

TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS LOTTERY COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

June 9, 2022

10:00 a.m.

AT

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

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APPEARANCES

CHAIRMAN:	Robert G. Rivera
COMMISSIONERS:	Cindy Fields Mark A. Franz (Not Present) Erik C. Saenz James H.C. "Jamey" Steen (Not Present)
GENERAL COUNSEL:	Robert F. Biard
EXECUTIVE DIRECTOR:	Gary Grief
CHARITABLE BINGO OPERATIONS DIRECTOR:	LaDonna Castañuela
CONTROLLER:	Kelly Stuckey
PRODUCTS MANAGER:	Robert Tirloni
DIRECTOR OF OPERATIONS:	Mike Fernandez
MCCONNELL & JONES LLP:	Darlene Brown
BINGO ADVISORY COMMITTEE CHAIRMAN:	William "Trace" Smith III
GENERAL COUNSEL:	Bob Biard
SPECIAL COUNSEL:	Deanne Rienstra
MEDIA RELATIONS DIRECTOR:	Lauren Callahan
ENFORCEMENT DIVISION DIRECTOR:	Mario Valdez

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 5 Government Code.

6 B. To deliberate the duties of the General Counsel
 7 pursuant to §551.074 of the Texas Government Code.

8 C. To receive legal advice regarding pending or
 9 contemplated litigation or settlement offers, or
 10 other legal advice, pursuant to §551.071(1) and
 11 (2) of the Texas Government Code, including but
 12 not limited to legal advice regarding the
 13 following items:

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

18 Legal advice regarding the Governor's March 13,
 19 2020 COVID-19 state of disaster declaration (as
 20 renewed thereafter) and related Texas Lottery
 21 Commission matters, Texas Government Code Chapters
 22 466 (State Lottery Act) and 467 (Texas Lottery
 23 Commission), the Bingo Enabling Act, the Open
 24 Meetings Act, the Public Information Act, the
 25 Administrative Procedure Act, employment and
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P R O C E E D I N G S

THURSDAY, JUNE 9, 2022

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Alrighty. Good morning. And thank you everyone for being here in attendance. We will start with the pledge and we'll get going.

(Pledges recited)

AGENDA ITEM NO. II

CHAIRMAN RIVERA: Okay. Again, good morning, everyone. And we are grateful for everyone in attendance, both in person and online, wherever you may be. So, we will begin with a report by the Bingo Advisory Committee.

MR. SMITH: Good morning, Chairman, Commissioners. The BAC met yesterday and had several items that were discussed. The BAC would again like to thank Commissioner Fields for being in attendance yesterday at the meeting, and as always, LaDonna and Tyler and her staff for being in attendance and for their participation. It is such a breath of fresh air to have colleagues instead of adversaries for a change. So, we greatly thank LaDonna and her staff for helping us and Commissioner Fields as well.

First item is the BAC voted to endorse

1 Michael Anastasio to represent the Charity Lessor seat
2 on the Bingo Advisory Committee. Michael has been a
3 member of the VFW Post 8577 in the Copperas Cove area
4 for over 15 years and has been a bookkeeper, operator,
5 director and chairperson for the last four years.

6 The BAC asks the Commission to approve
7 Michael to fill this vacancy. And Michael is here
8 today if the Commissioners have any questions for him.

9 CHAIRMAN RIVERA: Okay. Commissioners,
10 any?

11 COMMISSIONER FIELDS: He's a great
12 candidate. I think he'll do a great job for us.

13 MR. SMITH: We think so as well. Thank
14 you.

15 CHAIRMAN RIVERA: Okay.

16 MR. SMITH: The second item is a new
17 product called Fast Track Bingo. Kim Kiplin and three
18 of the largest distributors in the state will be
19 working with staff to eventually petition for
20 rulemaking. The product is already approved in Texas
21 but needs some administrative rules before marketing
22 it.

23 The BAC will have this on their next
24 agenda, and I will report to you at the August meeting
25 on this. And finally, the BAC will be presenting it's

1 work plan for next year and its year end report at the
2 August Commission meeting. This concludes my report.

3 CHAIRMAN RIVERA: Okay. Thank you.

4 Commissioners, any questions? Cindy?

5 COMMISSIONER FIELDS: I think we need to
6 take action on the --

7 MR. BIARD: Commissioners, if I may
8 interject here. Bob Biard, General Counsel. I believe
9 that under the Commission's rules that we need to have
10 a vote for Mr. Anastasio to join the BAC, so if you
11 want to make a motion.

12 CHAIRMAN RIVERA: Okay. If there's a
13 motion?

14 COMMISSIONER SAENZ: I'll make a motion.

15 COMMISSIONER FIELDS: I'll second.

16 CHAIRMAN RIVERA: All in favor say aye.

17 (Chorus of "ayes")

18 CHAIRMAN RIVERA: Motion passes
19 unanimous.

20 MR. SMITH: Excellent. Thank you.

21 CHAIRMAN RIVERA: Thank you. Okay.

22 Next item, we have the very esteemed Mike Fernandez to
23 come and discuss all sorts of important items.

24 MR. BIARD: Commissioners, I'm going to
25 interject again real quick right here before Mike gets

1 started. Item III is the lottery operator contract and
2 I always feel like I'd be remiss if I didn't advise you
3 that under the State Lottery Act whenever you take up
4 negotiation of the lottery operator contract, you have
5 the option to discuss negotiations in executive
6 session. So, my understanding is Mike's not
7 recommending that.

8 CHAIRMAN RIVERA: Okay.

9 AGENDA ITEM NO. III

10 MR. FERNANDEZ: Thank you. Good
11 morning, Mr. Chairman, Commissioners. For the record,
12 name is Mike Fernandez, I'm the Director of
13 Administration, and I will have the next three items on
14 the agenda.

15 Item III in your notebook is a briefing
16 item, and it's to advise the Commission of staff's
17 intent to amend our lottery operations and services
18 contract with IGT Global Solutions Corporation. The
19 purpose of this amendment is to provide for the
20 implementation of the secondary distribution warehouse
21 to ensure business continuity for this negotiation.

22 The second warehouse will be primarily
23 used for scratch ticket storage. However, in the event
24 the central distribution warehouse is not operational,
25 the secondary warehouse will process and distribute

1 scratch tickets. This is a no cost amendment. The
2 Commissioners have independently confirmed they do not
3 have any financial interest in IGT. I'd be happy to
4 answer any questions from the Chairman and
5 Commissioners.

6 CHAIRMAN RIVERA: Okay. Commissioners?
7 Okay. Next item.

8 AGENDA ITEM NO. IV

9 MR. FERNANDEZ: Again for the record, my
10 name is Mike Fernandez, Director of Administration.
11 Item IV in your notebook, Mr. Chairman, is an action
12 item. Staff is seeking Commission approval to issue a
13 request for proposals for advertising services.

14 The term of the contract will be for a
15 four year period, contemplating two one-year
16 extensions. I'd be happy to answer any questions, Mr.
17 Chairman. This will require approval.

18 CHAIRMAN RIVERA: Okay. All right.
19 Thank you. Is there a motion?

20 COMMISSIONER FIELDS: Move to approve.

21 CHAIRMAN RIVERA: Second?

22 COMMISSIONER SAENZ: Second.

23 CHAIRMAN RIVERA: Okay. All those in
24 favor say aye.

25 (Chorus of "ayes")

1 CHAIRMAN RIVERA: Okay. Good job.

2 MR. FERNANDEZ: Thank you, Commissioners.

3 AGENDA ITEM V

4 MR. FERNANDEZ: Item Number V in
5 your notebook is a briefing item to advise the
6 Commission of staff's intent to exercise a one year
7 extension with LatinWorks Marketing for advertising
8 services. Services will begin September 1, 2022 and
9 conclude August 31, 2023. Commissioners have also
10 independently confirmed they have no financial interest
11 in LatinWorks. I'd be happy to answer any questions to
12 the Commissioners.

13 CHAIRMAN RIVERA: Okay. Does that
14 require --

15 MR. FERNANDEZ: No, sir.

16 CHAIRMAN RIVERA: Okay. Alrighty.

17 MR. FERNANDEZ: Thank you.

18 CHAIRMAN RIVERA: That's it? Okay.
19 Mike, thank you very much, sir.

20 MR. FERNANDEZ: Thanks.

21 AGENDA ITEM NO. VI

22 CHAIRMAN RIVERA: Okay. Next we are on
23 to Item Number VI, consideration of possible discussion
24 and/or action including proposal. We're going to
25 discuss Powerball Draw Game rules.

1 MS. RIENSTRA: Very briefly. Good
2 morning, Chairman, Commissioners. My name is Deanne
3 Rienstra, Special Counsel. And this morning in your
4 notebook is a proposed amendment to 16 TAC Section
5 401.317. This is the Powerball rule.

6 Earlier this year in January, the MUSL
7 Powerball group made a change to their rules regarding
8 the grand prize fund and we are making the similar
9 changes to our rule. Staff recommends proposing this
10 rule and publishing in the Texas Register for 30 days
11 for comment. This is an action item.

12 CHAIRMAN RIVERA: Okay. Commissioners,
13 any comments? How about a motion, if anyone wants to
14 do this?

15 COMMISSIONER SAENZ: I'll make a motion.

16 CHAIRMAN RIVERA: Okay. Is there a
17 second?

18 COMMISSIONER FIELDS: Second.

19 CHAIRMAN RIVERA: Okay. All in favor
20 say aye.

21 (Chorus of "ayes")

22 CHAIRMAN RIVERA: Good job. Thank you
23 very much. Alrighty. We are, come on up. Go ahead
24 please.

25 AGENDA ITEM NO. VII

1 MS. STUCKEY: Good morning,
2 Commissioners. I'm Kelly Stuckey, Controller for the
3 agency. And with me this morning is Commission Product
4 Manager, Robert Tirloni. And we'll be presenting sales
5 through the week ending June 4th of '22. Our
6 presentation this morning will begin with data on slide
7 two and looking at comparative total sales presented at
8 the bottom of the slide.

9 And it's here we'll note that in the 40
10 week period total sales for FY22 are \$6,240,000,000.
11 So, that's relatively flat over last fiscal year sales
12 with just a slight decrease of \$1.8-million.

13 Fiscal year '22 scratch ticket sales
14 reflected on the second orange bar are \$5,138,000,000.
15 That's \$88.2-million increase over the FY21 scratch
16 sales of \$5,50,000,000, and it's showing a current
17 scratch ticket growth rate of 1.7 percent over last
18 year. Scratch ticket sales make up 82.4 percent of our
19 total sales this year as compared to 81 percent last
20 fiscal year.

21 Moving on to draw sales, this fiscal
22 year '22 draw sales are reflected on that second blue
23 bar and are one billion ninety-eight million, and that
24 reflects a \$90-million decrease or 7.6 percent under
25 our sales last year. Those sales last year were one

1 billion a hundred eighty-eight million.

2 Now, we'll turn it over to Robert to do
3 sales by game.

4 MR. TIRLONI: Thanks, Kelly. Good
5 morning, Mr. Chairman, Commissioners. So, this is our
6 year-over-year comparison. Again, this is through this
7 past Saturday, June 4th. As Kelly noted, you can see
8 at the very bottom, the portfolio is down slightly,
9 \$1.8-million. Up above on the slide, we'll dive into
10 where that deficit is coming from.

11 If we start with the draw game portion
12 of the portfolio, the draw games are experiencing a
13 \$90-million decline. Most of that decline is coming
14 from the jackpot games. No news here, unfortunately,
15 but the lack of jackpots from the Mega Millions game
16 this fiscal is having a negative impact on the entire
17 draw game portfolio. Mega Millions and its add-on
18 games are down just over 133-million compared to last
19 fiscal.

20 We're also seeing declines on Lotto
21 Texas and on Texas Two Step. Again, that's due to a
22 lack of jackpots this fiscal year.

23 Powerball and its add-on game are the
24 only jackpot -- Powerball's the only jackpot game
25 experiencing year-over-year growth.

1 For the daily games in the middle of the
2 screen in blue, Pick 3 and Cash 5 are both down, Daily
3 4 and All or Nothing are up, but overall, the daily
4 games are down 8.3-million.

5 So, that's how we get to the \$90-million
6 decline for draw games.

7 Good news on the scratch ticket front,
8 scratch tickets are up \$88-million year-over-year. The
9 long awaited \$100 scratch ticket game started as we
10 planned on Monday, May 16th. Since it launched, it has
11 sold almost \$56-million through this past Saturday and
12 it has been the number one selling scratch ticket game
13 each week that it has been out in the market.

14 The first three weeks of sales for the
15 \$100 scratch ticket are the best three weeks of sales
16 for any game in the past 25 years. So, the \$100 game
17 is obviously off to a great start. That being said, as
18 we talked about last time we were together, we've had,
19 and we continue to have, very tough year-over-year
20 comparison weeks. As we achieved extraordinary sales
21 levels across the entire portfolio last fiscal and as
22 we discussed, this fiscal has proven to be challenging
23 and will most likely be seen as a reset year.

24 So, we have approximately 12 weeks left
25 in this current fiscal year, and we will see what

1 happens with jackpots and with consumer spending during
2 that time period. When we get together back in early
3 August, we should have a much better idea about how we
4 will close out the year.

5 And that is the sales report for today.
6 We're happy to answer any questions that you may have.

7 CHAIRMAN RIVERA: Okay. Commissioners,
8 any questions? Okay. Good job.

9 MR. TIRLONI: Thank you, sir.

10 AGENDA ITEM NO. VIII

11 CHAIRMAN RIVERA: Okay. Next item,
12 Kelly?

13 MS. STUCKEY: Item VIII includes
14 information on the agency's transfers to the State, as
15 well as our status on our current FY22 operating
16 budget. This item in your notebooks is the agency's
17 transfers to the State through April 30th, 2022. And
18 this report reflects accrued revenue transfers and
19 allocations to the Foundation School Fund and the Texas
20 Veterans Commission, as well as the allocations for
21 unclaimed prizes for this past eight months of this
22 fiscal year '22.

23 The total accrued revenue transfers to
24 the State amounted to one billion twenty-three million
25 through the end of April, and of that transfer, 1.18-

1 billion was the amount transferred to the Foundation
2 School Fund, 13.6-million was transferred to the Texas
3 Veterans Commission, and with the remaining 29.9-
4 million transferred for unclaimed prizes.

5 This amounts to a decrease in revenue to
6 the Foundation School Fund of 26.1-million or 2.2
7 percent when we compare that to last fiscal year at the
8 same time. Total cumulative transfers to the
9 Foundation School Fund through April of this year are
10 \$28.9-billion.

11 And then the second part of this item is
12 the FY22 budget status. And for the second quarter
13 ending February 28th, 2022, the Commission's lottery
14 account budget for '22 is 263.8-million, and of that
15 amount, 78.3 percent has been either expended or
16 encumbered through the end of the second quarter. And
17 then on the Bingo side, their operating budget is
18 funded by general revenue of 2.07-million. That's got
19 89.1 percent either expended or encumbered through that
20 second.

21 This concludes this item. Can I answer
22 any questions on that?

23 CHAIRMAN RIVERA: Commissioners, any
24 questions? No? Okay. Kelly, good job.

25 AGENDA ITEM NO. IX

1 MS. STUCKEY: Move to the final item,
2 and that is the Agency's FY23 operating budget. And
3 so, for this item, I will be requesting your approval
4 for the '23 operating budget in the amount of
5 \$258,534,214. That includes 308.3 full-time positions.
6 The budget was developed as usual in accordance with
7 our appropriation amounts outlined in the Senate Bill
8 1, and adjusted for any riders or Article IX funding
9 provisions. And the initial draft of this budget was
10 developed by the Office of the Controller and delivered
11 to division management for their direct input. The
12 final draft was developed after receiving that feedback
13 and incorporating from the divisions and reviewed by
14 executive management.

15 Commissioners, this completes my
16 presentation. May I answer any questions?

17 CHAIRMAN RIVERA: Commissioners, any
18 questions? Okay. Do we have a motion for approval?

19 COMMISSIONER SAENZ: I'll make a motion.

20 COMMISSIONER FIELDS: Second.

21 CHAIRMAN RIVERA: Okay. Collectively,
22 we will now vote. All in favor say aye.

23 (Chorus of "ayes")

24 CHAIRMAN RIVERA: Passes. Kelly, you
25 and your entire group putting this together obviously

1 is something that takes a lot of dedication and just,
2 pinpoint accuracy on a lot of different moving targets.
3 And on behalf of all of our Commissioners, we're
4 incredibly grateful for everyone involved in getting us
5 to this point. So, thank you, Kelly. You're doing a
6 great job. Thank you.

7 AGENDA ITEM NO. X

8 CHAIRMAN RIVERA: Okay. Next item would
9 be number X if you're following along at home or here;
10 Darlene Brown.

11 MS. BROWN: Good morning, Commissioners.
12 My name's Darlene Brown, I'm the Internal Auditor for
13 the agency. In your packet is a status report. Since
14 we met last time, we continue to work to get the
15 management audit and also confidential data management.
16 And next we will be wrapping up those two audits.
17 We're also monitoring and working on to make sure that
18 the controls for the draw center and the claim center
19 move are good and tight. So, that is the end of my
20 status report, I'd be happy to answer any questions.

21 CHAIRMAN RIVERA: Commissioners, any
22 questions? Okay. Darlene, go ahead. That's it? Wow.
23 Okay. Well, thank you for coming to share that.

24 MS. BROWN: Thank you.

25 CHAIRMAN RIVERA: And thank you. Good

1 job. Okay. We are moving very quickly along.

2 AGENDA ITEM NO. XI

3 CHAIRMAN RIVERA: Item Number XI;
4 LaDonna.

5 MS. CASTAÑUELA: Good morning,
6 Commissioners. For the record, I'm LaDonna Castañuela,
7 Division Director of the Charitable Bingo Operations
8 Division. Information regarding outputs for April and
9 May can be found in your notebook materials.

10 Also, included in your notebook is the
11 Charitable Bingo Operation Division's biannual report
12 as required by Section 2001.060 of the Bingo Enabling
13 Act. The statute requires the Commission on or before
14 June 1 of even-numbered years to prepare and deliver to
15 the Governor, the Lieutenant Governor, and the Speaker
16 of the House of Representatives and the Chairs of the
17 Standing Committees of the Senate and the House of
18 Representatives, a report stating certain bingo
19 financial information as reported by authorized
20 organizations licensed to conduct bingo.

21 The report in your notebook materials
22 was delivered on May 2nd, 2022, and there's no
23 Commission action necessary today.

24 In addition to the work detailed in the
25 notebook materials for April and May, we have completed

1 the first part of our office move. There are several
2 division staff who are still working here in this
3 building so that we can complete all the functions
4 related to mail processing. Those staff that have been
5 working in the Bush building are enjoying the new
6 space, especially all the natural light.

7 We're continuing to fine tune our
8 reporting from BOSS and BSP so that we can more quickly
9 and confidently respond to customer inquiries,
10 including helping them to help themselves and report
11 our quarterly and annual performance measures.

12 I'm happy to report that this last
13 quarter, we saw some improvement in the percentage of
14 license holder quarterly reports that were filed
15 electronically. CBOD staff is almost done with a full
16 set of user manuals about how to file electronically
17 and I hope to have them ready to post on the website
18 later this month.

19 I know that the BAC has been helping in
20 these efforts by spreading the word to get more license
21 holders to file online and I appreciate the help on
22 this important CBOD initiative. I want to remind you
23 that it's going to be time in August to reappoint BAC
24 members for another one year term and to approve a BAC
25 work plan for fiscal year 2023. I've started working

1 with Trace and we should have everything in plenty of
2 time.

3 Finally, I can't believe that we're
4 closing in on my first year serving as the Director of
5 Charitable Bingo Operations. It's certainly been an
6 exciting ride and a challenging one. I'm so proud of
7 what the CBOD staff has accomplished while still having
8 to teach me everything about Charitable Bingo. I've
9 also enjoyed working with division staff, staff at the
10 lottery, and the bingo industry.

11 That's all I have for you today and I'm
12 available to answer any questions you may have.

13 CHAIRMAN RIVERA: Okay. Well, good job.
14 Commissioners, any comments? Okay. Well,
15 congratulations on your one year and I know all of us
16 are just really excited that you have many more ahead
17 as well, so thank you for your service.

18 AGENDA ITEM NO. XII

19 CHAIRMAN RIVERA: Okay. We are now on
20 to Item Number XII. Our Executive Director Gary Grief
21 is here to enlighten us, I'm sure.

22 MR. GRIEF: I don't know about that, Mr.
23 Chairman, but I'll do my best. So, thank you. And I
24 want to ask Lauren Callahan, our Media Relations
25 Director, to come forward and provide the Commissioners

1 with some news regarding our recent 30th anniversary
2 documentary video. And I'll have a couple of other
3 items after Lauren concludes her report. So Lauren,
4 please.

5 MS. CALLAHAN: Gary, thank you, Mr.
6 Chairman, Commissioners. Good morning. For the
7 record, my name is Lauren Callahan, Media Relations
8 Director for the agency. I've appeared before the
9 Commission on occasion this past year to provide
10 updates about the agency's 30th anniversary committee,
11 which I was honored to co-chair alongside the agency's
12 Lottery Operations Director, Ryan Mindell.

13 Today, as we have just past the Texas
14 Lottery's official 30th anniversary on May 29th, it is
15 my great privilege to provide you one last update
16 regarding the documentary that was produced to
17 commemorate the anniversary. We recently learned that
18 the 30th anniversary documentary entitled 30 Years of
19 Winning, has received a 2022 Telly Award. The
20 documentary is a silver winner in the branded content
21 documentary individual category.

22 I've pulled a bit of background from the
23 Telly Awards website to provide some perspective about
24 what the award is. Quote, the Telly Awards was founded
25 in 1979 to honor excellence in local, regional and

1 cable television commercials with non-broadcast video
2 and television programming added soon after. With the
3 recent evolution and rise of digital video, the Telly
4 Awards today also reflects and celebrates this exciting
5 new era of the moving image on and offline.

6 The Telly Awards annually showcases the
7 best work created within television and across video
8 for all screens. Receiving over 12,000 entries from
9 all 50 states and five continents, Telly Award winners
10 represent work from some of the most respected
11 advertising agencies, television stations, production
12 companies, and publishers from around the world.

13 Telly Awards recognize work that has
14 been created on behalf of the client for a specific
15 brand and/or company (including your own) or
16 self-directed as a creative endeavor, end quote.

17 To provide a brief recap about the
18 documentary for the record, 30 Years of Winning is a
19 comprehensive look at the first three decades of the
20 Texas Lottery, as told from the perspective of nearly
21 all of its primary stakeholders, including many of the
22 agency's current employees who were involved with
23 initial startup operations in 1992 through the agency's
24 first five years ending in 1997. Current Texas Lottery
25 senior leadership, current and former Lottery

1 Commissioners, current and former Texas legislators,
2 representatives from the agency's primary
3 beneficiaries, the Texas Education Agency and the Texas
4 Veterans Commission and lottery industry professionals,
5 including the agency's lottery operator IGT Texas, and
6 all three of the agency scratch ticket vendors. The
7 documentary explores the uniqueness of the Texas
8 Lottery's mission, business model, and employee
9 culture. The 28 minute 35 second production consists
10 of 44 interviews, comprising approximately 11 hours of
11 raw interview footage.

12 One of the most unique aspects of the
13 project was being able to utilize the vast wealth of
14 archival footage that was preserved since the early
15 days of the Texas Lottery. Archival video sourced from
16 the Texas Lottery's internal Beta SP video collection
17 was digitized in 2020, making it possible to bring new
18 life to historical moments from the lottery's past.
19 Such as, the first ticket purchased by Governor Ann
20 Richards, the first Lotto Texas broadcast drawing, and
21 winners' check presentations.

22 The documentary was produced internally
23 by the Texas Lottery's audio-visual production
24 department and members of the 30th anniversary
25 documentary subcommittee. Philip Bates, seated here to

1 my right, served as editor and videographer for the
2 project. He doesn't know I'm going to do this, but if
3 I may take a moment to brag on his work specifically.

4 In my opinion, the finished product rivals
5 the work produced and aired on national television or
6 on major streaming services. From the first interview
7 that was shot in July, until the final cut was locked
8 in January, Philip's keen eye for storytelling and his
9 personal knowledge of the Texas Lottery as an employee
10 for more than 20 years were the keys to success for
11 this project. Thank you.

12 I also want to mention by name the
13 members of the 30th Anniversary Documentary
14 Subcommittee, whose assistance in transcribing the
15 sheer number of interviews and providing feedback on
16 versions of the documentary was essential to producing
17 the film within a timeframe of six months. They are:
18 Stephen Cruz, Steve Helm, Andrew Leeper, Roger Prather,
19 Lee Robbins and Mehul Shah.

20 I'd also like to extend a special thank
21 you to fellow directors Nelda Treviño and Ryan Mindell
22 for their assistance at every step of this project.
23 But specifically with their assistance in securing
24 interviews with many of the very important and very
25 busy external stakeholders who appear in the film.

1 I also want to thank Executive Director
2 Gary Grief, who saw the vision for this project from
3 the very beginning and never wavered in his support
4 throughout its production. His understanding of how
5 and why this documentary would be an integral part
6 within the scope of the agency's 30th anniversary
7 celebrations allowed staff the freedom to really tell
8 the story of the Texas Lottery. Along the way, his
9 excitement about his own participation led to many
10 others choosing to participate as well.

11 From the very beginning, when asked what
12 the scope of this film would be, my response was that
13 it entirely depended on how many people chose to
14 participate. Gary's unwavering support and
15 encouragement ensured an all around success. And today
16 we celebrate an award-winning film.

17 Having a hands-on role in the production
18 of this documentary has personally been one of the
19 highlights of my career to date. It has served as my
20 Texas Lottery education and every time I rewatch it, I
21 am reminded of what an incredibly special place this is
22 to work.

23 I am very proud to be able to share this
24 news with you today. With that, I'll turn things back
25 over to Gary. Thank you.

1 CHAIRMAN RIVERA: Wow, that's just --
2 yeah, super, super impressive. I'll allow
3 Commissioners to make some comments.

4 COMMISSIONER FIELDS: All I can say is
5 wow. Excellent job, everybody. Excellent job.

6 COMMISSIONER SAENZ: Yeah, I'll echo
7 Commissioner Fields' comments. That's amazing.
8 Congratulations.

9 CHAIRMAN RIVERA: Particularly with the
10 volume of participants globally, I mean, that's a
11 tremendous number to overcome, right? And the thing
12 is, is that we're not in the business of producing
13 films here at the Lottery, and so to have that kind of
14 achievement first go-around with heavy, heavy
15 competition, and on top of that, obviously during the
16 pandemic everybody turned into a filmmaker, right? And
17 so, there's even more, more competition. And those who
18 are already in the craft are only becoming stronger
19 with their craft.

20 So, to come in first go-around and
21 perform like this is tremendous. And Philip, I know
22 that your hands-on participation and kind of helping
23 form, that, very critical editing and all the other
24 components that go along with it, highlight the work
25 performed by all. So just great job, team, and thank

1 you for your contribution, it means a lot, so thank
2 you. Awesome. Okay.

3 MR. GRIEF: Commissioners, next I'd like
4 to give you just a brief overview and progress report
5 on our move to the new George H.W. Bush building at
6 1801 Congress. The initial move of the bulk of our
7 staff a couple of weeks went very well and we're mostly
8 settled into our new space.

9 I want to publicly express appreciation
10 to Toni Erickson, Joan Kotal, Jeff Manners, who
11 represent all the staff in our administration division
12 for the absolutely amazing job that's been done by both
13 our facilities and technical teams in getting us moved
14 and set up in the new facility. Progress is continuing
15 to be made every day at the new building. And we're
16 very fortunate in the ability for many of our
17 colleagues to continue to telework as that has greatly
18 eased the strain and pressure of getting everybody up
19 and running immediately in the new building.

20 We continue to identify issues that need
21 to be addressed every day. And we're tracking all
22 those items, forwarding those to the Texas Facilities
23 Commission and they're being addressed as they come up.
24 The move of our mail center, our draw studio, and our
25 Austin claims center are all being postponed slightly,

1 not so much because of building issues per se, but more
2 because of site readiness, things like the surrounding
3 streets, the sidewalks, the parking lots, et cetera.

4 So, the mail center is now scheduled to
5 move on July 31st. The draw studio will move on August
6 7th, with the first new draw to take place on August
7 8th, and the Austin Claims Center is now scheduled to
8 move over August 12th through the 14th and open for
9 business on August 15.

10 Other state agency tenants who are
11 moving into the building are also having their move
12 dates pushed back ever so slightly as well, all because
13 of those site issues that need to still be addressed by
14 the Facilities Commission.

15 As I've said previously, the room that's
16 been designated for our Commission meetings over at the
17 new building will not be ready for occupancy for some
18 time. So we anticipate conducting the August
19 Commission meeting right here in this room as we still
20 have this space under lease through the end of August.
21 We'll lose access to this space after August, so even
22 though we're hoping that the new boardroom will be
23 ready for the November Commission meeting, we'll
24 definitely have a contingency plan in place to conduct
25 this meeting at another location in the event that's

1 not the case.

2 Next Commissioners, I want to comment on
3 where we are with Lottery sales. And in particular, I
4 want to try to add some color to the report that you
5 just heard from Robert and Kelly about the early
6 results of the lottery industry's first \$100 scratch
7 ticket in history and the challenge we have over this
8 last quarter of our fiscal year to break last year's
9 sales record.

10 By any measure, the introduction of the
11 \$20 Million Supreme game, the first ever \$100 ticket,
12 has been incredibly successful. Even though the ticket
13 was only on sale for six of the first seven days of its
14 first week it quickly vaulted to the number one selling
15 game in the state. And it's \$18.3-million, that first
16 week in sales, smashed all sales records for scratch
17 tickets in Texas since the early days of the lottery,
18 when we first started selling.

19 The second week did even better with
20 more than \$20-million in sales, again, breaking all
21 records.

22 Last week, which was the third week of
23 sales for the \$100 game, sales came in at 17.1-million.
24 Again, our number one selling scratch ticket game for
25 the week by almost a two-to-one margin against the next

1 best ticket.

2 Going forward, we conservatively expect
3 this game to average between \$12 and \$15-million per
4 week in sales for several months. Again, exceeding our
5 projections for the game.

6 Couple of other quick points I want to
7 make about this game. First, what would've happened if
8 this game had not launched successfully and been a
9 disappointment? For us, it would not have been the end
10 of the world. We would've simply regrouped and
11 refocused on the next sales initiative. The key to
12 success for us here at the Texas Lottery is not to be
13 hesitant, be afraid to try new products, new
14 strategies, as long as they're within our statutory
15 authority. We see it all around the country with other
16 lotteries. If a lottery is paralyzed by inaction, it's
17 very unlikely that lottery will ever hit a home run
18 with innovation.

19 And secondly, I want to point out and
20 highlight that this \$100 game means so much more to us
21 than just the outstanding sales that we've heard about
22 today. With our very limited advertisement budget,
23 that we're all very much aware of, this game has
24 generated literally millions of dollars in positive
25 publicity for the Texas Lottery. If anyone doubts

1 that, just do a quick YouTube search for Texas Lottery,
2 \$100 scratch ticket, and then mentally map over that
3 level of excitement to every single social media
4 platform and you'll better understand what I'm talking
5 about.

6 And just as important, the introduction
7 of the \$100 ticket, it's helped us to reverse the
8 declines that we're seeing in scratch ticket sales for
9 about the previous 10 weeks as we were now competing
10 against that pandemic fueled spring and summer of last
11 year.

12 So overall, as you heard Robert and
13 Kelly report that scratch tickets are now more than
14 \$88-million ahead of last year's record sales base with
15 a decline in draw sales of almost 90-million, we're
16 less than \$2-million or 0.03 percent behind last year's
17 record-breaking sales rates. And we're going to be in
18 a dog fight over these last three months to see if we
19 can, once again, break our sales records.

20 With that said, we wouldn't even be
21 talking about that possibility without the introduction
22 of the \$100 ticket. And I would emphatically say
23 something that I consistently comment about at various
24 conferences and meetings around the country. That is
25 our lottery industry must get better at taking

1 reasonable and sound entrepreneurial risk. We're not
2 unlike any other industry. We have to constantly
3 innovate and have to take a strategic business risk
4 sometimes in order to stay relevant to our clients.

5 I am very proud that the Texas Lottery
6 leads the country in that department and we will
7 continue to do so as we evaluate any and all
8 appropriate opportunities that we have to increase
9 revenue to our beneficiaries.

10 And the last thing, Mr. Chairman, I
11 would like to talk to you about today is regarding one
12 of our colleagues, Mr. Mario Valdez, our Enforcement
13 Division Director. So Mario, I would ask that you
14 please come forward and sit at the table for a few
15 minutes.

16 Commissioners, Mario made the very, very
17 difficult decision to retire at the end of this month.
18 And I say difficult, because having worked here with
19 Mario at the Texas Lottery for the last 28 years, I
20 know something about Mario's work ethic. If you look
21 up in the dictionary the definition of old school, I
22 wouldn't be surprised to see a big eight-by-ten glossy
23 right there. Mario likes to work, and I know it's
24 going to be a challenge for him to make the transition
25 to retirement, but I've got all the confidence in the

1 world that he can do that. I want to publicly thank
2 you, Mario, for all your many years of service here at
3 the Lottery Commission. And I have a proclamation for
4 Mario this morning that if you'd allow me, Mr.
5 Chairman, I'd like to read into the record.

6 CHAIRMAN RIVERA: Please.

7 MR. GRIEF: Whereas, Mario Valdez, who's
8 retiring from the Texas Lottery Commission effective
9 June 30th, 2022. And whereas, in fulfilling the duties
10 and tasks as the Director of Enforcement for the Texas
11 Lottery Commission, Mario drew from his extensive
12 experience, having served the State of Texas for more
13 than 28 years, and also having served as a police
14 officer at the Austin Police Department, he is indeed
15 deserving a special, professional and personal
16 recognition.

17 And whereas, Mario joined the Texas
18 Lottery Commission May 1st, 1994, originally as a
19 member of the security division, subsequently
20 enforcement division, where he has remained throughout
21 his tenure at the Texas Lottery Commission.

22 Whereas, for almost the last eight of
23 those years, Mario has served with distinction as the
24 Director of Enforcement of the Texas Lottery
25 Commission, and has provided valuable law enforcement

1 leadership and expertise to the agency.

2 Whereas, during his tenure with the
3 Commission, the Texas Lottery has experienced record
4 breaking sales and revenue transfers to the State of
5 Texas and established an excellent reputation in the
6 area of charitable bingo regulation.

7 Whereas, Mario now looks forward to
8 living in his new house in Granbury, Texas, with his
9 loving wife Roxanne, playing golf every day, and
10 generally living life to its fullest.

11 And whereas, Mario will greatly enjoy
12 visits in the future with his children; Gavin, who is a
13 Lieutenant in the U.S. Navy and his new wife Jordan,
14 and Rhianna, who is a lead at an oilfield company in
15 Florida.

16 And whereas, Mario will be greatly
17 missed by his friends and colleagues in the Enforcement
18 Division, as well as his fellow division directors and
19 executive director at the Texas Lottery Commission.

20 Be it resolved that the Texas Lottery
21 Commission hereby congratulates Mario Valdez on his
22 state retirement and extends to him sincere best wishes
23 now, and during this next chapter in his life.

24 Be it further resolved that an official
25 copy of this proclamation will be prepared for Mr.

1 Valdez as an expression of high regard by the Texas
2 Lottery Commission.

3 In witness whereof, we hereunto set our
4 hands and caused the seal of the Texas Lottery
5 Commission to be affixed hereto. Signed Robert G.
6 Rivera, Chairman, and Gary Grief, Executive Director.

7 With that, Mr. Chairman, I'll turn it
8 back over to you.

9 CHAIRMAN RIVERA: Wow. We, on behalf of
10 our Commissioners, we are incredibly grateful for your
11 literally decades of dedication to the State of Texas,
12 to the Texas Lottery. Even before you joined this
13 organization, as a police officer for the City of
14 Austin. That kind of commitment means a lot to the
15 community. And so, every day that you've been here,
16 it's added to the strength of this organization. And
17 although in the future, you may not physically be here,
18 your efforts, your thoughts, your ideas, your
19 mannerisms, they will positively remain, and they will
20 be part of the Lottery forever.

21 So just, we're incredibly grateful for
22 all of your service and wish you tremendous success in
23 your next chapter. And all of us are very excited
24 about your future as well, doing whatever it is that
25 you would like to do. So, well deserved, Mario, and

1 just congratulations.

2 MR. VALDEZ: Thank you.

3 CHAIRMAN RIVERA: If you would like to
4 say a few words. Please.

5 MR. VALDEZ: Yes, if I may.

6 Well, good morning, Executive Director,
7 thank you for the opportunity. Chairman Rivera,
8 Commissioners, my whole family, colleagues.

9 For the record, my name is Mario Lewis
10 Valdez and I want to give each and every one of you a
11 most sincere thanks for the privilege and honor to be a
12 small part of the Texas Lottery Commission. If I
13 forgot to say for the record, my name is Mario Valdez.

14 I started working at the age of six. I
15 was bagging ice for a penny a bag and it wasn't hard
16 work, but it was very nice and cold as I worked in the
17 trailer bagging ice for one penny, Reddy Ice, for a
18 penny a bag.

19 As stated, I began with the Lottery
20 Commission in May of 1994 as a bingo investigator. And
21 as time went on, in order to enhance our travel budget,
22 we started doing both lottery and bingo investigations.
23 And that worked very well for budget -- budgetary. I
24 was an investigator, then a Lieutenant in the security
25 division, which later became the enforcement division.

1 Back in November of 2014, Mr. Grief
2 offered me the opportunity to be the Enforcement
3 Division Director, to which I proudly accepted. Of
4 course, I had told Mr. Grief, let me talk it over with
5 my wife. She says, go back there and tell him yes, so
6 there wasn't much discussion.

7 And I was not always perfect in
8 performing the duties as Director, but it can always be
9 said that I was always trying; trying to do the right
10 thing, but just always trying and always learning.
11 This journey was one of many trials and challenges and
12 many changes during the years. The journey was -- I
13 mean, I was always learning and the experience that I
14 have had here at the Lottery has been the most. Every
15 day I look for something that I learned about the
16 lottery industry and the Texas Lottery. So, the past
17 28 years has been a wonderful journey and one that I
18 will always remember.

19 Sadly, there comes a time in a person's
20 life when changes must be made. Submitting my request
21 for retirement was a very difficult decision that I had
22 to make. And here we are today. As stated previously
23 in the video documentary that Lauren talked about, one
24 of the things that I did say in that video was that
25 what makes the Texas Lottery very unique and the most

1 enjoyable place to work is the people. The people that
2 work here, the diversity, it's all a bunch of moving
3 parts that fit together well and once everybody knows
4 their part, it works very well to make a successful
5 place to work. And it's very enjoyable to have worked
6 here.

7 For that, I am most proud that I was a
8 very small part. I will miss everybody here. Thank
9 you.

10 CHAIRMAN RIVERA: Mario, thank you again
11 and you were absolutely perfect in your effort every
12 day that you were here. So, you did achieve that
13 perfection.

14 MR. VALDEZ: Thank you for the
15 opportunity.

16 MR. GRIEF: I'd be happy to answer any
17 questions, and I would also ask that the Commissioners
18 spend just a couple of minutes before you go into
19 executive session so we can get some photographs with.
20 Mario. Thank you, Mr. Chairman.

21 CHAIRMAN RIVERA: Okay. Thank you.
22 Okay.

23 AGENDA ITEM NO. XIII

24 CHAIRMAN RIVERA: Next item, Bob Biard
25 is going to talk about some enforcement cases.

1 MR. BIARD: Thank you, Mr. Chairman.
2 Bob Biard, General Counsel.

3 Item XIII, you have 11 enforcement
4 cases; ten lottery cases and one bingo case, Tabs A
5 through K. In these cases, Commission staff found the
6 licensee violated a lottery or bingo statute or rule.
7 In many of these cases, the respondent either failed to
8 appear at the hearing and it proceeded by default or
9 the respondent and staff reached a settlement in the
10 form of an agreed order. And we have both of those
11 types of cases today.

12 Tabs A through E are the non-sufficient
13 fund lottery retailer license revocations. Each case
14 was presented at the State Office of Administrative
15 Hearings for revocation of their retailer's license
16 because the licensee failed to have sufficient funds in
17 their bank account to cover electronic fund transfers
18 to the agency's account. In each case, the licensee
19 failed to appear and the judge remanded the case to the
20 Commission for handling.

21 Tabs F through J are lottery agreed
22 orders.

23 Tab K is a bingo agreed order with a
24 unit with several charities.

25 These were all settlements as I said,

1 and the materials for all these cases are in your
2 notebook. I'll be happy to answer any questions, but
3 for approval, you're welcome to take these all up in a
4 single vote.

5 CHAIRMAN RIVERA: Okay. Commissioners,
6 any questions? And if not, is there a move to approve?

7 COMMISSIONER FIELDS: Move to approve.

8 CHAIRMAN RIVERA: Is there a second?

9 COMMISSIONER SAENZ: Second.

10 CHAIRMAN RIVERA: Okay. All in favor
11 say aye?

12 (Chorus of "ayes")

13 CHAIRMAN RIVERA: Good job.

14 MR. BIARD: Thank you, Mr. Chairman.

15 CHAIRMAN RIVERA: Okay.

16 AGENDA ITEM NO. XIV

17 (No Public Comment)

18 AGENDA ITEM NO. XV

19 CHAIRMAN RIVERA: Okay. We are to the
20 point of the meeting where we are going to go into
21 executive session for just a few minutes and we will
22 take some photos with Mario if he would like, which we
23 would like. But we will be back here in a few minutes
24 and Mario, come on up and we'll take some pictures.

25 MR. BIARD: Executive session, just for

1 the record, will be for personnel matters and the time
2 is 10:46.

3 (Executive Session)

4 AGENDA ITEM NO. XVI

5 CHAIRMAN RIVERA: The time is 10:59. We
6 are back in open session. And does anyone have
7 anything to say coming out of executive session?

8 COMMISSIONER FIELDS: Mr. Chairman, I
9 do. I would like to move that we approve the employee
10 performance evaluation for LaDonna Castañuela, and set
11 her annual salary in the amount of \$156,000 effective
12 July 1st, 2022.

13 CHAIRMAN RIVERA: Okay. Any discussion?

14 COMMISSIONER SAENZ: No.

15 CHAIRMAN RIVERA: Is there a motion?

16 COMMISSIONER SAENZ: I make a motion.

17 CHAIRMAN RIVERA: Okay. All in favor
18 say aye.

19 (Chorus of "ayes")

20 CHAIRMAN RIVERA: Okay. Motion is
21 passed. So, LaDonna, good job on your one year and
22 just your continued advancement. We're incredibly
23 excited and grateful that you're here.

24 COMMISSIONER FIELDS: You know all of
25 that, excellent job. Keep it up.

1 MS. CASTAÑUELA: Thank you very much.

2 CHAIRMAN RIVERA: Okay. Alrighty. Is
3 there any other business anyone has here before us?

4 COMMISSIONER SAENZ: No.

5 AGENDA ITEM NO. XVII

6 CHAIRMAN RIVERA: Okay. We are
7 officially adjourned. Thank you.

8 (Proceedings concluded at 11:00 a.m.)

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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 20th day of June, 2022.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

Verbatim Reporting & Transcription, LLC

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