Legislative Appropriations Request

For Fiscal Years 2018 and 2019

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

by

Texas Lottery Commission

August 19, 2016

Legislative Appropriations Request

for Fiscal Years 2018 and 2019

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

by

Texas Lottery Commission

Commission Members	Dates of Term	Hometown
J. Winston Krause	February 4, 2013 – February 1, 2019	Austin, Texas
Carmen Arrieta-Candelaria	August 10, 2015 – February 1, 2017	El Paso, Texas
Doug Lowe	August 10, 2015 – February 1, 2017	Palestine, Texas
Peggy A. Heeg	August 10, 2015 – February 1, 2019	Houston, Texas
Robert Rivera	August 10, 2015 – February 1, 2021	Arlington, Texas

Submitted: August 19, 2016

Submitted by: _____
Gary Grief, Executive Director

Approved by: _____
J. Winston Krause, Chairman

Legislative Appropriations Request
for Fiscal Years 2018 and 2019
Texas Lottery Commission

Table of Contents

Administrator's Statement
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/16/2016 10:50:41AM

362 Texas Lottery Commission

Names, Terms of Office, Hometowns of Commission Members

J. Winston Krause	February 4, 2013 – February 1, 2019	Austin, TX
Carmen Arrieta-Candelaria	August 10, 2015 – February 1, 2017	El Paso, TX
Peggy Heeg	August 10, 2015 – February 1, 2019	Houston, TX
Doug Lowe	August 10, 2015 – February 1, 2017	Palestine, TX
Robert Rivera	August 10, 2015 – February 1, 2021	Arlington, 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 2015 the Texas Lottery has generated well over $24.1 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 $18.3 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 $52.2 million to the Fund for Veterans' Assistance, with a record amount of revenue transferred during FY 2015.

In FY 2015, the Texas Lottery Commission transferred $1.225 billion to the Foundation School Fund and $13.1 million to the Fund for Veterans' Assistance, the largest amounts transferred to each program in the Texas Lottery's history. Including unclaimed prize money, total revenue transferred to the state was $1.24 billion, also establishing a new record for total annual state revenue. This also marked the 12th consecutive year the Texas Lottery has reached the $1 billion mark in total transfers since 2004. The Commission's revenue transfer in FY 2015 was based on overall lottery sales of $4.53 billion, also the highest level of total sales in the Texas Lottery's history.

The Texas Lottery will reach the $5 billion sales level in FY 2016 for the first time in the Commission's history. The growth can be attributed to another year of record breaking scratch ticket sales and proceeds from the $1.5 billion Powerball jackpot that occurred in January 2016. This growth in sales will result in another record year in total revenue transferred to the state with a revenue gain of more than $100 million over FY 2015.

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 2015, the Texas Lottery Commission transferred $76.2 million in unclaimed prizes to the state. This brings the total to $939.7 million 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 $181.3 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 $8.5 million for the state over the past three years to satisfy debt that might have otherwise gone unpaid.

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.

Charitable Bingo Revenue and Business Activities
Since the first licenses were issued in 1982, charitable bingo has had positive benefits for charities, players, and state, county and municipal governments in Texas. Gross receipts from the conduct of charitable bingo total more than $19.2 billion, bingo prizes awarded have been in excess of $14.1 billion, and allocations to local jurisdictions have totaled approximately $315.9 million. By the end of calendar year 2015, the total amount of charitable distributions from the conduct of bingo exceeds $1 billion.

In calendar year 2015, reported gross receipts were over $756.7 million which was the highest they have been since 1981 when charitable bingo was legalized in Texas. Total prizes reported paid to players in 2015 were more than $575.3 million, also the highest in the history of charitable bingo in Texas. Charitable distributions were more than $28.5 million.

In FY 2015, a major completed business activity has been the implementation of the Bingo Operating Services System referred to as BOSS. This vastly improved, more efficient bingo operating system is used daily by staff in the administration and management of the charitable bingo program. This one-time General Revenue funding appropriated to the Texas Lottery Commission by the 83rd Texas Legislature was a worthwhile investment as BOSS allows licensees and bingo workers the ability to submit applications, reports, and remit payments online. It allows the Division to provide a fiscal analysis of a licensees reported sales and expenditures. If utilized, this fiscal analysis can assist licensees to perform more efficiently to increase their charitable distributions.

A major part of the Texas Lottery's budget is concentrated in the Lottery Operations Division budget, which accounts for the commission paid to the lottery operator. 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. This contract expires August 31, 2020. This is by far the largest contract, valued at approximately $952 million over the initial nine-year term, managed by the agency.

Exceptional Items
The Commission is requesting one exceptional item amounting to $18.6 million to seek restoration of the 4% budget reduction to the Lottery Dedicated Account. The Exceptional Item is prioritized to allow for continued administrative and revenue generating functions, provide essential services, and most importantly, allow for restoration of lottery revenue to the Foundation School Fund.

The sale of lottery tickets is used to pay of all administrative costs of the Texas Lottery operations. The Commission's funding under the Lottery Dedicated Account is primarily devoted to outsourced services. The unique public-private structure, known within the lottery industry as the "Texas Model", allows the agency to maintain administrative, regulatory and management control over all critical functions while utilizing private enterprises' inherent efficiency and profit motive to optimize the Texas Lottery's revenue potential. Under this public-private concept, the agency addresses a number of significant business functions through contractual arrangements with seven primary vendors. Almost 90% of the Texas Lottery's administrative budget is either outsourced or is dedicated to retailer compensation.

In order to comply with the mandatory 4% reduction of $18.6 million, the following outsourced programs or retailer compensation programs were reduced, and

Administrator's Statement   8/16/2016 10:50:41AM
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

restoration of each of these programs is requested:

- Mass Media Advertising Services - $7.1 million
- Scratch Ticket Production Services - $6.7 million
- Retailer Commissions (Incentive) - $4.8 million

While a budget reduction of 4% amounts to $18.6 million, this reduction has an exponentially greater impact to revenue to the State's beneficiaries, retailers and players. The following economic impacts are estimated over the biennium as a result of the 4% budget reduction:

- Sales reduction of $1.2 billion
- Revenue reduction to Foundation School Fund of $255 million
- Retailer compensation reduction of $64 million

Rider Revisions
The Commission is requesting a new Rider to address the funding mechanism of the Strategy A.1.7, Scratch Ticket Production and Services Contract(s). The current funding structure reflects a fixed budget for the strategy that does not provide for increased sales from scratch ticket product growth. Scratch ticket sales have realized year-over-year increases since FY 2011 and scratch ticket games continue to be a growing product category in Texas. In FY 2015, scratch tickets represented approximately 77 percent of total lottery sales.

The proposed Rider would provide for an estimated funding structure similar to the agency's Lottery Operator Contract which is funded by Rider 10. The Lottery Operator Strategy budget is increased to an amount equal to 2.2099 percent of gross sales upon exceeding the Strategy A.1.6 strategy budget.

The proposed Rider reflects a similar funding mechanism in which additional funding via the Rider would only occur if scratch ticket sales reach a certain threshold. The proposed Rider reflects an increase to the Scratch Ticket Production and Services Contract(s) Strategy budget to an amount equal to 1.1 percent of scratch ticket sales upon exceeding the Strategy A.1.7 strategy budget. It is requested that Strategy A.1.7 also be modified to be an estimated and nontransferable strategy not subject to Article IX transfer authority.

Funding for this Rider would not cost the Appropriation Bill and would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

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. 14-705) categorized the position as a "Tier 1 Position" within state government and recommended the Executive Director position be classified within Salary Group 7 at a salary rate of $254,700. In order to be flexible in its recruitment and retention of an Executive Director, it is important to maintain a competitive salary rate for this position.

4% Reduction from Base Appropriation Levels
The Commission's 4% reduction for General Revenue and General Revenue Dedicated Accounts follows:

362 Texas Lottery Commission

- General Revenue $1,236,387 of $30,909,677 appropriation
- General Revenue Lottery Dedicated $18,631,452 of $465,786,305 appropriation

General Revenue
The General Revenue reduction of $1,236,387 includes a reduction of 2 audit related FTE's from the current staffing of 45.0 FTE's within the Bingo division. Overall this reduction would limit audit and inspection activities by decreasing the number of activities by approximately 45. The Commission is not seeking restoration of the 2 FTE's as there are not lower-priority programs or other cost savings available for consideration within an Exceptional Item Request as outlined in the June 2016 Policy letter.

The Bingo division is required to be self-supporting, meaning that the agency collects revenue from the bingo industry to cover all Bingo division expenditures. Following an across the board reduction during the 2012-13 biennium, the Bingo division's budget was reduced by 26 percent and 14 FTE's were eliminated. The FTE's were restored during the 2014-15 biennium, however the Commission was required to increase licensing fees to fund the restoration of the FTE's. A review of the current fee structure will need to be performed following the 85th Legislative Session to ensure that the Commission is not over collecting fees following any enacted budget reductions.

The balance of the General Revenue reduction, or $1,010,840, is a reduction to bingo prize fees collections. It is assumed there would be no impact to the counties and municipalities that benefit from these prize fee allocations as the appropriation is estimated and appropriated based on actual bingo prize fees collected.

General Revenue Lottery Dedicated
The General Revenue Lottery Dedicated reduction of $18,631,452 includes a reduction to the following programs in which restoration is requested under Exceptional Item 1:

- Mass Media Advertising Services Contract(s) - $7.1 million from $64.0 million budget
- Scratch Ticket Production Services Contract(s) - $6.7 million from $60.3 million budget
- Retailer Commissions (Incentive) - $4.8 million from $44.1 million budget

Mass Media Advertising Services Contract(s)
Contracted advertising services include 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.

It is anticipated that a reduction of $7.1 million to the advertising budget will result in a reduction of revenue to the State's beneficiaries of $53.0 million. This estimation is based on research performed by the Texas A&M Mays Business School in 2014 to determine the impact of advertising on lottery sales in the state of Texas. The research models in the Texas A&M report suggest that lowering advertising expenditures could lead to a significant decrease in lottery sales. More specifically, the results suggest that a 10 percent decrease in advertising (expenditures) would result in a 17 percent decrease in lottery sales. The Texas A&M modeling further concluded that if the long-term impact of advertising were to be considered, the potential impact to sales and revenue for the state would be even greater.

The Texas Lottery's appropriated advertising budget has diminished in nominal dollars from $40 million in Fiscal Year 1993 to $32 million in FY 2015. However, the effects of inflation are even more pronounced. An advertising budget of $40 million in FY 1993 dollars would equate to $65.4 million in FY 2015 dollars, adjusted for

362 Texas Lottery Commission

inflation.

In 1993, lottery products consisted of one draw game and two scratch games. The Texas Lottery now offers nine draw games and approximately 90 scratch games annually. The current budget presents significant challenges in advertising and communicating with the public effectively about these products.

Since 1993, the population of Texans over the age of 18 has increased by 53 percent from 12.6 million to 19.3 million in 2015. The state's population has become more ethnically diverse, reaching minority-majority status. The increased population and decreased appropriated advertising budget have combined to lower per capita advertising expenditures over this period by 52 percent from $3.17 to $1.65. According to the LaFleur's 2016 World Lottery Almanac, Texas ranks 39 of 44 reporting state lotteries in advertising budget per capita and had the lowest per capita advertising spending among the top 10 performing U.S. lotteries, as measured by total sales.

An additional reduction of $7.1 million to the Mass Media Advertising Services budget would require the agency to further limit the products that it communicates about and the markets where it places advertising communications to the public.

Scratch Ticket Production Services Contract(s)
Services included under these contracts include scratch ticket development and manufacturing services through scratch ticket vendors. Other services under the contracts include production of coupons, direct mail pieces, second chance drawing programs, provision of branded/licensed 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.

It is anticipated that a reduction of $6.7 million to the Scratch Ticket Production Services budget will result in a reduction of revenue to the State's beneficiaries of $183.4 million, as fewer scratch ticket games will be available in the marketplace.

The Commission has continued to achieve strong growth in its scratch product category. During FY 2015, scratch ticket sales were $3.48 billion and represented approximately 77 percent of total lottery sales. Scratch Ticket sales will set another sales record in FY 2016 exceeding the FY 2015 record sales.

Retailer Commissions (Incentive)
The Texas Lottery received authorization and funding via Rider 9b appropriation for an additional 0.5 percent allocation of gross sales for retailer sales performance commissions in 2010-11. From inception of the program in September 2009 through the end of FY 2015, the Commission has executed 17 individual primary incentive programs plus two secondary programs. Retailers are incentivized exclusively on performance and must achieve same-store sales growth. Qualifying retailers have generated more than $1.205 billion in additional sales, yielding more than $214.82 million in incremental revenue for the state.

It is anticipated that a reduction of $4.8 million to the retailer incentive program will result in a reduction of revenue to the State's beneficiaries of $18.0 million.

Central Administration
Based on the unique situation the Lottery Commission is in as a revenue generator for the Foundation School Fund, the Commission is taking additional steps to address the budget reductions in the spirit of the policy letter from leadership. In addition to the 4% General Revenue Dedicated reduction of $18.6 million outlined above, the Commission is reducing the baseline request by an additional $450,000 and not seeking restoration of this funding. The reduction is to the Central Administration strategy.

10% Reduction from Base Appropriation Levels

362 Texas Lottery Commission

The Commission's 10% reduction for General Revenue and General Revenue Dedicated Accounts follows:

•   General Revenue $2,967,329 of $29,673,290 base appropriation
•   General Revenue Lottery Dedicated $44,715,485 of $447,154,853 base appropriation

General Revenue
If order to achieve a 10% across the board reduction for the Bingo program, the Commission would reduce a total of 6.0 FTE's in the areas of Bingo Law Compliance Field Operations, Bingo Education and Development and Bingo Prize Fee Collections and Accounting for the biennium to generate savings of $541,313. 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 $2,426,016.

The Bingo Law Compliance program includes regulating licensees' compliance with the Bingo Enabling Act and the Charitable Bingo Administrative Rules. A reduction in funding would limit the operating capabilities of the division including a reduction in the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

The Bingo Education and Development program provides 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. It is anticipated that a reduction in this area would reduce education and training opportunities provided to licensees' statewide as well as increase application processing times.

Bingo Prize Fee Collections and Accounting includes assisting licensees with the filing of quarterly reports, reviewing filed reports for completeness and managing their financial data. This area analyzes the data reported by licensed bingo conductors that fail to have positive net proceeds on their quarterly reports to help them improve their charitable bingo operations. A reduction in this area should have a minimal impact on operations as the division has experienced efficiencies from the new Bingo Operations Support System implemented in FY 2015 and an increased usage of the Bingo Services Portal by licensees and workers.

The Bingo Prize Fee Allocation program is authorized by Section 2001.503 of the Texas Occupations Code which provides for a quarterly 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 not 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.

General Revenue Dedicated
If order to achieve a 10% across the board reduction for the Lottery program, the Commission would reduce a total of $44,715,485 from the following programs:

•   Mass Media Advertising Services Contract(s) - $17.0 million from $56.9 million budget
•   Scratch Ticket Production Services Contract(s) - $16.0 million from $53.6 million budget
•   Retailer Commissions (Incentive) - $11.7 million from $39.3 million budget

Mass Media Advertising Services Contract(s)

362 Texas Lottery Commission

Contracted advertising services include 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.

It is anticipated that a reduction of $17.0 million to the advertising budget will result in a reduction of revenue to the State's beneficiaries of $127.4 million. This estimation is based on research performed by the Texas A&M Mays Business School in 2014 to determine the impact of advertising on lottery sales in the state of Texas. The research models in the Texas A&M report suggest that lowering advertising expenditures could lead to a significant decrease in lottery sales. More specifically, the results suggest that a 10 percent decrease in advertising (expenditures) would result in a 17 percent decrease in lottery sales. The Texas A&M modeling further concluded that if the long-term impact of advertising were to be considered, the potential impact to sales and revenue for the state would be even greater.

Scratch Ticket Production Services Contract(s)
Services included under these contracts include scratch ticket development and manufacturing services through scratch ticket vendors. Other services under the contracts include production of coupons, direct mail pieces, second chance drawing programs, provision of branded/licensed 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.

It is anticipated that a reduction of $16.0 million to the Scratch Ticket Production Services budget will result in a reduction of revenue to the State's beneficiaries of $439.3 million, as fewer scratch ticket games will be available in the marketplace.

The Commission has continued to achieve strong growth in its scratch product category. During FY 2015, scratch ticket sales were $3.48 billion and represented approximately 77 percent of total lottery sales. Scratch Ticket sales will set another sales record in FY 2016 exceeding the FY 2015 record sales.

Retailer Commissions (Incentive)
The Texas Lottery received authorization and funding Rider 9b appropriation for an additional 0.5 percent allocation of gross sales for retailer sales performance commissions in 2010-11. From inception of the program in September 2009, through the end of FY 2015, the Commission has executed 17 individual primary incentive programs plus two secondary programs. Retailers are incentivized exclusively on performance and must achieve same-store sales growth. Qualifying retailers have generated more than $1.206 billion in additional sales, yielding more than $214.82 million in incremental revenue for the state.

It is anticipated that a reduction of $11.7 million to the retailer incentive program will result in a reduction of revenue to the State's beneficiaries of $44.7 million.

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.

TEXAS LOTTERY COMMISSION ORGANIZATIONAL STRUCTURE
Descriptions

COMMISSIONERS

The five-member Texas Lottery Commission sets policy, promulgates rules for the agency and performs all other duties required by law.

CHARITABLE BINGO OPERATIONS DIVISION

Responsible for the regulation of all activities relating to the conduct of charitable bingo games in the state of Texas. The division is organized into two departments: Taxpayer Services and Audit Services

EXECUTIVE DIVISION

The focal point for the decision making and strategic planning related to the day-to-day operation and administration of the Texas Lottery. The Executive Director plays a key role in the short and long-term planning for the agency.

INTERNAL AUDIT

Serves as an independent appraisal function within the agency. Provides independent, objective assurance and consulting/advisory services designed to add value and improve the agency's operations.

LOTTERY OPERATIONS

Responsible for player, retailer and vendor compliance with statutory requirements. The division serves as the regulatory arm of the Texas Lottery while also contributing substantially to the agency's revenue-collection function. The division is organized into four distinct functional areas: Advertising, Promotions & Validations, Products & Drawings, Retailer Services, and Security.

OFFICE OF THE CONTROLLER

Provides financial services and reporting functions for the agency in accordance with statutes and requirements set by oversight agencies. Functions include financial statements and reports, payroll, accounts payable, sales reports, revenue projections, fiscal notes, allocations, performance measures, budgeting, and IRS reporting.

ADMINISTRATION DIVISION

Serves the needs of the agency in the areas of information resources, and support services. Information Resources is responsible for managing the agency's network infrastructure, telecommunication, and website. Support Services is organized into four distinct functional areas: Facilities, Research, Purchasing/Contracts, and Publications and Graphics.

HUMAN RESOURCES

Responsible for the recruitment and selection processes of new employees as well as workforce planning and employee retention. The division also assists management with employee performance evaluations, salary actions, and compensation. Also responsible for the coordination of employee benefits.

MEDIA RELATIONS

Serves as the first point of contact for all inquiries from local, state, and national news medias. Director works in conjunction with Executive Director and Bingo Director to develop and execute a media relations strategy that supports the agency's mission and vision.

GOVERNMENTAL AFFAIRS

Serves as the agency's primary liaison with the legislative and executive branches of state government. The division coordinates and implements legislative strategy and initiatives to further enhance the agency's goals.

LEGAL SERVICES

Serves the agency and provides legal advice, assistance and services to the Commissioners, Executive Director, Bingo Director, Internal Audit and staff.

ENFORCEMENT DIVISION

Investigates and prosecutes administrative violations of the Lottery Act and Bingo Enabling Act. The division's commissioned peace officers and administrative investigators work closely with local law enforcement agencies, district and county attorneys and agency staff.

TEXAS LOTTERY COMMISSION ORGANIZATIONAL STRUCTURE
AGENCY FTEs 324.5

COMMISSIONERS
2 FTEs

CHARITABLE BINGO OPERATIONS DIVISION
Director
10 FTEs

EXECUTIVE DIRECTOR
10 FTEs

INTERNAL AUDIT

LICENSING & ACCOUNTING SERVICES
Manager
11 FTEs

AUDIT SERVICES
Manager
21 FTEs

MEDIA RELATIONS DIVISION
Director
6 FTEs

GOVERNMENTAL AFFAIRS DIVISION
Director
3 FTEs

HUMAN RESOURCES DIVISION
Director
5 FTEs

ENFORCEMENT DIVISION
Director
15 FTEs

LEGAL SERVICES DIVISION
General Counsel
2 FTEs
Deputy General Counsel
12.5

OFFICE OF THE CONTROLLER
Director
3 FTEs

ADMINISTRATION DIVISION
Director
3 FTEs

LOTTERY OPERATIONS
Director
6 FTEs

FINANCIAL ACCOUNTING & REPORTING
Manager
12 FTEs

FINANCIAL OPERATIONS
Manager
7 FTEs

SUPPORT SERVICES
Manager
8 FTEs

Facilities Manager
15.5 FTEs

Purchasing/
Contracts Manager
7 FTEs

INFORMATION RESOURCES
Manager
37 FTEs

RETAILER SERVICES
Manager
3 FTEs

Assistant Manager
2 FTEs

Supervisor
19 FTEs

Supervisor
14 FTEs

PRODUCTS & DRAWINGS
Manager
13 FTEs

Drawings Supervisor
12 FTEs

ADVERTISING, PROMOTIONS, & VALIDATIONS
Manager
5 FTEs

Adv & Promotions Mgr
8 FTEs

Validations Supervisor
8 FTEs

North Supervisor
20 FTEs
South Supervisor
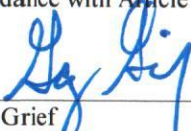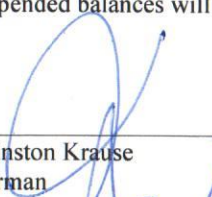20 FTEs

SECURITY
Manager
5 FTEs

CERTIFICATE

Agency Name: **Texas Lottery Commission**

This is to certify that the information contained in the agency Legislative Appropriation Request filed with the Legislative Budget Board (LBB) and the Office of the Governor, Budget Division, 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 (2016–17 GAA).

_____
Gary Grief
Executive Director

_____
8/16/16
Date

_____
J. Winston Krause
Chairman

_____
8/16/2016
Date

_____
Kathy Pyka
Controller

8·16·16
_____
Date

362 Texas Lottery Commission

Appropriation Years: 2018-19

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2016-17	2018-19	2016-17	2018-19	2016-17	2018-19	2016-17	2018-19	2016-17	2018-19	2018-19
Goal: 1. Run Self-supporting, Revenue-producing, and Secure Lottery											
1.1.1. Lottery Operations			14,930,931	15,210,922					14,930,931	15,210,922	
1.1.2. Lottery Field Operations			5,691,777	5,865,219					5,691,777	5,865,219	
1.1.3. Marketing And Promotion			13,944,438	13,811,405					13,944,438	13,811,405	
1.1.4. Security			11,276,958	11,382,403					11,276,958	11,382,403	
1.1.5. Central Administration			25,259,097	25,540,477					25,259,097	25,540,477	
1.1.6. Lottery Operator Contract(S)			207,695,833	194,896,562					207,695,833	194,896,562	
1.1.7. Scratch Ticket Product. Contract(S)			60,300,000	53,592,678					60,300,000	53,592,678	6,707,322
1.1.8. Mass Media Advertising Contract(S)			65,500,000	56,920,048					65,500,000	56,920,048	7,079,952
1.1.9. Drawing & Broadcast Contract(S)			5,269,711	5,270,356					5,269,711	5,270,356	
1.1.10. Market Research Contract(S)			1,017,935	1,105,240					1,017,935	1,105,240	
1.1.11. Retailer Bonus			8,145,175	8,400,000					8,145,175	8,400,000	
1.1.12. Retailer Commissions			46,754,450	39,252,062					46,754,450	39,252,062	4,844,178
Total, Goal			**465,786,305**	**431,247,372**					**465,786,305**	**431,247,372**	**18,631,452**
Goal: 2. Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully											
2.1.1. Bingo Licensing	1,610,977	1,418,914							1,610,977	1,418,914	
2.1.2. Bingo Education And Development	296,354	285,408							296,354	285,408	
2.1.3. Bingo Law Compliance Field Oper	3,153,621	3,075,120							3,153,621	3,075,120	
2.1.4. Bingo Prize Fee Collection & Acct	25,848,725	633,688							25,848,725	633,688	
Rdr: 8-1 Local Bingo Prize Fee		24,260,160								24,260,160	
Total, Goal	**30,909,677**	**29,673,290**							**30,909,677**	**29,673,290**	
Total, Agency	**30,909,677**	**29,673,290**	**465,786,305**	**431,247,372**					**496,695,982**	**460,920,662**	**18,631,452**
Total FTEs									**326.5**	**324.5**	**0.0**

362 Texas Lottery Commission

Goal / *Objective* / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
1 Run Self-supporting, Revenue-producing, and Secure Lottery					
1 *Generate Revenue through Ticket Sales*					
1 LOTTERY OPERATIONS	7,654,818	7,403,897	7,527,034	7,603,716	7,607,206
2 LOTTERY FIELD OPERATIONS	2,559,647	2,802,872	2,888,905	2,932,241	2,932,978
3 MARKETING AND PROMOTION	5,056,712	6,871,963	7,072,475	6,892,545	6,918,860
4 SECURITY	4,885,359	5,768,179	5,508,779	5,903,324	5,479,079
5 CENTRAL ADMINISTRATION	10,730,301	12,270,037	12,989,060	12,770,226	12,770,251
6 LOTTERY OPERATOR CONTRACT(S)	94,398,225	110,247,552	97,448,281	97,448,281	97,448,281
7 SCRATCH TICKET PRODUCT. CONTRACT(S)	19,687,063	28,300,000	32,000,000	26,796,339	26,796,339
8 MASS MEDIA ADVERTISING CONTRACT(S)	31,240,074	33,500,000	32,000,000	28,460,024	28,460,024
9 DRAWING & BROADCAST CONTRACT(S)	2,602,998	2,634,533	2,635,178	2,635,178	2,635,178
10 MARKET RESEARCH CONTRACT(S)	507,805	552,620	465,315	552,620	552,620
11 RETAILER BONUS	2,122,926	3,945,175	4,200,000	4,200,000	4,200,000

362 Texas Lottery Commission

Goal / *Objective* / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
12 RETAILER COMMISSIONS	19,764,001	18,249,052	28,505,398	19,626,031	19,626,031
TOTAL, GOAL 1	$201,209,929	$232,545,880	$233,240,425	$215,820,525	$215,426,847
2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully					
1 *Curtail Violations of Bingo Laws/Rules*					
1 BINGO LICENSING	1,974,346	901,520	709,457	709,457	709,457
2 BINGO EDUCATION AND DEVELOPMENT	74,246	153,650	142,704	142,704	142,704
3 BINGO LAW COMPLIANCE FIELD OPER	1,342,918	1,511,625	1,641,996	1,537,560	1,537,560
4 BINGO PRIZE FEE COLLECTION & ACCT	13,907,816	12,896,381	12,952,344	316,844	316,844
TOTAL, GOAL 2	$17,299,326	$15,463,176	$15,446,501	$2,706,565	$2,706,565
TOTAL, AGENCY STRATEGY REQUEST	$218,509,255	$248,009,056	$248,686,926	$218,527,090	$218,133,412
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				$12,130,080	$12,130,080
GRAND TOTAL, AGENCY REQUEST	$218,509,255	$248,009,056	$248,686,926	$230,657,170	$230,263,492

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Goal / *Objective* / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
METHOD OF FINANCING:					
General Revenue Funds:					
1 General Revenue Fund	17,299,326	15,463,176	15,446,501	14,836,645	14,836,645
SUBTOTAL	$17,299,326	$15,463,176	$15,446,501	$14,836,645	$14,836,645
General Revenue Dedicated Funds:					
5025 Lottery Acct	201,209,929	232,545,880	233,240,425	215,820,525	215,426,847
SUBTOTAL	$201,209,929	$232,545,880	$233,240,425	$215,820,525	$215,426,847
TOTAL, METHOD OF FINANCING	$218,509,255	$248,009,056	$248,686,926	$230,657,170	$230,263,492

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

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

GENERAL REVENUE

1 General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2014-15 GAA)					
	$3,983,744	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)					
	$0	$2,772,945	$2,772,945	$0	$0
Regular Appropriations from MOF Table					
	$0	$0	$0	$2,706,565	$2,706,565

RIDER APPROPRIATION

Rider 8, Local Bingo Prize Fees (2014-15 GAA)					
	$12,635,500	$0	$0	$0	$0
Rider 15, Bingo Third Party Reimbursements (2014-15 GAA)					
	$22,533	$0	$0	$0	$0

Comments: 3rd party reimbursements are made up of reimbursements from
bingo manufacturers for pull tab testing performed by agency staff. The agency
discontinued pull tab testing in late FY15.

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

GENERAL REVENUE

Rider 8, Local Bingo Prize Additional (2014-15 GAA)

	$1,126,134	$0	$0	$0	$0

Rider 8, Local Bingo Prize Fees (2016-17 GAA)

	$0	$12,635,500	$12,635,500	$0	$0

Rider 8, Local Bingo Prize Fee

	$0	$0	$0	$12,130,080	$12,130,080

TRANSFERS

Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)

	$39,201	$0	$0	$0	$0

Comments: Amount transferred and spent

Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17 GAA)

	$0	$54,731	$38,056	$0	$0

Comments: Salary increase of 2.5% was estimated based on actual salaries as of 8/31/15. Vacancies were not included.

LAPSED APPROPRIATIONS

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE					
Regular Appropriations from MOF Table (2014-15 GAA)					
	$(510,367)	$0	$0	$0	$0

        Comments: The majority of lapsed appropriations is due to vacant positions and the remaining is from various operating expenses that did not materialize.

    UNEXPENDED BALANCES AUTHORITY

Art IX, Sec 14.03(i), Capital Budget UB (2014-15 GAA)					
	$2,581	$0	$0	$0	$0

        Comments: UB from FY14 to FY15 for the ACBS redesign capital project

TOTAL, **General Revenue Fund**					
	$17,299,326	$15,463,176	$15,446,501	$14,836,645	$14,836,645
TOTAL, ALL **GENERAL REVENUE**					
	$17,299,326	$15,463,176	$15,446,501	$14,836,645	$14,836,645

GENERAL REVENUE FUND - DEDICATED

    5025   GR Dedicated - Lottery Account No. 5025

        REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2014-15 GAA)					
	$203,115,034	$0	$0	$0	$0

Regular Appropriations from MOF Table (2016-17 GAA)

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE FUND - DEDICATED					
	$0	$220,182,308	$220,196,185	$0	$0
Regular Appropriations from MOF Table					
	$0	$0	$0	$215,363,053	$214,969,375
RIDER APPROPRIATION					
Rider 9, Retailer Commission (2014-15 GAA)					
	$2,000,000	$0	$0	$0	$0

Comments: Based on sales, as allowed by Rider 9, the agency increased FY15 Retailer Incentive budget by $2 million to implement game specific incentive programs.

Rider 10, Lottery Operator Contract (2014-15 GAA)					
	$12,280,424	$0	$0	$0	$0

Comments: Based on sales, as allowed by Rider 10, Lottery Operator strategy increased by $12.3 million.

Art IX, Sec 8.03, Reimbursements and Payments (2014-15 GAA)					
	$460,090	$0	$0	$0	$0

Comments: FY15 reimbursements are for the following: Compliance monitoring $231,144, IT services $192,000 and Mega Millions web redesign $5,204, travel reimbursements $19,832 , copy/filing fees $11,910.

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

GENERAL REVENUE FUND - DEDICATED

Rider 9, Retailer Commission (2016-17 GAA)

	$0	$2,700,000	$0	$0	$0

Comments: Based on estimated sales, as allowed by Rider 9, agency increased Retailer Incentive budget by $2.7 million. These funds will be UB'd to FY17.

Rider 11, Appropriation of Increased Revenue (2016-17 GAA)

	$0	$8,000,000	$0	$0	$0

Comments: Based on estimated sales, as allowed by Rider 11, budget may be increased. These funds will be UB'd to FY17.

Art IX, Sec 8.02, Reimbursements and Payments (2016-17 GAA)

	$0	$439,431	$457,472	$0	$0

Comments: The FY 2016 reimbursements are for the following: Compliance monitoring $222,899; RNG Procurement $24,532 and IT services $192,000. The FY 2017 reimbursements are for the following: Compliance monitoring $240,940; RNG Procurement $24,532 and IT services $192,000.

Rider 10, Lottery Operator Contract (2016-17 GAA)

	$0	$12,983,975	$0	$0	$0

Comments: Based on sales, as allowed by Rider 10, Lottery Operator strategy increased by $12.98 million.

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

GENERAL REVENUE FUND - DEDICATED

Art IX, Sec 8.02, Reimbursements and Payments

	$0	$0	$0	$457,472	$457,472

TRANSFERS

Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)

	$332,602	$0	$0	$0	$0

Comments: Amount transferred and spent

Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17 GAA)

	$0	$433,377	$393,557	$0	$0

Comments: Salary increase of 2.5% was estimated based on actual salaries as of 8/31/15. Vacancies were not included.

LAPSED APPROPRIATIONS

Regular Appropriations from MOF Table (2014-15 GAA)

	$(14,344,038)	$0	$0	$0	$0

Comments: The majority of the lapse is due to the following:
-Scratch Ticket Print Contract: Scratch ticket game plan did not materialize as expected and some games had to be removed to the following year's budget based on printing date
-Retailer Bonus: payments are based on top prizes of winning tickets
-Various operating savings across divisions

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE FUND - DEDICATED					
Rider 10, Lottery Operator Contract (2014-15 GAA)					
	$(5,703,625)	$0	$0	$0	$0

Comments: Rider 10 lapse is made up of liquidated damages and sanctions assessed by the agency against the Lottery Operator Contract vendor as well as rebates and credits authorized by the contract.

Rider 9, Retailer Commission (2014-15 GAA)					
	$(1,485,999)	$0	$0	$0	$0

Comments: Retailer Incentive Programs are designed to pay retailers based on sales performance against same store sale goals. Retailer Incentive payments did not materialize at budgeted program levels based on retailer sales performance.

UNEXPENDED BALANCES AUTHORITY

Rider 11, Appropriation of Increased Revenue (2014-15 GAA)					
	$3,500,000	$0	$0	$0	$0

Comments: The $3.5 million was initially budgeted in FY15 to increase Strategy 1.1.7 Instant Ticket Product Contract in FY15. These funds were not expended and are part of the Lapse Appn above.

Art IX, Sec 14.03(i), Capital Budget UB (2014-15 GAA)					
	$1,055,441	$0	$0	$0	$0

Comments: Capital UB "unspent" Lottery Capital budget for Studio Remodel and Drawing Equipment UB'd from FY14 to FY15.

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE FUND - DEDICATED					
Rider 9, Retailer Commission (2016-17 GAA)					
	$0	$(6,457,278)	$6,457,278	$0	$0
Comments: UB unspent Rider 9 Retailer Incentive Budget from FY16 to FY17					
Rider 11, Appropriation of Increased Revenue (2016-17 GAA)					
	$0	$(5,735,933)	$5,735,933	$0	$0
Comments: UB unspent Rider 11 Budget from FY16 to FY17					
TOTAL, **GR Dedicated - Lottery Account No. 5025**					
	$201,209,929	**$232,545,880**	**$233,240,425**	**$215,820,525**	**$215,426,847**
TOTAL, ALL **GENERAL REVENUE FUND - DEDICATED**					
	$201,209,929	**$232,545,880**	**$233,240,425**	**$215,820,525**	**$215,426,847**
TOTAL, **GR & GR-DEDICATED FUNDS**					
	$218,509,255	**$248,009,056**	**$248,686,926**	**$230,657,170**	**$230,263,492**
GRAND TOTAL					
	$218,509,255	**$248,009,056**	**$248,686,926**	**$230,657,170**	**$230,263,492**

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2014-15 GAA)	326.5	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2016-17 GAA)	0.0	326.5	326.5	0.0	0.0
Regular Appropriations	0.0	0.0	0.0	324.5	324.5
UNAUTHORIZED NUMBER OVER (BELOW) CAP					
Amount over cap/ (amount below cap)	(20.5)	0.0	0.0	0.0	0.0
TOTAL, ADJUSTED FTES	**306.0**	**326.5**	**326.5**	**324.5**	**324.5**

**NUMBER OF 100% FEDERALLY
FUNDED FTEs**

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

OBJECT OF EXPENSE	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1001 SALARIES AND WAGES	$19,631,111	$21,836,599	$22,671,064	$22,576,504	$22,576,504
1002 OTHER PERSONNEL COSTS	$861,680	$576,230	$579,481	$575,401	$575,401
2001 PROFESSIONAL FEES AND SERVICES	$6,152,410	$6,411,733	$5,981,706	$6,169,011	$5,969,011
2002 FUELS AND LUBRICANTS	$4,579	$5,500	$5,000	$5,000	$5,000
2003 CONSUMABLE SUPPLIES	$199,055	$184,820	$241,320	$241,320	$241,320
2004 UTILITIES	$367,283	$349,817	$347,956	$347,956	$347,956
2005 TRAVEL	$393,998	$538,721	$528,440	$527,223	$527,223
2006 RENT - BUILDING	$3,435,259	$4,298,968	$4,301,210	$4,387,318	$4,389,902
2007 RENT - MACHINE AND OTHER	$873,263	$946,989	$1,027,595	$1,027,595	$1,027,595
2009 OTHER OPERATING EXPENSE	$171,758,136	$200,093,915	$200,217,748	$182,369,762	$182,473,500
4000 GRANTS	$13,761,634	$12,635,500	$12,635,500	$0	$0
5000 CAPITAL EXPENDITURES	$1,070,847	$130,264	$149,906	$300,000	$0
OOE Total (Excluding Riders)	**$218,509,255**	**$248,009,056**	**$248,686,926**	**$218,527,090**	**$218,133,412**
OOE Total (Riders)				**$12,130,080**	**$12,130,080**
Grand Total	**$218,509,255**	**$248,009,056**	**$248,686,926**	**$230,657,170**	**$230,263,492**

362 Texas Lottery Commission

Goal/ *Objective* / **Outcome**	**Exp 2015**	**Est 2016**	**Bud 2017**	**BL 2018**	**BL 2019**
1 Run Self-supporting, Revenue-producing, and Secure Lottery					
1 Generate Revenue through Ticket Sales					
KEY **1 Percent of Retailers Satisfied with Lottery Commission**					
	95.85%	95.89%	96.00%	96.00%	96.00%
2 Per Capita Net Lottery Sales					
	172.69	190.04	183.42	166.05	170.74
3 % of Net Lottery Sales Spent on Agency Administration					
	4.46%	4.37%	4.74%	4.99%	4.81%
4 Percentage of Bad Debt to Lottery Sales					
	0.01%	0.01%	0.02%	0.02%	0.02%
5 Ratio of Advertising Expense to Net Lottery Sales					
	0.70%	0.67%	0.65%	0.64%	0.62%
KEY **6 State Revenue Received Per Advertising Dollar Expended**					
	39.11	40.85	40.05	41.57	42.73
7 Percent of Licensees with No Recent Violations					
	98.96%	100.80%	100.81%	98.00%	98.00%
8 Percentage of Eligible Players Served					
	37.47%	35.29%	36.00%	36.00%	36.00%

362 Texas Lottery Commission

Goal/ *Objective* / **Outcome**	**Exp 2015**	**Est 2016**	**Bud 2017**	**BL 2018**	**BL 2019**
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					
	96.61%	91.00%	91.00%	91.00%	91.00%
2 Percentage of Bingo Audits Referred for Disciplinary Action					
	37.88%	65.00%	65.00%	65.00%	65.00%
KEY **3 Percent of Complaints Referred for Disciplinary Action**					
	26.06%	8.00%	8.00%	8.00%	8.00%
4 Percent of Documented Complaints Completed within Six Months					
	95.15%	85.00%	85.00%	85.00%	85.00%
KEY **5 Net Bingo Games Revenue Received by Charitable Orgs (in Millions)**					
	26.84	25.00	25.00	25.00	25.00
KEY **6 % of Organizations Who Met the Statutory Charitable Distribution Req**					
	97.19%	96.00%	96.00%	96.00%	96.00%
7 Percentage of Organizations Receiving an Audit					
	9.18%	21.39%	21.39%	21.39%	21.39%
8 Percentage of Organizations Receiving an Inspection					
	20.17	31.35	31.35	31.35	31.35

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

Priority	Item	2018 GR and GR/GR Dedicated	All Funds	FTEs	2019 GR and GR Dedicated	All Funds	FTEs	Biennium GR and GR Dedicated	All Funds
1	Restoration of 4% Lottery Reduction	$9,315,726	$9,315,726		$9,315,726	$9,315,726		$18,631,452	$18,631,452
	Total, Exceptional Items Request	**$9,315,726**	**$9,315,726**		**$9,315,726**	**$9,315,726**		**$18,631,452**	**$18,631,452**

Method of Financing

General Revenue									
General Revenue - Dedicated		9,315,726	9,315,726		9,315,726	9,315,726		18,631,452	18,631,452
Federal Funds									
Other Funds									
		$9,315,726	**$9,315,726**		**$9,315,726**	**$9,315,726**		**$18,631,452**	**$18,631,452**

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs

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

Goal/*Objective*/**STRATEGY**	Base 2018	Base 2019	Exceptional 2018	Exceptional 2019	Total Request 2018	Total Request 2019
1 Run Self-supporting, Revenue-producing, and Secure Lottery						
1 *Generate Revenue through Ticket Sales*						
1 LOTTERY OPERATIONS	$7,603,716	$7,607,206	$0	$0	$7,603,716	$7,607,206
2 LOTTERY FIELD OPERATIONS	2,932,241	2,932,978	0	0	2,932,241	2,932,978
3 MARKETING AND PROMOTION	6,892,545	6,918,860	0	0	6,892,545	6,918,860
4 SECURITY	5,903,324	5,479,079	0	0	5,903,324	5,479,079
5 CENTRAL ADMINISTRATION	12,770,226	12,770,251	0	0	12,770,226	12,770,251
6 LOTTERY OPERATOR CONTRACT(S)	97,448,281	97,448,281	0	0	97,448,281	97,448,281
7 SCRATCH TICKET PRODUCT. CONTRACT(S)	26,796,339	26,796,339	3,353,661	3,353,661	30,150,000	30,150,000
8 MASS MEDIA ADVERTISING CONTRACT(S)	28,460,024	28,460,024	3,539,976	3,539,976	32,000,000	32,000,000
9 DRAWING & BROADCAST CONTRACT(S)	2,635,178	2,635,178	0	0	2,635,178	2,635,178
10 MARKET RESEARCH CONTRACT(S)	552,620	552,620	0	0	552,620	552,620
11 RETAILER BONUS	4,200,000	4,200,000	0	0	4,200,000	4,200,000
12 RETAILER COMMISSIONS	19,626,031	19,626,031	2,422,089	2,422,089	22,048,120	22,048,120
TOTAL, GOAL 1	**$215,820,525**	**$215,426,847**	**$9,315,726**	**$9,315,726**	**$225,136,251**	**$224,742,573**

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

Goal/Objective/STRATEGY	Base 2018	Base 2019	Exceptional 2018	Exceptional 2019	Total Request 2018	Total Request 2019
2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Law						
1 *Curtail Violations of Bingo Laws/Rules*						
1 BINGO LICENSING	$709,457	$709,457	$0	$0	$709,457	$709,457
2 BINGO EDUCATION AND DEVELOPMENT	142,704	142,704	0	0	142,704	142,704
3 BINGO LAW COMPLIANCE FIELD OPER	1,537,560	1,537,560	0	0	1,537,560	1,537,560
4 BINGO PRIZE FEE COLLECTION & ACCT	316,844	316,844	0	0	316,844	316,844
TOTAL, GOAL 2	**$2,706,565**	**$2,706,565**	**$0**	**$0**	**$2,706,565**	**$2,706,565**
TOTAL, AGENCY STRATEGY REQUEST	**$218,527,090**	**$218,133,412**	**$9,315,726**	**$9,315,726**	**$227,842,816**	**$227,449,138**
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST	**$12,130,080**	**$12,130,080**	**$0**	**$0**	**$12,130,080**	**$12,130,080**
GRAND TOTAL, AGENCY REQUEST	**$230,657,170**	**$230,263,492**	**$9,315,726**	**$9,315,726**	**$239,972,896**	**$239,579,218**

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

Goal/*Objective*/**STRATEGY**	Base 2018	Base 2019	Exceptional 2018	Exceptional 2019	Total Request 2018	Total Request 2019
General Revenue Funds:						
1 General Revenue Fund	$14,836,645	$14,836,645	$0	$0	$14,836,645	$14,836,645
	$14,836,645	**$14,836,645**	**$0**	**$0**	**$14,836,645**	**$14,836,645**
General Revenue Dedicated Funds:						
5025 Lottery Acct	215,820,525	215,426,847	9,315,726	9,315,726	225,136,251	224,742,573
	$215,820,525	**$215,426,847**	**$9,315,726**	**$9,315,726**	**$225,136,251**	**$224,742,573**
TOTAL, METHOD OF FINANCING	**$230,657,170**	**$230,263,492**	**$9,315,726**	**$9,315,726**	**$239,972,896**	**$239,579,218**
FULL TIME EQUIVALENT POSITIONS	**324.5**	**324.5**	**0.0**	**0.0**	**324.5**	**324.5**

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

Goal/ *Objective* / **Outcome**

	BL 2018	BL 2019	Excp 2018	Excp 2019	Total Request 2018	Total Request 2019
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						
	166.05	170.74	187.76	192.30	187.76	192.30
3 % of Net Lottery Sales Spent on Agency Administration						
	4.99%	4.81%	4.60%	4.45%	4.60%	4.45%
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						
	0.64%	0.62%	0.63%	0.62%	0.63%	0.62%
KEY **6 State Revenue Received Per Advertising Dollar Expended**						
	41.57	42.73	40.90	41.93	40.90	41.93
7 Percent of Licensees with No Recent Violations						
	98.00%	98.00%			98.00%	98.00%
8 Percentage of Eligible Players Served						
	36.00%	36.00%			36.00%	36.00%
2 Enforce Bingo Laws/Rules for Fairness to Ensure Proceeds Used Lawfully						

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

Goal/ *Objective* / **Outcome**

	BL 2018	BL 2019	Excp 2018	Excp 2019	Total Request 2018	Total Request 2019
1 *Curtail Violations of Bingo Laws/Rules*						
1 Percent of Licensees with No Recent Violations						
	91.00%	91.00%			91.00%	91.00%
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**						
	8.00%	8.00%			8.00%	8.00%
4 Percent of Documented Complaints Completed within Six Months						
	85.00%	85.00%			85.00%	85.00%
KEY **5 Net Bingo Games Revenue Received by Charitable Orgs (in Millions)**						
	25.00	25.00			25.00	25.00
KEY **6 % of Organizations Who Met the Statutory Charitable Distribution Req**						
	96.00%	96.00%			96.00%	96.00%
7 Percentage of Organizations Receiving an Audit						
	21.39%	21.39%			21.39%	21.39%
8 Percentage of Organizations Receiving an Inspection						
	31.35	31.35			31.35	31.35

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
KEY 1	Number of Retailer Business Locations Licensed	17,403.00	17,600.00	17,713.00	17,826.00	17,939.00
2	Number of Denials or Revocations of Licenses	102.00	152.00	184.00	184.00	184.00
3	Dollars Collected via the Debt Set-off Program (Thousands)	1,805,171.08	2,065,612.00	1,850,000.00	1,850,000.00	1,850,000.00
4	# New Licenses Issued to Individual Retailers	2,132.00	2,022.00	2,100.00	2,100.00	2,100.00
5	# Licenses Renewed to Individual Retailers	6,829.00	6,887.00	8,126.00	7,695.00	8,599.00
Efficiency Measures:						
1	Average Cost Per License Application Completed	149.53	137.00	140.00	143.00	146.00
Objects of Expense:						
1001	SALARIES AND WAGES	$2,848,893	$3,163,884	$3,135,387	$3,135,387	$3,135,387
1002	OTHER PERSONNEL COSTS	$134,386	$105,853	$100,735	$100,735	$100,735
2001	PROFESSIONAL FEES AND SERVICES	$97,028	$13,695	$14,000	$14,000	$14,000
2002	FUELS AND LUBRICANTS	$4,579	$5,500	$5,000	$5,000	$5,000
2003	CONSUMABLE SUPPLIES	$187,682	$151,200	$208,200	$208,200	$208,200
2004	UTILITIES	$181,836	$167,372	$146,414	$146,414	$146,414
2005	TRAVEL	$13,086	$17,806	$13,500	$13,500	$13,500
2006	RENT - BUILDING	$3,031,292	$3,108,418	$3,086,420	$3,172,528	$3,175,112

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2007	RENT - MACHINE AND OTHER	$253,372	$253,418	$318,724	$318,724	$318,724
2009	OTHER OPERATING EXPENSE	$902,664	$416,751	$498,654	$489,228	$490,134
TOTAL, OBJECT OF EXPENSE		**$7,654,818**	**$7,403,897**	**$7,527,034**	**$7,603,716**	**$7,607,206**

Method of Financing:

5025	Lottery Acct	$7,654,818	$7,403,897	$7,527,034	$7,603,716	$7,607,206
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$7,654,818**	**$7,403,897**	**$7,527,034**	**$7,603,716**	**$7,607,206**

TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$7,603,716**	**$7,607,206**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$7,654,818**	**$7,403,897**	**$7,527,034**	**$7,603,716**	**$7,607,206**
FULL TIME EQUIVALENT POSITIONS:		**53.8**	**55.0**	**54.8**	**54.8**	**54.8**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$14,930,931	$15,210,922	$279,991	$279,991	More than one half of the increase is attributed to building rental lease increases. The balance is attributed to various operating expenses.
			$279,991	**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: 2   Lottery Field Operations   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Prize Checks Processed from Claim Centers (Thousands)	63,025.00	66,515.00	59,000.00	59,000.00	59,000.00
Objects of Expense:						
1001	SALARIES AND WAGES	$2,291,548	$2,510,590	$2,549,190	$2,549,190	$2,549,190
1002	OTHER PERSONNEL COSTS	$98,175	$85,886	$90,693	$90,693	$90,693
2001	PROFESSIONAL FEES AND SERVICES	$0	$10,000	$10,000	$10,000	$10,000
2003	CONSUMABLE SUPPLIES	$201	$2,700	$2,700	$2,700	$2,700
2005	TRAVEL	$105,747	$112,300	$112,300	$112,300	$112,300
2006	RENT - BUILDING	$0	$2,800	$2,800	$2,800	$2,800
2007	RENT - MACHINE AND OTHER	$0	$600	$600	$600	$600
2009	OTHER OPERATING EXPENSE	$63,976	$77,996	$120,622	$163,958	$164,695
TOTAL, OBJECT OF EXPENSE		**$2,559,647**	**$2,802,872**	**$2,888,905**	**$2,932,241**	**$2,932,978**
Method of Financing:						
5025	Lottery Acct	$2,559,647	$2,802,872	$2,888,905	$2,932,241	$2,932,978
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$2,559,647**	**$2,802,872**	**$2,888,905**	**$2,932,241**	**$2,932,978**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					$2,932,241	$2,932,978
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		$2,559,647	$2,802,872	$2,888,905	$2,932,241	$2,932,978
FULL TIME EQUIVALENT POSITIONS:		49.0	50.5	50.4	50.4	50.4

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).

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:	2	Lottery Field Operations	Service: 03 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$5,691,777	$5,865,219	$173,442	$173,442	The increase is attributed to various operating expenses.
			$173,442	**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: 3   Marketing and Promotion   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Newsletters Distributed to Retailers	124,159.00	215,460.00	216,816.00	218,175.00	219,530.00
2	Number of Retailer Visits	501,418.00	457,600.00	460,538.00	463,476.00	466,414.00
3	Number of Retailer Surveys Completed	5,231.00	4,693.00	4,735.00	4,778.00	4,822.00
Efficiency Measures:						
KEY 1	Average Cost Per Survey Issued	2.39	1.96	2.05	2.11	2.16
Objects of Expense:						
1001	SALARIES AND WAGES	$2,475,147	$2,767,310	$2,951,455	$2,951,455	$2,951,455
1002	OTHER PERSONNEL COSTS	$77,360	$72,741	$64,391	$64,391	$64,391
2001	PROFESSIONAL FEES AND SERVICES	$24,430	$57,796	$57,000	$57,000	$57,000
2003	CONSUMABLE SUPPLIES	$3,388	$7,620	$8,120	$8,120	$8,120
2004	UTILITIES	$64	$210	$210	$210	$210
2005	TRAVEL	$97,881	$112,476	$102,500	$102,500	$102,500
2006	RENT - BUILDING	$392,451	$1,175,050	$1,199,050	$1,199,050	$1,199,050
2007	RENT - MACHINE AND OTHER	$123,347	$123,850	$124,150	$124,150	$124,150
2009	OTHER OPERATING EXPENSE	$1,838,044	$2,554,910	$2,565,599	$2,385,669	$2,411,984
5000	CAPITAL EXPENDITURES	$24,600	$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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, OBJECT OF EXPENSE		**$5,056,712**	**$6,871,963**	**$7,072,475**	**$6,892,545**	**$6,918,860**
Method of Financing:						
5025	Lottery Acct	$5,056,712	$6,871,963	$7,072,475	$6,892,545	$6,918,860
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$5,056,712**	**$6,871,963**	**$7,072,475**	**$6,892,545**	**$6,918,860**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$6,892,545**	**$6,918,860**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$5,056,712**	**$6,871,963**	**$7,072,475**	**$6,892,545**	**$6,918,860**
FULL TIME EQUIVALENT POSITIONS:		**34.5**	**38.7**	**38.5**	**38.5**	**38.5**

STRATEGY DESCRIPTION AND JUSTIFICATION:

Activities relating to this strategy include lottery product development, market research, promotional and sales functions of the Texas Lottery Commission. Staff performs activities that 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; communicating game information, marketing ideas 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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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) The willingness of retailers and players to participate in research; 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) 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) Research and development of emerging technologies and product lines.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$13,944,438	$13,811,405	$(133,033)	$(133,033)	The decrease is attributed to various operating expenses.
			$(133,033)	**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: 4   Security   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Lottery Investigations Initiated	1,471.00	1,350.00	1,300.00	1,330.00	1,350.00
2	Number of Lottery Investigations Completed	923.00	975.00	825.00	845.00	870.00
3	Number of Lottery Background Investigations Completed	528.00	450.00	450.00	450.00	450.00
Efficiency Measures:						
1	Average Time to Complete Investigations (Days)	42.25	60.00	60.00	60.00	60.00
2	Average Cost Per Complete Investigation	221.95	275.00	275.00	275.00	275.00
3	Average Time to Complete Lottery Background Investigations (Days)	10.51	40.00	40.00	40.00	40.00
Objects of Expense:						
1001	SALARIES AND WAGES	$2,257,012	$2,496,596	$2,614,744	$2,614,744	$2,614,744
1002	OTHER PERSONNEL COSTS	$72,277	$50,450	$54,415	$54,415	$54,415
2001	PROFESSIONAL FEES AND SERVICES	$1,352,468	$1,547,340	$1,519,891	$1,719,891	$1,519,891
2003	CONSUMABLE SUPPLIES	$4,076	$6,800	$6,800	$6,800	$6,800
2005	TRAVEL	$69,655	$85,830	$73,000	$73,000	$73,000
2007	RENT - MACHINE AND OTHER	$213,207	$273,981	$331,200	$331,200	$331,200
2009	OTHER OPERATING EXPENSE	$668,110	$1,210,121	$758,823	$803,274	$879,029
5000	CAPITAL EXPENDITURES	$248,554	$97,061	$149,906	$300,000	$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: 4   Security   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, OBJECT OF EXPENSE		**$4,885,359**	**$5,768,179**	**$5,508,779**	**$5,903,324**	**$5,479,079**
Method of Financing:						
5025	Lottery Acct	$4,885,359	$5,768,179	$5,508,779	$5,903,324	$5,479,079
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$4,885,359**	**$5,768,179**	**$5,508,779**	**$5,903,324**	**$5,479,079**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$5,903,324**	**$5,479,079**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$4,885,359**	**$5,768,179**	**$5,508,779**	**$5,903,324**	**$5,479,079**
FULL TIME EQUIVALENT POSITIONS:		35.3	38.2	38.0	38.0	38.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

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).

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$11,276,958	$11,382,403	$105,445	$105,445	The increase is attributed to various operating expenses.
			$105,445	**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: 5   Central Administration   Service: 09   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
1001	SALARIES AND WAGES	$7,804,633	$8,664,313	$9,024,088	$9,024,088	$9,024,088
1002	OTHER PERSONNEL COSTS	$335,725	$201,522	$205,646	$205,646	$205,646
2001	PROFESSIONAL FEES AND SERVICES	$990,964	$1,281,835	$1,140,508	$1,040,508	$1,040,508
2003	CONSUMABLE SUPPLIES	$3,366	$15,200	$14,200	$14,200	$14,200
2004	UTILITIES	$185,383	$182,235	$201,332	$201,332	$201,332
2005	TRAVEL	$75,948	$134,387	$151,100	$151,100	$151,100
2006	RENT - BUILDING	$11,516	$12,700	$12,940	$12,940	$12,940
2007	RENT - MACHINE AND OTHER	$267,803	$279,606	$237,386	$237,386	$237,386
2009	OTHER OPERATING EXPENSE	$1,011,071	$1,465,036	$2,001,860	$1,883,026	$1,883,051
5000	CAPITAL EXPENDITURES	$43,892	$33,203	$0	$0	$0
TOTAL, OBJECT OF EXPENSE		**$10,730,301**	**$12,270,037**	**$12,989,060**	**$12,770,226**	**$12,770,251**
Method of Financing:						
5025	Lottery Acct	$10,730,301	$12,270,037	$12,989,060	$12,770,226	$12,770,251
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$10,730,301**	**$12,270,037**	**$12,989,060**	**$12,770,226**	**$12,770,251**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					$12,770,226	$12,770,251
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		$10,730,301	$12,270,037	$12,989,060	$12,770,226	$12,770,251
FULL TIME EQUIVALENT POSITIONS:		96.2	99.1	99.8	99.8	99.8

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$25,259,097	$25,540,477	$281,380	$281,380	The increase is attributed to various operating expenses.
			$281,380	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	$94,398,225	$110,247,552	$97,448,281	$97,448,281	$97,448,281
TOTAL, OBJECT OF EXPENSE		**$94,398,225**	**$110,247,552**	**$97,448,281**	**$97,448,281**	**$97,448,281**
Method of Financing:						
5025	Lottery Acct	$94,398,225	$110,247,552	$97,448,281	$97,448,281	$97,448,281
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$94,398,225**	**$110,247,552**	**$97,448,281**	**$97,448,281**	**$97,448,281**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$97,448,281**	**$97,448,281**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$94,398,225**	**$110,247,552**	**$97,448,281**	**$97,448,281**	**$97,448,281**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors impacting this strategy include: 1) The award of a new lottery operator contract; 2) The availability of qualified vendors; 3) Changes to the agency's enabling statutes and other applicable laws; 4) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the agency; 5) The sales level of lottery tickets; 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) 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):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$207,695,833	$194,896,562	$(12,799,271)	$(12,799,271)	The 2016-17 biennial total includes increased expenses in 2016 from Rider 10 based on increased lottery sales.
			$(12,799,271)	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	$19,687,063	$28,300,000	$32,000,000	$26,796,339	$26,796,339
TOTAL, OBJECT OF EXPENSE		**$19,687,063**	**$28,300,000**	**$32,000,000**	**$26,796,339**	**$26,796,339**
Method of Financing:						
5025	Lottery Acct	$19,687,063	$28,300,000	$32,000,000	$26,796,339	$26,796,339
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$19,687,063**	**$28,300,000**	**$32,000,000**	**$26,796,339**	**$26,796,339**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$26,796,339**	**$26,796,339**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$19,687,063**	**$28,300,000**	**$32,000,000**	**$26,796,339**	**$26,796,339**

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, direct mail pieces, second chance drawing programs, provision of branded/licensed 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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$60,300,000	$53,592,678	$(6,707,322)	$(6,707,322)	Decrease is attributed to 4% budget reduction.
			$(6,707,322)	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	$ Amount of Advertising Budget Spent on Print Advertising (Millions)	2.33	1.77	1.45	1.30	1.30
2	$ Amount of Advertising Budget Spent on Radio Advertising Millions)	5.59	5.18	4.23	3.75	3.75
KEY 3	Dollar Amount of Advertising Budget Spent on TV Advertising (Millions)	8.31	7.77	6.00	5.34	5.34
4	$ Amt of Advertising Budget Spent on Other Advertising (Millions)	15.65	18.78	20.32	18.07	18.07
Efficiency Measures:						
KEY 1	Percentage of Adult Texans Aware of Lottery Advertising	61.12%	59.00 %	59.00 %	59.00 %	59.00 %
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	$31,240,074	$33,500,000	$32,000,000	$28,460,024	$28,460,024
TOTAL, OBJECT OF EXPENSE		**$31,240,074**	**$33,500,000**	**$32,000,000**	**$28,460,024**	**$28,460,024**
Method of Financing:						
5025	Lottery Acct	$31,240,074	$33,500,000	$32,000,000	$28,460,024	$28,460,024
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$31,240,074**	**$33,500,000**	**$32,000,000**	**$28,460,024**	**$28,460,024**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					$28,460,024	$28,460,024
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		$31,240,074	$33,500,000	$32,000,000	$28,460,024	$28,460,024

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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 and decline in media reach; 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):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$65,500,000	$56,920,048	$(8,579,952)	$(7,079,952)	Decrease is attributed to 4% budget reduction.
			$(1,500,000)	FY 2016 included an additional contractual expense of $1.5 million over the appropriation base of $32 million.
			$(8,579,952)	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
2001	PROFESSIONAL FEES AND SERVICES	$2,590,738	$2,634,533	$2,635,178	$2,635,178	$2,635,178
2009	OTHER OPERATING EXPENSE	$12,260	$0	$0	$0	$0
TOTAL, OBJECT OF EXPENSE		**$2,602,998**	**$2,634,533**	**$2,635,178**	**$2,635,178**	**$2,635,178**
Method of Financing:						
5025	Lottery Acct	$2,602,998	$2,634,533	$2,635,178	$2,635,178	$2,635,178
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$2,602,998**	**$2,634,533**	**$2,635,178**	**$2,635,178**	**$2,635,178**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$2,635,178**	**$2,635,178**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$2,602,998**	**$2,634,533**	**$2,635,178**	**$2,635,178**	**$2,635,178**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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.

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$5,269,711	$5,270,356	$645	$645	Fiscal Years 2017 through 2019 reflect a slight increase in contractual expenditures as compared to 2016.
			$645	**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: 10   Market Research Services Contract(s)   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
2001	PROFESSIONAL FEES AND SERVICES	$507,805	$552,620	$465,315	$552,620	$552,620
TOTAL, OBJECT OF EXPENSE		**$507,805**	**$552,620**	**$465,315**	**$552,620**	**$552,620**
Method of Financing:						
5025	Lottery Acct	$507,805	$552,620	$465,315	$552,620	$552,620
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$507,805**	**$552,620**	**$465,315**	**$552,620**	**$552,620**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$552,620**	**$552,620**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$507,805**	**$552,620**	**$465,315**	**$552,620**	**$552,620**

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: 10   Market Research Services Contract(s)   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

Activities relating to this strategy include contracting for market research services for a variety of research projects to gather insightful and reliable information about player demographics, player purchase behavior and retailer attitudes. The market research contracts are essential to understand public attitudes and behaviors associated with the Texas Lottery, its products, and its services. Contracted services include, but are not limited to, demographic studies; monthly tracking studies; monthly retailer research surveys; quarterly scratch ticket focus groups; focus groups and mini-labs regarding other products or general lottery policy issues; annual segmentation survey; quantitative research; and other research services as deemed necessary and appropriate by the Texas Lottery.

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; 2) The impact of judicial decisions and legislative enactment as they relate to or impact the operation and administration of the agency; 3) The willingness of retailers and players to participate in research; and 4) The general state of the Texas economy.

Internal factors include: 1) The efficient alignment of agency resources; 2) The effective dissemination and use of research data within the agency and by contracted vendors; 3) The number and frequency of new game launches or game changes; and 4) The ability of the staff to react quickly and responsively to changes in the external factors.

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   Market Research Services Contract(s)   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$1,017,935	$1,105,240	$87,305	$87,305	Value of appropriation not budgeted in FY 2017. Budget is based on specific research studies planned for completion in FY 2017.
			$87,305	**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 Bonus   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	$2,122,926	$3,945,175	$4,200,000	$4,200,000	$4,200,000
TOTAL, OBJECT OF EXPENSE		**$2,122,926**	**$3,945,175**	**$4,200,000**	**$4,200,000**	**$4,200,000**
Method of Financing:						
5025	Lottery Acct	$2,122,926	$3,945,175	$4,200,000	$4,200,000	$4,200,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$2,122,926**	**$3,945,175**	**$4,200,000**	**$4,200,000**	**$4,200,000**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$4,200,000**	**$4,200,000**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$2,122,926**	**$3,945,175**	**$4,200,000**	**$4,200,000**	**$4,200,000**

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

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL CHANGE	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)		$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$8,145,175	$8,400,000	$254,825	$254,825	Value of budget not expended in FY 2016. Retailer Bonus payments are based on payments to retailers for selling winning ticket with top prizes.
			$254,825	**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: 12   Retailer Commissions. Estimated and Nontransferable.   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	$19,764,001	$18,249,052	$28,505,398	$19,626,031	$19,626,031
TOTAL, OBJECT OF EXPENSE		**$19,764,001**	**$18,249,052**	**$28,505,398**	**$19,626,031**	**$19,626,031**
Method of Financing:						
5025	Lottery Acct	$19,764,001	$18,249,052	$28,505,398	$19,626,031	$19,626,031
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$19,764,001**	**$18,249,052**	**$28,505,398**	**$19,626,031**	**$19,626,031**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$19,626,031**	**$19,626,031**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$19,764,001**	**$18,249,052**	**$28,505,398**	**$19,626,031**	**$19,626,031**

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: 12   Retailer Commissions. Estimated and Nontransferable.   Service: 03   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$46,754,450	$39,252,062	$(7,502,388)	$(4,844,178)	Decrease is attributed to 4% budget reduction.
			$(2,658,210)	The 2016-17 biennial total includes increased expenses in 2016 from Rider 10 based on increased lottery sales.
			$(7,502,388)	**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   Service Categories:

STRATEGY: 1   Determine Eligibility and Process Applications   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
KEY 1	Number of Licenses Issued	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00
2	Number of Applications Processed	11,440.00	11,200.00	11,200.00	11,200.00	11,200.00
3	Number of Worker Registry Applications Approved	1,191.00	3,400.00	3,500.00	3,500.00	3,500.00
Efficiency Measures:						
1	Average Bingo License (New) Processing Time (Days)	104.84	65.00	65.00	65.00	65.00
2	Average Bingo License (Renewal) Processing Time (Days)	50.00	47.00	44.00	44.00	44.00
3	Average Cost Per Application Processed	25.00	25.00	25.00	25.00	25.00
4	Average Bingo Worker Registrant Processing Time (Days)	12.00	12.00	12.00	12.00	12.00
Explanatory/Input Measures:						
1	Number of Annual License Holders	1,474.00	1,300.00	1,300.00	1,300.00	1,300.00
2	Number of Annual Workers Registrants	11,170.00	10,800.00	10,800.00	10,800.00	10,800.00
Objects of Expense:						
1001	SALARIES AND WAGES	$548,061	$543,643	$521,134	$521,134	$521,134
1002	OTHER PERSONNEL COSTS	$57,190	$19,416	$20,222	$20,222	$20,222
2001	PROFESSIONAL FEES AND SERVICES	$588,977	$310,714	$139,814	$139,814	$139,814
2003	CONSUMABLE SUPPLIES	$60	$500	$500	$500	$500

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2005	TRAVEL	$1,003	$382	$500	$500	$500
2007	RENT - MACHINE AND OTHER	$15,534	$15,534	$15,535	$15,535	$15,535
2009	OTHER OPERATING EXPENSE	$9,720	$11,331	$11,752	$11,752	$11,752
5000	CAPITAL EXPENDITURES	$753,801	$0	$0	$0	$0
TOTAL, OBJECT OF EXPENSE		**$1,974,346**	**$901,520**	**$709,457**	**$709,457**	**$709,457**

Method of Financing:

1	General Revenue Fund	$1,974,346	$901,520	$709,457	$709,457	$709,457
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$1,974,346**	**$901,520**	**$709,457**	**$709,457**	**$709,457**

TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$709,457**	**$709,457**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$1,974,346**	**$901,520**	**$709,457**	**$709,457**	**$709,457**
FULL TIME EQUIVALENT POSITIONS:		**9.3**	**8.0**	**8.0**	**8.0**	**8.0**

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: 1   Determine Eligibility and Process Applications   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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

This strategy promotes communication and cooperation between licensees and the Charitable Bingo Operations Division (CBOD) so that qualified applicants and licensees are well versed on the Act and Charitable Bingo Administrative Rules (Rules) requirements. Communications with bingo licensees 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:

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 and licensees to cooperate with the licensing 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 and licensees; 3) The capability for applicants to apply on-line; and 4) 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: 1   Determine Eligibility and Process Applications   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$1,610,977	$1,418,914	$(192,063)	$(192,063)	Decrease is attributed to 4% budget reduction.
			$(192,063)	**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		Service Categories:		
STRATEGY:	2	Provide Education and Training for Bingo Regulatory Requirements		Service: 17	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Individuals Receiving Education	726.00	600.00	600.00	600.00	600.00
Efficiency Measures:						
1	Average Cost of Bingo Training Class	0.00	0.00	0.00	0.00	0.00
Objects of Expense:						
1001	SALARIES AND WAGES	$69,252	$91,956	$88,517	$88,517	$88,517
1002	OTHER PERSONNEL COSTS	$4,220	$1,223	$435	$435	$435
2005	TRAVEL	$81	$500	$500	$500	$500
2009	OTHER OPERATING EXPENSE	$693	$59,971	$53,252	$53,252	$53,252
TOTAL, OBJECT OF EXPENSE		**$74,246**	**$153,650**	**$142,704**	**$142,704**	**$142,704**
Method of Financing:						
1	General Revenue Fund	$74,246	$153,650	$142,704	$142,704	$142,704
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$74,246**	**$153,650**	**$142,704**	**$142,704**	**$142,704**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					$142,704	$142,704
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		$74,246	$153,650	$142,704	$142,704	$142,704
FULL TIME EQUIVALENT POSITIONS:		1.2	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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$296,354	$285,408	$(10,946)	$(10,946)	Decrease is attributed to 4% budget reduction.
			$(10,946)	**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   Service Categories:

STRATEGY: 3   Bingo Law Compliance Field Operations   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Inspections Conducted	290.00	469.00	469.00	469.00	469.00
2	Number of Bingo Audits and Reviews Completed	132.00	100.00	100.00	100.00	100.00
KEY 3	Number of Bingo Complaints Completed	165.00	180.00	180.00	180.00	180.00
4	$ Amt of Adjustments to Charitable Distributions by Audit & Inspection	5,459.00	15,000.00	15,000.00	15,000.00	15,000.00
5	Number of Bingo Background Investigations Completed	272.00	225.00	250.00	250.00	250.00
Efficiency Measures:						
1	Average Time for Bingo Complaint Completion (Days)	70.04	75.00	75.00	75.00	75.00
2	Average Cost Per Bingo Complaint Completed	177.63	350.00	350.00	350.00	350.00
3	Average Time to Conduct Compliance Audit (Hours)	103.14	200.00	200.00	200.00	200.00
4	Average Time to Complete Bingo Background Investigations (Days)	20.00	40.00	40.00	40.00	40.00
5	Average Cost per Bingo Audit Completed	2,958.28	8,693.00	8,693.00	8,693.00	8,693.00
Objects of Expense:						
1001	SALARIES AND WAGES	$1,199,043	$1,348,672	$1,479,898	$1,385,338	$1,385,338
1002	OTHER PERSONNEL COSTS	$76,943	$34,200	$37,216	$33,136	$33,136
2001	PROFESSIONAL FEES AND SERVICES	$0	$3,200	$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   Service Categories:

STRATEGY: 3   Bingo Law Compliance Field Operations   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2003	CONSUMABLE SUPPLIES	$282	$500	$500	$500	$500
2005	TRAVEL	$30,597	$75,040	$75,040	$73,823	$73,823
2009	OTHER OPERATING EXPENSE	$36,053	$50,013	$49,342	$44,763	$44,763
TOTAL, OBJECT OF EXPENSE		**$1,342,918**	**$1,511,625**	**$1,641,996**	**$1,537,560**	**$1,537,560**

Method of Financing:

1	General Revenue Fund	$1,342,918	$1,511,625	$1,641,996	$1,537,560	$1,537,560
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$1,342,918**	**$1,511,625**	**$1,641,996**	**$1,537,560**	**$1,537,560**

	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)				**$1,537,560**	**$1,537,560**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)	**$1,342,918**	**$1,511,625**	**$1,641,996**	**$1,537,560**	**$1,537,560**
FULL TIME EQUIVALENT POSITIONS:	**23.0**	**29.0**	**29.0**	**27.0**	**27.0**

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: 3   Bingo Law Compliance Field Operations   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$3,153,621	$3,075,120	$(78,501)	$(78,501)	Decrease is attributed to 4% budget reduction.
			$(78,501)	**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   Service Categories:

STRATEGY: 4   Bingo Prize Fee Collections and Accounting   Service: 17   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
KEY 1	Number of Days to Allocate Payments to Local Jurisdictions	6.00	6.00	6.00	6.00	6.00
2	Percentage of Licensees Who Fail to Pay	4.42 %	5.00 %	5.00 %	5.00 %	5.00 %
3	Number of Bingo Reports Processed	5,175.00	7,000.00	7,000.00	7,000.00	7,000.00
Objects of Expense:						
1001	SALARIES AND WAGES	$137,522	$249,635	$306,651	$306,651	$306,651
1002	OTHER PERSONNEL COSTS	$5,404	$4,939	$5,728	$5,728	$5,728
2003	CONSUMABLE SUPPLIES	$0	$300	$300	$300	$300
2009	OTHER OPERATING EXPENSE	$3,256	$6,007	$4,165	$4,165	$4,165
4000	GRANTS	$13,761,634	$12,635,500	$12,635,500	$0	$0
TOTAL, OBJECT OF EXPENSE		**$13,907,816**	**$12,896,381**	**$12,952,344**	**$316,844**	**$316,844**
Method of Financing:						
1	General Revenue Fund	$13,907,816	$12,896,381	$12,952,344	$316,844	$316,844
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$13,907,816**	**$12,896,381**	**$12,952,344**	**$316,844**	**$316,844**

Rider Appropriations:

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1 General Revenue Fund						
8 1 Local Bingo Prize Fee					$12,130,080	$12,130,080
TOTAL, RIDER & UNEXPENDED BALANCES APPROP					**$12,130,080**	**$12,130,080**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$12,446,924**	**$12,446,924**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$13,907,816**	**$12,896,381**	**$12,952,344**	**$316,844**	**$316,844**
FULL TIME EQUIVALENT POSITIONS:		**3.7**	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

Activities relating to this strategy include assisting licensees with the filing of quarterly reports, reviews filed reports for completeness and manages their financial data. Analyzes the data reported by licensed bingo conductors that fail to have positive net proceeds on their quarterly reports to help them improve their charitable bingo operations.

To assist with the efficient and timely filing of quarterly returns, current licensees are provided with the capability to complete and submit returns 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 tax returns 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 prize fee or rental taxes 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
STRATEGY:	4	Bingo Prize Fee Collections and Accounting

Service Categories:

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

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$25,848,725	$24,893,848	$(954,877)	$(954,877)	Decrease is attributed to 4% budget reduction.
			$(954,877)	**Total of Explanation of Biennial Change**

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	$218,509,255	$248,009,056	$248,686,926	$218,527,090	$218,133,412
METHODS OF FINANCE (INCLUDING RIDERS):				$230,657,170	$230,263,492
METHODS OF FINANCE (EXCLUDING RIDERS):	$218,509,255	$248,009,056	$248,686,926	$218,527,090	$218,133,412
FULL TIME EQUIVALENT POSITIONS:	306.0	326.5	326.5	324.5	324.5

Agency Code: 362	Agency: TEXAS LOTTERY COMMISSION			Prepared By:	Kathy Pyka				
Date: August 19, 2016					16-17	Requested	Requested	Biennial Total	Biennial Difference	
Goal	Goal Name	Strategy	Strategy Name	Program	Program Name	Base	2018	2019	18-19	$	%
A	Operate Lottery	A.1.1.	Lottery Operations		Operations	$14,930,931	$7,603,716	$7,607,206	$15,210,922	$279,991	1.9%
A	Operate Lottery	A.1.2.	Lottery Field Operations		Operations	$5,691,777	$2,932,241	$2,932,978	$5,865,219	$173,442	3.0%
A	Operate Lottery	A.1.3.	Marketing and Promotion		Marketing, Promotions, and Advertising	$13,944,438	$6,892,545	$6,918,860	$13,811,405	($133,033)	-1.0%
A	Operate Lottery	A.1.4.	Security		Security	$11,276,958	$5,903,324	$5,479,079	$11,382,403	$105,445	0.9%
A	Operate Lottery	A.1.5.	Central Administration		Central Administration	$25,259,097	$12,770,226	$12,770,251	$25,540,477	$281,380	1.1%
A	Operate Lottery	A.1.6.	Lottery Operator Contract(s)		Contracting	$207,695,833	$97,448,281	$97,448,281	$194,896,562	($12,799,271)	-6.2%
A	Operate Lottery	A.1.7.	Scratch Ticket Production Contract(s)		Contracting	$60,300,000	$26,796,339	$26,796,339	$53,592,678	($6,707,322)	-11.1%
A	Operate Lottery	A.1.8.	Mass Media Advertising Contract(s)		Contracting	$65,500,000	$28,460,024	$28,460,024	$56,920,048	($8,579,952)	-13.1%
A	Operate Lottery	A.1.9.	Drawing & Broadcast Contract(s)		Contracting	$5,269,711	$2,635,178	$2,635,178	$5,270,356	$645	0.0%
A	Operate Lottery	A.1.10.	Market Research Contract(s)		Contracting	$1,017,935	$552,620	$552,620	$1,105,240	$87,305	8.6%
A	Operate Lottery	A.1.11.	Retailer Bonus		Retailer Bonuses and Incentives	$8,145,175	$4,200,000	$4,200,000	$8,400,000	$254,825	3.1%
A	Operate Lottery	A.1.12.	Retailer Commissions		Retailer Bonuses and Incentives	$46,754,450	$19,626,031	$19,626,031	$39,252,062	($7,502,388)	-16.0%
				Total Goal A		$465,786,305	$215,820,525	$215,426,847	$431,247,372	($34,538,933)	-7.4%
B	Enforce Bingo Laws	B.1.1.	Bingo Licensing		Licensing Services	$1,610,977	$709,457	$709,457	$1,418,914	($192,063)	-11.9%
B	Enforce Bingo Laws	B.1.2.	Bingo Education & Development		Bingo Education & Training	$296,354	$142,704	$142,704	$285,408	($10,946)	-3.7%
B	Enforce Bingo Laws	B.1.3.	Bingo Law Compliance Field Operations		Bingo Auditors	$3,153,621	$1,537,560	$1,537,560	$3,075,120	($78,501)	-2.5%
B	Enforce Bingo Laws	B.1.4.	Bingo Prize Fee Collection & Accounting		Accounting Services	$25,848,725	$12,446,924	$12,446,924	$24,893,848	($954,877)	-3.7%
				Total Goal B		$30,909,677	$14,836,645	$14,836,645	$29,673,290	($1,236,387)	-4.0%
				Total		$496,695,982	$230,657,170	$230,263,492	$460,920,662	($35,775,320)	-7.2%

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
362	Texas Lottery Commission	Kathy Pyka	08/19/2016	Base

Current Rider Number	Page # 2016-17 GAA	Proposed Rider Language
2.	VII-10	**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.

		~~2016~~ 2018	~~2017~~ 2019
a. Acquisition of Capital Equipment and Items			
(1) Capitalized Lottery Drawing Equipment	$	300,000	$ 0
Total, Capital Budget	$	300,000	$ 0
Method of Financing (Capital Budget):			
GR Dedicated – Lottery Account No. 5025	$	300,000	$ 0
Total, Method of Financing	$	300,000	$ 0

This rider revision is requested to reflect the FY 2018-19 Capital Budget Request submitted as a baseline request. An explanation of the capital budget item requested is included in the Capital Budget Supporting Schedules.

3.	VII-10	**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. *The Commission is not requesting any revisions to this Rider.*
4.	VII-10	**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. *The Commission is not requesting any revisions to this Rider.*
5.	VII-10	**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. *The Commission is not requesting any revisions to this Rider.*
6.	VII-10	**Appropriations Limited to Revenue Collections.** Fees, fines, and other miscellaneous revenues as authorized and generated by the operation of charity bingo 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" associated with this goal, appropriated elsewhere in this Act. "Other direct and indirect costs" for Goal B, Enforce Bingo Laws, are estimated to be $~~536,748~~ xxx for fiscal year ~~2016~~ 2018 and $~~570,303~~ xxx for fiscal year ~~2017~~ 2019. 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. *This rider revision is requested to reflect updated estimates of other direct and indirect costs for the FY 2018-19 biennium. The amounts are to be provided by the Legislative Budget Board.*
7.	VII-10	**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. *The Commission is not requesting any revisions to this Rider.*

8.	VII-10	**Local Bingo Prize Fees.** In addition to the amounts appropriated above in Strategy B.1.4, Bingo Prize Fee Collections 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 $12,635,500 in fiscal year ~~2016~~ <u>2018</u> and $12,635,500 in fiscal year ~~2017~~ <u>2019</u>. *This rider revision is requested to reflect updated fiscal years.*
9.	VII-11	**Retailer Commissions.** 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, ~~2016~~ <u>2018</u>, are appropriated to the agency for the same purposes for the fiscal year beginning September 1, ~~2016~~ <u>2018</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. *This rider revision is requested to reflect updated fiscal years.*
10.	VII-11	**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 ~~2016~~ <u>2018</u> is an amount equal to 2.2099 percent of gross sales in fiscal year ~~2016~~ <u>2018</u>; and the estimated amount appropriated in fiscal year ~~2017~~ <u>2019</u> is an amount equal to 2.2099 percent of gross sales in fiscal year ~~2017~~ <u>2019</u>. *This rider revision is requested to reflect updated fiscal years.*

11.	VII-11	**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 $~~4,401,266,000~~ $4,457,465,397 in fiscal year ~~2016~~ 2018 and the amount by which gross sales exceed $~~4,409,624,000~~ $4,617,338,680 in fiscal year ~~2017~~ 2019 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, ~~2016~~ 2018, are hereby appropriated for the same purposes for the fiscal year beginning September 1, ~~2016~~ 2018. *This rider revision is requested to reflect current estimates of lottery sales for the FY 2018-19 biennium and to reflect updated fiscal years. If "New Rider 701" is funded by the Legislature, Rider 11 should be revised to exclude the Scratch Ticket Production and Services Contracts from "contractual obligations" that can be funded by Rider 11.*
12.	VII-11	**Scratch~~Instant~~ 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~~instant~~ ticket games closed and the amount of time to end the sale of each game following closure. *The Commission is requesting a revision to this Rider to modify the reference of scratch tickets from "instant" to "scratch" consistent with industry terminology.*
13.	VII-11	**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. *The Commission is not requesting any revisions to this Rider.*
14.	VII-11	**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 ~~2016~~ 2018 and $60,000 in fiscal year ~~2017~~ 2019 in General Revenue Funds collected from third party reimbursements by the Bingo division in accordance with Texas Occupations Code §§2001.205(b), 2001.209(b), 2001.437(e), and 2001.560(d). *This rider revision is requested to reflect updated fiscal years.*

701	Article VII	**Scratch Ticket Production and Services Contract(s).** The amounts included above in Strategy A.1.7, Scratch Ticket Production and Services Contract(s), are estimated appropriations out of the State Lottery Account in the General Revenue Fund and may only be used for payment of scratch ticket production and services. The estimated amount appropriated for fiscal year 2018 is an amount equal to 1.1 percent of scratch ticket sales in fiscal year 2018; and the estimated amount appropriated in fiscal year 2019 is an amount equal to 1.1 percent of scratch sales in fiscal year 2019.
		The Commission is requesting a new Rider to address the funding mechanism of the Strategy A.1.7, Scratch Ticket Production and Services Contract(s). The current funding structure reflects a fixed budget for the strategy that does not provide for increased sales from scratch ticket product growth. Scratch ticket sales have realized year-over-year increases since Fiscal Year 2011 and scratch ticket games continue to be a growing product category in Texas. In Fiscal Year 2015, scratch tickets represented approximately 77 percent of total lottery sales.
		The proposed Rider would provide for an estimated funding structure similar to the agency's Lottery Operator Contract which is funded by Rider 10. The Lottery Operator Strategy budget is increased to an amount equal to 2.2099 percent of gross sales upon exceeding the Strategy A.1.6 strategy budget.
		The proposed Rider reflects a similar funding mechanism in which additional funding via the Rider would only occur if scratch ticket sales reach a certain threshold. It is requested that Strategy A.1.7 also be modified to be an estimated and nontransferable strategy not subject to Article IX transfer authority.
		Funding for this Rider would not cost the Appropriation Bill and would also remain within the allowable statutory percentage to administer the lottery under Government Code, Chapter 466 and Rider 3.

3.C. Rider Appropriations and Unexpended Balances Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:51AM**

Agency Code: 362 Texas Lottery Commission

RIDER	STRATEGY	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
8 1	Local Bingo Prize Fee 2-1-4 BINGO PRIZE FEE COLLECTION & ACCT	$0	$0	$0	$12,130,080	$12,130,080

OBJECT OF EXPENSE:

4000 GRANTS		$0	$0	$0	$12,130,080	$12,130,080
Total, Object of Expense		**$0**	**$0**	**$0**	**$12,130,080**	**$12,130,080**

METHOD OF FINANCING:

1 General Revenue Fund		$0	$0	$0	$12,130,080	$12,130,080
Total, Method of Financing		**$0**	**$0**	**$0**	**$12,130,080**	**$12,130,080**

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

In addition to the amounts appropriated 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 $12,130,080 in fiscal year 2018 and $12,130,080 in fiscal year 2019. The reduction in funding for the 2018-19 biennium as compared to the 2016-17 biennium is based on the 4% base appropriation reduction.

3.C. Rider Appropriations and Unexpended Balances Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:51AM**

Agency Code: 362 Texas Lottery Commission

RIDER	STRATEGY	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
SUMMARY:						
OBJECT OF EXPENSE TOTAL		$0	$0	$0	$12,130,080	$12,130,080
METHOD OF FINANCING TOTAL		$0	$0	$0	$12,130,080	$12,130,080

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:52AM**

Agency code: **362**   Agency name:

Texas Lottery Commission

CODE DESCRIPTION	**Excp 2018**	**Excp 2019**
Item Name: Restoration of 4% Lottery Base Reduction		
Item Priority: 1		
IT Component: No		
Anticipated Out-year Costs: Yes		
Involve Contracts > $50,000: Yes		

Includes Funding for the Following Strategy or Strategies:

01-01-07	Scratch Ticket Production and Services Contract(s)	
01-01-08	Mass Media Advertising Contract(s)	
01-01-12	Retailer Commissions. Estimated and Nontransferable.	

OBJECTS OF EXPENSE:

		Excp 2018	**Excp 2019**
2009	OTHER OPERATING EXPENSE	9,315,726	9,315,726
	TOTAL, OBJECT OF EXPENSE	**$9,315,726**	**$9,315,726**

METHOD OF FINANCING:

		Excp 2018	**Excp 2019**
5025	Lottery Acct	9,315,726	9,315,726
	TOTAL, METHOD OF FINANCING	**$9,315,726**	**$9,315,726**

DESCRIPTION / JUSTIFICATION:

The Commission is requesting one exceptional item request amounting to $18.6 million to seek restoration of the 4% budget reduction to the Lottery Dedicated Account. The Exceptional Item is prioritized to allow for continued administrative and revenue generating functions, provide essential services and allow for restoration of lottery revenue.

In order to comply with the mandatory 4% reduction of $18.6 million, the following outsourced programs or retailer compensation programs were reduced and restoration is requested:

• Mass Media Advertising Services - $7.1 million
• Scratch Ticket Production Services - $6.7 million
• Retailer Commissions (Incentive) - $4.8 million

While a budget reduction of 4% amounts to $18.6 million, it translates to a far greater impact to revenue to the State's beneficiaries, retailers and players. The following economic impacts are estimated from the 4% budgeted reduction:

• Sales reduction of $1.2 billion
• Revenue reduction of $255 million

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:52AM**

Agency code: **362**   Agency name:

Texas Lottery Commission

CODE	DESCRIPTION	Excp 2018	Excp 2019

- Retailer compensation reduction of $64 million

The exceptional item would continue existing initiatives. Mass Media Advertising Services Contract and Scratch Ticket Production Services Contract started in FY 1992 (inception of lottery) and Retailer Commissions (Incentive) started in FY 2010.

EXTERNAL/INTERNAL FACTORS:

Advertising
Research performed by the Texas A&M Mays School of Business suggests that advertising has a positive and significant effect on lottery sales. The results of the model suggest that a 10 percent decrease in advertising (expenditures) would result in a 17 percent decrease in lottery sales. Additional information related to advertising factors is included in the Administrator's Statement due to space limitations.

Scratch Ticket Production Services Contract(s)
Historical sales growth in scratch tickets has required increasing expenditures for Scratch Ticket products to meet consumer demands. It is anticipated that a reduction to the budget will reduce the number of scratch games that can be introduced each year and limit the unique printing processes that can be used on these games. The reduction of games and features will limit the agency's ability to meet product sales growth and player demand for scratch tickets. These budgetary reductions will make it difficult to maintain player excitement and game participation and is anticipated to result in declining sales and revenue for the state of Texas.

Retailer Commissions (Incentive)
Base lottery retailer compensation (5%) in Texas is among the lowest in the US lottery industry and has not been increased since the inception of the lottery. The agency has been able to engage and motivate lottery retailers in supporting the sales of lottery products through its retailer incentive program and successfully leveraged this program to generate incremental revenue for the state of Texas. The potential for incremental revenue for lottery retailers has helped to supplement the lower retailer compensation rate in Texas. It is anticipated that a reduction to the retailer incentive program will limit the agency's ability to conduct performance-based sales incentive programs that appeal to retailers and motivate them to support and actively sell the lottery category in their business environment.

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

• Mass Media Advertising Services Contract(s)
Contracted advertising services include 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.

• Scratch Ticket Production Services Contract(s)
Services included under these contracts include scratch ticket development and manufacturing services through scratch ticket vendors. Other services under the contracts include production of coupons, direct mail pieces, second chance drawing programs, provision of branded/licensed 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.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2020	2021	2022
$62,150,000	$62,150,000	$62,150,000

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:52AM**

Agency code: **362**   Agency name:

Texas Lottery Commission

CODE	DESCRIPTION	Excp 2018	Excp 2019

APPROXIMATE PERCENTAGE OF EXCEPTIONAL ITEM :   74.00%

CONTRACT DESCRIPTION :

• Mass Media Advertising Services Contract(s) 100% $7,070,952
Type of Contract: Professional Services
Method of Procurement: RFP
Current contract expires: 8/31/2018
Contracted advertising services include 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.

To perform the management of in-house advertising services, the TLC would be required to hire, at a minimum 25 additional FTE's. The FTE requirements of performing advertising services in-house could detract from the agency's core functions described under the State Lottery Act as outlined below due to staffing resource requirements: Administrating Texas Lottery games in an efficient and secure manner using appropriate marketing tools and innovative technology to generate revenue for the State of Texas while enhancing public confidence in the integrity and fairness of games.

In addition, the agency is currently operating under a full-time employee cap, and all authorized positions have been assigned to divisions. Subcontracting needs would extend to the areas of production, external media planning and purchase of media. Production services alone could include subcontracting requirements for production/editorial services, translation services, actors (talent), music mixing, sound studio, art direction, camera operators, craft/prop crew, wardrobe, location scouts, and general crew.

Given the requirements and scope of services as outlined in the most recent advertising contract, the FTE cap and the lessened media purchase value, the agency will not be able to bring the services in house.

• Scratch Ticket Production Services Contract(s)   100% $6,707,322
Type of Contract: Professional Services
Method of Procurement: RFP
Current contract expires 8/31/2018

Services included under these contracts include scratch ticket development and manufacturing services through scratch ticket vendors. Other services under the contracts include production of coupons, direct mail pieces, second chance drawing programs, provision of branded/licensed 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.

In order to bring the manufacturing of instant scratch tickets in-house, the Texas Lottery Commission would need to acquire property, construct a building, procure printing and finishing equipment, create a data programming department, build a warehousing facility, hire staff with detailed knowledge and experience with the printing and production of instant scratch ticket games and have the ability to ship finished tickets to IGT's Austin distribution warehouse.

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:52AM**

Agency code: **362**   Agency name:

Texas Lottery Commission

CODE	DESCRIPTION	Excp 2018	Excp 2019

There is no benefit with this option because it is not a viable option for the agency.

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

Code Description	Excp 2018	Excp 2019
Item Name: Restoration of 4% Lottery Base Reduction		
Allocation to Strategy: 1-1-7 Scratch Ticket Production and Services Contract(s)		
STRATEGY IMPACT ON OUTCOME MEASURES:		
2 Per Capita Net Lottery Sales	187.76	192.30
3 % of Net Lottery Sales Spent on Agency Administration	4.60%	4.45%
5 Ratio of Advertising Expense to Net Lottery Sales	0.63%	0.62%
6 State Revenue Received Per Advertising Dollar Expended	40.90	41.93
OBJECTS OF EXPENSE:		
2009 OTHER OPERATING EXPENSE	3,353,661	3,353,661
TOTAL, OBJECT OF EXPENSE	**$3,353,661**	**$3,353,661**
METHOD OF FINANCING:		
5025 Lottery Acct	3,353,661	3,353,661
TOTAL, METHOD OF FINANCING	**$3,353,661**	**$3,353,661**

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

Code Description	Excp 2018	Excp 2019
Item Name: Restoration of 4% Lottery Base Reduction		
Allocation to Strategy: 1-1-8 Mass Media Advertising Contract(s)		
OUTPUT MEASURES:		
__1__ $ Amount of Advertising Budget Spent on Print Advertising (Millions)	0.15	0.15
__2__ $ Amount of Advertising Budget Spent on Radio Advertising Millions)	0.48	0.48
__3__ Dollar Amount of Advertising Budget Spent on TV Advertising (Millions)	0.66	0.66
__4__ $ Amt of Advertising Budget Spent on Other Advertising (Millions)	2.25	2.25
OBJECTS OF EXPENSE:		
2009 OTHER OPERATING EXPENSE	3,539,976	3,539,976
TOTAL, OBJECT OF EXPENSE	**$3,539,976**	**$3,539,976**
METHOD OF FINANCING:		
5025 Lottery Acct	3,539,976	3,539,976
TOTAL, METHOD OF FINANCING	**$3,539,976**	**$3,539,976**

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

Code	Description	Excp 2018	Excp 2019

Item Name: Restoration of 4% Lottery Base Reduction

Allocation to Strategy: 1-1-12 Retailer Commissions. Estimated and Nontransferable.

OBJECTS OF EXPENSE:

		Excp 2018	Excp 2019
2009	OTHER OPERATING EXPENSE	2,422,089	2,422,089
TOTAL, OBJECT OF EXPENSE		**$2,422,089**	**$2,422,089**

METHOD OF FINANCING:

5025	Lottery Acct	2,422,089	2,422,089
TOTAL, METHOD OF FINANCING		**$2,422,089**	**$2,422,089**

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/16/2016
TIME: 10:50:53AM

| 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

Service Categories:

STRATEGY: 7 Scratch Ticket Production and Services Contract(s)

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

CODE DESCRIPTION	Excp 2018	Excp 2019
STRATEGY IMPACT ON OUTCOME MEASURES:		
2 Per Capita Net Lottery Sales	187.76	192.30
3 % of Net Lottery Sales Spent on Agency Administration	4.60 %	4.45 %
5 Ratio of Advertising Expense to Net Lottery Sales	0.63 %	0.62 %
6 State Revenue Received Per Advertising Dollar Expended	40.90	41.93
OBJECTS OF EXPENSE:		
2009 OTHER OPERATING EXPENSE	3,353,661	3,353,661
Total, Objects of Expense	**$3,353,661**	**$3,353,661**
METHOD OF FINANCING:		
5025 Lottery Acct	3,353,661	3,353,661
Total, Method of Finance	**$3,353,661**	**$3,353,661**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Restoration of 4% Lottery Base Reduction

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/16/2016
TIME: 10:50:53AM

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   Service Categories:

STRATEGY: 8 Mass Media Advertising Contract(s)   Service: 03 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2018	Excp 2019
OUTPUT MEASURES:		
1 $ Amount of Advertising Budget Spent on Print Advertising (Millions)	0.15	0.15
2 $ Amount of Advertising Budget Spent on Radio Advertising Millions)	0.48	0.48
3 Dollar Amount of Advertising Budget Spent on TV Advertising (Millions)	0.66	0.66
4 $ Amt of Advertising Budget Spent on Other Advertising (Millions)	2.25	2.25
OBJECTS OF EXPENSE:		
2009 OTHER OPERATING EXPENSE	3,539,976	3,539,976
Total, Objects of Expense	**$3,539,976**	**$3,539,976**
METHOD OF FINANCING:		
5025 Lottery Acct	3,539,976	3,539,976
Total, Method of Finance	**$3,539,976**	**$3,539,976**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Restoration of 4% Lottery Base Reduction

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**

TIME: **10:50:53AM**

| 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 — Service Categories:

STRATEGY: 12 Retailer Commissions. Estimated and Nontransferable. — Service: 03 — Income: A.2 — Age: B.3

CODE	DESCRIPTION	Excp 2018	Excp 2019
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	2,422,089	2,422,089
	Total, Objects of Expense	**$2,422,089**	**$2,422,089**
METHOD OF FINANCING:			
5025	Lottery Acct	2,422,089	2,422,089
	Total, Method of Finance	**$2,422,089**	**$2,422,089**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Restoration of 4% Lottery Base Reduction

5.A. Capital Budget Project Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME : **10:50:53AM**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE	Est 2016	Bud 2017	BL 2018	BL 2019
5007 Acquisition of Capital Equipment and Items				
1/1 Capitalized Lottery Drawing Equipment				
OBJECTS OF EXPENSE				
<u>Capital</u>				
General 5000 CAPITAL EXPENDITURES	$80,445	$69,906	$300,000	$0
Capital Subtotal OOE, Project 1	$80,445	$69,906	$300,000	$0
Subtotal OOE, Project 1	**$80,445**	**$69,906**	**$300,000**	**$0**
TYPE OF FINANCING				
<u>Capital</u>				
General CA 5025 Lottery Acct	$80,445	$69,906	$300,000	$0
Capital Subtotal TOF, Project 1	$80,445	$69,906	$300,000	$0
Subtotal TOF, Project 1	**$80,445**	**$69,906**	**$300,000**	**$0**
Capital Subtotal, Category 5007	$80,445	$69,906	$300,000	$0
Informational Subtotal, Category 5007				
Total, Category 5007	**$80,445**	**$69,906**	**$300,000**	**$0**
AGENCY TOTAL -CAPITAL	**$80,445**	**$69,906**	**$300,000**	**$0**
AGENCY TOTAL -INFORMATIONAL				
AGENCY TOTAL	**$80,445**	**$69,906**	**$300,000**	**$0**

5.A. Capital Budget Project Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME : **10:50:53AM**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE	Est 2016	Bud 2017	BL 2018	BL 2019
METHOD OF FINANCING:				
Capital				
General 5025 Lottery Acct	$80,445	$69,906	$300,000	$0
Total, Method of Financing-Capital	$80,445	$69,906	$300,000	$0
Total, Method of Financing	**$80,445**	**$69,906**	**$300,000**	**$0**
TYPE OF FINANCING:				
Capital				
General CA CURRENT APPROPRIATIONS	$80,445	$69,906	$300,000	$0
Total, Type of Financing-Capital	$80,445	$69,906	$300,000	$0
Total,Type of Financing	**$80,445**	**$69,906**	**$300,000**	**$0**

5.B. Capital Budget Project Information
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:54AM**

Agency Code:	**362**	Agency name:	**Texas Lottery Commission**
Category Number:	**5007**	Category Name:	**ACQUISITN CAP EQUIP ITEMS**
Project number:	**1**	Project Name:	**Lottery Drawing Equipment**

PROJECT DESCRIPTION

General Information

In order to meet the goals of the agency, carry out the agency mission and to ensure the integrity and security of all games, the agency is required to purchase lottery drawing related equipment on a routine basis. In addition future opportunities such as new games and add-on features to current games may require the procurement of equipment. Postponing new games and features could affect the opportunity to provide incremental revenue to the state. Postponing replacement equipment could have a detrimental affect on the integrity and security of games should equipment fail.

Number of Units / Average Unit Cost	0	
Estimated Completion Date	0	

Additional Capital Expenditure Amounts Required	**2020**	**2021**
	0	0

Type of Financing	CA CURRENT APPROPRIATIONS
Projected Useful Life	3-7 years
Estimated/Actual Project Cost	$300,000
Length of Financing/ Lease Period	0

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2018	**2019**	**2020**	**2021**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	MOF_CODE	AVERAGE_AMOUNT

Explanation: Lottery drawing-equipment is used in the critical function of conducting lottery and ensuring the security and integrity of games.

Project Location: Texas Lottery Commission Headquarters, Austin, Texas

Beneficiaries: Agency staff and the general public.

Frequency of Use and External Factors Affecting Use:

The draw machines may be used twice a week or up to multiple times a day to conduct draw games.

5.C. Capital Budget Allocation to Strategies (Baseline)
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/16/2016**
TIME: **10:50:54AM**

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

Category Code/Name

Project Sequence/Project Id/Name

	Goal/Obj/Str	Strategy Name	Est 2016	Bud 2017	BL 2018	BL 2019

5007   Acquisition of Capital Equipment and Items

1/1   *Lottery Drawing Equipment*

GENERAL BUDGET

	Goal/Obj/Str	Strategy Name	Est 2016	Bud 2017	BL 2018	BL 2019
Capital	1-1-4	SECURITY	80,445	69,906	$300,000	$0
		TOTAL, PROJECT	$80,445	$69,906	$300,000	$0
		TOTAL CAPITAL, ALL PROJECTS	**$80,445**	**$69,906**	**$300,000**	**$0**
		TOTAL INFORMATIONAL, ALL PROJECTS				
		TOTAL, ALL PROJECTS	**$80,445**	**$69,906**	**$300,000**	**$0**

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2014 - 2015 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2014			Total Expenditures FY 2014	% Goal	HUB Expenditures FY 2015			Total Expenditures FY 2015
			% Actual	Diff	Actual $			% Actual	Diff	Actual $	
21.1%	Building Construction	0.0 %	0.0%	0.0%	$0	$5,703	0.0 %	0.0%	0.0%	$0	$-5,703
32.9%	Special Trade	12.7 %	0.3%	-12.4%	$400	$153,481	11.8 %	18.1%	6.3%	$81,474	$450,318
23.7%	Professional Services	23.6 %	89.1%	65.5%	$866,257	$972,100	23.7 %	74.8%	51.1%	$1,239,477	$1,657,888
26.0%	Other Services	24.6 %	28.2%	3.6%	$42,571,129	$150,932,958	26.0 %	12.9%	-13.1%	$19,602,712	$152,157,663
21.1%	Commodities	21.0 %	52.0%	31.0%	$1,438,046	$2,765,706	21.1 %	55.5%	34.4%	$1,324,642	$2,386,885
	Total Expenditures		**29.0%**		**$44,875,832**	**$154,829,948**		**14.2%**		**$22,248,305**	**$156,647,051**

B. Assessment of Fiscal Year 2014 - 2015 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 2014.

The agency attained or exceeded three of four, or 75% of the applicable agency HUB procurement goals in fiscal year 2015.

Applicability:

The Heavy Construction and Building Construction categories were not applicable to agency operations in either Fiscal Year 2014 or 2015, since the agency did not have any strategies or programs relating to heavy or building construction.

*The FY 2014 expenditure in Building Construction was an error and was corrected in FY 2015.

Factors Affecting Attainment:

FY 2014: 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 2015: 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 instant ticket manufacturing services, and there are no HUB prime vendors available for these contracts. In addition, one of the agency's major contractors in the Other Services category graduated from the HUB program prior to FY 2015, which resulted in a reduction of approximately $21.6 million in direct HUB credit.

"Good-Faith" Efforts:

Included the TLC HUB Coordinator in procurements over $100,000 to assist in identifying subcontracting opportunities and evaluating subcontracting plans.

6.A. Historically Underutilized Business Supporting Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/16/2016**
Time: **10:50:55AM**

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

Provided potential proposers/bidders 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.

Participated in statewide HUB forums and other outreach events to provide information about agency procurement processes and contract opportunities.

Implemented new requirements to include service disabled veterans into reporting system and outreach program.

Hosted an annual agency HUB Forum that offered networking sessions with key staff and TLC contractors.

Provided HUB participation updates to Texas Lottery Commissioners.

Placed advertisements in minority publications throughout the state.

Made HUB information available via the TLC Web site.

Established two new mentor protégé relationships.

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

FUND/ACCOUNT	Act 2015	Exp 2016	Exp 2017	Bud 2018	Est 2019
1 **General Revenue Fund**					
Beginning Balance (Unencumbered):	$0	$0	$0	$0	$0
Estimated Revenue:					
3152 Bingo Operators/Lessors	3,752,354	3,866,566	3,866,566	3,866,566	3,866,566
3153 Bingo Equipment	66,000	68,400	68,400	68,400	68,400
3166 Bingo Rental Tax	1,298,726	248,926	0	0	0
3170 Bingo Prize Fees	28,906,405	28,937,014	28,921,708	28,921,708	28,921,708
3719 Fees/Copies or Filing of Records	645	948	797	797	797
3770 Administratve Penalties	57,182	39,833	48,508	48,508	48,508
3795 Other Misc Government Revenue	6	0	0	0	0
3802 Reimbursements-Third Party	21,889	509	509	509	509
Subtotal: Actual/Estimated Revenue	34,103,207	33,162,196	32,906,488	32,906,488	32,906,488
Total Available	**$34,103,207**	**$33,162,196**	**$32,906,488**	**$32,906,488**	**$32,906,488**
DEDUCTIONS:					
Expended/Budgeted	(17,299,326)	(15,463,177)	(15,446,501)	(14,836,645)	(14,836,645)
Transfer-Employee Benefits	(526,398)	(557,503)	(700,718)	(700,718)	(700,718)
Benefit Replacement Pay	(6,675)	(5,391)	(5,391)	(5,391)	(5,391)
Total, Deductions	**$(17,832,399)**	**$(16,026,071)**	**$(16,152,610)**	**$(15,542,754)**	**$(15,542,754)**
Ending Fund/Account Balance	**$16,270,808**	**$17,136,125**	**$16,753,878**	**$17,363,734**	**$17,363,734**

REVENUE ASSUMPTIONS:

Revenues are projected to remain relatively flat with the exception of Bingo Rental Tax. This fee was repealed in the 84th Legislative Session.

CONTACT PERSON:

Kathy Pyka

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

FUND/ACCOUNT	Act 2015	Exp 2016	Exp 2017	Bud 2018	Est 2019
5025 **Lottery Acct**					
Beginning Balance (Unencumbered):	$0	$0	$0	$0	$0
Estimated Revenue:					
3176 Lottery License Application Fees	299,467	302,300	300,884	300,884	300,884
3177 Lottery Ticket Sales	4,529,700,425	5,024,317,861	4,886,745,319	4,457,465,397	4,617,338,680
3178 Lottery Security Proceeds	57,275	57,933	57,604	57,604	57,604
3719 Fees/Copies or Filing of Records	11,910	12,784	12,347	12,347	12,347
3727 Fees - Administrative Services	397,942	308,337	353,139	353,139	353,139
3802 Reimbursements-Third Party	448,180	437,020	457,472	457,472	457,472
Subtotal: Actual/Estimated Revenue	4,530,915,199	5,025,436,235	4,887,926,765	4,458,646,843	4,618,520,126
Total Available	**$4,530,915,199**	**$5,025,436,235**	**$4,887,926,765**	**$4,458,646,843**	**$4,618,520,126**
DEDUCTIONS:					
Expended/Budgeted	(194,118,073)	(217,296,430)	(218,781,739)	(215,819,117)	(215,425,439)
Transfer - Employee Benefits	(4,479,549)	(5,132,115)	(5,928,952)	(5,928,952)	(5,928,952)
Benefit Replacement Pay	(68,101)	(63,038)	(63,038)	(63,038)	(63,038)
Unemployment Benefits	(1,056)	(1,408)	(1,408)	(1,408)	(1,408)
Rider 9, Retailer Commission (2014-15 GAA)	(514,001)	0	0	0	0
Rider 10, Lottery Operator Contract (2014-15 GAA)	(6,576,799)	0	0	0	0
Rider 9, Retailer Commission (2016-17 GAA)	0	0	(6,457,278)	0	0
Rider 10, Lottery Operator Contract (2016-17 GAA)	0	(12,983,975)	0	0	0
Rider 11, Appn of Increased Revenues (2016-17 GAA)	0	(2,264,067)	(8,000,000)	0	0
Lottery Winnings/Install Payments	(2,858,319,409)	(3,165,824,064)	(3,133,211,089)	(2,843,056,460)	(2,956,404,806)
Retailer Commissions	(226,667,064)	(249,134,171)	(244,337,266)	(222,873,270)	(230,866,934)
Transfers to Foundation School Fund	(1,225,175,057)	(1,350,120,152)	(1,263,408,479)	(1,164,713,300)	(1,197,817,212)
Transfers to Department of State Health Services	(4,397,812)	(4,904,883)	(4,904,883)	(4,904,883)	(4,904,883)
Transfers to Texas Veterans Commission	(13,128,754)	(13,374,801)	(13,374,801)	(13,374,801)	(13,374,801)
Total, Deductions	**$(4,533,445,675)**	**$(5,021,099,104)**	**$(4,898,468,933)**	**$(4,470,735,229)**	**$(4,624,787,473)**
Ending Fund/Account Balance	**$(2,530,476)**	**$4,337,131**	**$(10,542,168)**	**$(12,088,386)**	**$(6,267,347)**

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

FUND/ACCOUNT	Act 2015	Exp 2016	Exp 2017	Bud 2018	Est 2019

REVENUE ASSUMPTIONS:

It is anticipated that sales and revenue for FY 2017 will likely decline from FY 2016 levels due the variability of sales of the multijurisdictional jackpot games. FY 2016 reflects proceeds from the record breaking $1.5 billion Powerball jackpot that occured in January 2016. Continued growth of scratch tickets is projected in FY 2017 with a projected increase of 4% over FY 2016 scratch ticket sales.

The Estimated Revenue estimate for FY 2018 and FY 2019 reflects decreases attributed to the 4% reduction from base appropriation levels. A budget reduction of this magnitude would translate into decreases in lottery sales, revenue to beneficiaries, commissions earned by retailers and prizes paid to players. For purposes of the projected biennial revenue reduction of $255 million, the full reduction was reported as a reduction to Foundation School Fund. Should the budget reduction not be restored, it is anticipated that there would also be an impact to revenue proceeds dedicated to the Texas Veterans Commission.

If the 4% budget reduction is restored, it is anticipated that sales and revenue for future years will reflect moderate increases in FY 2018 and FY 2019 more in line with FY 2015 and FY 2017.

CONTACT PERSON:

Kathy Pyka

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/16/2016

Time: 10:50:56AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	2019	Biennial Total	2018	2019	Biennial Total	

1 Lottery Reduction-Option 1

Category: Programs - Service Reductions (Contracted)

Item Comment: If order to achieve a 10% across the board reduction for the Lottery program, the Commission would reduce $44,715,485 from the following programs:

• Mass Media Advertising Services Contract(s) - $17.0 million

• Scratch Ticket Production Services Contract(s) - $16.0 million

• Retailer Commissions (Incentive) - $11.7 million

Mass Media Advertising Services Contract(s)

It is anticipated that a reduction of $17.0 million to the advertising budget will result in a reduction of revenue to the State's beneficiaries of $127.4 million. This estimation is based on research performed by the Texas A&M Mays Business School in 2014 to determine the impact of advertising on lottery sales in the state of Texas. The results of the model suggest that a 10 percent decrease in advertising (expenditures) would result in a 17 percent decrease in lottery sales.

Scratch Ticket Production Services Contract(s)

Historical sales growth in scratch tickets has required increasing expenditure for Scratch Ticket products to meet consumer demands. It is anticipated that a reduction of $16.0 million to the Scratch Ticket Production Services budget will result in a reduction of revenue to the State's beneficiaries of $439.3 million, as fewer scratch ticket games will be available in the marketplace and make it difficult to maintain player excitement and game participation.

Retailer Commissions (Incentive)

Base lottery retailer compensation (5%) in Texas is among the lowest in the US lottery industry and has not been increased since the inception of the lottery. The agency has been able to engage and motivate lottery retailers in supporting the sales of lottery products through its retailer incentive program and successfully leveraged this program to generate incremental revenue for the state of Texas. It is anticipated that a reduction of $11.7 million to the retailer incentive program will result in a reduction of revenue to the State's beneficiaries of $44.7 million.

Strategy: 1-1-7 Scratch Ticket Production and Services Contract(s)

Gr Dedicated

	2018	2019	Biennial Total	2018	2019	Biennial Total	
5025 Lottery Acct	$44,963,762	$46,762,312	$91,726,074	$4,002,975	$4,002,975	$8,005,950	
Gr Dedicated Total	**$44,963,762**	**$46,762,312**	**$91,726,074**	**$4,002,975**	**$4,002,975**	**$8,005,950**	

Date: 8/16/2016

Time: 10:50:56AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	**2019**	**Biennial Total**	**2018**	**2019**	**Biennial Total**	
Strategy: 1-1-8 Mass Media Advertising Contract(s)							
Gr Dedicated							
5025 Lottery Acct	$13,267,794	$13,267,794	$26,535,588	$4,248,597	$4,248,597	$8,497,194	
Gr Dedicated Total	**$13,267,794**	**$13,267,794**	**$26,535,588**	**$4,248,597**	**$4,248,597**	**$8,497,194**	
Strategy: 1-1-12 Retailer Commissions. Estimated and Nontransferable.							
Gr Dedicated							
5025 Lottery Acct	$4,625,501	$4,625,501	$9,251,002	$2,927,300	$2,927,300	$5,854,600	
Gr Dedicated Total	**$4,625,501**	**$4,625,501**	**$9,251,002**	**$2,927,300**	**$2,927,300**	**$5,854,600**	
Item Total	**$62,857,057**	**$64,655,607**	**$127,512,664**	**$11,178,872**	**$11,178,872**	**$22,357,744**	

FTE Reductions (From FY 2018 and FY 2019 Base Request)

2 Lottery Reduction-Option 2

Category: Programs - Service Reductions (Contracted)

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION   Date: 8/16/2016
85th Regular Session, Agency Submission, Version 1   Time: 10:50:56AM
Automated Budget and Evaluation System of Texas (ABEST)

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

	REVENUE LOSS			REDUCTION AMOUNT			TARGET
Item Priority and Name/ Method of Financing	**2018**	**2019**	**Biennial Total**	**2018**	**2019**	**Biennial Total**	

Item Comment: If order to achieve a 10% across the board reduction for the Lottery program, the Commission would reduce $44,715,485 from the following programs:
• Mass Media Advertising Services Contract(s) - $17.0 million
• Scratch Ticket Production Services Contract(s) - $16.0 million
• Retailer Commissions (Incentive) - $11.7 million

Mass Media Advertising Services Contract(s)
It is anticipated that a reduction of $17.0 million to the advertising budget will result in a reduction of revenue to the State's beneficiaries of $127.4 million. This estimation is based on research performed by the Texas A&M Mays Business School in 2014 to determine the impact of advertising on lottery sales in the state of Texas. The results of the model suggest that a 10 percent decrease in advertising (expenditures) would result in a 17 percent decrease in lottery sales.

Scratch Ticket Production Services Contract(s)
Historical sales growth in scratch tickets has required increasing expenditure for Scratch Ticket products to meet consumer demands. It is anticipated that a reduction of $16.0 million to the Scratch Ticket Production Services budget will result in a reduction of revenue to the State's beneficiaries of $439.3 million, as fewer scratch ticket games will be available in the marketplace and make it difficult to maintain player excitement and game participation.

Retailer Commissions (Incentive)
Base lottery retailer compensation (5%) in Texas is among the lowest in the US lottery industry and has not been increased since the inception of the lottery. The agency has been able to engage and motivate lottery retailers in supporting the sales of lottery products through its retailer incentive program and successfully leveraged this program to generate incremental revenue for the state of Texas. It is anticipated that a reduction of $11.7 million to the retailer incentive program will result in a reduction of revenue to the State's beneficiaries of $44.7 million.

Strategy: 1-1-7 Scratch Ticket Production and Services Contract(s)

Gr Dedicated

	REVENUE LOSS			REDUCTION AMOUNT		
5025 Lottery Acct	$44,963,762	$46,762,312	$91,726,074	$4,002,975	$4,002,975	$8,005,950
Gr Dedicated Total	**$44,963,762**	**$46,762,312**	**$91,726,074**	**$4,002,975**	**$4,002,975**	**$8,005,950**

Strategy: 1-1-8 Mass Media Advertising Contract(s)

Gr Dedicated

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/16/2016

Time: 10:50:56AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	2019	Biennial Total	2018	2019	Biennial Total	
5025 Lottery Acct	$13,267,794	$13,267,794	$26,535,588	$4,248,597	$4,248,597	$8,497,194	
Gr Dedicated Total	**$13,267,794**	**$13,267,794**	**$26,535,588**	**$4,248,597**	**$4,248,597**	**$8,497,194**	

Strategy: 1-1-12 Retailer Commissions. Estimated and Nontransferable.

Gr Dedicated

5025 Lottery Acct	$4,625,500	$4,625,500	$9,251,000	$2,927,300	$2,927,300	$5,854,600	
Gr Dedicated Total	**$4,625,500**	**$4,625,500**	**$9,251,000**	**$2,927,300**	**$2,927,300**	**$5,854,600**	
Item Total	**$62,857,056**	**$64,655,606**	**$127,512,662**	**$11,178,872**	**$11,178,872**	**$22,357,744**	

FTE Reductions (From FY 2018 and FY 2019 Base Request)

3 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 FY2018-19 biennium, the Commission would be required to reduce $2,426,016 from supplemental appropriations made from Rider 8 of $24,260,160. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by $1,213,008 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. A 5% reduction would result in $606,504 each year of the biennium.

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

General Revenue Funds

1 General Revenue Fund	$0	$0	$0	$606,504	$606,504	$1,213,008	
General Revenue Funds Total	**$0**	**$0**	**$0**	**$606,504**	**$606,504**	**$1,213,008**	
Item Total	**$0**	**$0**	**$0**	**$606,504**	**$606,504**	**$1,213,008**	

FTE Reductions (From FY 2018 and FY 2019 Base Request)

4 Bingo Prize Fee Reduction-Option 2

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

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/16/2016

Time: 10:50:56AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	2019	Biennial Total	2018	2019	Biennial Total	

Item Comment: If the 10% across the board reductions were implemented for the FY2018-19 biennium, the Commission would be required to reduce $2,426,016 from supplemental appropriations made from Rider 8 of $24,260,160. This would reflect a reduction to Strategy B.1.4. Bingo Prize Fee Collections by $1,213,008 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. A 5% reduction would result in $606,504 each year of the biennium.

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

General Revenue Funds

	2018	2019	Biennial Total	2018	2019	Biennial Total	
1 General Revenue Fund	$0	$0	$0	$606,504	$606,504	$1,213,008	
General Revenue Funds Total	**$0**	**$0**	**$0**	**$606,504**	**$606,504**	**$1,213,008**	
Item Total	**$0**	**$0**	**$0**	**$606,504**	**$606,504**	**$1,213,008**	

FTE Reductions (From FY 2018 and FY 2019 Base Request)

5 Bingo Administrative Reduction-Option 1

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: If the 10% across the board reductions were implemented for the FY2018-19 biennium, the Commission would be required to reduce $541,313 from an administrative budget of $5,413,130. This would reflect a reduction of 6.0 FTE's from the 43.0 FTE's budgeted.

A plan to reduce 5% or $270,657 of the $5,413,130 would be to eliminate 4 FTEs in the Bingo Division. One FTE in Strategy B.1.2 (Bingo Education and Training), 2 FTEs in Strategy B.1.3. (Bingo Law Compliance Field Operation) and 1 FTE in B.1.4. (Bingo Prize Fee Collection and Accounting). Overall this reduction would limit the operating capabilities of the division including a reduction in the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act, reduce education and training opportunities provided to licensees' statewide as well as increase application processing times. The impact in Accounting Services would be minimal as the division has seen efficiencies from the new Bingo Operating Services System implemented in FY 2015 and an increased usage of the Bingo Services Portal by licensees and workers.

Strategy: 2-1-1 Determine Eligibility and Process Applications

General Revenue Funds

	2018	2019	Biennial Total				
1 General Revenue Fund	$0	$0	$0				

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/16/2016

Time: 10:50:56AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	2019	Biennial Total	2018	2019	Biennial Total	
General Revenue Funds Total	**$0**	**$0**	**$0**				
Strategy: 2-1-2 Provide Education and Training for Bingo Regulatory Requirements							
General Revenue Funds							
1 General Revenue Fund	$0	$0	$0	$40,685	$40,685	$81,370	
General Revenue Funds Total	**$0**	**$0**	**$0**	**$40,685**	**$40,685**	**$81,370**	
Strategy: 2-1-3 Bingo Law Compliance Field Operations							
General Revenue Funds							
1 General Revenue Fund	$0	$0	$0	$57,995	$57,994	$115,989	
General Revenue Funds Total	**$0**	**$0**	**$0**	**$57,995**	**$57,994**	**$115,989**	
Strategy: 2-1-4 Bingo Prize Fee Collections and Accounting							
General Revenue Funds							
1 General Revenue Fund	$0	$0	$0	$36,649	$36,649	$73,298	
General Revenue Funds Total	**$0**	**$0**	**$0**	**$36,649**	**$36,649**	**$73,298**	
Item Total	**$0**	**$0**	**$0**	**$135,329**	**$135,328**	**$270,657**	
FTE Reductions (From FY 2018 and FY 2019 Base Request)				**4.0**	**4.0**		

6 Bingo Administrative Reduction-Option 2

Category: Programs - Service Reductions (FTEs-Layoffs)

Item Comment: If the 10% across the board reductions were implemented for the FY2018-19 biennium, the Commission would be required to reduce $541,313 from an administrative budget of $5,413,130. This would reflect a reduction of 6.0 FTE's from the 43.0 FTE's budgeted.

A plan to reduce another 5% or $270,656 of the $5,413,130 would be to eliminate another 2 FTEs in Strategy B.1.3. (Bingo Law Compliance Field Operation). This additional reduction would further reduce the number of audits and investigations which regulate licensees' compliance with the Bingo Enabling Act.

6.I. Percent Biennial Base Reduction Options

10 % REDUCTION

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/16/2016

Time: 10:50:56AM

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

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	2019	Biennial Total	2018	2019	Biennial Total	
Strategy: 2-1-3 Bingo Law Compliance Field Operations							
General Revenue Funds							
1 General Revenue Fund	$0	$0	$0	$135,328	$135,328	$270,656	
General Revenue Funds Total	**$0**	**$0**	**$0**	**$135,328**	**$135,328**	**$270,656**	
Item Total	**$0**	**$0**	**$0**	**$135,328**	**$135,328**	**$270,656**	
FTE Reductions (From FY 2018 and FY 2019 Base Request)				2.0	2.0		
AGENCY TOTALS							
General Revenue Total				**$1,483,665**	**$1,483,664**	**$2,967,329**	**$2,967,329**
GR Dedicated Total	**$125,714,113**	**$129,311,213**	**$255,025,326**	**$22,357,744**	**$22,357,744**	**$44,715,488**	**$44,715,485**
Agency Grand Total	**$125,714,113**	**$129,311,213**	**$255,025,326**	**$23,841,409**	**$23,841,408**	**$47,682,817**	
Difference, Options Total Less Target						**$3**	
Agency FTE Reductions (From FY 2018 and FY 2019 Base Request)				6.0	6.0		

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-1	**Lottery Operations**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$2,001,888	$ 2,095,031	$ 2,182,025	$ 2,200,976	$ 2,200,976
1002	OTHER PERSONNEL COSTS	86,113	48,728	49,725	50,157	50,157
2001	PROFESSIONAL FEES AND SERVICES	254,183	309,948	275,776	253,779	253,779
2003	CONSUMABLE SUPPLIES	865	3,675	3,434	3,464	3,464
2004	UTILITIES	47,551	44,065	48,683	49,105	49,105
2005	TRAVEL	19,481	32,495	36,535	36,854	36,854
2006	RENT - BUILDING	2,954	3,070	3,128	3,157	3,157
2007	RENT - MACHINE AND OTHER	68,692	67,608	57,399	57,898	57,898
2009	OTHER OPERATING EXPENSE	259,340	354,246	484,050	459,269	459,275
5000	CAPITAL EXPENDITURES	11,259	8,029	0	0	0
	Total, Objects of Expense	**$2,752,326**	**$2,966,895**	**$3,140,755**	**$3,114,659**	**$3,114,665**
METHOD OF FINANCING:						
5025	Lottery Acct	2,752,326	2,966,895	3,140,755	3,114,659	3,114,665
	Total, Method of Financing	**$2,752,326**	**$2,966,895**	**$3,140,755**	**$3,114,659**	**$3,114,665**
FULL TIME EQUIVALENT POSITIONS		**24.7**	**24.0**	**24.2**	**24.2**	**24.2**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-1 **Lottery Operations**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.
This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-2	**Lottery Field Operations**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$1,823,162	$ 1,924,344	$ 2,006,055	$ 2,024,103	$ 2,024,103
1002	OTHER PERSONNEL COSTS	78,425	44,758	45,715	46,126	46,126
2001	PROFESSIONAL FEES AND SERVICES	231,489	284,696	253,535	233,386	233,386
2003	CONSUMABLE SUPPLIES	786	3,376	3,157	3,185	3,185
2004	UTILITIES	43,305	40,474	44,756	45,159	45,159
2005	TRAVEL	17,741	29,847	33,590	33,892	33,892
2006	RENT - BUILDING	2,690	2,821	2,877	2,902	2,902
2007	RENT - MACHINE AND OTHER	62,559	62,100	52,771	53,246	53,246
2009	OTHER OPERATING EXPENSE	236,186	325,384	445,013	422,363	422,368
5000	CAPITAL EXPENDITURES	10,253	7,374	0	0	0
	Total, Objects of Expense	**$2,506,596**	**$2,725,174**	**$2,887,469**	**$2,864,362**	**$2,864,367**
METHOD OF FINANCING:						
5025	Lottery Acct	2,506,596	2,725,174	2,887,469	2,864,362	2,864,367
	Total, Method of Financing	**$2,506,596**	**$2,725,174**	**$2,887,469**	**$2,864,362**	**$2,864,367**
FULL TIME EQUIVALENT POSITIONS		**22.5**	**22.0**	**22.2**	**22.4**	**22.4**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-2 **Lottery Field Operations**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.
This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-3	**Marketing and Promotion**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$1,283,082	$ 1,474,666	$ 1,532,290	$ 1,545,826	$ 1,545,826
1002	OTHER PERSONNEL COSTS	55,193	34,299	34,919	35,227	35,227
2001	PROFESSIONAL FEES AND SERVICES	162,914	218,168	193,658	178,239	178,239
2003	CONSUMABLE SUPPLIES	553	2,587	2,411	2,432	2,432
2004	UTILITIES	30,477	31,016	34,186	34,488	34,488
2005	TRAVEL	12,486	22,873	25,657	25,883	25,883
2006	RENT - BUILDING	1,893	2,162	2,197	2,217	2,217
2007	RENT - MACHINE AND OTHER	44,027	47,589	40,308	40,664	40,664
2009	OTHER OPERATING EXPENSE	166,220	249,349	339,916	322,562	322,567
5000	CAPITAL EXPENDITURES	7,216	5,651	0	0	0
	Total, Objects of Expense	**$1,764,061**	**$2,088,360**	**$2,205,542**	**$2,187,538**	**$2,187,543**
METHOD OF FINANCING:						
5025	Lottery Acct	1,764,061	2,088,360	2,205,542	2,187,538	2,187,543
	Total, Method of Financing	**$1,764,061**	**$2,088,360**	**$2,205,542**	**$2,187,538**	**$2,187,543**
FULL TIME EQUIVALENT POSITIONS		**15.8**	**16.9**	**16.9**	**17.1**	**17.1**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-3 **Marketing and Promotion**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.
This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-4	**Security**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$1,313,520	$ 1,455,605	$ 1,512,437	$ 1,525,973	$ 1,525,973
1002	OTHER PERSONNEL COSTS	56,503	33,856	34,466	34,775	34,775
2001	PROFESSIONAL FEES AND SERVICES	166,779	215,348	191,149	175,950	175,950
2003	CONSUMABLE SUPPLIES	566	2,554	2,380	2,401	2,401
2004	UTILITIES	31,200	30,615	33,743	34,045	34,045
2005	TRAVEL	12,782	22,577	25,324	25,551	25,551
2006	RENT - BUILDING	1,938	2,134	2,169	2,188	2,188
2007	RENT - MACHINE AND OTHER	45,071	46,974	39,786	40,142	40,142
2009	OTHER OPERATING EXPENSE	170,163	246,126	335,512	318,420	318,424
5000	CAPITAL EXPENDITURES	7,387	5,578	0	0	0
	Total, Objects of Expense	**$1,805,909**	**$2,061,367**	**$2,176,966**	**$2,159,445**	**$2,159,449**
METHOD OF FINANCING:						
5025	Lottery Acct	1,805,909	2,061,367	2,176,966	2,159,445	2,159,449
	Total, Method of Financing	**$1,805,909**	**$2,061,367**	**$2,176,966**	**$2,159,445**	**$2,159,449**
FULL TIME EQUIVALENT POSITIONS		**16.2**	**16.6**	**16.7**	**16.9**	**16.9**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1-1-4 **Security**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.

This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-1	**Determine Eligibility and Process Applications**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$345,745	$ 304,984	$ 318,550	$ 321,258	$ 321,258
1002	OTHER PERSONNEL COSTS	14,873	7,094	7,259	7,321	7,321
2001	PROFESSIONAL FEES AND SERVICES	43,900	45,121	40,260	37,042	37,042
2003	CONSUMABLE SUPPLIES	149	535	501	506	506
2004	UTILITIES	8,212	6,415	7,107	7,167	7,167
2005	TRAVEL	3,364	4,730	5,334	5,379	5,379
2006	RENT - BUILDING	510	447	457	461	461
2007	RENT - MACHINE AND OTHER	11,864	9,842	8,380	8,451	8,451
2009	OTHER OPERATING EXPENSE	44,790	51,569	70,666	67,036	67,037
5000	CAPITAL EXPENDITURES	1,944	1,169	0	0	0
	Total, Objects of Expense	**$475,351**	**$431,906**	**$458,514**	**$454,621**	**$454,622**
METHOD OF FINANCING:						
5025	Lottery Acct	475,351	431,906	458,514	454,621	454,622
	Total, Method of Financing	**$475,351**	**$431,906**	**$458,514**	**$454,621**	**$454,622**
FULL TIME EQUIVALENT POSITIONS		**4.3**	**3.5**	**3.5**	**3.6**	**3.6**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-1 **Determine Eligibility and Process Applications**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.

This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-2	**Provide Education and Training for Bingo Regulatory Requirements**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$44,486	$ 76,246	$ 79,412	$ 80,314	$ 80,314
1002	OTHER PERSONNEL COSTS	1,914	1,773	1,810	1,830	1,830
2001	PROFESSIONAL FEES AND SERVICES	5,648	11,280	10,036	9,261	9,261
2003	CONSUMABLE SUPPLIES	19	134	125	126	126
2004	UTILITIES	1,057	1,604	1,772	1,792	1,792
2005	TRAVEL	433	1,183	1,330	1,345	1,345
2006	RENT - BUILDING	66	112	114	115	115
2007	RENT - MACHINE AND OTHER	1,526	2,461	2,089	2,113	2,113
2009	OTHER OPERATING EXPENSE	5,763	12,892	17,616	16,759	16,759
5000	CAPITAL EXPENDITURES	250	292	0	0	0
	Total, Objects of Expense	**$61,162**	**$107,977**	**$114,304**	**$113,655**	**$113,655**
METHOD OF FINANCING:						
5025	Lottery Acct	61,162	107,977	114,304	113,655	113,655
	Total, Method of Financing	**$61,162**	**$107,977**	**$114,304**	**$113,655**	**$113,655**
FULL TIME EQUIVALENT POSITIONS		**0.5**	**0.9**	**0.9**	**0.9**	**0.9**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-2 **Provide Education and Training for Bingo Regulatory Requirements**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.

This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-3	**Bingo Law Compliance Field Operations**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$855,388	$ 1,104,700	$ 1,154,181	$ 1,084,695	$ 1,084,695
1002	OTHER PERSONNEL COSTS	36,795	25,694	26,302	24,719	24,719
2001	PROFESSIONAL FEES AND SERVICES	108,610	163,434	145,871	125,069	125,069
2003	CONSUMABLE SUPPLIES	369	1,938	1,816	1,707	1,707
2004	UTILITIES	20,318	23,235	25,750	24,200	24,200
2005	TRAVEL	8,324	17,134	19,326	18,162	18,162
2006	RENT - BUILDING	1,262	1,619	1,655	1,555	1,555
2007	RENT - MACHINE AND OTHER	29,351	35,650	30,362	28,534	28,534
2009	OTHER OPERATING EXPENSE	110,813	186,792	256,038	226,340	226,343
5000	CAPITAL EXPENDITURES	4,811	4,233	0	0	0
	Total, Objects of Expense	**$1,176,041**	**$1,564,429**	**$1,661,301**	**$1,534,981**	**$1,534,984**
METHOD OF FINANCING:						
5025	Lottery Acct	1,176,041	1,564,429	1,661,301	1,534,981	1,534,984
	Total, Method of Financing	**$1,176,041**	**$1,564,429**	**$1,661,301**	**$1,534,981**	**$1,534,984**
FULL TIME EQUIVALENT POSITIONS		**10.5**	**12.6**	**12.8**	**12.0**	**12.0**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

Strategy	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-3 **Bingo Law Compliance Field Operations**					

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.
This basis was selected because administrative demands are closely related to FTEs.

362 Texas Lottery Commission

Strategy		Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
2-1-4	**Bingo Prize Fee Collections and Accounting**					
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	$137,362	$ 228,738	$ 239,138	$ 240,943	$ 240,943
1002	OTHER PERSONNEL COSTS	5,909	5,320	5,450	5,491	5,491
2001	PROFESSIONAL FEES AND SERVICES	17,441	33,840	30,223	27,782	27,782
2003	CONSUMABLE SUPPLIES	59	401	376	379	379
2004	UTILITIES	3,263	4,811	5,335	5,376	5,376
2005	TRAVEL	1,337	3,548	4,004	4,034	4,034
2006	RENT - BUILDING	203	335	343	345	345
2007	RENT - MACHINE AND OTHER	4,713	7,382	6,291	6,338	6,338
2009	OTHER OPERATING EXPENSE	17,795	38,677	53,049	50,277	50,278
5000	CAPITAL EXPENDITURES	773	877	0	0	0
	Total, Objects of Expense	**$188,855**	**$323,929**	**$344,209**	**$340,965**	**$340,966**
METHOD OF FINANCING:						
5025	Lottery Acct	188,855	323,929	344,209	340,965	340,966
	Total, Method of Financing	**$188,855**	**$323,929**	**$344,209**	**$340,965**	**$340,966**
FULL TIME EQUIVALENT POSITIONS		**1.7**	**2.6**	**2.6**	**2.7**	**2.7**

Method of Allocation

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

	Exp 2015	**Est 2016**	**Bud 2017**	**BL 2018**	**BL 2019**

Indirect and support costs in Strategy A.1.5 Central Administration are allocated proportionately among remaining non-contractual and grant strategies on the basis of FTEs for each fiscal year.

This basis was selected because administrative demands are closely related to FTEs.

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

362 Texas Lottery Commission

	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
GRAND TOTALS					
Objects of Expense					
1001 SALARIES AND WAGES	$7,804,633	$8,664,314	$9,024,088	$9,024,088	$9,024,088
1002 OTHER PERSONNEL COSTS	$335,725	$201,522	$205,646	$205,646	$205,646
2001 PROFESSIONAL FEES AND SERVICES	$990,964	$1,281,835	$1,140,508	$1,040,508	$1,040,508
2003 CONSUMABLE SUPPLIES	$3,366	$15,200	$14,200	$14,200	$14,200
2004 UTILITIES	$185,383	$182,235	$201,332	$201,332	$201,332
2005 TRAVEL	$75,948	$134,387	$151,100	$151,100	$151,100
2006 RENT - BUILDING	$11,516	$12,700	$12,940	$12,940	$12,940
2007 RENT - MACHINE AND OTHER	$267,803	$279,606	$237,386	$237,386	$237,386
2009 OTHER OPERATING EXPENSE	$1,011,070	$1,465,035	$2,001,860	$1,883,026	$1,883,051
5000 CAPITAL EXPENDITURES	$43,893	$33,203	$0	$0	$0
Total, Objects of Expense	**$10,730,301**	**$12,270,037**	**$12,989,060**	**$12,770,226**	**$12,770,251**
Method of Financing					
5025 Lottery Acct	$10,730,301	$12,270,037	$12,989,060	$12,770,226	$12,770,251
Total, Method of Financing	**$10,730,301**	**$12,270,037**	**$12,989,060**	**$12,770,226**	**$12,770,251**
Full-Time-Equivalent Positions (FTE)	**96.2**	**99.1**	**99.8**	**99.8**	**99.8**