

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

December 12, 2022

10:00 a.m.

AT

STEPHEN F. AUSTIN STATE OFFICE BUILDING
1700 Congress Avenue
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

CHARITABLE BINGO
OPERATIONS DIRECTOR: LaDonna Castañuela

CONTROLLER: Kelly Stuckey

LOTTERY OPERATIONS DIRECTOR: Robert Tirloni

MCCONNELL & JONES LLP: Darlene Brown

BINGO ADVISORY
COMMITTEE CHAIRMAN: William "Trace" Smith III

ADMINISTRATION DIVISION
DIRECTOR: Angela Zgabay-Zgarba

MEDIA RELATIONS DIVISION
DIRECTOR: Lauren Callahan

ASSISTANT GENERAL COUNSEL: Tyler Vance

REPRESENTATIVE FOR LICENSEES: Kimberly Kiplin

DIRECTOR OF GOVERNMENTAL
AFFAIRS: Nelda Trevino

ASSOCIATE DIRECTOR FOR THE
CENTER FOR PUBLIC POLICY,
HOBBY SCHOOL OF PUBLIC
AFFAIRS AT THE UNIVERSITY
OF HOUSTON: Dr. Gail Buttorff

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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.

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P R O C E E D I N G S

MONDAY, DECEMBER 12, 2022

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Okay. The Texas Lottery Commission is called to order. We'll start with the Pledge of Allegiance.

(Pledges recited)

CHAIRMAN RIVERA: Okay. Welcome, everyone.

AGENDA ITEM NO. II

CHAIRMAN RIVERA: We are going to start with our first item which is the Bingo Advisory Committee. And Trace, this is your item.

MR. SMITH: Are we good?

CHAIRMAN RIVERA: Yes.

MR. SMITH: Okay. All right. Good morning, chairmen and commissioners. I would like to report the BAC met on December 8th. We discussed the language that we received back from staff regarding the proposed rules about shutter card bingo systems. After review and discussion, the BAC unanimously voted to endorse the rules for the rulemaking process.

We also discussed some ideas and improvements for the website, but we will continue to work with the staff going forward. I'm available for

1 any questions.

2 CHAIRMAN RIVERA: Okay. Commissioners,
3 any questions?

4 COMMISSIONER SAENZ: No. Thank you,
5 Trace.

6 CHAIRMAN RIVERA: Okay. Cindy, do you
7 have any comments?

8 COMMISSIONER FIELDS: I don't know if
9 this is on or not, but I thank you for everything you
10 do for the BAC and also big kudos to whoever set up the
11 audio for the meeting because it was really clear and
12 really easy to listen in on the --

13 MR. SMITH: Awesome.

14 COMMISSIONER FIELDS: -- meeting. The
15 last one was a little bit sketchy, but this one was
16 really clear. I don't know who did that, but thank you
17 to them.

18 MR. SMITH: Absolutely. Thank you.

19 CHAIRMAN RIVERA: Okay. Thank you, sir,
20 so much.

21 AGENDA ITEM NO. III

22 CHAIRMAN RIVERA: Okay. Next item is
23 Bingo rule proposal on shutter cards. Tyler Vance,
24 this is your item.

25 MR. VANCE: Good morning, Mr. Chairman.

1 Good morning, commissioners. My name is Tyler Vance,
2 I'm Assistant General Counsel. I have for your
3 consideration today proposed new rules for bingo
4 authorizing and regulating shutter cards. These will
5 be rules number 402.331 through 338.

6 These rules came about this summer via
7 petition for rulemaking that was submitted by a group
8 of manufacturers represented by Kim Kiplin and Ms.
9 Kiplin is here today and has provided a witness
10 statement if you guys need her. In August, y'all
11 approved the petition and directed staff to draft some
12 rules. Those are the rules that are before you today.

13 So, we recommend that you propose these
14 rules today so that we can put them out and receive
15 comments from the public. And I'm available for any
16 questions as well.

17 CHAIRMAN RIVERA: Okay. Commissioners,
18 any questions? Okay. Perfect. So, Kim, would you
19 like to speak?

20 MS. KIPLIN: Good morning,
21 commissioners. For the record, my name's Kimberly
22 Kiplin. I'm an attorney here in Austin, Texas. I do
23 represent the petitioners in the petition for
24 rulemaking for the shutter card bingo systems. They're
25 Texas distributors licensed by the lottery. I also

1 represent a manufacturer of bingo shutter card system.
2 We are just grateful, appreciative, for the opportunity
3 to go through the process to propose the rules for
4 public comment and receive public comment and then move
5 forward in the process.

6 I'm happy to answer any questions that
7 you all have today regarding that process or the rules.

8 CHAIRMAN RIVERA: Okay. Commissioners,
9 any comment? Questions? Okay. Kim, thank you so much
10 for your comments.

11 MS. KIPLIN: Thank you.

12 CHAIRMAN RIVERA: Thank you. Okay.
13 Cindy, do you have anything you'd like to say?

14 COMMISSIONER FIELDS: I don't. I'd like
15 to make a motion that we approve these rules for
16 publication in the Texas Register.

17 CHAIRMAN RIVERA: Perfect. Do we have a
18 second?

19 COMMISSIONER SAENZ: I second.

20 CHAIRMAN RIVERA: Okay. Erik seconds.
21 All in favor say aye.

22 (Chorus of "ayes")

23 CHAIRMAN RIVERA: Okay. Motion passes.
24 Good job, everyone. Thank you, Kim. And thank you,
25 Tyler.

1 AGENDA ITEM NO. IV

2 CHAIRMAN RIVERA: Okay. Next item on
3 our report, we have Angela who's going to speak to us
4 on prime contracts.

5 MS. ZGABAY-ZGARBA: Good morning, Mr.
6 Chairman, commissioners. For the record, my name is
7 Angela Zgabay-Zgarba. I'm the Administration Division
8 Director.

9 Item four in your notebook is a briefing
10 item to advise the Commission of staff's intent to
11 issue a request for proposals for risk review and
12 compliance monitoring services. I'd be happy to answer
13 any questions on this item.

14 CHAIRMAN RIVERA: Commissioners, any
15 questions? None? Okay.

16 MS. ZGABAY-ZGARBA: All right. You want
17 me to go on?

18 CHAIRMAN RIVERA: Please.

19 MS. ZGABAY-ZGARBA: Okay.

20 CHAIRMAN RIVERA: Yeah. Thank you.

21 AGENDA ITEM NO. V

22 MS. ZGABAY-ZGARBA: I'm on item five.
23 Item five in your notebook is a presentation of the
24 2022 Biennial Security Study of the Texas Lottery
25 Commission. Government Code 466.020 requires the

1 executive director at least once every two years to
2 employ an independent firm to conduct a comprehensive
3 security study of all aspects of lottery security,
4 stipulating that 12 specific areas must be reviewed.
5 The Act further requires copies of the security study
6 to be provided to the Commission, the Governor and
7 legislature. A copy of the public report is placed in
8 your notebook and will also be placed on the agency's
9 website, and appropriate offices will be notified of
10 its availability.

11 The 2022 study was conducted by
12 BerryDunn. Unfortunately, the representative from
13 BerryDunn, Christopher Ellingwood, the Senior Manager
14 of Information Technology and Assurance Services, had a
15 cancelled flight, which prevented him from being here
16 this morning to present the study. So, if there are no
17 objections, I will read his presentation to you.

18 CHAIRMAN RIVERA: Please. Thank you.

19 MS. ZGABAY-ZGARBA: All right. I'm
20 going to put on my Christopher Ellingwood hat.

21 My name is Christopher Ellingwood. I
22 lead our firm's lottery and gaming group, and have been
23 with the firm for 17 years. I'd like to talk briefly
24 on the process for which we conducted the security
25 study, introduce you to just a little background on the

1 firm, and present some very high level results of the
2 security study.

3 BerryDunn is a national accounting firm
4 and consulting firm headquartered in Portland, Maine.
5 My team and my group specializes in lottery services.
6 On a given year, we are providing approximately 50
7 audits to state lottery agencies and their vendors,
8 focused on security and internal controls. We also
9 work with lotteries all over the United States,
10 Caribbean, Canada, and Europe.

11 We have worked with new lotteries and
12 new systems, including digital sportsbook, and we have
13 a wide gamut and view into emerging products throughout
14 the lottery industry. This is our fourth time working
15 with the Texas Lottery on the security study. We've
16 been working in the industry since 1985. I have a
17 dedicated team of about eight people who work full-time
18 in the lottery with me.

19 We really want to thank Angela Zgabay-
20 Zgarba, Eric Williams and Joan Kotal, for helping us
21 through the security study. A special thank you also
22 goes to Jason Cannaday who coordinated the onsite work
23 and came into the office to work with us. We'd also
24 like to acknowledge Dawn Espinoza and her team at IGT
25 for the help on the vendor side.

1 This year's security study reflected an
2 agency going through change, a transition to a more
3 remote workforce and the relocation of the lottery
4 headquarters. The majority of work was completed
5 remotely. However, a portion of our testing controls
6 in phase three of the study was completed onsite at the
7 Texas Lottery's old and new locations.

8 This year as always, our security study
9 consists of three phase: a planning phase, a risk
10 phase, and the assessment phase. As I mentioned, this
11 is our fourth year in doing the security study for the
12 Texas Lottery, and we want to comment on the continued
13 success of the investment they have made into
14 information security and the noted strengthening of
15 controls over past years.

16 We spent our first part of phasing, the
17 planning phase, understanding the new changes that were
18 made, and understanding what was changing as a result
19 of the relocation project, such as the new claims
20 center and draw studio. Because of the move, certain
21 aspects of physical security and past controls were
22 phased out, were not focused on.

23 We interviewed approximately 25 managers
24 and high level personnel throughout nearly every
25 department of the lottery and we identified 181 risks,

1 which were based on best practices and current
2 procedures within the lottery. From those 181 risks,
3 and through our meetings, we identified approximately
4 200 internal controls that were in place throughout the
5 agency to mitigate those risks, and we provided the
6 Texas Lottery with a detailed report that broke down
7 all of the risks and what those results were. This
8 also included an assessment of key vendors, including
9 IGT.

10 In the second phase, we came in and
11 tested those 200 controls for operating effectiveness
12 throughout the two-year period since the last security
13 study was performed. We tested this through inspection
14 of documents, sampling interviews, and observation of
15 system configurations. While we were doing this, we
16 were also looking for opportunities for improvement
17 based on our industry experience and best practices as
18 suggested by several governmental frameworks and
19 compliance standards.

20 As a result of our report, we noted nine
21 findings. The findings would have no impact on the
22 integrity of the lottery games or pose a risk for fraud
23 or a security incident. The findings noted were very
24 much so as a result of changes and working abilities
25 during the pandemic and were low risk administrative

1 processes that were not completed due to staffing
2 constraints.

3 We also provided the lottery with 10
4 best practice recommendations: seven were moderate
5 risk, three were low risk. None of the risk or
6 findings would impact the security or integrity of any
7 of the games, systems or products within the Texas
8 Lottery as also noted.

9 A lot of our recommendations and best
10 practices were focused around the efficiency
11 improvements, some of the new systems that were put in
12 place, and documentation enhancements.

13 This is all I have to present to you.
14 Thank you very much.

15 CHAIRMAN RIVERA: Okay. Commissioners,
16 any questions? Comments? Thoughts? Okay. So this is
17 not a voting item, but Angela, great job. And good job
18 on the Chris voiceover as well.

19 MS. ZGABAY-ZGARBA: Thank you.

20 CHAIRMAN RIVERA: So --

21 MS. ZGABAY-ZGARBA: Sorry, I couldn't go
22 into some other voice.

23 CHAIRMAN RIVERA: No, no, no, you did
24 great. Thank you.

25 AGENDA ITEM NO. VI

1 CHAIRMAN RIVERA: All right. Next item,
2 number six, are the 2022 demographic reports on lottery
3 players. Robert, this is your item. Good morning,
4 sir.

5 MR. TIRLONI: Good morning. Good
6 morning, Mr. Chairman and commissioners. For the
7 record, I am Robert Tirloni, Lottery Operations
8 Director. Commissioners, \$466.021 of the State Lottery
9 Act requires that the executive director employ an
10 independent firm to conduct a demographic study of
11 Texas Lottery players every two years. The results of
12 the study must be presented to the Commission, the
13 Governor, and the legislature, before the convening of
14 each regular legislative session.

15 Item six in your notebook is the 2022
16 demographic study. I'm very happy to have Dr. Gail
17 Buttorff, Associate Director for the Center for Public
18 Policy, Hobby School of Public Affairs at the
19 University of Houston with us today, and she is going
20 to present to you the high level results of the most
21 recent demographic study. And with that, I will turn
22 it over to Dr. Buttorff.

23 DR. BUTTORFF: Thank you. Good morning.
24 We're just going to wait on the presentation here.
25 Okay. My name is Gail Buttorff, and as Robert said,

1 I'm the Associate Director of the Center for Public
2 Policy at the University of Houston's Hobby School
3 Public Affairs.

4 You can go to the next slide, please.
5 Next slide.

6 Okay. So this year we had a total
7 sample for the demographic survey of 1,685 respondents,
8 and this year we did an entirely web-based sampling,
9 which was different than previous years. This results
10 in an approximate confidence interval or margin of
11 error of plus or minus 2.4 percent.

12 Next slide. And next slide, please.

13 Okay. Overall among our survey
14 respondents, we found a participation rate of 61.6
15 percent, which was about 16 percentage points higher
16 than in 2020, and this was statistically significant.

17 In terms of demographic differences
18 between players and non-players, we found statistically
19 significant results for employment status, marital
20 status, having children under 18 living in the
21 household, gender, Hispanic origin, education and
22 occupation.

23 In terms of median dollars spent, we had
24 a total of 33 dollars in 2022 compared to 36 in 2020
25 and 25 in 2018.

1 Next slide, please.

2 The top three sales districts by
3 participation rates were San Antonio with 71.6 percent
4 participation, McAllen 71.4 percent, Waco 64.9 percent.

5 In terms of the highest average
6 expenditures per month and the highest median
7 expenditures per month, these were both in San Antonio
8 with 65.58 for the average and 40 for the median.

9 Next slide, please. And next slide.
10 Thank you.

11 Okay. In terms of the games, the top
12 five games by participation rates were Lotto Texas with
13 81.8 percent participation among our respondents, the
14 Texas Lottery scratch games with participation of 69.2
15 percent, Mega Millions at 64.4, Pick 3 61.4, and
16 finally Powerball with a participation rate of 50.8
17 percent.

18 The highest average expenditure per play
19 was found for All or Nothing at \$22.24 cents per play.
20 And the highest average number of times played were for
21 Daily 4. Okay, both in terms of times per week and
22 times per month.

23 Next slide, please.

24 In terms of the average number of times
25 played weekly and monthly compared to 2020, we saw

1 increases for the scratch games and we saw decreases
2 for Fireball feature with Daily 4. We had mixed
3 results for Lotto Texas, Mega Millions, Powerball, Pick
4 3, Cash 5, Megaplier, Power Play Extra! feature with
5 Lotto Texas, Fireball feature with Pick 3, Texas, Two
6 Step, All or Nothing and Daily 4.

7 In terms of average dollars spent per
8 play compared to 2020, we saw increases in Lotto Texas,
9 scratch games, Mega Millions, Pick 3, Cash 5, All or
10 Nothing, Fireball feature with Daily 4. And we found
11 stable or decreases for Powerball, Megaplier, Power
12 Play, Extra! feature with Lotto Texas, Fireball feature
13 with Pick 3 and Texas Two Step, and finally, Daily 4.

14 Next slide, please. And next slide.

15 All right. This slide shows you the
16 participation rates over the past almost 20 years, from
17 1993 to 2022. And you can see that we see the increase
18 which was mentioned previously of over the 2020 and
19 2018 participation rates.

20 Next slide, please.

21 And this table one from the demographic
22 survey report shows key findings in terms of
23 participation rate, changes in rates from 2020. So,
24 for example, you can see that Mega Millions had the
25 highest increase or highest percentage increase with

1 7.6 percent increase over 2020, whereas Daily 4 had the
2 biggest decrease in percentage change with 1.4 percent
3 decrease over 2020.

4 And in terms of average, the average
5 spent per play, we saw the largest for All or Nothing
6 with \$22, and the lowest for Megaplier feature with
7 Mega Millions at \$12.59.

8 Okay. And next slide.

9 Thank you. I'm happy to answer any
10 questions you may have.

11 CHAIRMAN RIVERA: Okay. Commissioners,
12 any questions?

13 (No response)

14 CHAIRMAN RIVERA: So, I know this is
15 something you do every couple of years. Is it becoming
16 easier, harder? Are there any challenges, anything
17 that we can do at the lottery to assist with your
18 findings?

19 DR. BUTTORFF: Well, in terms of
20 surveying, one of the reasons we recommended moving to
21 all online was because it's easier and far more cost-
22 effective to survey online than over the phone. And
23 Texas and in general, it's hard to survey. It's very
24 hard and it's very expensive to survey over the phone,
25 and this is either landlines or cell phones. It's

1 incredibly costly and time consuming all over the
2 country, but in particular, Texas has been difficult to
3 get participants over the phone. And so that's where
4 we have recommended and the Lottery Commission has
5 agreed to move the survey online, which is usually done
6 in about two weeks time, right, for far less money.

7 CHAIRMAN RIVERA: Okay. Commissioners,
8 any final thoughts? Okay. We very much appreciate
9 your coming to present. And Gail, thank you.

10 Okay. Robert, good job.

11 MR. TIRLONI: Thank you, sir.

12 CHAIRMAN RIVERA: Even though it wasn't
13 you presenting or you didn't have to do any voiceover,
14 but still a good job in the coordination --

15 MR. TIRLONI: Thank you. I appreciate
16 that.

17 CHAIRMAN RIVERA: -- of Gail. So thank
18 you.

19 AGENDA ITEM NO. VII

20 CHAIRMAN RIVERA: Okay. Next item is
21 number seven, lottery sales and revenue. Kelly and
22 Robert, your item.

23 MS. STUCKEY: And good morning,
24 commissioners. Again, Kelly Stuckey, Controller for
25 the agency. And obviously with me this morning, Robert

1 and I will be presenting an update on sales through the
2 week ending December 3rd, 2022.

3 So beginning on that second slide, we'll
4 be looking at comparative total sales presented there
5 at the bottom. And it's here we note that through this
6 14-week period, total sales for fiscal year '23 are
7 \$2,232,000,000. And that's an increase of 165-million,
8 or 8 percent, over the \$2,058,000,000 we had in fiscal
9 year '22 at the same time.

10 Then looking at scratch sales
11 specifically, reflected there on that second orange bar
12 on the right, our sales are \$1,673,000,000 and that is
13 unfortunately showing a 1.7-million decrease from our
14 fiscal year '22 sales.

15 Our scratch ticket growth rate right now
16 is a slight decrease of .1 percent over last fiscal
17 year. And then also, our scratch ticket sales are
18 currently making up 75.3 percent of our total sales.
19 Little unusual, we usually hang around that low 80s.
20 For instance, last year, fiscal year '22 was 81.4 at
21 this time.

22 Then I'm sure you remember last end of
23 October, early November, we had that Powerball run up
24 to \$1.9-billion and we had been seeing scratch ticket
25 sales week-over-week increase with the highest being

1 5.8 percent that last week of that large jackpot.
2 However, these last three weeks, we've been seeing a
3 decline in scratch sales with this most December 3rd
4 week as high as 3.9 percent decline. So, Robert will
5 go over that a little more in detail on his part of the
6 presentation.

7 And then moving into draw sales, our
8 fiscal year '23 draw sales on that second blue bar, are
9 549.9-million, and that is 166.8-million or 44 percent
10 increase over our fiscal year '22 draw sales. Last
11 year we were running 383.1-million.

12 And so now I'll turn it over to Robert
13 to go over the overview sales by game.

14 MR. TIRLONI: Thank you, Kelly. Good
15 morning again, commissioners.

16 So if we look at this slide at the
17 bottom right corner, you can see the year-over-year
18 gain of \$165-million. The overwhelming majority of
19 that is coming from the jackpot portion of the
20 portfolio, which is up at the top of the slide in
21 white.

22 Obviously, this is from the advertised
23 1.9-billion jackpot for the Powerball game that
24 occurred in early November. That is the new world
25 record. The previous world record was 1.6-billion and

1 that was also Powerball jackpot back in 2016. So you
2 can see Powerball is up over \$121-million and its
3 add-on game Power Play is up almost \$22-million.

4 Mega Millions did have a good run. A
5 couple of months ago it got up to almost \$500-million,
6 and actually, for tomorrow night it's \$400-million.
7 So, it's been doing well. It is up almost \$20-million
8 and its add-on games are up as well.

9 Lotto is holding even, which is great
10 news. The Extra! feature on Lotto is up; that
11 continues to gain in popularity, and Texas Two Step is
12 up slightly, too. So, great results from the jackpot
13 portion of the portfolio.

14 In the middle of the slide in blue are
15 the daily games. What we're seeing is what we have
16 been seeing. All or Nothing is up 2-million, which is
17 great, Cash 5 is holding, Daily 4 is up slightly, and
18 we continue to see Pick 3 decline. So if you look at
19 the daily games as a whole, they're down just about
20 1.3-million. So, the draw game portion of the
21 portfolio is up almost \$167-million. So, great news
22 for draw games.

23 Scratch tickets are down 1.7-million as
24 Kelly mentioned. Before we leave this slide, I thought
25 I would just make a couple of comments about the \$165-

1 million gain and where we're at at this point in time.
2 So we're through our first quarter of our fiscal year.
3 While that 165-million is a great solid start and we're
4 really happy with that, we have seen some weakness in
5 scratch sales over the past few weeks. We've made some
6 adjustments to our game plan and we'll see if we see an
7 impact from those changes in the next three to four
8 weeks.

9 I think it's worth noting that at the
10 very end of last fiscal year in July, we had a very,
11 very large Mega Millions jackpot. It was \$1.28-
12 billion. So, we're going to have some very, very tough
13 weeks at the end of this current fiscal year. Those
14 comparison weeks are going to be very tough if we don't
15 have large jackpots at the end of this fiscal year.

16 So last year, our total sales were 8.3-
17 billion. Scratch sales were 6.7-billion. So, we
18 realize that we have a very large mountain to climb
19 this year to compete with last year's sales and so
20 we've got some challenges ahead and we'll continue to
21 keep you updated in these meetings as we move forward.

22 I did have another note. I've given you
23 sample tickets. So, you have all of our holiday
24 tickets. Those are up there. And then you have a
25 multiplier family that's called the Cash Blitz. The

1 Cash Blitz is starting in January. That's a game from
2 IGT Printing, and they partnered with iHeartRadio. And
3 as part of that partnership, we are going to be
4 receiving a very good marketing support package to help
5 support that family. So, we have high hopes that we
6 will see some really good sales when that family starts
7 in early January.

8 And last but not least, Lauren Callahan,
9 our Media Relations Director, is here today and she
10 wants to give you an update on an award the agency just
11 won.

12 MS. CALLAHAN: Robert, thank you. Mr.
13 Chairman and commissioners, good morning. For the
14 record, my name is Lauren Callahan, Media Relations
15 Division Director for the agency.

16 I am pleased to update you today on yet
17 another accolade the agency has received as a result of
18 the 30th anniversary committee's work. When I appeared
19 before you at the June meeting, I shared that the 30th
20 anniversary documentary entitled 30 Years of Winning,
21 had been awarded a Telly Award, the world's largest
22 honor for video and television content across all
23 screens. But as it turns out, that's not all.

24 At the World Lottery Summit in Vancouver
25 on October 19th, 30 Years of Winning won a Batchy Award

1 in the special category for corporate and beneficiary
2 video. This is a great honor in and of itself, but to
3 top it off, the film was also recognized by our lottery
4 peers across North America as this year's Best of the
5 Batch; the very best entry submitted in any category,
6 including all television, all radio, all advertising,
7 and all corporate communications entries, by all of the
8 North American lotteries. This is the very first time
9 a Texas lottery entry has won Best of the Batch.

10 We wanted to take a moment this morning
11 to show you what the audience in Vancouver saw as the
12 Best of the Batch award was announced. So at this
13 time, I'm going to ask Phillip to roll the video.

14 (Video played as follows:)

15 VIDEO ANNOUNCER: The 2022 Best of the
16 Batch is the Texas Lottery for their 30 Years of
17 Winning 30th anniversary documentary.

18 (Video concluded)

19 MS. CALLAHAN: Hmm. We appreciate your
20 patience as we are still learning the AV systems in
21 this room ourselves. So we'll give this one more try.

22 COMMISSIONER STEEN: Just increasing the
23 anticipation.

24 (Pause)

25 (Video played as follows:)

1 GARY GRIEF (Speaking in Video): I
2 really didn't know what I was getting myself into.
3 When I think back to lottery startup, I was a year and
4 a half into my career working at the state
5 Comptroller's office.

6 NELDA TREVIÑO (Speaking in Video): You
7 know, being a staff member at the Comptroller's office
8 30 years ago, and after the legislation was enacted and
9 before the constitutional amendment passed, the
10 controller at the time, John Sharp, formed a startup
11 task force.

12 NORA LINARES-MOELLER (Speaking in
13 Video): And around that time, as the session was going
14 on, John said to me, I need for you to start -- to go
15 and pull 10 people. You're going to have a regular job
16 at the Comptroller's office, but I'm going to give you
17 10 people from the Comptroller's office, different
18 functions, and go and do some research on lotteries.
19 So, we did. And Nelda was one of those people, Gary
20 Grief was another one of those people, and we decided
21 that we needed to kind of go out into the country and
22 figure out what the lotteries did, what we wanted, what
23 we didn't want. And so we did that.

24 We came up with a questionnaire.
25 Everyone took a different state that were running

1 lotteries at the time, and we all came back and
2 gathered all that data.

3 LETICIA VAN DE PUTTE (Speaking in
4 Video): It was very close. And Governor Richards had
5 worked and worked the phones and personal visits and
6 her charm and personality won over so many members.

7 NORA LINARES-MOELLER (speaking in
8 video): The constitutional amendment passed, I think by
9 about 60-something percent.

10 So that's it, we were going to have a
11 lottery.

12 GARY GRIEF (speaking in video): We had
13 a mandate of when to start. We had to start before May
14 of 1992 and trying to see in the future and see all the
15 things come together that had to do that was very
16 daunting.

17 TIA PAIR (Speaking in Video): The night
18 before ticket sales started, we were at a big event
19 center and so we did the kickoff for the lottery,
20 handed out free tickets and merchandise and that sort
21 of thing, so -- so it was amazing to be part of. And
22 we were there late that night and the next morning they
23 had us there at 5:30 in the morning because they were
24 afraid if tickets still go on, somebody's going to
25 want to claim.

1 ED ROGERS (Speaking in Video): It was
2 really clear from the response from the business owners
3 around the state how extremely interested they were and
4 how excited they were to have this new product in their
5 stores, but also the players calling in. It was the
6 same thing; it was just this crazy level of excitement
7 and interest in, you know, what was coming next.

8 AURA ANDRADE (Speaking in Video): When
9 winners came in, there was news coverage about the
10 winners. We actually rolled out a red carpet for the
11 winners.

12 ROBERT TIRLONI (Speaking in Video): We
13 had people show up with their entire family. You know,
14 20 or 30 people would show up. It was a celebration
15 and people were excited. And back at that time, you
16 know, we didn't have social media, so I think people
17 were really okay with having their 15 minutes of fame,
18 whether that be on TV or in a newspaper story. And
19 they were cool with doing that.

20 MARY ANN WILLIAMSON (Speaking in Video):
21 For me, I think the most memorable moment was having
22 the opportunity to put Gary Grief in as Executive
23 Director. I think for a successful business, it's all
24 about what sort of culture you create. I could see
25 that he would be able to create one that would just

1 take the lottery up to the next step.

2 RYAN MINDELL (Speaking in Video): You
3 don't have the success that we've had in over the last
4 10, 15 years without constantly innovating and pushing
5 ourselves forward. If I look at the past few years and
6 even things that we're doing differently from three
7 years ago or five years ago, we're already finding ways
8 to do them better and to do them more interestingly and
9 do them more efficiently.

10 BOB BIARD (Speaking in Video): It's a
11 real tension because it's a box that we're in. So to
12 be able to fulfill the functions of a Fortune 500 level
13 company within the confines of a Texas state agency, I
14 mean, it's a challenge and it's also a pleasure.

15 ROBERT TIRLONI (Speaking in Video): You
16 know, we sell tickets for almost 24 hours a day, seven
17 days a week, 365 days a year. There's a lot that goes
18 into making sure that that all goes smoothly and that
19 there's product at almost 20,000 retailers across the
20 state.

21 JOE LAPINSKI (Speaking in Video): Texas
22 has had to take that narrow product line of draw games
23 and scratch tickets, and really work to innovate within
24 those product lines. And so I think necessity has
25 really driven innovation here in -- in a way that

1 really sets them apart in the industry.

2 GARY GRIEF (Speaking in Video): What we
3 put together here, and this is what I take the most
4 pride in, are people who find a way to get to the other
5 side of whatever that initiative for that project is,
6 no matter what it is.

7 (Video concluded)

8 MS. CALLAHAN: We knew when we finished
9 the documentary that it is a special film that tells
10 our unique story.

11 As we filmed, I was struck how the same
12 theme came across from every single participant; what
13 an incredible team works here and through hard work,
14 innovation and perseverance, the Texas Lottery's sales
15 records year-over-year have led to record revenue
16 returns to Texas public education and veterans.

17 What we do here at the Texas Lottery is
18 truly remarkable for a state agency. It is, however,
19 immensely rewarding to be recognized by these outside
20 entities and especially by our lottery peers across the
21 North American continent for sharing the Texas
22 Lottery's unique story of our mission, business model,
23 and employee culture.

24 None of these awards were possible
25 without the work of all the 30th anniversary committee

1 members, but specifically those who joined me in
2 working on the documentary subcommittee: Philip Bates,
3 Stephen Cruz, Steve Helm, Andrew Leeper, Roger Prather,
4 Lee Robbins, Mehul Shah, Ryan Mindell, and Nelda
5 Treviño.

6 We also had the unwavering support of
7 Executive Director Gary Grief, which was vitally
8 important to the success of a project of this
9 magnitude. Personally, the documentary served as my
10 Texas Lottery education, and every time I rewatch it,
11 I'm reminded of what an incredibly special place this
12 is to work.

13 I am very proud to be able to share this
14 news with you today. Unless there are any questions,
15 this concludes my remarks.

16 CHAIRMAN RIVERA: Okay. Commissioners,
17 any comments?

18 COMMISSIONER STEEN: Congratulations.

19 COMMISSIONER SAENZ: Yeah,
20 congratulations.

21 COMMISSIONER FIELDS: Thank you.

22 COMMISSIONER SAENZ: Yeah, really well
23 done.

24 CHAIRMAN RIVERA: Yeah, good job across
25 the board and particularly with our limitations on

1 marketing budget and other things, it's remarkable that
2 we have such a awesome amount of information to provide
3 and that you were able to obviously put forward such a
4 highly recognized product. So congratulations, and
5 we're definitely proud of you and everyone who
6 participated with this project. So, thank you. Good
7 job.

8 MS. CALLAHAN: Thank you.

9 CHAIRMAN RIVERA: Okay. Robert, you're
10 done? Is that right?

11 MR. TIRLONI: Yes, sir.

12 CHAIRMAN RIVERA: You and Kelly are both
13 done?

14 MR. TIRLONI: Thank you so much.

15 CHAIRMAN RIVERA: Thank y'all, all,
16 everyone. Okay.

17 AGENDA ITEM NO. VIII

18 CHAIRMAN RIVERA: Next item is a report
19 on transfers to the State. Kelly, you're going to
20 remain, so you're here and we're glad to still have
21 you.

22 MS. STUCKEY: So, commissioners, the
23 report in your notebook reflects the accrued revenue
24 transfers to the Foundation School Fund and Texas
25 Veterans Commission through the two-month period ending

1 October 31st, 2022.

2 So, total transfers to the State have
3 amounted to 279.4-million for the first two months of
4 fiscal year '23, and of that amount, 274.8-million was
5 transferred to the Foundation School Fund and 4.6-
6 million was transferred to the Texas Veterans
7 Commission.

8 So that gives us a 2.9 percent increase,
9 or 7.6-million, over the transfer to the Foundation
10 School Fund for the same time last year. And then
11 cumulative to date to the Foundation School Fund are
12 29.9-billion, and cumulative transfers to the State are
13 35.9-billion.

14 This concludes my presentation.

15 CHAIRMAN RIVERA: Okay. Kelly, good
16 job. Any questions? Comments? Anything? Okay. Good
17 job. Thank you so much.

18 AGENDA ITEM NO. IX

19 CHAIRMAN RIVERA: Alrighty. Next item,
20 legislative report. Nelda, we're glad you're here and
21 definitely this is an important time of year, so we
22 look forward to hearing your thoughts.

23 MS. TREVIÑO: Thank you, Mr. Chairman.
24 Good morning, commissioners. For the record, I'm Nelda
25 Treviño, I'm the Director of Governmental Affairs.

1 The 88th Legislature will convene its
2 regular session next month on January the 10th.
3 Pre-filing of legislation began on November the 14th,
4 and we've begun our process of tracking legislation of
5 interest to the agency.

6 In addition to legislation that may be
7 filed related to the administration of the lottery or
8 the regulation of charitable bingo, other legislation
9 that the agency tracks covers a variety of subjects.
10 These measures could relate to subjects regarding other
11 gaming activities, open meetings of governmental
12 bodies, open records in the Public Information Act,
13 state purchasing and contracting, and matters related
14 to the state budget and state employees.

15 Today, I want to highlight a few bills
16 that have been pre-filed related to both charitable
17 bingo and the lottery. These include House Bill 431 by
18 Representative Senfronia Thompson. Again, relating to
19 the conduct of Charitable Bingo.

20 This legislation is similar to the bill
21 that Representative Thompson filed last session. In
22 addition to the bill, including several statutory
23 cleanup language and provisions that the agency
24 requested, the legislation also repeals the 750,000 --
25 excuse me, the 750 prize limit per game.

1 Let me repeat that. The bill also
2 repeals the \$750 prize limit and increases the bingo
3 occasion prize cap from \$205,000 (sic) to \$5,000. The
4 bill also increases the number of temporary licenses a
5 regular license holder can hold from 24 to 48, and it
6 also changes the negative net proceeds evaluation
7 period from one year to two years.

8 Another bill that's been filed related
9 to charitable bingo is House Bill 639. This was filed
10 by Representative Jose Lozano. This relates to the
11 number of temporary licenses issued to conduct bingo to
12 non-regular license holders in a calendar year. The
13 legislation increases the number of temporary licenses
14 a non-regular license holder may request from six to
15 12.

16 A bill related to the lottery that's
17 been filed, House Bill 903 by representative Joe Moody.
18 This relates to the operation of a quick draw lottery
19 game.

20 This bill allows the sale of a quick
21 draw lottery game, commonly known as a keno game in the
22 lottery industry, at bars and restaurant.

23 Lastly, it's anticipated that the
24 proposed General Appropriations Act, commonly known as
25 the state budget, will be filed soon. We'll be keeping

1 a watchful eye to see the funding that's been proposed
2 for the Lottery Commission. We'll certainly keep you
3 posted on the budget process throughout the legislative
4 session.

5 This concludes my report for today and
6 I'll be glad to answer any questions.

7 CHAIRMAN RIVERA: Okay. Commissioners,
8 any questions? Nelda, good job. Any other comments?
9 Anything else you want to share? Thoughts?

10 MS. TREVIÑO: No. I'll just try to get
11 my math in order, but --

12 CHAIRMAN RIVERA: Yeah. No, no, yeah;
13 750.

14 MS. TREVIÑO: Yeah, 750. Thank you,
15 Trace.

16 AGENDA ITEM NO. X

17 CHAIRMAN RIVERA: Okay. Next item, we
18 have a report from our internal auditor, and this is
19 Darlene, your item.

20 MS. BROWN: Yes. Thank you. Good
21 morning, Chairman and commissioners. In your notebook
22 is our status report and also a summary of the drawing
23 studio processes and controls audit report.

24 For that, we assess processes in place
25 to ensure that the draw game equipment and ball sets

1 were not tampered with during the move from the old
2 facility to the new drawing studio. We also focused on
3 game drawing processes and physical security of the new
4 facilities.

5 We noted that TLC took strong measures
6 to ensure that all game equipment and the ball sets
7 were secured during the entire packing, move, and set
8 up process. And that's really important for reputation
9 and ensuring integrity.

10 When it comes to the drawing game
11 processes in the new studio, the agency continues to
12 deploy best practices and the lottery -- the studio
13 itself is equipped with state-of-the-art technology.
14 All game drawings are closely monitored and strict
15 protocols are in place.

16 It's important to note that the lottery
17 moved their operations from a building which they were
18 the only tenants, and had full control over the
19 physical security and infrastructure. However, their
20 new location is a state-owned building that's still
21 under construction at the time of the audit. It has
22 several state agencies as tenants and is managed by the
23 Texas Facilities Commission. Because of this, there
24 are many impacts to the draw studio operations, which
25 includes mission critical stability of internet and

1 power to ensure game drawings are conducted on time.

2 When the last Mega drawings was delayed,
3 my first thought when called was it wasn't Texas
4 Lottery, was it, because I knew we had some issues with
5 the internet, and fortunately, it was not the Texas
6 Lottery that held up that drawing.

7 We rated the agency's processes in place
8 for the move and game drawings as best practices. The
9 one finding we had is that the Facilities Commission
10 has not granted TLC access to generate badge access
11 reports, nor did they provide the reports to the
12 lottery on a timely basis.

13 This is a crucial control to ensure that
14 only authorized individuals have entered the drawing
15 studio and other sensitive areas. The lottery operates
16 the drawing studio seven days a week, morning,
17 afternoons and evenings. Therefore, they do not have
18 the luxury of waiting for the Facilities Commission to
19 respond to a request for an access report if they
20 suspect an unauthorized individual has entered the
21 drawing studio or other sensitive areas of operations.
22 We recommended that the Facilities Commission grant
23 access to the Lottery Commission to generate their own
24 access reports on demand.

25 That concludes the report on drawing

1 studio.

2 I wanted to let you know that we are
3 wrapping up an audit of where we looked at the physical
4 security and operational impact as the result of moving
5 to the new building, and we will have a summary for
6 that at the next commission meeting.

7 That's all I have for you today, but I'm
8 happy to address any questions you may have.

9 CHAIRMAN RIVERA: Okay. Commissioners,
10 any questions? Thoughts? Comments? Anybody want to
11 volunteer as a security person? No? Okay. Okay.
12 Darlene, thank you so much.

13 MS. BROWN: Thank you.

14 AGENDA ITEM NO. XI

15 CHAIRMAN RIVERA: Okay. Next item is
16 our bingo report from LaDonna.

17 MS. CASTAÑUELA: Good morning,
18 commissioners.

19 CHAIRMAN RIVERA: Good morning.

20 MS. CASTAÑUELA: My name is LaDonna
21 Castañuela. I am the Director of the Charitable Bingo
22 Operations Division.

23 The notebook materials today include
24 CBOD's output metrics for our licensing, accounting,
25 compliance, and audit activities for the months of

1 October and November.

2 I have nothing further to report today.
3 I'm available to answer any questions you may have.

4 CHAIRMAN RIVERA: Okay. LaDonna, great
5 report. Cindy, do you have any comments? Thoughts?

6 COMMISSIONER FIELDS: I don't.

7 CHAIRMAN RIVERA: Awesome. Good job,
8 bingo, across the board. Okay. Cool.

9 AGENDA ITEM NO. XII

10 CHAIRMAN RIVERA: Next is our executive
11 director's report. And he's not here today unless he's
12 under this chair. But Bob, I think you have some
13 comments that you want to make on Gary's behalf.

14 MR. BIARD: Yes. Thank you, chairman
15 and commissioners. I'm Bob Biard, general counsel.
16 I'm reporting today for Gary Grief and he asked me to
17 tell you that other than the materials that are in your
18 notebook, he has nothing further to report.

19 CHAIRMAN RIVERA: Okay. Comments? Any
20 commissioner comments? No? Okay. Good job, Bob.

21 AGENDA ITEM NO. XIII

22 MR. BIARD: I have the next item as
23 well, which is the enforcement cases. Item 13 contains
24 five lottery cases and one bingo case, tabs A through
25 F.

1 In these cases, the Commission staff
2 found the licensee violated a lottery or bingo statute
3 or rule. And in many cases, either the respondent
4 fails to appear at the hearing and it proceeds by
5 default, or the staff and the respondent reach a
6 settlement in the form of an agreed order. And those
7 are the type of cases we have today.

8 Tabs A through C are the non-sufficient
9 fund lottery retailer license revocations. Each case
10 was presented at the State Office of Administrative
11 Hearings for revocation of the license because the
12 licensee failed to have sufficient funds in their bank
13 account to cover transfers to the Commission's account.

14 In each case, the licensee failed to
15 appear at the hearing and the judge remanded the case
16 to the Commission to handle as a default matter.

17 Tabs D and E are lottery agreed orders.
18 One of these is a case where a retailer purchased a
19 ticket from a customer to claim, and the other is a
20 case where the retailer charged a fee for purchasing
21 lottery tickets with a debit card.

22 Tab F is a bingo agreed order, and this
23 is a repeat licensee, a bingo manufacturer who was the
24 subject of an agreed order earlier this year for
25 various violations of the Bingo Enabling Act. He

1 failed to comply with the prior order and has agreed to
2 pay a \$5,000 penalty.

3 And that concludes my presentation. You
4 may take up the enforcement orders in a single vote if
5 you like, and I'll be happy to answer any questions.

6 CHAIRMAN RIVERA: Okay. Commissioners,
7 any comment? And if not, is there a motion?

8 COMMISSIONER SAENZ: I make a motion.

9 CHAIRMAN RIVERA: We have a --

10 COMMISSIONER STEEN: Second.

11 CHAIRMAN RIVERA: Okay. Motion and a
12 second. All in favor say aye.

13 (Chorus of "ayes")

14 CHAIRMAN RIVERA: Bob, good job.

15 MR. BIARD: Thank you, commissioners.

16 CHAIRMAN RIVERA: Okay.

17 AGENDA ITEM NO. XIV

18 MR. BIARD: And I have no request for
19 further public comment today.

20 AGENDA ITEMS NO. XV. & XVI.

21 COMMISSIONERS DID NOT MEET IN EXECUTIVE SESSION

22 AGENDA ITEM NO. XVII

23 CHAIRMAN RIVERA: Okay. Well, we've
24 come to the end of another successful meeting. On
25 behalf of all of our commissioners, we want to wish

1 everyone a Merry Christmas. And also, before we
2 conclude, I do want to mention that one of our
3 commissioners, Erik, has a new addition to his family,
4 Beauregard David, and I am confident that he'd be happy
5 to show you a photo of his baby newborn son, and we're
6 all proud of you and your family and awesome job on the
7 new addition, Erik. So with that, we are adjourned.

8 (Meeting adjourned at 10:48 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 15th day of December, 2022.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

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