

## TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING           )  
FOR THE TEXAS                )  
LOTTERY COMMISSION         )

COMMISSION MEETING

April 6, 2022

10:00 a.m.

AT

TEXAS LOTTERY COMMISSION  
611 East 6th Street  
Austin, Texas 78701

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## APPEARANCES

CHAIRMAN:	Robert G. Rivera
COMMISSIONERS:	Cindy Fields Mark A. Franz Erik C. Saenz James H.C. "Jamey" Steen
GENERAL COUNSEL:	Robert F. Biard
EXECUTIVE DIRECTOR:	Gary Grief
CHARITABLE BINGO OPERATIONS DIRECTOR:	LaDonna Castañuela
CONTROLLER:	Kelly Stuckey
PRODUCTS MANAGER:	Robert Tirloni
MCCONNELL & JONES LLP:	Liz Meyers
BINGO ADVISORY COMMITTEE CHAIRMAN:	William "Trace" Smith III
HUB AND COMPLIANCE COORDINATOR:	Eric Williams
ASSISTANT GENERAL COUNSEL:	Kyle Wolfe

## TABLE OF CONTENTS

PAGE

I.	The Texas Lottery Commission will call the meeting to order . . . . .	6
II.	Report by the Bingo Advisory Committee (BAC) Chairman; possible discussion and/or action on the BAC's activities, including removal and appointment of committee members . . . . .	6
III.	Report, possible discussion and/or action on HUB and/or minority business participation, including the agency's Fiscal Year 2021 Minority Business Participation Report . . . . .	8
IV.	Consideration of and possible discussion and/or action, including adoption, on amendments to 16 TAC §401.304 (Draw Game Rules (General)), §401.305 ("Lotto Texas" Draw Game Rule), §401.307 ("Pick 3" Draw Game Rule), §401.312 ("Texas Two Step" Draw Game Rule), §401.315 ("Mega Millions" Draw Game Rule), §401.316 ("Daily 4" Draw Game Rule), §401.317 ("Powerball" Draw Game Rule), and §401.320 ("All or Nothing" Draw Game Rule) . .	12
V.	Report, possible discussion and/or action on lottery sales and revenue, game performance, new game opportunities, advertising, promotional activities, market research, trends, and game contracts, agreements, and procedures. . . . .	15
VI.	Report, possible discussion and/or action on transfers to the State . . . . .	22
VII.	Report, possible discussion and/or action on external and internal audits and/or reviews relating to the Texas Lottery Commission, and/or on Internal Audit activities, including the agency-wide performance measures audit report. . . . .	23
VIII.	Report by the Charitable Bingo Operations Director and possible discussion and/or action on the Charitable Bingo Operations Division's activities, including licensing, accounting and audit activities, reports, and special projects. . .	25

1	IX.	Report by the Executive Director and possible discussion and/or action on the agency's operational status, major contracts, agency procedures, awards, and FTE status . . . . .	27
2			
3	X.	Consideration of the status and possible approval of orders in enforcement cases:. . . . .	36
4			
5		Lottery NSF License Revocation Cases (Default)	
6		A. Docket No. 362-22-1010 - Beverly Quick Stop 2	
7		B. Docket No. 362-22-1011 - Monroe Grocery	
8		C. Docket No. 362-22-1117 - Liberty Food Store LLC	
9		D. Docket No. 362-22-1173 - Grab N Go Tobacco	
10		E. Docket No. 362-22-1195 - Aces One Stop	
11		F. Docket No. 362-22-1403 - Jenny's Food Mart	
12		Lottery Agreed Orders	
13		G. Case No. 2022-69 - Lucky Spot	
14		H. Case No. 2022-70 - Sage Food Mart	
15		I. Case No. 2022-72 - Taylor Food Mart	
16		Bingo Agreed Orders	
17		J. Case No. 2021-840 - American Legion Post 83	
18		K. Case Nos. 2022-58, 2022-59, 2022-60, 2022-61, 2022-62, and 2022-74 - TG 302 Inc., TG 105 Inc., Boys Club of Pharr Inc., San Juan Nursing Home Inc., Pharr Literacy Project Inc., and Bingo Ranch 2 LLC	
19	XI.	Public comment . . . . .	38
20			
21	XII.	Commission may meet in Executive Session:. . . . .	38
22		A. To deliberate personnel matters, including the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of the Executive Director and/or Charitable Bingo Operations Director, pursuant to §551.074 of the Texas Government Code.	
23		B. To deliberate the duties of the General Counsel pursuant to §551.074 of the Texas Government Code.	
24		C. To receive legal advice regarding pending or contemplated litigation or settlement offers, or other legal advice, pursuant to §551.071(1) and (2) of the Texas Government Code, including but not limited to legal advice regarding the following items:	
25			

Pending litigation regarding Fun 5's Scratch Ticket Game #1592, including Travis County District Court Docket No. D-1-GN-14-005114 (Steele, et al. v. GTECH Corp.);

Legal advice regarding the Governor's March 13, 2020 COVID-19 state of disaster declaration (as renewed thereafter) and related Texas Lottery Commission matters, Texas Government Code Chapters 466 (State Lottery Act) and 467 (Texas Lottery Commission), the Bingo Enabling Act, the Open Meetings Act, the Public Information Act, the Administrative Procedure Act, employment and personnel law, procurement and contract law, evidentiary and procedural law, ethics laws, and general government law.

Legal advice regarding any item on this open meeting agenda.

XIII. Return to open session for further deliberation and possible action on any matter posted for discussion in Executive Session. Any matter posted for Executive Session also may be the subject of discussion and/or action in open session . . .	38
XIV. Adjournment. . . . .	38
Reporter's Certificate. . . . .	40

## P R O C E E D I N G S

WEDNESDAY, APRIL 6, 2022

## AGENDA ITEM NO. I

CHAIRMAN RIVERA: Okay. Good morning and we are here. So, we have two commissioners that are going to be participating via video conference; Commissioner Fields and Saenz. We are going to also be moving forward with livestreaming these open meetings and this will be our practice moving forward.

We will start with the Pledge of Allegiance and then the Texas pledge.

(Pledges recited)

## AGENDA ITEM NO. II

CHAIRMAN RIVERA: Okay. So, first item is our Bingo Advisory Committee. Trace Smith, this is your item.

MR. SMITH: Thank you, and good morning, Commissioners. I would like to report that all sitting members of the Bingo Advisory Committee were in attendance yesterday with our one vacancy still open. LaDonna informed us that there were five applicants to apply for the vacant seat on the Bingo Advisory Committee. One applicant was present, Michael Anastasio, who is a member of the VFW 8577 in Copperas Cove; introduced himself and told us a little bit about

1 his background in bingo.

2 The BAC will review all applicants and  
3 make recommendations at our next meeting, which is 8th  
4 of June.

5 Requests for waivers of net proceeds is  
6 declining as we move away from the COVID restrictions.  
7 But waivers will be automatic as long as the Governor's  
8 order is still in place.

9 We continue to work with LaDonna and the  
10 staff to resolve the issue of filing our electronic  
11 reports for the quarterly reports and we will have some  
12 suggestions at the next meeting.

13 We also voted to approve the updated  
14 staff language on the gift card rule and are prepared  
15 to move forward on this issue. And thanks once again  
16 to Commissioner Fields for being present on the call  
17 yesterday. It's always a good thing to have her there.

18 CHAIRMAN RIVERA: Okay. Any other  
19 comments before we have Commissioner discussions?

20 MR. SMITH: No, sir.

21 CHAIRMAN RIVERA: Okay. Commissioners,  
22 any thoughts?

23 COMMISSIONER FRANZ: No, just appreciate  
24 the time y'all spent with me earlier this week.

25 MR. SMITH: Absolutely.

1 COMMISSIONER FRANZ: Getting us up to  
2 speed and --

3 MR. SMITH: It's certainly a pleasure to  
4 try to help educate anybody in the bingo industry.

5 CHAIRMAN RIVERA: So, we understand that  
6 over the next few days that you'll have completed  
7 visiting with all of the Commissioners, and we're  
8 obviously grateful for your commitment to bingo and the  
9 state and working with LaDonna and having Cindy as our  
10 lead is also really important to us. So, thank you for  
11 all that you do, and we look forward to visiting with  
12 you in the future.

13 MR. SMITH: Thank you very much.

14 CHAIRMAN RIVERA: Thank you.

15 AGENDA ITEM NO. III

16 CHAIRMAN RIVERA: Okay. Let's see here.  
17 Next item is the minority business participation  
18 report. Eric Williams, this is your item.

19 MR. WILLIAMS: Good morning, Chairman,  
20 Commissioners. For the record, my name is Eric  
21 Williams. I'm the coordinator of the Lottery  
22 Commission's historical underutilized business program  
23 or the HUB program.

24 As you're aware, the HUB program is a  
25 statewide initiative that provides assistance in



1 contracting opportunities to minority, women and  
2 service disabled veteran owned businesses. I'd like to  
3 provide a brief update on our program before I speak  
4 about the minority business participation report.

5 At the beginning of each fiscal year,  
6 the agency sets its annual internal HUB goals as  
7 required by the Comptroller's rules. This year's goals  
8 and a set of summary reports were sent to you last  
9 fall. As part of our outreach to HUBs, the Lottery  
10 Commission has a mentor-protégé program. This is an  
11 ongoing initiative to match HUB vendors with mentor  
12 companies who assist with specific business development  
13 goals.

14 Currently the Lottery Commission has one  
15 mentor-protégé relationship in place. The Lottery  
16 Commission also conducts an annual HUB forum to provide  
17 information and networking opportunities to HUB  
18 vendors. Unfortunately, due to the COVID-19 pandemic,  
19 the Lottery Commission was unable to host this year's  
20 HUB, sorry last year's HUB event.

21 A copy of the agency's finalized fiscal  
22 year 2021 minority business participation report is  
23 included in your notebooks today. This is an annual  
24 report, which is required by Section 466.107 of the  
25 State Lottery Act and must be made available to the

1 Governor, Lieutenant Governor, Speaker of the House and  
2 members of the Legislature. The report documents  
3 minority and HUB participation in our agency's  
4 contracting activity and includes information on the  
5 number of licensed retailers.

6 During fiscal year 2021, the agency  
7 achieved an overall participation rate of 14.38 percent  
8 in its minority HUB contracting activity, which  
9 represented a slight decrease from our fiscal year  
10 2020's performance of 14.78 percent.

11 In addition, of the 19 largest spending  
12 state agencies and universities, the Lottery Commission  
13 ranked 10th by overall HUB percentage. During this  
14 reporting period, the agency also had 8,399 minority  
15 retailers, which represented 41.04 percent of the Texas  
16 Lottery's total retailer base.

17 I'll be happy to answer any questions  
18 regarding this report at this time.

19 CHAIRMAN RIVERA: Okay. Commissioners,  
20 any discussion?

21 COMMISSIONER STEEN: No.

22 CHAIRMAN RIVERA: No?

23 COMMISSIONER FRANZ: No. Thank you.

24 CHAIRMAN RIVERA: Okay.

25 MR. WILLIAMS: Yes, sir. This is an

1 action item and the staff recommends your approval of  
2 the fiscal year 2020 minority business participation  
3 report. Once the report is approved, we will post it  
4 on the agency's website and Ms. Trevino will notify the  
5 legislative offices of its availability.

6 And this concludes my remarks. Thank  
7 you.

8 CHAIRMAN RIVERA: Okay. Eric, thank  
9 you. And before we vote on behalf of our  
10 Commissioners, we're incredibly grateful for all of the  
11 hard work and effort that you've put in. I know that  
12 with the challenges of COVID with working with folks  
13 remotely and just in person and trying to gather data  
14 and do all of the things that you do, that, to be,  
15 encumbered with that unnecessary burden and at a  
16 difficulty just, you know, highlights the tremendous  
17 work that you're doing. So, thank you --

18 MR. WILLIAMS: Yes, sir.

19 CHAIRMAN RIVERA: -- very much on behalf  
20 of all of our Commissioners. Thank you.

21 MR. WILLIAMS: Thank you.

22 CHAIRMAN RIVERA: So, with that, I'll  
23 ask for a motion.

24 COMMISSIONER FRANZ: I'll move that we  
25 accept or that we approve the agency's HUB report.

1 COMMISSIONER STEEN: Second.

2 CHAIRMAN RIVERA: Okay. All in favor  
3 say aye.

4 (Chorus of "ayes")

5 CHAIRMAN RIVERA: Okay. Good job.  
6 Thank you very much, sir.

7 MR. WILLIAMS: Thank you, sir.

8 AGENDA ITEM NO. IV

9 CHAIRMAN RIVERA: Alrighty. Next item  
10 is lottery rule proposal. Kyle Wolfe, this is your  
11 item.

12 MR. WOLFE: Thank you, Mr. Chairman and  
13 Commissioners. For the record, I am Kyle Wolfe,  
14 Assistant General Counsel. Item IV in your notebooks,  
15 which is an action item, contains a proposal to adopt  
16 amendments to eight draw game rules. The amendments up  
17 for adoption amend the Lotto Texas and Powerball rules  
18 to increase the number of consecutive draws a player  
19 can purchase in those draw games.

20 The amendments also consolidate similar  
21 provisions from seven separate draw game rules into the  
22 general draw game rule. Those provisions being  
23 consolidated concern a player's verification of numbers  
24 and other selections on lottery tickets. These  
25 proposed amendments were published in the Texas

1 Register and we received no public comments.

2 So, on this action item, staff is  
3 recommending that the Commission adopt the proposed  
4 amendments. And if you have any questions, I'll be  
5 happy to answer. Thank you.

6 CHAIRMAN RIVERA: Okay. Any discussion?  
7 Okay.

8 COMMISSIONER STEEN: I'll make a motion.

9 CHAIRMAN RIVERA: Is there a second?

10 COMMISSIONER FRANZ: Second.

11 CHAIRMAN RIVERA: Okay. All in favor  
12 say aye.

13 (Chorus of "ayes")

14 CHAIRMAN RIVERA: Alrighty. Passes  
15 unanimously. Thank you, very much.

16 MR. WOLFE: Thank you, Mr. Chairman.

17 CHAIRMAN RIVERA: Item Number V is  
18 report on lottery sales and revenue. Kelly and Robert  
19 combined, this is your item.

20 MR. GRIEF: Mr. Chairman, if I could,  
21 just before we get started on this item, I'd like to  
22 formally introduce the commission to Kelly Stuckey, our  
23 new agency controller. Prior to me naming Kelly as the  
24 new controller last month, Kelly had served here at the  
25 agency with distinction for 16 years as our financial

1 operations manager and she worked very closely with our  
2 former controller, Kathy Pyka. In fact, Kelly was one  
3 of the first people that Kathy recruited to our agency  
4 back in 2005, as Kelly and Kathy worked previously at  
5 the Texas Railroad Commission for several years.

6 Kelly stepped right into her new role as  
7 controller, she's already back-filled her old position,  
8 and her division has not missed a beat since Kathy's  
9 departure.

10 Kelly and I have worked very well  
11 together for many years and Kelly's integration into  
12 our senior management team has been completely  
13 seamless. I'm delighted that Kelly has stepped up to  
14 the Division Director position and under Kelly's  
15 leadership, I'm expecting our Office of the Controller  
16 to continue to be exemplary. So thank you, Mr.  
17 Chairman.

18 CHAIRMAN RIVERA: Okay. Goodness. You  
19 have a lot to live up to, but clearly everything that  
20 you've done and brought you to this position and we're  
21 incredibly thrilled and excited that you're in the seat  
22 that you're in and know that your work is only going to  
23 continue to blossom and benefit the State. So, thank  
24 you for your role and desire to take on this  
25 responsibility.

1 MS. STUCKEY: Thank you. I appreciate  
2 Gary's kind words and, working for Kathy for over 20  
3 years, I definitely miss her every day, but I'm excited  
4 to be in the new role and to work with you guys in our  
5 new role. So, thank you.

6 CHAIRMAN RIVERA: Wonderful. We're glad  
7 to have you.

8 COMMISSIONER STEEN: Congratulations.

9 AGENDA ITEM NO. V

10 CHAIRMAN RIVERA: Okay. Go ahead. Okay.

11 MS. STUCKEY: All right. So  
12 Commissioners, Kelly Stuckey again for the record,  
13 Controller for the agency. And with me this morning is  
14 the Commission's Product Manager Robert Tirloni, and  
15 we'll be presenting our sales through the week ending  
16 April 2nd, 2022.

17 So, starting on slide two and looking at  
18 comparative total sales, it's here we note that through  
19 this 31 week period, total sales for FY22 are  
20 \$4,807,000,000. That's an increase of \$126-million or  
21 2.7 percent over last fiscal year sales of  
22 4,681,000,000.

23 Then moving to look at scratch sales for  
24 fiscal year 22 reflected there on that second orange  
25 bar, we have scratch sales of \$3,944,000,000, and that

1 is a 199-million or 5.3 percent increase over FY21  
2 scratch sales. And then if you look at those scratch  
3 ticket sales as a percent of our total sales, we're  
4 looking at 82.1 percent for this year as compared to 80  
5 percent last year.

6 And then looking at draw sales, FY22  
7 draw sales are reflected on that second blue bar and  
8 our 862 million, and that reflects a \$73-million  
9 decrease or 7.8 percent, under our last year's draw  
10 sales of 935-million.

11 And so then moving to the next slide,  
12 Robert will provide an overview of detailed sales by  
13 game.

14 MR. TIRLONI: Thank you, Kelly. Good  
15 morning, Mr. Chairman and Commissioners.

16 CHAIRMAN RIVERA: Good morning.

17 MR. TIRLONI: Before I dive into the  
18 details this morning on this slide, I thought it might  
19 be beneficial to make a couple of overarching comments  
20 about our sales and where we are at this point in time.

21 So, we've been talking about this, but  
22 we have had a lack of large jackpots this fiscal year.  
23 That obviously impacts the jackpot portion of the  
24 portfolio. But large jackpots bring in players into  
25 retail and those are typically casual or peripheral



1 players. And when they come into retail because of a  
2 large jackpot, they then get exposed to our other  
3 products, our other draw games and our very prominently  
4 displayed scratch products.

5 Well, needless to say, that has not  
6 really occurred yet this fiscal year. We did have one  
7 decent run up for Powerball and that was back in  
8 January, but that's pretty much been about it on the  
9 jackpot side of the house.

10 In March or April of last year, we had  
11 extremely high scratch ticket sales weeks. In fact,  
12 the very highest scratch ticket sales week in our  
13 history, which is now almost 30 years, occurred a year  
14 ago. So, the first week of April of 2021 was our very  
15 best scratch week in 30 years. So, we've had very  
16 tough year-over-year comparison weeks.

17 That being said, if you look at our all  
18 time top 20 scratch sales weeks, five of those did take  
19 place this fiscal year. So, our scratch sales are very  
20 strong and they're doing very well, they're just not as  
21 strong as they were a year ago. So, obviously, if we  
22 think back to fiscal 21, I mean, we had a severe lack  
23 of entertainment options because of the pandemic, many  
24 things were closed, there weren't very many  
25 entertainment options, but grocery stores and

1 convenience stores were always open and never closed,  
2 and that is the predominant locations where we sell our  
3 products.

4 So, I guess the big highlight on this is  
5 in many respects I think the sales that we realized for  
6 a lot of our games last fiscal, I think that's gonna  
7 end up being an anomaly, and I think this year is more  
8 of a reset year for us. I think we'll know more about  
9 that in the next five to six months as we wrap up this  
10 fiscal year. And so I just wanted to share those  
11 comments and thoughts with you.

12 We'll continue to keep you updated. And  
13 at the end of the year, holistically, we'll be able to  
14 look at this year compared to previous years.

15 So, moving to the slide, there is good  
16 -- one back. Thank you. There is good news, we are up  
17 \$126-million year-over-year for the entire portfolio.  
18 As I just said, scratch is doing quite well. It's up  
19 almost \$199-million. Unfortunately, we then lose about  
20 \$73 million of that because we have a deficit on the  
21 draw game side.

22 So, if you look up at the top and why --  
23 that's the jackpot portion of the portfolio, it's down  
24 just over \$71-million, you can see the only game that's  
25 up is Powerball, just under 38-million, and it's add-on

1 feature Powerplay is also up. That's because of that  
2 large jackpot I mentioned. But everything else is  
3 down.

4 You see Mega Millions has not really had  
5 strong jackpots at all. So, most of the loss that  
6 we're experiencing is coming from Mega Millions.

7 If you move down to the middle of the  
8 slide in blue, that's our daily games. We have two  
9 games that are up, two games that are down. Pick 3 is  
10 down just under 3-million, Daily 4 with FIREBALL is up  
11 a little over one.

12 I think the interesting thing that we're  
13 seeing on both Pick 3 and Daily 4, is the base games  
14 are down, our newest add-on feature FIREBALL, is up on  
15 both of those games.

16 So, we've got some shifting of spending  
17 going on with players. We may also have players that  
18 are shifting their spend from Pick 3 to Daily 4. We  
19 don't know exactly, but there's obviously some  
20 fluctuations going on there. So, the daily games as a  
21 whole are down 1.4.

22 So again, in summary, we're doing well,  
23 we're up. Like I said, I think this is a reset year  
24 for us, and we'll definitely know more as we get to the  
25 end of this fiscal year.

1                   And then I just have one other update  
2                   for you. I've given you all a sample up at the table  
3                   there. It's our 30th anniversary ticket. So, this  
4                   game actually just started two days ago on Monday,  
5                   April 4th.

6                   So, a lot of people have spoken to you  
7                   over the past year about our 30th anniversary, which  
8                   hits next month at the end of May. But this ticket is  
9                   kind of a culmination of the year-long activities that  
10                  have been taking place to celebrate our 30th  
11                  anniversary, so I thought I would share this with you.  
12                  It's a very sharp looking ticket and the logo has been  
13                  used on many marketing pieces over this past year, as  
14                  we've kind of celebrated and built up to this  
15                  milestone.

16                  And that is our sales report for today.  
17                  We're happy to answer any questions that you might  
18                  have.

19                  CHAIRMAN RIVERA: Okay. How about  
20                  lights? Perfect. First question. Okay.  
21                  Commissioners, any comments?

22                  COMMISSIONER FRANZ: No, thank you.

23                  CHAIRMAN RIVERA: I will tell you that  
24                  Mark, here to my left, in all the years I've known him,  
25                  I've really never heard him ever extol the greatness of

1 any of our products that openly and loudly, but he  
2 commented this was the absolute best one that he's seen  
3 and that it reminded him of the state fair and just he  
4 liked how Texas it was and --

5 COMMISSIONER FRANZ: Yeah, that was the  
6 first thing that came to mind is that looks like state  
7 fair.

8 CHAIRMAN RIVERA: Yeah. So, solid, good  
9 job.

10 COMMISSIONER FRANZ: Great tie-in, too.

11 CHAIRMAN RIVERA: Yeah.

12 MR. TIRLONI: Thank you so much.

13 CHAIRMAN RIVERA: Yeah. And on the  
14 reassessment or just kind of the recalibration, I  
15 guess, of what we're going to be doing moving forward,  
16 that's -- analysis and we appreciate your insight on  
17 that very much.

18 MR. TIRLONI: Yes. Thank you so much.

19 CHAIRMAN RIVERA: Okay. Awesome. Well,  
20 continue or anything else?

21 MS. STUCKEY: Go to the next item? No.

22 CHAIRMAN RIVERA: Okay. Well, thank you  
23 both of y'all for being here and we look forward to  
24 seeing you at our next meeting.

25 MR. TIRLONI: Thank you, Mr. Chairman.

1 MS. STUCKEY: I think I got the next  
2 item.

3 CHAIRMAN RIVERA: Do you?

4 MS. STUCKEY: Yes.

5 CHAIRMAN RIVERA: Okay.

6 AGENDA ITEM NO. VI

7 MS. STUCKEY: So, Commissioners, for  
8 this item, I've included in your notebook the agency's  
9 transfers to the State through February 28th, 2022.  
10 And this report reflects accrued revenue transfers and  
11 allocations to the Foundation School Fund and the Texas  
12 Veterans Commission, as well as the allocation of  
13 unclaimed prizes for the past six months.

14 So, total accrued revenue transfers to  
15 the State amounted to \$860.7-million through the end of  
16 February. And of that amount, 821.2-million was  
17 transferred to the Foundation School Fund, 9.6-million  
18 was transferred to the Texas Veterans Commission, and  
19 then the remaining 29.9-million transferred from  
20 unclaimed prizes.

21 So, this leaves us with a 10.6-million  
22 or 1.3 percent increase of the Foundation School Fund  
23 when compared to the last fiscal year. And then our  
24 cumulative transfers for the Foundation School Fund  
25 through February, are \$28.5-billion.

1                   Commissioners, this concludes my  
2 presentation. May I answer any questions?

3                   CHAIRMAN RIVERA: Okay. Commissioners,  
4 any questions? None?

5                   COMMISSIONER FRANZ: No, thank you,  
6 Kelly.

7                   CHAIRMAN RIVERA: Okay. Good job.  
8 Again, thank you for being here and we look forward to  
9 seeing you here at our next meeting.

10                  MS. STUCKEY: Thank you.

11                  CHAIRMAN RIVERA: Thank you very much.  
12 Good job, Kelly.

13                               AGENDA ITEM NO. VII

14                  CHAIRMAN RIVERA: Okay. Next item is  
15 our Internal Auditor report. Ms. Meyers, who is  
16 substituting for Darlene Brown.

17                  MS. MEYERS: Good morning, Mr. Chairman  
18 and Commissioners. For the record, my name is Liz  
19 Meyers. I'm Director of IT Audit, and I am here  
20 filling in for Darlene Brown.

21                               In your materials is a summary of our  
22 internal activities for this period. We are wrapping  
23 up the charitable bingo reconciliations, in addition to  
24 conducting the ticket management audit. We plan to  
25 begin the confidential data audit next period.

1                   We have also completed the agency-wide  
2 performance measures audit. Our focus was on the  
3 compliance with definitions, the information capture  
4 process, validating the results, and reporting  
5 accuracy.

6                   For this audit, we recalculated the 12  
7 key and six non-key performance measures for fiscal  
8 year 2021 and the first quarter of fiscal year 2022,  
9 according to the stated definitions. We noted that  
10 generally the agency prepares and reports their  
11 performance measures in a complete, accurate, and  
12 timely manner.

13                  Several of the charitable bingo measures  
14 did not have the supporting data for the fiscal  
15 quarters one through three for FY21. However, we did  
16 note a significant improvement in this area with the  
17 new leadership. Overall, we rated the internal  
18 controls as generally effective.

19                  This concludes our report for today, and  
20 I would be happy to answer any questions you may have.

21                  CHAIRMAN RIVERA: Okay. Commissioners,  
22 any questions? None. Okay. Well, excellent job and  
23 great job in stepping in and thank you for being here.

24                  MS. MEYERS: Thank you.

25                  CHAIRMAN RIVERA: Okay.



1 COMMISSIONER FRANZ: Thanks very much.

2 CHAIRMAN RIVERA: Awesome, Liz, good  
3 job.

4 MS. MEYERS: Thank you.

5 AGENDA ITEM NO. VIII

6 CHAIRMAN RIVERA: Okay. Next is Item  
7 Number VIII, our Bingo Director's report. LaDonna,  
8 this is your item.

9 MS. CASTAÑUELA: Good morning,  
10 Commissioners. For the record, I'm LaDonna Castañuela,  
11 Director of the Charitable Bingo Operations Division.  
12 Information regarding output metrics for CBOD for  
13 February and March can be found in your notebook  
14 materials.

15 In addition to the work detailed in  
16 those materials, we're busy working on projects  
17 associated with the upcoming move, while also  
18 continuing to identify areas for improvement in our  
19 procedures and communications, both internal and  
20 external.

21 CBOD staff has reached out to various  
22 industry contacts to see what we can do to help  
23 increase the percentage of quarterly reports that are  
24 filed online. We're also developing a user manual that  
25 I believe will be very helpful. I'm grateful for the

1 support that we've received from the BAC and from  
2 various industry representatives on this initiative.

3 Since the last meeting, we've hired three new  
4 employees, two auditors for the San Antonio region and  
5 a license specialist here in Austin. Finally, I plan  
6 to start interviews for a new administrative assistant  
7 in the next couple of weeks and will hopefully be able  
8 to bring that person on board before the next meeting.

9 I'm currently in the process of  
10 preparing the CBOD's biannual report of certain  
11 financial information as reported by licensed  
12 organizations. The report is required under Section  
13 2001.060 of the BEA, and is due to be delivered to the  
14 Lieutenant Governor -- sorry, the Governor, the  
15 Lieutenant Governor, the Speaker of the House of  
16 Representatives and chairs of the standing committees  
17 of both the House and Senate by June 1st. I will have  
18 more information about this report and a copy of it for  
19 your notebook materials at the June meeting.

20 And finally, of course, the BAC vacancy.  
21 Mr. Smith gave you a very good update on that. We have  
22 five nominees and I hope that we'll be ready for you to  
23 make an appointment at the next meeting.

24 CHAIRMAN RIVERA: Okay.

25 MS. CASTAÑUELA: I'm available for any

1 questions.

2 CHAIRMAN RIVERA: Okay. Commissioners,  
3 any questions or discussion on the report? Very  
4 thorough, so, good job and again, we're grateful for  
5 all the work that you're doing and in the months that  
6 you've been here, there's been a definite positive feel  
7 and just a lot of good things happening. So, thank you  
8 to you. And also Cindy, who is participating remotely  
9 this morning, so we're grateful for her stewardship  
10 with bingo as well. So, thank you.

11 MS. CASTAÑUELA: Thank you very much.  
12 I'm having fun.

13 COMMISSIONER FRANZ: I would just add  
14 that it's noted the improvement that Liz mentioned upon  
15 your arrival of the audit results and also, thank you,  
16 and that doesn't go unnoticed.

17 MS. CASTAÑUELA: Thank you.

18 CHAIRMAN RIVERA: All right. Cool.  
19 Good job, LaDonna. Alrighty.

20 AGENDA ITEM NO. IX

21 CHAIRMAN RIVERA: Next is Executive  
22 Director's report. Gary, this is your item.

23 MR. GRIEF: Thank you, Mr. Chairman. Other than  
24 what's in your notebook this morning, I had three brief  
25 items to comment to you on.

1                   First, is our move to the new George  
2                   H.W. Bush state office building. We've now got our  
3                   move date set. On Friday, April 29th, all of our  
4                   staff, except for the claim center, some lottery  
5                   operation security staff, our mailroom, and the draw  
6                   team, are going to be moved over that weekend and be  
7                   operational on the following Monday.

8                   On Friday, July 8th, our claim center  
9                   staff, our lottery ops security, and our mailroom will  
10                  then make the move.

11                  And then on Sunday, July 10th, that's  
12                  when our draw studio is going to be moved over, and  
13                  they'll be doing their first live drawings at the new  
14                  facility on the following Monday.

15                  Now, all that aside, the boardroom that  
16                  has been designated for Commission meetings in the new  
17                  facility is not going to be ready for occupancy anytime  
18                  soon. So, we anticipate conducting both the June and  
19                  the August Commission meetings here in this room. We  
20                  will still have this building under lease, and we're  
21                  going to look at the November Commission meeting in  
22                  hopes that the new building will be ready. But if it's  
23                  not, we'll have some contingency plans in place to  
24                  conduct our meeting at other state facilities.

25                  Second item I wanted to comment on this

1 morning has to do with the survey of employee  
2 engagement. I sent each of the five commissioners an  
3 executive summary and some comparative data for that  
4 survey earlier this week. As a reminder, every two  
5 years, the agency participates with the University of  
6 Texas Institute of Organizational Excellence to survey  
7 all of our employees and help us better understand  
8 their level of engagement with the mission and the  
9 vision of our agency.

10 The survey is commonly performed at most  
11 state agencies and university systems in Texas.  
12 Participation is key, so we can get results that we can  
13 rely on. The authors of the survey say that a  
14 participation rate by staff of higher than 50 percent  
15 suggest the results are sound, while participation  
16 rates less than 30 may indicate problems.

17 I'm pleased to report that more than 93  
18 percent of our employees participated in the survey.  
19 That's up 4.7 percent from last year, and that's a new  
20 record for participation at our agency. And that's a  
21 number I would stand up against any agency or  
22 university.

23 For an agency's overall score, the  
24 general rule of thumb is that scores above 350 are  
25 desirable, while any score below 300 should be a cause

1 for concern. Our overall agency score was 416,  
2 basically the same as last year's score, which was 417,  
3 and that's an excellent score by any measure.

4 The survey also measures the level of  
5 engagement of employees across the entire agency. The  
6 authors of the survey say that engaged employees are  
7 more present at the workplace and they show a greater  
8 effort to help. Moderately engaged employees are  
9 physically present, but put out minimal effort say the  
10 survey authors, while disengaged employees are  
11 disinterested in their jobs, and may even be actively  
12 working against their coworkers.

13 According to nationwide survey data that  
14 was provided by the survey authors, on average, about  
15 30 percent of employees in organizations are either  
16 highly engaged or engaged. About 50 percent are  
17 moderately engaged and about 20 percent are disengaged.  
18 For our agency, 70 percent of our employees were rated  
19 as either highly engaged or engaged, 22 percent were  
20 moderately engaged and only 8 percent were categorized  
21 as disengaged.

22 While all of our scores across the board  
23 have been excellent for many years with the one  
24 exception always being the category of pay, we did see  
25 the most improvement this year in three particular

1 areas. One is community, and that captures the  
2 employee's perceptions of the relationships between  
3 employees in the workplace, including how much they  
4 trust and respect each other; information systems,  
5 which captures our employees' perceptions of whether or  
6 not the computer and communication system is providing  
7 them with accessible, accurate, and clear information;  
8 and then finally, internal communication, which  
9 captures our employees' perception of whether  
10 communication in the organization is reasonable, if  
11 it's candid, and if it's helpful.

12 Now, as I mentioned, the category of pay  
13 once again brought up the rear of all the categories  
14 and it even dropped an additional 25 points in this  
15 year's survey. And we're going to certainly take a  
16 look at that as we examine the results in more detail,  
17 but my early speculation is that the difference in pay  
18 between state jobs and the private sector continues to  
19 widen, particularly here in Central Texas, where the  
20 cost of living continues to be growing and magnified.  
21 But even though pay was our lowest scoring category  
22 with a score of 313, even that score is above the level  
23 of 300, which again, the survey authors say anything  
24 under 300 should be a cause for concern.

25 In every other individual category, our

1 agency scored higher than 400, and that's quite an  
2 accomplishment. So, we have a total of 10 divisional  
3 units in our organization and we saw improvement in the  
4 overall scores from two years ago for seven of the 10.  
5 And even for those three divisions who did see a slight  
6 decrease in their score, all three of those divisions  
7 still scored above 400, which is outstanding.

8           So in summary, Commissioners, while I'm  
9 very pleased with the results and I would confidently  
10 stack our scores up against any other state entity, we  
11 will continue to dig into the results to find ways to  
12 improve, because there's always ways that we can do  
13 better.

14           And the last item Mr. Chairman I want to  
15 talk about involves our agency ombudsman. Back in  
16 2006, the State Auditor's Office recommended in a  
17 workforce management audit that we create an employee  
18 ombudsman position that reports directly to the  
19 Executive Director with responsibilities that include  
20 facilitating a confidential and neutral process for  
21 resolving employee related concerns in a very fair and  
22 equitable manner, and two, meeting individually with  
23 employees as needed to address issues before they  
24 become formal grievances. This ombudsman position is  
25 very important because it provides our employees with



1 yet another independent outlet for any concerns that  
2 they may have about the workplace.

3 For several years now, we have  
4 effectively outsourced the ombudsman services via a  
5 contract and a lady by the name of Shirley Culver had  
6 previously had a long and distinguished career in state  
7 government and she served us well in that regard.  
8 She's recently retired and we have finalized a new  
9 contract for ombudsman services with Raette Smith-  
10 Hearne.

11 I want to tell you a little bit about  
12 Raette's background, it's extremely impressive. It  
13 includes more than nine years of experience as deputy  
14 director of human resources at the Attorney General's  
15 office, eight years of service as an assistant  
16 commissioner of the Texas Agriculture Department,  
17 including serving as their chief human resources  
18 officer, and most recently, almost five years of  
19 service at the Health and Human Services Commission,  
20 serving as Director of HR in an agency with more than  
21 10,000 employees, a position from which Raette recently  
22 retired in April of 2021.

23 And from a volunteer perspective, Raette  
24 has served for over nine years as a volunteer ombudsman  
25 for the United States Department of Defense, helping

1 service members and their employees resolve employment  
2 issues. So, we're delighted to have Raette onboard and  
3 all the experience that she brings.

4 And I want to especially give a thank  
5 you to Jan Thomas, our HR Director, who helped us to  
6 recruit Raette. Without Jan, we wouldn't have been  
7 able to find such a highly capable person.

8 Mr. Chairman, that concludes my report.  
9 I would be happy to answer any questions.

10 CHAIRMAN RIVERA: Okay. Commissioners,  
11 any comments for Gary?

12 COMMISSIONER STEEN: Congratulations on  
13 that report. Very high scoring.

14 COMMISSIONER SAENZ: Congratulations,  
15 yes. Great. Thank you. Very thorough.

16 MR. GRIEF: Thank you. Appreciate that.

17 COMMISSIONER FRANZ: Yeah, I would just  
18 note, given the difficulty it's been to maintain  
19 culture and in the midst of the pandemic, and our  
20 scores rising, is probably even more impressive.  
21 Because by all accounts, in other workplaces it  
22 probably should have gone down and you went the other  
23 way, so, well done.

24 MR. GRIEF: Thank you.

25 CHAIRMAN RIVERA: Cindy, any comments?

1 COMMISSIONER FIELDS: Good job, Gary.

2 CHAIRMAN RIVERA: Alright.

3 MR. GRIEF: Thank you, Commissioner.

4 COMMISSIONER FIELDS: It's been kind of  
5 a rough couple of years.

6 CHAIRMAN RIVERA: It has. So, regarding  
7 the survey, clearly the commissioners are excited by  
8 the results and grateful for the collaborative team  
9 effort that we have here at the Lottery. And  
10 obviously, you're at the helm and folks are looking to  
11 you and all of everyone working together is how that  
12 these numbers got here.

13 The percentage of participants is what I  
14 was most excited by. And for all of our employees,  
15 your voice matters, your participation matters. And I  
16 know that all of our commissioners are grateful for the  
17 effort that all of you collectively bring to each  
18 individual role that you have at the Lottery. So,  
19 thank you for your participation in the survey, thank  
20 you for your commitment to the Texas Lottery, and for  
21 those who did not participate, hopefully that we can  
22 have that 100 percent next time we're able to do the  
23 survey. But again, we're grateful for your  
24 participation in order to manage, you first have to  
25 measure and your participation helps with that

1 measuring here at the Lottery and will help make things  
2 better for us all. So, thank you to all our employees  
3 and Gary, thank you for your leadership.

4 AGENDA ITEM NO. X

5 CHAIRMAN RIVERA: So, next item belongs  
6 to Bob who's going to discuss enforcement cases.

7 MR. BIARD: Thank you, Mr. Chairman.  
8 For the record, I'm Bob Biard, General Counsel.

9 Item 10 contains nine lottery cases and  
10 two bingo cases, Tabs A through K. In these cases,  
11 Commission staff found the licensee violated a lottery  
12 or bingo statute or rule. In many of our cases, either  
13 the respondent fails to appear at the hearing and it  
14 proceeds by default or the staff and the respondent  
15 reach a settlement in the form of an agreed order. And  
16 we have both of those types of cases today.

17 Tabs A through F are the non-sufficient  
18 fund lottery retailer license revocations. Each case  
19 was presented at the State Office of Administrative  
20 Hearings for revocation of the retailer license,  
21 because the licensee failed to have sufficient funds in  
22 their bank account to cover electronic fund transfers  
23 to the Commission's account. In each case, the  
24 licensee failed to appear at the hearing and the judge  
25 remanded the case to the Commission to handle.

1                   Tabs G through I are lottery agreed  
2 orders. Tabs J and K are two bingo agreed orders. The  
3 materials for all of these cases are in your notebooks.

4                   Happy to discuss any of those if you  
5 have any questions. Otherwise, that concludes my  
6 presentation and you may take the enforcement orders up  
7 in a single vote if you like, and I'll be happy to  
8 answer any questions.

9                   CHAIRMAN RIVERA: Okay. Commissioners,  
10 any discussion?

11                  COMMISSIONER FRANZ: No.

12                  CHAIRMAN RIVERA: Is there a motion?

13                  COMMISSIONER FIELDS: So moved.

14                  CHAIRMAN RIVERA: We have Cindy. Okay.

15                  COMMISSIONER FRANZ: I'll second.

16                  CHAIRMAN RIVERA: We have a second. All  
17 in favor say aye.

18                  (Chorus of "ayes")

19                  CHAIRMAN RIVERA: Okay. Good job, Bob.

20                  MR. BIARD: Thank you, Commissioners.

21                  CHAIRMAN RIVERA: Passes unanimously.

22 Okay.

23                  AGENDA ITEM NO. XI

24                  MR. BIARD: And we do not have any  
25 requests for public comment today. I did just want to

1 note for the record that Commissioner Fields had a  
2 little bit of technical difficulties getting on at the  
3 very beginning of the meeting, I just want the record  
4 to show the she wasn't present at the very beginning of  
5 the meeting, but she did join us midway through.

6 CHAIRMAN RIVERA: Yes.

7 MR. BIARD: Thank you.

8 AGENDA ITEM NOS. XII and XIII

9 (Commission did not meet in Executive Session)

10 AGENDA ITEM NO. XIV

11 CHAIRMAN RIVERA: Okay. So with that,  
12 all of our business is officially concluded. We're  
13 grateful for all who are here in person, those that are  
14 participating online. We're grateful for our staff to  
15 obviously help make today possible. Those also  
16 includes our technical folks who again, these  
17 electronic meetings are going to be part of our  
18 protocol moving forward. So, thank you to our  
19 commissioners who are joining remotely.

20 And with that, we are adjourned.

21 COMMISSIONER SAENZ: Thank you.

22 COMMISSIONER FRANZ: Mr. Chairman.

23 (Proceedings concluded at 10:39 a.m.)

24

25

## C E R T I F I C A T E

STATE OF TEXAS )

COUNTY OF HARRIS )

I, Kimberly C. McCright, Certified Vendor  
and Notary in and for the State of Texas, do hereby  
certify that the above-mentioned matter occurred as  
hereinbefore set out.

I FURTHER CERTIFY THAT the proceedings of  
such were reported by me or under my supervision, later  
reduced to typewritten form under my supervision and  
control and that the foregoing pages are a full, true  
and correct transcription of the original notes.

IN WITNESS WHEREOF, I have hereunto set my  
hand and seal this 16th day of April, 2022.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

Verbatim Reporting &amp; Transcription, LLC

17049 El Camino Real, Suite 200

Houston, Texas 77058

281.724.8600