




INTEROFFICE MEMO

Gary Grief, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert G. Rivera, Chairman
Cindy Fields, Commissioner
Mark A. Franz, Commissioner
Erik C. Saenz, Commissioner
Jamey Steen, Commissioner

From: Kelly Stuckey, Controller 

Date: May 31, 2022

Re: FY 2023 Operating Budget

The FY 2023 Operating Budget was provided under separate distribution on May 25, 2022.

The Operating Budget for FY 2023 is \$258,534,214 and reflects 308.3 Full Time Equivalent Positions (FTE's). The budget was developed in accordance with appropriation amounts outlined in Senate Bill 1 adjusted for Rider and Article IX funding provisions.

The initial draft of the budget was developed by the Office of the Controller and delivered to division management for their direct input. The final draft was developed after receiving feedback from the divisions and reviewed by executive management.

Please feel free to contact me at 512-344-5426 if you need additional information or have any questions.

Attachment: FY 2023 Operating Budget Summary

Texas Lottery Commission FY 2023 Operating Budget

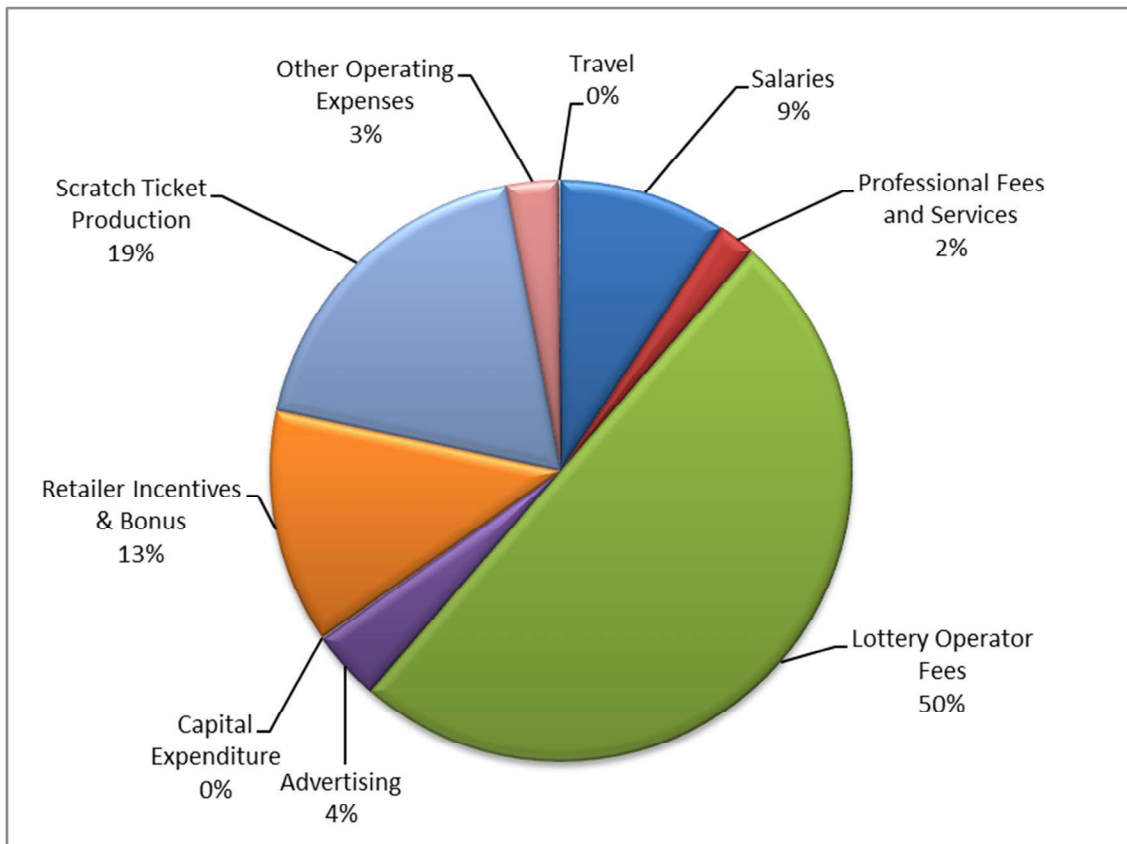
Budget

FY 2023 Operating Budget	Budget	FTEs
Lottery Dedicated Account	\$ 256,438,590	277.30
General Revenue	2,095,625	31.00
Total	\$ 258,534,214	308.30

FY 2022 Operating Budget	Budget	FTEs
Lottery Dedicated Account	\$ 263,681,009	277.90
General Revenue	2,067,221	32.00
Total	\$ 265,748,229	309.90

FY 2023 Increase (Decrease) From FY 2022	Budget	FTEs
Lottery Dedicated Account	\$ (7,242,419)	(0.60)
General Revenue	28,404	(1.00)
Total	\$ (7,214,015)	(1.60)

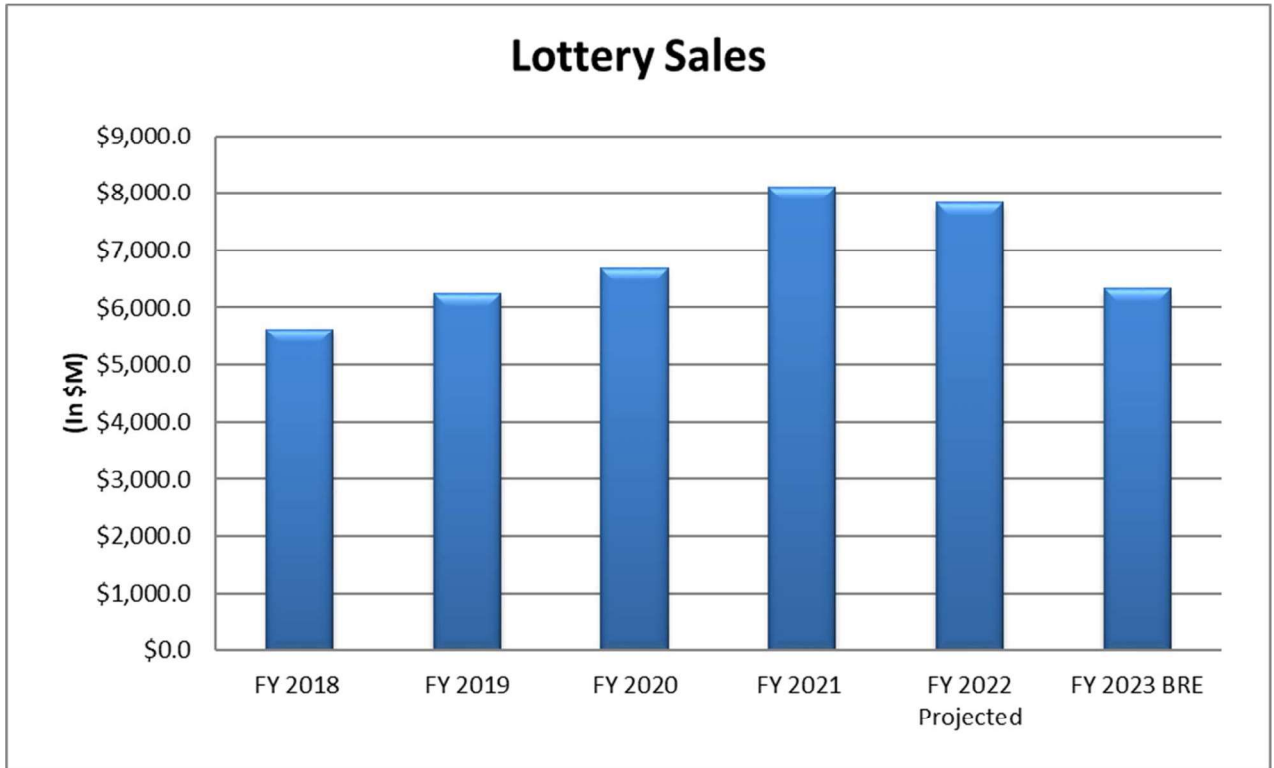
Summary by Object of Expense



- 77% of the Lottery Dedicated Budget is contractual outsourced services.

Lottery Sales Projection

- The budget was developed using the Comptroller's Biennial Revenue Estimate (BRE) of \$6.335B for FY 2023.



Appropriation Authority

Lottery Dedicated Account

- Original Appropriation. \$256,419,808.
- Rider 8: Retailer Incentive. Estimated appropriation of 0.5% of sales. Appropriation of \$31.7M included in the budget.
- Rider 9: Lottery Operator Contract. Estimated appropriation of 2.0331% of sales based on Comptroller's Biennial Revenue Estimate (BRE) of \$6.335B.
- Rider 10: Appropriation for Increased Fees. Estimated appropriation of 1.49% of the amount by which sales exceed \$6.335B. Should BRE sales target of \$6.335B be exceeded, budget increase authority is available.
- Article IX, Section 17.03 Payroll Contribution-Health Insurance. Required transfer of 1% of Salaries and Wages, or \$214K, to the Employees Retirement System for group health insurance.
- Article IX, Section 17.06 Payroll Contribution-Retirement. Required transfer of 0.5% of Salaries and Wages, or \$107K, to the Employees Retirement System for retirement program.
- Article IX, Section 8.02 Third Party Reimbursement. \$481K in funding for contracts reimbursed by Lottery Operator vendor.

General Revenue

- Original Appropriation. \$2,419,591.
- Rider 13: Bingo Third Party Reimbursement. Budget does not reflect appropriation for third party reimbursements at this time. As funds become available the budget will be amended.
- Article IX, Section 17.03 Payroll Contribution-Health Insurance. Required transfer of 1% of Salaries and Wages, or \$18K, to the Employees Retirement System for group health insurance.
- Article IX, Section 17.06 Payroll Contribution-Retirement. Required transfer of 0.5% of Salaries and Wages, or \$9K, to the Employees Retirement System for retirement program.

General Restrictions

- Rider 2: Capital Budget Authority. Budget includes \$218,400 in capital authority for Lottery Drawing Equipment.
- FTE Cap: Budget reflects 308.3 FTE's representing 13.2 FTE's under cap restriction of 321.5 FTE's.

Budget Highlights

- Lottery Operator Fees are reflected at \$129.1M, or 50% of the Commission budget.
- The Advertising budget is reflected at \$10.0M or 3.9% of budget. As a reminder, budget reductions during the 87th Legislative Session reduced the advertising budget from \$17.8M a year to \$10.0M. This was a 44% or \$7.8M budget reduction.
- 13.1% of the budget, or \$33.8M, is dedicated to the Retailer Incentive and Bonus Programs.
- Salaries are \$24.1M, or 9.3% of Budget.
- Scratch Ticket Production, including Printing and Licensing Fees, is budgeted at \$48.1M or 18.6% of the Budget.
- The balance of the budget, or \$13.5M, or 5.2% relates to Other Operating, Professional Fees, Travel and Capital Outlay.
- The \$7.2M budget reduction from FY22 to FY23 is a largely the result of the following:
 - \$4.8M - Move to new headquarters building at 1801 N Congress;
 - \$2.8M - Rate reduction in Lottery Operator Contract from 2.0773% to 2.0331%.
- FTE's are budgeted at 308.3 FTE's
 - FTE decrease of 0.6 positions in the Lottery Dedicated Account
 - FTE decrease of 1.0 positions in the General Revenue Account.

Unbudgeted Appropriation

- \$141,220 of Lottery Dedicated Account appropriation is unbudgeted.
- \$296,454 of General Revenue appropriation is unbudgeted.