

## TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING           )  
FOR THE TEXAS                )  
LOTTERY COMMISSION         )

COMMISSION MEETING

December 14, 2023

10:00 a.m.

AT

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

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## APPEARANCES

CHAIRMAN:	Robert G. Rivera
COMMISSIONERS:	Cindy Lyons Fields Mark A. Franz Clark E. Smith James H.C. Steen
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
DEPUTY EXECUTIVE DIRECTOR:	Ryan Mindell
ASSISTANT GENERAL COUNSEL:	Tyler Vance

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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.)

Legal advice regarding 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  
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## P R O C E E D I N G S

THURSDAY, DECEMBER 14, 2023

## AGENDA ITEM NO. I

CHAIRMAN RIVERA: Today is December the 14th. It is 10:00 a.m. We have all Commissioners here. We'll start with the Pledge of Allegiance.

(Pledges recited)

CHAIRMAN RIVERA: Okay. Good morning again, everyone, excited to have so many folks here. Happy to announce that the Governor's reappointed Commissioner Fields to a new term with expires February of '29. So, congratulations, Cindy. Good job. We also have a new Commissioner on board. The Governor's appointed Clark Smith which a term that expires likewise in 2029. So, Clark, welcome and we're glad to have you on board.

COMMISSIONER SMITH: Well, honored to be here, honored to be appointed by Governor Abbott, and looking forward to working with my fellow Commissioners and with staff. This Sunset process that's already started is a fascinating and very important process. So, looking forward to, yeah, working with everybody. Thanks.

CHAIRMAN RIVERA: Okay. And we also would like to acknowledge former Commissioner Erik

1 Saenz and his four years of loyal service to the  
2 Lottery. Erik, definitely a good individual and we're  
3 grateful for his time here and wish him well.

4 AGENDA ITEM NO. XIII

5 CHAIRMAN RIVERA: Finally, we have as  
6 most everyone in the room knows, that Gary Grief has  
7 announced his retirement at the end of February, and we  
8 will be moving forward in a process that we will touch  
9 on here in a little bit. So, with that, we are going  
10 to go into a very brief executive session. We should  
11 be back here, I'm hopeful, within about 10 minutes.  
12 So, with that, we will adjourn for executive session.  
13 It is 10:01.

14 MR. BIARD: And the purpose is for  
15 personnel and legal advice.

16 CHAIRMAN RIVERA: Correct. All right.  
17 (Off record - Executive Session)

18 AGENDA ITEM NO. XIV

19 CHAIRMAN RIVERA: Okay. We are back in  
20 session. It is 10:16. I would like to read a  
21 statement here. The Commission would like to ask  
22 Commissioner Fields to coordinate with the Commission  
23 staff on application of process for the executive  
24 director position. I therefore move that the  
25 Commission delegate Commissioner Fields the authority

1 to coordinate with the HR director and other Commission  
2 staff as they deem necessary without the need for  
3 further Commission discussion or action, to finalize  
4 the posting for executive director and post the  
5 position and to decide on the process to screen  
6 applicants, to conduct background investigations, to  
7 schedule interviews and other administrative matters  
8 related to the application process. Do I have a  
9 second?

10 COMMISSIONER FRANZ: I second that.

11 CHAIRMAN RIVERA: Okay. Good job. All  
12 in favor say aye.

13 (Chorus of "ayes")

14 CHAIRMAN RIVERA: Okay. Motion passes.

15 AGENDA ITEM NO. II

16 CHAIRMAN RIVERA: Alrighty. So, let's  
17 see here. Next item is a report on Commissioner  
18 training. Bob Biard, this is your item.

19 MR. BIARD: Thank you, Mr. Chairman.  
20 Chairman, Commissioners, I'm Bob Biard, General  
21 Counsel. Whenever we have a new Lottery Commissioner,  
22 this agency has a tradition of briefly reviewing the  
23 laws that govern the Texas Lottery Commission at that  
24 Commissioner's first open meeting. Also, since the  
25 2013 Sunset legislation was enacted, the State Lottery



1 Act requires new appointees to complete a training  
2 program before they may deliberate, vote, or be counted  
3 as a member in attendance at a Commission meeting. The  
4 training must provide the appointee information  
5 regarding the legislation that created the Commission;  
6 the program, functions, and rules and budget of the  
7 Commission; the requirements of laws relating to open  
8 meetings, public information, administrative procedure,  
9 and conflicts of interest; and any applicable ethics  
10 policies adopted by the Commission or the Ethics  
11 Commission.

12 And I wanted to say for the record that  
13 prior to this meeting, Commissioner Smith had the  
14 required training session to go over these items with  
15 Governmental Affairs Director Nelda Treviño, Controller  
16 Sergio Rey, Deputy Executive Director Ryan Mindell, and  
17 me. And for purposes of today's meeting, I just want  
18 to provide a very brief overview of some highlights  
19 regarding the ethics, procedural, and open government  
20 laws governing the Commission.

21 At the training session, I provided a  
22 document titled, A Guide to Ethics Laws for State  
23 Officers and Employees. This is a Texas Ethics  
24 Commission publication that was updated in 2022. And  
25 because the Lottery Commission has a number of more

1 specific requirements, we annotated it using blue ink  
2 to highlight provisions that are specific to the  
3 Lottery Commission.

4           These lottery specific provisions are  
5 generally more restrictive than the requirements that  
6 apply to other state agencies. For instance, at this  
7 agency, there is a restriction against accepting  
8 employment or remuneration from a person that has a  
9 significant financial interest in the Lottery, which is  
10 a defined term in Chapter 467 of the Government Code,  
11 or on the Bingo side from a commercial lessor,  
12 distributor or manufacturer.

13           Also, with respect to gifts, while other  
14 agencies are subject to a de minimis exception that  
15 allows agency members and employees to accept gifts  
16 under \$50 in value, for instance, to cover the cost of  
17 a meal, at this agency, Lottery Commissioners and  
18 employees are prohibited from accepting any gift, which  
19 is defined to include anything of value, from a person  
20 that has a significant financial interest in the  
21 Lottery and certain persons associated with them, or a  
22 person who's won a lottery prize over \$600 within the  
23 last two years.

24           However, the Lottery Commission has an  
25 exception, and you may accept a gift that is given on

1 account of a relationship that's independent of your  
2 Commissioner status, which is something like kinship or  
3 a personal, professional or business relationship,  
4 which means that you know these people independently.  
5 In those cases, gifts are allowed. However, this  
6 agency does not have the authority to accept gifts.  
7 So, you cannot accept gifts on behalf of the Lottery  
8 Commission.

9           There's also a restriction against  
10 certain political fundraising activities that's unique  
11 to this agency. A Lottery Commissioner may, and I'm  
12 quoting, may not directly or indirectly coerce, attempt  
13 to coerce, command, or advise a person to pay, lend, or  
14 contribute anything of value to another person for  
15 political purposes. That's the end of the quote.  
16 There are two attorney general opinions that discuss  
17 this provision, which applies just to the Lottery  
18 Commission, and I provided those to you.

19           This restriction does not necessarily  
20 prevent you personally or individually from donating to  
21 political candidates or causes. Next, with respect to  
22 procedural laws under the Administrative Procedure Act,  
23 the Commission has two key roles. First, to propose  
24 and adopt rules related to the Lottery and Charitable  
25 Bingo. And second, to decide contested cases involving

1 specific licensees.

2 Rules are general statements of policy  
3 or practice that are generally applicable to all  
4 persons. When you propose rules, you're acting in a  
5 legislative-type capacity, and you may talk to anyone  
6 you wish in connection with rule proposals. However,  
7 you also have a judicial type of function because you  
8 decide contested cases where the legal rights and  
9 duties of particular licensees are determined after an  
10 opportunity for hearing.

11 At the Lottery Commission, contested  
12 cases usually involve a lottery or bingo licensee, and  
13 the issue is usually whether to deny, suspend, or  
14 revoke a license; and, on the bingo side only, to  
15 assess monetary penalties for violations of the  
16 agency's governing statutes or rules; or, you also  
17 approve settlements.

18 As the rest of you know, this agency  
19 negotiates a number of contested case settlements  
20 presented to the board in the form of agreed orders.  
21 In contested cases, ex parte communications are  
22 prohibited, which means you may not communicate with  
23 any person or party to the case about an issue of law  
24 or facts unless all parties have been notified and have  
25 the opportunity to participate. There is an exception

1 to this prohibition that allows you to communicate with  
2 agency staff members that have not participated in the  
3 case to use the agency's special skills or knowledge in  
4 evaluating the evidence.

5 Now the cases are heard at the State  
6 Office of Administrative hearings, which we call SOAH,  
7 by an independent administrative law judge who prepares  
8 the proposal for your consideration. Although the  
9 proposal is only a recommendation, the law protects the  
10 impartial role of the judge by limiting the reasons why  
11 the Commission may change the judge's recommendations.

12 And there are three reasons. These are  
13 to correct a technical error such as a wrong name,  
14 address, date, or an uncontested fact. Two, if the  
15 judge fails to properly apply the law, agency rules,  
16 policies, or prior agency decisions. Or three, if the  
17 Commission decides to overrule a prior agency decision  
18 relied on by the judge because it's incorrect, or the  
19 Commission has decided it should be changed.

20 I want to briefly touch on additional  
21 required training. A new Commissioner is required to  
22 complete the Attorney General's online training on the  
23 Open Meetings Act and Public Information Act within 90  
24 days of taking the oath of office. And in this case,  
25 Commissioner Smith, I believe you have until February

1 27th of 2024 to complete those sessions. And there are  
2 two certificates you will need to print from the  
3 Attorney General's website when you complete the online  
4 training and the agency's required to maintain those on  
5 file. So, you can give those to me when you've  
6 completed the training. Commissioner Smith and I  
7 discussed the Open Meetings Act and Public Information  
8 Act, and I won't go into any more detail on those here.

9 There's also a separate required webinar  
10 training course on contract management for governmental  
11 boards that's conducted by the Comptroller's Office.  
12 And we found out now for the first time, they have  
13 started charging \$25 to take that webinar. So, you  
14 will need to complete that soon, but there is no  
15 deadline associated with that training.

16 And last, I will note that because the  
17 Lottery Commission is a five-member board, three  
18 Commissioners are required for a quorum, and there must  
19 be at least three Commissioners present to conduct  
20 business at an open meeting. This also means two  
21 Commissioners can meet and discuss public information -  
22 - public business, excuse me, without violating the  
23 Act, but there's an important caveat to that. The  
24 Attorney General and the Texas Courts have said it  
25 would be a violation of the Open Meetings Act to

1 deliberately have a series of two Commissioner meetings  
2 with different Commissioners in order to decide a  
3 matter of public business outside of an open meeting.  
4 That's referred to as a walking quorum, and it's not  
5 allowed. But whether you are circumventing the Act is  
6 always a question of intent, and that's always going to  
7 be a fact question involving a specific factual  
8 inquiry.

9 Commissioners, this has been a very high  
10 level overview of some of the topics we covered with  
11 Commissioner Smith. There's a lot of information in  
12 the laws governing the Commission and state government.  
13 So, please always feel free to contact me if you ever  
14 have any questions about any of these laws or how they  
15 apply. Thank you.

16 CHAIRMAN RIVERA: Okay, Bob. Thank you  
17 and thank you for your transparency. Commissioners,  
18 any questions?

19 AGENDA ITEM NO. III

20 CHAIRMAN RIVERA: Next item is a report  
21 from the Bingo Advisory Committee. Trace, this is your  
22 item.

23 MR. SMITH: Good morning, Commissioners,  
24 Chairman. Commissioner Fields, good to see you again.  
25 Commissioner Smith, congratulations on your appointment

1 and my condolences as well.

2 COMMISSIONER SMITH: Thank you.

3 MR. SMITH: You're welcome, sir.

4 This past Tuesday, December 12th, the  
5 Bingo Advisory Committee had their last meeting of the  
6 year. The Bingo Advisory Committee wishes to support  
7 the rules package that staff will present later in this  
8 meeting. It deals with the updates pertaining to the  
9 legislative session that we just had.

10 The BAC also is preparing for the  
11 upcoming rule review process by creating a rules  
12 committee. The committee will be comprised of not only  
13 Bingo Advisory Committee members, but members of the  
14 industry as well. We expect to meet sometime in late  
15 January to start the process of review before the next  
16 Bingo Advisory Committee meeting on the 31st of  
17 January.

18 We also had one of our esteemed Bingo  
19 Advisory Committee members retire; Emile Bourgoyne.  
20 Emile was a valuable resource that we will surely miss.  
21 Emile announced his retirement a couple months back, so  
22 staff have been going through the replacement process  
23 and provided the Bingo Advisory Committee with the  
24 applications that were submitted.

25 The Bingo Advisory Committee unanimously



1 supports Floyd Olive to replace Emile. Floyd has been  
2 in the bingo industry for many years doing all jobs in  
3 the hall and moving up his way in the industry to now  
4 working as a manufacturer's representative. We, the  
5 BAC, ask that you approve Floyd for the manufacturer  
6 position within the BAC.

7 CHAIRMAN RIVERA: Okay?

8 MR. BIARD: That requires a vote --  
9 excuse me, that requires a vote.

10 CHAIRMAN RIVERA: Correct. Is there a  
11 motion?

12 COMMISSIONER FIELDS: I would like to  
13 make a motion.

14 CHAIRMAN RIVERA: Okay. Cindy, thank  
15 you. Second?

16 COMMISSIONER STEEN: Second.

17 CHAIRMAN RIVERA: Okay. All in favor  
18 say aye.

19 (Chorus of "ayes")

20 CHAIRMAN RIVERA: Okay.

21 MR. SMITH: Thank you.

22 CHAIRMAN RIVERA: Sounds good. Thank  
23 you very much, Trace.

24 MR. SMITH: Sure.

25 AGENDA ITEM NO. IV

1 CHAIRMAN RIVERA: Okay. Next item is  
2 adoption of Bingo Rule changes. Tyler, your item.

3 MR. VANCE: Morning Chairman,  
4 Commissioners. I apologize, I'm going to read from my  
5 phone. This is obviously quite lengthy here. I have  
6 for your consideration today the possible adoption of  
7 amendments to Bingo Rules 402.200, .203, .400, .401,  
8 .404, .405, .413, .420, .451, .452, .503, .600, .706,  
9 and .707. As Trace has mentioned, all these rules are  
10 being amended to comply with recent legislation,  
11 specifically House Bill 639, Senate Bill 643, and  
12 Senate Bill 422.

13 There are a lot of changes in these that  
14 are all included in your memo. Main highlights are a  
15 doubling of the occasion prize limit from 2,500 to  
16 5,000, doubling of temporary licenses for both regular  
17 licensees and non-regular licensees. We've got a  
18 doubling of the net proceeds period. It used to be on  
19 a one-year basis. Now it's on a two-year basis.  
20 There's an allowance for military members to operate in  
21 bingo without a license as long as they're stationed  
22 here, provided that they're licensed in another state  
23 in good standing that has similar rules.

24 We accepted written comments on this.  
25 We had a public hearing for comments on this, and we

1 didn't receive any comments at all. And so therefore,  
2 the staff recommends that you adopt the amendments that  
3 you proposed at the last meeting.

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

6 COMMISSIONER FRANZ: Move that we adopt  
7 the amendments as proposed in bulk.

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

10 COMMISSIONER SMITH: Second.

11 CHAIRMAN RIVERA: All in favor say aye.

12 (Chorus of "ayes")

13 CHAIRMAN RIVERA: Okay. Passes. Tyler,  
14 thank you.

15 AGENDA ITEM NO. V

16 CHAIRMAN RIVERA: Next item, report on  
17 lottery sales and revenue. Sergio and Will, your item.

18 MR. REY: Good morning, Commissioners.  
19 For the record, my name is Sergio Rey, Controller for  
20 the Texas Lottery. This morning Will Russ, the  
21 Products Manager, and I, will present to you the sales  
22 and game performance of lottery draw and scratch  
23 tickets through December 2, 2023.

24 Due to technical issues, we have  
25 provided a copy of the slide show on the dais for you.

1 So, before you is a graph comparing year to date from  
2 December 1, 2022 and now December 2023.

3 Current year to date sales total through  
4 the period was \$2,106,097,650. This is a 5 percent  
5 decrease from last year. Last fall, we had the record  
6 breaking \$1.9-billion Powerball, which gave us a good  
7 sales boost. Although we did have a great run earlier  
8 this October, it did not provide the same results like  
9 in 2022.

10 Draw games represented here in blue  
11 illustrate the 11.6 percent drop from last year's total  
12 of 549.9-million to 486.4-million this year. The  
13 scratch tickets though have recently had an increase in  
14 sales, which is done in orange. The scratch sales  
15 decreased by \$53-million. Our last year was  
16 1.673-billion to this year's 1.619-billion. The last  
17 two weeks in this reporting period provided some  
18 leveling to maintain a decrease at just over 3 percent.

19 For the next slide, Will Russ will  
20 provide more details on the games during this time  
21 period.

22 MR. RUSS: Good morning, Mr. Chairman.  
23 Good morning, Commissioners. For the record, I'm Will  
24 Russ, the Products Manager, and will be giving a more  
25 detailed view of the sales that Sergio just reported

1 on.

2 If we look at this slide or your paper  
3 on the bottom right corner, you can see the year-over-  
4 year decline of 117-million. The overwhelming majority  
5 of that is due to Powerball and scratch sales. As you  
6 all know, we're up against a very tough year for  
7 jackpots, and at this point our biggest challenge is  
8 Powerball. You can see the deficit of almost  
9 52-million in white at the top of the slide.

10 When considering this, it's important to  
11 remember Powerball hit an advertised 1.9-billion last  
12 November, November of '22 as Sergio just mentioned.  
13 This was and still is, the world's highest jackpot. In  
14 better news, however, we are on a solid Powerball run,  
15 and the jackpot right now is 535-million.

16 Continuing with the national jackpot  
17 games, you'll notice that Mega Millions is down a less  
18 significant 10.3-million. This is also somewhat  
19 expected, given that by this time last year, Mega had  
20 two runs of approximately 600-million.

21 Lotto is holding even, which is great  
22 news. The Extra! feature is up, and we're very pleased  
23 with its steady increase in popularity. The jackpot  
24 right now is at an impressive 30-million, and it's been  
25 growing for weeks. We'll continue to monitor it and

1 hope for another large jackpot like we saw last April.

2 Finally, Texas Two Step is up slightly  
3 as well. In the middle of the slide in blue are the  
4 daily games, and the same trends are continuing. Daily  
5 4, Cash 5, and All or Nothing are all slightly up.  
6 Pick 3 has a very minor decline, but as mentioned in  
7 previous meetings, we believe our Pick 3 players are  
8 moving to Daily 4.

9 Although the Draw Games portion of the  
10 portfolio is down about 65-million, the last four weeks  
11 have been up and the toughest comp week of the year is  
12 behind us. There are still challenging weeks ahead,  
13 though, as last year was historic for large jackpots.  
14 We'll keep an eye out on the current Powerball and  
15 Lotto jackpots and do what we can to capitalize on  
16 sales from those rolls.

17 As I previously mentioned, scratch sales  
18 are down about 53-million or 3.19 percent. We know  
19 from our vendor partners and lottery industry press  
20 that Texas is not alone in this deficit. Other states  
21 around the country are also experiencing this decline  
22 year-over-year.

23 On a better note, the last three weeks  
24 of scratch sales have been positive and we have had  
25 some exciting launches. On Monday, December 4th, we

1 launched the \$20 \$1,000,000 Cash Blast scratch ticket  
2 game, and partnered with the company Space Perspective  
3 on its second-chance prize. Four lucky winners and  
4 their guests will enjoy a flight to the edge of space  
5 on Space Perspective's Neptune Capsule. The launch of  
6 this game has garnered press from around the state and  
7 even a national story. Sales for the first several  
8 days are promising, and a sample ticket is included for  
9 each of you on the dais.

10 In response to the scratch sales deficit  
11 of the first quarter, we made some changes to the game  
12 launch schedule. The most significant of those changes  
13 is the addition of another \$100 game that will launch  
14 in February. The prize structure for this game is  
15 different than the other \$100 games currently in  
16 market, and we believe this diversification will appeal  
17 to our higher price point players. I will bring a  
18 sample ticket to the February Commission meeting.

19 Finally, our largest promotional event of the  
20 year is at the State Fair of Texas, which ended on  
21 October 22nd. The Texas Lottery had another successful  
22 year with its record breaking sales of \$2,061,313.  
23 We're very proud of the promotions team, our vendor and  
24 retail partners, and their success generating revenue  
25 for our beneficiaries. With that, I'll wrap up.

1 Sergio and I are available for any questions. Thank  
2 you so much.

3

4 CHAIRMAN RIVERA: Okay. Thank you,  
5 both. Commissioners, any discussion? Okay.

6 MR. RUSS: Thank you.

7 CHAIRMAN RIVERA: Thank you very much.

8 AGENDA ITEM NO. VI

9 CHAIRMAN RIVERA: Next item, report on  
10 transfers to the State. Sergio, stay right there and  
11 love to hear from you.

12 MR. REY: Thank you, Commissioners.  
13 Again, for the record, Sergio Rey, Controller.

14 In your notebook, you will find the  
15 revenue transfer report to our beneficiaries, the  
16 Foundation School Fund, and the Texas Veterans  
17 Commission for the period ending October 31, 2023.

18 For the first two months of the year, our  
19 total accrued revenues were \$289.2-million with  
20 286.2-million for the Foundation School Fund and just  
21 over 3-million for the Texas Veterans Commission. That  
22 is \$9-million more than last year at this time.

23 Our collective transfers to the  
24 Foundation School Fund continue to grow, now totaling  
25 to \$32.1-billion and cumulative transfers to the State



1 at \$38.1-billion. And with that, this concludes my  
2 presentation.

3 CHAIRMAN RIVERA: Okay. Commissioners,  
4 any discussion? All right. Thank you very much,  
5 Sergio.

6 AGENDA ITEM NO. VII

7 CHAIRMAN RIVERA: Alrighty. Next item,  
8 report on agency Sunset Review. Ryan, your item.

9 MR. MINDELL: Good morning, Chairman,  
10 Commissioners. For the record, my name is Ryan  
11 Mindell, Deputy Executive Director. I just have a  
12 brief update for you on Sunset. Just a reminder of  
13 where we are in the process.

14 We finished our self-evaluation report  
15 over the summer. Staff began their review. We've been  
16 working very closely with Sunset staff for the past few  
17 weeks, provided them information, meetings with our  
18 vendors and with us across the agency and provided them  
19 all the information they need for this step of the  
20 process. Obviously, this will continue with the staff  
21 review process until the spring, at which point the  
22 Sunset review will transition more into the public  
23 hearing and with the Sunset Commission process.

24 So again, just a very brief update to  
25 let you know that everything is going smoothly so far.

1 We've been providing a lot of information and answering  
2 all the questions that they have at this point, and  
3 that's all I have to update on.

4 CHAIRMAN RIVERA: Okay. Commissioners,  
5 any discussion? All right. Ryan, thank you very much  
6 and we're also grateful for the members of the Sunset  
7 Commission for their service as well. So, thank you  
8 all.

9 AGENDA ITEM NO. VIII

10 CHAIRMAN RIVERA: Next item, Darlene,  
11 the internal auditor's report.

12 MS. BROWN: Good morning, Commissioners.  
13 Good to see you all. For the record, my name is  
14 Darlene Brown and I'm your Internal Auditor. In your  
15 notebook is our status of activities so far.

16 We are wrapping up a scratch ticket  
17 warehouse audit where we looked at the internal  
18 controls for safekeeping, tracking, distribution of  
19 scratch tickets, including destruction. Also, I'm  
20 happy to report that we don't have any findings in that  
21 area and I'll bring the full report to you in the next  
22 session.

23 We're also looking at the scratch ticket  
24 contract procurement status and we anticipate that will  
25 be completed prior to the next meeting (indiscernible).

1 Finally, we anticipate that we will begin our client's  
2 payment management audit in January, and I will provide  
3 an update in the next meeting. That concludes my  
4 report for today, but I'll be happy to answer any  
5 questions.

6 CHAIRMAN RIVERA: Darlene, good job.  
7 Thank you very much.

8 COMMISSIONER STEEN: Thank you.

9 CHAIRMAN RIVERA: Alrighty.

10 AGENDA ITEM NO. IX

11 CHAIRMAN RIVERA: Next item is a report  
12 from our Bingo Director. LaDonna, this is your item.

13 MS. CASTAÑUELA: Good morning,  
14 Commissioners and welcome, Commissioner Smith.

15 For the record, I'm LaDonna Castañuela,  
16 Director of Charitable Bingo Operations Division.  
17 Information regarding output metrics for CBOD for  
18 October and November can be found in your notebook  
19 materials.

20 As we close out the calendar year, I  
21 want to let you know that CBOD is more fully staffed  
22 right now than it has been since well before I got here  
23 in July of 2021. We are 86 percent staffed with just  
24 four vacancies, and in fact, if you know anyone who is  
25 interested in an auditor position in the DFW or San

1 Antonio areas, please let me know.

2 The division's current staffing includes  
3 several new employees who are bringing new energy to  
4 our operations and several others in the field and at  
5 headquarters who bring the tremendous value of their 10  
6 to 20 plus years of bingo industry history and  
7 experience. We have several ongoing projects,  
8 including continuing to work with industry to increase  
9 use of our online portal and to reduce paper filings of  
10 quarterly reports and applications. Earlier this year  
11 we posted detailed how-to manuals online and continue  
12 sending quarterly reminders by email, including links  
13 to the required forms and the how-to manuals.

14 Like Ryan mentioned, we've been  
15 preparing numerous responses and data for our Sunset  
16 review, and also attending a number of meetings and  
17 demonstrations, including visits to bingo halls and a  
18 couple of onsite game inspections in November. Next  
19 month we will conduct what we expect to be a marathon  
20 meeting with the BAC's rules review committee as part  
21 of the rules review process.

22 Finally, I would also like to thank  
23 Emile Bourgoyne, our outgoing BAC member, for his years  
24 of service to the committee and to the Commission, and  
25 especially for always being willing to share his

1 extensive knowledge and patience with me.

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

4 CHAIRMAN RIVERA: Okay. LaDonna, thank  
5 you. Commissioners, any discussion?

6 COMMISSIONER FRANZ: Congratulations on  
7 the staffing. That's been a long time coming. So,  
8 well done.

9 MS. CASTAÑUELA: Thank you.

10 CHAIRMAN RIVERA: Cindy, anything?

11 COMMISSIONER FIELDS: Ditto what he  
12 said. You've been super busy, you guys.

13 MS. CASTAÑUELA: Yes, we have.

14 CHAIRMAN RIVERA: Alrighty. Okay. Good  
15 job, LaDonna.

16 AGENDA ITEM NO. X

17 CHAIRMAN RIVERA: The next item is a  
18 report from our Executive Director: Gary.

19 MR. GRIEF: Good morning, Mr. Chairman  
20 and Commissioners. Other than what's in your notebooks  
21 today, I have nothing further to report.

22 CHAIRMAN RIVERA: Okay. Commissioners,  
23 any discussion? Alrighty.

24 I would like to say, and I know that  
25 Gary's going to be here again through the end of

1 February. Gary obviously is incredibly important to  
2 all that we do here at the Lottery. But he will be  
3 here in essence, another quarter of a year. And so, he  
4 is at the helm, will remain there until the absolute  
5 end of February and we're absolutely going to utilize  
6 every penny of his paycheck as he'll be earning it  
7 through the end of the month of February.

8               So, with that, we know that we have a  
9 duty ahead of us. The Commissioners are in the process  
10 of an executive director search. Cindy is going to, as  
11 I mentioned earlier, going to be the point person for  
12 the Commissioners and working with Jan and Lottery  
13 staff and the Governor's Office. We will be moving  
14 forward and we will keep you up to date from the dais.  
15 And who knows? Maybe we'll have an announcement prior  
16 the end of February.

17               So, with that again, Gary remains at the  
18 helm, will be, and everyone's day-to-day duties,  
19 responsibilities, they remain the same. This is a huge  
20 opportunity ahead for Lottery, particularly for every  
21 employee regardless of tenure, because of the  
22 directives and work ethic and vision and standard that  
23 Gary has set. So, all of that remains into effect now  
24 and always. So, with that Gary, we look forward to the  
25 next several months here with you.

1 So, just wanted to pass that along from the dais.

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AGENDA ITEM NO. XI

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CHAIRMAN RIVERA: Okay. Next item. We have enforcement cases, Bob.

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MR. BIARD: Thank you, Mr. Chairman. Again, I'm Bob Biard, General Counsel. Item 11 contains 15 cases, 12 lottery cases, and 3 bingo cases, Tabs A through O. These are cases where a lottery or bingo licensee or registrant has violated a statute or rule or an applicant did not qualify for a license. In most of these cases, either the Respondent failed to appear at the hearing and it proceeded by default, or the staff and the Respondent reached a settlement in the form of an agreed order. We have both of these types of cases today, as well as several cases that were at the State Office of Administrative Hearings on a litigated basis.

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Tabs A through D are all the non-sufficient fund lottery retailer license revocations handled in a single order. Each case was presented at the State Office of Administrative Hearings for revocation of the retailer license because the licensee failed to have sufficient funds in their bank account to cover electronic fund transfers to the

1 Commission's account. In each case, the licensee  
2 failed to appear at the hearing and the judge remanded  
3 the case to the Commission to handle as a default  
4 matter.

5 Tabs E through I are lottery agreed  
6 orders. The materials have been provided to you. I  
7 believe all five of these relate to debit card  
8 violations.

9 Tabs M through O -- or no, tabs J  
10 through L. These are non-sufficient fund cases that  
11 went to hearing because the retailer did appear and did  
12 not settle. In each one of these cases, the  
13 administrative law judge recommended revoking the  
14 lottery license, and none of the respondents in these  
15 cases filed exceptions to the recommendation.

16 Finally, Tabs M through O are bingo  
17 agreed orders. Tab M is an accounting case involving  
18 the VFW Post 3966 Devine. This case involves a variety  
19 of accounting and reporting errors.

20 Tabs N and O are bingo worker  
21 settlements. These are cases where the applicant had  
22 been either convicted of a crime, a disqualifying  
23 crime, or I think one of these cases involved a  
24 deferred adjudication. And the settlement is to allow  
25 these people to serve as a bingo worker on a restricted



1 basis, (indiscernible) to register I think, on, on  
2 transactions, on compliance with the Charitable Bingo  
3 rules, but they may sell and deliver prize money, sell  
4 bingo cards, pull-tabs, work as an usher.

5 That concludes my presentation. You may  
6 take up the enforcement orders in a single vote if you  
7 like and I'll also be happy to answer any questions.

8 CHAIRMAN RIVERA: Okay. Any discussion?  
9 Is there a motion.

10 COMMISSIONER FRANZ: I'll make a motion.

11 CHAIRMAN RIVERA: Okay. We have a  
12 second?

13 COMMISSIONER SMITH: Second.

14 CHAIRMAN RIVERA: Okay. All in favor  
15 say aye.

16 (Chorus of "Ayes")

17 CHAIRMAN RIVERA: Okay. Bob, good job.

18 MR. BIARD: Thank you, Commissioners.

19 AGENDA ITEM NO. XII

20 CHAIRMAN RIVERA: Okay. Is there any  
21 public comment?

22 MR. BIARD: I have received no request  
23 for public comment.

24 CHAIRMAN RIVERA: Okay. Commissioners,  
25 any other business that anyone would like to discuss?

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AGENDA ITEM NO. XV

CHAIRMAN RIVERA: Okay. If not, we are  
adjourned.

(Meeting concluded at 10:48 a.m.)

## C E R T I F I C A T E

State of Texas )

COUNTY OF HARRIS )

I, Kimberly C. McCright, Certified Vendor in  
and for the State of Texas, do hereby certify that the  
above-mentioned matter occurred as hereinbefore set  
out.

I FURTHER CERTIFY THAT the proceedings of  
such were reported by me or under my supervision, later  
reduced to typewritten form under my supervision and  
control and that the foregoing pages are a full, true  
and correct transcription of the original notes.

IN WITNESS WHEREOF, I have hereunto set my  
hand and seal this 21st day of December, 2023.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

Verbatim Reporting & Transcription, LLC

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