

Texas Lottery Commission
Summary of Budget Recommendations - Senate

Page VII-8

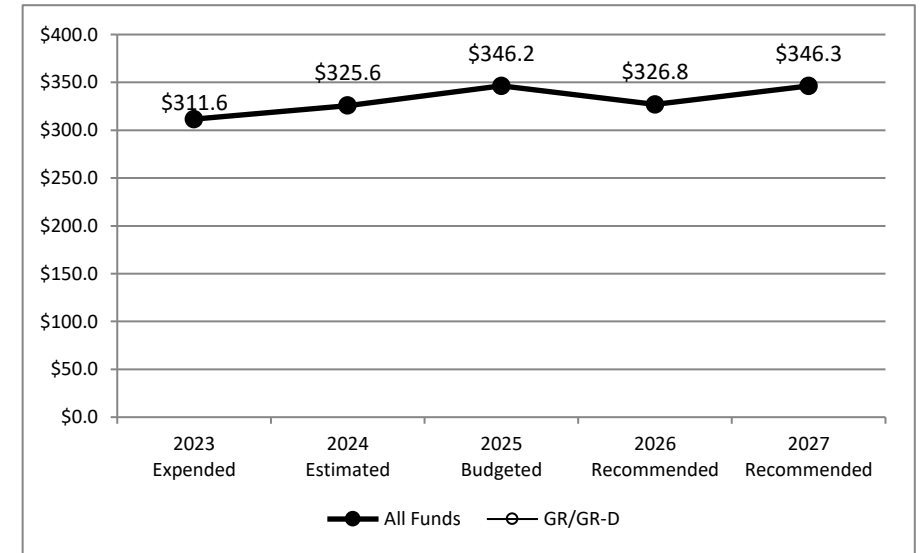
Ryan Mindell, Executive Director

Jeb Bell, LBB Analyst

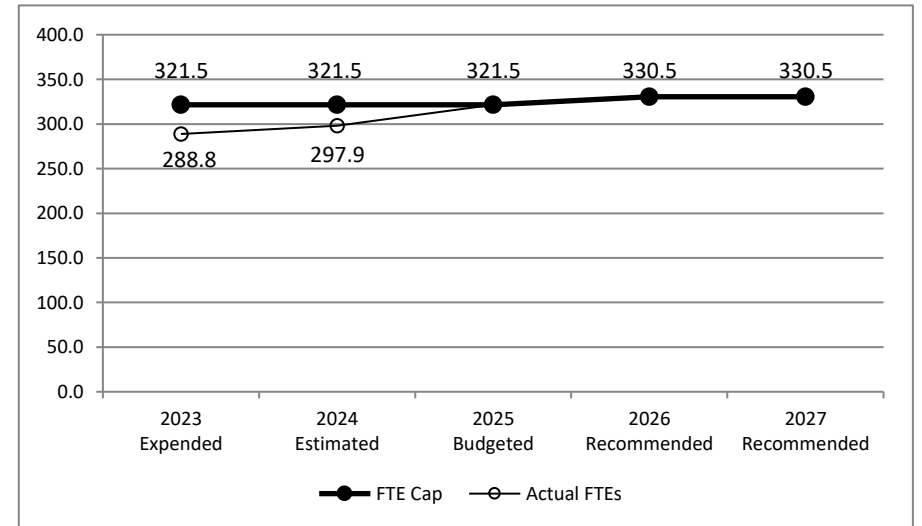
Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$5,103,780	\$5,199,490	\$95,710	1.9%
GR Dedicated Funds	\$666,764,443	\$667,882,184	\$1,117,741	0.2%
<i>Total GR-Related Funds</i>	<i>\$671,868,223</i>	<i>\$673,081,674</i>	<i>\$1,213,451</i>	<i>0.2%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$671,868,223	\$673,081,674	\$1,213,451	0.2%

	FY 2025 Budgeted	FY 2027 Recommended	Biennial Change	Percent Change
FTEs	321.5	330.5	9.0	2.8%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2026-27 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2026-27 biennium.

Texas Lottery Commission
Summary of Funding Changes and Recommendations - Senate

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
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SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):

A)	Maintain General Revenue-Dedicated Lottery Account No. 5025 funding for Lottery operations at the 2024-25 spending level.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	A.1.6 , A.1.11
B)	Removal of \$17.0 million in reallocated appropriations in the 2026-27 base request from Strategy A.1.6, Lottery Operator Contract, maintaining the agency's 2024-2025 spending levels.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5

OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):

C)	Increase in funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations.	\$0.1	\$1.1	\$0.0	\$0.0	\$1.2	Several Strategies
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$0.1	\$1.1	\$0.0	\$0.0	\$1.2	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.1	\$1.1	\$0.0	\$0.0	\$1.2	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

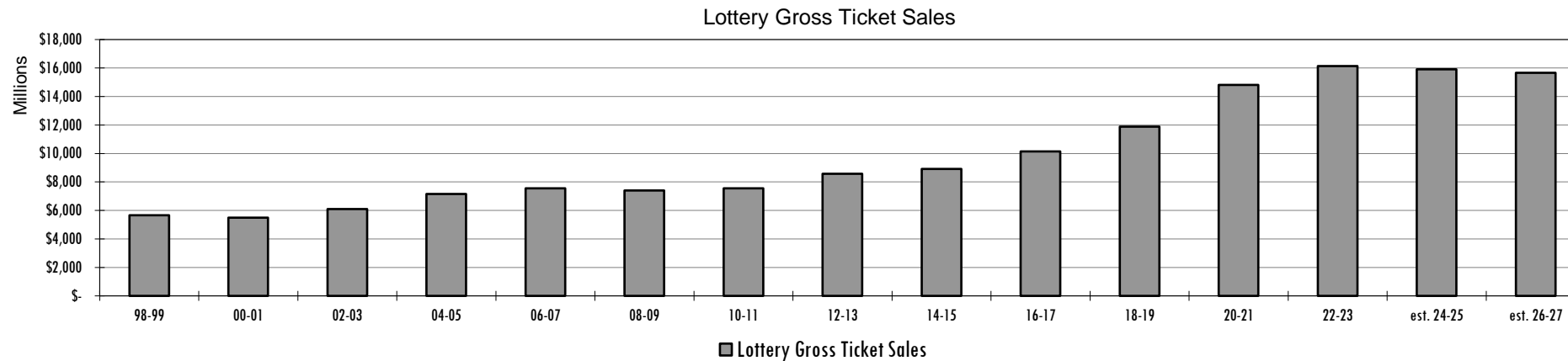
NOTE: Totals may not sum due to rounding.

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

- Lottery Sale Estimates for the 2026 – 27 Biennium.** Lottery ticket sale estimates for the 2026–27 biennium in the Comptroller’s Biennial Revenue Estimate include \$7.88 billion in fiscal year 2026 and \$7.77 billion in fiscal year 2027. LBB estimates of Foundation School Fund deposits for each year of the biennium are anticipated to decrease slightly by 0.6 percent over the Legislative session.

Funding for strategies A.1.6, Lottery Operator Contract, and A.1.11, Retailer Commission, are estimated appropriations based on a rate of projected gross sales with appropriations adjusting relative to actual ticket sales. Recommendations maintain funding within these two strategies at the 2024–25 spending level assuming no biennial change. Traditionally, these amounts are subsequently adjusted through technical correction to account for the Comptroller’s Biennial Revenue Estimate.

Rider 8(b), Retailer Commissions, of the agency’s bill pattern sets sales performance-based retailer commissions at 0.5% of projected gross lottery sales. Based on the projected sales figures, BRE-adjusted recommendations would include a net increase of \$8.2 million to the Retailer Commission strategy A.1.11, from \$31.0 million to \$39.4 million in fiscal year 2026 and from \$39.2 million to \$38.9 million in fiscal year 2027. (See Fiscal and Policy Issue #2 for more information on BRE-adjustments for the Strategy A.1.6, Lottery Operator Contract).



- Lottery Operator Contract.** Recommendations provide \$325.0 million for the lottery operator contract, maintaining the 2024-25 spending level. The funding for the lottery operator contract is set at an estimated amount based on a contractual obligation rate of projected gross sales and was designed to decrease over time. The percentage contributed changed from 2.0773 to 2.0331 in fiscal year 2023 and further declined to 1.9889 in fiscal year 2025 where it will remain until the contract expires at the end of fiscal year 2026. The fiscal year 2027 contractual obligation billing rate percentage will be determined in a new Lottery Operator Contract that the agency anticipates signing in fiscal year 2025. Recommendations set 2026-27 appropriations for the Lottery Operator contract at an amount equal to 1.9889% of projected gross lottery sales in fiscal years 2026 and 2027 and also include a modification to Rider 9, Lottery Operator Contract, to allow the billing rate to be updated as needed if the contract is not executed by the start of the new biennium (See Also, Rider Highlights).

In addition, Rider 9, Lottery Operator Contract, requires that funds appropriated to Strategy A.1.6, Lottery Operator Contract, may only use these appropriated funds to pay the corresponding contract. In the agency's 2026-27 base request, \$17.0 million was reallocated from Strategy A.1.6, Lottery Operator Contract to other strategies as the agency decreased the Lottery Operator strategy in anticipation of a lower contract cost for fiscal years 2026 and 2027. Recommendations do not include the agency's reallocation of the \$17.0 million and maintains the agency's 2024-25 spending levels with an increase of \$1.2 million to biennialize the 2024-25 statewide salary adjustments.

Based on the projected gross lottery sales from the BRE, recommendations would need to be reduced by \$12.5 million in fiscal year 2026 and \$1.1 million in fiscal year 2027. This would revise strategy A.1.6 Lottery Operator Contracts, from \$169.3 million to \$156.8 million in fiscal year 2026 and \$155.8 million to \$154.7 million in fiscal year 2027.

3. **Sunset Review.** The agency underwent review by the Sunset Advisory Commission (SAC) and will be abolished on September 1, 2025, unless continued by the Eighty-ninth Legislature. The Commission met in September 2024 to vote on and adopt key issues from the SAC Staff Report (May 2024). Adopted recommendations include:
 - Continue the agency for twelve years and remove the Sunset date of the agency's enabling statute.
 - The House Appropriations and Senate Finance Committees should consider modifying the agency's bill pattern to include an indirect administration goal.
 - Requires the commission to establish a Lottery Advisory Committee.
 - Modify statute to clarify the commission's organizational hierarchy, retaining the requirement that the bingo director be employed by the commission and reports to the commission at meetings while specifying the bingo director administers the bingo division under the direction of the Lottery Commission executive director.
 - Require the Lottery Commission to develop and adopt a formal process for resolving questions about the commission's authority and statutory ambiguity.
 - Require the Sunset Commission to conduct a limited-scope review during the 2028-29 Sunset Review Cycle related to the Lottery Commission's implementation of statutory changes approved by the 89th Legislature and management actions adopted by the Sunset Commission.

4. **Strategic Fiscal Review.** The agency is currently under Sunset review, and as a result is subject to the Strategic Fiscal Review (SFR) process outlined in Senate Bill 68, Eighty-sixth Legislature, 2019. Historical program and financial information was collected and analyzed to inform the budget process. Significant findings include:
 - Advertising Appropriations – The agency appropriation has decreased from \$76.0 million during the 1998-99 biennium to \$20.0 million appropriated for the 2024-25 biennium while lottery ticket sales have increased from \$5.6 billion to \$16.1 billion over the same period. Of the \$10.0 million the agency is appropriated annually, \$6.0 million is used to pay for Powerball, Mega Million, and Scratch-ticket games billboards, \$3.0 million is spent on digital and social media, and the remainder is spent on fees paid to advertising services vendors and end of games notices published in newspapers.
 - Distribution of Lottery Revenue to the State – The Texas Lottery Commission generates revenue for the state through the sales of lottery tickets. Before House Bill 4, Seventy-fifth Legislature, 1997, directed the transfer of the State Lottery Account No. 5025's end balance to the Foundation School Fund, all ticket sales revenue was transferred to General Revenue. In Fiscal Year 2023, the agency transferred \$2.16 billion to the state with \$2.13 billion going to the Foundation School Fund.

**Texas Lottery Commission
Rider Highlights - Senate**

Modification of Existing Riders

9. **Lottery Operator Contract.** Recommendations modify Rider 9, Lottery Operator Contract, to allow the Texas Lottery Commission to update their fiscal year 2027 contract obligation rate upon executing a new Lottery Operator Contract. See also, Selected Fiscal and Policy Issues #2

New Riders

16. **Sunset Contingency.** Recommendations add a contingency provision for the agency's upcoming Sunset review to make the agency's appropriations for fiscal year 2027 contingent on the continuation of the agency by the Eighty-ninth Legislature, Regular Session, 2025. If the agency is not continued, then the rider would authorize the use of the agency's fiscal year 2026 appropriations for the phase out of agency operations. See also, Selected Fiscal and Policy Issues #3.

Deleted Riders

16. **Lottery Sales by Phone.** Recommendations include deletion of Rider 16, Lottery Sales by Phone. The Governor's Veto Proclamation included a statement on this rider citing concerns that it created general law.

Texas Lottery Commission
Items Not Included in Recommendations - Senate

	2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	<p>Information Technology Upgrade a) Request \$1.26 million in General Revenue funding to update the Bingo Operation Service System (BOSS), the agency’s charitable bingo licensing and accounting application, and the Bingo Service Portal (BSP), the outward facing application used by license holders to track their licenses and payments, to submit applications and quarterly reports, and to make corresponding license fee and prize fee payments.</p> <p>b) Request \$329,344 in General Revenue-Dedicated 5025 funding and authority for one additional 1.0 Programmer V position for post-launch support and ongoing maintenance.</p>	\$1,589,344	\$1,589,344	1.0	Yes	Yes	\$321,714
2)	<p>Staff Salaries Increase Request General Revenue funding to increase salaries for all Charitable Bingo Operations Division, including vacant positions, to improve the Division's recruitment and retention.</p>	\$429,050	\$429,050	0.0	No	No	\$429,050

Texas Lottery Commission
Items Not Included in Recommendations - Senate

		2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
		GR & GR-D	All Funds	FTEs			
3)	<p>CAPPS Request General Revenue-Dedicated 5025 funding and authority for additional FTEs to implement the financial modules of the Centralized Accounting and Payroll/Personnel System (CAPPS) during the 2026-2027 biennium.</p> <p>8.0 FTEs include</p> <ul style="list-style-type: none"> 1.0 IT Business Analyst III (\$114,099 per year) 1.0 Accountant VI (\$85,869 per year) 1.0 Financial Analyst III (\$85,869 per year) 1.0 Purchaser VI (\$99,658 per year) 1.0 Staff Services Officer IV (\$66,255 per year) 1.0 Systems Analyst V (\$142,374 per year) 2.0 Programmer V (\$124,606 per year) 	\$1,795,158	\$1,795,158	8.0	Yes	No	\$1,734,118

Agency Rider Requests Not Included

A)	New Rider, Unexpended Balances Appropriation: Bingo Operations, to add unexpended balance authority within the biennium for all strategies within Goal B: Enforce Bingo Laws	\$0	\$0	0.0	No	No	\$0.0
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TOTAL Items Not Included in Recommendations		\$20,891,338	\$20,891,338	9.0			\$2,484,882
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**Texas Lottery Commission
Appendices - Senate**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	9
B	Summary of Federal Funds	*
C	FTE Highlights	11

* Appendix is not included - no significant information to report

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

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	%Change	Comments
LOTTERY OPERATIONS A.1.1	\$9,532,861	\$9,723,436	\$190,575	2.0%	Recommendations reflect an increase in General Revenue- Dedicated Lottery Account No. 5025 funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations.
LOTTERY FIELD OPERATIONS A.1.2	\$7,914,256	\$8,151,217	\$236,961	3.0%	
PRODUCT DEVELOPMENT A.1.3	\$12,752,823	\$12,885,164	\$132,341	1.0%	
SECURITY A.1.4	\$11,639,344	\$11,808,458	\$169,114	1.5%	
CENTRAL ADMINISTRATION A.1.5	\$31,543,916	\$31,932,666	\$388,750	1.2%	
LOTTERY OPERATOR CONTRACT(S) A.1.6	\$325,060,755	\$325,060,755	\$0	0.0%	
SCRATCH TICKET PRODUCT. CONTRACT(S) A.1.7	\$169,651,412	\$169,651,412	\$0	0.0%	
PROMOTE LOTTERY GAMES CONTRACT(S) A.1.8	\$20,000,000	\$20,000,000	\$0	0.0%	
DRAWING & BROADCAST CONTRACT(S) A.1.9	\$4,521,450	\$4,521,450	\$0	0.0%	
RETAILER BONUS A.1.10	\$4,020,000	\$4,020,000	\$0	0.0%	
RETAILER COMMISSIONS A.1.11	\$70,127,626	\$70,127,626	\$0	0.0%	
Total, Goal A, OPERATE LOTTERY	\$666,764,443	\$667,882,184	\$1,117,741	0.2%	
BINGO LICENSING B.1.1	\$1,372,115	\$1,361,292	(\$10,823)	(0.8%)	Recommendations reflect the following General Revenue changes: 1) An increase of \$41,020 due to vacancy savings and funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations. 2) An increase of \$14,918 due to web hosting, criminal history check contracts and telecommunication expenses. 3) A decrease of \$66,761 due to net savings in lease costs, one-time equipment purchase and various operating expenses.
BINGO EDUCATION AND DEVELOPMENT B.1.2	\$218,330	\$229,856	\$11,526	5.3%	Recommendations reflect the following General Revenue changes: 1) An increase of \$12,667 due to vacancy savings and funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations. 2) A decrease of \$1,752 in various operating expense savings. 3) An increase of \$611 due to web hosting contract.

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

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
BINGO LAW COMPLIANCE FIELD OPER B.1.3	\$2,906,965	\$3,011,958	\$104,993	3.6%	Recommendations reflect the following General Revenue changes: 1) An increase of \$226,515 due to vacancy savings and funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations. 2) A decrease of \$122,148 in various operating expense savings. 3) An increase of \$626 due to telecommunication expenses.
BINGO PRIZE FEE COLLECTION & ACCT B.1.4	\$606,370	\$596,384	(\$9,986)	(1.6%)	Recommendations reflect the following General Revenue changes: 1) An increase of \$18,145 due to vacancy savings and funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations. 2) A decrease of \$20,613 due to savings from one-time temporary staffing contract. 3) A decrease of \$7,518 in various operating expense savings.
Total, Goal B, ENFORCE BINGO LAWS	\$5,103,780	\$5,199,490	\$95,710	1.9%	
Grand Total, All Strategies	\$671,868,223	\$673,081,674	\$1,213,451	0.2%	

**Texas Lottery Commission
FTE Highlights - Senate**

Full-Time-Equivalent Positions	Expended 2023	Estimated 2024	Budgeted 2025	Recommended 2026	Recommended 2027
Cap	321.5	321.5	321.5	330.5	330.5
Actual/Budgeted	288.8	297.9	321.5	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 7	\$213,344	\$225,584	\$225,584	\$225,584	\$225,584

Notes:

The State Auditor's Office Report, Executive Compensation at State Agencies (Report 25-702, October 2024), indicates an average market salary of \$228,968 for the Executive Director position at the Texas Lottery Commission. The agency is not requesting any changes to its exempt position.