

INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To:

J. Winston Krause, Chairman

Carmen Arrieta-Candelaria, Commissioner

Peggy A. Heeg, Commissioner Doug Lowe, Commissioner Robert Rivera, Commissioner

From:

Bob Biard, General Counsel

Date:

June 1, 2017

Re:

Consideration of the Status and Possible Approval of Orders in Enforcement Cases

The Legal Services Division staff recommends that the Commission approve each of the proposed orders in the enforcement cases presented under this item.

EXECUTED TO THE POPULATION OF THE POPULATION OF

Date: <u>JUNE 1, 2017</u>

IN THE MATTER OF	§	BEFORE THE STATE OFFICE
	§	¥
	§	OF
THE REVOCATION OF CERTAIN	§	
LOTTERY RETAILER LICENSES	§	ADMINISTRATIVE HEARINGS

ORDER OF THE COMMISSION

During an open meeting at Austin, Texas, the Texas Lottery Commission (Commission) heard the license revocation cases listed on Attachment A hereto, in which the Texas Lottery Ticket Sales Agent (Respondent) in each referenced case did not appear at the scheduled hearing before the State Office of Administrative Hearings (SOAH) to respond to the allegations set forth in the Commission's notice of hearing.

I. Findings of Fact

- 1. Timely and adequate notice of the hearings in the referenced cases before SOAH was provided to each Respondent, pursuant to Tex. Gov't Code Ann. §§ 2001.051 and 2001.052, and 1 Tex. Admin. Code § 155.401. Each notice of hearing included a disclosure in at least 12-point, bold-face type, that the factual allegations listed in the notice could be deemed admitted, and the relief sought in the notice of hearing might be granted by default against the party that fails to appear at hearing.
- 2. After timely and adequate notice was given in each case, each case was heard by a SOAH Administrative Law Judge (ALJ). In each case, the Respondent did not appear at the hearing.
- 3. The Commission, by and through its attorney of record, filed a motion to dismiss each of the referenced cases from the SOAH docket and to remand each case to

Date: JUNE 1, 2017

the Commission for informal disposition, in accordance with Tex. Gov't Code Ann. § 2001.058(d-1) and 1 Tex. Admin. Code § 155.501(d).

4. The ALJ dismissed the referenced cases from the SOAH docket and remanded these cases to the Commission for informal disposition under Tex. Gov't Code Ann. § 2001.056.

II. Conclusions of Law

- 1. The Commission has jurisdiction over this matter pursuant to Tex. Gov'T CODE ANN. § 466.155 and 16 Tex. ADMIN. CODE, Chapter 401.
- 2. The Respondent in each of the cases listed on Attachment A violated the State Lottery Act and the Commission's Rules as set forth in the Commission's notice of hearing applicable to such Respondent. Specifically, each Respondent failed to deposit money due to the State received from lottery ticket sales under the State Lottery Act, in violation of Tex. Gov't Code Ann. § 466.351 and 16 Tex. Admin. Code §§ 401.351 and 401.352.
- 3. The relief sought by the Commission Staff is fair, reasonable, and adequately protects the public.

III. Order

NOW, THEREFORE, IT IS ORDERED that, after review and due consideration of the administrative record, each of the cases listed on Attachment A hereto, which is incorporated into this Order for all purposes, is hereby disposed by default, and:

1. All allegations set forth in each notice of hearing in the cases listed on Attachment A are deemed admitted; and

Date: JUNE 1, 2017

2. The Lottery Ticket Sales Agent License for each Respondent in the cases listed on Attachment A are hereby revoked.

Passed and approved at the regular meeting of the Texas Lottery Commission at Austin, Texas, on the 1^{ST} day of JUNE, 2017.

Entered this 1^{ST} day of <u>JUNE</u>, 2017.

J. WINSTON KRAUSE, CHAIRMAN	
CARMEN ARRIETA-CANDELARIA, COMMISSIONER	
PEGGY A. HEEG, COMMISSIONER	
DOUG LOWE, COMMISSIONER	
ROBERT RIVERA, COMMISSIONER	

Commission Order No. $\underline{17-0042}$

Date: <u>JUNE 1, 2017</u>

ATTACHMENT A

Tab No.	SOAH DOCKET NO.	LOTTERY TICKET SALES AGENT NAME	SALES AGENT ADDRESS	LOTTERY LICENSE NO.
A.	362-17-2798	Jaan Biz Enterprises LLC, Agent D/B/A OK Stop	921 S. 4th St. Crockett, TX 75835	176859
В.	362-17-2799	P & D Business LLC, Agent D/B/A Hawk Cove Fuel Stop	1617 Northshore Rd Quinlan, TX 75474- 3916	179235
C.	362-17-3248	KAYU Enterprises, Inc. D/B/A Mary's Food Mart	5323 Silver Oak Dr. Pasadena, Texas 77505	173796
D.	362-17-3250	GMA Liquor, LLC D/B/A GMA Liquor	9106 Uppercove Circle Houston, Texas 77064	177497
-E.	362-17-3441	Angela Richardson, Agent D/B/A Spanish Shield Liquor	3527 Oakwood Odessa, Texas 79762	151230

DOCKET NO.: SEE ATTACHMENT A

IN THE MATTER	§	BEFORE THE STATE OFFICE
OF THE REVOCATION OF	8	OF
CERTAIN LOTTERY RETAILER	§	
LICENSES	8	ADMINISTRATIVE HEARINGS

ORDER REMANDING CASE(S) TO COMMISSION

On March 16, 2017, a hearing was convened before the State Office of Administrative Hearings (SOAH) on the revocation of the lottery sales agent license held by each retailer listed on Attachment A. Notice of the hearing was provided to each retailer in accordance with 1 Texas Administrative Code § 155.501(b)(2). The Texas Lottery Commission (Commission) served the notice of hearing via certified mail at each retailer's last known address as it appears in the Commission's records, as authorized by 16 Texas Administrative Code § 401.205(4). Each notice of hearing contained a statement of the time, place, and nature of the hearing; a statement of the legal authority and jurisdiction under which the hearing would be held; a reference to the particular sections of the statutes and rules involved; a short, plain statement of the factual matters asserted; and a statement in at least 12-point, bold-face type that the factual allegations listed in the notice could be deemed admitted and the relief sought might be granted by default against a party that failed to appear at the hearing.

The Commission's staff (Staff) appeared at the hearing. None of the referenced retailers appeared. Based on a retailer's failure to appear, Staff filed a motion to dismiss the case(s) from SOAH's docket and to remand the case to the Commission for informal disposition in accordance with Texas Government Code § 2001.058(d-1) and 1 Texas Administrative Code § 155.501(d). The ALJ concludes that the motion has merit and should be granted.

Accordingly, the motion to dismiss each case listed on Attachment A is granted, and the case(s) are dismissed from SOAH's docket and remanded to the Commission for informal disposition under Texas Government Code § 2001.056.

SIGNED April 3, 2017.

HENRY D. CARD

ADMINISTRATIVE LAW JUDGE

EXHIBIT 2

TEXAS LOTTERY COMMISION REVOCATION HEARINGS

STATE OFFICE OF ADMINISTRATIVE HEARINGS

ATTACHMENT A

HEARING HELD: MARCH 16, 2017

SOAH DOCKET NO.	LOTTERY TICKET SALES AGENT NAME	SALES AGENT ADDRESS	LOTTERY LICENSE NO.
362-17-2798	Jaan Biz Enterprises LLC, Agent D/B/A OK Stop	921 S. 4th St. Crockett, TX 75835	.176859
362-17-2799	P & D Business LLC, Agent D/B/A Hawk Cove Fuel Stop	1617 Northshore Rd Quinlan, TX 75474-3916	179235

DOCKET NO.: SEE ATTACHMENT A

IN THE MATTER	§	BEFORE THE STATE OFFICE
	§	
OF THE REVOCATION OF	§	OF
CERTAIN LOTTERY RETAILER	8	
LICENSES	8	ADMINISTRATIVE HEARINGS

ORDER REMANDING CASE(S) TO COMMISSION

On April 14, 2017, a hearing was convened before the State Office of Administrative Hearings (SOAH) on the revocation of the lottery sales agent license held by each retailer listed on Attachment A. Notice of the hearing was provided to each retailer in accordance with 1 Texas Administrative Code § 155.501(b)(2). The Texas Lottery Commission (Commission) served the notice of hearing via certified mail at each retailer's last known address as it appears in the Commission's records, as authorized by 16 Texas Administrative Code § 401.205(4). Each notice of hearing contained a statement of the time, place, and nature of the hearing; a statement of the legal authority and jurisdiction under which the hearing would be held; a reference to the particular sections of the statutes and rules involved; a short, plain statement of the factual matters asserted; and a statement in at least 12-point, bold-face type that the factual allegations listed in the notice could be deemed admitted and the relief sought might be granted by default against a party that failed to appear at the hearing.

The Commission's staff (Staff) appeared at the hearing. None of the referenced retailers appeared. Based on a retailer's failure to appear, Staff filed a motion to dismiss the case(s) from SOAH's docket and to remand the case to the Commission for informal disposition in accordance with Texas Government Code § 2001.058(d-1) and 1 Texas Administrative Code § 155.501(d). The ALJ concludes that the motion has merit and should be granted.

Accordingly, the motion to dismiss each case listed on Attachment A is granted, and the case(s) are dismissed from SOAH's docket and remanded to the Commission for informal disposition under Texas Government Code § 2001.056.

SIGNED April 19, 2017.

ADMINISTRATIVE LAW JUDGE

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TEXAS LOTTERY COMMISION REVOCATION HEARINGS STATE OFFICE OF ADMINISTRATIVE HEARINGS ATTACHMENT A

HEARING HELD: APRIL 14, 2017

SOAH DOCKET NO.	LOTTERY TICKET SALES AGENT NAME	SALES AGENT ADDRESS	LOTTERY LICENSE NO.
362-17-3248	KAYU Enterprises, Inc. D/B/A Mary's Food Mart	5323 Silver Oak Dr. Pasadena, Texas 77505	173796
362-17-3250	GMA Liquor, LLC D/B/A GMA Liquor	9106 Uppercove Circle Houston, Texas 77064	177497

DOCKET NO.: SEE ATTACHMENT A

IN THE MATTER	§	BEFORE THE STATE OFFICE
OF THE DEVICE MEAN OF	§	
OF THE REVOCATION OF CERTAIN LOTTERY RETAILER	§	OF
LICENSES	8 8	ADMINISTRATIVE HEARINGS

ORDER REMANDING CASE(S) TO COMMISSION

On April 27, 2017, a hearing was convened before the State Office of Administrative Hearings (SOAH) on the revocation of the lottery sales agent license held by each retailer listed on Attachment A. Notice of the hearing was provided to each retailer in accordance with 1 Texas Administrative Code § 155.501(b)(2). The Texas Lottery Commission (Commission) served the notice of hearing via certified mail at each retailer's last known address as it appears in the Commission's records, as authorized by 16 Texas Administrative Code § 401.205(4). Each notice of hearing contained a statement of the time, place, and nature of the hearing; a statement of the legal authority and jurisdiction under which the hearing would be held; a reference to the particular sections of the statutes and rules involved; a short, plain statement of the factual matters asserted; and a statement in at least 12-point, bold-face type that the factual allegations listed in the notice could be deemed admitted and the relief sought might be granted by default against a party that failed to appear at the hearing.

The Commission's staff (Staff) appeared at the hearing. None of the referenced retailers appeared. Based on a retailer's failure to appear, Staff filed a motion to dismiss the case(s) from SOAH's docket and to remand the case to the Commission for informal disposition in accordance with Texas Government Code § 2001.058(d-1) and 1 Texas Administrative Code § 155.501(d). The ALJ concludes that the motion has merit and should be granted.

Accordingly, the motion to dismiss each case listed on Attachment A is granted, and the case(s) are dismissed from SOAH's docket and remanded to the Commission for informal disposition under Texas Government Code § 2001.056.

SIGNED May 3, 2017.

ADMINISTRATIVE LAW JUDGE

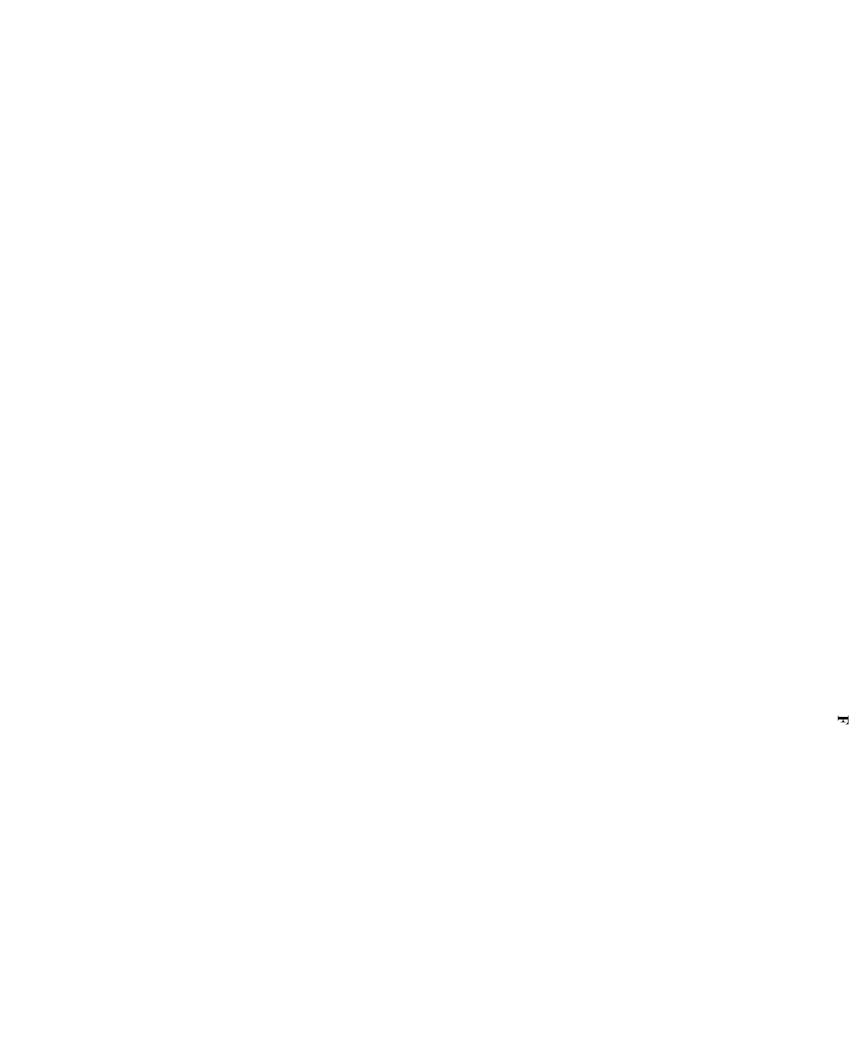
TEXAS LOTTERY COMMISION REVOCATION HEARINGS

STATE OFFICE OF ADMINISTRATIVE HEARINGS

ATTACHMENT A

HEARING HELD: APRIL 27, 2017

SOAH DOCKET NO.	LOTTERY TICKET SALES AGENT NAME	SALES AGENT ADDRESS	LOTTERY LICENSE NO.
362-17-3441	Angela Richardson, Agent D/B/A Spanish Shield Liquor	3527 Oakwood Odessa, Texas 79762	151230
362-17-3443	Sher-Pak LLC, Agent D/B/A Liberty Crossing	5000 Edinburgh Dr., #801 Tyler, Texas 75703	180721



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Date: JUNE 1, 2017

DOCKET NO. 362-17-0790.B

TEXAS LOTTERY COMMISSION	§	BEFORE THE TEXAS
PETITIONER	§	
	§	
VS.	§	
	§	
AMERICAN LEGION POST 361	§	
RESPONDENT	§	LOTTERY COMMISSION

ORDER OF THE COMMISSION

TO: Mr. Stephen Hauck

American Legion Post 361

706 Rumbo Rd. Ennis, TX 75119

During open meeting at Austin, Texas, the Texas Lottery Commission finds that, after proper and timely notice was given, the above-styled case was heard by an Administrative Law Judge (ALJ) who made and filed a Proposal for Decision (PFD) containing the ALJ's Findings of Fact and Conclusions of Law. The PFD was properly served and all parties were given an opportunity to file exceptions and replies as part of the record herein.

The Texas Lottery Commission, after review and due consideration of the PFD and exceptions and replies filed, if any, adopts the ALJ's Findings of Fact and Conclusions of Law as if fully set out and separately stated herein. All proposed Findings of Fact and Conclusions of Law not specifically adopted herein are hereby denied.

NOW, THEREFORE, IT IS ORDERED that the American Legion Post 361's application should be denied.

Date: <u>JUNE 1, 2017</u>

Passed and approved at the regular meeting of the Texas Lottery Commission at Austin, Texas, on the 1^{ST} day of JUNE, 2017.

Entered this 1^{ST} day of <u>JUNE</u>, 2017.

J. WINSTON KRAUSE, CHAIRMAN	
CARMEN ARRIETA-CANDELARIA, COMMISSIONER	
PEGGY A. HEEG, COMMISSIONER	
DOUG LOWE, COMMISSIONER	
ROBERT RIVERA, COMMISSIONER	

State Office of Administrative Hearings



Lesli G. Ginn Chief Administrative Law Judge

March 23, 2017

Gary Grief
Executive Director
Texas Lottery Commission
611 East 6th Street
Austin, Texas 78701

VIA INTERAGENCY

RE: Docket No. 362-17-0790.B; Texas Lottery Commission v. American Legion Post 361

Dear Mr. Grief:

Please find enclosed a Proposal for Decision in this case. It contains my recommendation and underlying rationale.

Exceptions and replies may be filed by any party in accordance with Texas Administrative Code title 1, § 155.507(c), a SOAH rule found at <www.soah.state.tx.us>.

Sincerely.

Rebecca S. Smith

Administrative Law Judge

RSS/ls

cc: Kristen Guthrie, Assistant General Counsel, Texas Lottery Commission, 611 E. 6th, Austin Texas 78701 (with 1 hearing CD; Certified Evidentiary Record)- VIA E-MAIL

Starker Hearly American Logical Rect 261, 706 Physiks P. J. Francis TV, 75110, VIA PEGULAR MAIL

Stephen Hauk, American Legion Post 361, 706 Rumbo Rd., Ennis, TX 75119 -VIA REGULAR MAIL

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SOAH DOCKET NO. 362-17-0790.B

TEXAS LOTTERY COMMISSION,	§	BEFORE THE STATE OFFICE
Petitioner	§	
	§	
\mathbf{v}_{*}	§	
	§	OF
	§	
AMERICAN LEGION POST 361,	§	
Respondent	§	ADMINISTRATIVE HEARINGS

PROPOSAL FOR DECISION

The staff (Staff) of the Texas Lottery Commission (Commission) seeks to deny the application of American Legion Post 361 (Respondent) to renew its license to conduct charitable bingo because Respondent failed to obtain a bond in the amount of \$13,204.00. The Administrative Judge Law Judge (ALJ) concludes that Respondent failed to obtain the bond and, accordingly, Respondent's application should be denied.

I. JURISDICTION, NOTICE, AND PROCEDURAL HISTORY

There is no dispute about jurisdiction, which is addressed in the findings of fact and conclusions of law. Notice will be discussed later in this Proposal for Decision.

The hearing was held on February 23, 2017, before ALJ Rebecca S. Smith at the William P. Clements Building, 300 West 15th Street, Fourth Floor, Austin, Texas. Staff was represented by Assistant General Counsel Kristen Guthrie. Respondent was represented by Post Commander Ron Shore. The record closed on March 2, 2017, after being held open to allow the parties to submit additional evidence about address change notification.

II. APPLICABLE LAW

When an authorized organization¹ wishes to conduct charitable bingo operations in Texas, it must first apply for and obtain a license from the Commission.² Licenses are generally effective for one year, requiring the holder to annually apply for renewal.³ The Commission may deny a license renewal application if the applicant has violated any provision of the Bingo Enabling Act (Act)⁴ or any Commission rules adopted pursuant to the Act.⁵

Among many other requirements, a licensed authorized organization must quarterly remit to the Commission a fee of five percent of the amount or value of all bingo prizes awarded.⁶ A penalty is assessed if the organization fails to timely file the fee.⁷ To secure payment of the fee, a licensed organization must furnish security in one of several forms, including a bond from a surety company or a treasury bond.⁸ This bond amount is set by rule.⁹ However, if a licensed organization fails to fully pay its prize fee by the due date and a jeopardy determination related to the failure to pay the bond becomes final, then the security amount may be recalculated to be three times the highest quarterly prize fee for the organization's four most recent quarters.¹⁰

¹ Authorized organizations include, among other things, fraternal organizations and veterans organizations that have existed in the state for at least three years. Tex. Occ. Code § 2001.101(a).

² Tex. Occ. Code § 2001.101(a).

³ Tex. Occ. Code § 2001.105(c).

⁴ Tex. Occ. Code ch. 2001.

⁵ Tex. Occ. Code § 2001.353(a).

⁶ Tex. Occ. Code § 2001.502. The organization is also required to collect a fee in the amount of five percent of the value of the prize from anyone who wins a bingo prize of more than \$5.

⁷ Tex. Occ. Code § 2001.508(a).

⁸ Tex. Occ. Code § 2001.514(a); 16 Tex. Admin. Code § 402.603(b).

⁹ 16 Tex. Admin. Code § 402.603(a)(1)(A).

¹⁰ 16 Tex. Admin. Code § 402.603(a)(1)(B).

III. EVIDENCE PRESENTED

Most of the relevant facts in this case are not in dispute, and before hearing, the parties settled most of the claims that were alleged. Staff offered seven exhibits at hearing and one after hearing, which were all admitted, and presented the testimony of Joy Bishop, the Commission's Bingo Division Accounting Services Coordinator. Ms. Bishop testified that Respondent was sent a notice that the prize fee was due but failed to timely pay it. This triggered the increase in the bond amount to \$13,204.00. She testified that the final payment on the prize fees was made the day before the hearing. Staff's exhibits also contain a quarterly report from Respondent, dated October 24, 2016, but received by Staff on January 30, 2017. No payment appears to have been included with this report.

Post Commander Ron Shore agreed that Respondent did not have a bond as of the hearing date. In fact, he said that Respondent has been unable to obtain a bond in the required amount.

The focus of Mr. Shore's testimony was Respondent's change of address. He explained that Respondent previously had a post office box, but that, as of the hearing date, it had not had the box for approximately 18 months. Respondent now uses its street address for mailings. He testified that the Notice of Hearing was sent to two addresses, but the notice that the prize fee was due and the jeopardy determination that triggered the increased bond amount were sent to the post office box. Mr. Shore testified that he submitted a change of address form to the Commission at least 18 months before the hearing. He asserted that he had proof of the submission, and the record was held open for Respondent to submit this proof. Respondent did not file anything after the hearing date.

In response, Ms. Bishop testified that the Commission received Respondent's change of address form on January 17, 2017.¹² She also pointed to the quarterly reports filed by Respondent on January 19, 2016, and April 14, 2016, both of which list the post office box as Respondent's mailing

¹¹ Staff Ex. 10.

¹² A copy of this change of address form was submitted by Staff after the hearing. It is admitted as Staff Ex. 11.

address. A report dated October 24, 2016, was not received by the Commission until January 30, 2017. It left a blank in the space for the licensee's mailing address.

IV. ANALYSIS

There is no dispute that Respondent's failure to timely pay the prize fees triggered the increase in the bond amount. Similarly, there is no dispute that, as of the hearing date, Respondent had not obtained a bond. Accordingly, Respondent has not complied with the Commission's rules, and the Commission is authorized to deny Respondent's renewal application.

As for Respondent's complaints about notice, the ALJ finds that Respondent did not update its mailing address until January 2017, and also finds that Respondent had actual notice of the hearing. To the extent that Respondent complains that it did not have timely notice of the jeopardy determination, the responsibility for ensuring the Commission had the correct address belonged to Respondent. It was enough that Staff sent the jeopardy notice to the address it had.

V. FINDINGS OF FACT

- 1. American Legion Post 361 (Respondent) is an authorized organization licensed by the Charitable Bingo Operations Division of the Texas Lottery Commission (Commission) to conduct charitable bingo operations in Texas.
- 2. On April 26, 2016, Respondent applied to renew its bingo license.
- 3. On September 23, 2016, the staff (Staff) of the Commission notified Respondent that it was proposing to deny Respondent's renewal application.
- 4. On October 6, 2016, Respondent appealed the proposed denial and requested a hearing.
- Respondent failed to file a quarterly report with the Commission and failed to pay the Commission \$4,401.45 in prize fees due for the third quarter of 2016.
- 6. On November 2, 2016, the Commission sent Respondent a Notice of Tax/Fee Due and Jeopardy Determination notifying Respondent of the amount of prize fees that were due, along with a penalty amount of \$220.07.

- 7. The Notice referred to in Finding 6 informed Respondent that a bond in the amount of \$13,204.00 would be required if the amount of prize fees plus penalty was not paid within 14 days.
- 8. The prize fees and penalty amounts were not paid within 14 days.
- 9. As of the date of the hearing, Respondent had not obtained a bond in the amount of \$13,204.00.
- 10. Although Respondent had given up its post office box that it used as an address in 2015, Respondent did not inform Staff that it had changed its address until January 2017.
- 11. Respondent filed quarterly reports with the Commission on January 19, 2016, and April 14, 2016, and on both reports listed the post office box as Respondent's mailing address.
- 12. A Notice of Hearing was sent to Respondent at the post office box and at a separate address on December 6, 2016. The notice contained a statement of the time, place, and nature of the hearing; a statement of the legal authority and jurisdiction under which the hearing was to be held; a reference to the particular sections of the statutes and rules involved; and a short, plain statement of the factual matters asserted.
- The hearing was held before Administrative Law Judge Rebecca S. Smith on February 23, 2017. Staff was represented by Assistant General Counsel Kristen Guthrie. Respondent was represented by Post Commander Ron Shore. The record closed on March 2, 2017, after being held open to allow the parties to submit additional evidence about address changes.

VI. CONCLUSIONS OF LAW

- 1. The Commission has jurisdiction over this matter. Tex Occ. Code ch. 2001.
- 2. SOAH has jurisdiction over all matters relating to the conduct of a hearing in this proceeding, including the preparation of a proposal for decision with findings of fact and conclusions of law. Tex. Gov't Code ch. 2003.
- 3. Staff has the burden of establishing that Respondent failed to comply with the Commission's rules. 1 Tex. Admin. Code § 155.427.
- 4. Adequate and timely notice of the hearing was provided. Tex. Gov't Code §§ 2001.051-.052.

- 5. The Commission may deny a license renewal application if the applicant has violated any provision of the Bingo Enabling Act (Act) or any Commission rules adopted pursuant to the Act. Tex. Occ. Code § 2001.353(a)(1).
- 6. If a licensed authorized organization fails to fully pay its prize fee by the due date and a jeopardy determination related to the failure to pay the bond becomes final, then the Commission may recalculate the amount of required security for prize fees to be three times the organization's highest quarterly prize fee for the four most recent quarters. 16 Tex. Admin. Code § 402.603(a)(1)(B).
- 7. The Commission may deny Respondent's application.

SIGNED March 23, 2017.

REBECCA S. SMITH

ADMINISTRATIVE LAW JUDGE