

**SUBJECT:** Paying indirect, administrative bingo costs from state lottery account

**COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment

**VOTE:** 9 ayes — Flores, Geren, Isett, Goolsby, Hamilton, Jones, Miles, Quintanilla, Thompson  
0 nays

**WITNESSES:** For — None  
Against — None  
On — (*Registered, but did not testify:* Anthony Sadberry, Texas Lottery Commission)

**BACKGROUND:** The Texas Lottery Commission oversees the state lottery and charitable bingo.  
Under Government Code, sec. 466.355(b), money in the state lottery account can be used to pay:

- lottery prizes;
- costs incurred in operating and administering the lottery; and
- certain bond, reserve and prize funds.

The rest is transferred to the foundation school fund.

**DIGEST:** HB 3350 would allow funds from the state lottery account to be used to pay the costs of operating and administering the Texas Lottery Commission, not just the lottery itself.  
The bill would take effect September 1, 2007.

**SUPPORTERS SAY:** HB 3350 is necessary to codify the current practice of using the state lottery account to pay the indirect overhead and administrative expenses of the bingo division of the Texas Lottery Commission.

Currently, the operation and administration of the lottery is funded from the lottery account, and many charitable bingo expenses are funded through general revenue. Historically, however, indirect overhead and administration costs for the bingo division have been expensed to the commission's strategy for operations in the state budget. These indirect expenses include human resources, financial services, media relations, and legal services. Administrative expenses paid in this way include building and computer leases.

HB 3350 would clarify this established budgeting practice by stating explicitly in the statute governing the lottery account that funds could be used for the operation of the entire commission. It would be best to have this accounting practice clearly authorized by statute. Further clarity would be provided by a rider in Art. 11 of the fiscal 2008-09 appropriations bill, under which the appropriation made to operate the lottery could be used for certain bingo indirect and administrative costs.

The Texas Lottery Commission is charged with overseeing bingo, so it would be more appropriate to continue to use the lottery account to fund bingo's administrative and indirect expenses than to spend general revenue for these purposes.

OPPONENTS  
SAY:

No apparent opposition.