



LEGISLATIVE APPROPRIATIONS REQUEST

FOR FISCAL YEARS 2020 AND 2021

Submitted to the
Office of the Governor, Budget Division,
and the Legislative Budget Board

by

Texas Lottery Commission

August 17, 2018

Legislative Appropriations Request for Fiscal Years 2020 and 2021

Submitted to the
Office of the Governor, Budget Division,
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Texas Lottery Commission

Commission Members

J. Winston Krause
Carmen Arrieta-Candelaria
Doug Lowe
Robert Rivera

Dates of Term

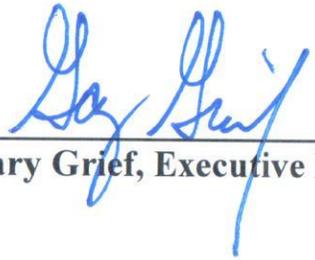
March 27, 2009 – February 1, 2019
August 10, 2015 – February 1, 2017
August 10, 2015 – February 1, 2017
August 10, 2015 – February 1, 2021

Hometown

Austin, Texas
El Paso, Texas
Palestine, Texas
Dallas, Texas

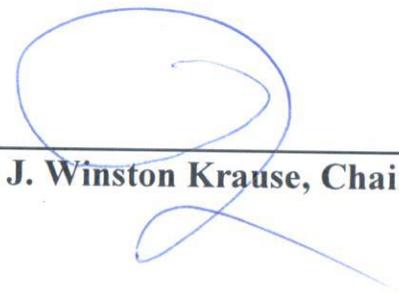
Submitted: August 17, 2018

Submitted by:



Gary Grief, Executive Director

Approved by:



J. Winston Krause, Chairman

**Legislative Appropriations Request
for Fiscal Years 2020 and 2021
Texas Lottery Commission**

Table of Contents

	Page Number
1. Statement, Chart and Certification	
Administrator's Statement.....	1.A.
Organizational Chart.....	1.B.
Certification of Dual Submission.....	1.C.
 2. Summary of Request	
Budget Overview	
Summary of Base Request by Strategy.....	2.A.
Summary of Base Request by MOF.....	2.B.
Summary of Base Request by OOE.....	2.C.
Summary of Base Request Objective Outcomes.....	2.D.
Summary of Exceptional Items Request.....	2.E.
Summary of Total Request by Strategy.....	2.F.
Summary of Total Request Objective Outcomes.....	2.G.
 3. Strategy Request	
Strategy 01-01-01 Lottery Operations.....	3.A. Page 01
Strategy 01-01-02 Lottery Field Operations.....	3.A. Page 06
Strategy 01-01-03 Marketing and Promotion.....	3.A. Page 10
Strategy 01-01-04 Security.....	3.A. Page 13
Strategy 01-01-05 Central Administration.....	3.A. Page 17
Strategy 01-01-06 Lottery Operator Contract(s).....	3.A. Page 22
Strategy 01-01-07 Scratch Ticket Production Contract(s).....	3.A. Page 24
Strategy 01-01-08 Mass Media Advertising Contract(s).....	3.A. Page 26
Strategy 01-01-09 Drawing and Broadcast Services Contract(s).....	3.A. Page 29
Strategy 01-01-10 Retailer Bonus.....	3.A. Page 31
Strategy 01-01-11 Retailer Commission.....	3.A. Page 33
Strategy 02-01-01 Bingo Licensing.....	3.A. Page 35
Strategy 02-01-02 Bingo Education and Development.....	3.A. Page 39
Strategy 02-01-03 Bingo Law Compliance Field Operations.....	3.A. Page 43
Strategy 02-01-04 Bingo Prize Fee Collections and Accounting.....	3.A. Page 47
Program Level Request.....	3.A.1
Rider Revisions and Additions Request.....	3.B.
Rider Appropriations and Unexpended Balances Request.....	3.C.

4. Requests for Exceptional Items

Exceptional Item Request Schedule..... 4.A.
Exceptional Item Strategy Allocation Schedule..... 4.B.
Exceptional Item Strategy Request..... 4.C.

5. Capital Budget

Capital Budget Project Schedule..... 5.A.
Capital Budget Project Information..... 5.B.
Capital Budget Allocation to Strategies-Base..... 5.C.
Capital Budget Project Schedule-Exceptional..... 5.F
Capital Budget Allocation to Strategies-Exceptional..... 5.G.

6. Supporting Schedules

Historically Underutilized Business (HUB) Supporting Schedule..... 6.A.
Estimated Revenue Collections Supporting Schedule 6.E.
10 Percent Biennial Base Reduction Options..... 6.I.

Administrator's Statement

8/7/2018 11:21:25AM

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Names, Terms of Office, Hometowns of Commission Members

J. Winston Krause	March 27, 2009 – February 1, 2019	Austin, TX
Carmen Arrieta-Candelaria	August 10, 2015 – February 1, 2017	El Paso, TX
Doug Lowe	August 10, 2015 – February 1, 2017	Palestine, TX
Robert Rivera	August 10, 2015 – February 1, 2021	Dallas, TX

Texas Lottery Sales and Revenue

The Texas Lottery continues to generate record amounts of revenue through the responsible sale of lottery products. Through FY 2017 the Texas Lottery has generated over \$26.8 billion for the state of Texas since the first ticket was sold in 1992. Prior to 1997, lottery proceeds were allocated to the General Revenue Fund. Since 1997, lottery proceeds have been dedicated to the Foundation School Fund to support public education in our state. The Texas Lottery has contributed more than \$21.0 billion to the Foundation School Fund for that purpose.

As authorized by the Texas Legislature, certain Texas Lottery revenues benefit state programs including the Funds for Veterans' Assistance. Since the first veterans' themed scratch ticket game was launched in 2009, the Texas Lottery has contributed more than \$83.0 million to the Fund for Veterans' Assistance, with a record amount of revenue transferred during FY 2017.

In FY 2017, the Texas Lottery Commission transferred \$1.313 billion to the Foundation School Fund and the Fund for Veterans' Assistance received \$16.2 million, the largest amount transferred to the program by the Texas Lottery. Including unclaimed prize money, total revenue transferred to the state was \$1.33 billion, resulting in the second-highest revenue year. This also marked the 14th consecutive year the Texas Lottery has reached the \$1 billion mark in total transfers since 2004. The Commission's revenue transfer in FY 2017 was based on overall lottery sales of \$5.077 billion, breaking the sales record set in fiscal year 2016.

Prior to the end of FY 2018, a new lottery sales record has already been established with an anticipated increase of \$500 million over FY 2017 sales levels, primarily due to the continued strong growth in its scratch ticket product category in FY 2018. This growth in sales will also result in a new record year in total revenue transferred to the state for both the Foundation School Fund and the Fund for Veterans' Assistance.

In addition to transfers to the Foundation School Fund and the Fund for Veterans' Assistance, the Texas Lottery Commission also contributed revenue from other sources such as unclaimed prizes and collection of debts owed to the state.

During FY 2017, the Texas Lottery Commission transferred \$69.7 million in unclaimed prizes to the state. This brings the total to \$1.09 billion since the first statutory change addressing unclaimed prizes in 1999. The biggest beneficiaries to date have been the General Revenue Fund and the Multi-Categorical Teaching Hospital Account (UTMB), which have received \$431.3 million and \$191.1 million respectively in unclaimed prizes. Beginning with the 2014 – 2015 biennium, unclaimed prizes previously transferred to General Revenue Fund are transferred to the Foundation School Fund.

The Commission also assists in collecting debts owed to the state of Texas. Before the Commission pays a claimant his or her prize, Commission staff checks to ensure that the winner does not owe outstanding debts to the state. This effort has garnered more than \$5.58 million for the state over the past three years to satisfy debt that might have otherwise gone unpaid.

Administrator's Statement

8/7/2018 11:21:25AM

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Lottery Administrative Expenses

The sale of lottery tickets is used to pay for all costs of Texas Lottery operations. This includes the payment of prizes to the holders of winning tickets, retailer commissions, and all other costs incurred in the operation and administration of the lottery. The State Lottery Act limits the combined total of retailer compensation and agency administration to no more than 12 percent of gross ticket revenues. Of this 12 percent, the State Lottery Act mandates that no less than five percent be allocated to retailers as commissions, with the remaining seven percent of ticket sales allowed to be expended on administration of the Texas Lottery. The Commission returns any "unspent administrative funds" to the Foundation School Fund.

A major part of the Texas Lottery's budget, 79%, is for contractual outsourced services and is concentrated in the Lottery Operations Division budget. The current lottery operator contract, which became effective September 1, 2011, includes a compensation rate to the lottery operator of 2.2099 percent of gross sales through fiscal year 2020. This is by far the largest contract, valued at approximately \$952 million over the initial nine-year term, managed by the agency.

Effective September 1, 2020 the compensation rate to the lottery operator is reduced to 2.0773 percent of gross sales. The contract rate will be further adjusted with reduced rates in fiscal years 2023 and 2025. This contract expires August 31, 2026.

Charitable Bingo Revenue and Business Activities

Since the first licenses were issued in 1982, charitable bingo has delivered positive benefits for charities, players, and state, county and municipal governments in Texas. Local jurisdictions benefit from charitable bingo activity through allocations derived from charitable bingo prize fees. Charitable bingo in Texas benefits a wide range of charitable causes, including veterans' organizations, women's shelters, needy children, the disabled, homeless shelters, churches, schools, local libraries, museums, addiction treatment programs, medical treatment and research programs, emergency medical services, volunteer fire departments, senior citizens groups and education scholarships.

Cumulative gross receipts through calendar year 2017 from the conduct of charitable bingo total \$20.8 billion. For the same period, bingo prizes awarded have been in excess of \$15.1 billion, and allocations to local jurisdictions have totaled approximately \$340.4 million. The total amount of charitable distributions from the conduct of bingo exceeds \$1 billion.

In addition, for calendar year 2017, net proceeds reported by licensed organization total \$33.9 million or 18.21% of adjusted gross receipts of \$186.0 million.

Exceptional Items

The Commission is requesting two exceptional items: 1) Construction Required for Texas Capitol Complex Building for \$1.8 million in FY 2021 and 2) Restoration of the Retailer Bonus Program for \$8.4 million (\$4.2 million each year).

Construction Required for Texas Capitol Complex Building

Phase I of the Texas Capitol Complex Master Plan includes the construction of a new office building at 1801 Congress Avenue. The Texas Lottery Commission (TLC) will relocate its headquarters facility from its leased location at 611 E. 6th Street to the new building upon completion in 2022. In coordination with the Texas Facilities Commission, TLC is requesting an exceptional item for building construction to support the agency's lottery drawings production studio and specialized building space. The drawings studio and claim center have unique infrastructure requirements that support the agency's core business operations and these requirements are not included in the building construction appropriation provided to the Texas Facilities Commission. These requirements include, but are not limited to, satellite antennas, uninterruptable power supply, studio set floor, backdrop, electrical and lighting grid, and claim center and studio millwork and glass.

Administrator's Statement

8/7/2018 11:21:25AM

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

There would be no cost to the Appropriations Bill to appropriate authority for the construction funding as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA). Funding of this item would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

Restoration of the Retailer Bonus Program

The Commission is requesting that the \$4.2 million annual retailer bonus budget be restored in the FY 2020-21 biennium. The \$4.2 million annual retailer bonus budget was vetoed by the Governor and was zeroed out in the second year of the 2018-19 biennium. Bonus payments are earned by retailers for selling certain prizewinning tickets. This key program is utilized for retailer sales promotion/motivation to carry games that offer bonuses, as well as retailer recruitment, retention and development opportunities. The loss of this key program impacts retailer sales performance, recruitment, retention and development opportunities.

There would be no cost to the Appropriations Bill to restore funding for this program as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA). Funding of this item would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

Rider Revisions

The Commission is requesting a new Rider to allow for the transfer of Rider 11 (Appropriation of Increased Revenue) funds between the biennia. Rider 11 funds are appropriated to the agency once specific sales thresholds (BRE) are met and are used for fulfilling contractual obligations and other administrative costs of the lottery. These funds are not earned until late in the fiscal year and only if sales thresholds are exceeded. Therefore, funds earned in the second year of biennium typically cannot be used to address agency needs.

Funding for this Rider is from the General Revenue-Dedicated Lottery Account which is part of the funds that do not count toward certification by the Comptroller of Public Accounts. Funding under this Rider would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

In addition, the Commission is requesting a revision to Rider 10-Lottery Operator Contract to revise the contract rate in FY 2021 from 2.2099 percent of gross sales to 2.0773 percent of gross sales in accordance with the current lottery operator contract. This reduced contract rate is also reflected in Strategy A.1.6. Lottery Operator Contract appropriation's request for FY 2021.

Agency's Exempt Position

The current rate for the Executive Director position in the agency's Schedule of Exempt Positions is a Salary Group 6. A report by the State Auditor's Office on executive compensation at state agencies (Report No. 16-706) categorized the position as a "Tier 1 Position" within state government. Tier 1 includes 19 executive officer positions at state agencies, most of which have the largest number of authorized FTE employees and/or budget amounts within Texas government. The Report includes a recommendation that the Texas Lottery Commission Executive Director position be classified within Salary Group 7 at a salary rate up to \$261,068.

Consistent with the State Auditor's report and recommendation, the Commission respectfully requests an increase to the Executive Director's exempt position to a Salary Group 7 and at the maximum salary rate of the salary group, or \$261,068. If approved, the salary increase will be absorbed within the agency's current appropriation. Therefore, there is not an Exceptional Item requesting additional funding for the agency's exempt position.

Administrator's Statement

8/7/2018 11:21:25AM

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

To be flexible in its recruitment and retention of an Executive Director, it is important to maintain a competitive salary rate for this position.

10% Reduction from Base Appropriation Levels – GR Dedicated Bingo Administration Account

In order to achieve a 10% across the board reduction for the Bingo program, the Commission would reduce a total of 4.0 FTE's in the areas of Bingo Law Compliance Field Operations and Bingo Prize Fee Collections and Accounting for the biennium to generate savings of \$509,863. Excluding the Bingo Prize Fee Allocation appropriation, 90% of Bingo's budget is salary related. Bingo Prize Fee collections would account for the balance of the reduction or \$2,896,100.

A reduction in Bingo Law Compliance Program funding would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

A reduction in Bingo Prize Fee Collections and Accounting funding would limit the operating capabilities and efficiencies in processing quarterly prize fees and analyzing licensed bingo conductors' quarterly reports for completeness.

The Bingo Prize Fee Allocation program is authorized by Section 2001.503 of the Texas Occupations Code which provides for an annual allocation to counties and cities of bingo prize fees collected by the Commission. These payments are based on bingo prize fees collected at counties and municipalities that impose a gross receipts tax on the conduct of bingo. Statute entitles these local jurisdictions up to 50% of the fees collected by the Commission. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental prize fee appropriations as the appropriation is estimated and appropriated based on actual bingo prize fees collected.

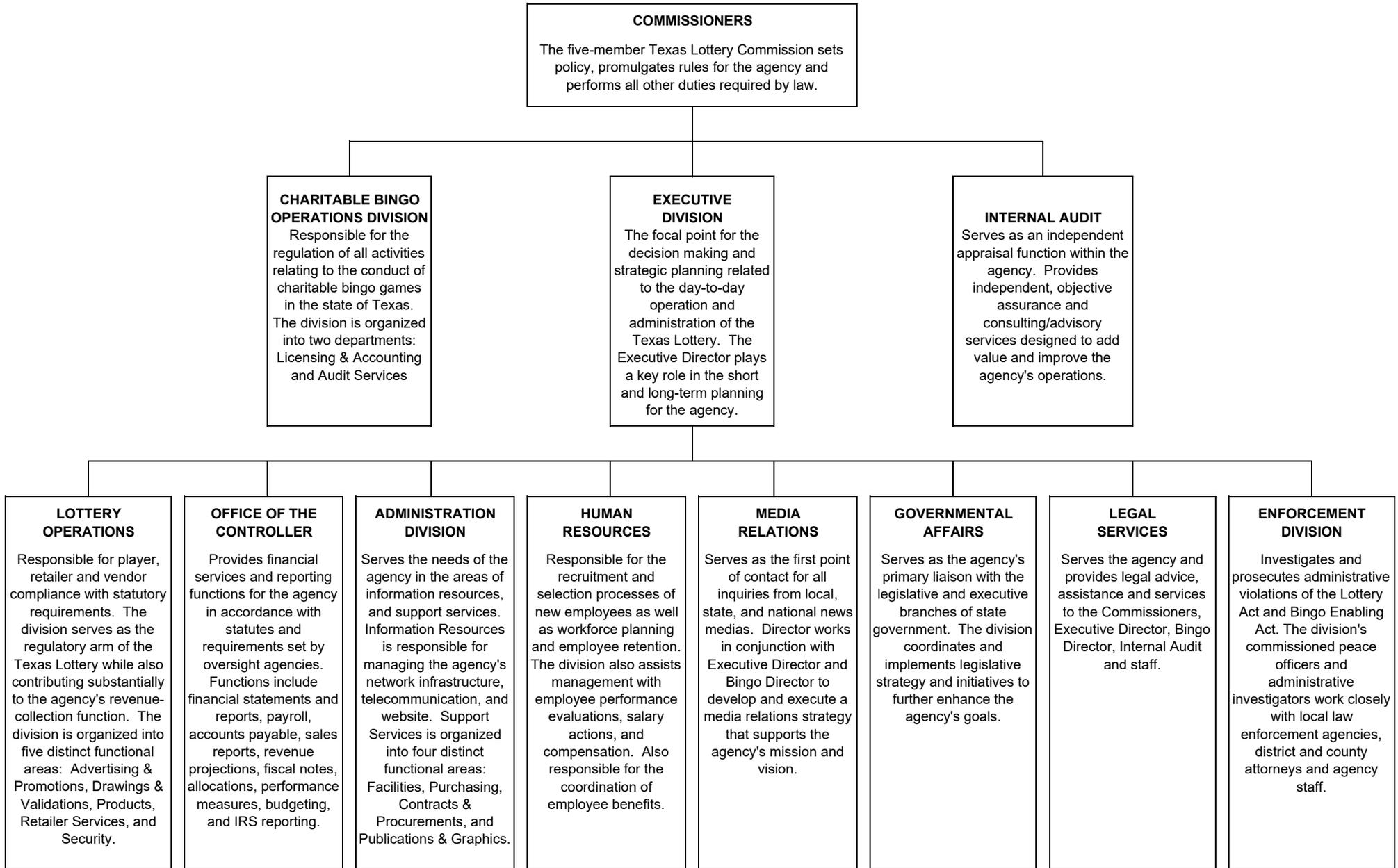
Agency Statutory Authority to Conduct Background Checks

The Commission's Enforcement Division conducts background investigations of Texas Lottery applicants, bingo workers, bingo and lottery licensees, contract vendors, and contract vendor employees. Authority is granted to the Commission under Chapters 411, 466 and 467 of the Texas Government Code and the Bingo Enabling Act, Occupations Code, Chapter 2001.

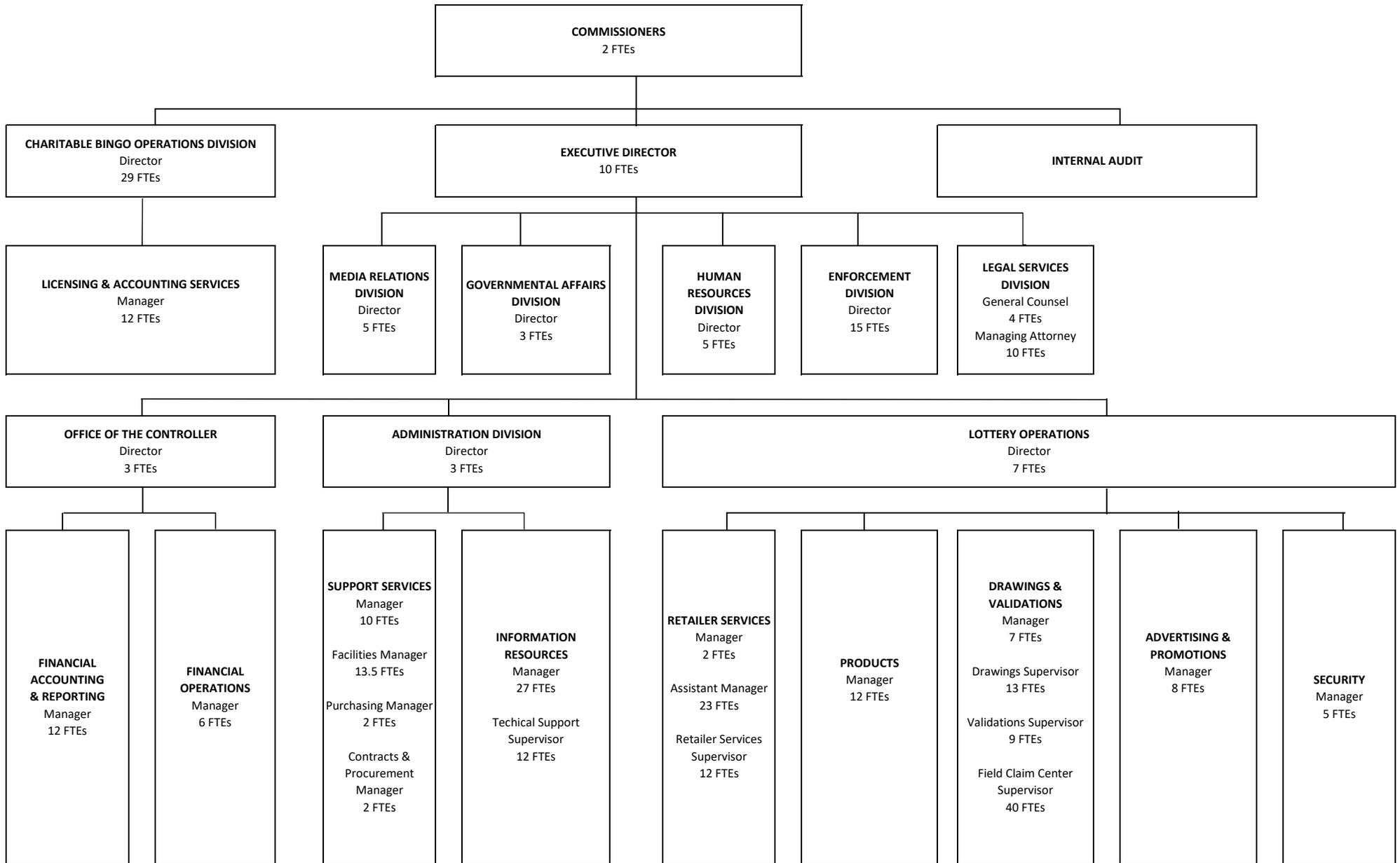
Centralized Accounting and Payroll/Personnel System (CAPPS)

The Commission has been identified to transition to the Centralized Accounting and Payroll/Personnel System in the 2020-21 biennium. No additional funding is being requested as the conversion process can be implemented with current resources.

TEXAS LOTTERY COMMISSION ORGANIZATIONAL STRUCTURE
Descriptions



TEXAS LOTTERY COMMISSION ORGANIZATIONAL STRUCTURE
AGENCY FTEs 323.5



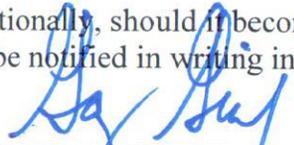


CERTIFICATE

Agency Name: **Texas Lottery Commission**

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

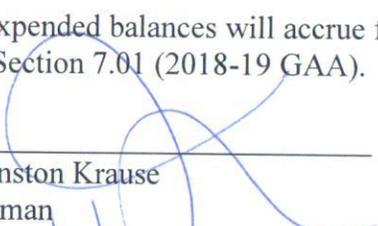
Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2018-19 GAA).



Gary Grief
Executive Director

Date

5/9/18



J. Winston Krause
Chairman

Date

8/9/18



Kathy Pyka
Controller

Date

8-9-2018

Budget Overview - Biennial Amounts
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission
Appropriation Years: 2020-21

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2020-21
	Goal: 1. Run Self-supporting, Revenue-producing, and Secure Lottery										
1.1.1. Lottery Operations			14,555,525	15,160,203					14,555,525	15,160,203	1,511,255
1.1.2. Lottery Field Operations			6,257,136	6,745,140					6,257,136	6,745,140	
1.1.3. Marketing And Promotion			13,220,599	14,381,773					13,220,599	14,381,773	
1.1.4. Security			11,066,304	11,555,189					11,066,304	11,555,189	303,882
1.1.5. Central Administration			25,423,483	27,613,510					25,423,483	27,613,510	
1.1.6. Lottery Operator Contract(S)			243,441,181	236,259,124					243,441,181	236,259,124	
1.1.7. Scratch Ticket Product. Contract(S)			76,218,710	79,000,000					76,218,710	79,000,000	
1.1.8. Mass Media Advertising Contract(S)			50,566,896	50,566,896					50,566,896	50,566,896	
1.1.9. Drawing & Broadcast Contract(S)			4,818,828	4,818,828					4,818,828	4,818,828	
1.1.10. Retailer Bonus			3,360,000						3,360,000		8,400,000
1.1.11. Retailer Commissions			52,280,025	55,108,024					52,280,025	55,108,024	
Total, Goal			501,208,687	501,208,687					501,208,687	501,208,687	10,215,137
Goal: 2. Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully											
2.1.1. Bingo Licensing			1,326,984	1,345,544					1,326,984	1,345,544	
2.1.2. Bingo Education And Development			217,395	220,966					217,395	220,966	
2.1.3. Bingo Law Compliance Field Oper			2,925,113	2,898,432					2,925,113	2,898,432	
2.1.4. Bingo Prize Fee Collection & Acct			29,590,138	633,688					29,590,138	633,688	
Rdr: 8-1 Local Bingo Prize Fee				28,961,000						28,961,000	
Total, Goal			34,059,630	34,059,630					34,059,630	34,059,630	
Total, Agency			535,268,317	535,268,317					535,268,317	535,268,317	10,215,137
Total FTEs									323.5	323.5	0.0

2.A. Summary of Base Request by Strategy

8/7/2018 11:21:26AM

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
1 Run Self-supporting, Revenue-producing, and Secure Lottery					
1 <i>Generate Revenue through Ticket Sales</i>					
1 LOTTERY OPERATIONS	7,501,269	7,241,821	7,313,704	7,578,241	7,581,962
2 LOTTERY FIELD OPERATIONS	2,735,455	2,990,367	3,266,769	3,372,136	3,373,004
3 MARKETING AND PROMOTION	6,755,164	6,610,884	6,609,715	7,176,996	7,204,777
4 SECURITY	5,136,988	5,628,971	5,437,333	6,020,886	5,534,303
5 CENTRAL ADMINISTRATION	11,584,341	12,324,277	13,099,206	13,957,932	13,655,578
6 LOTTERY OPERATOR CONTRACT(S)	105,850,954	121,657,957	121,783,224	121,783,224	114,475,900
7 SCRATCH TICKET PRODUCT. CONTRACT(S)	48,672,071	31,956,547	44,262,163	39,000,000	40,000,000
8 MASS MEDIA ADVERTISING CONTRACT(S)	31,812,364	24,633,448	25,933,448	25,283,448	25,283,448
9 DRAWING & BROADCAST CONTRACT(S)	2,629,178	2,668,828	2,150,000	2,409,414	2,409,414
10 RETAILER BONUS	1,906,442	3,360,000	0	0	0
11 RETAILER COMMISSIONS	20,461,975	24,726,013	27,554,012	27,554,012	27,554,012

2.A. Summary of Base Request by Strategy

8/7/2018 11:21:26AM

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
TOTAL, GOAL 1	\$245,046,201	\$243,799,113	\$257,409,574	\$254,136,289	\$247,072,398
2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully					
1 Curtail Violations of Bingo Laws/Rules					
1 BINGO LICENSING	769,145	654,212	672,772	672,772	672,772
2 BINGO EDUCATION AND DEVELOPMENT	84,599	106,912	110,483	110,483	110,483
3 BINGO LAW COMPLIANCE FIELD OPER	1,149,596	1,475,897	1,449,216	1,449,216	1,449,216
4 BINGO PRIZE FEE COLLECTION & ACCT	14,236,186	14,792,794	14,797,344	316,844	316,844
TOTAL, GOAL 2	\$16,239,526	\$17,029,815	\$17,029,815	\$2,549,315	\$2,549,315
TOTAL, AGENCY STRATEGY REQUEST	\$261,285,727	\$260,828,928	\$274,439,389	\$256,685,604	\$249,621,713
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$14,480,500	\$14,480,500
GRAND TOTAL, AGENCY REQUEST	\$261,285,727	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213

2.A. Summary of Base Request by Strategy

8/7/2018 11:21:26AM

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	16,239,526	0	0	0	0
SUBTOTAL	\$16,239,526	\$0	\$0	\$0	\$0
General Revenue Dedicated Funds:					
5025 Lottery Acct	245,046,201	243,799,113	257,409,574	254,136,289	247,072,398
5175 Bingo Administration	0	17,029,815	17,029,815	17,029,815	17,029,815
SUBTOTAL	\$245,046,201	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213
TOTAL, METHOD OF FINANCING	\$261,285,727	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213

*Rider appropriations for the historical years are included in the strategy amounts.

2.B. Summary of Base Request by Method of Finance
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362	Agency name: Texas Lottery Commission				
METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE</u>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$2,772,945	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$2,549,315	\$2,549,315	\$0	\$0
<i>RIDER APPROPRIATION</i>					
Rider 8, Local Bingo Prize Fees (2016-17 GAA)	\$12,635,500	\$0	\$0	\$0	\$0
Rider 8, Local Bingo Prize Fees Additional	\$1,337,018	\$0	\$0	\$0	\$0
Art IX, Sec 8.02, Reimbursements and Payments (2016-17 GAA)	\$439	\$0	\$0	\$0	\$0
Rider 8, Local Bingo Prize Fees (2018-19 GAA)	\$0	\$14,480,500	\$14,480,500	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362	Agency name: Texas Lottery Commission				
METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE</u>					
Art IX, Sec. 6.17 Consolidated Funds	\$0	\$(17,029,815)	\$(17,029,815)	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 18.02 Appropriation for a Salary Increase for General State Employees (2016-17 GAA)	\$33,968	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$(301,363)	\$0	\$0	\$0	\$0
Savings due to Hiring Freeze	\$(238,981)	\$0	\$0	\$0	\$0
TOTAL, General Revenue Fund	\$16,239,526	\$0	\$0	\$0	\$0
TOTAL, ALL GENERAL REVENUE	\$16,239,526	\$0	\$0	\$0	\$0

GENERAL REVENUE FUND - DEDICATED

5025 GR Dedicated - Lottery Account No. 5025

2.B. Summary of Base Request by Method of Finance
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362	Agency name: Texas Lottery Commission				
METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE FUND - DEDICATED</u>					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$220,196,185	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$230,568,190	\$232,166,621	\$0	\$0
Governor's Veto Proclamation Reductions	\$0	\$0	\$(4,200,000)	\$0	\$0
Regular Appropriations from MOF Table (2020-21)	\$0	\$0	\$0	\$253,675,539	\$246,611,648
<i>RIDER APPROPRIATION</i>					
Rider 10, Lottery Operator Contract (2016-17 GAA)	\$14,758,544	\$0	\$0	\$0	\$0
Rider 11, Appropriation of Increased Revenue (2016-17 GAA)	\$9,950,781	\$0	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362	Agency name: Texas Lottery Commission				
METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE FUND - DEDICATED</u>					
Art IX, Sec 8.02, Reimbursements and Payments (2016-17 GAA)	\$424,311	\$0	\$0	\$0	\$0
Art IX, Sec 8.02, Reimbursements and Payments (2018-19 GAA)	\$0	\$856,998	\$460,750	\$0	\$0
Rider 9, Retailer Commissions (2018-19 GAA)	\$0	\$2,799,657	\$2,457,109	\$0	\$0
Rider 10, Lottery Operator Contract (2018-19 GAA)	\$0	\$12,373,925	\$10,859,931	\$0	\$0
Rider 11, Appropriation of Increased Revenue (2018-19 GAA)	\$0	\$8,342,978	\$7,322,185	\$0	\$0
Art IX, Sec 8.02 Reimbursements and Payments (2020-21)	\$0	\$0	\$0	\$460,750	\$460,750
<i>TRANSFERS</i>					
Art IX, Sec 18.02 Salary Increase for General State Employees (2016-17 GAA)					

2.B. Summary of Base Request by Method of Finance
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362	Agency name: Texas Lottery Commission				
METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE FUND - DEDICATED</u>					
	\$369,419	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$(2,237,658)	\$0	\$0	\$0	\$0
Rider 9, Retailer Commission (2016-17 GAA)	\$(8,691,422)	\$0	\$0	\$0	\$0
Rider 9, Retailer Commission (2018-18 GAA)	\$0	\$(2,799,657)	\$0	\$0	\$0
Rider 10, Lottery Operator Contract (2016-17 GAA)	\$(6,334,780)	\$0	\$0	\$0	\$0
Savings due to hiring freeze	\$(491,515)	\$0	\$0	\$0	\$0
<i>UNEXPENDED BALANCES AUTHORITY</i>					
Rider 11, Appropriation of Increased Revenue (2016-17 GAA)					

2.B. Summary of Base Request by Method of Finance
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362		Agency name: Texas Lottery Commission				
METHOD OF FINANCING		Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE FUND - DEDICATED</u>						
		\$9,927,154	\$0	\$0	\$0	\$0
	Rider 9, Retailer Commission (2016-17 GAA)	\$7,105,276	\$0	\$0	\$0	\$0
	Art IX, Sec. 14.03(i), Capital Budget UB (2016-17 GAA)	\$69,906	\$0	\$0	\$0	\$0
	Rider 11, Appropriation of Increased Revenue (2018-19 GAA)	\$0	\$(8,342,978)	\$8,342,978	\$0	\$0
TOTAL,	GR Dedicated - Lottery Account No. 5025	\$245,046,201	\$243,799,113	\$257,409,574	\$254,136,289	\$247,072,398
<u>5175</u>	GR Dedicated - Bingo Administration Account No. 5175					
	<i>REGULAR APPROPRIATIONS</i>					
	Regular Appropriations from MOF Table (2020-21)	\$0	\$0	\$0	\$2,549,315	\$2,549,315
	<i>RIDER APPROPRIATION</i>					
	Art IX, Sec. 6.17 Consolidated Funds-Bingo Operations					

2.B. Summary of Base Request by Method of Finance
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362		Agency name: Texas Lottery Commission				
METHOD OF FINANCING		Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>GENERAL REVENUE FUND - DEDICATED</u>		\$0	\$2,549,315	\$2,549,315	\$0	\$0
Art IX, Sec. 6.17 Consolidated Funds-Rider 8-Local Bingo Prize Fee		\$0	\$14,480,500	\$14,480,500	\$0	\$0
Rider 8, Local Bingo Prize Fees (2020-21)		\$0	\$0	\$0	\$14,480,500	\$14,480,500
TOTAL,	GR Dedicated - Bingo Administration Account No. 5175	\$0	\$17,029,815	\$17,029,815	\$17,029,815	\$17,029,815
TOTAL, ALL	GENERAL REVENUE FUND - DEDICATED	\$245,046,201	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213
TOTAL,	GR & GR-DEDICATED FUNDS	\$261,285,727	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213
GRAND TOTAL		\$261,285,727	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213

2.B. Summary of Base Request by Method of Finance
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:26AM

Agency code: 362	Agency name: Texas Lottery Commission				
METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2016-17 GAA)	326.5	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2018-19 GAA)	0.0	323.5	323.5	0.0	0.0
Regular Appropriations from MOF Table (2020-21)	0.0	0.0	0.0	323.5	323.5
LAPSED APPROPRIATIONS					
Savings due to Hiring Freeze	(17.7)	0.0	0.0	0.0	0.0
UNAUTHORIZED NUMBER OVER (BELOW) CAP					
Unauthorized Amount over cap/ (amount below cap)	(7.3)	(0.5)	0.0	0.0	0.0
TOTAL, ADJUSTED FTES	301.5	323.0	323.5	323.5	323.5

**NUMBER OF 100% FEDERALLY FUNDED
FTEs**

2.C. Summary of Base Request by Object of Expense

8/7/2018 11:21:26AM

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

OBJECT OF EXPENSE	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1001 SALARIES AND WAGES	\$20,340,084	\$21,766,067	\$22,750,203	\$22,843,278	\$22,843,278
1002 OTHER PERSONNEL COSTS	\$794,268	\$454,392	\$446,480	\$446,480	\$446,480
2001 PROFESSIONAL FEES AND SERVICES	\$6,119,051	\$6,299,218	\$5,558,915	\$6,384,329	\$6,032,329
2002 FUELS AND LUBRICANTS	\$1,936	\$5,000	\$4,000	\$4,000	\$4,000
2003 CONSUMABLE SUPPLIES	\$189,859	\$236,070	\$208,808	\$208,808	\$208,808
2004 UTILITIES	\$338,372	\$349,900	\$360,437	\$360,437	\$360,437
2005 TRAVEL	\$387,799	\$471,020	\$453,492	\$453,492	\$453,492
2006 RENT - BUILDING	\$4,658,409	\$4,894,678	\$4,989,004	\$5,085,321	\$5,088,211
2007 RENT - MACHINE AND OTHER	\$1,103,236	\$911,162	\$1,069,544	\$1,069,544	\$1,069,544
2009 OTHER OPERATING EXPENSE	\$213,123,514	\$210,850,921	\$224,076,716	\$219,529,915	\$213,115,134
4000 GRANTS	\$13,972,518	\$14,480,500	\$14,480,500	\$0	\$0
5000 CAPITAL EXPENDITURES	\$256,681	\$110,000	\$41,290	\$300,000	\$0
OOE Total (Excluding Riders)	\$261,285,727	\$260,828,928	\$274,439,389	\$256,685,604	\$249,621,713
OOE Total (Riders)				\$14,480,500	\$14,480,500
Grand Total	\$261,285,727	\$260,828,928	\$274,439,389	\$271,166,104	\$264,102,213

2.D. Summary of Base Request Objective Outcomes
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

8/7/2018 11:21:27AM

362 Texas Lottery Commission

Goal/ Objective / Outcome	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1 Run Self-supporting, Revenue-producing, and Secure Lottery 1 <i>Generate Revenue through Ticket Sales</i>					
KEY 1 Percent of Retailers Satisfied with Lottery Commission	97.14%	96.00%	96.00%	96.00%	96.00%
2 Per Capita Net Lottery Sales	190.58	205.07	203.78	202.32	200.90
3 % of Net Lottery Sales Spent on Agency Administration	4.83%	4.41%	4.66%	4.60%	4.48%
4 Percentage of Bad Debt to Lottery Sales	0.00%	0.02%	0.02%	0.02%	0.02%
5 Ratio of Advertising Expense to Net Lottery Sales	0.63%	0.45%	0.47%	0.46%	0.46%
KEY 6 State Revenue Received Per Advertising Dollar Expended	41.93	57.03	54.02	55.41	55.41
7 Percent of Licensees with No Recent Violations	99.21%	98.00%	98.00%	98.00%	98.00%

2.D. Summary of Base Request Objective Outcomes
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

8/7/2018 11:21:27AM

362 Texas Lottery Commission

<i>Goal/ Objective / Outcome</i>	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully					
1 Curtail Violations of Bingo Laws/Rules					
1 Percent of Licensees with No Recent Violations	87.59%	90.81%	90.00%	90.00%	90.00%
2 Percentage of Bingo Audits Referred for Disciplinary Action	71.29%	58.00%	65.00%	65.00%	65.00%
KEY 3 Percent of Complaints Referred for Disciplinary Action	6.49%	0.82%	3.99%	3.99%	3.99%
4 Percent of Documented Complaints Completed within Six Months	97.40%	96.72%	97.00%	97.00%	97.00%
KEY 5 Net Bingo Games Revenue Received by Charitable Orgs (in Millions)	30.35	30.42	30.50	30.50	30.50
KEY 6 % of Organizations Who Met the Statutory Charitable Distribution Req	99.11%	98.00%	98.00%	98.00%	98.00%
7 Percentage of Organizations Receiving an Audit	12.64%	6.67%	9.66%	9.66%	9.66%
8 Percentage of Organizations Receiving an Inspection	20.69%	27.52%	24.11%	24.11%	24.11%

2.E. Summary of Exceptional Items Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
 TIME : 11:21:27AM

Agency code: 362

Agency name: Texas Lottery Commission

Priority	Item	2020			2021			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Construction-Capital Complex Bldg	\$0	\$0		\$1,815,137	\$1,815,137		\$1,815,137	\$1,815,137
2	Restore Retailer Bonus Program	\$4,200,000	\$4,200,000		\$4,200,000	\$4,200,000		\$8,400,000	\$8,400,000
Total, Exceptional Items Request		\$4,200,000	\$4,200,000		\$6,015,137	\$6,015,137		\$10,215,137	\$10,215,137

Method of Financing

General Revenue

General Revenue - Dedicated

Federal Funds

Other Funds

General Revenue - Dedicated	4,200,000	4,200,000		6,015,137	6,015,137		10,215,137	10,215,137
Total	\$4,200,000	\$4,200,000		\$6,015,137	\$6,015,137		\$10,215,137	\$10,215,137

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs

2.F. Summary of Total Request by Strategy
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/7/2018
 TIME : 11:21:27AM

Agency code: 362 Agency name: Texas Lottery Commission

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
1 Run Self-supporting, Revenue-producing, and Secure Lottery						
1 <i>Generate Revenue through Ticket Sales</i>						
1 LOTTERY OPERATIONS	\$7,578,241	\$7,581,962	\$0	\$1,511,255	\$7,578,241	\$9,093,217
2 LOTTERY FIELD OPERATIONS	3,372,136	3,373,004	0	0	3,372,136	3,373,004
3 MARKETING AND PROMOTION	7,176,996	7,204,777	0	0	7,176,996	7,204,777
4 SECURITY	6,020,886	5,534,303	0	303,882	6,020,886	5,838,185
5 CENTRAL ADMINISTRATION	13,957,932	13,655,578	0	0	13,957,932	13,655,578
6 LOTTERY OPERATOR CONTRACT(S)	121,783,224	114,475,900	0	0	121,783,224	114,475,900
7 SCRATCH TICKET PRODUCT. CONTRACT(S)	39,000,000	40,000,000	0	0	39,000,000	40,000,000
8 MASS MEDIA ADVERTISING CONTRACT(S)	25,283,448	25,283,448	0	0	25,283,448	25,283,448
9 DRAWING & BROADCAST CONTRACT(S)	2,409,414	2,409,414	0	0	2,409,414	2,409,414
10 RETAILER BONUS	0	0	4,200,000	4,200,000	4,200,000	4,200,000
11 RETAILER COMMISSIONS	27,554,012	27,554,012	0	0	27,554,012	27,554,012
TOTAL, GOAL 1	\$254,136,289	\$247,072,398	\$4,200,000	\$6,015,137	\$258,336,289	\$253,087,535

2.F. Summary of Total Request by Strategy
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/7/2018
 TIME : 11:21:27AM

Agency code: 362 Agency name: Texas Lottery Commission

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Law						
<i>1 Curtail Violations of Bingo Laws/Rules</i>						
1 BINGO LICENSING	\$672,772	\$672,772	\$0	\$0	\$672,772	\$672,772
2 BINGO EDUCATION AND DEVELOPMENT	110,483	110,483	0	0	110,483	110,483
3 BINGO LAW COMPLIANCE FIELD OPER	1,449,216	1,449,216	0	0	1,449,216	1,449,216
4 BINGO PRIZE FEE COLLECTION & ACCT	316,844	316,844	0	0	316,844	316,844
TOTAL, GOAL 2	\$2,549,315	\$2,549,315	\$0	\$0	\$2,549,315	\$2,549,315
TOTAL, AGENCY STRATEGY REQUEST	\$256,685,604	\$249,621,713	\$4,200,000	\$6,015,137	\$260,885,604	\$255,636,850
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST	\$14,480,500	\$14,480,500	\$0	\$0	\$14,480,500	\$14,480,500
GRAND TOTAL, AGENCY REQUEST	\$271,166,104	\$264,102,213	\$4,200,000	\$6,015,137	\$275,366,104	\$270,117,350

2.F. Summary of Total Request by Strategy
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/7/2018
 TIME : 11:21:27AM

Agency code: 362 Agency name: Texas Lottery Commission

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
General Revenue Funds:						
1 General Revenue Fund	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0
General Revenue Dedicated Funds:						
5025 Lottery Acct	254,136,289	247,072,398	4,200,000	6,015,137	258,336,289	253,087,535
5175 Bingo Administration	17,029,815	17,029,815	0	0	17,029,815	17,029,815
	\$271,166,104	\$264,102,213	\$4,200,000	\$6,015,137	\$275,366,104	\$270,117,350
TOTAL, METHOD OF FINANCING	\$271,166,104	\$264,102,213	\$4,200,000	\$6,015,137	\$275,366,104	\$270,117,350
FULL TIME EQUIVALENT POSITIONS	323.5	323.5	0.0	0.0	323.5	323.5

2.G. Summary of Total Request Objective Outcomes
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/7/2018
 Time: 11:21:27AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Goal/ Objective / Outcome

		BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
1	Run Self-supporting, Revenue-producing, and Secure Lottery						
1	Generate Revenue through Ticket Sales						
KEY	1 Percent of Retailers Satisfied with Lottery Commission	96.00%	96.00%			96.00%	96.00%
	2 Per Capita Net Lottery Sales	202.32	200.90			202.32	200.90
	3 % of Net Lottery Sales Spent on Agency Administration	4.60%	4.48%			4.60%	4.48%
	4 Percentage of Bad Debt to Lottery Sales	0.02%	0.02%			0.02%	0.02%
	5 Ratio of Advertising Expense to Net Lottery Sales	0.46%	0.46%			0.46%	0.46%
KEY	6 State Revenue Received Per Advertising Dollar Expended	55.41	55.41			55.41	55.41
	7 Percent of Licensees with No Recent Violations	98.00%	98.00%			98.00%	98.00%
2	Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully						
1	Curtail Violations of Bingo Laws/Rules						

2.G. Summary of Total Request Objective Outcomes
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/7/2018
 Time: 11:21:27AM

Agency code: 362

Agency name: Texas Lottery Commission

Goal/ Objective / Outcome

	BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
1 Percent of Licensees with No Recent Violations	90.00%	90.00%			90.00%	90.00%
2 Percentage of Bingo Audits Referred for Disciplinary Action	65.00%	65.00%			65.00%	65.00%
KEY 3 Percent of Complaints Referred for Disciplinary Action	3.99%	3.99%			3.99%	3.99%
4 Percent of Documented Complaints Completed within Six Months	97.00%	97.00%			97.00%	97.00%
KEY 5 Net Bingo Games Revenue Received by Charitable Orgs (in Millions)	30.50	30.50			30.50	30.50
KEY 6 % of Organizations Who Met the Statutory Charitable Distribution Req	98.00%	98.00%			98.00%	98.00%
7 Percentage of Organizations Receiving an Audit	9.66%	9.66%			9.66%	9.66%
8 Percentage of Organizations Receiving an Inspection	24.11%	24.11%			24.11%	24.11%

3.A. Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/7/2018 11:21:27AM

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	Number of Retailer Business Locations Licensed	17,848.00	17,985.00	18,135.00	18,285.00	18,435.00
2	Number of Denials or Revocations of Licenses	114.00	111.00	120.00	120.00	120.00
3	Dollars Collected via the Debt Set-off Program (Thousands)	1,774,077.68	1,840,860.00	1,800,000.00	1,800,000.00	1,800,000.00
4	# New Licenses Issued to Individual Retailers	1,930.00	2,611.00	2,020.00	2,020.00	2,020.00
5	# Licenses Renewed to Individual Retailers	8,212.00	6,996.00	8,185.00	7,534.00	8,368.00
Efficiency Measures:						
1	Average Cost Per License Application Completed	155.43	106.00	137.00	141.00	141.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$2,716,792	\$2,743,169	\$2,877,743	\$2,877,743	\$2,877,743
1002	OTHER PERSONNEL COSTS	\$161,129	\$70,940	\$67,920	\$67,920	\$67,920
2001	PROFESSIONAL FEES AND SERVICES	\$488,800	\$294,966	\$294,966	\$294,966	\$294,966
2002	FUELS AND LUBRICANTS	\$1,936	\$5,000	\$4,000	\$4,000	\$4,000
2003	CONSUMABLE SUPPLIES	\$175,548	\$205,000	\$186,888	\$186,888	\$186,888
2004	UTILITIES	\$162,751	\$157,148	\$171,895	\$171,895	\$171,895
2005	TRAVEL	\$13,789	\$13,225	\$12,100	\$12,100	\$12,100
2006	RENT - BUILDING	\$3,082,277	\$3,140,558	\$3,211,772	\$3,308,089	\$3,310,979
2007	RENT - MACHINE AND OTHER	\$217,528	\$73,079	\$0	\$0	\$0

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
2009	OTHER OPERATING EXPENSE	\$403,813	\$538,736	\$486,420	\$654,640	\$655,471
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$76,906	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$7,501,269	\$7,241,821	\$7,313,704	\$7,578,241	\$7,581,962
Method of Financing:						
5025	Lottery Acct	\$7,501,269	\$7,241,821	\$7,313,704	\$7,578,241	\$7,581,962
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$7,501,269	\$7,241,821	\$7,313,704	\$7,578,241	\$7,581,962
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$7,578,241	\$7,581,962
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$7,501,269	\$7,241,821	\$7,313,704	\$7,578,241	\$7,581,962
FULL TIME EQUIVALENT POSITIONS:		48.9	51.5	52.0	52.0	52.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 1 Lottery Operations Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Activities relating to this strategy include vendor and retailer compliance with Texas Government Code Chapters 466 and 467 and applicable administrative rules. The strategy ensures the needs of the Commission and its customers are met in certain areas of vendor compliance, scratch ticket warehousing/distribution, retailer services, prize payments, retailer inspections and support services.

The strategy goals are met by providing necessary services to our players and retailers along with overseeing certain key activities of the Lottery Operator. Communication and education of players and retailers are done through the use of the agency web site, newsletters, brochures, public seminars retailer training and visits as well as through a toll-free hotline. The strategy oversees recruitment of new retailers and monitors retailer satisfaction with lottery operations and services. The strategy encourages voluntary compliance from our retailers and players regarding licensing rules and prize payment policies. The strategy also provides oversight of the Lottery Operator in the areas of ticket warehousing/distribution, retailer service levels, scratch game accounting and draw terminal installations. Finally, this strategy provides for certain agency-wide functions such as facilities support, mail center functions, and certain administrative services.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, Texas Occupational Code Chapter 2001, and Texas Constitution Article III, Section 47(e).

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 1 Lottery Operations Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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External factors impacting this strategy include: 1) The number of lottery retailer locations licensed and/or applying for licenses; 2) The sales level of lottery tickets; 3) Potential change of the Lottery Operator and/or change in scope of Lottery Operator contract; 4) Changes to the agency’s enabling statutes and/or administrative rules; 5) The number of licensed retailer and the desire of new retailers to obtain Lottery sales agent licenses; 6) The propensity of lottery retailers and players to adhere to the Lottery Act and/or the agency’s applicable rules; 7) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the agency; 8) Decisions made by local law enforcement authorities; 9) Natural disaster or other catastrophic event; and 10) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission’s staff, financial and information technology resources; 2) The number and scope of contracted services brought in-house; 3) Staff turnover; 4) The ability of the staff to react quickly and responsively to changes in the external factors; 5) Organizational restructuring; 6) Retailer recruitment efforts; and 7) Long-range business planning.

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 1 Lottery Operations Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$14,555,525	\$15,160,203	\$604,678	\$267,000	Building rent increase due to consumer price index rate increase.
			\$275,000	Increase due to the elimination of the market research strategy and the transfer of the remaining activities to Lottery Operations strategy.
			\$62,678	Remaining increase attributed to various operating expenses.
			\$604,678	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 2 Lottery Field Operations

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
	1 Number of Prize Checks Processed from Claim Centers (Thousands)	68,517.00	69,740.00	68,200.00	68,800.00	68,800.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$2,419,003	\$2,717,252	\$3,001,965	\$3,001,965	\$3,001,965
1002	OTHER PERSONNEL COSTS	\$159,655	\$78,780	\$80,900	\$80,900	\$80,900
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$199	\$0	\$0	\$0
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$959	\$1,500	\$1,500	\$1,500	\$1,500
2004	UTILITIES	\$0	\$0	\$0	\$0	\$0
2005	TRAVEL	\$92,889	\$110,381	\$93,410	\$93,410	\$93,410
2006	RENT - BUILDING	\$780	\$2,000	\$2,000	\$2,000	\$2,000
2007	RENT - MACHINE AND OTHER	\$298	\$600	\$1,053	\$1,053	\$1,053
2009	OTHER OPERATING EXPENSE	\$61,871	\$79,655	\$85,941	\$191,308	\$192,176
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$2,735,455	\$2,990,367	\$3,266,769	\$3,372,136	\$3,373,004

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 2 Lottery Field Operations Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Method of Financing:						
5025	Lottery Acct	\$2,735,455	\$2,990,367	\$3,266,769	\$3,372,136	\$3,373,004
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$2,735,455	\$2,990,367	\$3,266,769	\$3,372,136	\$3,373,004
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$3,372,136	\$3,373,004
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,735,455	\$2,990,367	\$3,266,769	\$3,372,136	\$3,373,004
FULL TIME EQUIVALENT POSITIONS:		50.0	54.0	56.0	56.0	56.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include player and retailer compliance with Texas Government Code Chapters 466 and 467 and applicable administrative rules. The strategy ensures the needs of the Commission and the public are met in the areas of customer service, payment of prizes and retailer support in communities throughout the State.

The strategy goals are met by providing customer service and educational information to our players and retailers via the field claim center locations. Field personnel also gather survey data from retailer licensees in support of the agency's Marketing and Customer Service efforts. Through such communication and education, the strategy encourages voluntary compliance from our players regarding prize payment policies. Lottery Field Operations coordinates with Headquarters Claim Center Operations, Lottery Operations Security Department and Enforcement Division staff when violations are detected.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 2 Lottery Field Operations Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The sales level of lottery tickets; 2) Changes to the agency’s enabling statutes and/or administrative rules; 3) The propensity of lottery retailers and players to adhere to the Lottery Act and/or the agency’s applicable rules; 4) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the agency; and 5) Natural disaster or other catastrophic event; and 6) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission’s staff, financial and information technology resources; 2) Staff turnover; 3) The ability of the staff to react quickly and responsively to changes in the external factors; 4) Changes to the number and location of field claim center locations; 5) Organizational restructuring; and 6) Long-range business planning.

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 2 Lottery Field Operations

Service Categories:
 Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$6,257,136	\$6,745,140	\$488,004	\$284,713	Salary increase due to the addition of two new FTEs in the Claim Centers to assist with workload demands and maintain quality customer service.
			\$203,291	Remaining increase attributed to various operating expenses to support the areas of customer service and payment of prizes.
			\$488,004	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 3 Marketing and Promotion

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
1	Number of Newsletters Distributed to Retailers	217,038.00	219,828.00	221,628.00	223,428.00	225,228.00
2	Number of Retailer Visits	509,163.00	467,610.00	471,510.00	475,410.00	479,310.00
3	Number of Retailer Surveys Completed	4,335.00	4,766.00	4,479.00	2,286.00	2,304.00
Efficiency Measures:						
KEY 1	Average Cost Per Survey Issued	2.12	1.86	1.80	1.07	1.09
Objects of Expense:						
1001	SALARIES AND WAGES	\$2,640,155	\$2,622,561	\$2,659,260	\$2,659,260	\$2,659,260
1002	OTHER PERSONNEL COSTS	\$59,113	\$43,880	\$44,780	\$44,780	\$44,780
2001	PROFESSIONAL FEES AND SERVICES	\$80,607	\$45,000	\$48,550	\$48,550	\$48,550
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$6,771	\$8,120	\$3,120	\$3,120	\$3,120
2004	UTILITIES	\$108	\$160	\$210	\$210	\$210
2005	TRAVEL	\$104,243	\$101,485	\$82,300	\$82,300	\$82,300
2006	RENT - BUILDING	\$1,566,281	\$1,739,220	\$1,764,832	\$1,764,832	\$1,764,832
2007	RENT - MACHINE AND OTHER	\$113,592	\$214,150	\$214,150	\$214,150	\$214,150
2009	OTHER OPERATING EXPENSE	\$2,172,774	\$1,836,308	\$1,792,513	\$2,359,794	\$2,387,575
4000	GRANTS	\$0	\$0	\$0	\$0	\$0

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 3 Marketing and Promotion Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
5000	CAPITAL EXPENDITURES	\$11,520	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$6,755,164	\$6,610,884	\$6,609,715	\$7,176,996	\$7,204,777
Method of Financing:						
5025	Lottery Acct	\$6,755,164	\$6,610,884	\$6,609,715	\$7,176,996	\$7,204,777
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$6,755,164	\$6,610,884	\$6,609,715	\$7,176,996	\$7,204,777
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$7,176,996	\$7,204,777
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$6,755,164	\$6,610,884	\$6,609,715	\$7,176,996	\$7,204,777
FULL TIME EQUIVALENT POSITIONS:		34.1	35.0	34.0	34.0	34.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include lottery product development, as well as, promotional and sales functions of the Texas Lottery Commission. Staff works with contracted vendors to determine the interests, opinions, awareness levels and purchase behaviors of adult Texans in order to facilitate the planning, development, and implementation of effective and entertaining games. Other activities include introducing lottery products to adult Texans across the State of Texas; educating players and providing opportunities to learn about lottery products and responsible gaming; communicating game information, marketing ideas, responsible gaming and operational information to Lottery retailers.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 3 Marketing and Promotion Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The general impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the agency; 2) The willingness of the general public to learn about and participate in lottery games; 3) The number of licensed retailers and the desire of new retailers to obtain Lottery sales agent licenses; 4) Natural disaster or other catastrophic event; and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission’s staff, financial and information technology resources; 2) The effective dissemination of information within the agency and to the general public; 3) Organizational restructuring; 4) Staff turnover; 5) Long-range business planning; and 6) Development of emerging technologies and product lines.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$13,220,599	\$14,381,773	\$1,161,174	\$1,161,174	Increase attributable to additional funds allocated to promote and market the Texas Lottery brand and products.
			\$1,161,174	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 4 Security

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
1	Number of Lottery Investigations Initiated	1,595.00	1,400.00	1,400.00	1,400.00	1,400.00
2	Number of Lottery Investigations Completed	1,095.00	900.00	900.00	900.00	900.00
3	Number of Lottery Background Investigations Completed	450.00	450.00	450.00	450.00	450.00
Efficiency Measures:						
1	Average Time to Complete Investigations (Days)	38.83	38.00	38.00	38.00	38.00
2	Average Cost Per Complete Investigation	221.03	275.00	275.00	275.00	275.00
3	Average Time to Complete Lottery Background Investigations (Days)	10.64	40.00	40.00	40.00	40.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$2,449,693	\$2,705,621	\$2,770,557	\$2,770,557	\$2,770,557
1002	OTHER PERSONNEL COSTS	\$64,285	\$42,100	\$45,780	\$45,780	\$45,780
2001	PROFESSIONAL FEES AND SERVICES	\$1,416,748	\$1,687,270	\$1,301,661	\$1,517,661	\$1,470,661
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$4,140	\$6,800	\$5,900	\$5,900	\$5,900
2004	UTILITIES	\$0	\$0	\$0	\$0	\$0
2005	TRAVEL	\$74,435	\$69,722	\$68,000	\$68,000	\$68,000
2006	RENT - BUILDING	\$0	\$0	\$0	\$0	\$0

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 4 Security

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
2007	RENT - MACHINE AND OTHER	\$311,721	\$331,200	\$331,668	\$331,668	\$331,668
2009	OTHER OPERATING EXPENSE	\$679,456	\$676,258	\$872,477	\$981,320	\$841,737
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$136,510	\$110,000	\$41,290	\$300,000	\$0
TOTAL, OBJECT OF EXPENSE		\$5,136,988	\$5,628,971	\$5,437,333	\$6,020,886	\$5,534,303
Method of Financing:						
5025	Lottery Acct	\$5,136,988	\$5,628,971	\$5,437,333	\$6,020,886	\$5,534,303
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$5,136,988	\$5,628,971	\$5,437,333	\$6,020,886	\$5,534,303
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$6,020,886	\$5,534,303
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$5,136,988	\$5,628,971	\$5,437,333	\$6,020,886	\$5,534,303
FULL TIME EQUIVALENT POSITIONS:		36.4	41.5	39.5	39.5	39.5

STRATEGY DESCRIPTION AND JUSTIFICATION:

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 4 Security Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Activities relating to this strategy include protecting and maintaining the security and integrity of lottery games, systems and drawings, assures the physical security of all commission operating sites, and investigates possible regulatory and criminal violations related to both lottery and bingo. Investigate complaints, conduct background investigations on prospective employees, applicants of licenses under the State Lottery Act and Bingo Enabling Act and Texas Lottery vendors. Investigators also act as liaison with local law enforcement agencies.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, Texas Occupations Code Chapter 2001, and Texas Constitution Article III, Section 47 (b), (c), and (e).

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the Lottery and/or the regulation and administration of charitable bingo; 2) Other types of gaming; 3) Natural disaster or other catastrophic event; and 4) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission's staff, financial and information technology resources; 2) The ability of the staff to react quickly and responsively to changes in the external factors; 3) New lottery games and variations to existing games; 4) Changes in or elimination of contracted services; 5) Organizational restructuring; 6) Staff turnover; 7) Long-range business planning; and 8) Changes to the agency's policies, procedures, rules or regulations.

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 4 Security Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$11,066,304	\$11,555,189	\$488,885	\$340,175	Increase attributable to additional funds allocated to protect and maintain the security and integrity of lottery games and drawings as well as the physical security of commission operating sites.
			\$148,710	Increase in capital is attributable maintaining adequate funding for the purchase drawing related equipment. This includes needs for both new game initiatives and replacement equipment.
			\$488,885	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 5 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1001	SALARIES AND WAGES	\$8,271,817	\$8,740,286	\$9,226,399	\$9,319,474	\$9,319,474
1002	OTHER PERSONNEL COSTS	\$245,268	\$162,180	\$165,260	\$165,260	\$165,260
2001	PROFESSIONAL FEES AND SERVICES	\$1,305,637	\$1,504,376	\$1,665,159	\$2,015,159	\$1,710,159
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$2,412	\$13,100	\$10,100	\$10,100	\$10,100
2004	UTILITIES	\$175,209	\$192,592	\$187,876	\$187,876	\$187,876
2005	TRAVEL	\$68,411	\$129,707	\$148,600	\$148,600	\$148,600
2006	RENT - BUILDING	\$9,071	\$12,900	\$10,400	\$10,400	\$10,400
2007	RENT - MACHINE AND OTHER	\$431,022	\$276,598	\$506,156	\$506,156	\$506,156
2009	OTHER OPERATING EXPENSE	\$1,043,749	\$1,292,538	\$1,179,256	\$1,594,907	\$1,597,553
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$31,745	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$11,584,341	\$12,324,277	\$13,099,206	\$13,957,932	\$13,655,578
Method of Financing:						
5025	Lottery Acct	\$11,584,341	\$12,324,277	\$13,099,206	\$13,957,932	\$13,655,578
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$11,584,341	\$12,324,277	\$13,099,206	\$13,957,932	\$13,655,578

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 5 Central Administration Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$13,957,932	\$13,655,578
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$11,584,341	\$12,324,277	\$13,099,206	\$13,957,932	\$13,655,578
FULL TIME EQUIVALENT POSITIONS:		96.6	99.0	100.0	100.0	100.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include the executive and support functions of the Texas Lottery Commission through executive management, financial services, information technology, legal services, governmental affairs, human resources, and internal audit.

The primary functions carried out through this strategy are agency management, providing legal advice, counsel and assistance to agency staff and Commissioners; responding to open records request; agency records management; media relations; and providing human resources support to staff and employment recruitment. Additional functions include operation and maintenance of the agency's information technology infrastructure; financial services, and acting as liaison with the Texas Legislature and other governmental entities.

The Internal Audit function is outsourced to an independent contractor and is responsible for identifying, assessing, and monitoring internal controls to minimize risk exposure of the agency's operations to ensure the security and integrity of the games.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, Texas Occupations Code Chapter 2001, and Texas Constitution Article III, Section 47 (b), (c), and (e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 5 Central Administration Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) Changes to the agency’s enabling statutes and other applicable laws; 2) The level of lottery ticket sales and revenues to the state; 3) The number of lottery players and prize winners; 4) The impact of judicial decisions and legislative enactments as they relate to or impact the operation and administration of the lottery and/or the regulation and administration of charitable bingo; 5) Technology developments which require changes to the agency’s information technology infrastructure; and 6) Lottery industry advances that change the competitive market climate.

Internal factors impacting this strategy include 1) Long-range business planning; 2) The efficient alignment of agency resources; 3) The effective use of management information systems supporting the agency; 4) Organizational restructuring; and 5) Requests for support services from other areas of the agency and from the general public.

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 5 Central Administration Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$25,423,483	\$27,613,510	\$2,190,027	\$350,000	Increase attributable to programming services required to provide needed enhancements and improvements to Bingo Operations System Service.
			\$150,000	Additional resources allocated to assist with infrastructure upgrades and replacements needed to maintain agency's information technology infrastructure.
			\$230,000	Shift of resources for new copier contract from strategy 1.1.1 to 1.1.5 due to the additional technology features of copiers.
			\$186,150	Addition of a new FTE in Human Resources to assist in providing support to agency staff and employment recruitment.
			\$45,000	Additional resources allocated for programming services as result of transition to the Centralized Accounting and Payroll/Personnel System.

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 5 Central Administration

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
	\$25,423,483	\$27,613,510	\$2,190,027	\$486,113	Increase in salaries is largely due to understated FY 2018 expenditures as result of vacancy savings and the lag in filling position after 2017 hiring freeze was lifted.	
				\$742,764	Remaining increase attributed to various operating expenses.	
			<u>\$2,190,027</u>		Total of Explanation of Biennial Change	

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 6 Lottery Operator Contract(s). Estimated and Nontransferable. Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$105,850,954	\$121,657,957	\$121,783,224	\$121,783,224	\$114,475,900
TOTAL, OBJECT OF EXPENSE		\$105,850,954	\$121,657,957	\$121,783,224	\$121,783,224	\$114,475,900
Method of Financing:						
5025	Lottery Acct	\$105,850,954	\$121,657,957	\$121,783,224	\$121,783,224	\$114,475,900
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$105,850,954	\$121,657,957	\$121,783,224	\$121,783,224	\$114,475,900
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$121,783,224	\$114,475,900
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$105,850,954	\$121,657,957	\$121,783,224	\$121,783,224	\$114,475,900

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include contracting lottery gaming and management system operations, telecommunications and terminal/hardware network, field sales and business development staff, market research and promotion, scratch ticket warehousing, ordering and distribution and retailer hotline technical support.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 6 Lottery Operator Contract(s). Estimated and Nontransferable. Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The availability of qualified vendors; 2) Changes to the agency’s enabling statutes and other applicable laws; 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the agency; 4) The sales level of lottery tickets; and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient and effective alignment of the Commission’s staff, financial and information technology resources; 2) The ability of the agency to monitor and enforce the requirements of the Lottery Operator contract; and 3) The ability of the staff to react quickly and responsively to changes in the external factors.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$243,441,181	\$236,259,124	\$(7,182,057)	\$(7,182,057)	The lottery operator contract will have a revised contract rate of 2.0773 percent of gross sales in fiscal year 2021
			\$(7,182,057)	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 7 Scratch Ticket Production and Services Contract(s). Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$48,672,071	\$31,956,547	\$44,262,163	\$39,000,000	\$40,000,000
TOTAL, OBJECT OF EXPENSE		\$48,672,071	\$31,956,547	\$44,262,163	\$39,000,000	\$40,000,000
Method of Financing:						
5025	Lottery Acct	\$48,672,071	\$31,956,547	\$44,262,163	\$39,000,000	\$40,000,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$48,672,071	\$31,956,547	\$44,262,163	\$39,000,000	\$40,000,000
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$39,000,000	\$40,000,000
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$48,672,071	\$31,956,547	\$44,262,163	\$39,000,000	\$40,000,000

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include contracting for scratch ticket development and manufacturing services through a scratch ticket vendor(s). Other services under this contract include production of coupons, second chance drawing programs, provision of branded/licensed/proprietary scratch products and related services (including associated marketing and game promotion support packages, drawings and prize fulfillment), and sales performance analysis related to scratch ticket products.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 7 Scratch Ticket Production and Services Contract(s). Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The availability of qualified vendors; 2) Changes to the agency’s enabling statutes and other applicable laws; 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery; 4) The sales level of lottery tickets; and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources; 2) The ability of the agency to monitor and enforce the requirements of the contract; and 3) The ability of the staff to react quickly and responsively to changes in the external factors.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$76,218,710	\$79,000,000	\$2,781,290	\$2,781,290	Additional resources to scratch ticket printing to support the increased product demand and the associated increase in scratch ticket product sales and revenue realized over the past several years.
			\$2,781,290	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 8 Mass Media Advertising Contract(s) Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
	1 \$ Amount of Advertising Budget Spent on Print Advertising (Millions)	1.92	1.29	1.30	1.30	1.30
	2 \$ Amount of Advertising Budget Spent on Radio Advertising Millions)	4.42	3.65	3.90	3.60	3.60
	3 Dollar Amount of Advertising Budget Spent on TV Advertising (Millions)	4.52	0.03	0.05	0.05	0.05
KEY	4 \$ Amt of Advertising Budget Spent on Other Advertising (Millions)	21.10	19.66	20.68	20.33	20.33
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$31,812,364	\$24,633,448	\$25,933,448	\$25,283,448	\$25,283,448
TOTAL, OBJECT OF EXPENSE		\$31,812,364	\$24,633,448	\$25,933,448	\$25,283,448	\$25,283,448
Method of Financing:						
5025	Lottery Acct	\$31,812,364	\$24,633,448	\$25,933,448	\$25,283,448	\$25,283,448
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$31,812,364	\$24,633,448	\$25,933,448	\$25,283,448	\$25,283,448

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 8 Mass Media Advertising Contract(s) Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$25,283,448	\$25,283,448
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$31,812,364	\$24,633,448	\$25,933,448	\$25,283,448	\$25,283,448

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include contracting for the planning, development, and implementation of lottery advertising including creative concepting, production, planning, buying and placement of broadcast, print, digital, experiential and out of home media across the State of Texas. The advertising services vendor(s) support the Texas Lottery in achieving the following goals: Enhancing the marketing effectiveness of the Texas Lottery; effectively reaching and educating the public to increase sales and enhance the awareness of Texas Lottery games.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 8 Mass Media Advertising Contract(s) Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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External factors impacting this strategy include: 1) The availability of qualified vendors; 2) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery; 3) The confidence of the general public in the lottery games; 4) The expansion of media communication vehicles (which has made it more difficult to reach large groups of the general public); and 5) The general state of the Texas economy.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources; 2) The ability of the agency to monitor and enforce the requirements of the contract; 3) The ability of the staff to react quickly and responsively to changes in the external factors; and 4) the effective dissemination of information within the agency and to the general public.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$50,566,896	\$50,566,896	\$0	\$0	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 9 Drawing and Broadcast Services Contract(s) Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
2001	PROFESSIONAL FEES AND SERVICES	\$2,629,178	\$2,668,828	\$2,150,000	\$2,409,414	\$2,409,414
TOTAL, OBJECT OF EXPENSE		\$2,629,178	\$2,668,828	\$2,150,000	\$2,409,414	\$2,409,414
Method of Financing:						
5025	Lottery Acct	\$2,629,178	\$2,668,828	\$2,150,000	\$2,409,414	\$2,409,414
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$2,629,178	\$2,668,828	\$2,150,000	\$2,409,414	\$2,409,414
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,409,414	\$2,409,414
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,629,178	\$2,668,828	\$2,150,000	\$2,409,414	\$2,409,414
FULL TIME EQUIVALENT POSITIONS:						
STRATEGY DESCRIPTION AND JUSTIFICATION:						

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 9 Drawing and Broadcast Services Contract(s) Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Activities relating to this strategy include contracting for the conduct of the broadcast and production of all Texas draw game drawings. Drawing and broadcast services vendors provide drawing production services, webcast services (live and archived drawings) and satellite transmission services for the broadcast of Texas Lottery and multi-state draw games. The broadcast drawings for all Texas draw games are held in a secure drawings studio located at the Texas Lottery’s headquarters. The drawings are held in accordance with the State Lottery Act and applicable administrative rules and procedures.

The statutory and constitutional provisions authorizing this strategy are Texas Gov’t Code 466 and 467, and Texas Constitution Article III, Section 47(e).

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The availability of qualified vendors; and 2) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) New Lottery draw games and new variations of established games; 2) The potential automation of Lottery game drawings; 3) The ability of the agency to monitor and enforce the requirements of the contract; and 4) The ability of the staff to react quickly and responsively to changes in the external factors.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$4,818,828	\$4,818,828	\$0	\$0	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales
 STRATEGY: 10 Retailer Bonus

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$1,906,442	\$3,360,000	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$1,906,442	\$3,360,000	\$0	\$0	\$0
Method of Financing:						
5025	Lottery Acct	\$1,906,442	\$3,360,000	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$1,906,442	\$3,360,000	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$0	\$0
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,906,442	\$3,360,000	\$0	\$0	\$0

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include maximizing revenue to the State of Texas by providing lottery sales agents with incentive bonuses in accordance with Commission statutes, rules and procedures.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 10 Retailer Bonus Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The number of retailers that qualify for a bonus; 2) the value of the bonuses; and 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$3,360,000	\$0	\$(3,360,000)	\$(3,360,000)	The \$4.2M retailer bonus program was vetoed by the Governor and zeroed out in FY 2019. The agency has included an exceptional item to request reinstatement of retailer bonus program and related funds.
			\$(3,360,000)	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 11 Retailer Commissions. Estimated and Nontransferable. Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$20,461,975	\$24,726,013	\$27,554,012	\$27,554,012	\$27,554,012
TOTAL, OBJECT OF EXPENSE		\$20,461,975	\$24,726,013	\$27,554,012	\$27,554,012	\$27,554,012
Method of Financing:						
5025	Lottery Acct	\$20,461,975	\$24,726,013	\$27,554,012	\$27,554,012	\$27,554,012
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$20,461,975	\$24,726,013	\$27,554,012	\$27,554,012	\$27,554,012
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$27,554,012	\$27,554,012
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$20,461,975	\$24,726,013	\$27,554,012	\$27,554,012	\$27,554,012

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include maximizing revenue to the State of Texas by providing lottery sales agents with incentive bonuses in accordance with Commission statutes, rules and procedures.

The statutory and constitutional provisions authorizing this strategy are Texas Gov't Code 466 and 467, and Texas Constitution Article III, Section 47(e).

362 Texas Lottery Commission

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery
 OBJECTIVE: 1 Generate Revenue through Ticket Sales Service Categories:
 STRATEGY: 11 Retailer Commissions. Estimated and Nontransferable. Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The number of retailers that qualify for an incentive; 2) the value of the incentives; and 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$52,280,025	\$55,108,024	\$2,827,999	\$2,827,999	Amounts included in this strategy are based on an estimated amount equal to 0.5% of gross sales each fiscal year and may only be used for the purpose of paying sales performance retailer commissions.
			\$2,827,999	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 1 Determine Eligibility and Process Applications

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	Number of Licenses Issued	9,473.00	11,403.00	10,438.00	10,438.00	10,438.00
2	Number of Applications Processed	3,437.00	6,963.00	7,000.00	7,000.00	7,000.00
3	Number of Worker Registry Applications Approved	2,843.00	3,028.00	2,936.00	2,936.00	2,936.00
Efficiency Measures:						
1	Average Bingo License (New) Processing Time (Days)	48.85	79.52	65.00	65.00	65.00
2	Average Bingo License (Renewal) Processing Time (Days)	27.08	27.50	27.30	27.30	27.30
3	Average Cost Per Application Processed	32.07	31.00	31.50	31.50	31.50
4	Average Bingo Worker Registry Application Processing Time (Days)	10.12	9.41	9.77	9.77	9.77
Explanatory/Input Measures:						
1	Number of Annual License Holders	1,373.00	1,408.00	1,410.00	1,410.00	1,410.00
2	Number of Annual Workers Registrants	8,914.00	9,814.00	9,364.00	9,364.00	9,364.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$505,059	\$512,042	\$508,326	\$508,326	\$508,326
1002	OTHER PERSONNEL COSTS	\$21,464	\$19,079	\$14,960	\$14,960	\$14,960
2001	PROFESSIONAL FEES AND SERVICES	\$198,081	\$94,125	\$94,125	\$94,125	\$94,125
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 1 Determine Eligibility and Process Applications

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
2003	CONSUMABLE SUPPLIES	\$0	\$500	\$500	\$500	\$500
2004	UTILITIES	\$304	\$0	\$456	\$456	\$456
2005	TRAVEL	\$90	\$318	\$318	\$318	\$318
2006	RENT - BUILDING	\$0	\$0	\$0	\$0	\$0
2007	RENT - MACHINE AND OTHER	\$29,075	\$15,535	\$16,517	\$16,517	\$16,517
2009	OTHER OPERATING EXPENSE	\$15,072	\$12,613	\$37,570	\$37,570	\$37,570
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$769,145	\$654,212	\$672,772	\$672,772	\$672,772
Method of Financing:						
1	General Revenue Fund	\$769,145	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$769,145	\$0	\$0	\$0	\$0
Method of Financing:						
5175	Bingo Administration	\$0	\$654,212	\$672,772	\$672,772	\$672,772
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$0	\$654,212	\$672,772	\$672,772	\$672,772

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 1 Determine Eligibility and Process Applications Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$672,772	\$672,772
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$769,145	\$654,212	\$672,772	\$672,772	\$672,772
FULL TIME EQUIVALENT POSITIONS:		7.5	8.0	8.0	8.0	8.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include reviewing license applications and worker registrations to determine the eligibility of applicants by providing current and prospective licensees and workers streamlined applications, clear instructions, and the option to complete multiple applications electronically.

This strategy promotes communication and cooperation between licensees and registered workers and the Charitable Bingo Operations Division (CBOD) so that qualified applicants, licensees and registered workers are well versed on the Act and Charitable Bingo Administrative Rules (Rules) requirements. Communications with bingo licensees, registered workers and applicants will continue to improve with the efficient utilization of planned technologies.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 1 Determine Eligibility and Process Applications Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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External factors impacting this strategy include: 1) The number of licensed individuals and organizations; 2) The number of applications submitted by individuals and organizations; 3) The number of individuals seeking to be placed on the Registry of Approved Bingo Workers; 4) The ability and willingness of applicants, licensees and registered workers to cooperate with the licensing and registry process; 5) The willingness of applicants and licensees to utilize the website for information. 6) Changes to the Act; and 7) The impact of judicial decisions and legislative enactment as they relate to or impact the regulation and administration of charitable bingo.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) The ability to disseminate information to applicants, licensees and registered workers; 3) The capability for applicants to apply on-line; and 4) available staff resources.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$1,326,984	\$1,345,544	\$18,560	\$18,560	Increase attributed to various operating expenses to support bingo licensing.
			\$18,560	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
1	Number of Individuals Receiving Education	616.00	925.00	1,230.00	1,230.00	1,230.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$79,391	\$88,279	\$87,238	\$87,238	\$87,238
1002	OTHER PERSONNEL COSTS	\$4,017	\$794	\$480	\$480	\$480
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$4,454	\$4,454	\$4,454	\$4,454
2002	FUELS AND LUBRICANTS	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$0	\$0	\$0	\$0	\$0
2004	UTILITIES	\$0	\$0	\$0	\$0	\$0
2005	TRAVEL	\$0	\$2,418	\$5,000	\$5,000	\$5,000
2006	RENT - BUILDING	\$0	\$0	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$1,191	\$10,967	\$13,311	\$13,311	\$13,311
4000	GRANTS	\$0	\$0	\$0	\$0	\$0
5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$84,599	\$106,912	\$110,483	\$110,483	\$110,483
Method of Financing:						
1	General Revenue Fund	\$84,599	\$0	\$0	\$0	\$0

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$84,599	\$0	\$0	\$0	\$0
Method of Financing:						
5175	Bingo Administration	\$0	\$106,912	\$110,483	\$110,483	\$110,483
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$0	\$106,912	\$110,483	\$110,483	\$110,483
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$110,483	\$110,483
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$84,599	\$106,912	\$110,483	\$110,483	\$110,483
FULL TIME EQUIVALENT POSITIONS:		2.0	2.0	2.0	2.0	2.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Activities relating to this strategy include providing education and training to all licensed organizations, individuals and bingo workers that conduct charitable bingo activities, lease bingo premises, manufacture or distribute bingo equipment, or are listed on the Registry of Approved Bingo Workers by educating applicants, licensees and workers on the requirements of the Bingo Enabling Act and the Charitable Bingo Administrative Rules.

The Charitable Bingo Operations Division (CBOD) educates applicants and licensees on requirements of the Bingo Enabling Act (Act) and Charitable Bingo Administrative Rules (Rules). CBOD uses instructor-led seminars and on-line version of the Operator Training Program. The online version is available seven days a week to any party with access to a computer. Operator training provides easy to understand details on licensing requirements, record keeping requirements, up to date information on changes in the Act or Rules, conducting bingo, administering, operating bingo and promoting bingo.

CBOD publishes informational newsletters, such as the Bingo Bulletin, and maintains the Charitable Bingo website containing relevant information relating to regulatory requirements. These activities contribute to the education and development of licensees.

The education and development of licensees will continue to expand and improve with the implementation of this strategy.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 2 Provide Education and Training for Bingo Regulatory Requirements Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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External factors impacting this strategy include: 1) The number of licensed individuals and organizations; 2) The willingness of applicants and licensees to utilize the wide variety of training programs offered; 3) The impact of judicial decisions and legislative enactments as they relate to or impact the regulation and administration of charitable bingo; and 4) Changes to the Act or Rules.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) the effectiveness of the Operator Training Program and other educational efforts; and 3) available staff resources.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$217,395	\$220,966	\$3,571	\$3,571	Increase attributed to various operating expenses to support the training and education of bingo organizations and workers.
			\$3,571	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 3 Bingo Law Compliance Field Operations

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
	1 Number of Inspections Conducted	280.00	355.00	240.00	240.00	240.00
	2 Number of Bingo Audits and Reviews Completed	171.00	111.00	141.00	141.00	141.00
KEY	3 Number of Bingo Complaints Investigations Completed	155.00	163.00	158.00	158.00	158.00
	4 \$ Amt of Adjustments to Charitable Distributions by Audit & Inspection	16,488.00	132,782.00	16,000.00	16,000.00	16,000.00
	5 Number of Bingo Background Investigations Completed	246.00	250.00	250.00	250.00	250.00
Efficiency Measures:						
	1 Average Time for Bingo Complaint Investigation Completion (Days)	54.47	54.06	54.26	54.26	54.26
	2 Average Cost Per Bingo Complaint Investigation Completed	224.94	338.11	385.00	385.00	385.00
	3 Average Time to Conduct Compliance Audit and Review (Hours)	71.89	91.42	82.00	82.00	82.00
	4 Average Time to Complete Bingo Background Investigations (Days)	16.92	40.00	40.00	40.00	40.00
	5 Average Cost per Bingo Audit and Review Completed	2,203.68	2,816.10	2,510.00	2,510.00	2,510.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,007,477	\$1,349,800	\$1,316,347	\$1,316,347	\$1,316,347

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 3 Bingo Law Compliance Field Operations

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1002	OTHER PERSONNEL COSTS	\$69,767	\$31,806	\$23,680	\$23,680	\$23,680
2003	CONSUMABLE SUPPLIES	\$29	\$750	\$500	\$500	\$500
2005	TRAVEL	\$33,942	\$43,764	\$43,764	\$43,764	\$43,764
2009	OTHER OPERATING EXPENSE	\$38,381	\$49,777	\$64,925	\$64,925	\$64,925
TOTAL, OBJECT OF EXPENSE		\$1,149,596	\$1,475,897	\$1,449,216	\$1,449,216	\$1,449,216
Method of Financing:						
1	General Revenue Fund	\$1,149,596	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,149,596	\$0	\$0	\$0	\$0
Method of Financing:						
5175	Bingo Administration	\$0	\$1,475,897	\$1,449,216	\$1,449,216	\$1,449,216
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$0	\$1,475,897	\$1,449,216	\$1,449,216	\$1,449,216
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,449,216	\$1,449,216
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,149,596	\$1,475,897	\$1,449,216	\$1,449,216	\$1,449,216
FULL TIME EQUIVALENT POSITIONS:		20.5	26.0	26.0	26.0	26.0

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 3 Bingo Law Compliance Field Operations Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include regulating licensees' compliance with the Bingo Enabling Act (Act) and the Charitable Bingo Administrative Rules (Rules). Utilizing a system of enforcement including conducting inspections, reviews, audits, and complaint investigations, the Charitable Bingo Operations Division (CBOD) supervises bingo conducted in this state so that the games are fairly conducted and the proceeds derived from bingo are used for charitable purposes.

The Audit Services Department is responsible for evaluating compliance with bingo laws and can recommend administrative disciplinary action as appropriate. Administrative actions will occur as violations are detected and appropriate Commission Orders are issued for acts of non-compliance.

The Audit Services Department is also responsible for performing testing on bingo products for use in the state of Texas.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The number of licensed individuals and organizations; 2) The willingness of licensees to cooperate with the audit process; 3) The level of licensee compliance with the Bingo Enabling Act and Administrative Rules, 4) The impact of judicial decisions and legislative enactments as they relate to or impact the regulation and administration of charitable bingo; and 5) Changes to the Act or Rules.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) The effectiveness of the auditor training program, and 3) available staff resources.

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 3 Bingo Law Compliance Field Operations Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$2,925,113	\$2,898,432	\$(26,681)	\$(26,681)	The decreases of less than 1% is attributed to various operating expenses.
			<u>\$(26,681)</u>	Total of Explanation of Biennial Change

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 4 Bingo Prize Fee Collections and Accounting

Service Categories:
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
1	Percentage of Licensees Who Fail to Pay	9.50 %	10.28 %	9.89 %	9.89 %	9.89 %
2	Number of Bingo Reports Processed	5,060.00	5,444.00	5,566.00	5,566.00	5,566.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$250,697	\$287,057	\$302,368	\$302,368	\$302,368
1002	OTHER PERSONNEL COSTS	\$9,570	\$4,833	\$2,720	\$2,720	\$2,720
2003	CONSUMABLE SUPPLIES	\$0	\$300	\$300	\$300	\$300
2005	TRAVEL	\$0	\$0	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$3,401	\$20,104	\$11,456	\$11,456	\$11,456
4000	GRANTS	\$13,972,518	\$14,480,500	\$14,480,500	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$14,236,186	\$14,792,794	\$14,797,344	\$316,844	\$316,844
Method of Financing:						
1	General Revenue Fund	\$14,236,186	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$14,236,186	\$0	\$0	\$0	\$0
Method of Financing:						
5175	Bingo Administration	\$0	\$14,792,794	\$14,797,344	\$316,844	\$316,844

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules
 STRATEGY: 4 Bingo Prize Fee Collections and Accounting

Service Categories:

Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$0	\$14,792,794	\$14,797,344	\$316,844	\$316,844
Rider Appropriations:						
5175 Bingo Administration						
	8 1 Local Bingo Prize Fee				\$14,480,500	\$14,480,500
TOTAL, RIDER & UNEXPENDED BALANCES APPROP					\$14,480,500	\$14,480,500
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$14,797,344	\$14,797,344
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$14,236,186	\$14,792,794	\$14,797,344	\$316,844	\$316,844
FULL TIME EQUIVALENT POSITIONS:		5.5	6.0	6.0	6.0	6.0
STRATEGY DESCRIPTION AND JUSTIFICATION:						

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 4 Bingo Prize Fee Collections and Accounting Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Activities relating to this strategy include assisting licensees with the filing of quarterly reports, reviewing filed reports for completeness, managing their financial data and analyzing the data reported by licensed bingo conductors that fail to report positive net proceeds on their quarterly reports to help them review their charitable bingo operations.

To assist with the efficient and timely filing of quarterly reports, current licensees are provided with the capability to complete and submit reports electronically. This is another CBOD initiative to encourage voluntary compliance with bingo licensing requirements.

Compliance with reporting requirements of the Act and Charitable Bingo Administrative Rules (Rules) is determined with this strategy. When necessary, CBOD uses an automated system to notify licensees of non-compliance of regulatory matters in a timely manner.

This strategy supports the effectiveness of the CBOD in processing quarterly prize fees and quarterly reports and maximizing interest to the state.

These strategies are authorized under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The number of licensed organizations; 2) The number of licensees timely filing and remitting the applicable prize fee due; 3) The number of licensees utilizing electronic filing; 4) The impact of judicial decisions and legislative enactments as they relate to or impact the regulation and administration of charitable bingo; and 5) The ability of licensees to correctly report their bingo activities.

Internal factors impacting this strategy include: 1) The CBOD's operating system; 2) the effectiveness of the delinquent taxpayer contact program, and 3) available staff resources.

362 Texas Lottery Commission

GOAL: 2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully
 OBJECTIVE: 1 Curtail Violations of Bingo Laws/Rules Service Categories:
 STRATEGY: 4 Bingo Prize Fee Collections and Accounting Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2018 + Bud 2019)</u>	<u>Baseline Request (BL 2020 + BL 2021)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$29,590,138	\$29,594,688	\$4,550	\$4,550	The increase of less than 1% is attributed to various operating expenses.
			\$4,550	Total of Explanation of Biennial Change

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$261,285,727	\$260,828,928	\$274,439,389	\$256,685,604	\$249,621,713
METHODS OF FINANCE (INCLUDING RIDERS):				\$271,166,104	\$264,102,213
METHODS OF FINANCE (EXCLUDING RIDERS):	\$261,285,727	\$260,828,928	\$274,439,389	\$256,685,604	\$249,621,713
FULL TIME EQUIVALENT POSITIONS:	301.5	323.0	323.5	323.5	323.5

3.A.1. PROGRAM-LEVEL REQUEST SCHEDULE
86th Regular Session, Agency Submission, Version 1

Agency Code: 362		Agency: TEXAS LOTTERY COMMISSION				Prepared By: Kathy Pyka					
Date: August 17, 2018						18-19	Requested	Requested	Biennial Total	Biennial Difference	
Goal	Goal Name	Strategy	Strategy Name	Program	Program Name	Base	2020	2021	2020-21	\$	%
A	Operate Lottery	A.1.1.	Lottery Operations		Operations	\$14,555,525	\$7,578,241	\$7,581,962	\$15,160,203	\$604,678	4.2%
A	Operate Lottery	A.1.2.	Lottery Field Operations		Operations	\$6,257,136	\$3,372,136	\$3,373,004	\$6,745,140	\$488,004	7.8%
A	Operate Lottery	A.1.3.	Marketing and Promotion		Marketing, Promotions, and Advertising	\$13,220,599	\$7,176,996	\$7,204,777	\$14,381,773	\$1,161,174	8.8%
A	Operate Lottery	A.1.4.	Security		Security	\$11,066,304	\$6,020,886	\$5,534,303	\$11,555,189	\$488,885	4.4%
A	Operate Lottery	A.1.5.	Central Administration		Central Administration	\$25,423,483	\$13,957,932	\$13,655,578	\$27,613,510	\$2,190,027	8.6%
A	Operate Lottery	A.1.6.	Lottery Operator Contract(s)		Contracting	\$243,441,181	\$121,783,224	\$114,475,900	\$236,259,124	(\$7,182,057)	-3.0%
A	Operate Lottery	A.1.7.	Scratch Ticket Production Contract(s)		Contracting	\$76,218,710	\$39,000,000	\$40,000,000	\$79,000,000	\$2,781,290	3.6%
A	Operate Lottery	A.1.8.	Mass Media Advertising Contract(s)		Contracting	\$50,566,896	\$25,283,448	\$25,283,448	\$50,566,896	\$0	0.0%
A	Operate Lottery	A.1.9.	Drawing & Broadcast Contract(s)		Contracting	\$4,818,828	\$2,409,414	\$2,409,414	\$4,818,828	\$0	0.0%
A	Operate Lottery	A.1.10.	Retailer Bonus		Retailer Bonuses and Incentives	\$3,360,000	\$0	\$0	\$0	(\$3,360,000)	-100.0%
A	Operate Lottery	A.1.11.	Retailer Commissions		Retailer Bonuses and Incentives	\$52,280,025	\$27,554,012	\$27,554,012	\$55,108,024	\$2,827,999	5.4%
Total Goal A						\$501,208,687	\$254,136,289	\$247,072,398	\$501,208,687	\$0	0.0%
B	Enforce Bingo Laws	B.1.1.	Bingo Licensing		Licensing Services	\$1,326,984	\$672,772	\$672,772	\$1,345,544	\$18,560	1.4%
B	Enforce Bingo Laws	B.1.2.	Bingo Education & Development		Bingo Education & Training	\$217,395	\$110,483	\$110,483	\$220,966	\$3,571	1.6%
B	Enforce Bingo Laws	B.1.3.	Bingo Law Compliance Field Operations		Bingo Auditors	\$2,925,113	\$1,449,216	\$1,449,216	\$2,898,432	(\$26,681)	-0.9%
B	Enforce Bingo Laws	B.1.4.	Bingo Prize Fee Collection & Accounting		Accounting Services	\$29,590,138	\$14,797,344	\$14,797,344	\$29,594,688	\$4,550	0.0%
Total Goal B						\$34,059,630	\$17,029,815	\$17,029,815	\$34,059,630	\$0	0.0%
Total						\$535,268,317	\$271,166,104	\$264,102,213	\$535,268,317	\$0	0.0%

3.B. Rider Revisions and Additions Request

Agency Code: 362	Agency Name: Texas Lottery Commission	Prepared By: Kathy Pyka	Date: 8/17/2018	Request Level: Base																											
Current Rider Number	Page # 2018-19 GAA	Proposed Rider Language																													
2.	VII-10	<p>Capital Budget. None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in the provision as appropriations either for "Lease Payments to the Master Equipment Purchase Program" or for items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code §1232.103.</p> <table style="width: 100%; margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: right;"><u>2018- 2020</u></th> <th style="text-align: right;"><u>2019- 2021</u></th> </tr> </thead> <tbody> <tr> <td colspan="3">a. Acquisition of Information Resource Technologies</td> </tr> <tr> <td style="padding-left: 20px;">(1) PC Replacement</td> <td style="text-align: right;">\$ 125,640</td> <td style="text-align: right;">\$ 125,640</td> </tr> <tr> <td colspan="3"> b a. Acquisition of Capital Equipment and Items</td> </tr> <tr> <td style="padding-left: 20px;">(1) Capitalized Lottery Drawing Equipment</td> <td style="text-align: right;">\$ 300,000</td> <td style="text-align: right;">\$ 0</td> </tr> <tr> <td style="padding-left: 40px;">Total, Capital Budget</td> <td style="text-align: right;"><u>\$ 425,640 300,000</u></td> <td style="text-align: right;"><u>\$ 125,640 0</u></td> </tr> <tr> <td colspan="3"> Method of Financing (Capital Budget):</td> </tr> <tr> <td style="padding-left: 20px;">GR Dedicated - Lottery Account No. 5025</td> <td style="text-align: right;">\$ 425,640 <u>300,000</u></td> <td style="text-align: right;">\$ 125,640 <u>0</u></td> </tr> <tr> <td style="padding-left: 40px;">Total, Method of Financing</td> <td style="text-align: right;"><u>\$ 425,640 300,000</u></td> <td style="text-align: right;"><u>\$ 125,640 0</u></td> </tr> </tbody> </table> <p style="margin-left: 40px;"><i>This rider revision is requested to reflect the FY 2020-21 Capital Budget Request submitted as a baseline request. An explanation of the capital budget item requested is included in the Capital Budget Supporting Schedules.</i></p>				<u>2018- 2020</u>	<u>2019- 2021</u>	a. Acquisition of Information Resource Technologies			(1) PC Replacement	\$ 125,640	\$ 125,640	 b a. Acquisition of Capital Equipment and Items			(1) Capitalized Lottery Drawing Equipment	\$ 300,000	\$ 0	Total, Capital Budget	<u>\$ 425,640 300,000</u>	<u>\$ 125,640 0</u>	 Method of Financing (Capital Budget):			GR Dedicated - Lottery Account No. 5025	\$ 425,640 <u>300,000</u>	\$ 125,640 <u>0</u>	Total, Method of Financing	<u>\$ 425,640 300,000</u>	<u>\$ 125,640 0</u>
	<u>2018- 2020</u>	<u>2019- 2021</u>																													
a. Acquisition of Information Resource Technologies																															
(1) PC Replacement	\$ 125,640	\$ 125,640																													
 b a. Acquisition of Capital Equipment and Items																															
(1) Capitalized Lottery Drawing Equipment	\$ 300,000	\$ 0																													
Total, Capital Budget	<u>\$ 425,640 300,000</u>	<u>\$ 125,640 0</u>																													
 Method of Financing (Capital Budget):																															
GR Dedicated - Lottery Account No. 5025	\$ 425,640 <u>300,000</u>	\$ 125,640 <u>0</u>																													
Total, Method of Financing	<u>\$ 425,640 300,000</u>	<u>\$ 125,640 0</u>																													

**3.B. Rider Revisions and Additions Request
(continued)**

3.	VII-10	<p>Operate Lottery. Pursuant to Government Code, Chapter 466, appropriations made to Goal A, Operate Lottery, shall not exceed twelve percent of the gross revenue from the sale of lottery tickets. This appropriation shall be used for the administration of the lottery and for retailer commissions.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
4.	VII-10	<p>Appropriation: Payment of Prizes. In addition to the amounts appropriated above for the administration of the lottery and retailer commissions, there is hereby appropriated pursuant to Government Code, Chapter 466, out of the State Lottery Account in the General Revenue Fund, sufficient funds for the payment of prizes to the holders of winning tickets.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
5.	VII-11	<p>Limitation: Pooled Reserve Fund. Pursuant to Government Code, Chapter 466, the Executive Director of the Texas Lottery Commission shall maintain balances in a pooled reserve fund to cover the potential loss of state revenue as a result of lottery retailer defaults. The Executive Director of the Texas Lottery Commission shall transfer all pooled reserve fund revenues and balances that exceed \$5 million to the Foundation School Fund No. 193 monthly.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
6.	VII-11	<p>Appropriations Limited to Revenue Collections. Fees, fines, and other miscellaneous revenues as authorized and generated by the operation of charity bingo pursuant to Occupations Code §2001 shall cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal B, Enforce Bingo Laws, as well as the "other direct and indirect costs" made elsewhere in this Act associated with this goal. Direct costs for the strategy items in Goal B, Enforce Bingo Laws are estimated to be \$2,549,315 <u>xxx</u> in fiscal year 2018 <u>2020</u> and \$2,549,315 <u>xxx</u> in fiscal year 2019 <u>2021</u> and "other direct and indirect costs" for Goal B, Enforce Bingo Laws, are estimated to be \$865,744 <u>xxx</u> for fiscal year 2018 <u>2020</u> and \$868,912 <u>xxx</u> for fiscal year 2019 <u>2021</u>.</p> <p>In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.</p> <p><i>This rider revision is requested to reflect updated estimates of other direct and indirect costs for the FY 2020-21 biennium. The amounts are to be provided by the Legislative Budget Board.</i></p>

**3.B. Rider Revisions and Additions Request
(continued)**

7.	VII-11	<p>Petty Cash Fund Authorized. The Texas Lottery Commission is authorized to establish a petty cash fund to be used by Commission employees for the purchase of evidence and/or information and other expenses deemed necessary for agency security and enforcement activities, including audits and expenses, incurred by auditing. The petty cash fund, not to exceed \$1,500, may be maintained in cash or at a local bank and shall be subject to such rules and regulations as the executive director may recommend and the commission may adopt.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
8.	VII-11	<p>Local Bingo Prize Fees. In addition to the amounts appropriated above in Strategy B.1.4, Bingo Prize Fee Collection and Accounting, bingo prize fees collected pursuant to Texas Occupations Code, Section 2001.502 for allocation to counties and municipalities as required by the Texas Occupations Code, Section 2001.503, are appropriated to the Texas Lottery Commission, estimated to be \$14,480,500 in fiscal year 2018 <u>2020</u> and \$14,480,500 in fiscal year 2019 <u>2021</u>.</p> <p><i>This rider revision is requested to reflect updated fiscal years.</i></p>
9.	VII-11	<p>Retailer Commissions.</p> <ul style="list-style-type: none"> a. Pursuant to Government Code, Chapter 466, an amount equal to 5 percent of gross sales shall be made available for the purpose of paying retailer commissions. b. The amounts included above in Strategy A.1.12, Retailer Commissions, include an estimated amount equal to one-half of one percent of gross sales each fiscal year that is in addition to the 5 percent retailer commission amount in subsection (a) above and may only be used for the purpose of paying sales performance retailer commissions. Any unobligated and unexpended balances of appropriations for the fiscal year ending August 31, 2018 <u>2020</u>, are appropriated to the agency for the same purposes for the fiscal year beginning September 1, 2018 <u>2020</u>. Prior to providing an additional retail commission above 5 percent of gross sales, the Texas Lottery Commission shall provide a report to the Governor and the Legislative Budget Board outlining the Texas Lottery Commission's plans to implement a retailer sales performance commission or similar sales performance incentive program and the projected benefits of the program to lottery ticket sales and state revenues. <p><i>This rider revision is requested to reflect updated fiscal years.</i></p>

**3.B. Rider Revisions and Additions Request
(continued)**

10.	VII-11	<p>Lottery Operator Contract. The amounts included above in Strategy A.1.6, Lottery Operator Contract, are estimated appropriations out of the State Lottery Account in the General Revenue Fund and may only be used for payment of lottery operator contractual obligations. The estimated amount appropriated for fiscal year 2018 <u>2020</u> is an amount equal to 2.2099 percent of gross sales in fiscal year 2018 <u>2020</u>; and the estimated amount appropriated in fiscal year 2019 <u>2021</u> is an amount equal to 2.2099 <u>2.0773</u> percent of gross sales in fiscal year 2019 <u>2021</u>.</p> <p><i>This rider revision is requested to reflect updated fiscal years and revised contract rate for FY 2021.</i></p>
11.	VII-11	<p>Appropriation of Increased Revenues. In addition to the amounts appropriated above, there is hereby appropriated out of the State Lottery Account in the General Revenue Fund, an amount equal to 1.49 percent of the amount by which gross sales exceed \$4,945,202,607 <u>\$5,510,802,475</u> in fiscal year 2018 <u>2020</u> and the amount by which gross sales exceed \$5,019,380,646 <u>\$5,510,802,475</u> in fiscal year 2019 <u>2021</u> for the purpose of fulfilling contractual obligations and other administrative costs in administration of the Lottery. Any unexpended balances remaining from this appropriation as of August 31, 2018 <u>2020</u>, are hereby appropriated for the same purposes for the fiscal year beginning September 1, 2018 <u>2020</u>.</p> <p>a. Notification of Planned Use of Funds. Prior to the use of the funds appropriated by this rider, the agency shall submit to the Legislative Budget Board a report, in a manner prescribed by the Legislative Budget Board, outlining the planned use of the funds.</p> <p>b. Reporting Requirement on Use of Funds. The agency shall submit to the Legislative Budget Board, by December 1 each fiscal year, a report, in a manner prescribed by the Legislative Budget Board, that includes the following information:</p> <ul style="list-style-type: none"> (1) the amounts of the funds appropriated by this rider that were expended in the previous fiscal year and the purpose of the expenditures; and (2) the amount of the funds that were lapsed at the end of the previous fiscal year. <p><i>This rider revision is requested to reflect current estimates of lottery sales for the FY 2020-21 biennium and to reflect updated fiscal years.</i></p>
12.	VII-12	<p>ScratchInstant Ticket Game Closure. The commission shall provide a semi-annual report on April 1 and October 1 of each fiscal year, to the Legislative Budget Board detailing the number of scratch<u>instant</u> ticket games closed and the amount of time to end the sale of each game following closure.</p> <p><i>The Commission is requesting a revision to this Rider to modify the reference of scratch tickets from “instant” to “scratch” consistent with industry terminology.</i></p>

**3.B. Rider Revisions and Additions Request
(continued)**

13.	VII-12	<p>Sale of Lottery. None of the funds appropriated above may be spent for the purpose of exploring, investigating, negotiating, calculating, or otherwise taking any action that would result in selling the Texas Lottery.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
14.	VII-12	<p>Bingo Third Party Reimbursements. Included in amounts appropriated above in Strategy B.1.3, Bingo Law Compliance Field Operations, is an estimated \$60,000 in fiscal year 2018 <u>2020</u> and \$60,000 in fiscal year 2019 <u>2021</u> in General Revenue-Dedicated Bingo Administrative Account No. 5175 collected from third party reimbursements by the Bingo division in accordance with Texas Occupations Code §§2001.205(b), 2001.209(b), and 2001.560(d).</p> <p><i>This rider revision is requested to reflect updated fiscal years.</i></p>
15.	VII-12	<p>Limitations on Transfers. Notwithstanding Article IX, §14.01, Appropriation Transfers of this Act, appropriations may not be transferred from Strategy A.1.7, Scratch Ticket Production Contract(s) to other strategies without prior written approval from the Legislative Budget Board.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
16.	VII-12	<p>Notification Requirement. The agency shall notify the Legislative Budget Board, in a manner prescribed by the board, at least 30 calendar days before any amendment or change order is executed on the Lottery Operator Contract.</p> <p><i>The Commission is not requesting any revisions to this Rider.</i></p>
701	Article VII	<p><u>Unexpended Balances Between Biennia.</u> Included in amounts appropriated above are <u>any unexpended balances out of the State Lottery Account in the General Revenue Fund (estimated to be \$xx) from Rider 11 remaining as of August 31, 2019 in appropriations made to the Texas Lottery Commission for the same purpose for the biennium beginning September 1, 2019.</u></p> <p><i>The Commission is requesting a new Rider to allow for the transfer of Rider 11 (Appropriation of Increased Revenue) funds between the biennia. Rider 11 funds are appropriated to the agency once specific sales thresholds (BRE) are met and are used for fulfilling contractual obligations and other administrative costs of the lottery. These funds are not earned until late in the fiscal year and only if sales thresholds are exceeded. Therefore, funds earned in the second year of biennium typically cannot be used to address agency needs.</i></p> <p><i>Funding for this Rider is from the General Revenue-Dedicated Lottery Account which is part of the funds that do not count toward certification by the Comptroller of Public Accounts. Funding under this Rider would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.</i></p>

3.C. Rider Appropriations and Unexpended Balances Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
 TIME: **11:21:30AM**

Agency Code: 362 Texas Lottery Commission

RIDER	STRATEGY	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
8 1	Local Bingo Prize Fee 2-1-4 BINGO PRIZE FEE COLLECTION & ACCT	\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500
OBJECT OF EXPENSE:						
	4000 GRANTS	\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500
Total, Object of Expense		\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500
METHOD OF FINANCING:						
	5175 Bingo Administration	\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500
Total, Method of Financing		\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500

Description/Justification for continuation of existing riders or proposed new rider

In addition to the amounts appropriated in Strategy 2.1.4, Bingo Prize Fee Collection and Accounting, bingo prize fees collected pursuant to Texas Occupations Code, Section 2001.502 for allocation to counties and municipalities as required by the Texas Occupations Code, Section 2001.503, are appropriated to the Texas Lottery Commission, estimated to be \$14,480,500 in fiscal year 2020 and \$14,480,500 in fiscal year 2021.

3.C. Rider Appropriations and Unexpended Balances Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
 TIME: **11:21:30AM**

Agency Code: 362 Texas Lottery Commission

RIDER	STRATEGY	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
SUMMARY:						
OBJECT OF EXPENSE TOTAL		\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500
METHOD OF FINANCING TOTAL		\$0	\$14,480,500	\$14,480,500	\$14,480,500	\$14,480,500

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
 TIME: 11:21:31AM

Agency code: 362

Agency name:
Texas Lottery Commission

CODE	DESCRIPTION	Excp 2020	Excp 2021
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Item Name:	Construction Required for TX Capital Complex Building		
Item Priority:	1		
IT Component:	No		
Anticipated Out-year Costs:	No		
Involve Contracts > \$50,000:	Yes		
Includes Funding for the Following Strategy or Strategies:	01-01-01	Lottery Operations	
	01-01-04	Security	

OBJECTS OF EXPENSE:

2007	RENT - MACHINE AND OTHER	0	79,462
2009	OTHER OPERATING EXPENSE	0	46,800
5000	CAPITAL EXPENDITURES	0	1,688,875
TOTAL, OBJECT OF EXPENSE		\$0	\$1,815,137

METHOD OF FINANCING:

5025	Lottery Acct	0	1,815,137
TOTAL, METHOD OF FINANCING		\$0	\$1,815,137

DESCRIPTION / JUSTIFICATION:

Phase I of the Texas Capitol Complex Master Plan includes the construction of a new office building at 1801 Congress Avenue. The Texas Lottery will relocate its headquarters facility from its leased location at 611 E. 6th Street to the new building upon completion in 2022. In coordination with the Texas Facilities Commission, the Texas Lottery is requesting an exceptional item for building construction to support the agency's drawings production studio and specialized building space. The drawings studio and claim center have unique infrastructure requirements that support the agency's core business operations and these requirements are not included in the building construction appropriation provided to the Texas Facilities Commission. These requirements include, but are not limited to, satellite antennas, uninterruptable power supply, studio set floor, backdrop, electrical and lighting grid, and claim center and studio millwork and glass.

There would be not cost to the Appropriations Bill to appropriate authority for the construction funding as the GR -D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA).

EXTERNAL/INTERNAL FACTORS:

External factors that may affect this exceptional item include construction delays or schedule changes approved by the Texas Facilities Commission.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
TIME: **11:21:31AM**

Agency code: **362** Agency name: **Texas Lottery Commission**

CODE	DESCRIPTION	Excp 2020	Excp 2021
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APPROXIMATE PERCENTAGE OF EXCEPTIONAL ITEM : 98.00%

CONTRACT DESCRIPTION :

Contracted services may include but not be limited to: architect, construction, electrical, and moving. The contracts are for the design, construction and installation of specialized building infrastructure components to support the lottery drawings and production studio and the Austin Claim Center operations. The contract services will be required for fiscal year 2021 during the construction rough-in phase of the 1801 Congress Avenue facility. All services will be procured through a competitive bid process unless the Texas Facilities Commission designates a proprietary construction vendor. The Texas Lottery will follow all procurement statutes, rules and procedures when contracting for all goods/services.

4.A. Exceptional Item Request Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
 TIME: 11:21:31AM

Agency code: 362 Agency name: Texas Lottery Commission

CODE	DESCRIPTION	Excp 2020	Excp 2021
	Item Name: Restore Retailer Bonus Program Item Priority: 2 IT Component: No Anticipated Out-year Costs: Yes Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies: 01-01-10 Retailer Bonus		

OBJECTS OF EXPENSE:

2009	OTHER OPERATING EXPENSE	4,200,000	4,200,000
TOTAL, OBJECT OF EXPENSE		\$4,200,000	\$4,200,000

METHOD OF FINANCING:

5025	Lottery Acct	4,200,000	4,200,000
TOTAL, METHOD OF FINANCING		\$4,200,000	\$4,200,000

DESCRIPTION / JUSTIFICATION:

The Commission is requesting that the \$4.2 million annual retailer bonus budget be restored in the FY 2020-21 biennium. The \$4.2 million annual retailer bonus budget was vetoed by the Governor and was zeroed out in the second year of the 2018-19 biennium. Bonus payments are earned by retailers for selling certain prizewinning tickets. This key program is utilized for retailer sales promotion/motivation to carry games that offer bonuses, as well as retailer recruitment, retention and development opportunities. The loss of this key program impacts retailer sales performance, recruitment, retention and development opportunities.

There would be no cost to the Appropriations Bill to restore funding for this program as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the General Appropriations Act (GAA).

EXTERNAL/INTERNAL FACTORS:

External factors impacting this program include: 1) The number of retailers that qualify for a bonus; 2) the value of the bonuses; and 3) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the Lottery.

Internal factors impacting this strategy include: 1) The efficient alignment of agency resources.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
TIME: **11:21:31AM**

Agency code: **362**

Agency name:
Texas Lottery Commission

CODE	DESCRIPTION	Excp 2020	Excp 2021
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

The retailer bonus program is ongoing and utilized for retailer sales promotion/motivation to carry games that offer bonuses, as well as retailer recruitment, retention and development opportunities. The loss of this key program would impact retailer sales performance, recruitment, retention and development opportunities.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2022	2023	2024
\$4,200,000	\$4,200,000	\$4,200,000

4.B. Exceptional Items Strategy Allocation Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
 TIME: **11:21:31AM**

Agency code: **362** Agency name: **Texas Lottery Commission**

Code	Description	Excp 2020	Excp 2021
Item Name: Construction Required for TX Capital Complex Building			
Allocation to Strategy: 1-1-1 Lottery Operations			
OBJECTS OF EXPENSE:			
2007	RENT - MACHINE AND OTHER	0	7,836
2009	OTHER OPERATING EXPENSE	0	22,800
5000	CAPITAL EXPENDITURES	0	1,480,619
TOTAL, OBJECT OF EXPENSE		\$0	\$1,511,255
METHOD OF FINANCING:			
5025	Lottery Acct	0	1,511,255
TOTAL, METHOD OF FINANCING		\$0	\$1,511,255

4.B. Exceptional Items Strategy Allocation Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
 TIME: 11:21:31AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Code	Description	Excp 2020	Excp 2021
Item Name:		Construction Required for TX Capital Complex Building	
Allocation to Strategy:		1-1-4	Security
OBJECTS OF EXPENSE:			
2007	RENT - MACHINE AND OTHER	0	71,626
2009	OTHER OPERATING EXPENSE	0	24,000
5000	CAPITAL EXPENDITURES	0	208,256
TOTAL, OBJECT OF EXPENSE		\$0	\$303,882
METHOD OF FINANCING:			
5025	Lottery Acct	0	303,882
TOTAL, METHOD OF FINANCING		\$0	\$303,882

4.B. Exceptional Items Strategy Allocation Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
 TIME: 11:21:31AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Code	Description	Excp 2020	Excp 2021
Item Name: Restore Retailer Bonus Program			
Allocation to Strategy: 1-1-10 Retailer Bonus			
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	4,200,000	4,200,000
TOTAL, OBJECT OF EXPENSE		\$4,200,000	\$4,200,000
METHOD OF FINANCING:			
5025	Lottery Acct	4,200,000	4,200,000
TOTAL, METHOD OF FINANCING		\$4,200,000	\$4,200,000

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
TIME: 11:21:31AM

Agency Code: **362** Agency name: **Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales

STRATEGY: 1 Lottery Operations

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE DESCRIPTION	Exp 2020	Exp 2021
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OBJECTS OF EXPENSE:

2007 RENT - MACHINE AND OTHER	0	7,836
2009 OTHER OPERATING EXPENSE	0	22,800
5000 CAPITAL EXPENDITURES	0	1,480,619
Total, Objects of Expense	\$0	\$1,511,255

METHOD OF FINANCING:

5025 Lottery Acct	0	1,511,255
Total, Method of Finance	\$0	\$1,511,255

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Construction Required for TX Capital Complex Building

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
TIME: 11:21:31AM

Agency Code: **362** Agency name: **Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales

STRATEGY: 4 Security

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE DESCRIPTION	Exp 2020	Exp 2021
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OBJECTS OF EXPENSE:

2007 RENT - MACHINE AND OTHER	0	71,626
2009 OTHER OPERATING EXPENSE	0	24,000
5000 CAPITAL EXPENDITURES	0	208,256
Total, Objects of Expense	\$0	\$303,882

METHOD OF FINANCING:

5025 Lottery Acct	0	303,882
Total, Method of Finance	\$0	\$303,882

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Construction Required for TX Capital Complex Building

4.C. Exceptional Items Strategy Request
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
TIME: 11:21:31AM

Agency Code: **362** Agency name: **Texas Lottery Commission**

GOAL: 1 Run Self-supporting, Revenue-producing, and Secure Lottery

OBJECTIVE: 1 Generate Revenue through Ticket Sales

STRATEGY: 10 Retailer Bonus

Service Categories:

Service: 03 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2020	Excp 2021
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OBJECTS OF EXPENSE:

2009 OTHER OPERATING EXPENSE	4,200,000	4,200,000
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Total, Objects of Expense	\$4,200,000	\$4,200,000
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METHOD OF FINANCING:

5025 Lottery Acct	4,200,000	4,200,000
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Total, Method of Finance	\$4,200,000	\$4,200,000
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Restore Retailer Bonus Program

5.A. Capital Budget Project Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
 TIME: **11:21:31AM**

Agency code: **362**

Agency name: **Texas Lottery Commission**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2018

Bud 2019

BL 2020

BL 2021

5002 Construction of Buildings and Facilities

2/2 Construction Required for TX Capital Complex Building

OBJECTS OF EXPENSE

Capital

General	2007	RENT - MACHINE AND OTHER	\$0	\$0	\$0	\$0
General	2009	OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0
General	5000	CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0

Capital Subtotal OOE, Project	2		\$0	\$0	\$0	\$0
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Subtotal OOE, Project	2		\$0	\$0	\$0	\$0
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TYPE OF FINANCING

Capital

General	CA	5025	Lottery Acct	\$0	\$0	\$0	\$0
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Capital Subtotal TOF, Project	2		\$0	\$0	\$0	\$0
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Subtotal TOF, Project	2		\$0	\$0	\$0	\$0
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Capital Subtotal, Category	5002		\$0	\$0	\$0	\$0
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Informational Subtotal, Category	5002					
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Total, Category	5002		\$0	\$0	\$0	\$0
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5007 Acquisition of Capital Equipment and Items

1/1 Capitalized Lottery Drawing Equipment

OBJECTS OF EXPENSE

Capital

General	5000	CAPITAL EXPENDITURES	\$110,000	\$41,290	\$300,000	\$0
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5.A. Capital Budget Project Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
 TIME : **11:21:31AM**

Agency code: **362**

Agency name: **Texas Lottery Commission**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2018

Bud 2019

BL 2020

BL 2021

Capital Subtotal OOE, Project	1	\$110,000	\$41,290	\$300,000	\$0
Subtotal OOE, Project	1	\$110,000	\$41,290	\$300,000	\$0
TYPE OF FINANCING					
<u>Capital</u>					
General CA 5025 Lottery Acct		\$110,000	\$41,290	\$300,000	\$0
Capital Subtotal TOF, Project	1	\$110,000	\$41,290	\$300,000	\$0
Subtotal TOF, Project	1	\$110,000	\$41,290	\$300,000	\$0
Capital Subtotal, Category	5007	\$110,000	\$41,290	\$300,000	\$0
Informational Subtotal, Category	5007				
Total, Category	5007	\$110,000	\$41,290	\$300,000	\$0
AGENCY TOTAL -CAPITAL					
\$110,000					
AGENCY TOTAL -INFORMATIONAL					
\$0					
AGENCY TOTAL					
\$110,000					
METHOD OF FINANCING:					
<u>Capital</u>					
General 5025 Lottery Acct		\$110,000	\$41,290	\$300,000	\$0
Total, Method of Financing-Capital		\$110,000	\$41,290	\$300,000	\$0
Total, Method of Financing		\$110,000	\$41,290	\$300,000	\$0

5.A. Capital Budget Project Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/7/2018**
 TIME : **11:21:31AM**

Agency code: **362**

Agency name: **Texas Lottery Commission**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2018

Bud 2019

BL 2020

BL 2021

TYPE OF FINANCING:

Capital

General CA CURRENT APPROPRIATIONS

\$110,000

\$41,290

\$300,000

\$0

Total, Type of Financing-Capital

\$110,000

\$41,290

\$300,000

\$0

Total,Type of Financing

\$110,000

\$41,290

\$300,000

\$0

5.B. Capital Budget Project Information
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/7/2018
 TIME: 11:21:31AM

Agency Code:	362	Agency name:	Texas Lottery Commission
Category Number:	5002	Category Name:	CONST OF BLDGS/FACILITIES
Project number:	2	Project Name:	Construction-Capital Complex Bldg

PROJECT DESCRIPTION

General Information

Phase I of the Texas Capitol Complex Master Plan includes the construction of a new office building at 1801 Congress Avenue. The Texas Lottery will relocate its headquarters facility from its leased location at 611 E. 6th Street to the new building upon completion in 2022. In coordination with the Texas Facilities Commission, the Texas Lottery is requesting an exceptional item for building construction to support the agency's drawings production studio and specialized building space. The drawings studio and claim center have unique infrastructure requirements that support the agency's core business operations and these requirements are not included in the building construction appropriation provided to the Texas Facilities Commission. These requirements include, but are not limited to, satellite antennas, uninterruptible power supply, studio set floor, backdrop, electrical and lighting grid, and claim center and studio millwork and glass.

PLCS Tracking Key N/A
Number of Units / Average Unit Cost N/A
Estimated Completion Date 8/31/2021

Additional Capital Expenditure Amounts Required	2022	2023
	0	0
Type of Financing	CA CURRENT APPROPRIATIONS	
Projected Useful Life	20-30 years	
Estimated/Actual Project Cost	\$1,815,137	
Length of Financing/ Lease Period	N/A	

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

	2020	2021	2022	2023	Total over project life
	0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
---------------------------------	------------------------	------------------------------

Explanation: N/A
Project Location: Texas Lottery Commission Headquarters, Austin, Texas
Beneficiaries: Agency staff and the general public.

Frequency of Use and External Factors Affecting Use:

Upon completion, the building will be occupied Monday through Friday for business operations and the lottery drawings will be conducted Monday through Saturday, with occasional drawings occurring on Sundays. External factors that may affect this project include construction delays or schedule changes approved by the Texas Facilities Commission.

Agency code: 362 Agency name: Texas Lottery Commission

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
5002 Construction of Buildings and Facilities					
2/2	<i>Construction-Capital Complex Bldg</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-1 LOTTERY OPERATIONS	0	0	\$0	\$0
	1-1-4 SECURITY	0	0	0	0
	TOTAL, PROJECT	\$0	\$0	\$0	\$0
5007 Acquisition of Capital Equipment and Items					
1/1	<i>Lottery Drawing Equipment</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-4 SECURITY	110,000	41,290	300,000	0
	TOTAL, PROJECT	\$110,000	\$41,290	\$300,000	\$0
	TOTAL CAPITAL, ALL PROJECTS	\$110,000	\$41,290	\$300,000	\$0
	TOTAL INFORMATIONAL, ALL PROJECTS				
	TOTAL, ALL PROJECTS	\$110,000	\$41,290	\$300,000	\$0

362 Texas Lottery Commission

Category Code / Category Name <i>Project Number / Name</i>		Excp 2020	Excp 2021
OOE / TOF / MOF CODE			
5002 Construction of Buildings and Facilities			
<u>2 Construction-Capital Complex Bldg</u>			
Objects of Expense			
2007 RENT - MACHINE AND OTHER		0	79,462
2009 OTHER OPERATING EXPENSE		0	46,800
5000 CAPITAL EXPENDITURES		0	1,688,875
Subtotal OOE, Project	2	0	1,815,137
Type of Financing			
CA 5025 Lottery Acct		0	1,815,137
Subtotal TOF, Project	2	0	1,815,137
Subtotal Category	5002	0	1,815,137
AGENCY TOTAL		0	1,815,137
METHOD OF FINANCING:			
5025 Lottery Acct		0	1,815,137
Total, Method of Financing		0	1,815,137
TYPE OF FINANCING:			
CA CURRENT APPROPRIATIONS		0	1,815,137
Total, Type of Financing		0	1,815,137

362 Texas Lottery Commission

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Excp 2020	Excp 2021
5002 Construction of Buildings and Facilities			
2	Construction-Capital Complex Bldg		
1 1 1	LOTTERY OPERATIONS	0	7,836
1 1 1	LOTTERY OPERATIONS	0	22,800
1 1 1	LOTTERY OPERATIONS	0	1,480,619
1 1 4	SECURITY	0	71,626
1 1 4	SECURITY	0	24,000
1 1 4	SECURITY	0	208,256
TOTAL, PROJECT		0	1,815,137
TOTAL, ALL PROJECTS		0	1,815,137

6.A. Historically Underutilized Business Supporting Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/7/2018**
 Time: **11:21:32AM**

Agency Code: **362** Agency: **Texas Lottery Commission**

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2016 - 2017 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2016			Total Expenditures FY 2016		HUB Expenditures FY 2017			Total Expenditures FY 2017	
			% Actual	Diff	Actual \$	% Goal	% Actual	Diff	Actual \$	% Goal	Actual \$	
21.1%	Building Construction	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
32.9%	Special Trade	10.2 %	44.7%	34.5%	\$19,537	\$43,678	11.1 %	6.9%	-4.2%	\$4,463	\$64,966	
23.7%	Professional Services	23.7 %	92.2%	68.5%	\$1,060,528	\$1,149,793	23.7 %	78.2%	54.5%	\$1,191,818	\$1,523,626	
26.0%	Other Services	26.0 %	11.8%	-14.2%	\$19,848,506	\$167,971,515	26.0 %	12.9%	-13.1%	\$23,343,172	\$180,715,243	
21.1%	Commodities	21.1 %	63.0%	41.9%	\$2,078,861	\$3,302,352	21.1 %	62.7%	41.6%	\$1,761,706	\$2,810,340	
	Total Expenditures		13.3%		\$23,007,432	\$172,467,338		14.2%		\$26,301,159	\$185,114,175	

B. Assessment of Fiscal Year 2016 - 2017 Efforts to Meet HUB Procurement Goals

Attainment:

The agency attained or exceeded three of four, or 75% of the applicable agency HUB procurement goals in fiscal year 2016.
 The agency attained or exceeded two of four, or 50% of the applicable agency HUB procurement goals in fiscal year 2017.

Applicability:

The Heavy Construction and Building Construction categories were not applicable to agency operations in either Fiscal Year 2016 or 2017, since the agency did not have any strategies or programs relating to heavy or building construction.

Factors Affecting Attainment:

FY 2017: Special Trade Construction continues to be challenging for the TLC. As a tenant agency, the majority of contract decisions for renovations and lease improvements are not subject to the agency's control.

FY 2016-2017: Several specialized contracts account for a large percentage of the agency's spending in the Other Services category. There are very few vendors worldwide that provide lottery operations or scratch ticket manufacturing services, and there are no HUB prime vendors available for these contracts. The agency's HUB credit in "Other Services" is attained mainly through subcontracting expenditures, which may fluctuate from year to year.

"Good-Faith" Efforts:

Included the TLC HUB Coordinator in procurements over \$100,000 to assist in identifying subcontracting opportunities and evaluating subcontracting plans.
 Provided potential bidders/proposers with lists of certified HUBs for subcontracting opportunities.
 Held pre-bid/proposal conferences, offered one-on-one workshops, and reviewed draft HUB subcontracting plans to assist bidders/proposers with HUB subcontracting requirements.

6.A. Historically Underutilized Business Supporting Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/7/2018**
Time: **11:21:32AM**

Agency Code: **362** Agency: **Texas Lottery Commission**

Participated in statewide HUB forums and other outreach events to provide information about agency procurement processes and contract opportunities.
Hosted an annual agency HUB Forum that offered networking sessions with key staff and TLC contractors.
Provided HUB participation updates to Texas Lottery Commissioners.
Made HUB information available via the TLC Web site.
Continued to maintain a minority lottery retailer percentage of more than 40%.
Maintained current mentor protégé relationships while working to establish new relationships.

6.E. Estimated Revenue Collections Supporting Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

FUND/ACCOUNT	Act 2017	Exp 2018	Exp 2019	Bud 2020	Est 2021
<u>1</u> General Revenue Fund					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3152 Bingo Operators/Lessors	2,010,133	0	0	0	0
3153 Bingo Equipment	71,200	0	0	0	0
3170 Bingo Prize Fees	29,104,663	0	0	0	0
3719 Fees/Copies or Filing of Records	422	0	0	0	0
3754 Other Surplus/Salvage Property	6	0	0	0	0
3770 Administrative Penalties	65,925	0	0	0	0
3795 Other Misc Government Revenue	329	0	0	0	0
3802 Reimbursements-Third Party	17	0	0	0	0
Subtotal: Actual/Estimated Revenue	31,252,695	0	0	0	0
Total Available	\$31,252,695	\$0	\$0	\$0	\$0
DEDUCTIONS:					
Expended/Budgeted	(16,239,526)	0	0	0	0
Transfer - Employee Benefits	(570,099)	0	0	0	0
Benefit Replacement Pay	(5,134)	0	0	0	0
Total, Deductions	\$(16,814,759)	\$0	\$0	\$0	\$0
Ending Fund/Account Balance	\$14,437,936	\$0	\$0	\$0	\$0

REVENUE ASSUMPTIONS:

The funding stream for the administration of Bingo was transferred in the 85th Legislative Session (HB 2578) from Fund 0001 General Revenue to Fund 5175 GR Dedicated-Bingo Administration Account. HB 2578 also included a provision to refund each license holder who paid a license fee under Section 2001.014 or 2001.437, Occupations Code, any portion of the fee attributable to the license period after September 1, 2017, the effective date of the legislation. The reduction is noted in 2017 under 3152, Bingo Operators/Lessors.

CONTACT PERSON:

Kathy Pyka

6.E. Estimated Revenue Collections Supporting Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

FUND/ACCOUNT	Act 2017	Exp 2018	Exp 2019	Bud 2020	Est 2021
5025 Lottery Acct					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3176 Lottery License Application Fees	300,855	311,427	306,141	306,141	306,141
3177 Lottery Ticket Sales	5,077,461,652	5,505,134,027	5,510,802,475	5,510,802,475	5,510,802,475
3178 Lottery Security Proceeds	53,875	74,340	64,108	64,108	64,108
3719 Fees/Copies or Filing of Records	9,000	6,407	7,704	7,704	7,704
3727 Fees - Administrative Services	349,866	355,472	352,669	352,669	352,669
3802 Reimbursements-Third Party	440,311	856,998	460,750	460,750	460,750
Subtotal: Actual/Estimated Revenue	5,078,615,559	5,506,738,671	5,511,993,847	5,511,993,847	5,511,993,847
Total Available	\$5,078,615,559	\$5,506,738,671	\$5,511,993,847	\$5,511,993,847	\$5,511,993,847
DEDUCTIONS:					
Expended/Budgeted	(216,744,502)	(231,425,188)	(228,427,371)	(254,136,289)	(247,072,398)
Transfer - Employee Benefits	(5,227,714)	(5,143,365)	(5,299,385)	(5,299,385)	(5,299,385)
Benefit Replacement Pay	(54,382)	(42,794)	(42,794)	(42,794)	(42,794)
Unemployment Benefits	(4,824)	(973)	(973)	(973)	(973)
Rider 10, Lottery Operator Contract (2016-17 GAA)	(8,423,764)	0	0	0	0
Rider 11, Appn of Increased Revenue UB (2016-17 GAA)	(9,927,154)	0	0	0	0
Rider 11, Appn of Increased Revenue (2016-17 GAA)	(9,950,781)	0	0	0	0
Rider 9, Retailer Commission (2018-19 GAA)	0	0	(2,457,109)	0	0
Rider 10, Lottery Operator Contract (2018-19 GAA)	0	(12,373,925)	(10,859,931)	0	0
Rider 11, Appn of Increased Revenue UB (2018-19 GAA)	0	0	(8,342,978)	0	0
Rider 11, Appn of Increased Revenue (2018-19 GAA)	0	0	(7,322,185)	0	0
Lottery Winnings/Install Payments	(3,257,375,437)	(3,647,995,532)	(3,659,510,368)	(3,659,510,368)	(3,659,510,368)
Retailer Commissions	(253,928,168)	(275,256,701)	(275,540,124)	(275,540,124)	(275,540,124)
Transfers to Foundation School Fund	(1,312,856,719)	(1,387,258,315)	(1,383,266,545)	(1,383,266,543)	(1,383,266,545)
Transfers to Department of State Health Services	(4,904,882)	(439,444)	(439,442)	(439,444)	(439,442)
Transfers to Texas Veterans Commission	(16,206,348)	(17,149,013)	(17,237,330)	(17,237,330)	(17,237,330)
Total, Deductions	\$(5,095,604,675)	\$(5,577,085,250)	\$(5,598,746,535)	\$(5,595,473,250)	\$(5,588,409,359)

6.E. Estimated Revenue Collections Supporting Schedule
 86th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

FUND/ACCOUNT	Act 2017	Exp 2018	Exp 2019	Bud 2020	Est 2021
Ending Fund/Account Balance	\$(16,989,116)	\$(70,346,579)	\$(86,752,688)	\$(83,479,403)	\$(76,415,512)

REVENUE ASSUMPTIONS:

The lottery ticket sales estimate for FY 2018 was prepared in May for submission with the Base Reconciliation. Following three months of extraordinary scratch ticket sales growth and multi-state jackpot rolls, the sales estimate for FY 2018 is now projected at \$5.59 billion.

Lottery sales projections for FY 2019-2021 are anticipated in the range of \$5.51 billion.

CONTACT PERSON:

Kathy Pyka

6.E. Estimated Revenue Collections Supporting Schedule
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **362** Agency name: **Texas Lottery Commission**

FUND/ACCOUNT	Act 2017	Exp 2018	Exp 2019	Bud 2020	Est 2021
<u>5175</u> Bingo Administration					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3152 Bingo Operators/Lessors	0	629,282	629,282	629,282	629,282
3153 Bingo Equipment	0	63,600	63,600	63,600	63,600
3170 Bingo Prize Fees	0	29,400,000	29,400,000	29,400,000	29,400,000
3719 Fees/Copies or Filing of Records	0	587	587	587	587
3770 Administrative Penalties	0	21,270	21,270	21,270	21,270
Subtotal: Actual/Estimated Revenue	0	30,114,739	30,114,739	30,114,739	30,114,739
Total Available	\$0	\$30,114,739	\$30,114,739	\$30,114,739	\$30,114,739
DEDUCTIONS:					
Expended/Budgeted	0	(17,029,815)	(17,029,815)	(17,029,815)	(17,029,815)
Transfer - Employee Benefits	0	(551,190)	(614,570)	(614,570)	(614,570)
Benefit Replacement Pay	0	(4,364)	(4,364)	(4,364)	(4,364)
Total, Deductions	\$0	\$(17,585,369)	\$(17,648,749)	\$(17,648,749)	\$(17,648,749)
Ending Fund/Account Balance	\$0	\$12,529,370	\$12,465,990	\$12,465,990	\$12,465,990

REVENUE ASSUMPTIONS:

Revenues are projected to remain relatively flat.

The estimate for FY 2018-21 3152 Bingo Operator/Lessor is based on the repeal of bingo license fees for conductors in the 85th Legislative Session (HB 2578).

CONTACT PERSON:

Kathy Pyka

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018
Time: 11:30:51AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Item Priority and Name/ <u>Method of Financing</u>	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total

1 Bingo Prize Fee Reduction-Option 1

Category: Programs - Grant/Loan/Pass-through Reductions

Item Comment: If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

Gr Dedicated

5175 Bingo Administration	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000
Gr Dedicated Total	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000
Item Total	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000

FTE Reductions (From FY 2020 and FY 2021 Base Request)

2 Bingo Prize Fee Reduction-Option 2

Category: Programs - Grant/Loan/Pass-through Reductions

Item Comment: If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
<u>Gr Dedicated</u>									
5175 Bingo Administration	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000
Gr Dedicated Total	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000
Item Total	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000

FTE Reductions (From FY 2020 and FY 2021 Base Request)

3 Bingo Prize Fee Reduction-Option 3

Category: Programs - Grant/Loan/Pass-through Reductions

Item Comment: If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

Gr Dedicated

5175 Bingo Administration	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000
Gr Dedicated Total	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000
Item Total	\$0	\$0	\$0	\$362,012	\$362,013	\$724,025	\$14,480,500	\$14,480,500	\$28,961,000

FTE Reductions (From FY 2020 and FY 2021 Base Request)

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018
Time: 11:30:51AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Item Priority and Name/ <u>Method of Financing</u>	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total

4 Bingo Prize Fee Reduction-Option 4

Category: Programs - Grant/Loan/Pass-through Reductions

Item Comment: If the 10% across the board reductions were implemented for the FY 2020-21 biennium, the Commission would be required to reduce \$2,896,100 from supplemental appropriations made from Rider 8 of \$28,961,000. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by \$1,448,050 each year of the biennium. It is assumed there would be no impact to the counties and municipalities that benefit from these supplemental appropriations as they are estimated and appropriated based on actual bingo prize fees collected. An incremental reduction of 2.5% would result in a decrease of \$724,025 for the biennium.

Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting

Gr Dedicated

5175 Bingo Administration	\$0	\$0	\$0	\$362,012	\$362,012	\$724,024	\$14,480,500	\$14,480,500	\$28,961,000
Gr Dedicated Total	\$0	\$0	\$0	\$362,012	\$362,012	\$724,024	\$14,480,500	\$14,480,500	\$28,961,000
Item Total	\$0	\$0	\$0	\$362,012	\$362,012	\$724,024	\$14,480,500	\$14,480,500	\$28,961,000

FTE Reductions (From FY 2020 and FY 2021 Base Request)

5 Bingo Administrative Fund Reduction-Option 1

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.3. (Bingo Law Compliance Field Operation). This reduction would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

Strategy: 2-1-3 Bingo Law Compliance Field Operations

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018
Time: 11:30:51AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
<u>Gr Dedicated</u>									
5175 Bingo Administration	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
Gr Dedicated Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
Item Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
FTE Reductions (From FY 2020 and FY 2021 Base Request)					1.0	1.0			

6 Bingo Administrative Fund Reduction-Option 2

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.3. (Bingo Law Compliance Field Operation). This reduction would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

Strategy: 2-1-3 Bingo Law Compliance Field Operations

Gr Dedicated

5175 Bingo Administration	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
Gr Dedicated Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
Item Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018
Time: 11:30:51AM

Agency code: 362 Agency name: Texas Lottery Commission

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total
FTE Reductions (From FY 2020 and FY 2021 Base Request)					1.0	1.0			
7 Bingo Administrative Fund Reduction-Option 3									
Category: Programs - Service Reductions (Contracted)									
Item Comment: If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.									
A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.3. (Bingo Law Compliance Field Operation). This reduction would limit the operating capabilities and efficiencies regarding the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.									
Strategy: 2-1-3 Bingo Law Compliance Field Operations									
<u>Gr Dedicated</u>									
5175 Bingo Administration	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
Gr Dedicated Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
Item Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$1,449,216	\$1,449,216	\$2,898,432
FTE Reductions (From FY 2020 and FY 2021 Base Request)					1.0	1.0			

8 Bingo Administrative Fund Reduction-Option 4

Category: Programs - Service Reductions (Contracted)

Item Comment: If the 10% across the board reductions were implemented for the FY2020-21 biennium, the Commission would be required to reduce \$509,863 from an administrative budget of \$5,098,630. This would reflect a reduction of 4.0 FTE's from the 41.0 FTE's budgeted.

A plan to reduce 2.5% or \$127,466 of the \$5,098,630 would be to eliminate 1 FTE in Strategy B.1.4. (Bingo Prize Fee Collection and Accounting). This reduction would limit the operating capabilities and efficiencies in processing quarterly prize fees and analyzing licensed bingo conductors quarterly reports for completeness.

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/7/2018
Time: 11:30:51AM

Agency code: **362** Agency name: **Texas Lottery Commission**

Item Priority and Name/ <u>Method of Financing</u>	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT			TARGET
	2020	2021	Biennial Total	2020	2021	Biennial Total	2020	2021	Biennial Total	
Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting										
<u>Gr Dedicated</u>										
5175 Bingo Administration	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$316,844	\$316,844	\$633,688	
Gr Dedicated Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$316,844	\$316,844	\$633,688	
Item Total	\$0	\$0	\$0	\$63,733	\$63,733	\$127,466	\$316,844	\$316,844	\$633,688	
FTE Reductions (From FY 2020 and FY 2021 Base Request)					1.0	1.0				
AGENCY TOTALS										
GR Dedicated Total				\$1,702,980	\$1,702,983	\$3,405,963				\$3,405,963
Agency Grand Total	\$0	\$0	\$0	\$1,702,980	\$1,702,983	\$3,405,963	\$62,586,492	\$62,586,492	\$125,172,984	\$3,405,963
Difference, Options Total Less Target										
Agency FTE Reductions (From FY 2020 and FY 2021 Base Request)				4.0	4.0					
Article Total				\$1,702,980	\$1,702,983	\$3,405,963	\$62,586,492	\$62,586,492	\$125,172,984	
Statewide Total				\$1,702,980	\$1,702,983	\$3,405,963	\$62,586,492	\$62,586,492	\$125,172,984	