

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

August 11, 2022

10:00 a.m.

AT

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

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

DIRECTOR OF ADMINISTRATION: Mike Fernandez

MCCONNELL & JONES LLP: Darlene Brown

BINGO ADVISORY
COMMITTEE CHAIRMAN: William "Trace" Smith III

SUPPORT SERVICES MANAGER: Toni Erickson

LOTTERY OPERATIONS DIRECTOR: Ryan Mindell

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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.

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

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:

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.); and

U.S. District Court (Western District-Austin) Docket No. 1:22-CV-578-RP (Texas Lottery Commission v. Ali Ansari).

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

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P R O C E E D I N G S

THURSDAY, AUGUST 11, 2022

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Good morning,
everyone. Today is August 11th and we are going to get
started. It is 10:17. We have all of our
commissioners present, and we will start with the
Pledges of Allegiance.

(Pledges recited)

CHAIRMAN RIVERA: Okay. First off, Gary
is going to introduce new directors, so can't think of
a better way to start this meeting than with Gary.

MR. GRIEF: Thank you, Mr. Chairman. If
I could ask John and Ryan and Robert and Toni to come
forward, please, and take a seat.

Commissioners, with the recent and
upcoming retirements of some of our senior management
team, I advised you recently by email of some changes
to our organization at the senior management level.
And this morning I would like to formally introduce
those individuals involved in these changes to the
Commission and to the general public.

John Graham; John, wave at us there.
John has taken over as the acting director of
enforcement. John has been with the Agency for 17

1 years, having most recently served in one of the two
2 manager positions in the Enforcement Division and
3 previously reporting to the division director.

4 Toni Erickson, on the far right, Toni
5 will be taking over as the director of the
6 Administration Division on September 1st with the
7 retirement of Mike Fernandez at the end of this month.
8 Toni has been with the agency for 20 years, most
9 recently serving as the manager in the support services
10 section within the Administration Division. She's
11 previously been a direct report to Mike.

12 Among a number of important duties, Toni
13 has most recently been responsible for all aspects of
14 our move into the new Bush building and she's done an
15 outstanding job in that regard.

16 Robert Tirloni who you know well from
17 commission meetings. Robert will be moving into the
18 position of lottery operations director, replacing Ryan
19 Mindell on September 1st. Robert has been with the
20 agency for 25 years. He has served in a number of
21 responsible positions within the Lottery Operations
22 Division over that time, including the last several
23 years as our products manager. And he is widely
24 recognized as one of, if not the best, product experts
25 in the country.

1 And finally, Ryan Mindell. Ryan will be
2 moving into the newly created position of deputy
3 executive director on September 1st and all divisions
4 with the exception of governmental affairs, legal, and
5 of course bingo, will be reporting to Ryan. Ryan's
6 been with the agency for six years, initially serving
7 in the capacity of assistant general counsel. And for
8 the last four years, Ryan has done an outstanding job
9 in the demanding position of lottery operations
10 director.

11 Ryan and I are going to be working
12 closely together and I'm very excited about what Ryan
13 is going to bring to the executive team.

14 Commissioners, changes like these are
15 inevitable and in the majority of situations, such
16 changes can also be very difficult and hard on the
17 employees that are involved. But that said, I would
18 like to think that these changes are going to be the
19 exception to that rule.

20 In the cases of John, Robert, Toni, they
21 each have many years of experience managing important
22 aspects of their division. Each of them is extremely
23 capable and they have the confidence of their
24 colleagues. I anticipate that those are going to be
25 very smooth transitions.

1 With the promotion of Ryan into the new
2 position of deputy executive director, I'm attempting
3 to position the agency to be in a good place when I
4 ultimately retire, which hopefully isn't going to occur
5 anytime soon, but will of course occur at some point in
6 the future. The deputy position is one that I served
7 in for a number of years. And I know firsthand that
8 this promotion is going to allow Ryan to become widely
9 exposed to all of the responsibilities required to run
10 this agency.

11 Commissioners, we're extremely fortunate
12 to have such experienced and capable staff who can step
13 up and keep our agency running at a high level. And we
14 are just as fortunate to have such a talented team
15 throughout the agency that can support these
16 individuals in their new roles.

17 Mr. Chairman, would you like to make any
18 comments?

19 CHAIRMAN RIVERA: I'm going to open it
20 up to my fellow commissioners.

21 COMMISSIONER STEEN: Congratulations.

22 MS. ERICKSON: Thank you.

23 UNIDENTIFIED VOICE: Thank you.

24 COMMISSIONER SAENZ: Congratulations to
25 you all. Ryan, you sure you're ready for that type of

1 exposure?

2 MR. MINDELL: As ready as I'm going to
3 be.

4 COMMISSIONER SAENZ: Congratulations to
5 all of you, and thank you for your service.

6 CHAIRMAN RIVERA: On behalf of all of
7 the commissioners, we are incredibly just proud of you
8 individually. We know that collectively, that you have
9 close to 70 years of combined Texas Lottery experience
10 that you bring to the table to your new roles and
11 responsibilities. But today it shows all of your years
12 of dedication, not only to the lottery, but to your
13 career, your education, your family, every decision
14 you've ever made has brought you to this moment. And
15 just we are incredibly grateful for your stewardship of
16 the lottery.

17 And what's also I think significant is
18 that we're making the transition into the new building.
19 We just had a tremendous milestone in terms of years
20 behind us. But we have even greater future ahead and
21 you're going to be on the front line of the future.

22 So, congratulations on the
23 responsibility. We are excited for you and know that
24 y'all are going to do a tremendous job. All of the
25 commissioners support you. And if there's anything

1 that any of us can do to advance your mission, please
2 let us know and we're excited about working with you,
3 alongside of you, and are definitely cheering for you.
4 So, thank you very much for your commitment to the
5 State of Texas and to the Texas Lottery.

6 MR. TIRLONI: Thank you.

7 CHAIRMAN RIVERA: Okay. Gary?

8 MR. GRIEF: Commissioners, one other item
9 at this point in the meeting. While we're talking
10 about talented people, I wanted to share some news that
11 is a really great source of pride for our agency.
12 Every year, lottery CEOs from around North America are
13 allowed to nominate members of their team for special
14 national recognition called the Powers Award. That's
15 all under the umbrella of the North American State and
16 Provincial Lottery organization, NASPL as we call it.

17 These awards are presented in
18 recognition of the significant contributions that
19 lottery or vendor employees have made through
20 exceptional job performance. And the awards are named
21 in honor of the late Edward J. Powers who was known as
22 the father of U.S. lotteries. Mr. Powers spent more
23 than 25 years in the lottery industry. He helped to
24 define many of the organizational structures that are
25 in use today, some of which have become a blueprint for

1 new lotteries. But the Powers name, and these awards,
2 are synonymous with success, drive, commitment, and
3 integrity.

4 In my many years of being involved with
5 the Powers Awards, I'm not aware, ever, of two
6 employees from the same lottery ever having received
7 the Powers Award in the same year, but that glass
8 ceiling has now been shattered. And I'm delighted to
9 announce this year that the Texas Lottery had two
10 individual Powers Award winners. And it's really no
11 surprise, given our lottery's performance, that both of
12 these individuals work in our products area.

13 Julie Terrell, who's pictured up on the
14 screen on the left, is our draw games coordinator.
15 That's a role she's held since 2005. Julie manages a
16 draw game portfolio that consistently achieves annual
17 sales of over \$1-billion. And that consists of eight
18 different draw games, including two in-state games;
19 Lotto Texas and Texas Two Step, our two multi-state
20 jackpot games; Mega Millions and Powerball, and four
21 daily draw games.

22 In fiscal year '21, last year, the draw
23 game portfolio in Texas realized almost \$1.5-billion in
24 sales. That was a \$340-million increase over fiscal
25 year 2020, and the largest ever year-over-year increase

1 since the lottery began.

2 Dale Bowersock pictured on the right.
3 Dale is our scratch ticket strategy coordinator.
4 Dale's been coordinating our scratch ticket portfolio
5 for almost 18 years.

6 When Dale first started working on our
7 portfolio, scratch ticket sales were \$2.4-billion
8 annually. Compare that to last year when they were a
9 record 6.1-billion, obviously a new record. Dale's
10 hard work, his creative eye for ticket design, has led
11 to numerous, extremely successful scratch ticket
12 launches over the years.

13 Unfortunately, both Julie and Dale are
14 out with COVID this week and we wish them a very speedy
15 recovery, but I'm sure they are watching via live
16 stream today. We have their pictures up on the screen.
17 So, commissioners, please join me in congratulating
18 Julie and Dale on being nationally recognized for their
19 efforts at the Texas Lottery.

20 (Applause)

21 MR. GRIEF: Thank you, Mr. Chairman, and
22 I'll have a subsequent report at the end of the
23 meeting.

24 CHAIRMAN RIVERA: Okay.

25

1 AGENDA ITEM NO. II

2 CHAIRMAN RIVERA: We are now on to
3 item number two, which comes after one. So, Trace
4 Smith, you are coming up.

5 MR. SMITH: Good morning, commissioners.
6 The BAC had our meeting yesterday and I'd like to
7 extend our thanks Commissioner Fields and LaDonna and
8 her staff for being present. It's always a pleasure to
9 have them there as a resource.

10 We had several noteworthy items on the
11 agenda yesterday. The first item is our end of year
12 report that we were required to give to the Commission
13 and it's the BAC's perspective on the state of
14 charitable bingo industry in Texas with specific
15 comments on the following: gross receipts; net
16 receipts; charitable distributions; expenses;
17 attendance; and any other matter requested by the
18 Commission.

19 This report uses data provided by the
20 Charitable Bingo Operations Division. But I believe
21 with a caveat that this data may not have been audited
22 yet which is the way the fiscal year falls.

23 Gross receipts bounced back
24 significantly in 2021 from the 2020 pandemic lows.
25 Calendar year 2021 saw 938.4-million in gross receipts

1 versus 693.8-million in 2020. This is a 35 percent
2 uptick year-over-year and a 10 percent increase versus
3 2019.

4 Despite some supply chain issues, pull
5 tab sales continue to drive the sales. Like lottery
6 sales, we also believe that federal stimulus dollars
7 and a consumer interest in safe entertainment and
8 social interaction contributed significantly to the
9 rebound.

10 Net receipts or adjusted gross receipts.
11 This report speaks to AGR with the understanding that
12 it is the same as net receipts as referred to in the
13 rule. At \$214.2-million, AGR rebounded significantly
14 in the 2021 calendar year. That's 41 percent more than
15 the 152.5-million in 2020 and 11 percent increase over
16 the 192.8-million in 2019.

17 Charitable distribution or net proceeds.
18 In the aggregate, required distributions remained
19 consistently at or above requirements. More
20 importantly, overall net proceeds to charities, the
21 total amount of money retained by our charity
22 conductors of bingo, saw a dramatic increase in 2021.
23 At \$45.4-million, that's a 207 percent year-over-year
24 increase from 2020 when net proceeds fell to \$21.9-
25 million annually.

1 Interestingly, the two year average is
2 33.85-million, which is slightly above the 32.3-million
3 average in the five year period from 2015 to 2019.

4 We are eager to see what happens in 2022
5 to determine if broader economic factors suppress net
6 proceeds, making the 2021 results an anomaly.

7 Expenses. Aggregate expenses increased
8 in 2021 to roughly a 169-million compared to 152-
9 million in 2020. The pandemic year was like 2017 when
10 expenses were 152-million.

11 Last calendar year's uptick continues a
12 trend of higher cost influenced by higher employee
13 costs, higher costs associated with our products and
14 general inflationary pressures.

15 Attendance. Between calendar years 2007
16 at 17.9-million and 2021, which is 11-million,
17 attendance has declined almost 40 percent. The steady
18 decline continues to be the biggest threat to
19 charitable bingo.

20 More recently, attendance in 2019 was
21 13.8-million versus 8.4-million in 2020. In a calendar
22 year 2021, attendance bounced back to 11-million, but
23 it was still down 20 percent versus the pre-pandemic
24 2019 calendar year. More significantly, research
25 indicates a general lack of awareness is a key driver

1 versus other entertainment options as a primary driver
2 of declining attendance. We are encouraged by private
3 initiatives by some charitable bingo groups to address
4 this critical issue.

5 Providing feedback. The Bingo Advisory
6 Committee has successfully provided feedback and
7 comments to the Charitable Bingo Operations Division
8 staff and commissioners on all administrative rules and
9 amendments.

10 Website review. The BAC is still
11 currently reviewing and collecting data to report its
12 recommendations to the staff and to the commissioners.

13 Reporting. The Bingo Advisory Committee
14 successfully reported to the Commission updates on the
15 BAC's activities, industry accomplishments, challenges,
16 and concerns.

17 Annual report. The BAC has submitted
18 the required annual report to the Commission and to the
19 Charitable Bingo Operations Division.

20 In our concluding statement, it is clear
21 that by virtually all key metrics, charitable bingo
22 experienced a healthy recovery in 2021. What is also
23 clear is that while the aggregate numbers are good, not
24 attendance, the recovery was not broadly based. Some
25 halls closed, others continue to struggle in recovery

1 and some halls are doing very well.

2 The Bingo Advisory Committee remains
3 committed to working with the commissioners and the
4 Charitable Bingo Division staff, to advise and respond
5 to the issues that arose this year and those to come.
6 We appreciate the Commission providing this important
7 forum and we are prepared to respond to any request you
8 have of us.

9 We also ask that the commissioners vote
10 to reinstate the Bingo Advisory Committee for another
11 year. And for your consideration, the current members
12 of the Bingo Advisory Committee and their associated
13 interest groups are as follows:

14 William T. Smith III, conductor;
15 Will Martin, conductor;
16 Melodye Green, commercial lessor;
17 Emile Bourgoyne, manufacturer;
18 Tommy Duncan, Jr., distributor;
19 Jason Pohl, conductor;
20 Veronica Uriegas, charity lessor;
21 Corey Harris, conductor; and
22 Michael Anastasio, charity lessor.

23 That concludes my end of year report.

24 CHAIRMAN RIVERA: Okay. Well, before I
25 make any comments, I'm going to hand it over to Cindy

1 to begin as she is our designated bingo expert liaison,
2 and just knows everything about bingo in the state, so
3 Cindy, go ahead.

4 COMMISSIONER FIELDS: Thanks. And
5 thanks, Trace, for your leadership of the BAC and for
6 your report here and for everything that you guys do
7 for charitable bingo. I would like to ask LaDonna if
8 she would quickly read the BAC's work plan, the annual
9 work plan for fiscal year 2023. It won't take but just
10 a second.

11 CHAIRMAN RIVERA: Sure.

12 MS. CASTAÑUELA: Yes.

13 MR. SMITH: Yeah, that was next on my
14 list if that's -- if you'd rather -- it's whatever the
15 commissioner would like.

16 MS. CASTAÑUELA: All right.

17 COMMISSIONER FIELDS: Do you have the
18 work plan?

19 MR. SMITH: Yes, ma'am.

20 COMMISSIONER FIELDS: Okay.

21 MR. SMITH: Go ahead?

22 COMMISSIONER FIELDS: Go ahead, yeah.

23 MR. SMITH: Okay. All right.

24 The fiscal year 2023 annual work plan is
25 one, identify the potential rule or procedural changes

1 that may help organizations address challenges related
2 to conducting charitable bingo. Any potential
3 recommendations on changes to how bingo games are
4 played shall be clearly authorized by Texas law and
5 will not include electronic bingo, including electronic
6 pull tabs or any other activities not already
7 authorized by law or video confirmation of pull tabs.

8 Number two, monitor legislative activity
9 that may impact charitable bingo. Upon request by
10 agency staff, assist with the implementation aspects of
11 potential charitable bingo related enacted legislation.

12 Number three, provide feedback and
13 comments to CBOD staff and commissioners on changes to
14 administrative rules in chapter 402 and any other new
15 amendments.

16 Number four, work with the CBOD staff to
17 identify ways to increase filing of quarterly reports
18 using the online filing system.

19 Number five, review components of the
20 agency's charitable bingo website, including the
21 listing of the BAC members and recommended elements and
22 information to be included in future website updates.

23 Number six, provide reports at each
24 commission meeting that includes status updates of the
25 BAC's activities, industry accomplishments, challenges,

1 or concerns.

2 Number seven, develop the required BAC
3 annual report to the Commission on the state of the
4 charitable bingo industry and submit to the Commission
5 and to the Charitable Bingo Director by July 14, 2023.

6 COMMISSIONER FIELDS: Thank you. So,
7 Mr. Chairman, I'd like to make a motion to continue the
8 BAC for another year with the current members as Trace
9 listed and to approve the BAC's annual work plan for
10 fiscal year 2023.

11 CHAIRMAN RIVERA: Okay. Is there a
12 second?

13 COMMISSIONER FRANZ: Second.

14 CHAIRMAN RIVERA: All right. We have a
15 second. All in favor say aye.

16 (Chorus of "ayes")

17 CHAIRMAN RIVERA: Okay. Motion passes
18 unanimously. Trace, again, thank you for your
19 commitment to bingo and I understand that yesterday was
20 your birthday and that you spent it long into the night
21 working on bingo related items and forego whatever
22 birthday celebrations you had to work on bingo items,
23 so we appreciate the job and you're definitely
24 committed to bingo.

25 MR. SMITH: Absolutely. Thank you very

1 much, commissioners, and Commissioner Fields.

2 The only other thing on my report is
3 that's noteworthy is that the Bingo Advisory Committee
4 voted in an unanimous vote to endorse the petition for
5 rulemaking in reference to shutter card bingo. And
6 that will conclude my report.

7 CHAIRMAN RIVERA: Okay. Thank you for
8 being here today.

9 MR. SMITH: Thank you very much.

10 CHAIRMAN RIVERA: Okay. We are going to
11 skip over items three and four, and we're going to go
12 to number five.

13 AGENDA ITEM NO. III

14 (Not Considered)

15 AGENDA ITEM NO. IV

16 (Not Considered)

17 AGENDA ITEM NO. V

18 CHAIRMAN RIVERA: So, looks like Mike
19 Fernandez is coming up here.

20 MR. FERNANDEZ: Good morning, Mr.
21 Chairman, commissioners.

22 CHAIRMAN RIVERA: Good morning, sir.

23 MR. FERNANDEZ: For the record, my name
24 is Mike Fernandez and I'm currently the Director of
25 Administration. With me this morning I have Toni

1 Erickson and I keep telling her, this is symbolic. Ms.
2 Erickson's going to lay out the items, the next two
3 items, 5 and 6, and I will pass this to
4 Ms. Erickson.

5 MR. BIARD: Commissioners, before we
6 start the first item on the lottery operator contract,
7 I just always like to remind the Commission that you
8 have the opportunity to meet in executive session
9 anytime negotiation of the lottery operator contract is
10 a matter in the meeting, and my understanding is that
11 Mike and Toni do not recommend executive session for
12 this item. But I always like to make sure that you're
13 aware that that's a special provision in our governing
14 statute.

15 CHAIRMAN RIVERA: Great.

16 MS. ERICKSON: Good morning, chairman
17 and commissioners. For the record, Toni Erickson,
18 Support Services Manager.

19 Item number five in your notebook is a
20 briefing item. It is to advise the Commission of
21 staff's intent to amend our contract for lottery
22 operations and services with IGT Global Solutions.

23 The purpose of the amendment is to
24 effectively plan for and fund any new or innovative
25 technology or goods and services that can potentially

1 increase lottery sales or revenue. This is a no cost
2 amendment to the agency. Commissioners have
3 independently confirmed that they do not have a
4 financial interest in IGT Global Solutions.

5 That is all I have for this item. I
6 would be happy to take any questions.

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

9 COMMISSIONER STEEN: No.

10 AGENDA ITEM NO. VI

11 MS. ERICKSON: Okay. Again for the
12 record, Toni Erickson, Support Services Manager. Item
13 number six in your notebooks is an action item.

14 Staff is seeking commission approval to
15 execute contracts with Scientific Games International,
16 Pollard Banknote, and IGT Global Solutions, for scratch
17 ticket manufacturing and services. The term of the
18 contract will be for a 12-year period, beginning
19 September 1, 2022.

20 I also wanted to bring to your attention
21 and put on the record that the prices for these
22 contracts have gone up significantly and the agency's
23 ability to produce and sell scratch tickets hinges on
24 the legislature's approval of our legislative
25 appropriations request.

1 Commissioners have independently
2 confirmed that they do not have a financial interest in
3 Scientific Games International, Pollard Banknote, and
4 IGT Global Solutions. I'd be happy to answer any
5 questions.

6 CHAIRMAN RIVERA: Okay. Any questions?
7 We will need a motion.

8 COMMISSIONER FRANZ: I move that we
9 approve the execution of these contracts.

10 CHAIRMAN RIVERA: Is there a second?

11 COMMISSIONER SAENZ: I second.

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

14 (Chorus of "ayes")

15 CHAIRMAN RIVERA: Okay.

16 MS. ERICKSON: Thank you.

17 CHAIRMAN RIVERA: Motion passes
18 unanimously. Thank you. Okay. We will now go to item
19 number seven.

20 AGENDA ITEM NO. VII

21 CHAIRMAN RIVERA: Next item is adoption
22 of Powerball rule changes.

23 MR. BIARD: Good morning, commissioners.
24 This is Deanne Rienstra's item and she unfortunately is
25 also out ill today, so I'll pick this up for her.

1 This item is adoption of amendments to
2 the Commission's Powerball rule. At the last
3 Commission meeting, the board voted to publish proposed
4 changes to align the Commission's rule with the
5 recently amended Multi-State Lottery Association
6 Powerball game rules. The MUSL rules were amended
7 earlier this year to address changes related to the
8 Powerball guaranteed prize funding. Basically, when
9 the jackpots hit, if there's not enough money for the
10 prize funding, each member lottery pays its
11 proportionate share of the difference.

12 The Commission received no public
13 comments on this proposal and we recommend adoption.
14 Happy to answer any questions.

15 CHAIRMAN RIVERA: Commissioners, any
16 questions? So, like item number six, we're going to
17 need a motion if somebody wants to move forward with
18 that.

19 COMMISSIONER STEEN: I'll make a motion.

20 CHAIRMAN RIVERA: Okay. We have a
21 motion from Jamey.

22 COMMISSIONER SAENZ: Second.

23 CHAIRMAN RIVERA: Second from Erik, all
24 right. All in favor say aye.

25 (Chorus of "ayes")

1 CHAIRMAN RIVERA: Okay.

2 MR. BIARD: Thank you, commissioners.

3 CHAIRMAN RIVERA: Thank you.

4 AGENDA ITEM NO. VIII

5 CHAIRMAN RIVERA: Next item is number
6 eight. We have Ryan Mindell.

7 MR. MINDELL: Good morning again,
8 chairman and commissioners. For the record, my name is
9 Ryan Mindell, currently the Lottery Operations
10 Director.

11 Item eight in your notebook is a copy of
12 the 2021 annual report, the 22-23 comprehensive
13 business plan. The annual report contains a summary of
14 the agency's sales and revenue results along with
15 performance highlights from fiscal year 2021.

16 Next, the comprehensive business plan,
17 which conforms to the statutory requirements of the
18 sunset legislation. The comprehensive business plan
19 contains key performance factors, as well as targets
20 and projections for those factors. This combined
21 document continues to be the single best source of
22 information about our lottery activities, both what
23 we've done in the past and what we're planning to do in
24 the future.

25 I'd like to note the significant work by

1 staff across the agency that goes into preparing this
2 document. And with that, I'm happy to respond to any
3 questions you may have prior to your consideration of
4 approval of the report today.

5 CHAIRMAN RIVERA: Okay. Any questions?
6 Okay. You're going to need a motion, aren't you?

7 COMMISSIONER SAENZ: I'll make a motion.

8 CHAIRMAN RIVERA: Okay. Is there a
9 second?

10 COMMISSIONER FRANZ: I'll second.

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

13 (Chorus of "ayes")

14 CHAIRMAN RIVERA: Okay. Ryan, you are
15 now able to leave the chair there, sir.

16 MR. MINDELL: Thank you, Chairman.

17 CHAIRMAN RIVERA: Okay. Alrighty.

18 AGENDA ITEM NO. IX

19 CHAIRMAN RIVERA: Next item number nine,
20 lottery sales and revenue. We have Kelly and Robert.

21 MS. STUCKEY: Good morning,
22 commissioners. I'm Kelly Stuckey, Controller for the
23 agency. And with me this morning is the Commission's
24 Products Manager, soon to be lottery operations
25 director, Robert Tirloni, and we'll be presenting sales

1 through the week ending August 6, 2022.

2 Commissioners, this presentation will
3 begin on slide two and looking at comparative total
4 sales presented at the bottom of the slide. So, it's
5 here that we'll note that through this 49-week period,
6 total sales for FY-22 are \$7,770,000,000. That's a
7 \$158.6-million increase or 2.1 percent over last year's
8 sales.

9 Then looking at scratch; FY-22 scratch
10 sales are reflected on that second orange bar and are
11 \$6,283,000,000. And that's a 76.1 percent increase
12 over FY-21 sales of \$6,207,000,000. Our scratch ticket
13 sales currently make up 80.9 percent of our total sales
14 compared to 81.6 last fiscal year.

15 Then moving on to draw sales. Our
16 current fiscal year '22 draw sales are reflected on the
17 second blue bar and are \$1,483,000,000.

18 I'm happy to report that due to our large Mega
19 Millions jackpot at the end of July, we are now
20 reflecting an \$82.6-million increase or 5.9 percent
21 over last fiscal year's draw sales of \$1,400,000,000.

22 So, now I'll turn it over to Robert to
23 provide an overview by game.

24 MR. TIRLONI: Thank you, Kelly. Good
25 morning again, commissioners.

1 Well, a lot has changed since we were
2 all together in June. So, Kelly just referenced the
3 Mega Millions jackpot. On Friday, July 29th, the
4 advertised Mega Millions jackpot was \$1.28-billion.
5 That had significant impact on the results we're about
6 to talk about. That was the second largest jackpot in
7 Mega Millions history and it was the third largest
8 jackpot in U.S. lottery history. So, it was a
9 significant jackpot.

10 If we look at the bottom of the screen,
11 you can see the total gain that we have for fiscal-22,
12 compared to fiscal-21 is just under \$159-million. When
13 we were together in June, we were actually down \$1.8-
14 million.

15 Moving up to the jackpot portion of the
16 portfolio, which is in the white font, when we were
17 together in June, the jackpot portion of the portfolio
18 was down almost 82-million. So, we swung from an \$82-
19 million deficit to a \$91-million gain. Again, thanks
20 to that Mega Millions jackpot.

21 So, everything in the jackpot portion of
22 the portfolio is up except our two in-state games.
23 Lotto Texas is down 6-million, Texas Two Step is down
24 2.7-million, but obviously the big multi-state jackpot
25 games are all experiencing healthy gains. So, great

1 news there.

2 The daily games in the middle of the
3 slide in blue, we're struggling a little bit with Pick
4 3, we're down almost 12-million. That doesn't sound
5 great, but when you look at the draw game portfolio,
6 Pick 3 is a very solid performing game. If you take
7 the jackpot games out of the mix, it's the next best
8 seller. And in some years, if we don't get very strong
9 jackpots from the multi-state games, Pick 3 ends up
10 being the best seller out of the portfolio, so, we're
11 continuing to work on that game to try to increase
12 sales.

13 In terms of the other games that are the
14 daily games, we are seeing some good growth from Daily
15 4. Cash 5, All or Nothing, are kind of where they've
16 been hovering. We're down a little bit on Cash 5. Up
17 a little bit on All or Nothing.

18 But as we mentioned, the draw games as a
19 whole are up 82.6-million, so really healthy gain
20 there.

21 I do want to comment that the large
22 jackpot from Mega Millions didn't only help us with the
23 draw games though, it also helped us with scratch
24 actually. I believe it really brought people into the
25 stores. We've not really had a large jackpot like this

1 since January of 2021 when Mega Millions was slightly
2 over a billion. And as you'll recall, this past year,
3 we've been talking about how we've had really tough
4 comparison weeks in fiscal '21 for scratch ticket
5 sales.

6 So, we went through a period of being
7 down for about 16 to 17 weeks comparing year-over-year.
8 And with that Mega Millions jackpot soaring, that kind
9 of helped us turn the corner. We've been up for the
10 past three weeks and we're realizing some healthy gains
11 this week. So, I think that was motivation for people
12 to get back into retail and be exposed to our scratch
13 tickets.

14 And as you can see, our scratch tickets
15 are up \$76-million. So, great news since we were last
16 together.

17 When we are back in October, I'll share
18 with you some of our newest scratch ticket games. We
19 do have a brand new family of scratch tickets that
20 starts in early September. It's our Cash Blowout
21 family. We hope that will get our new fiscal year
22 kicked off and off to a strong start.

23 And then in October, Kelly and I will
24 also be presenting our fiscal year '22 kind of recap,
25 where we go into some more detail and provide you with

1 some more information like we usually do during that
2 meeting.

3 That is our good news sales presentation
4 for this month. We're happy to answer any questions
5 that you have.

6 CHAIRMAN RIVERA: Okay. Commissioners,
7 any comments, questions?

8 COMMISSIONER SAENZ: Didn't the IRS also
9 win that lottery because they took like what
10 700-million?

11 MR. TIRLONI: Yes, sir. I think they're
12 happy as well.

13 COMMISSIONER FRANZ: Robert, how's the
14 \$100 scratch ticket?

15 MR. TIRLONI: Thank you for asking about
16 that, Commissioner. The \$100 scratch ticket is doing
17 extremely well. Since it launched, it has been the
18 number one selling ticket every week. So, I think
19 we're about 12 or 13 weeks in roughly, and it has been
20 the number one best seller. We've heard very positive
21 feedback from our sales team who's out interacting with
22 retailers daily and we've heard positive news from
23 retailers, too. So, it's doing very, very well.

24 COMMISSIONER FRANZ: Great.

25 CHAIRMAN RIVERA: That's good to hear

1 that there's not a lot of chaos or any confusion from
2 the lottery players on that, so good job.

3 MR. TIRLONI: Thank you. Thank you very
4 much.

5 CHAIRMAN RIVERA: Okay. We are now
6 moving on, so, thank you both.

7 AGENDA ITEM NO. X

8 CHAIRMAN RIVERA: Now we're going to go
9 to item number ten, which is individually Kelly. So,
10 Robert, thank you. And Kelly, you have the ball.

11 MS. STUCKEY: So, commissioners, for
12 this item, I've included in your notebook the agency's
13 transfers to the state through June 30, 2022. This
14 report reflects accrued revenue transfers and
15 allocations to the Foundation School Fund and the Texas
16 Veterans Commission, as well as the allocation of
17 unclaimed prizes for this past 10 months of fiscal year
18 '22.

19 Total accrued revenue to the state
20 amounted to 1.56-billion through the end of June and of
21 that transfer to the state, 1.51 billion was the amount
22 transferred to the Foundation School Fund, 18.6-million
23 was transferred to the Texas Veterans Commission and
24 the remaining 36.5-million was transferred for
25 unclaimed prizes.

1 So, these amounts amount to a decrease
2 in the revenue to the Foundation School Fund of 46.5-
3 million or 3 percent when we're comparing it to the
4 same time period last fiscal year.

5 Our total cumulative transfers to the
6 Foundation School Fund through June are 29.2-billion.
7 And then moving on to the second part of this item is
8 the fiscal year '22 method of financing budget summary
9 through the third quarter ending May 31, 2022.

10 So, the Commission's lottery account
11 budget is at 263-million and of that amount, 93.3
12 percent has been expended or encumbered through the
13 third quarter and the bingo's operation budget funded
14 by general revenue is 2.07-million with 85.4 percent
15 either expended or encumbered.

16 And this concludes this item. Are there
17 any questions?

18 CHAIRMAN RIVERA: Okay. Commissioners,
19 any questions? Okay. Next item?

20 AGENDA ITEM NO. XI

21 MS. STUCKEY: So commissioners, this
22 morning I'll be seeking your approval of the
23 Commission's legislative appropriation request for
24 LAR for fiscal years '24 and '25. This LAR includes a
25 baseline request of \$565,211,351 with 321.5 full-time

1 employees. It includes one exceptional item, totaling
2 \$17,410,868, bringing the Commission's total LAR
3 request to \$582,622,219.

4 So, I do want to note that there is a
5 8.1 percent decrease from the 22-23 baseline
6 appropriation levels. And this decrease is solely in
7 two of our strategies, the lottery operator strategy
8 and the retailer incentive strategy, and that's because
9 these two strategies are based on sales projections,
10 and we've kind of done a reset on sales projections for
11 24-25.

12 The Commission's 24-25 LAR was developed
13 in accordance with guidelines from leadership offices,
14 which stated that for budget deliberations, each
15 agency's baseline request cannot exceed the sum of the
16 amounts expended in '22 and budgeted in fiscal year
17 '23. So any funding that exceeds that base level
18 should be submitted as an exceptional item.

19 And so to that point, we have one
20 exceptional item in the document for 17.4-million and
21 that's in fiscal year '25 and that's to allow us to
22 increase our authority in the scratch ticket production
23 and services contract strategy.

24 So, currently our funding structure to
25 produce scratch tickets is a fixed budget that doesn't

1 really provide us a mechanism to support changes in
2 product demand or product cost. Scratch ticket sales
3 as you know have realized a year-over-year gain since
4 2011, and they continue to be a growing product
5 category in Texas. Currently, as we mentioned in the
6 sales presentation, our scratch sales are 80 percent of
7 our total lottery sales.

8 It's also important to note that there
9 are three companies that can print our scratch tickets;
10 Scientific Games, Pollard Banknote, and IGT Printing.
11 And as we heard earlier from Toni, our current contract
12 for these three vendors expires August 31, 2024.
13 And the environment of our scratch ticket production
14 has changed dramatically since these contracts were let
15 back in 2012. And then additionally, the pandemic and
16 current economic factors has made a significant impact
17 on labor and material costs as well.

18 So, the agency has recently completed
19 the RFP process for these services and a significant
20 increase of approximately 40 percent has been realized
21 for these services. An underfunded scratch ticket
22 print budget has a trickle down effect. So, it not
23 only impacts our ability to print tickets, but
24 ultimately, reduces sales, and then finally, it results
25 in a negative impact for our beneficiaries, the

1 Foundation School Fund and Veterans Assistance.

2 So, if funding is granted by the
3 legislature for this exceptional item, there's no cost
4 to the appropriation bill as our lottery dedicated
5 account fund 5025 is not subject to the comptroller
6 certification for the general appropriations act.
7 Funding of this exceptional item also would still fit
8 within our 7 percent allowable statutory percentage to
9 administer the lottery under the government code
10 chapter 466 and rider 3.

11 So, moving on to the rider revisions of
12 the document, we're not requesting any new riders this
13 session, but I did want to highlight we had one
14 technical revision to rider 9 and that's our lottery
15 operator contract rider. And this just includes a
16 revision to the contract rates modifying 2024 to 2.0331
17 percent of gross sales and 2025 revised to 1.9889
18 percent.

19 Commissioners, our LAR is due to
20 leadership offices on next Friday, August 19th. And
21 so, in addition to filing hard copies of the document,
22 agencies are required to file the document
23 electronically with the LBB through the automated
24 budget evaluation system in Texas, as well as submit a
25 searchable PDF version to the governor's office.

1 Upon completion of the budget document,
2 the agency is required to provide the LBB and the
3 governor's office certification of the integrity of
4 dual submissions and assurance that the electronic copy
5 and hard copy are one in the same. This signature
6 certificate is reflected on page 1C of the document.

7 We should also be hearing soon regarding the
8 scheduling of our agency's joint budget hearing with
9 the staff, the governor's office, and the LBB.

10 And then finally, before I wrap up, I'd
11 like to acknowledge the support of Gary and our fellow
12 division directors in the preparation of this document
13 and then special recognition to Annika Guarnero, she's
14 in our Office of the Controller. Her and her team did
15 an outstanding job pulling together this document.

16 So, in closing, I'm seeking your
17 approval on the proposed legislative appropriations
18 request for fiscal years '24 and '25. The baseline
19 request is \$565,211,351 with 321.5 FTEs. The baseline
20 along with the one exceptional item totaling
21 17,410,868, results in a total LAR request of
22 582,622,219. And this concludes my presentation unless
23 you have any questions.

24 CHAIRMAN RIVERA: Okay, Kelly. Good
25 job. Do we have any discussion, comments, thoughts?

1 Okay. Would someone like to --

2 COMMISSIONER SAENZ: I'll make a motion
3 that we should approve.

4 CHAIRMAN RIVERA: We have a motion.

5 COMMISSIONER STEEN: Second.

6 CHAIRMAN RIVERA: So, we have a second.
7 We need a vote; all in favor say aye.

8 (Chorus of "ayes")

9 CHAIRMAN RIVERA: Okay. Kelly, good
10 job. We are incredibly grateful for not only your
11 leadership on this, but everybody who participated in
12 helping just produce such an awesome piece of work.
13 So, we're very grateful, so thank you, and happy that
14 we got this done. So, good job.

15 MS. STUCKEY: Thank you.

16 CHAIRMAN RIVERA: Thank you, Kelly.

17 AGENDA ITEM NO. XII

18 CHAIRMAN RIVERA: Okay. Next item is
19 the internal auditor's report. Darlene Brown, this is
20 your item.

21 MS. BROWN: Good morning, commissioners.
22 For the record, I'm Darlene Brown, internal auditor for
23 the agency.

24 In your notebooks is my status report.
25 This time we have been working on the ticket and game

1 management audit, and we're in the last phase of that.
2 We have wrapped up the confidential data management
3 audit, and we have begun our annual risk assessment.
4 So, I will be reaching out to each one of you
5 individually to get your input on next year's proposed
6 annual audit plan.

7 Next quarter, we are finally going to
8 complete these bingo reconciliations. We will have a
9 report for you on the ticket and game management audit,
10 we will have a report for you on the confidential and
11 data management audit, and then we'll have the annual
12 audit plan for you to approve.

13 That wraps up my status report. If you
14 have any questions, I'll be happy to address them.

15 CHAIRMAN RIVERA: Okay. Commissioners,
16 any questions?

17 COMMISSIONER FRANZ: Congrats on seeing
18 the light at the end of the tunnel on the bingo
19 reconciliation.

20 MS. BROWN: Thank you.

21 CHAIRMAN RIVERA: Any other comments?
22 No? Darlene, awesome work as always auditing. So,
23 good job.

24 MS. BROWN: Thank you.

25 CHAIRMAN RIVERA: Okay. Thank you.

1 AGENDA ITEM NO. XIII

2 CHAIRMAN RIVERA: Next item, number
3 thirteen. And this will be our bingo portion of our
4 agenda. And we have LaDonna here to take us through.

5 MS. CASTAÑUELA: Good morning,
6 commissioners. For the record, LaDonna Castañuela,
7 Director of Charitable Bingo Operations Division.
8 Now that I have been here one full year, I thought it
9 would be helpful for the Commission if I provided some
10 updated financial data from charitable bingo.

11 As you know, the charitable bingo
12 license holders are required to provide their quarterly
13 report information by calendar year quarter. So, the
14 most recent annual data I will provide that we have for
15 you is calendar year 2021. In the future, I plan to
16 provide updated annual data to you in the spring after
17 the previous year's reporting is due, and we've been
18 able to run the necessary reports.

19 The information on the screen was
20 provided to the governor, the lieutenant governor, and
21 the speaker of the house of representatives and the
22 chairs of the standing committees of the senate and
23 house of representatives with primary jurisdiction for
24 charitable bingo in accordance with section 2001.060 of
25 the Bingo Enabling Act. The letter containing this

1 table was included in your June meeting notebook
2 materials.

3 As you can see, calendar year 2021 net
4 proceeds reported by licensed organizations totaled
5 more than \$45.3-million or 21.19 percent of the
6 adjusted gross receipts of \$214.2-million. Of course,
7 calendar year 2020 was a challenging year for the
8 charitable bingo industry when the COVID-19 pandemic
9 resulted in required closure of bingo halls for part of
10 the year.

11 To give you some perspective from the
12 most recent pre-pandemic years, the next slide shows a
13 bar chart with adjusted gross receipts and net proceeds
14 for a five year period. Calendar years, 2017 through
15 2021. Although net proceeds were up in 2021, like the
16 previous slide and Trace's remarks, in comparable to
17 pre-pandemic years, keep in mind that as Trace
18 mentioned to you earlier, attendance is not up to pre-
19 pandemic numbers yet. I'm hopeful that charitable
20 bingo is recovering from 2020 and will continue to do
21 so in coming years.

22 Again, I plan to bring you an update to
23 this information, including calendar year 2022, in the
24 spring of 2023. That's all I have for item number 13.
25 this is a briefing item only, no action is requested.

1 CHAIRMAN RIVERA: Okay.

2 MS. CASTAÑUELA: Would you like me to go
3 on to 14?

4 CHAIRMAN RIVERA: I will defer to Cindy.

5 COMMISSIONER FIELDS: Sure.

6 CHAIRMAN RIVERA: Good job.

7 COMMISSIONER FIELDS: So, are you going
8 to 14?

9 MS. CASTAÑUELA: I will.

10 AGENDA ITEM NO. XIV

11 MS. CASTAÑUELA: Again, for the record,
12 LaDonna Castañuela, Director of Charitable Bingo
13 Operations Division. Information regarding output
14 metrics for CBOD for June and July can be found in your
15 notebook materials. In addition to the work detailed
16 in your notebooks, we are in the process of hiring a
17 number of new employees, including a new accounting
18 section coordinator who will start next week, a new
19 licensing section coordinator, and a new executive
20 assistant.

21 We've been quite shorthanded lately, but
22 current staff include several experienced and dedicated
23 folks who have managed to keep the work moving. We all
24 look forward to having a more fully staffed division
25 soon.

1 Also, literally as we speak, CBOD staff
2 is completing preparations for the final part of our
3 move tomorrow when agency mailroom functions move to
4 the new building. I know we all look forward to having
5 all of the charitable bingo operations Austin
6 headquarters staff in one place again.

7 We continue to fine tune our procedures
8 and look for ways to make them more efficient while
9 also maintaining necessary controls. After a year in
10 this role, with the help of the Division's Deputy
11 Director, Vivian Cohn, we've successfully implemented
12 many improvements and confirmed that there is more work
13 to do. I've said it before, and I continue to be
14 grateful for the talented and hardworking staff of the
15 Charitable Bingo Operations Division.

16 That's all I have for you today. And
17 I'm available to answer questions.

18 CHAIRMAN RIVERA: Okay. Any questions?

19 COMMISSIONER FIELDS: Thanks to LaDonna
20 and her team for continuing to improve charitable bingo
21 and working on everything.

22 CHAIRMAN RIVERA: Okay. Good job.
23 Alrighty.

24 AGENDA ITEM NO. XV

25 CHAIRMAN RIVERA: We are on to number

1 fifteen, this is the executive director's report.

2 Gary, we are gratefully here.

3 MR. GRIEF: Thank you, Mr. Chairman. In
4 addition to what's in your notebooks today, I have
5 several items to report on this morning.

6 First is an update on our agency move to
7 the George H.W. Bush building. We have recently
8 learned that the large meeting room in the new
9 building, which we had initially understood would be
10 available for commission meetings once the construction
11 was complete, will instead not be available for access
12 by the public for the foreseeable future. So we're
13 going to be pursuing a new location, likely in another
14 state office building somewhere in the vicinity, to
15 hold our commission meetings in going forward and that
16 location may change from time to time and may change
17 from meeting to meeting as well.

18 In other words, our long term solution
19 may not necessarily be the location that we meet in for
20 the October meeting. We'll work through that
21 situation, we'll keep you apprised.

22 Our draw studio recently moved over to
23 the new building and we have been conducting our
24 drawings in our brand new studio, and it is something
25 to see. The Bingo Division, as LaDonna mentioned,

1 along with all of our few remaining setups here in this
2 building, are going to be moving over this weekend.
3 And our Austin claim center, which is right across the
4 courtyard, when we move that facility over to its new
5 location the weekend of August 26th, and that
6 thankfully will end our move to the new building.

7 I also want to go back and touch on
8 lottery sales, commissioners. You saw the outstanding
9 report that Robert and Kelly gave you today. And it's
10 clear now that barring anything unforeseen, we're going
11 to reach yet another new record in lottery sales this
12 year. Not for one moment did I lose my optimism we
13 were going to reach a new record.

14 The introduction of the lottery
15 industry's first \$100 scratch ticket several weeks ago,
16 which has continued as you heard to be our best selling
17 game ever and number one every week, that gave us a
18 fighting chance. And I knew that all we needed was for
19 one of our multi-jurisdictional jackpot games to go on
20 a run that I was confident we could reach another all-
21 time record.

22 So, not only are we going to end up
23 breaking our all time sales record for the 12th
24 straight year, but it should be by a comfortable
25 margin, about \$150-million or so when we end the fiscal

1 year.

2 In addition, we're going to be one of
3 less than a handful of states across the country that's
4 going to see an increase in traditional lottery sales
5 data. That's from scratch and draw games. That is a
6 true testament to the talented people that we have in
7 our organization, to our trusted vendor partners, and
8 to those more than 20,000 retailers across the state
9 that sell our products.

10 This year's going to be a great story.
11 With that said, the future of the lottery in Texas is
12 now at a critical juncture. You heard Toni Erickson
13 first mention it this morning about our new scratch
14 ticket contracts. You heard about that increase in the
15 budget that we're going to need, and you heard her
16 mention how important it's going to be to get
17 legislative approval of our budget going into this next
18 session.

19 We also heard Kelly Stuckey lay out our
20 one exceptional item that we're requesting in the
21 session that is focused on the use of these additional
22 funds. You heard about supply chain issues, inflation,
23 the cost going up. Bluntly speaking, our scratch
24 ticket portfolio is the most robust and the most
25 attractive portfolio in the entire lottery industry.

1 And those games now account for more than 80 percent of
2 our total sales. And they're obviously the primary
3 driver in the Texas Lottery now generating almost \$2-
4 billion a year for education and veteran services.

5 We're certainly going to pull out all
6 the stops to explain our situation to the legislature
7 in the upcoming session, but without the necessary
8 appropriation authority, and I use that word authority
9 purposefully, because we have the money from the sale
10 of lottery tickets, we have plenty of money to fund the
11 scratch ticket portfolio, we just mean that the request
12 is not going to impact the appropriations bill in any
13 way. We just need that authority because without that
14 authority, Texas Lottery is going to cease being a
15 reliable revenue generator for the State of Texas, and
16 it's going to impact our beneficiaries, education and
17 veterans.

18 So, commissioners, we're going to
19 certainly keep each of you apprised as we work that
20 issue through the legislative session.

21 And finally, commissioners, last item on
22 our agenda today, I'd like to call up our
23 Administration Director, Mr. Mike Fernandez. I know he
24 has been dreading this moment for many weeks.

25 So, commissioners, today is going to be

1 Mike's final Commission meeting, and I hope you all
2 notice that he is going out with a bang, finalizing
3 three of our most important contracts with our scratch
4 ticket print vendors and finalizing a very important
5 amendment to our lottery operator contract.

6 I'll be reading a proclamation for Mike
7 in just a few minutes that will give you some details
8 of his long career, including his military service to
9 our country. But I want to spend just a moment
10 focusing on Mike's time working at the Texas Lottery
11 Commission.

12 After a long and distinguished first
13 career in state government, Mike retired from the State
14 of Texas in 2002. However, he wasn't completely ready
15 to quit working and the Lottery Commission just
16 happened to have a vacancy in what was then the
17 Director of Information Technology. That was a perfect
18 fit, given Mike's background.

19 I was serving as the Lottery Operations
20 Director at that time and I actually served on the
21 panel that interviewed candidates for the position that
22 Mike had applied for. And Mike was clearly the best
23 candidate and we quickly offered him the job and he
24 came on board in July of 2002.

25 Mike and I still talk and we chuckle

1 about one of our early conversations that we had right
2 after he came onboard. And I told him that the Texas
3 Lottery is not like any other state agency, that we are
4 running a for-profit business here, that it was a
5 different animal than he was used to, and that the
6 nature of our business made us a constant target for
7 critics.

8 And I'm not sure Mike bought into any of
9 that. He was already a 28-year veteran executive of
10 state government, and he likely thought he had just
11 about seen it all. So, I'll let Mike comment on that
12 in a few minutes.

13 But what I do know, is that shortly
14 after Mike came onboard, we had a dramatic and abrupt
15 change in leadership at this agency. Our executive
16 director at the time resigned, and I was put into my
17 first stint as acting executive director with
18 instructions from my board at the time to change the
19 culture at our agency and up the professionalism across
20 the board.

21 Mike quickly became one of my trusted
22 colleagues and I moved rapidly to increase his level of
23 responsibility. In 2004, I asked Mike to serve on an
24 agency-wide task force that focused on a complete
25 agency reorganization. And it was at that time that

1 our agency contracts, in addition to purchasing,
2 facilities, and information technology were all placed
3 under Mike, and his title was changed to Director of
4 Administration, and he's fulfilled that role with
5 distinction ever since.

6 When Mike originally took the job at the
7 Lottery Commission, I don't believe that he ever
8 envisioned making this an entirely second career and
9 working here for another 20 years. He certainly didn't
10 do that because the job was easy. Helping to change
11 our agency culture and our reputation was not without a
12 good amount of pain and suffering. And I'm sure there
13 were days when Mike thought, what have I done in
14 joining this organization. But the good eventually far
15 outweighed the bad, and I couldn't begin to list the
16 significant challenges that we faced over the years or
17 the many creative solutions that Mike came up with to
18 address those challenges.

19 I think that Mike would say that almost
20 every day that he was here was unique and interesting
21 in its own way. I did a quick back of the envelope
22 calculation this week, and I'm estimating that Mike has
23 negotiated almost 3-billion, with a B, \$3-billion in
24 contracts for the Lottery in his 20 years at the
25 agency. And I'm quite confident that he personally has

1 saved the State of Texas many millions of dollars over
2 that time as a result of his business savvy, his
3 unmatched negotiating skills, and his forward thinking.

4 Already known as a tough negotiator in
5 Texas state government circles before he ever came
6 here, and now known nationwide throughout the lottery
7 industry in the same manner, I want explain that tough
8 negotiator reputation that Mike has earned in just a
9 little more detail.

10 I've been involved in plenty of contract
11 negotiations over the years. I've seen people who are
12 filled with bluster, that are loud, they make demands
13 and they try to project an image of being a tough
14 negotiator. That's not Mike. Mike is always extremely
15 well prepared. He has all the details of the contract
16 along with historical information in hand, and he makes
17 sure he's very well read on the goods and services that
18 we're trying to obtain, even if those may not be in his
19 wheelhouse, and he's incredibly strategic in the way he
20 approaches these negotiations.

21 It's very rare in my experience to see a
22 person with such a strong reputation for being such a
23 tough negotiator at the same time be so universally
24 liked and respected by all the vendors that he has to
25 deal with. At the Texas Lottery, we have never settled

1 for doing things in the normal fashion, whether it's
2 our unique lottery operator contract with IGT or our
3 one of a kind approach to doing scratch ticket printing
4 business, with Pollard, Scientific Games and IGT
5 Printing, which you all just approved today, or a
6 litany of other contracts we've been involved in over
7 the years, we've always taken an innovative approach to
8 those contracts. And we tried to incorporate novel
9 methods to how our needed goods and services can be
10 provided.

11 Mike has been uniquely positioned and
12 skilled at taking that vision that we've had for how
13 these goods and services ought to be provided and then
14 making that all work under the auspices of state
15 government procurement practices. That is not an easy
16 feat.

17 Now Mike's a guy for which retirement
18 doesn't come easy and I know it's been a hard decision
19 for him, because he really loves the challenge and he
20 enjoys the uniqueness that he now has come to
21 appreciate of our agency, and he really likes and
22 appreciates the people that he works with, not just his
23 own staff, but all the division directors as well. And
24 we all feel the same way about Mike.

25 I've thoroughly enjoyed my time working

1 with Mike over the last 20 years. I count him as a
2 good friend. I'm very grateful to have learned so much
3 from him over those 20 years.

4 We've shared countless laughs, along
5 with a handful of low times together, and all that's
6 given us a bond that'll last a lifetime. I'm going to
7 really miss Mike, and I know his other friends and
8 colleagues that are with us in the room today all feel
9 the same way.

10 So, if you'll allow me, Mr. Chairman, I
11 have a proclamation for Mike that I would like to read
12 into the record.

13 Whereas, Mike Fernandez is retiring from
14 the Texas Lottery Commission. And whereas, in
15 fulfilling the duties and tasks of the Administration
16 Director for the Texas Lottery Commission, Mike drew
17 from his extensive experience, having served the State
18 of Texas for more than 48 years through his previous
19 employment with the Texas Workforce Commission, and he
20 is indeed deserving of special, professional and
21 personal recognition.

22 And whereas, for 20 of those years, Mike
23 served as Information Technology Director and the
24 Administration Director for the Texas Lottery
25 Commission, and provided invaluable management

1 expertise to the agency. And whereas, during his
2 tenure with the Commission, Mike was instrumental in
3 negotiating about \$3-billion in complex contracts that
4 brought innovative, state-of-the-art equipment,
5 technology, and service to the Texas Lottery, along
6 with the most competitive best-in-industry rates.

7 Whereas, also during his tenure with the
8 Commission, Mike has served as an invaluable friend and
9 colleague to the Executive Director and the other
10 Division Directors, and he is regarded by the
11 management team at the Commission as the finest
12 technology and administrative support director in state
13 government.

14 And whereas, he's going to love this
15 one, born on August 15th, 1947, Mike was raised on
16 military bases throughout the U.S. until his family
17 returned to Ballinger, Texas, where he completed high
18 school and then met and married his loving wife, Linda.

19 Mike then served in the United States
20 Air Force, which included a tour in Vietnam. And upon
21 returning from military service, Mike and Linda moved
22 to Austin where he was employed first by Tracor Science
23 System Group, an Austin-based technology company, until
24 he joined the Texas Employment Commission, now known as
25 the Texas Workforce Commission, in 1972.

1 Whereas, Mike and Linda are the proud
2 parents of daughter Sarah, who graduated from Baylor
3 University and the South Texas College of Law. And
4 then married Kyle Wolfe. Mike and Linda are devoted
5 grandparents to Walker, Emerson, and Price to whom they
6 provide unconditional love and support, and they spend
7 many weeknights and weekends attending various
8 ballgames and recitals.

9 Whereas, Mike is also a dedicated
10 cowboy. On the weekends, you'll find him at his
11 property in Thorndale on a tractor, riding his horses
12 or tending to his cows.

13 Whereas, retirement will provide Mike
14 more time to spend with his beloved grandchildren and
15 attending to his property. And whereas, the
16 administration team will greatly miss Mike's expertise,
17 his drive, steadfastness and unwavering support. His
18 leaving leaves a big space to be filled, but they are
19 so incredibly happy for him.

20 Whereas, Mike will also be extremely
21 missed by his friends and colleagues at the Texas
22 Lottery Commission.

23 Be it resolved that the Texas Lottery
24 Commission and his many friends and loving family
25 members, hereby congratulate Mike on his retirement and

1 extend to him sincere best wishes now, and during this
2 next chapter in his life. And be it further resolved,
3 than an official copy of this proclamation be prepared
4 for Mike as an expression of high regard by the Texas
5 Lottery Commission.

6 In witness thereof, we have hereunto set
7 our hands and caused the seal of the Texas Lottery
8 Commission to be affixed hereto. Signed on this 11th
9 day of August, 2022, Robert G. Rivera, Chairman, Gary
10 Grief, Executive Director.

11 Mr. Chairman.

12 CHAIRMAN RIVERA: So, literally, a
13 lifetime of work that you have so generously, not only
14 gave to our country, but our state. And I know that
15 you've been here with the Lottery. Our commissioners
16 are well aware of your decades of support to the Texas
17 Lottery. But well before that, your service is just
18 tremendous.

19 Polished is an amazing word that doesn't
20 quite encapsulate you, but it's close. Polished is
21 what you bring to the table in terms of your
22 dedication, your level of expertise, your level of
23 understanding, your desire to lead, lead by example, to
24 show others that have you've worked with over the years
25 how things are done properly and how to focus in on

1 details.

2 Clearly, we could be here for a long
3 time going over all of your benefit, not only to the
4 State, but to the Lottery, to your fellow coworkers, to
5 all that have ever donned the Texas Lottery badge of
6 employment.

7 Earlier today, we recognized leaders
8 that are going to be moving forward. And although you
9 will no longer be here, part of what the Lottery is
10 going to be doing, you can take great assurance to know
11 that your involvement and your previous years of
12 service will remain on indefinitely, because of the
13 example that you have set and the high standard that
14 you have shown everyone of how to perform, what it
15 means to be a Texas Lottery employee.

16 And so we are, on behalf of all of our
17 commissioners, incredibly grateful for your years of
18 dedication. Although, here at the Lottery, those on
19 the citizen side, those who participate with the
20 Lottery, those who are able to purchase lottery tickets
21 and scratch offs, et cetera, they do it for a variety
22 of reasons, some of which is that they would like to be
23 a winner, right? And so, you though, in your lifetime
24 of work, and you're now on the threshold of true
25 retirement and literally doing whatever it is that you

1 would like and you have a lot of opportunities that lay
2 in front of you, you've truly won the jackpot. You
3 have truly won what life is about, which is family,
4 which is service, which is connection to all. And so
5 you're a shining example of a true winner.

6 So, we are incredibly grateful for you
7 sharing time with us. And likewise, thank you to your
8 family for allowing you to share your talents with the
9 State. So, thank you.

10 MR. FERNANDEZ: Thank you very much, Mr.
11 Chairman. And also, I thank you and fellow
12 commissioners, for the support and the confidence. So,
13 I do appreciate that and I know all the staff do, too.
14 And for my dear friend, Gary Grief, what he said is
15 absolutely correct.

16 When I first met him and went down to
17 meet him in his office, he made those comments to me
18 and my glib retort was, you know, Gary, I've been in
19 government for nearly 30 years, and a state agency is a
20 state agency, and I was completely wrong. But that
21 wasn't the first time.

22 But I would say I've enjoyed working
23 with Gary and for Gary. We've had exciting times,
24 interesting times, and I can say with complete
25 confidence, there were never any dull times. So, I've

1 had a great time here.

2 I do want to thank four people that I've
3 worked with for over 25 years; Toni Erickson, Kathy
4 Pyka, Joan Kotal and Jan Thomas, a debt of which I'll
5 never be able to repay.

6 Also, I want to thank our vendors who
7 I've enjoyed great relationships with, and I've got to
8 call out Joe Lapinski for always being willing to
9 listen and to be supportive and helpful. And I don't
10 know if it was because I was such a good negotiator or
11 because we were both from San Antonio, but whatever
12 works.

13 But Mr. Chairman, I want to say to you
14 and to Gary, thanks for the opportunity and godspeed.

15 MR. GRIEF: Mr. Chairman, that concludes
16 my report. I'd be happy to answer any questions if
17 there are any, and I would also ask that the
18 commissioners spend just a couple minutes before you
19 leave today taking some photos with Mike.

20 CHAIRMAN RIVERA: Absolutely.
21 Absolutely. Okay. And so commissioners, any comments
22 or questions for Gary?

23 COMMISSIONER SAENZ: Gary, I think as
24 long as the next few meetings are not outside, I think
25 we'll be okay. Goes without saying, but I just want it

1 on the record.

2 CHAIRMAN RIVERA: Alrighty. Gary, thank
3 you.

4 AGENDA ITEM NO. XVI

5 CHAIRMAN RIVERA: Next item is Bob Biard
6 is going to go through our enforcement cases.

7 MR. BIARD: Commissioners, thank you.
8 For the record, I'm Bob Biard, General Counsel. Item
9 16 contains six lottery cases, Tabs A through F. In
10 these cases, Commission staff found the licensee
11 violated a lottery statute or rule, and in many cases,
12 respondent fails to appear at the hearing and it
13 proceeds by default or the staff and the respondent
14 reached a settlement in form of an agreed order. And
15 we have both of those types of cases today.

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

25 Tabs C through F are lottery agreed

1 orders. You have the materials for those items in your
2 notebook. I'll be happy to answer any questions. And
3 if you have no questions, you may take up the
4 enforcement orders in a single vote if you'd like.

5 CHAIRMAN RIVERA: Okay. Is there a
6 motion?

7 COMMISSIONER FRANZ: I'll move.

8 COMMISSIONER SAENZ: Second.

9 CHAIRMAN RIVERA: Okay. We have a
10 second. All in favor say aye.

11 (Chorus of "ayes")

12 CHAIRMAN RIVERA: Motion passes
13 unanimously.

14 MR. BIARD: Thank you, commissioners.

15 AGENDA ITEM NO. XVII

16 (No Public Comment)

17 AGENDA ITEM NOS. XVIII and XIX

18 (Commission did not meet in Executive Session)

19 AGENDA ITEM NO. XX

20 CHAIRMAN RIVERA: Okay. We are now at
21 the end of our agenda. Commissioners, any other
22 comments?

23 COMMISSIONER SAENZ: I wanted to add
24 one. Mike, thank you for your service. Appreciate
25 everything you've done for us and wish you all the best

1 in retirement. Thank you very much.

2 CHAIRMAN RIVERA: Any other comments?

3 CHAIRMAN RIVERA: Okay. With that we
4 are adjourned.

5 (Proceedings concluded at 11:31 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 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 22nd day of August, 2022.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

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