

Section 1

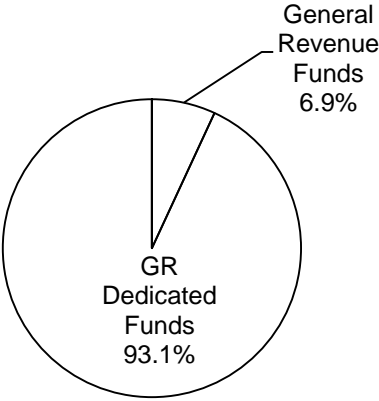
Texas Lottery Commission  
Summary of Recommendations-Senate

Page VII-8  
Gary Grief, Executive Director

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Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$33,305,249	\$30,816,890	(\$2,488,359)	(7.5%)
GR Dedicated Funds	\$424,912,475	\$415,755,037	(\$9,157,438)	(2.2%)
Total GR-Related Funds	\$458,217,724	\$446,571,927	(\$11,645,797)	(2.5%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$458,217,724	\$446,571,927	(\$11,645,797)	(2.5%)

RECOMMENDED FUNDING  
BY METHOD OF FINANCING

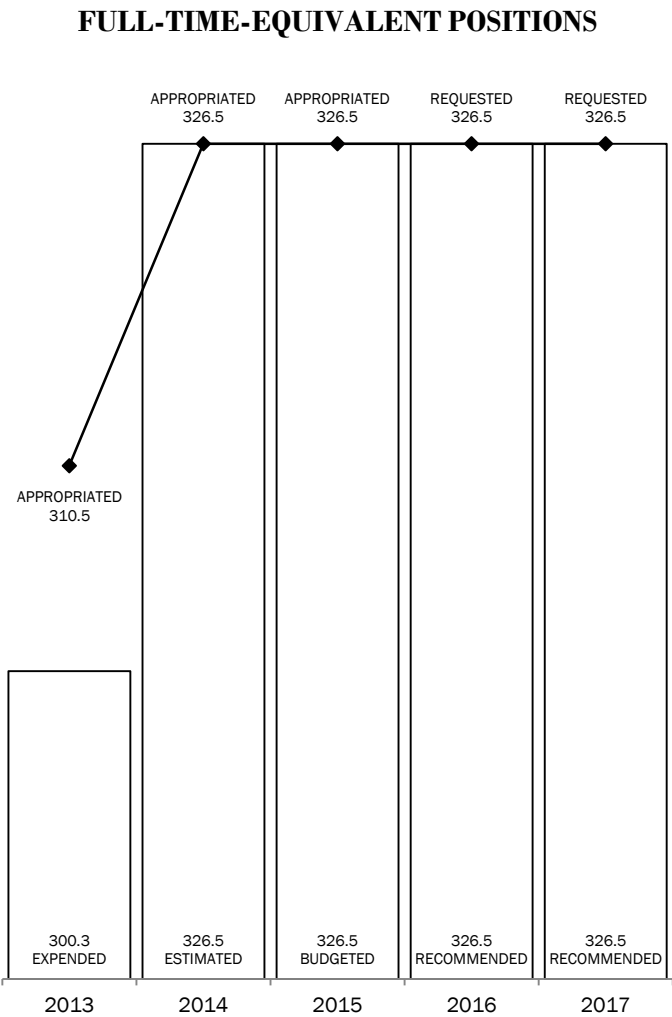
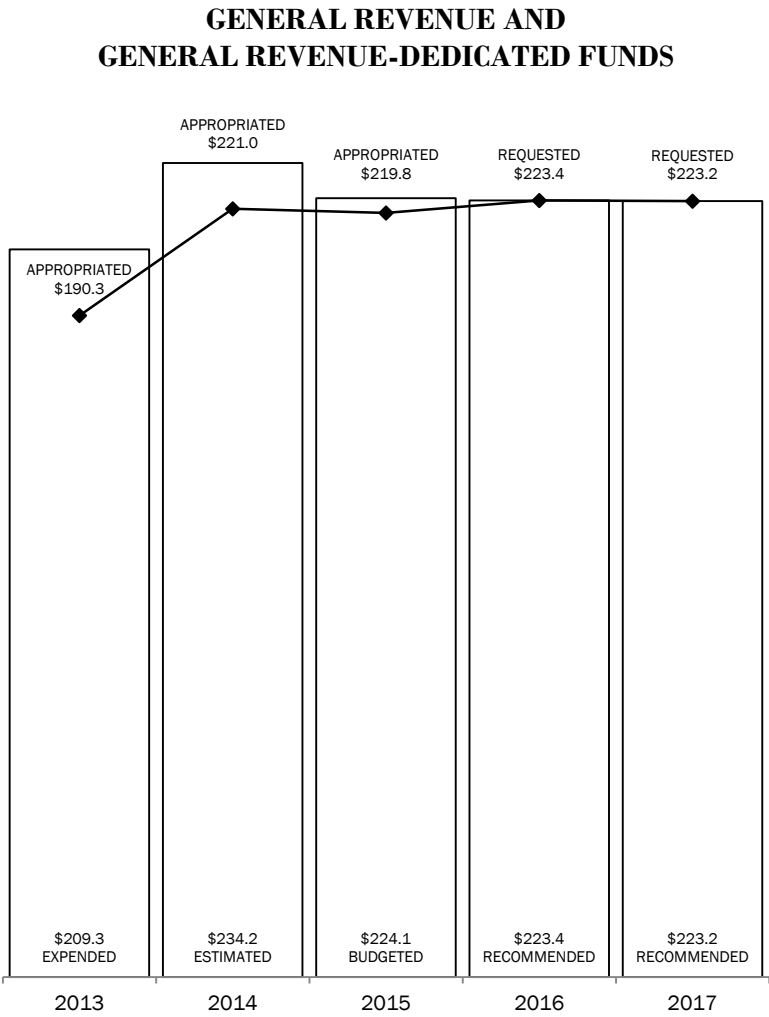
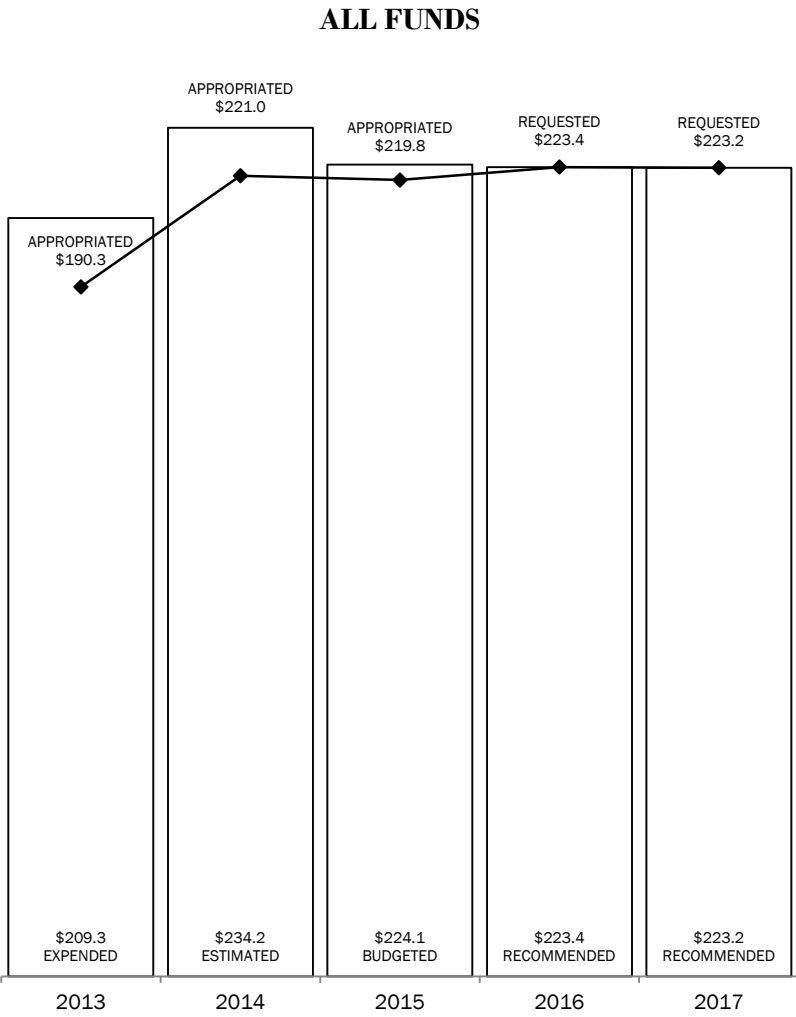


	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	326.5	326.5	0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1  
Texas Lottery Commission  
2016-2017 BIENNIUM  
IN MILLIONS

TOTAL= \$446.6 MILLION



Section 2

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

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
<i>2014-15 amounts are based on actual gross lottery ticket sales, while 2016-17 recommendations are based on gross lottery ticket sales estimates provided by the Texas Lottery Commission. Revenue and appropriation amounts will be updated to reflect Biennial Revenue Estimates provided by the Comptroller of Public Accounts.</i>					
LOTTERY OPERATIONS A.1.1	\$14,515,871	\$14,472,066	(\$43,805)	(0.3%)	
LOTTERY FIELD OPERATIONS A.1.2	\$5,335,995	\$5,456,952	\$120,957	2.3%	Recommendations include an increase in General Revenue-Dedicated to biennialize salaries at 2015 levels.
MARKETING AND PROMOTION A.1.3	\$10,816,885	\$11,342,184	\$525,299	4.9%	Recommendations include a reallocation of General Revenue-Dedicated from other strategies for increased costs related to postage, promotional items and staffing to address increased workload demands.
SECURITY A.1.4	\$11,826,232	\$12,534,826	\$708,594	6.0%	Recommendations include a reallocation of General Revenue-Dedicated from other strategies to address higher costs related to the drawings audit contract.
CENTRAL ADMINISTRATION A.1.5	\$25,313,886	\$26,409,775	\$1,095,889	4.3%	Recommendations include a reallocation of General Revenue-Dedicated from other strategies for additional technology and administrative support to assist with increased workload demands.
LOTTERY OPERATOR CONTRACT(S) A.1.6	\$184,839,351	\$175,642,852	(\$9,196,499)	(5.0%)	Recommendations include a decrease in General Revenue-Dedicated related to one-time lottery operator contract payments in fiscal year 2014-15.
INSTANT TICKET PRODUCT. CONTRACT(S) A.1.7	\$52,874,338	\$52,000,000	(\$874,338)	(1.7%)	Recommendations include a reallocation in General Revenue-Dedicated from this strategy related to Instant Ticket contract price reductions.
MASS MEDIA ADVERTISING CONTRACT(S) A.1.8	\$64,813,697	\$64,000,000	(\$813,697)	(1.3%)	Recommendations include a reallocation in General Revenue-Dedicated from this strategy based on projected advertising plan for fiscal years 2016-17.
DRAWING & BROADCAST CONTRACT(S) A.1.9	\$6,470,270	\$5,891,142	(\$579,128)	(9.0%)	Recommendations include a reallocation of General Revenue-Dedicated funding related to contract price reductions for drawings and broadcasts.
MARKET RESEARCH CONTRACT(S) A.1.10	\$1,205,950	\$1,105,240	(\$100,710)	(8.4%)	Recommendations include a decrease in General Revenue-Dedicated funding for anticipated reduction in research needs.
RETAILER BONUS A.1.11	\$8,400,000	\$8,400,000	\$0	0.0%	
RETAILER COMMISSIONS A.1.12	\$38,500,000	\$38,500,000	\$0	0.0%	

Section 2

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

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
Total, Goal A, OPERATE LOTTERY	\$424,912,475	\$415,755,037	(\$9,157,438)	(2.2%)	
BINGO LICENSING B.1.1	\$4,060,938	\$1,584,466	(\$2,476,472)	(61.0%)	Recommendations include a net decrease in General Revenue due to the following:  A decrease of \$2,500,000 in General Revenue for one-time funding for the agency's Automated Charitable Bingo System Redesign, and an increase in General Revenue from a reallocation of funding from other strategies to biennialize salaries at 2015 levels.
BINGO EDUCATION AND DEVELOPMENT B.1.2	\$343,391	\$353,848	\$10,457	3.0%	Recommendations include an increase in General Revenue to biennialize salaries at 2015 levels.
BINGO LAW COMPLIANCE FIELD OPER B.1.3	\$3,267,152	\$3,244,314	(\$22,838)	(0.7%)	Recommendations include a decrease and reallocation of General Revenue funds related to an anticipated decrease in Rider 15. Bingo Third Party Reimbursements revenues and the reallocation of General Revenue to other strategies to address increased work demands.
BINGO PRIZE FEE COLLECTION & ACCT B.1.4	\$25,633,768	\$25,634,262	\$494	0.0%	
Total, Goal B, ENFORCE BINGO LAWS	\$33,305,249	\$30,816,890	(\$2,488,359)	(7.5%)	

Section 2

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

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
Grand Total, All Strategies	\$458,217,724	\$446,571,927	(\$11,645,797)	(2.5%)	Recommendations include a net decrease in All Funds primarily due to the following:  A decrease of \$2,500,000 in General Revenue related to one-time funding for the agency's Automated Charitable Bingo System redesign.  A decrease of \$6,000 in General Revenue related to an anticipated decrease in Rider 15. Bingo Third Party Reimbursement revenues not anticipated in fiscal years 2016-17.  A decrease of \$9,290,998 in General Revenue-Dedicated related to an anticipated decrease in gross lottery ticket sales.  An increase of \$17,641 in General Revenue and \$133,560 in General Revenue-Dedicated to biennialize salaries at 2015 levels.

## Section 3

### Texas Lottery Commission Selected Fiscal and Policy Issues - Senate

1. **Contingent Revenue.** The 83<sup>rd</sup> Legislature required the agency to assess and increase fees sufficient to generate enough revenue to cover the costs of 14.0 additional Full-time Equivalent positions the agency requested for the purpose of increasing bingo regulation. The agency increased fees and generated the necessary revenues to meet the conditions of the rider in the 2014-15 biennium. Recommendations delete this rider as the terms have been met. (see Rider Highlights #14)
2. **Sunset Contingency.** The agency underwent Sunset review during the 83<sup>rd</sup> Legislative Session. The agency's appropriations were contingent upon passage of legislation continuing the agency. House Bill 2197 was passed and continued the agency for an additional 12 years through 2025. The rider is no longer needed and is not included in the recommendations. (See Rider Highlights #16)
3. **Unexpended Balances and Capital Authority: Automated Charitable Bingo System.** Recommendations do not include the agency's request to add a new rider for unexpended balance and capital budget authority from fiscal year 2015 into fiscal year 2016 for the purpose of completing the agency's Automated Charitable Bingo System redesign. (see Rider Highlights #15 and Items Not Included in the Recommendations #1)
4. **Gross Lottery Revenues.** Amounts included in the introduced bill reflect agency gross sales revenue estimates of \$3.974 billion in fiscal year 2016 and \$3.974 billion in fiscal year 2017. The agency's estimate represents a \$16 million biennial decrease from anticipated revenues in the 2014-15 biennium. Gross lottery revenue estimates will be aligned with the Comptroller of Public Accounts Biennial Revenue Estimates and all related riders and strategy appropriations will be updated to reflect any changes.
5. **Joint Committee on Texas Lottery.** The Texas Lottery Commission underwent Sunset review during the 83<sup>rd</sup> Legislative Session. House Bill 2197 continued the Texas Lottery Commission for another 12 years through fiscal year 2025 and required the Texas Legislature to form a joint committee comprised of House and Senate members to study the process of winding down the state lottery. This included potential time frames for phasing out the state lottery, the potential consequences of the absence of the state lottery on the state budget and the programs affected, and any other concerns related to the committee's charge. The joint committee issued a report the 84<sup>th</sup> Legislature in November 2014 that recommended that the Legislature continue the Texas Lottery and the Lottery Commission.

Section 3

Texas Lottery Commission  
FTE Highlights - Senate

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	310.5	326.5	326.5	326.5	326.5
Actual/Budgeted	300.3	326.5	326.5	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 6	\$185,350	\$202,000	\$206,040	\$206,040	\$206,040

Note: In August 2014, the Lottery Commission requested from the Legislative Budget Board and the Office of the Governor to increase the salary for the Executive Director from \$185,350 to \$200,000 each year. The request was granted. During the 83rd Regular Session, the Legislature set the salary in the bill pattern at \$202,000 in fiscal year 2014 and \$206,040 in fiscal year 2015.

Section 4

Texas Lottery Commission  
Performance Review and Policy Report Highlights - Senate

Reports & Recommendations	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

Modified Riders

- 1. **Capital Budget.** Recommendations include an All Funds decrease to the agency’s capital budget authority and funding due to a decrease of \$2.5 million in General Revenue related to one-time funding for the Automated Charitable Bingo System and a decrease of \$918,000 in General Revenue-Dedicated Lottery Account 5025 related to one-time funding for new draw games and the broadcast studio remodel.
- 11. **Appropriation of Increased Revenues.** Recommendations amend this rider in alignment with the agency’s request to reflect current lottery sales estimates of \$3.97 billion each year for the 2016-17 biennium and reflect updated fiscal years.

Deleted Riders

- 14. **Contingent Revenue.** Recommendations delete this rider. The rider required the agency to assess and increase fees sufficient to generate enough revenue to cover the costs of 14.0 additional Full-time Equivalent positions for the purpose of increased bingo regulation. The agency increased fees and generated the necessary revenues to meet the conditions of the rider in the 2014-15 biennium. These amounts were also included in the agency’s 2016-17 base. (see Selected Fiscal and Policy Issues #2)
- 16. **Sunset Contingency.** Recommendations delete this rider. The agency underwent Sunset review during the 83<sup>rd</sup> Legislative Session. The agency’s appropriations were contingent upon passage of legislation continuing the agency. House Bill 2197 was passed and continued the agency for an additional 12 years through 2025. The rider is no longer needed. (see Selected Fiscal and Policy Issues #3)

New Riders

- 15. **Unexpended Balances and Capital Authority: Automated Charitable Bingo System.** Recommendations do not include the agency’s request to add a new rider for unexpended balance and capital budget authority from fiscal year 2015 into fiscal year 2016 for the purpose of completing the agency’s Automated Charitable Bingo System redesign. (see Selected Fiscal and Policy Issues #4 and Items Not Included #1)

Section 6

Texas Lottery Commission  
Items not Included in Recommendations-Senate

		2016-17 Biennial Total	
		GR & GR-Dedicated	All Funds
Agency Exceptional Items - In Agency Priority Order			
1. New rider for unexpended balance and capital budget authority from fiscal year 2015 into fiscal year 2016 for the purpose of completing the agency's Automated Charitable Bingo System redesign. (see Selected Fiscal and Policy Issues #4 and Rider Highlights #15)	\$	-	\$ -
Total, Items Not Included in the Recommendations	\$	-	\$ -

Section 7

Texas Lottery Commission  
Summary of 10 Percent Biennial Base Reduction Options - Senate

Priority	Item	Description/Impact	Biennial Reduction Amounts					Included in Intro Bill?
			GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	
1	Bingo Administrative Reduction	The agency would eliminate 4.0 of 11.0 Full-time Equivalent (FTE) positions in Strategy B.1.1, Bingo Licensing.	\$499,180	\$499,180	4.0	\$0	13%	No
	Bingo Administrative Reduction	The agency would eliminate 3.0 FTEs and the entire appropriation for Strategy B.1.2, Bingo Education.	\$348,886	\$348,886	3.0	\$0	100%	No
	Bingo Administrative Reduction	The agency would eliminate 7.0 of 29.0 FTEs in Strategy B.1.3, Bingo Law Compliance Field Operation.	\$739,707	\$739,707	7.0	\$0	21%	No
	Bingo Administrative Reduction	The agency would eliminate 1.0 of 4.0 FTEs in Strategy B.1.4, Bingo Prize Fee Collection and Accounting.	\$74,452	\$74,452	1.0	\$0	21%	No
2	Bingo Administrative Reduction	The agency would eliminate 3.0 of 11.0 FTEs in Strategy B.1.1, Bingo Licensing.	\$374,384	\$374,384	3.0	\$0	9%	No
	Bingo Administrative Reduction	The agency would eliminate 11.0 of 29.0 FTEs in Strategy B.1.3, Bingo Law Compliance Field Operation.	\$1,138,936	\$1,138,936	11.0	\$0	33%	No
	Bingo Administrative Reduction	The agency would eliminate 2.0 of 4.0 FTEs in B.1.4, Bingo Prize Fee Collection and Accounting.	\$148,904	\$148,904	2.0	\$0	42%	No
TOTAL, 10% Reduction Options			<u>\$3,324,449</u>	<u>\$3,324,449</u>	<u>31.0</u>	<u>\$0</u>		

Texas Lottery Commission  
Summary of 10 Percent Biennial Base Reduction Options - Senate  
Agency 10% Reduction Options by Category of Reduction

