

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

April 13, 2023

10:00 a.m.

AT

STEPHEN F. AUSTIN STATE OFFICE BUILDING
1700 Congress Avenue
Austin, Texas 78701

APPEARANCES

CHAIRMAN: Robert G. Rivera

COMMISSIONERS: 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: Darlene Brown

BINGO ADVISORY
COMMITTEE CHAIRMAN: William "Trace" Smith III

DIRECTOR OF GOVERNMENTAL
AFFAIRS: Nelda Treviño

HUB COORDINATOR: Eric Williams

DIRECTOR OF ADMINISTRATION: Angela Zgabay-Zgarba

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 B. To deliberate the duties of the General Counsel
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 C. To receive legal advice regarding pending or
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 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

THURSDAY, APRIL 13, 2023

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Good Morning. I'd like to call this meeting of the Texas Lottery Commission to order. It is 10:00. We have all of our commissioners here, with the exception of Cindy. We're going start with the Pledge of Allegiance. And we'll get going.

(Pledges recited)

AGENDA ITEM NO. II

CHAIRMAN RIVERA: Okay. First item is a report from the Bingo Advisory Committee. Trace, this is your item.

MR. SMITH: Good morning, commissioners, Chairman. We had our Bingo Advisory Committee yesterday, and we would like to thank the staff for their presentations on the website by Scott Semegran and the audit presentation by Nicole Domain. Both presentations were very informative and educational.

We are currently in the nomination process to replace the open seat on the Bingo Advisory Committee. So far, we have three nominations that have been submitted for consideration by the staff. One of the nominees who was in attendance yesterday gave a brief

1 biography, Stacie Johnston. She's been in the Dallas
2 area working in the bingo industry for approximately
3 the past 25 years. We're excited about hearing from
4 the rest of the nominees going into the nomination
5 process.

6 We also had a legislative update by
7 Steve Bresnen and Steve Fenoglio, and our next meeting
8 will be held on the 20th of June. And be happy to
9 answer any questions you have.

10 CHAIRMAN RIVERA: Okay. Commissioners,
11 any questions? None?

12 MR. SMITH: Thank you.

13 CHAIRMAN RIVERA: Thank you. Okay.
14 With our bingo representative not here, normally we
15 would have a lot more communication from her regarding
16 any matters, but thank you again for your report.

17 AGENDA ITEM NO. III

18 CHAIRMAN RIVERA: Okay. Next item. Is
19 the 2022 Minority Business Participation Report. Eric,
20 this is your item.

21 MR. WILLIAMS: Yes, sir. Good morning,
22 chairman, commissioners.

23 CHAIRMAN RIVERA: Good morning.

24 MR. WILLIAMS: For the record, my name
25 is Eric Williams and I'm the HUB coordinator for the

1 Texas Lottery Commission.

2 As you're aware, the HUB Program is a
3 statewide initiative that provides assistance in
4 contracting opportunities to minority, women and
5 service disabled veteran-owned businesses. I'd like to
6 provide a brief update on our program before I speak
7 about the Minority Business Participation Report.

8 At the beginning of each year, the
9 agency sets its annual internal HUB goals as required
10 by the comptroller's rules. This year's goals and a
11 set of summary reports were sent to you last fall.
12 Also, prior to the COVID-19 pandemic, the Lottery
13 Commission conducted an annual HUB forum which
14 attracted minority HUB participants from across the
15 state. A roundtable networking session at these events
16 allowed maximum interaction between attendees, agency
17 staff, and key TLC contractors. The agency plans to
18 resume this annual HUB event in fiscal year 2023.

19 A copy of the agency's finalized fiscal
20 year 2022 Minority Business Participation Report is
21 included in your notebooks today. This is an annual
22 report which is required by Section 466.107 of the
23 State Lottery Act and must be made available to the
24 governor, lieutenant governor, speaker of the house and
25 members of the legislature. The report documents

1 minority and HUB participation in our agency's
2 contracting activity, and includes information on the
3 number of licensed minority retailers.

4 During fiscal year 2022, the agency
5 achieved an overall percentage rate of 10.66 percent in
6 its minority HUB contracting activity, which represents
7 a decrease from our fiscal year 2021's performance of
8 14.38 percent. This decrease can be attributed to the
9 legislative budget cuts to our 2022 advertising budget
10 which equated to a \$7.2-million reduction.

11 The agency currently contracts with a
12 HUB vendor for advertising services, and the total
13 dollars spent under this contract are counted directly
14 toward our overall HUB percentage. The advertising
15 budget has gone from \$2.5-million (sic) in 2019 to
16 10.4-million in 2022.

17 Of the 20 largest spending state
18 agencies and universities in fiscal year 2022, the
19 Lottery Commission ranked eleventh by overall HUB
20 percentage. During this reporting period, the agency
21 also had 8,546 minority retailers, which represented
22 41.25 percent of the Texas Lottery's retailer base.

23 I will be happy to answer any questions
24 regarding this report at this time.

25 CHAIRMAN RIVERA: Commissioners, any

1 questions? So at a little over 10 percent, where does
2 that rank us, would you say with other state agencies,
3 approximately? If you have that information.

4 MR. WILLIAMS: With other state
5 agencies, of the 20 largest state agencies and
6 universities, we were ranked eleventh by overall
7 percentage.

8 CHAIRMAN RIVERA: Eleventh out of 20 or
9 eleventh percentile?

10 MR. WILLIAMS: Eleventh out of 20.

11 CHAIRMAN RIVERA: Got it.

12 MR. WILLIAMS: Out of the 20 top
13 spending agencies --

14 CHAIRMAN RIVERA: Right in the middle.

15 MR. WILLIAMS: Agencies and
16 universities, we're eleventh.

17 CHAIRMAN RIVERA: Got it. Okay. And
18 then before the cut from last year, do you have what we
19 were ranked in 2021?

20 MR. WILLIAMS: In 2021. Of the 19
21 largest spending state agencies and universities, we
22 were ranked tenth by overall HUB percentage.

23 CHAIRMAN RIVERA: Okay. Okay. Thank
24 you very much.

25 MR. WILLIAMS: Yes, sir.

1 CHAIRMAN RIVERA: Commissioners, any
2 other questions, thoughts?

3 COMMISSIONER SAENZ: Thank you, Eric.

4 CHAIRMAN RIVERA: Eric?

5 MR. WILLIAMS: Yes, sir. And this is an
6 action item and General Counsel, Bob Biard, will have
7 that document for you to sign.

8 CHAIRMAN RIVERA: Okay. Is there a
9 motion to approve the report?

10 COMMISSIONER SAENZ: I make a motion.

11 CHAIRMAN RIVERA: Is there a second?

12 COMMISSIONER STEEN: Second.

13 CHAIRMAN RIVERA: All right. We have a
14 motion and a second. All in favor say aye.

15 (Chorus of "ayes")

16 CHAIRMAN RIVERA: Okay. Good job.

17 MR. WILLIAMS: Thank you, sir.

18 CHAIRMAN RIVERA: Thank you very much,
19 sir.

20 MR. WILLIAMS: Thank you.

21 AGENDA ITEM NO. IV

22 CHAIRMAN RIVERA: Okay. Next item is a
23 report from Angela, advertising media services
24 contract.

25 MS. ZGABAY-ZGARBA: Good morning,

1 chairman and commissioners. For the record, my name is
2 Angela Zgabay-Zgarba, Director of Administration. Item
3 IV in your notebooks is an action item.

4 Staff is seeking commission approval to
5 execute a contract with LatinWorks Marketing LLC, dba
6 Third Ear, for advertising media services. The term of
7 the contract will be for a five-year period upon
8 execution.

9 Commissioners have independently
10 confirmed they do not have a financial interest in
11 LatinWorks Marketing LLC, dba Third Ear. I'd be happy
12 to answer any questions you may have.

13 CHAIRMAN RIVERA: Commissioners, any
14 questions?

15 COMMISSIONER FRANZ: No.

16 CHAIRMAN RIVERA: If not, is there a
17 motion to approve the contract?

18 COMMISSIONER FRANZ: I move that we
19 approve.

20 CHAIRMAN RIVERA: Is there a second?

21 COMMISSIONER SAENZ: Second.

22 CHAIRMAN RIVERA: All in favor say aye.

23 (Chorus of "ayes")

24 CHAIRMAN RIVERA: Okay. Motion
25 approves. Thank you very much, Angela.

1 MS. ZGABAY-ZGARBA: Thank you.

2 AGENDA ITEM NO. V

3 CHAIRMAN RIVERA: Okay. Item Number V,
4 report on lottery sales and revenue. Kelly and Robert,
5 your item.

6 MS. STUCKEY: Good morning,
7 commissioners.

8 CHAIRMAN RIVERA: Morning.

9 MS. STUCKEY: Kelly Stuckey, Controller
10 with the agency, and with me this morning is Robert
11 Tirloni, our Lottery Operations Director. And we're
12 here to present the sales item today through week
13 ending April 8th, 2023.

14 So if we look here at this first slide,
15 we'll look at comparative sales presented at the bottom
16 of the slide, and it's here we'll see through this 32-
17 week period total sales for fiscal year '23 are
18 \$5,294,000,000. That's an increase of over \$330-
19 million or 6.7 percent, over \$4,964,000,000 in sales
20 the same time last year.

21 For looking at scratch sales, fiscal
22 year '23 sales are on that second orange bar on the
23 right and are \$4,093,000,000, and that's a 17.1-million
24 or 0.4 percent increase over the fiscal year '22 sales.
25 And then due to our strong draw sales this fiscal year,

1 scratch sales are currently making up 77.3 percent of
2 our total sales as compared to the 82.1 percent we had
3 last year.

4 Then looking at draw sales, our '23 draw
5 sales continue to see great growth as a result of those
6 sizable jackpots we had earlier this year in Mega and
7 Powerball, as well as our rolling Lotto Texas jackpot
8 that's currently advertised at 66.75-million.

9 So, looking at the second blue bar on
10 the right, our '23 draw sales are 1,201,000,000, and
11 that's a \$313-million increase or a 35.3 percent over
12 last year. So, now I'll turn it over to Robert and he
13 can get into the details by game.

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

16 We'll start and you do have printed
17 slides in front of you as well. I know it could be a
18 little challenging to see the screen. We'll start
19 towards the bottom with the total for the draw games.

20 Draw games are up \$313-million through
21 last Saturday, the 8th. The majority of that, or
22 almost all of it, is coming from the jackpot portion of
23 the portfolio.

24 We've talked a little bit about this in
25 previous meetings, but we've had a tremendous year in

1 terms of jackpots for all of our games. It's quite
2 amazing actually. It started last summer with Mega
3 Millions when we had a \$1.28-billion jackpot and we've
4 just consistently seen very healthy, very solid jackpot
5 rolls.

6 I usually focus on the multi-state games
7 when there are big jackpots, but actually our own
8 in-state Lotto Texas jackpot has been rolling since
9 September. And as Kelly mentioned, we're currently
10 advertising a jackpot of \$66.75-million for the
11 Saturday drawing. That's the highest jackpot since
12 2010, when the jackpot was 97.

13 So, it's not a billion, but for our
14 in-state game, that's a sizable jackpot and there's
15 quite a bit of excitement around it and you can see the
16 sales results from that jackpot roll that has been
17 going on for a while now.

18 We're up almost \$27-million on Lotto.
19 We're up just over \$9-million on the Extra! feature for
20 Lotto. Again, all Mega Millions and its add-on
21 features and Powerball and its add-on feature are all
22 up. And even our smaller in-state jackpot game, Texas
23 Two Step is up 1.6-million. So, really healthy results
24 from the jackpot portion of the portfolio.

25 For the daily games, in blue in the

1 middle of the slide, we're up 2.3-million overall. The
2 only game that's down is Pick 3, it's down 4.2-million.
3 That's not an abnormal trend, we've been seeing
4 declines in that game. So again, as a whole, draw
5 games are up 313-million.

6 Last time we met, I told you we were
7 experiencing some soft sales from the scratch portion
8 of the portfolio, that has rebounded. We are up \$17-
9 million and we're at about 4,093,000,000 in total sales
10 through last Saturday.

11 I did provide you a sample of our newest
12 \$100 game. This is the second \$100 game we've
13 introduced. And it is Loteria Supreme. Loteria is a
14 very popular family of games for us, it does very,
15 very well. And this game is off to a great start.
16 It's only been out -- last week was its first weekend,
17 it was the number one selling scratch ticket last week.
18 So, I expect even stronger sales this week from that
19 game.

20 And all told, we are up \$330-million
21 year-over-year, and we feel good about where we're at.
22 One note, as we get into the late summer, we will have
23 some very tough comparison weeks on the draw game side
24 because of that very large Mega Millions jackpot I
25 referenced a moment ago. So, we will probably see a

1 decline in draw game, the surplus that we have of 313,
2 there's a possibility that that's going to decrease
3 when we get to those tough comparison weeks. But we
4 believe we have a healthy surplus now, and we feel good
5 about where we are for the remainder of the year.

6 And that's our report for today, Mr.
7 Chairman. We're happy to answer any questions.

8 CHAIRMAN RIVERA: Okay. Commissioners,
9 any questions, comments, thoughts? Okay. Good job.

10 MR. TIRLONI: Thank you so much.

11 COMMISSIONER SAENZ: Thank you.

12 AGENDA ITEM NO. VI

13 CHAIRMAN RIVERA: Okay. Next item is
14 report on transfers to the State. Kelly, this is your
15 item.

16 MS. STUCKEY: Yes. So, Commissioners,
17 for this item, it's just a briefing item. In your
18 notebook there's a report that shows our cumulative
19 transfers to the State through the February 28th, 2023.
20 So, total accrued revenue transfers to the State
21 amounted, excuse me, to \$1,002,000,000 for the first
22 six months of fiscal year '23. And of that amount,
23 939-million was transferred to the Foundation School
24 Fund, 13.9-million was transferred to the Texas
25 Veterans Commission, and the remaining 49-million was

1 transferred from unclaimed prizes.

2 So, specifically for the Foundation
3 School Fund, we are looking at a 14.3 percent increase,
4 or 118-million when compared to fiscal year '22 at the
5 same time. Cumulative overall, our transfers to the
6 Foundation School Fund are \$30.6-billion, and
7 cumulative to the State are 36.6-billion.

8 And then the second half of this item
9 also included in your notebook is our fiscal year '23
10 method of finance summary for the second quarter,
11 ending again in February. In this, in summary, the
12 Commission's lottery account budget for '23 is at 256-
13 million. And of this amount, 80 percent or 204-million
14 has been spent or encumbered through the end of the
15 second quarter. And then the Bingo Administration
16 budget funded by general revenue is budgeted at 2.1-
17 million with 90 percent expended or 1.9-million through
18 the end of the second quarter.

19 Commissioners, this concludes my
20 presentation unless you have any questions.

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

23 COMMISSIONER SAENZ Thank you, Kelly.

24 CHAIRMAN RIVERA: Thank you so much.

25 AGENDA ITEM NO. VII

1 CHAIRMAN RIVERA: Okay. Next item is a
2 report on the legislative session. Nelda, this is your
3 item.

4 MS. TREVINO: Good morning,
5 commissioners. For the record, I'm Nelda Trevino,
6 Director of Governmental Affairs. I'll be providing a
7 brief report regarding the 88th legislative session.
8 We've provided you an updated tracking report this
9 morning, and today I'm going to be highlighting some
10 bills more specific to the agency's operations and that
11 have had some recent legislative actions from the time
12 period from our last commission meeting.

13 I'll begin with an update of the
14 appropriations bill, House Bill 1, and Senate Bill 1,
15 the House and Senate versions of the State's budget for
16 the next biennium, and the actions that have been taken
17 specifically related to the agency.

18 The House Appropriations Committee
19 approved the agency's exceptional item request for the
20 authority to increase the funding for scratch ticket
21 production by \$17.4-million for fiscal year 2025.

22
23 However, when the budget bill was considered by the
24 full house last week, three floor amendments negatively
25 impacting the agency's appropriations in funding were

1 adopted. These adopted amendments decrease funding
2 from the agency's appropriations and take dollars to
3 increase funding in other state programs within the
4 appropriations bill.

5 One amendment adopted decreases the
6 agency's appropriations and impacts the agency's
7 funding for the regulation of charitable bingo. Two of
8 the amendments adopted impact the lottery's advertising
9 budget and combined decrease the current 10-million
10 annual budget to approximately \$4-million.

11 The Senate Finance Committee considered
12 their version of the budget bill and also approved the
13 agency's exceptional item request for the authority to
14 increase the funding for scratch ticket production by
15 the \$17.4-million for fiscal year 2025. Additionally,
16 based on some comments expressed by several members of
17 the Senate Finance Committee related to the
18 Commission's authority, along with some comments
19 regarding third-party lottery courier services
20 currently operating in the state, a rider submitted for
21 consideration by Senator Bob Hall was adopted for the
22 agency's appropriations bill pattern.

23 The rider language basically states that
24 the Executive Director of the Lottery Commission shall
25 not allow -- excuse me, shall not allow the order or

1 purchase of a lottery ticket by telephone, including
2 facilitating sale of tickets via an application in a
3 phone. A conference committee comprised of House and
4 Senate members will eventually be formed to reconcile
5 all the differences between the House and Senate
6 versions of the budget bill.

7 A few other bills that I want to mention
8 and provide an update on include Senate Bill 1820 by
9 Senator Bob Hall. This relates to prohibiting the play
10 and function of play of a lottery game by telephone
11 through the internet. The intent of the bill is to
12 prohibit third-party lottery courier services, and this
13 bill was considered and voted favorably by the Senate
14 State Affairs Committee and yesterday the bill was
15 considered by the full Senate and was also favorably
16 passed.

17 House Bill 3944 by representative Salman
18 Bhojani relates to the compensation paid to the lottery
19 retailers and amends the Lottery Act to increase the
20 retailer commissions from 5 percent to 10 percent. The
21 bill was considered yesterday by the House Licensing
22 and Administrative Procedures Committee and was left
23 pending in the committee.

24 A couple of bills related to charitable
25 bingo, House Bill 423 by Representative Senfronia

1 Thompson, and the Senate companion Senate Bill 643 by
2 Senator Judith Zaffirini. This relates again to the
3 conduct of charitable bingo.

4 The Senate bill was considered and voted
5 favorably by the Senate State Affairs Committee and has
6 also been voted favorably by the full Senate.

7 The House Licensing Committee has also
8 considered the bill, and yesterday the committee was
9 voted out favorably by the committee. There is a
10 committee substitute to the filed version of the bill,
11 and the agency continues to work with the bingo
12 industry and the bill authors as it relates to the
13 language of the bill.

14 An additional bill related to charitable
15 bingo, House Bill 639 by representative Jose Lozano.
16 This relates to the number of temporary licenses issued
17 to conduct bingo to non-regular license holders.

18 This bill was considered and voted
19 favorably by the House Licensing Committee, and last
20 week was considered by the full House and was voted
21 favorably out of the House.

22 A bill that is filed every session
23 related to the sunset schedule bill, this year's bills,
24 Senate Bill 1659 by Senator Charles Schwertner and the
25 companion bill, House Bill 1570 by Representative

1 Justin Holland, relates again to the sunset schedule
2 bill and has filed a provision included in the bill
3 amended the Lottery Commission sunset date from 2025 to
4 2029.

5 However, a committee substitute to the
6 Senate version of the bill removes the provision
7 related to the Lottery Commission, which would
8 ultimately just put back into current statute the
9 agency's sunset date at 2025.

10 Lastly, the mobile sports betting bill
11 that places the regulatory oversight of the initiative
12 at the Texas Lottery Commission, House Bill 1942 and
13 HJR 102 by Representative Jeff Leach, were considered
14 by the House State Affairs Committee last month. The
15 committee took action last week, and both bills were
16 voted out favorably from the committee.

17 With regard to the Senate companion
18 bills filed by Senator Lois Kolhorst, there has been
19 no action taken by the Senate as of this date.

20 The regular legislative session will
21 conclude on Monday, May 29th, and at that time we will
22 review bills that have been enacted that require
23 implementation by the agency. And this concludes my
24 report and I'll be happy to answer any questions.

25 CHAIRMAN RIVERA: Commissioners, any

1 questions, comments?

2 COMMISSIONER FRANZ: Yeah. Thank you,
3 Nelda. Could you just, since it looks like it may have
4 some legs, give us the quick summary again on the HB
5 431 and 643, Zaffirini and Thompson's pertaining to
6 bingo operations?

7 MS. TREVINO: Sure. Yes, absolutely.

8 So, the primary provisions of that bill
9 include removing the 750 prize limit per occasion, and
10 it also increases the bingo occasion prize limit from
11 2,500 to 3,500. It increases the number of temporary
12 licenses that a regular license holder may request from
13 24 to 48, and it changes the negative net proceeds
14 evaluation period from one year to two.

15 I would say that those were the primary
16 provisions. I would certainly look to our Bingo
17 Director, LaDonna Castañuela, just to make sure I
18 didn't miss something.

19 MS. CASTAÑUELA: You're fine.

20 CHAIRMAN RIVERA: Okay. Commissioners,
21 any other questions, comments?

22 COMMISSIONER SAENZ: No.

23 CHAIRMAN RIVERA: Nelda, can you go over
24 again, in a little bit greater detail --

25 MS. TREVINO: Sure.

1 CHAIRMAN RIVERA: -- the items regarding
2 courier in terms of how the agency was treating the
3 item previously, our level of involvement, authority,
4 ability to manage any of this.

5 MS. TREVINO: Mr. Chairman, I think I'd
6 like to ask our General Counsel to respond to that
7 question.

8 MR. BIARD: Hi. I'm Bob Biard, General
9 Counsel.

10 Before this session, and to this day, I
11 mean, I think the commission believes that it does not
12 have the authority to regulate this third-party
13 activity. That our jurisdiction is limited to the sort
14 of narrow windows of when the ticket is purchased at a
15 brick and mortar retailer. And then, of course, at the
16 time when a ticket is brought in for a claim so, we've
17 taken this narrow view of our jurisdiction, which is
18 consistent, I think, with our general approach to the
19 State Lottery Act in terms of the agency's authority.

20 So, the agency has not exercised
21 jurisdiction in this area before because we believe
22 that we don't have that authority. We understand all
23 of our authority comes from the legislature and we
24 really look for express authorization to go beyond the
25 literal terms of what's in the Act.

1 CHAIRMAN RIVERA: Perfect. Okay. Thank
2 you. And that definitely adds the need just to
3 reinforce that level of the agency's view on our level
4 of really non-existent authority regarding the courier.
5 So, we appreciate your legal counsel.

6 MR. BIARD: Thank you.

7 CHAIRMAN RIVERA: So, all right, Bob.
8 Thank you.

9 Nelda. Good job.

10 MS. TREVINO: Thank you.

11 AGENDA ITEM NO. VIII

12 CHAIRMAN RIVERA: Okay. Next item is
13 our internal auditor report. Darlene, this is your
14 item.

15 MS. BROWN: Good morning, commissioners.
16 For the record, my name is Darlene Brown and I am your
17 internal auditor.

18 In your materials is a copy of our
19 status report on the fiscal year 2023 annual internal
20 audit plan. We're currently working on two audits.
21 The first is the key vendor system and organizational
22 controls, which is better known in the world as SOC.
23 And we're looking at the user control considerations.
24 There's 37 controls listed in the SOC report for the
25 scratch ticket vendors and the lottery operator for

1 which TLC has been identified as being responsible for.

2 This annual audit is being implemented
3 as a recommendation to the biannual security study
4 that's performed on the agency by a third party, so
5 we'll be doing this audit every year.

6 The second audit that we have underway
7 is the Business Resiliency Plan, and that's often
8 referred to in the state as the COOP plan, Continuity
9 of Operations Plan. What we're doing there is we're
10 assessing the plan's completeness and any updates that
11 are required as a result of changes to operations from
12 moving to the building to make sure if anything does
13 happen, the agency's well positioned to continue
14 business without interruption.

15 Both of these audits will be finalized
16 and reported at the June 2023 commission meeting.

17 Additionally, we're on target to complete all
18 of the audits identified in the approved plan and stay
19 within the approved budget. Probably even come a
20 little under.

21 So, that concludes my report for today,
22 but I'll be happy to answer any questions.

23 CHAIRMAN RIVERA: Okay. Commissioners,
24 any comments, thoughts? Darlene, great job as always.
25 Thank you so much.

1 MS. BROWN: Thank you.

2 COMMISSIONER FRANZ: Thank you, Darlene.

3 AGENDA ITEM NO. IX

4 CHAIRMAN RIVERA: Okay. Next item is a
5 report on charitable bingo. LaDonna, this is your
6 item.

7 MS. CASTAÑUELA: Good morning,
8 commissioners. For the record, I'm LaDonna Castañuela,
9 Director of Charitable Bingo Operations Division.

10 Item Number IX is a follow up of an item
11 that I presented to you last August regarding
12 statutorily required reported data related to adjusted
13 gross receipts and net proceeds for charitable bingo.
14 When I spoke to you last summer, I provided financial
15 information for five consecutive calendar years ending
16 with calendar year 2021 which was the most recent
17 available at that time, and I committed that I would
18 bring back to you calendar year 2022 information as
19 soon as we had it. As you know, the charitable bingo
20 industry reports by calendar quarter, and so calendar
21 year 2022 data was not available until the reports were
22 due in late January.

23 In your notebooks for this item, you'll
24 find a table including previously provided information
25 for calendar years 2020 and 2021 and the recently

1 reported information for calendar year 2022. This is
2 not an action item.

3 I have nothing further unless you have
4 any questions.

5 CHAIRMAN RIVERA: Okay. Commissioners,
6 any thoughts? Good job. Thank you so much.

7 AGENDA ITEM NO. XI

8 CHAIRMAN RIVERA: Okay. Next item is a
9 report from our esteemed Executive Director. Gary,
10 this is your item.

11 MR. GRIEF: Thank you, Mr. Chairman.
12 Good morning, commissioners. Other than what's in your
13 notebooks today, I have nothing further to report.

14 CHAIRMAN RIVERA: Okay. Commissioners,
15 any input to Gary and anything he has going on here?
16 Okay. Gary, thank you.

17 AGENDA ITEM NO. XII

18 CHAIRMAN RIVERA: Alrighty. Item XII is
19 law enforcement cases. Bob, your item?

20 MR. BIARD: Yes. Commissioners, Item
21 XII contains six lottery cases, tabs A through F. In
22 these cases, commission staff found a licensee violated
23 a lottery statute or rule. In many cases, either the
24 respondent fails to appear at the hearing and it
25 proceeds by default or staff and the respondent reach a

1 settlement in the form of an agreed order. And we have
2 both types of these cases today.

3 Tabs A through E are the non-sufficient
4 fund lottery retailer license revocations. Each case
5 was presented at the State Office of Administrative
6 Hearings for revocation of the retailer license because
7 the licensee failed to have sufficient funds in their
8 bank account to cover electronic funds transfers to the
9 commission's account. In each case, the licensee
10 failed to appear at the hearing and the judge remanded
11 the case to the commission to handle as a default
12 matter.

13 Tab F is a lottery agreed order. This
14 one case involved a retailer's employee who, without
15 his employer's consent, allowed a commission
16 investigator to purchase a lottery ticket with a credit
17 card and is a 30-day suspension.

18 That concludes my presentation, and you
19 may take up these cases in a single vote if you like,
20 and I'll be happy to answer any questions.

21 CHAIRMAN RIVERA: Okay. Is there a
22 motion to approve orders in tabs A through F?

23 COMMISSIONER SAENZ: I make a motion.

24 COMMISSIONER FRANZ: Second.

25 CHAIRMAN RIVERA: Alrighty. We have a

1 motion, couple of seconds, couple motions.

2 CHAIRMAN RIVERA: I think everyone is in
3 complete favor of this. All in favor say aye.

4 (Chorus of "ayes")

5 CHAIRMAN RIVERA: Bob, good job.

6 AGENDA ITEM NO. XIII

7 CHAIRMAN RIVERA: I take it -- do we
8 have any public comments, Bob?

9 MR. BIARD: I have no requests for
10 public comment.

11 AGENDA ITEMS NOS. XIV. AND XV.

12 (COMMISSIONERS DID NOT MEET IN EXECUTIVE SESSION)

13 CHAIRMAN RIVERA: Okay. Alrighty.
14 Before we end the meeting, on behalf of our fellow
15 commissioners present and Cindy as well, we want to
16 thank all of our employees all the way, from Gary all
17 the way to our most recent hire, y'all are doing a
18 tremendous job for the State. The agency is performing
19 on all cylinders.

20 We know a lot of you have a lot of extra
21 duties right now in regard to session being ongoing.
22 And so, Eric, Nelda, everyone, who are involved in
23 making sure that we, the agency, the commissioners, are
24 all up to date on everything in terms of our
25 initiatives. And just we're grateful for all of the

1 hard work and effort that all of y'all put in every
2 single day. So, thank you for what you do.

3 AGENDA ITEM NO. XVI

4 CHAIRMAN RIVERA: So, with that, is
5 there a motion to adjourn?

6 COMMISSIONER SAENZ: I make a motion.

7 CHAIRMAN RIVERA: Okay. Second?

8 COMMISSIONER FRANZ: Second.

9 CHAIRMAN RIVERA: Okay. We are
10 adjourned. Thank you, everyone.

11 (Meeting adjourned at 10:33 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 24th day of April, 2023.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

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