

TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS LOTTERY COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

October 12, 2023

10:00 a.m.

AT

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

APPEARANCES

CHAIRMAN: Robert G. Rivera

COMMISSIONERS: Mark A. Franz
Erik C. Saenz
Cindy Lyons Fields

GENERAL COUNSEL: Robert F. Biard

EXECUTIVE DIRECTOR: Gary Grief

CHARITABLE BINGO
OPERATIONS DIRECTOR: LaDonna Castañuela

CONTROLLER: Sergio Rey

PRODUCTS MANAGER: William Russ

MCCONNELL & JONES LLP: Darlene Brown

BINGO ADVISORY
COMMITTEE CHAIRMAN: William "Trace" Smith III

DIRECTOR OF ADMINISTRATION: Angela Zgabay-Zgarba

DEPUTY EXECUTIVE DIRECTOR: Ryan Mindell

ASSISTANT GENERAL COUNSEL: Tyler Vance

BINGO INTEREST GROUP: Steve Bresnen

SPECIAL COUNSEL: Deanne Rienstra

FINANCIAL OPERATIONS MANAGER,
OFFICE OF THE CONTROLLER: Annika Guarnero

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 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 Texas Government Code
 Chapters 466 (State Lottery Act) and 467 (Texas
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 Open Meetings Act, the Public Information Act, the
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1 XVIII. Return to open session for further deliberation
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4 XIX. Adjournment.

5 Reporter's Certificate.

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P R O C E E D I N G S

THURSDAY, OCTOBER 12, 2023

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Good morning. I'd like to call this Texas Lottery Commission meeting to order. Today's October the 12th. It is 10:00 a.m., we have 80 percent of our Commissioners are here, and we will start Pledge of Allegiance to the U.S. and Texas flags.

(Pledges recited)

CHAIRMAN RIVERA: Okay. Good morning, everyone. Thank you all for being here, including our transcriber who is not here, but is remotely transcribing. So, good morning to you.

AGENDA ITEM NO. II

CHAIRMAN RIVERA: Alrighty. First item of this report. First item is a report on the Bingo Advisory Committee. Trace, this is your item.

MR. SMITH: Morning, Mr. Chairman, Bingo Commissioner Fields and Commissioners. I'm pleased to report that the Bingo Advisory Committee met yesterday and we answered several important questions on the agenda.

We started out with the refresher training on the Open Meetings Act and the Public

1 Information Act, which was very informative. We also
2 had four members of the Sunset Commission in attendance
3 yesterday, which we were glad to have and look forward
4 to helping in that process.

5 We also had a discussion about the
6 recent sale of the two major distributors of bingo
7 product in the State of Texas. This sale brings the
8 top two distributors of bingo products in the state
9 together and puts roughly 70 to 75 percent of bingo
10 product under one roof.

11 We also talked about the Comptroller
12 audits of the units in the State of Texas. With swift
13 action from Lisa Craven and the Comptroller, Glenn
14 Hegar, they worked with LaDonna and Vivian to fix these
15 charities' issues before they started. Also, thanks to
16 Steve Bresnen for helping and orchestrating the quick
17 resolution of these problems. And on a side note, it
18 is Steve Bresnen's birthday today, so if y'all get a
19 chance later, be sure to wish him a happy birthday.

20 The Bingo Advisory Committee also voted to
21 unanimously support the draft rules from the staff for
22 the rulemaking process.

23 And last, we are looking forward to
24 receiving the applications to replace our member
25 manufacturer representative Emile Bourgoyne, who is

1 retiring from the BAC in December. Thank you.

2 CHAIRMAN RIVERA: Okay. Commissioners,
3 any discussion? Cindy?

4 COMMISSIONER FIELDS: Just to -- I don't
5 know if this is on or not, but just a quick note.
6 Thank you for your continued leadership at the BAC and
7 also thanks to Emile for representing his industry for
8 all these years. And he's got big shoes to fill.

9 MR. SMITH: Yes.

10 COMMISSIONER FIELDS: And one thing I'd
11 like to bring up that Trace, he never fails to mention
12 at the BAC committee meetings, that he's grateful for
13 the level of cooperation that he now gets from the CBOD
14 staff, and in particular, LaDonna and Vivian. And
15 state employees don't get compliments very often,
16 especially with regulatory agencies and I think it's
17 well deserved. And also, he also mentions how great
18 Tyler is to work with as well.

19 MR. SMITH: Absolutely.

20 COMMISSIONER FIELDS: Thank you. We're
21 --

22 MR. SMITH: It's our pleasure. It's
23 definitely wonderful to have that relationship, so
24 we're very grateful.

25 COMMISSIONER FIELDS: Good.

1 MR. SMITH: Thank you.

2 CHAIRMAN RIVERA: Okay. Trace, thank
3 you very much. Good job.

4 AGENDA ITEM NO. III

5 CHAIRMAN RIVERA: Alrighty. Next three
6 items are contract matters. Angela, your item.

7 MS. ZGABAY-ZGARBA: Good morning
8 Chairman, Commissioners. For the record, my name is
9 Angela Zgabay-Zgarba, Director of Administration. Item
10 three in your notebooks is an action item. Staff is
11 seeking Commission approval to issue the procurement
12 for lottery operations and services in late spring,
13 early summer of 2024. The current contract expires
14 August 31 of 2026. This is by far our largest
15 procurement and contract, and it takes a significant
16 amount of time and effort to go from issuance of an
17 RFP, award of a contract, and transition these services
18 throughout the state.

19 It is staff's intent to award the
20 contract and have it negotiated and signed more than
21 one year in advance, giving the opportunity for several
22 months of transition. To allow the Commission the
23 opportunity to have any discussion and advise you of
24 milestones, we intend to provide periodic updates until
25 such time as we've made a recommendation for award.

1 If you have any questions, Mr. Chairman,
2 I'd be happy to answer them.

3 CHAIRMAN RIVERA: Okay. Commissioners,
4 any discussion? Is there a motion to approve?

5 COMMISSIONER FRANZ: I'll move to
6 approve the --

7 CHAIRMAN RIVERA: Okay. We have a
8 motion; is there a second?

9 COMMISSIONER SAENZ: Second.

10 CHAIRMAN RIVERA: Okay. We have a
11 motion and second, all in favor says aye.

12 (Chorus of "ayes")

13 CHAIRMAN RIVERA: Motion passes.

14 MS. ZGABAY-ZGARBA: At this point, I'd
15 like to turn it over to our Executive Director, Mr.
16 Grief, for some comments regarding this item.

17 CHAIRMAN RIVERA: Thank you, Angela.

18 MR. GRIEF: Mr. Chairman and Commissioners, I
19 want to assure the Commission this procurement is
20 receiving my full attention and the full attention of
21 the entire senior management team at the Lottery. As a
22 reminder, under the current lottery operator contract,
23 IGT is paid on a percentage of gross lottery sales, and
24 that contract is currently valued at approximately \$160
25 million annually. This particular procurement above

1 all the others that we manage is critical to the
2 success of the Texas Lottery. It's important that we
3 keep you apprised of our progress as we meet our
4 milestones in the development of the request for
5 proposal. We're being methodical in our approach,
6 mindful of even the smallest detail, incorporating
7 lottery industry and State of Texas best practices,
8 including contractors, into this process, and we're
9 purposely being conservative in the timing of the
10 issuance of our request for proposal. We are very
11 fortunate to have Angela Zgarba overseeing this process
12 for us as she is one of the most knowledgeable and
13 experienced contract managers in the State of Texas.

14 Ultimately, our desire is to issue a
15 request for proposal that represents the best in
16 procurement in the State of Texas; Angela's going to
17 help us see to that, and one that will yield the most
18 value for the Foundation School Fund and for the Fund
19 for Veterans Assistance. So Commissioners, we look
20 forward to briefing you on our progress as this moves
21 over the next few months. Thank you.

22 MS. ZGABAY-ZGARBA: Thank you.

23 CHAIRMAN RIVERA: All right.

24 AGENDA ITEM NO. IV

25 MS. ZGABAY-ZGARBA: Item four in your

1 notebook is also an action item. Staff is seeking
2 Commission approval to enter into new contracts with
3 Pro Silver Star and Frisco Management, also known as
4 the Dallas Cowboys and the Star. These contracts will
5 expand our current trademark licensing and promotional
6 support agreements while continuing to provide us an
7 ongoing marketing and promotional presence at the Star
8 Complex and for the Dallas Cowboy scratch off ticket.
9 This will allow us to continue our very successful
10 relationship with the Dallas Cowboys brand and its
11 organization.

12 CHAIRMAN RIVERA: Okay. Commissioners,
13 any discussion? Okay. Is there a motion?

14 COMMISSIONER FRANZ: I make a motion.

15 CHAIRMAN RIVERA: Okay. We have a
16 motion.

17 COMMISSIONER FIELDS: Second.

18 CHAIRMAN RIVERA: We have a second. All
19 in favor say aye.

20 (Chorus of "ayes")

21 CHAIRMAN RIVERA: Okay. Motion passes.

22 MS. ZGABAY-ZGARBA: All right.

23 CHAIRMAN RIVERA: Next item.

24 AGENDA ITEM NO. V

25 MS. ZGABAY-ZGARBA: Item five. Item

1 five in your notebook is a briefing item. Texas
2 Administrative Code 401.105 requires the Executive
3 Director to provide the status of all contracts to the
4 Commission annually for informational purposes, and
5 further requires that for each contract with a value
6 exceeding \$1-million, additional information including
7 contract compliance, corrective action plans and
8 sanctions, be reported. A copy of this report's
9 included in the notebook for informational purposes,
10 and if you have any questions, I'd be happy to answer
11 those.

12 CHAIRMAN RIVERA: Okay. Any discussion?
13 No? Angela, good job as always. Thank you very much.

14 MS. ZGABAY-ZGARBA: You're welcome.

15 CHAIRMAN RIVERA: Alrighty.

16 AGENDA ITEM NO. VI

17 CHAIRMAN RIVERA: Next item is adoption
18 of lottery rule changes. Tyler Vance, this is your
19 item.

20 MR. VANCE: Good morning, Mr.
21 Commissioner. I have for your consideration today the
22 possible adoption of lottery rules 401.152, 401.302,
23 401.362 and 401.370. These rules were published in the
24 Texas Register following the last Commission meeting,
25 and we received no comments. Therefore, staff ask that

1 you -- or recommends, rather, that you adopt these
2 rules.

3 CHAIRMAN RIVERA: Okay. Commissioners,
4 any discussion? If not, is there a motion?

5 COMMISSIONER FIELDS: Move to approve.

6 CHAIRMAN RIVERA: We have a motion --

7 COMMISSIONER FRANZ: I'll second.

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

10 (Chorus of "ayes")

11 CHAIRMAN RIVERA: Okay. All right,
12 passes.

13 AGENDA ITEM NO. VII

14 CHAIRMAN RIVERA: So, next item is Bingo
15 Rule proposal. Tyler, your item.

16 MR. VANCE: Yes, sir. We have for your
17 consideration today the possible proposal of amendments
18 to bingo rules 402.200, .203, .400, .401, .404, .405,
19 .413, .420, .451, .452, .503, .600, .706, .707. These
20 rules are necessary to implement three bills related to
21 bingo that passed in the most recent session and
22 therefore, staff recommends that you propose these so
23 we can publish them the Texas Register and open it up
24 for comment. And of course, as Trace mentioned, the
25 BAC has recommended proposing these rules as well.

1 CHAIRMAN RIVERA: Great. Okay. We do
2 have one speaker who would like to weigh in on this:
3 Steve Bresnen.

4 MR. BRESNEN: Thank you, Mr. Chairman.
5 Steve Bresnen here on behalf of the Bingo Interest
6 Group. We fully support publishing the rules. I want
7 to thank the staff for giving us early input and
8 they've been thoroughly reviewed by a number of people.
9 We think they're consistent with the new bills, and
10 they've done a really good job of implementing the new
11 legislation even before all this could be put in place.
12 So, we appreciate y'all and we support publishing the
13 rules.

14 CHAIRMAN RIVERA: Okay. Steve, we
15 appreciate your insight. Thank you. Okay. Is there a
16 motion to publish?

17 COMMISSIONER FRANZ: I'll move that we
18 move forward with these proposals.

19 COMMISSIONER SAENZ: I'll second.

20 CHAIRMAN RIVERA: Second, okay. All in
21 favor say aye.

22 (Chorus of "ayes")

23 CHAIRMAN RIVERA: Okay. It passes.
24 Tyler, thank you. Good job.

25 AGENDA ITEM NO. VIII

1 CHAIRMAN RIVERA: Next item is rule
2 review.

3 MS. RIENSTRA: Good morning, Chairman,
4 Commissioners. I'm Deanne Rienstra, Special Counsel.
5 Every four years a state agency is required to review
6 its rules and include an assessment as to whether the
7 rules are still needed, that the reason for the rule
8 continues to exist. We would like to propose
9 publication. This is an action item. We request
10 publication of the rule review for comment for 30 days.
11 These include chapters 401, 402 and 403.

12 At the conclusion of the comment period,
13 we'll bring the rules back to you with an order stating
14 whether or not the rules need amendment or repealing at
15 that time. So, we request publication.

16 CHAIRMAN RIVERA: Okay. Commissioners,
17 any discussion? Okay. Is there a motion?

18 COMMISSIONER SAENZ: I'll make a motion.

19 CHAIRMAN RIVERA: Motion --

20 COMMISSIONER FIELDS: Second. All in
21 favor say aye.

22 (Chorus of "ayes")

23 CHAIRMAN RIVERA: Deanne, thank you so
24 much.

25 MS. RIENSTRA: Thank you.

1 AGENDA ITEM NO. IX

2 CHAIRMAN RIVERA: Okay. Next item is a
3 report on lottery sales and revenue.

4 MR. GRIEF: Mr. Chairman, if I could
5 just say a couple of things?

6 CHAIRMAN RIVERA: At any time.

7 MR. GRIEF: So, before we have -- I'm
8 sorry, can we have the lights up, please? So before we
9 go through the sales report this morning, I did want to
10 introduce our new Controller, Sergio Rey, to you. But
11 before I do that, I'm going to publicly thank Annika
12 Guarnero sitting over here in the beautiful green dress
13 for serving as Acting Controller for the last several
14 weeks.

15 We all understand that people retire or
16 leave the agency for a variety of reasons from time to
17 time, but it's how well prepared we are and how deep
18 our bench is that really matters. And Annika has done
19 an outstanding job in stepping up in an acting capacity
20 and filling that role of Controller for us, and we owe
21 her a debt of gratitude.

22 So, now I would like to introduce Mr.
23 Sergio Rey, standing at the podium, our new agency
24 Controller. Sergio, comes to us after a two-year stint
25 at the Texas Water Development Board. And before that,

1 a decade of experience working at the Texas Department
2 of Motor Vehicles.

3 Sergio started a week ago Monday, and he
4 has had to hit the ground running, coming on board in
5 the middle of a billion-dollar Powerball jackpot, with
6 our Sunset review now officially kicked off, and our
7 lottery operator procurement process getting into full
8 swing, among other things. So, we're counting on great
9 things from Sergio going forward, and I've asked him to
10 address the Commission today with some brief comments
11 and answer any questions that the Commissioners might
12 have.

13 MR. REY: Good morning, Mr. Chairman,
14 Commissioners. My name is Sergio Rey, the new
15 Controller. I'm very excited to be a part of what I've
16 in this short two weeks have noticed is a great
17 organization. I'm very proud to be here, and I look
18 forward to continuing providing service to the State of
19 Texas and supporting the mission of this great agency.

20 CHAIRMAN RIVERA: Okay. Sergio, you are
21 absolutely appreciated and we're grateful for your
22 experience that you're bringing to the table. And we
23 know that you're, as Gary said, already hit the ground
24 running and doing great things and we have high
25 expectations of you and we know that you're going to

1 deliver great things for Texas Lottery and the State as
2 you always have. We're excited.

3 MR. REY: Thank you.

4 MS. GUARNERO: Good morning, Mr.
5 Chairman and Commissioners. My name is Annika
6 Guarnero, Financial Operations Manager in the Office of
7 the Controller. With me this morning is Lottery
8 Operations Products Manager, Will Russ. We are excited
9 to provide an update on final sales and revenue results
10 for fiscal year 2023. We will begin our presentation
11 with revenue highlights.

12 The Commission completed the fiscal year
13 with \$2,162,000,000 in accrued revenue transfers to the
14 State, the highest revenue transfer to our
15 beneficiaries in the history of the Texas Lottery. Of
16 that overall transfer amount, \$2.131-billion went to
17 the Foundation School Fund, and then additionally,
18 \$29.7-million went directly to the Texas Veterans
19 Commission from the sale of scratch ticket games
20 dedicated to the fund for Veterans Assistance. This is
21 the largest annual transfer to the Veterans Fund since
22 the designated scratch ticket games began in FY2010.
23 Veterans revenue for FY23 exceeded last fiscal year by
24 more than \$3.6-million.

25 Thanks to the hard work of our entire

1 lottery team, our vendor partners, and our retailers,
2 our cumulative revenue transfers to the beneficiaries
3 are now more than \$37.7-billion.

4 Here we have the revenue records that we
5 made this year. These revenue records were made
6 possible by Texas Lottery generating \$8.73-billion in
7 sales, making this our 13th consecutive record breaking
8 year in lottery sales. The new sales record exceeded
9 last year's record by \$428-million.

10 Another record was prizes paid to
11 players with more than \$5.9-billion in prizes won by
12 players. This broke the previous record set in FY22 by
13 more than \$244-million.

14 In FY23, our retailers were paid more
15 than \$436-million in Commission payments. This was
16 also another record in payments to retailers. We'd
17 also like to note that we concluded the fiscal year
18 with an administrative expenditure rate of 3.12
19 percent, which is well below our statutorily allowed 7
20 percent.

21 Now moving on to detailed sales data.
22 As mentioned earlier, final sales for FY23 were \$8.73-
23 billion and surpassed the previous sales record set
24 last year by \$428.8-million over fiscal year '22. To
25 expand on those sales numbers a little further, we

1 ended the fiscal year with \$6.729-billion in scratch
2 ticket sales as noted on the second orange column.
3 This is also a new sales record, marking the best year
4 of scratch ticket sales since we began selling tickets.
5 This reflects a sales increase of more than \$1.99-
6 million above the \$6.727-billion sales record set last
7 year.

8 Draw sales concluded the year with
9 \$1.996-billion in sales as noted on the second blue
10 bar. Also, this is a new draw sales record with an
11 increase of \$426.8-million over last year's draw sales
12 record of \$1.569- billion.

13 Okay. So, this slide provides an
14 overview of the 32-year history of scratch and draw
15 games sales for the Commission. Consistent with the
16 prior slide, scratch ticket sales are noted with the
17 orange bar and draw sales are noted with the blue bar.
18 We began back in 1992 with \$591,000 of scratch tickets
19 sold in their first year of operations with no draw
20 sales, now growing to \$8.73-billion in total sales per
21 fiscal year 2023.

22 One of the take-aways that I would like
23 to share from this chart is that over the last five
24 years, total sales have grown from \$5.6-billion in
25 FY2018 to \$8.73-billion in FY2023, which is a \$2.47-

1 billion growth, or a 39.6 percent increase.

2 That concludes my portion of this
3 presentation. I'll now turn it over to Will who will
4 get into the details of those record-breaking sales.

5 MR. RUSS: Thank you so much, Annika.
6 Good morning, Mr. Chairman. Good morning,
7 Commissioners. For the record, I'm Will Russ and I'm
8 the Products Manager. As Annika mentioned, I'm going
9 to get more into the details of our sales for fiscal
10 year '23.

11 So, on this slide you'll see where the
12 sales are coming from. The jackpot games are in the
13 top in the white font and Lotto Texas, Mega Millions,
14 Powerball, and their respective add-on features are all
15 up significantly from fiscal year '22.

16 As we discussed at meetings throughout
17 the fiscal year, this is because of jackpots, and
18 here's the quick recap. On November 7th, Powerball hit
19 1.9-billion. On January 13th, Mega Millions hit 1.35-
20 billion. In April, we ended the historic Lotto Texas
21 run when it hit 95-million. On July 19th, Powerball
22 had another \$1-billion jackpot. And then just right at
23 the end of the fiscal year in August, Mega Millions hit
24 1.58-billion.

25 This was a historic year in terms of

1 jackpots. And staff across the agency and at IGT
2 worked hard to handle the unprecedented demand. Back
3 to the slide.

4 Texas Two Step is down very slightly.
5 We are okay with this, all things considered.

6 Moving on to the middle of the slide in
7 blue are our daily games. As a whole, they're up about
8 6.3-million. As we've seen over the last several
9 years, Pick 3 is down again, but Daily 4 is up. In
10 fact, Daily 4 has seen a yearly increase since it was
11 introduced in 2008.

12 Regarding Pick 3, we'll continue to
13 support it this year with monthly exclusive co-ops that
14 retailers and players both enjoy. And as you'll see in
15 a few slides, it's still a very important part of our
16 portfolio.

17 Finally, Cash 5 is basically flat, but
18 up overall and All or Nothing is up a notable 6-
19 million. Go to the next one, Steve.

20 The next slide that we look at once a
21 year around this time represents the total sales broken
22 out between the two different product categories, and I
23 really like it this year because it's a perfect
24 illustration of the influence of all the jackpots.

25 The scratch draw split is typically

1 about 80/20 or 81/19, and this year you can see how
2 much the jackpots got players out with the 77/23 split.
3 Go to the next one, Steve.

4 This pie chart is the draw game
5 breakdown representing the 1.99-billion in sales.
6 Please note that the add-on features are included with
7 their respective base game. You can see that large
8 Powerball slice at the top taking the number one
9 position. Our number two, which won't be a surprise
10 either, is Mega Millions in that kind of teal slice.
11 And then there's Pick 3 hitting almost 300-million for
12 third place.

13 One thing I found interesting was
14 despite Lotto Texas' historic run in the spring, Pick 3
15 still held the number three spot, despite it being down
16 year-over-year. Daily 4 continues to grow, but less
17 significantly than in recent years, because I'm sure
18 our players were gravitating towards the jackpots we
19 saw. Next slide, please.

20 So, this is the same pie chart, but now
21 we're talking about scratch. So, this is the almost
22 6.73-billion in scratch sales broken down by price
23 point. The top three spots are the same as last year.
24 Number one is the \$10, number two is the \$20, and
25 number three is the \$5. However, as you can see, the

1 10 and 20 are very close. I won't be surprised if the
2 20 pass surpasses the 10 next year. The \$50 price
3 point maintains its position in the number four spot,
4 and the sales for the \$100 price point are just
5 growing, and I will talk more about that over the next
6 few slides. Next. Thanks, Steve.

7 This chart is just showing the different
8 price points for scratch with a year-over-year
9 comparison. So the orange bars are '22 and the blue
10 bars are '23. The big takeaway here, which will be no
11 surprise to anyone, is that the higher price points
12 continue to be popular and they are driving our sales.
13 Let's start all the way on the right with the \$100
14 price point, with about 575-million in sales, up about
15 363-million from '22.

16 It's no surprise here, considering the
17 first \$100 game, \$20 Million Supreme, was only out for
18 a few months in '22. In April, we launched this year's
19 most important game, the \$100 Loteria Supreme, and that
20 played a major role in the increased sales year-over-
21 year for that price point.

22 As a side note, I want to reassure the
23 Commission, we are thinking very hard about when to
24 introduce the next \$100 game. Product staff is
25 currently working on getting the new game in the

1 warehouse, and it should be on sale sometime early in
2 calendar '24. I will keep you posted on that at a
3 future meeting.

4 Moving back to the recap, the \$50 price
5 point is down a little, but that's expected considering
6 there was a \$100 game in market the entirety of '23,
7 unlike '22, and the introduction of the second \$100
8 game in April.

9 The \$30 price point remained relatively
10 flat, but I am hoping some introductions we have
11 planned will change things for '24.

12 The \$20 and \$10 price points are both
13 up. There aren't huge gains in either, but they are
14 up, and I think that will be a continued trend.

15 The \$5 price point is down, but again,
16 that's expected with the growth at the 10 and the 20.

17 The \$3 price point is relatively flat,
18 and we continue to see declines on the \$2 price point,
19 but we have had a very successful year for our veterans
20 dedicated tickets, and we set a new veterans sales
21 record as Annika mentioned.

22 Unfortunately, the \$1 price point is
23 also down, but we have a new strategy for it that will
24 be implemented over '24 and into '25. Next slide,
25 please.

1 This is the final slide and it's just a
2 simple list of the best-selling scratch ticket games.
3 Let's start at the top. The \$100 \$20 Million Supreme
4 has not been the number one game in the daily sales for
5 a while, but it was still very in demand at the
6 beginning of '23 and got the number one spot overall.
7 It pushed the \$20 Loteria down to the number two spot.
8 \$1,000,000 Crossword in the number three spot is
9 noteworthy because I think it's a great looking ticket
10 that offers extended play for our core players.

11 The number four and number five spots
12 are held by the paramount \$10 Loteria. Please note
13 this is a core game that is always in market. During
14 the year, the first game ran out and was replaced with
15 the second. If we combine the sales of those two
16 games, it would be the number one.

17 I also want to point out the \$100
18 Loteria Supreme at the number six spot. It's towards
19 the center of this ranking, but remember, it only came
20 out in April. We view this game as the main reason our
21 scratch sales were record breaking. Without it, we
22 would've certainly fell behind.

23 Finally, I want to note that the Loteria
24 themed games take up seven of the 15 spots on here and
25 assure you that we are working hard to keep these

1 tickets looking fresh, but also maintaining the appeal
2 that attracts so many of our players. Go one more,
3 Steve.

4 To recap, because of the constant
5 jackpots and consequently record breaking sales, '23
6 resulted in the highest revenue transfer to our
7 beneficiaries in the history of the Texas Lottery.

8 With that, I'll wrap up. Thank you so
9 much, Commissioners. If there are no questions, I will
10 turn it over to Mr. Grief, who I believe has some
11 comments.

12 COMMISSIONER SAENZ: I have one
13 question.

14 MR. RUSS: Yes, sir.

15 COMMISSIONER SAENZ: Do I understand
16 that the Loteria portfolio exceeds 1.3-billion in sales
17 this year? Is that my understanding?

18 MR. RUSS: I don't know the exact number
19 off the top of my head, but the Loteria games accounted
20 for more than 27 percent of our total sales. That I do
21 know, but I don't know the exact sales number.

22 COMMISSIONER SAENZ: Impressive.

23 MR. RUSS: Yes. We agree and we'll keep
24 them up. Yeah.

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

1 So, Commissioners, we're obviously very proud of the
2 results that you've heard today, but these results
3 really shouldn't come as any surprise because the Texas
4 Lottery is the undisputed industry leader, innovating
5 and modernizing our lottery products, all while closely
6 ensuring we stay within our statutory guidelines.

7 Going forward, we don't have any way of
8 predicting how high jackpots might go or what kind of
9 economy we're going to be dealing with in the coming
10 year. But what you as the board can count on, is
11 knowing that the absolute best and brightest people in
12 the lottery industry, both within our organization, and
13 within the organizations of our outstanding vendor
14 partners, are going to continue to have a laser focus
15 every single day on keeping the Texas Lottery moving
16 forward, working closely with our valuable retailers
17 located across the state to generate much needed
18 revenue for public education and veteran services.

19 Thank you, Mr. Chairman.

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

22 COMMISSIONER FRANZ: Every year we're
23 like we can't beat that, can't beat that, and then you
24 guys keep doing it.

25 MR. GRIEF: We're a team.

1 COMMISSIONER FRANZ: Thank you, guys.

2 CHAIRMAN RIVERA: Yeah, we're incredibly
3 grateful for your combined, all lottery employees'
4 leadership, and those numbers are a direct reflection
5 of the effort that is put in daily, year-round,
6 regardless of your position within the the lottery.
7 You all help produce those numbers and on behalf of the
8 Commission, we're grateful for your commitment to the
9 mission of the lottery.

10 Annika and Will, I know this was your
11 first venture there and y'all made it seem as if y'all
12 have been doing this for years. So good job on your
13 presentation and we look forward to seeing y'all at the
14 next Commission meeting, so --

15 MR. RUSS: Thank you so much. Thank
16 you.

17 CHAIRMAN RIVERA: Okay.

18

19 AGENDA ITEM NO. X

20 CHAIRMAN RIVERA: Alrighty. Next item,
21 Annika, you're going to --

22 MS. GUARNERO: Yes.

23 CHAIRMAN RIVERA: -- stay right there
24 and you're going to talk about transfers to the State
25 and the agency's budget.

1 MS. GUARNERO: For the record, my name
2 is Annika Guarnero, Financial Operations Manager in the
3 Office of the Controller. Commissioners, for this
4 item, we have included in your notebooks the accrued
5 transfers and allocations to the Foundation School
6 Fund, and Texas Veterans Commission, as well as the
7 allocation of unclaimed prizes for fiscal year ending
8 August 31, 2023.

9 Total accrued transfers to the State
10 amounted to \$2.161-billion for fiscal year 2023. And
11 as I mentioned in the sales presentation, that was a
12 record total transfer.

13 Of that transfer to the State, \$2.131-
14 billion was transferred to the Foundation School Fund.
15 \$29.7-million were transferred to the Texas Veterans
16 Commission, with the remaining balance of \$88.9-million
17 transferred from unclaimed prizes.

18 Total cumulative transfers to the
19 Foundation School Fund through August of 2023 total
20 more than \$31.7-billion, and the cumulative accrued
21 transfer to the State are more than \$37.7-billion.

22 Also included in your notebook is the
23 agency's final FY2023 method of finance summary for the
24 fiscal year. The Texas Lottery Commission's account
25 budget for FY2023 was \$316.47-million. Of this amount,

1 98.2-percent was encumbered and expended. The bingo
2 administration budget funded by general revenue was
3 \$2.1-million with 83.6 percent extended and encumbered.

4 That concludes my portion of this agenda
5 item.

6 CHAIRMAN RIVERA: Okay. Commissioners,
7 any discussion? Okay. Annika, good job.

8 COMMISSIONER FRANZ: Thank you.

9 CHAIRMAN RIVERA: Thank y'all.

10 AGENDA ITEM NO. XI

11 CHAIRMAN RIVERA: Okay. Next item is
12 agency sunset review process. Ryan, your item.

13 MR. MINDELL: Good morning, Chairman and
14 Commissioners. For the record, my name is Ryan
15 Mindell, Deputy Executive Director. I have a brief
16 update on the Sunset process, specifically our
17 timeline. On September 1, we submitted the
18 self-evaluation report that you approved at our last
19 meeting. Last week we met with Sunset staff for the
20 formal kickoff of the review of our agency. We have a
21 number of additional meetings scheduled in the upcoming
22 weeks. We anticipate that the staff review portion of
23 the process will continue through early next year, with
24 a staff report potentially issued by Sunset in April of
25 2024.

1 I will continue to keep you informed
2 about where we are in this process as it continues over
3 the next year. Happy to answer any questions you have.
4 Thank you.

5 CHAIRMAN RIVERA: Okay. Commissioners,
6 any discussions? Okay. Thank you.

7 AGENDA ITEM NO. XII

8 CHAIRMAN RIVERA: Next item is the
9 Internal Auditor's report.

10 MS. BROWN: My name is Darlene Brown for
11 the record, and I'm your Internal Auditor. In your
12 notebook there's two items. One is informational and
13 the other is an action item.

14 So, the first item I'll go over is our
15 annual internal audit report. This is a report that's
16 required by the Texas Internal Audit Act, and it's due
17 November 1st, gets submitted to the Governor's Office,
18 Legislative Budget Board and the State Auditor's
19 Office. The State Auditor provides the components of
20 the report and the content is based on operations on
21 behalf of your agency.

22 So, first thing in that report is the
23 fiscal year 2023 annual internal audit plan status,
24 which we completed. It's also a copy of our peer
25 review outcome, which we passed as a firm and the 2024

1 annual internal audit plan that we're proposing, a
2 description of the external audit services that you
3 procure as an agency in 2023, and your policies for
4 reporting suspected fraud and abuse.

5 So, from fiscal year 2023, as a recap,
6 we completed the physical security of the new office
7 operations and where we identified eight findings
8 related to the Facilities Commission itself, handling
9 of the building, all of those findings except for one
10 have been closed now. The business continuity and
11 jackpot estimations audits identified no findings and
12 rated those internal controls as generally effective.
13 We also identify best practice processes to manage your
14 business risk in all of those audits.

15 I'm going to move on to the proposed
16 fiscal year 2024 annual audit plan, and this one will
17 require an action.

18 We're proposing to complete six audits
19 this year and two consulting engagements. The six
20 audits that we're proposing is a ticket warehouse
21 operations, legislative change management processes,
22 procurement and contracting processes, retailer
23 incentive and bonus programs, claims and prize
24 management, customer, stakeholder, and retailer
25 satisfaction and complaint handling.

1 The two consulting engagements that we
2 propose are the CBOD licensing process and the lottery
3 operator contract solicitation process. So with that,
4 we'll check in and see how the RFP is going and make
5 sure it's all in compliance with regulations.

6 We developed this audit plan based upon
7 our risk assessment and prioritized the risks with
8 leadership. While our audit plan has estimated timing,
9 we will continue to work with management on the exact
10 timing to make sure it fits their schedule and needs.

11 We estimate that the audit plan will
12 take 2,234 hours to execute and will stay within the
13 \$300,000 budget. I'm seeking your approval for the
14 fiscal year '24 annual internal audit plan, and I'll be
15 happy to address any questions you may have.

16 CHAIRMAN RIVERA: Okay. Commissioners,
17 any discussion on Darlene's --

18 COMMISSIONER FRANZ: Motion to approve.

19 CHAIRMAN RIVERA: -- report? We have a
20 motion to approve.

21 MR. SAENZ: Second.

22 CHAIRMAN RIVERA: We have a second? All
23 in favor say aye.

24 (Chorus of "ayes")

25 CHAIRMAN RIVERA: Okay. Darlene, thank

1 you very much.

2 MS. BROWN: Thank you.

3 CHAIRMAN RIVERA: Good job.

4 AGENDA ITEM NO. XIII

5 CHAIRMAN RIVERA: Next item, the Bingo
6 Director's report. Before LaDonna gives her report, we
7 do have a public speaker, Steve Bresnen, who is here.

8 MR. BRESNEN: Thank you, Mr. Chairman.
9 Steve Bresnen on behalf of the Bingo Interest Group. I
10 don't want to prolong your meeting, but I do think
11 there are a couple things that should be brought to
12 your attention.

13 The first is the sales tax issue that we
14 had with the Comptroller's Office. Just brief
15 background, under the sales tax law, a number of
16 nonprofits that are described by their 501(c) status in
17 the Internal Revenue Code are exempt from paying sales
18 tax. When you put five or six or seven charities in a
19 unit, you may have some who are not tax exempt under
20 the sales tax. Back in '06, the Comptroller's office
21 issued a letter ruling that said that if you had, just
22 as an example, if you had five charities there and four
23 of them were exempt and one of them wasn't, then the
24 unit would owe 20 percent of what would've otherwise
25 been the sales tax on their purchases from

1 distributors. A contract auditor got it wrong and
2 started auditing the number of the units and assessing
3 them for sales tax.

4 It came to my attention through a number
5 of organizations that are involved in different groups,
6 not just ours, and I made a call to the Comptroller's
7 Office. I have long worked with Comptroller Glenn
8 Hegar, both when he was in the legislature and at the
9 Comptroller's Office, reached out to the Chief Deputy
10 Comptroller and within a few hours, literally a few
11 hours, she called me back and said, you're right, we'll
12 fix it. In less than 24 hours, the information got out
13 to the contract auditors, everything stopped.

14 One of the reasons that it stopped
15 across the board for the 134 units that there are is
16 because LaDonna and Vivian, her staff, quickly provided
17 to the Comptroller's Office the information they needed
18 to inform all of those units what the situation was,
19 and to stand down, don't do anything.

20 Over the weekend, last weekend, I was at
21 a birthday party for the venerable Don Bishop in
22 Dallas, his 90th birthday party, and someone walked up
23 to me and said if the Comptroller Hegar had not done
24 that, it would've cost them \$160,000.

25 Another unit that I know of failed to

1 respond to the audit notice, paid \$60,000, they're
2 likely to get that money back filing a refund request,
3 but at some point that might put them into not meeting
4 their net proceeds requirements. So they're probably
5 going to need a little slack.

6 I don't represent those guys, but I'm
7 going to send them a bill for letting y'all know about
8 that.

9 But my point is this, it was
10 inter-agency communication, Comptroller Hegar and his
11 Chief Deputy Lisa Craven, did a fantastic job. They
12 didn't let the bureaucracy get in the way. LaDonna and
13 her staff took the same approach and there was a
14 resolution that was promptly reached and information
15 went out to the industry to take care of it.

16 That's the way it ought to work and we
17 very much appreciate your staff for the role that they
18 played in that.

19 A brief update on the implementation of
20 Senate Bill 643. I've already spoken to you about the
21 draft rules. Y'all may remember in a previous meeting
22 I urged the industry to take it easy and be careful
23 with their newfound authority. People wanted to be
24 treated more like the market, and as y'all know, the
25 market can be devastating to people.

1 I think it's fair to say and there may
2 be an anecdote or two out there that I'm unaware of,
3 but I think people have been acting judiciously with
4 their newfound authority. On the same token, I'm
5 hearing anecdotally that people are generating new
6 sales and new customer attendance at some locations as
7 they experiment with their new authority.

8 So, I'm hoping -- several of us in the
9 industry have decided we're going to get together and
10 try to come up with some kind of tracking mechanism
11 after the first full quarterly report (audio cuts out)
12 those new laws. That concludes my comments
13 (indiscernible).

14 CHAIRMAN RIVERA: Thank you. Okay.
15 Unless we have any other public speakers, LaDonna, your
16 turn.

17 MS. CASTAÑUELA: Good morning,
18 Commissioners. I'm LaDonna Castañuela, Director,
19 Charitable Bingo Operations Division. In your notebook
20 materials, you have the Division's output metrics for
21 August and September of this year. Also included in
22 your notebooks and in compliance with Section 2001.560
23 of the Bingo Enabling Act, you will find the CBOD Audit
24 Services Department's FY2024 annual audit plan and risk
25 assessment. Statutory requirement is that the audit

1 plan is provided to you, but it is not an action item.

2 That's all I have for you today, and I'm
3 available to answer questions.

4 CHAIRMAN RIVERA: Okay. Commissioners,
5 any discussion? Okay. Well, LaDonna, as always, we're
6 grateful for your stewardship at the helm and glad to
7 hear your report, so good job.

8 AGENDA ITEM NO. XIV

9 CHAIRMAN RIVERA: Okay. Next item is
10 the Executive Director report. Gary, this is your
11 item.

12 MR. GRIEF: Thank you, Mr. Chairman.
13 Other than what's in your notebooks this morning, I
14 wanted to share some industry news with you regarding
15 the two lottery organizations that Texas is involved
16 with.

17 First is NASPL, the North American
18 Association of State and Provincial Lotteries, of which
19 Texas is a very active member. Having held every
20 officer position in the NASPL organization over the
21 years, I've gladly not pursued any leadership role in
22 the organization for some time, but recently I was
23 asked to reconsider and subsequently, I was elected
24 earlier this month as the new Region IV Director, which
25 is responsible for facilitating communication and

1 collaboration with the lotteries from the southwestern
2 portion of North America.

3 Serving in that role has also placed me
4 back on the NASPL Executive Committee, and we've got
5 our next set of meetings coming up in Milwaukee at the
6 annual NASPL conference at the end of this month. And
7 speaking of that NASPL conference, it's going to be
8 held October 30th through November 2nd. Several
9 members of our team are going to be in attendance at
10 the conference in Milwaukee this year. There's going
11 to be a number of meetings of the various lottery
12 industry associations and game groups during the week.
13 All the vendors in the lottery industry will be in
14 attendance and participating in the traditional trade
15 show setting. The NASPL awards are going to be
16 presented in a number of different categories. And
17 during the week, I have the pleasure of moderating a
18 panel consisting of representatives from the Green Bay
19 Packers, Milwaukee Bucks, and Milwaukee Brewers to
20 discuss fan loyalty, engagement, and how lotteries can
21 best leverage sponsorship opportunities to maximize our
22 return on investment and of course, our revenue to good
23 causes.

24 Now, moving over to the Multi-State
25 Lottery Association, MUSL as it's known. This is the

1 organization that manages the Powerball game and some
2 other regional lottery games around the country, and of
3 which Texas is a voting member. This organization has
4 asked me to serve as the Mega Millions Game Chair,
5 specifically to act as a liaison with the Mega Millions
6 Consortium. As a reminder, Texas sells the Mega
7 Millions game under an agreement with the Mega Millions
8 Consortium, but we are not a voting member of that
9 group.

10 Again, having served in every capacity
11 in MUSL over the years, this new role for me is
12 unexpected and certainly not something I sought out.
13 But the Mega Millions Consortium is considering changes
14 to the Mega Millions game, and I've been asked to
15 represent the interest of the 39 MUSL jurisdictions as
16 we work through the complexities of any potential
17 changes to a very important game in our portfolio.

18 A national steering committee has been
19 formed. It's comprised of the lead director from the
20 Mega Millions Consortium, representatives from each of
21 the three vendors involved, IGT, Scientific Games, and
22 Intralot, our executive director of MUSL, and me.
23 Various committees and subcommittees have also been
24 formed to focus on this potential game change for Mega
25 Millions, and I've secured important roles on those

1 committees for both Ryan Mindell, our Deputy Executive
2 Director, and Robert Tirloni, our Lottery Operations
3 Director.

4 Meetings and discussions are ongoing and
5 the situation is very fluid right now. I'll keep the
6 Commission informed as plans become firm. Mr.
7 Chairman, that concludes my remarks. I would be happy
8 to answer any questions.

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

11 COMMISSIONER FIELDS: Congratulations.

12 MR. GRIEF: Thank you.

13 COMMISSIONER FRANZ: Yeah, indeed.

14 CHAIRMAN RIVERA: Gary. Yes,
15 congratulations on your new roles. Although your role
16 is not necessarily part of what we do here on a
17 day-to-day, but clearly, it shows your just expertise
18 that you have and that the industry as a whole has
19 sought out your particular set of knowledge and skills
20 and history. And obviously you bring a lot to the
21 table and it's something that the lottery is grateful
22 for that we have that in-house.

23 The other side is that you're able to
24 see best practices nationally, regionally. You're able
25 to have very in-depth discussions and be part of

1 critical situations that otherwise we would potentially
2 miss out on. And you're going to be able to bring back
3 home the fruits of that labor. And particularly with
4 your involvement with the Packers and Milwaukee and
5 those professional organizations there to see best
6 practices of what they're doing and how you can bring
7 that back here to the State. So definitely a lot of
8 upside to your involvement.

9 So anyhow, just good job. And again,
10 we're grateful to have your in-house expertise across
11 the board, so good job.

12 AGENDA ITEM NO. XV

13 CHAIRMAN RIVERA: Okay. Next item are
14 enforcement cases. Bob, your item.

15 MR. BIARD: Morning, Commissioners. I'm
16 Bob Biard, General Counsel. Item fifteen contains six
17 lottery cases. There is a bingo case in here as well.
18 The staff would like to pull Tab F, that's the bingo
19 agreed order, because the respondent in that case
20 unfortunately passed away since signing the agreement
21 and I think the bingo division needs a little time to
22 clarify who took his place.

23 All of these enforcement cases, of
24 course, are cases where a lottery or bingo licensee
25 violated a statute or rule. In most of these cases,

1 either the respondent failed to appear at the hearing
2 and it proceeded by default, or the staff and the
3 respondent reached a settlement in the form of an
4 agreed order. And we have both these types of cases
5 today.

6 Tabs A through C are all non-sufficient
7 funds lottery retailer license revocations. They're
8 handled in a single order. Each case was presented at
9 the State Office of Administrative Hearings for
10 revocation of the retailer license because the licensee
11 failed to have sufficient funds in their bank account
12 to cover electronic fund transfers to the Commission's
13 account. In each case, the licensee failed to appear
14 at the hearing and the judge remanded the case to the
15 Commission to handle as default matter.

16 Tabs D and E are lottery agreed orders.
17 In Tab D -- these materials are in your notebook -- a
18 lottery retailer purchased a \$1,000 prize winning
19 ticket from a customer, which is a violation. The
20 penalty is a 30-day suspension. In Tab E, a lottery
21 retailer required a \$30 minimum purchase when a player
22 uses a debit card to buy lottery tickets. The penalty
23 in that case is a 10-day suspension.

24 That concludes my presentation. And you
25 may take these all up in a single vote if you like, and

1 I'm happy to answer any questions.

2 CHAIRMAN RIVERA: Okay. Commissioners,
3 is there a motion?

4 COMMISSIONER FRANZ: I'll move to accept
5 -- to approve the orders on these enforcement cases in
6 bulk?

7 CHAIRMAN RIVERA: Okay. Do we have a
8 second?

9 COMMISSIONER SAENZ: I second.

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

12 (Chorus of "Ayes")

13 CHAIRMAN RIVERA: Okay. Good job.

14 MR. BIARD: Thank you, Commissioners.
15 And just to clarify, that was just Tabs A through E and
16 not F.

17 COMMISSIONER FRANZ: Correct.

18 AGENDA ITEM NO. XVI

19 MR. BIARD: We do not have anyone else
20 registered for public comment today either, Mr.
21 Chairman.

22 AGENDA ITEM NOS. XVII AND XVIII

23 COMMISSIONERS DID NOT MEET IN EXECUTIVE SESSION

24 CHAIRMAN RIVERA: Okay.

25 So, no executive session today. I

1 believe that concludes all of our business,
2 Commissioners. Anything else y'all would like to
3 discuss? Okay.

4 AGENDA ITEM NO. XIX

5 CHAIRMAN RIVERA: On behalf of the
6 Commission, we're incredibly grateful for everyone
7 being here. Get home safe and have a great day,
8 everyone. We are adjourned.

9 (Meeting concluded at 10:53 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 23rd day of October, 2023.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

Verbatim Reporting & Transcription, LLC

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