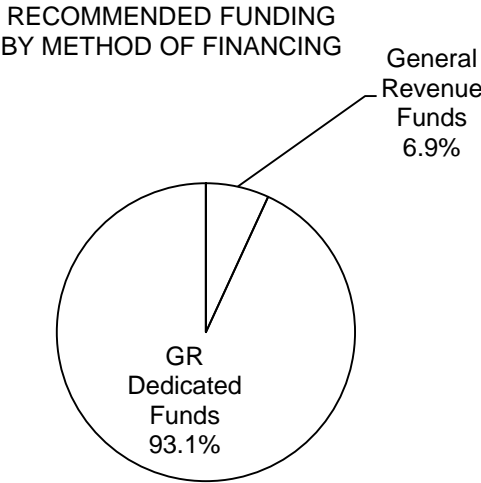


Section 1

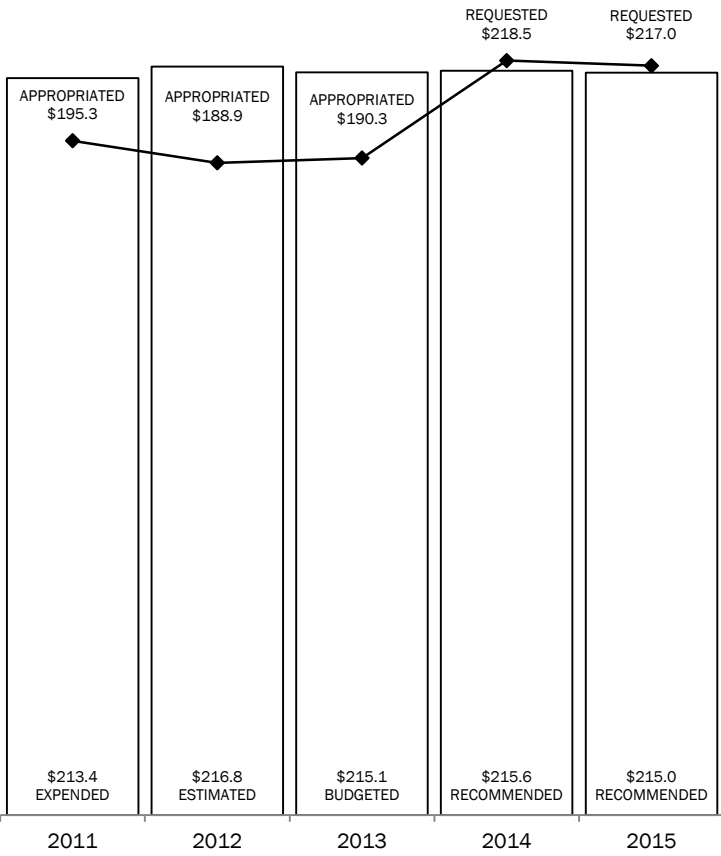
Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$29,513,612	\$29,513,612	\$0	0.0%
GR Dedicated Funds	\$402,376,571	\$401,001,561	(\$1,375,010)	(0.3%)
Total GR-Related Funds	\$431,890,183	\$430,515,173	(\$1,375,010)	(0.3%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$431,890,183	\$430,515,173	(\$1,375,010)	(0.3%)



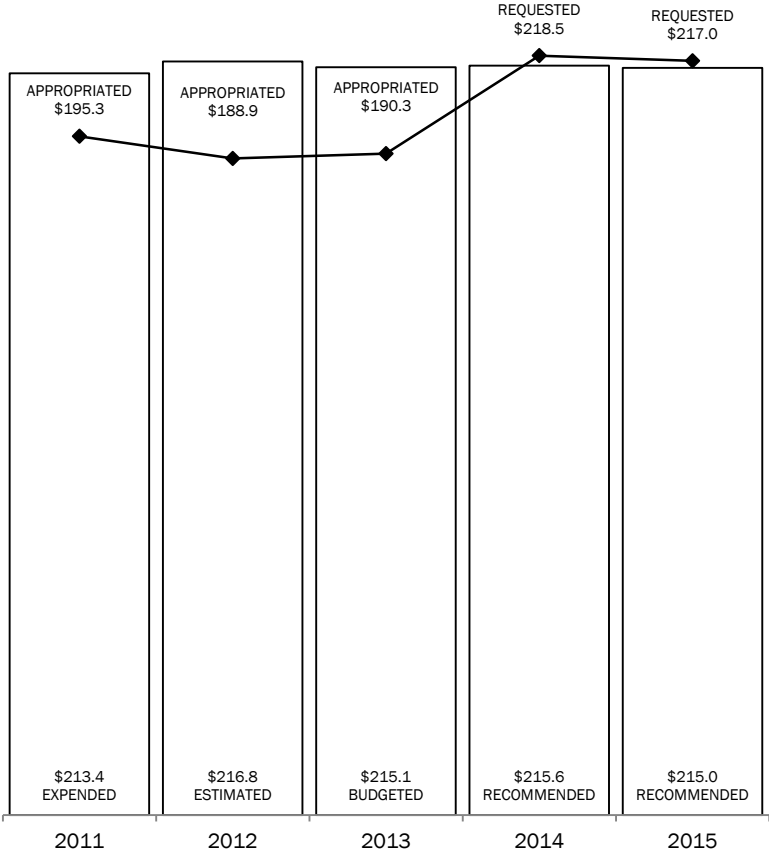
	FY 2013 Budgeted	FY 2015 Recommended	Biennial Change	% Change
FTEs	309.5	309.5	0.0	0.0%

The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.

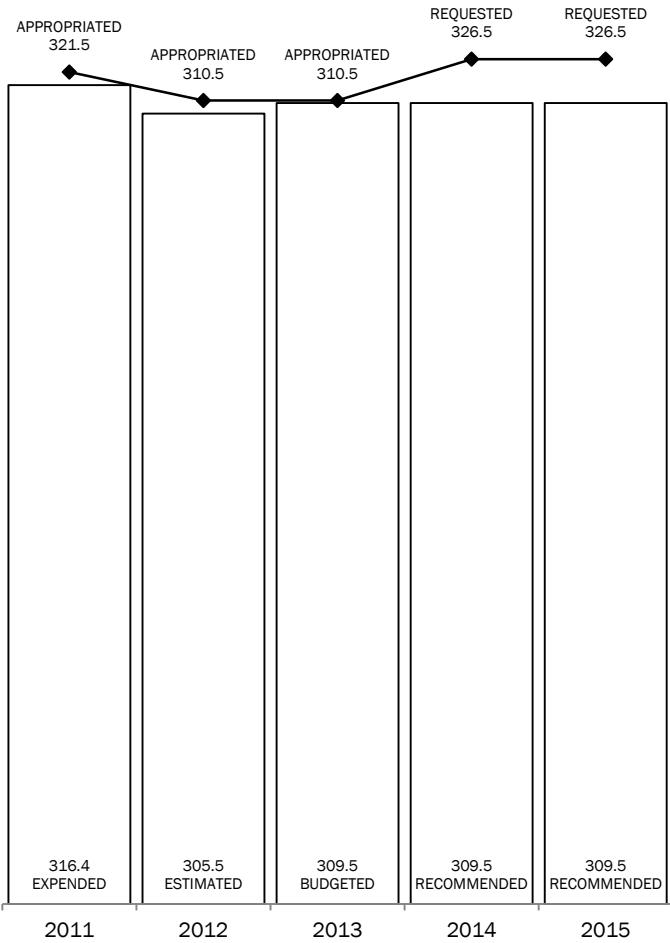
ALL FUNDS



GENERAL REVENUE AND
GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

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

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
LOTTERY OPERATIONS A.1.1	\$14,432,698	\$14,078,085	(\$354,613)	(2.5%)	
LOTTERY FIELD OPERATIONS A.1.2	\$5,216,682	\$5,185,213	(\$31,469)	(0.6%)	
MARKETING AND PROMOTION A.1.3	\$9,898,285	\$10,110,372	\$212,087	2.1%	
SECURITY A.1.4	\$9,701,667	\$11,340,842	\$1,639,175	16.9%	The net increase is attributable to shifts in funding for professional fees and services expenses related to the new All or Nothing game, as well as proposed changes to the Daily 4, Pick 3, and Cash 5 games.
CENTRAL ADMINISTRATION A.1.5	\$25,600,795	\$26,121,639	\$520,844	2.0%	
LOTTERY OPERATOR CONTRACT(S) A.1.6	\$176,239,525	\$170,162,300	(\$6,077,225)	(3.4%)	The reduction is attributable to lower gross sales estimates in fiscal years 2014 and 2015, which will result in lower payouts to the Lottery Operator vendor.
INSTANT TICKET PRODUCT. CONTRACT(S) A.1.7	\$41,250,000	\$45,000,000	\$3,750,000	9.1%	The increase is attributable to an increase to the instant ticket production contract that took effect in fiscal year 2013.
MASS MEDIA ADVERTISING CONTRACT(S) A.1.8	\$65,622,908	\$64,000,000	(\$1,622,908)	(2.5%)	The reduction is attributable to lower advertising costs in fiscal years 2014 and 2015. Fiscal year 2012 included higher advertising costs related to the new All or Nothing game, which will not be needed in the 2014-15 biennium.
DRAWING & BROADCAST CONTRACT(S) A.1.9	\$4,461,921	\$6,611,270	\$2,149,349	48.2%	The increase is attributable to an increase in the drawings and studio broadcast contract, which now includes the new All or Nothing game.
MARKET RESEARCH CONTRACT(S) A.1.10	\$1,677,090	\$1,491,840	(\$185,250)	(11.0%)	
RETAILER BONUS A.1.11	\$8,400,000	\$8,400,000	\$0	0.0%	
RETAILER COMMISSIONS A.1.12	\$39,875,000	\$38,500,000	(\$1,375,000)	(3.4%)	The reductions reflect the decrease of General Revenue-Dedicated funding for one-time expenditures (see Fiscal and Policy Issues #6 and Rider Highlights #9).
Total, Goal A, OPERATE LOTTERY	\$402,376,571	\$401,001,561	(\$1,375,010)	(0.3%)	
BINGO LICENSING B.1.1	\$1,493,284	\$1,496,546	\$3,262	0.2%	
BINGO EDUCATION AND DEVELOPMENT B.1.2	\$276,309	\$271,562	(\$4,747)	(1.7%)	
BINGO LAW COMPLIANCE FIELD OPER B.1.3	\$2,117,030	\$2,117,030	\$0	0.0%	
BINGO PRIZE FEE COLLECTION & ACCT B.1.4	\$355,989	\$357,474	\$1,485	0.4%	
BINGO PRIZE FEE ALLOCATIONS B.1.5	\$25,271,000	\$25,271,000	\$0	0.0%	
Total, Goal B, ENFORCE BINGO LAWS	\$29,513,612	\$29,513,612	\$0	0.0%	
Grand Total, All Strategies	\$431,890,183	\$430,515,173	(\$1,375,010)	(0.3%)	

Section 3

Texas Lottery Commission Selected Fiscal and Policy Issues - Senate

1. **Capital Budget.** Recommendations maintain baseline capital budget authority at \$300,000 for Capitalized Lottery Drawing Equipment for the 2014-15 biennium and exclude \$3,418,100 for the two capital projects below requested by the agency (see Rider Highlights #2 and Items Not Included in Recommendations #1 and a. New Draw Games. The agency's request is for the creation of a new draw game, which includes the acquisition of capital equipment and items and the remodeling of the agency's draw studio. Project funding for fiscal years 2014-15 is an estimated \$918,100 in General Revenue-Dedicated Lottery Account No. 5025.

b. Automated Charitable Bingo System (ACBS) Redesign. The agency's request is for the complete redesign of the ACBS, which includes converting the system to another toolset which will be compatible with other agency database programs. Project funding for fiscal years 2014-15 is an estimated \$2,500,000 in General Revenue (\$1,250,000 each year). Fiscal year 2012-13 appropriations included funding for this item contingent on the agency raising fees and revenues. The agency chose not to increase fees due to industry objections and did not utilize the rider (see Rider Highlights #15).
2. **Out-of-Country Travel.** Recommendations delete the agency's travel rider #6, which prohibits out-of-country travel, with the exception of travel to Mexico and Canada which is reimbursable by a third party and limits out-of-state travel. The Texas Lottery Commission currently participates in numerous lottery-related associations such as the North American Association of State and Provincial Lotteries, the World Lottery Association, and the Mega Millions Consortium, which requires the executive director to travel out of the country to attend annual meetings and conventions (see Rider Highlights #6).
3. **Sunset Review.** The agency is currently undergoing Sunset review. Sunset recommendations include having the House Appropriations and Senate Finance Committees consider removing bingo prize fees from the agency's bill pattern and having the Lottery Commission reassess the full cost of bingo regulation and seek to adjust license fees and its legislative appropriations request accordingly. The agency has requested additional funding totaling \$1,224,876 in General Revenue for an additional 14.0 FTEs for Bingo compliance operations (see Items not Included in Recommendations #2, #5, and #6).
4. **Gross Lottery Revenues.** The Comptroller of Public Accounts (CPA) Biennial Revenue Estimate (BRE) reflects estimates of gross sales revenue of \$3.958 billion in fiscal year 2014 and \$3.974 billion in fiscal year 2015. Amounts included in the introduced bill reflected agency estimates of \$3.85 billion in fiscal year 2014 and \$3.85 billion in fiscal year 2015. The agency's estimate represents a \$128 million biennial increase from anticipated revenues in the 2012-13 biennium (see Rider Highlights #11). Based on the BRE, the increase is estimated to be \$360 million.
5. **Executive Director Salary Increase.** During the interim the agency submitted a request to raise the Executive Director salary from \$185,350 to \$200,000 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 October 29, 2010. Recommendations maintain the 2014-15 salary at this level.
6. **Lottery Retailer Commission.** Recommendations create Strategy A.1.12, Retailer Commissions, for the purpose of paying sales performance retailer commissions. Recommendations also amend Rider 9 (b) to specify that appropriations in new Strategy A.1.12, Retailer Commissions, is equal to one-half of one percent of gross sales each fiscal year. Appropriations in the new strategy are estimated and non-transferable (see Rider Highlights #9 and Items not Included in Recommendations #4).

Section 4

Texas Lottery Commission
Performance Review and Policy Report Highlights

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

Texas Lottery Commission Rider Highlights – Senate

2. **Capital Budget.** Recommendations maintain baseline capital budget authority at \$300,000 for the 2014-15 biennium (see Selected and Fiscal Policy Issues #1 and Items Not Included in Recommendations #1 and #3).
6. (former) **Limitation: Out-of-Country and Out-of-State Travel.** Recommendations delete this rider (see Selected and Fiscal Policy Issues #2).
9. **Retailer Commissions.** Recommendations amend section (b) of the rider to specify that appropriations in new Strategy A.1.12, Retailer Commissions, are equal to one-half of one percent of gross sales each fiscal year for the purpose of paying sales performance retailer commissions (see Selected Fiscal and Policy Issues #6).
11. **Appropriation of Increased Revenues.** Recommendations amend this rider to reflect Comptroller lottery sales estimates of \$3.958 billion in fiscal year 2014 and \$3.974 billion in fiscal year 2015 and updated fiscal years (see Selected and Fiscal Policy Issues #4). Amounts previously included in the introduced bill reflected agency estimates of \$3.85 billion in fiscal year 2014 and \$3.85 billion in fiscal year 2015.
15. (former) **Contingent Revenue.** Recommendations delete this rider. The agency did not increase fees and generate additional revenues during the 2012-13 biennium. The rider is no longer needed (see Selected Fiscal and Policy Issues #1b).

Section 6

Texas Lottery Commission
Items not Included in Recommendations - Senate

	2014-15 Biennial Total	
	GR & GR-Dedicated	All Funds
1. General Revenue-Dedicated funding and an increase in capital budget authority (\$918,000) and 3.0 additional FTEs for a new draw game and expansion and remodeling of existing draw studio (see item Selected Fiscal and Policy Issues #1 and Rider Highlights #2).	\$ 1,199,096	\$ 1,199,096
2. General Revenue funding and 14.0 additional FTEs for Bingo law compliance field operations with a new rider making these appropriations contingent on the agency assessing fees sufficient to generate revenues in excess of Bingo revenues estimated in the Comptroller's Biennial Revenue Estimates for fiscal years 2014 and 2015. a. Salaries and Wages (\$1,140,000 for the biennium) \$1,008,000 for 12 Auditor II positions (\$504,000 each year) \$132,000 for 2 Administrative Assistant III positions (\$66,000 each year) b. Travel \$64,260 for the biennium c. Other Operating Expense \$20,616 for the biennium	\$ 1,224,876	\$ 1,224,876
3. General Revenue funding and an increase in capital budget authority for the complete redesign of the Automated Charitable Bingo System, which will be out of support in 2013 (see Selected and Fiscal Policy Issues #1).	\$ 2,500,000	\$ 2,500,000
4. Amend Rider 9, Retailer Commissions, to reflect the agency's request that one-half of one percent of gross sales be appropriated to the agency each fiscal year of the biennium for the purpose of providing additional retailer commissions during the biennium.		
5. New Rider, Appropriation to Reimburse the Lottery Dedicated Fund for the Cost of Bingo Indirect Costs. The agency is requesting a new rider in response to a Sunset review recommendation that appropriates an estimated \$3,000,000 in General Revenue for the 2014-15 biennium (\$1,500,000 each year) to be deposited to the General Revenue-Dedicated Lottery Account for the purpose of reimbursing the agency for the cost of indirect support provided to the Bingo program. (see Selected and Fiscal Policy Issues #3)	\$ 3,000,000	\$ 3,000,000

Section 6

Texas Lottery Commission
Items not Included in Recommendations - Senate

	2014-15 Biennial Total	
	GR & GR-Dedicated	All Funds
6. New Rider, Appropriation, Local Bingo Prize Fees. The agency is requesting a new rider in response to a Sunset review recommendation that appropriates, out of bingo prize fees collected, amounts for the allocation to counties and municipalities. This request also includes removing Strategy B.1.9, Bingo Prize Fee Allocation and Rider 8, Local Bingo Prize Fees (see Selected and Fiscal Policy Issues #3).		
7. New Rider, Bingo Third Party Reimbursements. The agency is requesting a new rider that appropriates General Revenue for third party reimbursements collected by the Bingo division for audit and investigation costs.		
Total, Items Not Included in the Recommendations	\$ 7,923,972	\$ 7,923,972