

1 TRANSCRIPT OF PROCEEDINGS

2 BEFORE THE

3 TEXAS LOTTERY COMMISSION

4 AUSTIN, TEXAS

5 COMMISSION MEETING)
6 FOR THE TEXAS)
7 LOTTERY COMMISSION)

8
9
10 COMMISSION MEETING

11 October 13, 2022

12 10:00 a.m.

13 AT

14 STEPHEN F. AUSTIN STATE OFFICE BUILDING
15 1700 Congress Avenue
16 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

LOTTERY OPERATIONS DIRECTOR: Robert Tirloni

MCCONNELL & JONES LLP: Liz Meyers

BINGO ADVISORY
COMMITTEE CHAIRMAN: William "Trace" Smith III

ADMINISTRATION DIVISION
DIRECTOR: Angela Zgabay-Zgarba

CHIEF EXECUTIVE OFFICER
OF IGT: Vincent Sadusky

CHIEF EXECUTIVE OFFICER,
GLOBAL LOTTERY OF IGT: Fabio Cairoli

TABLE OF CONTENTS

PAGE

1		
2		
3		
4	I. The Texas Lottery Commission will call the	
5	meeting to order	6
6	Pledge of Allegiance to the U.S. and Texas flags.	
7	Texas Pledge: "Honor the Texas flag; I pledge	
8	allegiance to thee, Texas, one state under God,	
9	one and indivisible."	
10	II. Report by the Bingo Advisory Committee (BAC)	
11	Chairman; possible discussion and/or action on the	
12	BAC's activities, including removal and	
13	appointment of committee members	13
14	III. Report, possible discussion and/or action on the	
15	Annual Contract Status Report and Supplemental	
16	Information for all major and prime agency	
17	contracts.	14
18	IV. Report, possible discussion and/or action on	
19	agency prime contracts, including amendment,	
20	renewal or extension of the Houston Texans	
21	trademark license and promotional agreement with	
22	Houston NFL Holdings, LP	15
23	V. Report, possible discussion and/or action on	
24	agency major contracts, including amendment,	
25	renewal or extension of the contracts for Instant	
	Ticket Manufacturing and Services and for Drawing	
	Studio and Production Services	15
	VI. Report, possible discussion and/or action on	
	lottery sales and revenue, game performance, new	
	game opportunities, advertising, promotional	
	activities, market research, trends, and game	
	contracts, agreements, and procedures.	16
	VII. Report, possible discussion and/or action on	
	transfers to the State and the agency's budget	
	status	30
	VIII. Report, possible discussion and/or action on	
	external and internal audits and/or reviews	
	relating to the Texas Lottery Commission, and/or	
	on Internal Audit activities, including the FY	
	2023 Annual Internal Audit Plan and the FY 2022	

1	Annual Internal Audit Report, Scratch Ticket Game	
2	Management Audit Report, Confidential Data	
3	Handling Audit Report, and Drawing Studio Move	
4	Audit Report	31
5	IX. Report by the Charitable Bingo Operations Director	
6	and possible discussion and/or action on the	
7	Charitable Bingo Operations Division's activities,	
8	including licensing, accounting and audit	
9	activities, reports, and special projects. . .	34
10	X. Report by the Executive Director and possible	
11	discussion and/or action on the agency's	
12	operational status, major contracts, agency	
13	procedures, awards, and FTE status	36
14	XI. Consideration of the status and possible approval	
15	of orders in enforcement cases:.	37
16	Lottery NSF License Revocation Cases (Default)	
17	A. Docket No. 362-22-02832 - Nasa Food Mart	
18	B. Docket No. 362-22-04294 - Paisano Mart LLC	
19	C. Docket No. 362-22-05874 - Fuel Zone	
20	D. Docket No. 362-22-05875 - Lakeway Country Store	
21	E. Docket No. 362-22-06853 - Speedy Stop	
22	F. Docket No. 362-22-07352 - Jedco Food Mart #24	
23	G. Docket No. 362-22-07353 - Grissom Food Mart	
24	H. Docket No. 362-22-07354 - Perfects Gas N Go	
25	Lottery Agreed Orders	
	I. Case No. 2022-225 - Sun Mart 11	
	Other Lottery Cases	
	J. Docket No. 362-22-2158 - Paradise Food Mart	
	(Default)	
	XII. Public comment	39
	XIII. Commission may meet in Executive Session: . .	39
	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 meeting agenda.

XIV. Return to open session for further deliberation and possible action on any matter posted for discussion in Executive Session. Any matter posted for Executive Session also may be the subject of discussion and/or action in open session . . .	39
XV. Adjournment.	41
Reporter's Certificate.	42

P R O C E E D I N G S

THURSDAY, OCTOBER 13, 2022

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Okay. Good morning.

I'd like to call this Texas Lottery Commission meeting to order. It is 10:06. We have all commissioners present. Commissioner Steen gets the punctuality award and we are glad that we have a full house. So, thank you all for being here, and we will start with the Pledge of Allegiance.

(Pledges recited)

CHAIRMAN RIVERA: Okay. So, we are clearly in a new building and I appreciate everyone being here. And I understand that our next meeting will be here on December the 12th, and into the new year I guess we'll figure out where we'll be meeting, but I'm confident that we will be meeting somewhere. So, your flexibility and ability to adapt is all appreciated.

Okay. First item is a report -- no, no, I am so sorry. I'm going to have Gary introduce some very special individuals here and Gary, you got the ball.

MR. GRIEF: Thank you, Mr. Chairman.

Commissioners, I'm very pleased that we have

1 some guests with us this morning from IGT. IGT as you
2 know, has been our lottery operator here in Texas since
3 1992, the Lottery's inception. And joining us today
4 are Vincent Sadusky, the CEO of IGT, and Fabio Cairoli,
5 the Chief Executive Officer for Global Lottery at IGT.
6 And Mr. Sadusky and Mr. Cairoli would like to address
7 the Commission this morning.

8 CHAIRMAN RIVERA: Please.

9 MR. SADUSKY: All right. Well, good
10 morning.

11 CHAIRMAN RIVERA: Welcome. Good
12 morning.

13 MR. SADUSKY: Chairman, commissioners,
14 thank you so much for having us. We'd just like to say
15 that the partnership that we've enjoyed since the
16 inception of the Lottery is something that we don't
17 take lightly. We focus a lot of attention and
18 resources on the great State of Texas Lottery.

19 We'd like to congratulate all of you for
20 the amazing success and on this 30th anniversary in
21 becoming one of the top lotteries in the country and
22 one of the larger lotteries in the world. Really,
23 really terrific partnership. We've enjoyed it. We
24 continue to work hard to innovate being the largest
25 lottery provider in the world, and Texas is absolutely

1 one of our most important customers. So, I just want
2 to thank you for that.

3 Also, just personally, I've got some
4 great ties to the great state of Texas and Austin in
5 particular. So, first off, I'll start with my son.

6 So, the only two colleges he applied to
7 years ago was University of Texas and my alma mater,
8 Penn State. And I think my brainwashing for Penn State
9 was a little greater than UT. He got accepted to both
10 schools and ended up going to Penn State. But, as soon
11 as he graduated, he moved to Austin and he lives here
12 to this day working for Pricewaterhouse right down the
13 street.

14 And my dad lives here over on Lake
15 Travis and my former business, we owned a bunch of
16 television stations across the country. And one of our
17 great success stories, growth stories, was KXAN, the
18 NBC affiliate here. So, for those of you who've been
19 in the market for a long time, I'm sure would, you
20 know, know my friend Jim Spencer, long-standing
21 weatherman and Eric Lassberg, the GM there.

22 And also, as I recruited my board for my
23 public company, one of my greatest long-standing board
24 members was Dr. Bill Cunningham, former President of UT
25 and Chancellor. And we still keep in touch and get

1 together from time to time to this day. So, love
2 coming back to Austin and really appreciate the time
3 and having you all see us here today.

4 CHAIRMAN RIVERA: Wonderful. Well,
5 we're grateful for your Texas roots and just your
6 ongoing commitment to our state and the lottery. Thank
7 you.

8 MR. CAIROLI: Good morning. Good
9 morning, Mr. Chairman. Good morning, Mr. Commissioner.
10 I will be echoing lots of Vince's words and remarks
11 this morning. The first thing, let me reiterate as we
12 acknowledge the TLC being really a leading lottery.
13 Not only one of the biggest lottery in the world, but a
14 leading lottery, because of the innovation
15 capabilities, because of the forward-looking attitude,
16 because of the solid also responsibility awareness.

17 And this has brought the TLC to be really one
18 of the most important leading and inspirational lottery
19 for the rest of the industry. Also, need to
20 congratulate, once again, for the continued success.
21 It has been just impressive with ourself noticing each
22 and every year beating record sales and doing it again
23 responsibly.

24 So, it has been just on our side an
25 amazing observation. We like defining ourself as

1 partners and not just the suppliers or vendors in the
2 industry, but this is, this is the real place where we
3 do believe we have established solid, solid
4 partnership.

5 And this happened because of the two
6 teams. We do respect and admire the lottery team here
7 and we are offering the best possible people to support
8 and perform each and every day the lottery needs. And
9 with partnership is coming mutual success and mutual
10 satisfaction.

11 And it's also an honor, not only being
12 here, but having it for such a long time, the
13 opportunity of serving the Texas state. That goes
14 beyond just doing business and doing successful
15 business, it's also adding a different perspective
16 here.

17 Let me also share that we've been told
18 about Ryan Mindell personal issues that we've been
19 informed. We are very sorry and we want to offer that
20 we are thinking about it. We are as close as possible.

21 Personally, I joined IGT 10 years ago.
22 I'm Italian. I live in Roma. I joined IGT, this
23 Saturday is 10 years. I joined it in Italy. Probably
24 you are familiar with our former company name in Italy:
25 Lottomatica. I joined and in few month I became

1 responsible for all our Italian operations. Until
2 three years ago we were organized at the level in
3 regions. In Italy, because of the size of the business
4 in general, was considered that to be just a stand-
5 alone region.

6 I had responsibility of course, of
7 running lottery, all our lottery operation. Italy, as
8 you know, is probably the biggest lottery in the world
9 with 20-billion in sales each and every year. So I got
10 to know lottery and I also was responsible for all the
11 other gaming activities that we sold a couple of years
12 ago. And then three years ago, I had the privilege and
13 the honor of becoming the leader of our global lottery
14 business operation.

15 Before joining IGT, I have been mainly
16 a consumer goods person, growing up in marketing and
17 spending about 10 years in a U.S. multinational company
18 at that time was named Kraft Foods.

19 CHAIRMAN RIVERA: Wow. Okay.
20 Commissioners, do you have any questions or comments
21 for Fabio or for Vincent?

22 Fabio, we are -- I'm sorry?

23 COMMISSIONER FRANZ: No. Thank you.

24 CHAIRMAN RIVERA: Fabio, we're
25 incredibly grateful for your friendship, your

1 partnership, and we know that it takes a great
2 commitment for you to literally, come and spend time
3 here in the U.S., come to Texas, and we're grateful to
4 host you, we're grateful for the partnership. Vincent
5 as well. You and your organization mean an incredible
6 amount to our lottery, to the state in terms of the
7 partnership and the achievements that we're only able
8 to make because of each other.

9 So, you have an open door, both of you,
10 to anything that you need from us in order to perform
11 our roles better. So, if there's things that you feel
12 that we can be doing better, improve lines of
13 communication, just you let us know, as you'd see best
14 practices, not only nationally but globally. And the
15 experience and the bandwidth that you bring to our
16 organization is something that we're grateful for
17 because you're able to be in rooms and see things that
18 we're just not able to, as our focus, rightly so,
19 should be on our efforts here in the state.

20 So, with that, you have an open door to
21 anything that we have here. And that's not just for
22 today, but into the future. So, we're grateful for
23 y'all both being here.

24 MR. SADUSKY: Thank you, Mr. Chairman
25 and commissioners.

1 MR. CAIROLI: Thank you.

2 CHAIRMAN RIVERA: Okay. Gary, anything
3 else you'd like to add?

4 MR. GRIEF: No, sir. Thank you.

5 CHAIRMAN RIVERA: Okay. Thank y'all
6 very much.

7 AGENDA ITEM NO. II

8 CHAIRMAN RIVERA: Okay. Our first item
9 is a report from the Bingo Advisory Committee. Trace,
10 this is your item.

11 MR. SMITH: Good morning, commissioners
12 and staff. Thank you for hosting this again today.
13 Yesterday, we had the October Bingo Advisory Committee
14 meeting, and we had two items that we discussed: the
15 update from Kim Kiplin on the rulemaking process about
16 a new bingo product which we'll have a rulemaking
17 process that we're going through on that right now, and
18 then the advertising presentation from Tom Stewart who
19 is with Texas Charity Advocates.

20 Texas Charity Advocates has presented
21 the bingo industry in Texas a way to effectively and
22 affordably advertise for our bingo halls in Texas with
23 much success. That concludes my report on yesterday's
24 meeting. If there's any questions?

25 CHAIRMAN RIVERA: Okay. Commissioners?

1 Cindy?

2 MS. FIELDS: No questions.

3 CHAIRMAN RIVERA: All right. Well,
4 okay, Trace, thank you for being here.

5 MR. SMITH: Yes, sir.

6 CHAIRMAN RIVERA: Okay. Alrighty.

7 AGENDA ITEM NO. III

8 CHAIRMAN RIVERA: Next three items are
9 contracts. Angela, these are your items.

10 MS. ZGABAY-ZGARBA: Good morning, Mr.
11 Chairman, commissioners. For the record, my name is
12 Angela Zgabay-Zgarba, the administration division
13 director. Item number three in your notebook is a
14 briefing item.

15 Texas Administrative Code 401.105
16 requires the executive director to provide the status
17 of all contracts to the Commission annually for
18 information purposes and further requires that for each
19 contract with a value exceeding \$1-million, additional
20 information, including contract compliance, corrective
21 action plans and sanctions be reported. The report in
22 your notebook has been provided for informational
23 purposes.

24 If you have any questions, I'd be happy
25 to answer them.

1 CHAIRMAN RIVERA: Okay? Any questions?
2 Okay.

3 MS. ZGABAY-ZGARBA: All right.

4 CHAIRMAN RIVERA: Thank you. Next item.

5 AGENDA ITEM NO. IV

6 MS. ZGABAY-ZGARBA: Item number four
7 again is a briefing item to advise the Commission of
8 staff's intent to extend our current trademark and
9 license and promotional agreement with Houston NFL
10 Holdings, the Houston Texans. The extension will cover
11 a period from July 2023 through June of 2025.
12 Commissioners have independently confirmed they have no
13 financial interest in the Houston NFL Holdings.

14 If you have any questions, I'd be happy
15 to answer those.

16 CHAIRMAN RIVERA: Okay. Commissioners?
17 Nope? Okay. Next item.

18 AGENDA ITEM NO. V

19 MS. ZGABAY-ZGARBA: All right. Item
20 number five in your notebook is two briefing items to
21 advise the Commission of staff's intent to amend our
22 three 2012 scratch ticket printing contracts, also
23 known as the instant ticket printing contracts, with
24 Scientific Games, IGT Global Solutions, and Pollard
25 Banknote. The purpose of these amendments is to modify

1 the respective price sheets and to include additional
2 add-on features, product quantities and ticket sizes,
3 and also add travel reimbursement language for site
4 visits.

5 I'd be happy to answer any questions on
6 that one.

7 CHAIRMAN RIVERA: Okay. Commissioners,
8 any questions? No? Okay. None.

9 MS. ZGABAY-ZGARBA: All right. Lastly,
10 it's also a briefing item and that is to amend the
11 drawing studio and production contract with Elephant
12 Productions to modify the services provided at our
13 backup production facility. The commissioners have
14 also independently confirmed they do not have any
15 financial interest in any of the instant ticket
16 printing vendors or Elephant Productions.

17 Any questions, I'd be happy to answer
18 them.

19 CHAIRMAN RIVERA: Nope. We're good.
20 Thank you so much, Angela.

21 AGENDA ITEM NO. VI

22 CHAIRMAN RIVERA: Okay. Next is a
23 report on lottery sales and revenue. Kelly and Robert,
24 this is your item.

25 MS. STUCKEY: Good morning,

1 commissioners. I'm Kelly Stuckey, controller for the
2 agency, and with me this morning is Robert Tirloni, the
3 agency's lottery operations director. And we're
4 excited to provide you an update of our final revenue
5 and sales results for fiscal year '22. But before we
6 get started, due to the awkward placement of the
7 screens, we did provide you a printout of the sales if
8 you'd like to follow along.

9 CHAIRMAN RIVERA: Thank you.

10 MS. STUCKEY: Thank you. Next slide,
11 Philip, please.

12 So, we'll begin with a few revenue
13 highlights. The Commission completed the fiscal year
14 with one billion, 998 million in accrued revenue
15 transfers to the state. This is our highest revenue
16 transfer to our beneficiaries in the history of the
17 Texas lottery.

18 So, of that overall transfer amount,
19 1.972-billion went to the Foundation School Fund, and
20 then additionally, another 26-million went directly to
21 the Texas Veterans Commission from the sale of our
22 scratch off games dedicated to the Veterans Assistance
23 Fund. This is our largest transfer to the Veterans
24 Fund since these designated scratch off games began
25 back in 2010. So, revenue transfers for FY22 exceeded

1 last fiscal year by \$2.6-million.

2 So overall, thanks to the hard work of
3 our Texas lottery team, our vendor partners and
4 retailers, our cumulative revenue transfers to these
5 important beneficiaries are now more than \$35.6-
6 billion.

7 These revenue records were made possible
8 by us generating just under \$8.3-billion in lottery
9 sales, making this our 12th consecutive record breaking
10 year in lottery sales. This new sales record exceeded
11 last year's record by \$189.7-million.

12 Another record was our prizes paid to
13 players with more than \$5.7-billion prizes won by our
14 players. This broke the previous record set in FY21 by
15 more than \$170-million.

16 Our retailers, they were paid more than
17 415-million in commission payments, so also another
18 record in our history of retailer payments. And then
19 also, I wanted to note that we concluded the fiscal
20 year with an administrative expenditure rate of 3.47
21 percent. So this is one of the lowest administrative
22 rates in the country when we look at comparing to other
23 lotteries. And then also wanted to note that it's well
24 below our statutory allowed 7 percent.

25 Next slide. And then moving on to

1 detailed sales data. This is a slide you're used to
2 seeing. I mentioned earlier, final sales for fiscal
3 year '22 were \$8.3-billion and surpassed our previous
4 sales record set just last year by \$189.7-million or
5 2.3 percent over fiscal year '21.

6 So to expand on these a little further,
7 we ended the year with \$6.73-billion in scratch ticket
8 sales, and that's noted on that second orange bar to
9 the right. This is also a new sales record, making it
10 our best scratch ticket sales since we began selling
11 these tickets. This reflects a sales increase of more
12 than \$110-million or 1.7 percent above the \$6.62-
13 billion set last year.

14 And then looking at draw sales, we
15 concluded the year with 1.57-billion, and that's noted
16 on the blue bar. And this is also a new draw sales
17 record with an increase of 170, sorry, \$79.4-million
18 over last year's draw sales. And there's numerous
19 highlights that we can tout on draw and scratch sales
20 that Robert will expand on a little further.

21 But then moving to the next slide, this
22 slide provides an overview of our 31 year history of
23 scratch and draw game sales. And consistent with the
24 prior slide, the orange note scratch sales and the blue
25 are draw sales. And so, if we look back to 1992 when

1 we started, we had \$591,000 of scratch tickets sold in
2 that first year of operations and then looking at now
3 2022 with 8.3-billion.

4 So, one of the takeaways I'd like to
5 share on this screen is just looking at a five-year
6 period. So, we've grown from \$5.1-billion from 2017 to
7 our current 8.3-billion, and that's a \$3.2-billion
8 growth or 63.4 percent. I don't think there's a lot of
9 industries that can tout those kind of increases over
10 these past five years.

11 And so now I'll turn it over to Robert,
12 who will get into the details of these record breaking
13 sales.

14 MR. TIRLONI: Thank you, Kelly. Good
15 morning, commissioners. We're happy to be here to
16 share these results with you today. I really like this
17 slide because I think it takes the 8.3-billion and it
18 really illustrates where -- sorry, we have to do a
19 quick screen change here. It really illustrates where
20 the sales are coming from.

21 So, we had some really good help at the
22 end of our fiscal year. We had the \$1.28-billion Mega
23 Millions jackpot; that was the second largest Mega
24 Millions jackpot in the game's history. And that
25 really brought a lot of people into the stores to not

1 only buy Mega Millions, but it really also helped us
2 with scratch right at the end of our fiscal year. So,
3 that was really great timing for us.

4 But we can start, since I just
5 referenced Mega Millions, we can start up at the top of
6 the slide in the white font, those are the jackpot
7 games. You can see the jackpot games are up just under
8 \$86-million. Mega Millions sold about \$332-million.
9 And it did, because of that jackpot, it did experience
10 growth year-over-year.

11 Interestingly enough, even though Mega
12 Millions reached that record setting jackpot at the end
13 of the year, Powerball outsold it. Powerball did not
14 have a billion dollar jackpot, but it was very steady
15 and consistent through the year. It had about four,
16 what I would consider sizable jackpots.

17 We had two in the \$600-million range,
18 one in the \$400-million range, and one in the mid
19 \$300-million range. So, that propelled Powerball to be
20 the best selling jackpot game. You can see it had some
21 great growth. The base game was up almost 64-million
22 and the add-on feature was up almost 14-million.

23 Lotto Texas was down a little bit,
24 4.8-million. We didn't get the jackpots that we had
25 the previous year.

1 One interesting note, Lotto Extra,
2 almost \$40-million. That is a year-over-year increase
3 and that add-on feature has seen year-over-year
4 increases since it first started in 2013. So, it's
5 interesting the base game is down, but we have a lot of
6 people that like the add-on feature for that game. So,
7 we continue to watch that.

8 Moving into the middle of the slide --
9 oh, we have to go back, Philip. Moving in the middle
10 of the slide in blue that's the daily games. As a
11 whole, they're down six and a half-million. That's
12 mainly because of Pick 3's decline of 11 and a half
13 million. You know, Pick 3 has been on the decline and
14 Daily 4 has been increasing.

15 In fact, Daily 4 has seen a yearly
16 increase every year since it was introduced in '08. So
17 we believe there's a little movement of dollars between
18 those two games. Even though Pick 3 is down, it's 19
19 percent of draw game sales. It's a very important part
20 of the draw game portfolio. And you'll see an example
21 of that here in a few slides.

22 So, while we're down on the daily games,
23 it is promising that Daily 4 continues to see increases
24 and All or Nothing is actually up as well. So, we've
25 got some good news there.

1 So, as a whole, draw games are up almost
2 80-million. And of course, we set a record with
3 scratch ticket sales of 6.7-billion, and that's a
4 \$110-million increase.

5 This next slide we look at once a year
6 at this time of the year; not really a big change.
7 This just represents the total sales broken out between
8 the two different product categories. The split is
9 about the same. It's 81 for scratch, 81 percent for
10 scratch, 19 percent for draw. We're usually anywhere
11 between that 80/20 to 82/18, so, there's no real change
12 here from what we've experienced for many years.

13 This pie chart is draw game sales. So
14 this is representing the 1.57-billion in sales for the
15 year. Now on this slide, I will note we group the base
16 game and the add-on feature together. So you can see
17 up at the top of that pie in the dark blue, Powerball
18 is the best selling game. I mentioned that a couple
19 moments ago, followed by Mega Millions, and then Pick 3
20 is the third best selling game, Lotto Texas is fourth
21 and Daily 4 is fifth.

22 Pick 3, Powerball, and Mega Millions are
23 always vying for that top spot. And if we don't get
24 really strong Mega Millions or Powerball jackpots, Pick
25 3 often is the number one selling draw game.

1 And as I mentioned, on this slide, you
2 can see it is 19 percent of the draw sales, so it is
3 important, it's not a jackpot game, so we don't have to
4 wait for large jackpots for sales. So, that's a good
5 thing.

6 I think what's interesting on this slide
7 is Daily 4. If we don't get lotto jackpots in the next
8 couple years and we continue to see the growth we've
9 been experiencing with Daily 4, I think we could
10 potentially see Daily 4 surpass Lotto Texas in annual
11 sales.

12 Same pie chart, but now we're talking
13 about scratch. So, this is the 6.7-billion in scratch
14 sales broken down by price point. We did see a change
15 on this this year. The 10 is the number one selling
16 price point, and that's consistent with last year. The
17 change is at the number two slot. The 20 is now the
18 second best selling price point; for many years it was
19 the 5. The 5 is the third best, and the fourth best is
20 the 50.

21 Just a couple of interesting comments
22 here. I think there's the potential that this time
23 next year we could be seeing the 20 as the number one
24 selling price point based on the growth it's been
25 experiencing. I also think there's potential that the

1 50 could surpass the five. So these will be some
2 interesting things that we can look at through the year
3 and that we can really look at this time next year when
4 the year is completed.

5 One note you'll see on this pie chart,
6 there is a new slice of the pie, and that's the \$100
7 game. I'll be talking about that in a couple slides.
8 It did represent 3.1 percent or \$211-million.

9 This chart is just showing the different
10 price points for scratch, and it's doing a year-over-
11 year comparison. So the orange bar is last year, '21.
12 The blue bar is this year, '22.

13 The big takeaway on this slide, I know
14 there's a lot of information on here, but the big
15 takeaway is that higher price points continue to be the
16 popular price points, and it's those price points that
17 are driving our scratch sales. So, I'll focus you to
18 the right side of the chart.

19 You know, the 100 is brand new, so
20 there's no comparison over last year, but you can see
21 the 211-million in sales from the 100. The 50 is up 64
22 and a half-million or almost 6 percent. So great
23 growth there. The 30 is practically even. And the 20
24 had extremely strong growth, almost 11 percent or
25 \$143-million.

1 So again, the higher price points
2 continue to be very, very popular. Of course, we've
3 talked a lot about that over the past year. That's
4 what led us to introduce the \$100 price point.

5 This is the last slide. It's the top 15
6 scratch games for the year. Our best seller in '22 was
7 a \$20 game, and it was \$20 Loteria. Last year the best
8 seller was a \$50 game, and it was \$50 Loteria.

9 As I just noted, the higher price points
10 continue to be popular and they're the driver of the
11 scratch sales. So in the top 15, you'll see we have
12 five 50s, three 20s, three 10s, and two 30s.

13 The Loteria family of course is a really
14 important part of the scratch portfolio. It's about 23
15 and a half, almost 24 percent of sales and Loteria is
16 right up at the top. It's listed at the number 1, 3,
17 4, 6, and 7 slot. So we have almost every -- the \$3
18 Loteria is not included in the top 15, but all of the
19 other price points are; the 5, the 10, the 20, and the
20 50 are all, all in the top 15 and right up at the top.

21 The 100 is ranked number five. I think
22 the important thing to note about that is that game
23 only started in May, so by the time the fiscal year
24 ended, it was probably out for about 14 or 15 weeks and
25 it sold \$211-million. So surely, if that had started

1 much earlier in the fiscal year, that would've been
2 ranked as our number one selling game for the year.

3 That is our year end recap. We're
4 pleased with the results. We hope you are as well.
5 We're already about six weeks into our new fiscal year,
6 and when we get back together in December, we'll share
7 information with you all about how we're tracking in
8 fiscal '23. And we're happy to answer any questions if
9 you all have any today.

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

12 MR. TIRLONI: And commissioners?

13 CHAIRMAN RIVERA: Yes.

14 MR. TIRLONI: I think Mr. Grief also
15 wanted to make some comments at the end of this agenda
16 item. So I'm sorry --

17 CHAIRMAN RIVERA: Yes, sure, please.

18 MR. TIRLONI: -- sorry about that.

19 MR. GRIEF: Mr. Chairman, if you have
20 any questions first, please feel free to address those
21 with Robert.

22 CHAIRMAN RIVERA: We evidently have
23 none, so good job on the presentation and --

24 COMMISSIONER FRANZ: Well done. Just
25 another record breaker.

1 MR. GRIEF: Well, thank you. Great job,
2 Robert and Kelly, as always.

3 Mr. Chairman and commissioners,
4 sometimes I run out of adjectives to describe our Texas
5 Lottery team. And when I talk about that, I'm talking
6 about the dedication and the talent, and most
7 importantly, the manner in which they execute our
8 business plan.

9 And when I talk about the team, I'm not
10 only referring to the great people at the Texas Lottery
11 Commission, but I'm also referring to our partners at
12 IGT, both IGT Texas and IGT Corporate. They support
13 our mission in generating revenue for education and for
14 veterans. And I'm also referring to those more than
15 20,000 retailer locations that are located all around
16 our great state who market our products day in and day
17 out, and who are the face-to-face contacts with our
18 millions of loyal players who love playing the Texas
19 Lottery.

20 I'm also referring to Third Ear our
21 advertising agency, and to Pollard Banknote, Scientific
22 Games, and IGT's printing arm, the three companies who
23 print our scratch ticket products. Those are our
24 primary vendors, but there's a host of others that we
25 don't have time for me to mention.

1 All of these organizations do a great
2 job in supporting our mission. And commissioners, I
3 would be remiss not to recognize each one of you as a
4 critical part of that Texas Lottery team. Your support
5 for innovation and for focusing on the bottom line,
6 that is, the revenue that we generate for our good
7 causes, that support has been unwavering and that
8 support is keenly appreciated by the Texas Lottery team
9 and by me. And for that, I thank you.

10 No one expected or believed that it was
11 possible for us to reach yet another record breaking
12 year in 2022, given the incredible results we had last
13 year in 2021. But thanks to that Texas Lottery team
14 that I just described, we've recognized significant
15 growth once again for the 12th consecutive year. And
16 if we can enjoy a successful legislative session coming
17 up, I believe we still can have tremendous optimism for
18 the future of the Texas Lottery.

19 Thank you, Mr. Chairman.

20 CHAIRMAN RIVERA: Okay. Wow.
21 Commissioners, we'll open it up. Okay. So Gary,
22 Kelly, Robert, and all of our employees and partners,
23 on behalf of our commissioners, we're just overwhelmed
24 by just amazing success.

25 And Gary is right. We had a couple of

1 great banner years and a lot of folks would've thought
2 that these numbers would be difficult to achieve, but
3 those are folks that are on the outside that aren't
4 here and aren't part of our fabric and part of our
5 employees and see the work that we're able to put
6 forth.

7 So, on behalf of our commissioners we're
8 grateful for the just incredible work that all of you
9 put toward these numbers and it benefits the state,
10 benefits education, our veterans, and so we're thankful
11 and just very appreciative. So, as always, if there's
12 anything that y'all feel; Gary, Robert, Kelly, all of
13 our employees, that any of our commissioners can do, in
14 addition to what we're already doing, sincerely, please
15 let us know and we'd be happy to see what we can do
16 better.

17 So, thank y'all very much.

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

19 CHAIRMAN RIVERA: Okay. So, next item
20 is Kelly, so you will remain and look forward to
21 hearing you.

22 AGENDA ITEM NO. VII

23 MS. STUCKEY: Commissioners, for this
24 item it's a briefing item and I've included in your
25 notebook the accrued revenue transfers and allocations

1 to the Foundation School Fund and the Veterans
2 Commission, as well as the allocation for unclaimed
3 prizes for fiscal year ending August 31st, 2022.

4 So, as I mentioned earlier that accrued
5 revenue transfer to the state amount was 1.998-billion
6 and is a record total transfer for us. So breaking
7 that transfer down, we had 1.91-billion was transferred
8 to the Foundation School Fund, 23.3-million transferred
9 to the Texas Veterans Commission, and then the
10 remaining balance of 62.6-million was transferred from
11 unclaimed prizes.

12 Also, included in your notebooks are the
13 agency's final fiscal year '22 method of finance
14 summary. The Commission's lottery account budget for
15 fiscal year '22 was 320.5-million, and of this amount,
16 90 percent was expended or encumbered through the end
17 of the year. And then the Bingo Administration budget
18 funded by general revenue was 2.1-million with 80.5
19 expended or encumbered.

20 Commissioners, this concludes my
21 presentation and happy to answer any questions.

22 CHAIRMAN RIVERA: Okay. Commissioners,
23 any questions? Okay. Good job. Thank you very much.

24 AGENDA ITEM NO. VIII

25 CHAIRMAN RIVERA: Okay. Next item is

1 our internal auditor report. Liz Meyers is here on
2 behalf of Darlene Brown.

3 MS. MEYERS: Good morning, Chairman,
4 commissioners. For the record, my name is Liz Meyers
5 and I'm with Internal Audit.

6 Your notebooks contain summaries of the
7 materials I'll be discussing. First, is the FY 2022
8 annual internal audit report. This report is required
9 by the Texas Internal Audit Act, and the State
10 Auditor's Office prescribes the report's content areas.

11 The report summarizes the FY 2022
12 internal audit activities and the planned audit
13 activities for FY 2023. The report is required to be
14 submitted to the Governor's office, the Legislative
15 Budget Board, and the State Auditor's office by
16 November 1st.

17 We recently issued two internal audit
18 reports. The full audit reports and proposed internal
19 audit plan were provided to you in earlier emails.
20 First, the confidential data audit was rated best
21 practices for protecting data. We noted that TLC had
22 implemented numerous controls to provide reasonable
23 assurance that all confidential data is protected,
24 especially anonymous claims information.

25 The second audit, Ticket and Game

1 Management, was rated best practices for scratch ticket
2 gaming planning and closing procedures. And I want you
3 to know that Texas is frequently contacted by other
4 state lotteries to share their practices and tips.

5 This audit included discussion with the
6 three scratch vendors, ticket vendors, about their
7 planning processes and controls in place to ensure that
8 Texas receives the scratch tickets as scheduled. We
9 also obtained their SOC reports to determine if the
10 respective vendor had any issues identified related to
11 scratch ticket security.

12 This is especially important given the
13 supply chain and cyber issues that the world has faced
14 these past few years. We are pleased to report that
15 the vendors all have sound processes in place and no
16 security issues were noted in their SOC reports.

17 I also included status of our audits in
18 your materials. The final item I have for you is the
19 proposed FY 2023 annual internal audit plan, and we
20 plan to complete seven audits and provide consulting
21 services to the Charitable Bingo Operations for review
22 of the licensing processes. The detailed internal
23 audit plan was provided to you earlier by email.

24 I am seeking approval of the proposed FY
25 2023 annual internal audit plan. And then that is the

1 end of my report and I'll be happy to answer any
2 questions that you have.

3 CHAIRMAN RIVERA: Okay. Is there a
4 motion to approve the 2023 internal audit plan?

5 COMMISSIONER STEEN: I'll make a motion.

6 CHAIRMAN RIVERA: Is there a second?

7 COMMISSIONER FIELDS: Second.

8 CHAIRMAN RIVERA: Okay. All in favor
9 say aye.

10 (Chorus of "ayes")

11 CHAIRMAN RIVERA: Okay.

12 MS. MEYERS: Thank you.

13 CHAIRMAN RIVERA: Pass. Good job.
14 Thank you so much for being here and filling in. Okay.
15 Good job, Liz.

16 AGENDA ITEM NO. IX

17 CHAIRMAN RIVERA: Next item is our Bingo
18 Director's report. LaDonna, this is your item.

19 MS. CASTAÑUELA: Good morning,
20 commissioners. For the record I'm LaDonna Castañuela,
21 Director, Charitable Bingo Operations Division.
22 Information regarding output metrics for CBOD for
23 August and September can be found in your notebook
24 materials. Also included in the notebooks and in
25 compliance with section 2001.560(C)(1) and (C)(2) of

1 the Bingo Enabling Act you will find CBOD Audit
2 Services department's FY 2023 annual audit plan and
3 risk assessment. The statutory requirement is that the
4 audit plan is provided to you, but it is not an action
5 item.

6 And speaking of CBOD's audit department,
7 we have two of the division's regional audit
8 coordinators with us here today. It's a rare treat to
9 see our auditors in Austin, and it's been more than
10 three years since they've been able to join us for a
11 commission meeting. So, sitting in just the third row
12 right here is Natasha Turner-Bluitt, audit coordinator
13 for our Dallas office who's been an auditor for CBOD
14 for almost five years. And our newly named lead audit
15 coordinator, Nicole Domain, who also serves as our
16 audit coordinator for Houston and Odessa offices.

17 Since the last meeting, we've hired two
18 new employees, our new accounting services coordinator
19 Joe Hernandez, and my executive assistant Marie Medina,
20 who is sitting over there by the wall.

21 Although they've both been here just a
22 short period of time, they both are catching on very
23 quickly, and we've already been seeing improvements in
24 processing times in a number of areas.

25 We're very close to bringing on a new

1 licensing services coordinator and have one pending job
2 posting for a new license and permit specialist. And
3 of course there will be more jobs posted soon after we
4 finish these two. We seem to be in a constant state of
5 hiring.

6 I want to thank Jan Thomas and her staff
7 in the Human Resources Division for all of their
8 support and patience. And of course, the dedicated and
9 talented staff of CBOD continue to meet all challenges
10 presented by the many staff changes, including covering
11 the extra work and stepping in to train our new staff.

12 That's all I have for you today. I'm
13 available to answer any questions. Thank you.

14 CHAIRMAN RIVERA: Okay. Good job,
15 LaDonna, and welcome all for being here. I know you
16 traveled, not as far as Italy --

17 MS. CASTAÑUELA: No.

18 CHAIRMAN RIVERA: -- but still grateful
19 for all of y'all being here from across the state. So,
20 thank y'all. Cindy, I'll let you --

21 COMMISSIONER FIELDS: I don't have
22 anything to add. Good job.

23 CHAIRMAN RIVERA: Okay. Awesome,
24 LaDonna. Thank you.

25 AGENDA ITEM NO. X

1 CHAIRMAN RIVERA: Okay. Next item we
2 are going to hear from our esteemed Executive Director,
3 Gary.

4 MR. GRIEF: Mr. Chairman, other than
5 what's in your notebooks, I have nothing further to
6 report this morning.

7 CHAIRMAN RIVERA: Commissioners, any
8 thoughts, comments? Nothing? Gary, good job.

9 COMMISSIONER FRANZ: I would -- if I
10 could, Mr. Chairman?

11 CHAIRMAN RIVERA: Go ahead, please.

12 COMMISSIONER FRANZ: Just again,
13 congratulate you and your team on, I mean, each year
14 it's harder to achieve those levels because they're so
15 good every year. And just extraordinary work and
16 you've laid out the why on that and our team and have a
17 lot of them here. So, thank you for that. It makes
18 our job much easier.

19 MR. GRIEF: Thank you, Mr. Commissioner.

20 CHAIRMAN RIVERA: Okay. Gary, awesome.
21 Thank you so much.

22 AGENDA ITEM NO. XI

23 CHAIRMAN RIVERA: Alrighty. Next we
24 have Bob and he will bring up some items for us to
25 consider.

1 MR. BIARD: Good morning, commissioners.
2 I'm Bob Biard, General Counsel. Item 11 in your
3 notebooks contains 10 lottery cases, tabs A through J.
4 In these cases, Commission staff found a licensee
5 violated a lottery statute or rule. And in many cases,
6 either the respondent fails to appear at the hearing
7 and it proceeds by default or the staff and the
8 respondent reach a settlement in the form of an agreed
9 order. And we have both of those types of cases today.

10 Tabs A through H are the non-sufficient
11 fund lottery retailer license revocation cases that are
12 handled in a single order. Each case was presented at
13 the State Office of Administrative Hearings for
14 revocation of the retailer license because the licensee
15 failed to have sufficient funds in their bank account
16 to cover electronic fund transfers to the Commission's
17 account. In each case, the licensee failed to appear
18 and the judge remanded the case to the Commission to
19 handle as a default.

20 Tab I is a lottery agreed order. This
21 is a debit card case. A retailer charged a dollar for
22 using debit cards to purchase lottery tickets, a 10-day
23 suspension.

24 Tab J is a litigated lottery case, which
25 involved a retailer purchasing winning tickets from a

1 customer and they admitted to it. And typically, that
2 type of case would be settled with an agreed order, but
3 they did not follow through so we had to set the case
4 for hearing. It went to hearing and the retailer did
5 not show up. So it was also sent back to the
6 Commission similar to the NSF cases, and there's a
7 default order in your notebooks providing for a 90-day
8 suspension.

9 And that concludes my presentation. You
10 may take these up in a single vote if you like, and I'm
11 happy to answer any questions.

12 CHAIRMAN RIVERA: Okay. Commissioners,
13 any questions? Is there a motion for all at once?

14 COMMISSIONER SAENZ: I make a motion.

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

17 COMMISSIONER FRANZ: Second.

18 CHAIRMAN RIVERA: Okay. And we have a
19 vote, all in favor say aye.

20 (Chorus of "ayes")

21 CHAIRMAN RIVERA: Good job, everyone.
22 Good job, Bob.

23 MR. BIARD: Thank you, commissioners.

24 CHAIRMAN RIVERA: You're concluded?

25 AGENDA ITEM NO. XII

1 MR. BIARD: I'm good. That's great.
2 And I believe on the next item for public comment, I do
3 not have any requests for public comment for you.

4 CHAIRMAN RIVERA: Okay. So, before we
5 end the meeting, again, just tremendous job across the
6 board and it's definitely all a team effort, but our
7 Executive Director, Gary, does an incredible job of
8 managing the day-to-day and definitely sets the tone
9 and the, just these numbers don't just happen and
10 they're built and it's something that requires just
11 daily effort. And but also going backwards every week,
12 every month, every year, decade. And it's the
13 foundation that Gary's worked on along with everyone
14 here, but it does require that one individual to set
15 the tone and the buck stops with Gary, and just we're
16 grateful for you. And I am confident that all of us
17 commissioners sleep a whole lot better knowing that
18 you're there at the helm, and it gives us a lot of
19 peace and confidence.

20 So Gary, thank you for the work that you
21 do as well. And we know that you had a huge role with
22 these numbers, so thank you.

23 MR. GRIEF: Thank you, Mr. Chairman.

24 AGENDA ITEMS NO. XIII & XIV

25 COMMISSIONERS DID NOT MEET IN EXECUTIVE SESSION

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

AGENDA ITEM NO. XV

CHAIRMAN RIVERA: Okay. All right. Any
other business? Okay. And with that, we are
adjourned.

(Meeting adjourned at 10:51 a.m.)

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 24th day of October, 2022.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

Verbatim Reporting & Transcription, LLC

17049 El Camino Real, Suite 200

Houston, Texas 77058

281.724.8600