEs</b> | 321.5                             | 321.5                       | 309.5                          | (12.0)                     | (3.7%)              |

The bill pattern for this agency (2012-13 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2012-13 biennium.

**ALL FUNDS**

**GENERAL REVENUE AND  
 GENERAL REVENUE-DEDICATED FUNDS**

**FULL-TIME-EQUIVALENT POSITIONS**



**Texas Lottery Commission**  
**Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

| Strategy/Goal                             | 2010-11<br>Base      | 2012-13<br>Recommended | Biennial<br>Change    | %<br>Change    | Comments (Optional)                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|----------------------|------------------------|-----------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LOTTERY OPERATIONS A.1.1                  | \$14,509,815         | \$14,719,078           | \$209,263             | 1.4%           |                                                                                                                                                                                                                                                                                                               |
| LOTTERY FIELD OPERATIONS A.1.2            | \$5,110,713          | \$5,285,749            | \$175,036             | 3.4%           |                                                                                                                                                                                                                                                                                                               |
| MARKETING AND PROMOTION A.1.3             | \$9,880,534          | \$10,021,437           | \$140,903             | 1.4%           |                                                                                                                                                                                                                                                                                                               |
| SECURITY A.1.4                            | \$10,110,116         | \$9,051,521            | (\$1,058,595)         | (10.5%)        |                                                                                                                                                                                                                                                                                                               |
| CENTRAL ADMINISTRATION A.1.5              | \$28,049,666         | \$26,005,201           | (\$2,044,465)         | (7.3%)         |                                                                                                                                                                                                                                                                                                               |
| LOTTERY OPERATOR CONTRACT(S) A.1.6        | \$202,492,500        | \$165,742,500          | (\$36,750,000)        | (18.1%)        |                                                                                                                                                                                                                                                                                                               |
| INSTANT TICKET PRODUCT. CONTRACT(S) A.1.7 | \$34,600,000         | \$37,500,000           | \$2,900,000           | 8.4%           |                                                                                                                                                                                                                                                                                                               |
| MASS MEDIA ADVERTISING CONTRACT(S) A.1.8  | \$64,400,000         | \$64,000,000           | (\$400,000)           | (0.6%)         |                                                                                                                                                                                                                                                                                                               |
| DRAWING & BROADCAST CONTRACT(S) A.1.9     | \$3,307,544          | \$2,935,432            | (\$372,112)           | (11.3%)        |                                                                                                                                                                                                                                                                                                               |
| MARKET RESEARCH CONTRACT(S) A.1.10        | \$1,698,170          | \$1,862,340            | \$164,170             | 9.7%           |                                                                                                                                                                                                                                                                                                               |
| RETAILER BONUS A.1.11                     | \$45,900,000         | \$8,400,000            | (\$37,500,000)        | (81.7%)        |                                                                                                                                                                                                                                                                                                               |
| <b>Total, Goal A, OPERATE LOTTERY</b>     | <b>\$420,059,058</b> | <b>\$345,523,258</b>   | <b>(\$74,535,800)</b> | <b>(17.7%)</b> | The bill decreases General Revenue-Dedicated funding by \$74,535,800 to reflect a reduction of \$36,750,000 for lower lottery operator contract costs, \$37,500,000 in retailer incentives, and \$285,800 in one time funding for capital budget items (see Selected Fiscal and Policy Issues #2, #3 and #4). |
| BINGO LICENSING B.1.1                     | \$1,829,115          | \$1,490,022            | (\$339,093)           | (18.5%)        |                                                                                                                                                                                                                                                                                                               |
| BINGO EDUCATION AND DEVELOPMENT B.1.2     | \$267,311            | \$281,056              | \$13,745              | 5.1%           |                                                                                                                                                                                                                                                                                                               |
| BINGO LAW COMPLIANCE FIELD OPER B.1.3     | \$2,947,906          | \$2,117,030            | (\$830,876)           | (28.2%)        |                                                                                                                                                                                                                                                                                                               |
| BINGO PRIZE FEE COLLECTION & ACCT B.1.4   | \$461,831            | \$354,504              | (\$107,327)           | (23.2%)        |                                                                                                                                                                                                                                                                                                               |
| BINGO PRIZE FEE ALLOCATIONS B.1.5         | \$25,271,000         | \$25,271,000           | \$0                   | 0.0%           |                                                                                                                                                                                                                                                                                                               |
| <b>Total, Goal B, ENFORCE BINGO LAWS</b>  | <b>\$30,777,163</b>  | <b>\$29,513,612</b>    | <b>(\$1,263,551)</b>  | <b>(4.1%)</b>  | The bill decreases General Revenue funding by \$1,263,551, an amount equivalent to 5 percent of the Bingo Prize Fee allocation strategy (see Selected Fiscal and Policy Issues #2).                                                                                                                           |
| <b>Grand Total, All Strategies</b>        | <b>\$450,836,221</b> | <b>\$375,036,870</b>   | <b>(\$75,799,351)</b> | <b>(16.8%)</b> | The bill decreases all funds by \$75,799,351 for program funding and staffing from the 2010-2011 level including a reduction of 12.0 FTEs from 2011 staffing levels (see Selected Fiscal and Policy Issues #2).                                                                                               |

**Texas Lottery Commission**  
**Summary of Recommendations - Senate, By Method of Finance -- GENERAL REVENUE FUNDS**

| Strategy/Goal                             | 2010-11<br>Base     | 2012-13<br>Recommended | Biennial<br>Change   | %<br>Change   | Comments (Optional)                                                                                                                                                                 |
|-------------------------------------------|---------------------|------------------------|----------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LOTTERY OPERATIONS A.1.1                  | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| LOTTERY FIELD OPERATIONS A.1.2            | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| MARKETING AND PROMOTION A.1.3             | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| SECURITY A.1.4                            | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| CENTRAL ADMINISTRATION A.1.5              | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| LOTTERY OPERATOR CONTRACT(S) A.1.6        | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| INSTANT TICKET PRODUCT. CONTRACT(S) A.1.7 | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| MASS MEDIA ADVERTISING CONTRACT(S) A.1.8  | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| DRAWING & BROADCAST CONTRACT(S) A.1.9     | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| MARKET RESEARCH CONTRACT(S) A.1.10        | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| RETAILER BONUS A.1.11                     | \$0                 | \$0                    | \$0                  | 0.0%          |                                                                                                                                                                                     |
| <b>Total, Goal A, OPERATE LOTTERY</b>     | <b>\$0</b>          | <b>\$0</b>             | <b>\$0</b>           | <b>0.0%</b>   |                                                                                                                                                                                     |
| BINGO LICENSING B.1.1                     | \$1,829,115         | \$1,490,022            | (\$339,093)          | (18.5%)       |                                                                                                                                                                                     |
| BINGO EDUCATION AND DEVELOPMENT B.1.2     | \$267,311           | \$281,056              | \$13,745             | 5.1%          |                                                                                                                                                                                     |
| BINGO LAW COMPLIANCE FIELD OPER B.1.3     | \$2,947,906         | \$2,117,030            | (\$830,876)          | (28.2%)       |                                                                                                                                                                                     |
| BINGO PRIZE FEE COLLECTION & ACCT B.1.4   | \$461,831           | \$354,504              | (\$107,327)          | (23.2%)       |                                                                                                                                                                                     |
| BINGO PRIZE FEE ALLOCATIONS B.1.5         | \$25,271,000        | \$25,271,000           | \$0                  | 0.0%          |                                                                                                                                                                                     |
| <b>Total, Goal B, ENFORCE BINGO LAWS</b>  | <b>\$30,777,163</b> | <b>\$29,513,612</b>    | <b>(\$1,263,551)</b> | <b>(4.1%)</b> |                                                                                                                                                                                     |
| <b>Grand Total, All Strategies</b>        | <b>\$30,777,163</b> | <b>\$29,513,612</b>    | <b>(\$1,263,551)</b> | <b>(4.1%)</b> | The bill decreases General Revenue funding by \$1,263,551, an amount equivalent to 5 percent of the Bingo Prize Fee allocation strategy (see Selected Fiscal and Policy Issues #2). |

**Texas Lottery Commission**  
**Summary of Recommendations - Senate, By Method of Finance -- GR DEDICATED**

| Strategy/Goal                             | 2010-11<br>Base      | 2012-13<br>Recommended | Biennial<br>Change    | %<br>Change    | Comments (Optional)                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|----------------------|------------------------|-----------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LOTTERY OPERATIONS A.1.1                  | \$14,509,815         | \$14,719,078           | \$209,263             | 1.4%           |                                                                                                                                                                                                                                                                                                                |
| LOTTERY FIELD OPERATIONS A.1.2            | \$5,110,713          | \$5,285,749            | \$175,036             | 3.4%           |                                                                                                                                                                                                                                                                                                                |
| MARKETING AND PROMOTION A.1.3             | \$9,880,534          | \$10,021,437           | \$140,903             | 1.4%           |                                                                                                                                                                                                                                                                                                                |
| SECURITY A.1.4                            | \$10,110,116         | \$9,051,521            | (\$1,058,595)         | (10.5%)        |                                                                                                                                                                                                                                                                                                                |
| CENTRAL ADMINISTRATION A.1.5              | \$28,049,666         | \$26,005,201           | (\$2,044,465)         | (7.3%)         |                                                                                                                                                                                                                                                                                                                |
| LOTTERY OPERATOR CONTRACT(S) A.1.6        | \$202,492,500        | \$165,742,500          | (\$36,750,000)        | (18.1%)        |                                                                                                                                                                                                                                                                                                                |
| INSTANT TICKET PRODUCT. CONTRACT(S) A.1.7 | \$34,600,000         | \$37,500,000           | \$2,900,000           | 8.4%           |                                                                                                                                                                                                                                                                                                                |
| MASS MEDIA ADVERTISING CONTRACT(S) A.1.8  | \$64,400,000         | \$64,000,000           | (\$400,000)           | (0.6%)         |                                                                                                                                                                                                                                                                                                                |
| DRAWING & BROADCAST CONTRACT(S) A.1.9     | \$3,307,544          | \$2,935,432            | (\$372,112)           | (11.3%)        |                                                                                                                                                                                                                                                                                                                |
| MARKET RESEARCH CONTRACT(S) A.1.10        | \$1,698,170          | \$1,862,340            | \$164,170             | 9.7%           |                                                                                                                                                                                                                                                                                                                |
| RETAILER BONUS A.1.11                     | \$45,900,000         | \$8,400,000            | (\$37,500,000)        | (81.7%)        |                                                                                                                                                                                                                                                                                                                |
| <b>Total, Goal A, OPERATE LOTTERY</b>     | <b>\$420,059,058</b> | <b>\$345,523,258</b>   | <b>(\$74,535,800)</b> | <b>(17.7%)</b> |                                                                                                                                                                                                                                                                                                                |
| BINGO LICENSING B.1.1                     | \$0                  | \$0                    | \$0                   | 0.0%           |                                                                                                                                                                                                                                                                                                                |
| BINGO EDUCATION AND DEVELOPMENT B.1.2     | \$0                  | \$0                    | \$0                   | 0.0%           |                                                                                                                                                                                                                                                                                                                |
| BINGO LAW COMPLIANCE FIELD OPER B.1.3     | \$0                  | \$0                    | \$0                   | 0.0%           |                                                                                                                                                                                                                                                                                                                |
| BINGO PRIZE FEE COLLECTION & ACCT B.1.4   | \$0                  | \$0                    | \$0                   | 0.0%           |                                                                                                                                                                                                                                                                                                                |
| BINGO PRIZE FEE ALLOCATIONS B.1.5         | \$0                  | \$0                    | \$0                   | 0.0%           |                                                                                                                                                                                                                                                                                                                |
| <b>Total, Goal B, ENFORCE BINGO LAWS</b>  | <b>\$0</b>           | <b>\$0</b>             | <b>\$0</b>            | <b>0.0%</b>    |                                                                                                                                                                                                                                                                                                                |
| <b>Grand Total, All Strategies</b>        | <b>\$420,059,058</b> | <b>\$345,523,258</b>   | <b>(\$74,535,800)</b> | <b>(17.7%)</b> | The bill decreases General Revenue-Dedicated funding by \$74,535,800 to reflect a reduction of \$36,750,000 for lower lottery operator contract costs, \$37,500,000 in retailer incentives, and \$285,800 in one time funding for capital budget items (see Selected Fiscal and Policy Issues #2, #3, and #4). |

## Section 3

### Lottery Commission Selected Fiscal and Policy Issues

1. **Gross Lottery Revenues.** The comptroller estimates gross sales revenue of \$3.776 billion in fiscal year 2012 and \$3.796 billion in fiscal year 2013.
2. **Program Funding and Staffing.** The bill decreases All Funds by \$75,799,351 and staffing levels by 12.0 FTEs below the 2011 staffing level.
  - a. The bill decreases General Revenue by \$1,263,551, an amount equivalent to 5 percent of the Bingo Prize Fee allocations. The agency received an exemption from this reduction in 2010-11 but the funds were required to be removed from the 2012-13 base request to be in compliance with base calculation instructions. Since reductions cannot be taken in the Bingo Prize Fee allocations strategy because the funding is estimated and non-transferrable, this decrease resulted in a reduction of 12.0 FTEs from other bingo related strategies.
  - b. General Revenue-Dedicated funding is reduced by \$74,535,800. Funding for the Retailer Commission was reduced by \$18,750,000 in 2012 and \$18,750,000 in 2013 (\$37,500,000 over the biennium) (see #4 below). The Lottery Operator Contract funding was reduced by \$18,375,000 in 2012 and \$18,375,000 in 2013 (\$36,750,000 over the biennium) to reflect the lower percentage of gross sales due to the Lottery Operator under the new contract. The remaining \$285,800 reduction was for one time capital expenditures for a studio surveillance system and telephone system upgrade in 2010-11.
3. **Lottery Retailer Commission.** In Rider 10 (b) the agency is appropriated an additional one half of one percent of gross sales each fiscal year to pay sales performance retailer commissions. This rider was adopted by the 81<sup>st</sup> legislature. The bill decreases funding by \$18.75 million each year in 2012-13 but retain the rider authorizing the agency to spend an additional one half of one percent on retailer commissions.
4. **Lottery Operator Contract.** The agency recently concluded negotiations for a new lottery operator contract. The bill includes the updated percent due the Lottery Operator. Previously the contract included an amount of 2.6999 percent. The new contract includes an amount of 2.2099 percent. (see Rider Highlights #11).
5. **Executive Director Salary Increase.** During the interim the agency submitted a request to raise the executive director salary from \$140,900 to \$185,350 as authorized under Art. IX Sec. 3.05 (c). The agency did not request any additional funds for this purpose. This request was approved by the Legislative Budget Board and the Governor's Office effective January 22, 2010. The bill maintains the 2012-13 salary at this level.
6. **Adjustment to Appropriated Amounts.** The bill deletes Rider #15, Adjustment to Appropriated Amounts. This rider was added during the 81<sup>st</sup> Legislature to allow the Lottery Commission to perform activities previously performed under the Lottery Operator Contract. The bill deletes this rider because of the increased flexibility provided in Article IX (see Rider Highlights #15).

**Section 4**

**Lottery Commission  
Performance Review and Policy Report Highlights**

| <b>Reports &amp; Recommendations</b> | <b>GEER<br/>Report<br/>Page</b> | <b>Savings/<br/>(Cost)</b> | <b>Gain/<br/>(Loss)</b> | <b>Fund<br/>Type</b> | <b>Is included in<br/>the Introduced Bill</b> | <b>Action Required During Session</b> |
|--------------------------------------|---------------------------------|----------------------------|-------------------------|----------------------|-----------------------------------------------|---------------------------------------|
|--------------------------------------|---------------------------------|----------------------------|-------------------------|----------------------|-----------------------------------------------|---------------------------------------|

**NO RELATED RECOMMENDATIONS**

## Section 5

### Lottery Commission Rider Highlights

2. **Capital Budget.** The bill updates the capital budget rider to reflect the 2012-13 amounts (see Selected Fiscal and Policy Issues #2).
11. **Lottery Operator Contract.** The bill updates this rider to include the new percent of gross sales due the Lottery Operator (see Selected Fiscal and Policy Issues #4).
15. **(former) Adjustment to Appropriated Amounts.** The bill deletes this rider because of increased flexibility provided in Article IX of the GAA (see Selected Fiscal and Policy Issues #6).
16. **(former) Contingent Capital Budget Increase.** The bill deletes this rider because the agency did not ask for certification of these funds in 2010-11.



**Texas Lottery Commission**  
**Items not Included in Recommendations**

|                                                                                                                                              | <b>2012-13 Biennial Total</b>     |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------|
|                                                                                                                                              | <b>GR &amp; GR-<br/>Dedicated</b> | <b>All Funds</b>    |
| <b>Agency Requested Items</b>                                                                                                                |                                   |                     |
| 1. Increase General Revenue funding for the Automated Charitable Bingo System Re-design.                                                     | \$ 2,500,000                      | \$ 2,500,000        |
| 2. Support General Revenue increases for the Automated Charitable Bingo System Re-design with a one time fee on Bingo Operators and Lessors. | \$ -                              | \$ -                |
| <b>Total, Items Not Included in the Recommendations</b>                                                                                      | <b>\$ 2,500,000</b>               | <b>\$ 2,500,000</b> |