

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING

APRIL 18, 2024

10:00 a.m.

AT

STEPHEN F. AUSTIN STATE BUILDING

1700 Congress Avenue

Austin, Texas 78701

Transcript prepared by Rev.com and Commission staff from an audio recording.

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:	Ryan Mindell
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
HUB COORDINATOR:	Eric Williams

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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.); and Hays County, Justice of the Peace Precinct 1, Place 1, No. S23-055J11 (Angela Lampkin v. Greg Pyles);	

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 Administrative Procedure Act, employment and personnel law, procurement and contract law, evidentiary and procedural law, ethics laws, and general government law.

Legal advice regarding any item on this open meeting agenda.

XVIII. Return to open session for further deliberation and possible action on any matter posted for discussion in Executive Session. Any matter posted for Executive Session also may be the subject of discussion and/or action in open session. 6

XIX. Adjournment. 39

1 PROCEEDINGS

2 THURSDAY, APRIL 18, 2024 (10:00 a.m.)

3 AGENDA ITEM I.

4 CHAIRMAN RIVERA: Good morning, everyone. I'd like to call this
5 meeting of the Texas Lottery Commission to order. Today is April the
6 18th, it is 10:00 a.m. We have all of our Commissioners here. We'll start
7 with the Pledge of Allegiance to the U.S. and Texas flags.

8 (Pledges recited)

9 AGENDA ITEM XVII.

10 CHAIRMAN RIVERA: Okay. Again, good morning, everyone.
11 Grateful to see a room full of all sorts of important people and folks
12 who are interested in what we're doing here with our Texas Lottery and
13 Bingo. We are going to go into--the Commissioners are going to go into
14 executive session for a few minutes and we will return here shortly. So,
15 we will go into executive session. Bob, is there anything else that needs
16 to be said?

17 MR. BIARD: Just to announce that it'll be for the purpose of
18 deliberating personnel and receiving legal advice. Time is 10:03.

19 CHAIRMAN RIVERA: Okay. We are adjourned here, temporarily.

20 (The Commission went into executive session at 10:03
21 a.m. and reconvened in open session at 10:35 a.m.)

22 AGENDA ITEM XVIII.

23 CHAIRMAN RIVERA: Alrighty, welcome back everyone and back to
24 us. We are out of executive session where we were discussing personnel
25 matters. Does anyone have anything they would like to say? From the
26 Commissioners?

1 COMMISSIONER FIELDS: Yes. Mr. Chairman, I would like to move
2 that the Commission appoint Ryan Mindell to the position of executive
3 director, at the annual salary amount for the executive director set
4 forth in the Commission's bill pattern in the current General
5 Appropriations Act, effective today, April 18th, 2024.

6 CHAIRMAN RIVERA: Do we have a second?

7 COMMISSIONER FRANZ: Second.

8 CHAIRMAN RIVERA: Mark seconds. Any discussion? All in favor
9 say aye.

10 (Chorus of "Ayes")

11 CHAIRMAN RIVERA: Opposed? None. Okay.

12 COMMISSIONER FIELDS: Congratulations.

13 CHAIRMAN RIVERA: Yeah, where's Ryan?

14 COMMISSIONER FRANZ: Congratulations, Ryan.

15 MR. MINDELL: Thank you, Commissioners. I just had a quick,
16 quick, brief statement I'd like to make. I just wanted to express very
17 briefly how humbled I am. This is a very big responsibility, and so I
18 take very seriously the trust that each of you are showing in me. Also,
19 ultimately the trust that staff, our vendor partners, and the public
20 have to have in this position. So, these are very big shoes to fill, but
21 I know that we have the best team of any lottery in the world, I'll
22 never be shy about saying that. And it's just an amazing place to work
23 and one that I'm very, very honored to lead. So, thank you very much.

24 CHAIRMAN RIVERA: Ryan, thank you. Commissioners, thoughts to
25 Ryan, please. Jamey, go first.

1 COMMISSIONER STEEN: Congratulations, Ryan. I speak for all of
2 us when I say we're happy to have you and appreciate you stepping into
3 the position. Thank you.

4 CHAIRMAN RIVERA: Clark?

5 COMMISSIONER SMITH: Ryan, congratulations. We're confident
6 you're going to do fantastic in your job. I told you this before, but
7 the next four to five years at this agency are the most important that
8 this agency will ever have, and how we get through that next couple
9 legislative sessions and implementations is going to be incredibly
10 impactful. Obviously for the five of us, more importantly the State of
11 Texas and for all the folks that you're going to be working with and
12 shepherding through everything. So, we know you'll take it very seriously
13 and we're excited to be seeing how it goes.

14 COMMISSIONER FRANZ: All right, first of all, I thank you for
15 the smooth transition that you've carried on here and just keeping things
16 running. You're right, big shoes to fill, Gary was there a long time.
17 Thankful you got a number of years working with him and to see this. And
18 from all I hear, the response from staff and certainly from us has been
19 great. So, we're thankful for that time, and actually thankful for having
20 now had that time still continued to want to do this job. So...

21 COMMISSIONER FIELDS: I don't think I have anything to add to
22 any of that. Congratulations, we're glad to have you. You have us if you
23 need help with anything. So, thanks for doing this.

24 CHAIRMAN RIVERA: Ryan, on behalf of all of our Commission, we
25 are incredibly grateful that this is a role and responsibility that you
26 have chosen to take on. It's a tremendous assignment. Your career path

1 to this day has been one that has been very methodical, very deliberate.
2 Your commitment to every role that you've had has been just exemplary.

3 This process for Ryan to be here before us today is one that
4 we, our role as Commission, took very seriously. And we had literally a
5 national search, as the executive director of the Texas Lottery is the
6 most coveted executive director position for lottery in the nation. And
7 with the size and scope of what we have before us, our history, there
8 was tremendous interest in this position. So, the search that was
9 conducted, the individuals that wanted that role were equally
10 substantial.

11 But Ryan was heads and tails over all others. And these last
12 several weeks since Gary announced his departure, Ryan has stepped in,
13 done a tremendous role and we're collectively very excited. So, Ryan,
14 we know that you have a lot before you, and whatever we can do to help,
15 collectively, we are grateful for that.

16 Cindy, Commissioner Fields, made the motion to bring you on.
17 It is an honor to make that announcement from the Commission, and it's
18 one that all the Commissioners would've liked to have made that motion.
19 And Cindy did a tremendous job coordinating this endeavor, working with
20 Jan and Bob and our team to ensure that the executive director position
21 was appointed properly and went through a lot of--just a lot of hard
22 work to get there. So, Cindy, we're very grateful to you for all of the
23 work that you've done, and have brought us such a tremendous, qualified
24 candidate, and who is now our new Executive Director.

25 So, with that, Ryan, just congratulations and we're super
26 excited that you're here. So, thank you, Ryan.

1 MR. MINDELL: Thank you again.

2 AGENDA ITEM II.

3 CHAIRMAN RIVERA: Okay, all right. On with our regularly
4 scheduled program. First item is going to be a report from the Bingo
5 Advisory Committee. Trace Smith, you have the floor.

6 MR. SMITH: Good morning, Commissioners, Bingo Chairman Cindy
7 Fields and Chairman Rivera. Thank y'all.

8 The BAC has been very busy for the past few months. First, I
9 had a meeting with Commissioner Fields, LaDonna and staff to discuss
10 future applications and the process [inaudible 00:09:12]. Possibly
11 Commissioner Fields will comment on that at a later time today. So,
12 there's that.

13 The BAC met with staff and the industry to go through the
14 rules review process. I can report that we are currently reviewing all
15 of the suggestions and recommendations and we'll be meeting with staff
16 and industry to help finalize those rules suggestions.

17 In this meeting we reviewed every single section in the
18 Administrative Rules. This meeting took about three and a half hours,
19 so we would like to thank LaDonna and her staff for their patience and
20 their hard work during that meeting. The following day the Bingo Advisory
21 Committee met and discussed the rule review, and we'll be putting the
22 rule review on the next BAC agenda.

23 The last thing is the Bingo Advisory Committee asked the
24 Commissioners to reopen the nomination or application process for a
25 public member, so that staff can start the process of acquiring

1 applicants to review and hopefully have a public member to select by the
2 August meeting of the Bingo Advisory Committee.

3 CHAIRMAN RIVERA: Okay. That's it?

4 MR. SMITH: That's my report. That's it.

5 CHAIRMAN RIVERA: Okay. Thank you, sir.

6 MR. SMITH: Thank you.

7 CHAIRMAN RIVERA: LaDonna, do you have any--before we open up
8 for Commissioners, LaDonna, do you have any comments?

9 MS. CASTAÑUELA: Yes. So, to follow up on Trace's remarks about
10 the February 13th meeting, following the last Commission meeting,
11 Commissioner Smith--sorry, Commissioner Fields called us into a meeting,
12 Trace, Tyler and I, to discuss BAC nomination process and changes to
13 ensure that the Commissioners have the opportunity and time to review
14 and interview nominees, as required by Rule 402.102(e). The result of
15 the meeting is that, after staff has verified nominee eligibility, I
16 will send each of you an email including that nomination form, and some
17 information about when the nomination period will end. When I send you
18 the last form, I will send you a completed list of nominations, so you'll
19 know you've got them all.

20 And that's all I've got on that one. I can follow up on the
21 rule review also. So, it was a great meeting, very productive. About two
22 weeks before the meeting, staff sent the subcommittee members a redline
23 draft of Chapter 402, including those changes identified by staff. Also,
24 before the meeting, Texas Charity Advocates, the Bingo Interest Group
25 and Texans for Charitable Bingo shared written information, including
26 comments and topics for discussion. I believe that that timely exchange

1 of information in advance of the meeting was very helpful for our
2 discussions.

3 The discussion was very productive, at times pretty lively,
4 and very much appreciated. There were a few issues revealed that we are
5 still considering, and I've got a short list here, I can just give you
6 some highlights. One is about the BAC, various issues including its
7 competition and the appointment process, the reduction or repeal of the
8 current requirement of a minimum payout of 65% for pull-tabs, allowing
9 the online sale of gift certificates, setting a minimum price for
10 electronic card minders, and also regulatory requirements for non-
11 regular conductors. Like I said, we're continuing to discuss those topics
12 and more.

13 The next steps will include my discussion with staff about a
14 couple of other outstanding issues and preparing a newer redline draft
15 to share with the subcommittee, including some of the changes and
16 corrections identified during the meeting. And that concludes my remarks
17 on this item.

18 CHAIRMAN RIVERA: Okay. LaDonna, thank you. Commissioners, any
19 questions? Questions, comments?

20 COMMISSIONER FIELDS: So, I have a quick comment, that the BAC
21 is up for renewal in August. And given the timeframe that we need to be
22 able to have the department vet the candidates, post the positions of
23 actually all nine of the BAC members, then I would like, if possible,
24 to direct LaDonna to start the process to do that, so that there's plenty
25 of time to get in all the applications that we hope we get and for any

1 Commissioners that would like to review the applicants and interview
2 them if possible. And for the BAC to also weigh in on that as well.

3 CHAIRMAN RIVERA: Okay, thank you, Cindy. Commissioners, any
4 comments?

5 COMMISSIONER SMITH: Yeah, I'd like to--Trace and LaDonna,
6 thanks so much. I'm very glad that you guys are going through the rule
7 review. Obviously an enormously important part of what we do as a
8 Commission is to vet and update rules. A lot of very important policy
9 decisions to be made and we obviously want to see y'all's
10 recommendations.

11 I want to just point out how glad I am that y'all are looking
12 through some of the logistics of operating the committee, and in
13 particular items like, you can examine whether--what sort of a quorum
14 would be necessary to hold a meeting and being able to hold remote
15 meetings, right? I know it's just difficult in a state as big as ours
16 with a geographically diverse committee, but maybe you consider thinking
17 about ways where you can formally hold a meeting while allowing people
18 to Zoom in remotely, or even if you can have meetings around the State.
19 I think it could speak a lot to having a--if you have a geographically
20 diverse committee with geographically diverse applicant pool, to be able
21 to meet in other places besides the State office here in Austin.

22 So, I'm very glad what y'all are doing, and just a couple
23 suggestions to make the flow and the operations of the Commission, or
24 the committee, even easier.

25 MR. SMITH: Thank you. And that is on the agenda as well, to
26 look at that and open that up.

1 COMMISSIONER FIELDS: And, actually, on those lines, I've been
2 able to attend I think all but one of the BAC meetings in the last couple
3 of years anyway. Either remotely or in person. And being able to
4 participate remotely has worked very well, I thought. So, I think it
5 will open up the candidate applicants to people that can't always make
6 it to Austin, Texas.

7 MR. SMITH: LaDonna and her staff have made it very good for
8 anybody that can't make it to dial in remotely through Zoom or some other
9 access number. So, that has helped. We've had members that couldn't make
10 it for one reason or another, so they were able to attend a meeting. So
11 yes, absolutely, I agree.

12 CHAIRMAN RIVERA: Commissioners, any other discussion? Okay.
13 Trace, LaDonna. Thank you very much.

14 AGENDA ITEM III.

15 CHAIRMAN RIVERA: Next item is our Bingo financial report.
16 LaDonna, your item.

17 MS. CASTAÑUELA: Thank you. For the record, LaDonna
18 Castañuela, Director, Charitable Bingo Operations Division. The
19 Commission [inaudible 00:16:48] is in your notebook materials and
20 includes the required information for calendar years 2022 and 2023.
21 [inaudible 00:16:55].

22 (Chorus of "Ayes")

23 (The Commission unanimously approved the Charitable
24 Bingo Operations Division report required by Bingo Enabling Act §2001.060
25 for calendar years 2022-2023)

26 CHAIRMAN RIVERA: Okay.

1 COMMISSIONER FIELDS: Mr. Chairman, there's one other thing
2 that I would like to bring up that LaDonna didn't, that I would actually
3 like her to report on, and it's the Charitable Bingo Survey of Employee
4 Engagement, which in a world full of bad news is good news. So, if you
5 could--just to give some color to it, this agency had eight directors
6 before LaDonna in about as many years. And in my weekly phone calls with
7 the previous director and with Tyler Vance, who served as interim before
8 LaDonna, it became apparent to me that the employees felt kind of
9 overlooked and underappreciated. And LaDonna came along, and shortly
10 after that there was a Survey of Employee Engagement that didn't come
11 out so well. It was--actually, Jan didn't really want to show it to her,
12 she was brand new. But now we have good news. So, if maybe you could go
13 through some of the scores, just to give us a sense of how it came out.

14 MS. CASTAÑUELA: Yes, thank you. So, I just have a little short
15 summary. We did receive the survey results last week and they do show a
16 marked increase in scores in staff engagement since the last survey in
17 2022, just a few months into my tenure. I've not completed a thorough
18 analysis, [inaudible 00:18:49].

19 Keep in mind that they say that a 350 or above is desirable,
20 and less than 300 is a cause for concern. In 2022 our score was square
21 in the average area, it was 336, and this, a few months ago when the
22 survey was sent again, the new score is 387, well into the desirable
23 range for the division. The percentage of division employees who were
24 identified as highly engaged or moderately engaged, in 2022 we had 34%,
25 and now in 2024 we have 50%. So, also a nice increase.

1 The staff's response scores increased in every area
2 identified in the survey except for benefits, an area that we can't have
3 any control over anyway. I'm very proud of the work we've done in the
4 division since I got here 32 months ago, and I believe our survey results,
5 especially when compared to previous results, confirm that we are headed
6 in the right direction. Thank you very much, Commissioner Fields.

7 COMMISSIONER FIELDS: Trophy for most improved.

8 MS. CASTAÑUELA: Thank you.

9 CHAIRMAN RIVERA: LaDonna, thank you. What Bingo has gone
10 through over the last several years since I've been a Commissioner has
11 been night and day. Years ago, when I was first appointed, literally our
12 Commissioners were spending more time on Bingo, it seemed, than anything
13 else in terms of having to meet to hire people, to visit about the
14 director's responsibilities and lack of responsibilities being taken
15 seriously, just from a variety of issues. And so, from the day, LaDonna,
16 that you've been here, I know collectively that we've all slept better
17 knowing that you're there at the helm leading the division. And just
18 great to hear Cindy's comments and yours as well on the immediate
19 improvements that have come through since you've been there at the helm.

20 So, LaDonna, we're very grateful that you're there. So, thank
21 you.

22 MS. CASTAÑUELA: Thank you.

23 COMMISSIONER FRANZ: Good to hear.

24 AGENDA ITEM IV.

25 CHAIRMAN RIVERA: Okay. Next item is a report on the internal
26 audit contract and scratch tickets. Angela, this is your item.

1 MS. ZGABAY-ZGARBA: Good morning, Commissioners. First, if I
2 may, I'd like to say congratulations to Ryan. And I know that he's going
3 to do a great job leading the agency into the future.

4 For the record, my name is Angela Zgabay-Zgarba, the Director
5 of Administration. Item four in your notebook contains an action item
6 relating to the contract for internal audit services. Staff is seeking
7 Commission's approval to extend our current contract with McConnell Jones
8 Internal Audit Services for the third and last, one-year renewal period.
9 It will begin September 1st, 2024, and end August 31st, 2025.

10 As an audit contract, the Lottery must [inaudible 00:22:10]
11 receive delegation of services on this contract from the State Auditor's
12 Office, which it has historically approved. Commissioners have
13 independently confirmed they have no financial interest in McConnell
14 Jones.

15 The second item under number four is for the scratch ticket
16 contracts. In your notebook, this is a briefing item to advise you that
17 staff's intent is to amend the three 2022 scratch ticket printing
18 contracts with Scientific Games, IGT Global Solutions and Pollard
19 Banknote. The purpose of these amendments is to modify respective pricing
20 sheets to include additional add-on features, product quantities and
21 ticket sizes. You have also confirmed that you have no financial interest
22 in these three entities.

23 If you have any questions, I'll be happy to answer them. I do
24 need a vote on the audit contract.

25 CHAIRMAN RIVERA: Okay, thank you. Commissioners, any
26 discussion? Is there any motions?

1 COMMISSIONER FRANZ: I'll move that we approve the extension
2 of the Internal Audit Services contract.

3 CHAIRMAN RIVERA: Okay.

4 COMMISSIONER STEEN: Second.

5 CHAIRMAN RIVERA: Second. All in favor say aye.

6 (Chorus of "Ayes")

7 CHAIRMAN RIVERA: Okay, thank you very much. Good job.

8 AGENDA ITEM V.

9 CHAIRMAN RIVERA: Next item is a report on lottery operations.
10 Angela, still your item.

11 MS. ZGABAY-ZGARBA: Item five in your notebook is a briefing
12 item. As you may recall, in October of 2023 I requested approval to issue
13 the upcoming lottery operations and services procurement, which you
14 approved. This is an interim status to let you know how the procurement
15 is progressing, and on April 2nd the Texas Lottery posted the two-month
16 pre-solicitation notice, as required for solicitations that exceed \$20
17 million, on the Electronic State Business Daily and the Texas Lottery's
18 website. This notice expires June 2nd. The procurement is still on track
19 for an early summer issuance, and I'll be happy to answer any questions.

20 CHAIRMAN RIVERA: Okay. Commissioners, any question,
21 discussion? No? Okay. Angela, thank you so much.

22 AGENDA ITEM VI.

23 CHAIRMAN RIVERA: Alrighty. Before we go to item six, Ryan, I
24 mean, you can sit anywhere that you would like, but if you would like
25 to take that seat that would be-

1 Alrighty. Next item is the Minority Business Participation
2 Report. Eric Williams, your item.

3 MR. WILLIAMS: Good morning, Chairman, Commissioners. For the
4 record, my name is Eric Williams and I'm the Coordinator of the Lottery
5 Commission's Historically Underutilized Business Program, or the HUB
6 Program.

7 As you're aware, the HUB Program is a statewide initiative
8 that provides assistance and contracting opportunities with minorities,
9 women and service-disabled veteran-owned businesses. At the beginning
10 of each fiscal year the agency sets its annual internal HUB goals as
11 required by the Comptroller's rules. This year's goals and a set of the
12 summary reports were sent to you last fall.

13 A copy of the agency's finalized fiscal year 2023 Minority
14 Business Participation Report is included in your notebooks. This is an
15 annual report which is required by Section 466.107 of the State Lottery
16 Act, and must be made available to the governor, lieutenant governor,
17 speaker of the House and members of the Legislature. The report documents
18 minority and HUB participation in our agency's contracting activity and
19 includes information on the number of licensed minority retailers.

20 During fiscal year 2023 the agency achieved an overall
21 participation rate of 9.63% in its minority HUB contracting activity,
22 which represents a decrease from our fiscal year '22's performance of
23 10.66%. Of the 22 largest-spending state agencies and universities in
24 fiscal year '23, the Lottery Commission ranked 16th overall HUB
25 percentage. During the reporting period the agency also had 8,707

1 minority retailers, which represented 41.41% of the Texas Lottery's total
2 retailer base.

3 I will be happy to answer any questions regarding this report
4 at this time.

5 CHAIRMAN RIVERA: Okay. Commissioners, any discussion? Okay.

6 MR. WILLIAMS: Yes sir. This is an action item. Staff
7 recommends your approval of the fiscal year '23 Minority Business
8 Participation Report. Once the report or if the report is approved, we'll
9 post it on the agency's website and Ms. Treviño will be notified, will
10 notify the legislative offices of its availability.

11 CHAIRMAN RIVERA: Is there a motion to approve the report?

12 COMMISSIONER FIELDS: Move to approve.

13 CHAIRMAN RIVERA: Do we have a second?

14 COMMISSIONER FRANZ: I'll second.

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

16 (Chorus of "Ayes")

17 CHAIRMAN RIVERA: Okay. Eric, thank you very much.

18 MR. WILLIAMS: Thank you, sir.

19 AGENDA ITEM VII.

20 CHAIRMAN RIVERA: Alrighty, next item, report on lottery sales
21 and revenue. Sergio and Will. Go ahead.

22 MR. REY: Good morning. For the record, my name is Sergio Rey,
23 Controller of the Texas Lottery. This morning Will Russ, Products
24 Manager, and I will provide the following update on the sales through
25 the week ending April 6th, 2024. At the 32nd week mark of fiscal year
26 2024, total sales have reached \$5.16 billion. This is a 2.6% decrease

1 from this time last year. The delta from last year's total is now \$138-
2 million, primarily from the high jackpot sales since our last meeting.

3 As you can see on the chart, the draw sales in the last 10
4 weeks had a big boost and year-to-date sales are at 1.16-billion. This
5 is slightly under the sales this time last year at approximately \$40.6-
6 million less. While scratch sales benefited from the jackpot traffic and
7 new games which were introduced, which will be discussed in more detail
8 shortly, sales are still lower than last year by approximately \$97-
9 million. But the gap is closing down to a 2.38% margin. Now this is the
10 revenue perspective through week 32. In the next slide Will will provide
11 the specifics from the game performance perspective.

12 MR. RUSS: Good morning, Mr. Chairman. Good morning,
13 Commissioners. For the record I'm Will Russ, the Products Manager, and
14 will be giving a more detailed view of the sales that Sergio just reported
15 on. But first I'd like to congratulate Ryan for a well-deserved job.

16 If we look at this slide, at the bottom right corner you can
17 see the year-over-year decline of about 138-million, or 2.61%. The good
18 news here is that when I last reported on our sales the deficit was
19 almost 248-million. As you can see, we have made up some ground over the
20 last two months.

21 The categories we are behind in remain the same. The national
22 draw game, Mega Millions, and then also our scratch ticket sales. At our
23 last meeting the Mega Millions deficit was about 102-million. The roll
24 the game was on then continued until March 26th, when it hit 1.13-
25 billion. During the roll, sales were positive, and that's why we started

1 to close the gap and reduce the deficit to about 63-million, when you
2 include the add-on feature Megaplier.

3 Our luck since the last meeting has also extended to
4 Powerball. The roll occurring during the last meeting continued until
5 April 6th with a \$1.3-billion jackpot. With that run, Powerball sales
6 are now positive year-over-year by about 33-million.

7 Draw game sales were positive year-over-year for the second
8 half of February and all of March, and we know that the jackpot runs on
9 the national games were contributing factors. This is great news, but
10 we do still have tough comp weeks ahead because Powerball and Mega
11 Millions both had high jackpots last summer.

12 The in-state draw game, Lotto Texas, is down a slight 18-
13 million, but we're currently experiencing our toughest comp weeks because
14 the jackpot hit 95-million last April. Finally, Texas Two Step is
15 slightly down, but our draw game marketing efforts are currently focused
16 on promoting this game.

17 In the middle of the slide in blue are the daily games, and
18 there's good news to report here as well. Pick 3 has remained relatively
19 flat. Daily 4, Cash 5 and All or Nothing are all slightly up. We remain
20 encouraged by Pick 3's sales because there have been declines over the
21 years, with players of that game moving to Daily 4.

22 At our last meeting the draw games portion of the portfolio
23 was down about 157-million. Largely because of the jackpot runs on the
24 national games, we have reduced that number to about 40-million, or
25 3.38%. You can see that number in orange towards the bottom of the slide.
26 As Sergio mentioned, scratch sales are down about 97-million or 2.38%.

1 That percentage has remained relatively--excuse me--that percentage has
2 remained fairly constant through the fiscal year, but there are some
3 exciting launches in May and over the summer that could potentially close
4 this gap.

5 At our last meeting I included a sample of the most recent
6 \$100 ticket. That game launched in early February and has been one of
7 the top-selling games since. The scratch team is pleased with our
8 decision to add that game to the launch schedule. With that, I'll wrap
9 up. Sergio and I are available for any questions.

10 CHAIRMAN RIVERA: Commissioners, any discussion?

11 MR. RUSS: Thank you so much.

12 CHAIRMAN RIVERA: Will, Sergio, we know that when you come and
13 present--does someone have control over the lights? Thank you. We know
14 that the numbers that you provide are simply numbers that are there, and
15 so we know that you don't create these numbers and that y'all are doing
16 the best that you can with what is presented. So, just we're grateful
17 for that. So, just continue to come and summarize whatever those numbers
18 are, and you guys are doing a good job. So, thank you.

19 MR. RUSS: Thank you, Mr. Chairman.

20 AGENDA ITEM VIII.

21 CHAIRMAN RIVERA: Okay, next item is the report on transfers
22 to the State and agency's budget. Sergio, this is your item.

23 MR. REY: Good morning, again. In this agenda item I will
24 provide a high-level summary of the accrued revenues and transfers
25 through February 29th, 2024. This is item number eight in your meeting
26 notebooks.

1 Our accrued revenue transfers to the State have totaled
2 \$868.3-million for the first half of fiscal year 2024. The Foundation
3 School Fund has received \$812.3-million, the Texas Veterans Commission
4 receiving a hundred--that would be great--but it's \$11.4-million. And
5 the remaining \$44.6-million are transfers from unclaimed prizes. In
6 total, Texas Lottery has transferred \$32.6-billion to the State for
7 education, \$235-million for Texas veterans.

8 Second part of this item is a budget summary of the second
9 quarter of fiscal year 2024, which ended, again, February 29th. We're
10 in the middle of the fiscal year, and at this point our financial
11 activities remain consistent with prior years. The lottery account budget
12 has expenditures and commitments for the year totaling \$248.8-million,
13 which is 77.6% of the budget. The Bingo operations budget has \$2-million
14 in expenditure and commitments for the rest of the year, representing
15 91.6% of its budget.

16 The Office of the Controller, along with the division
17 directors, continue monitoring the agency's budget and are already
18 preparing for next fiscal year. This summer we will be presenting our
19 fiscal year 2025 operating budget for your approval.

20 Commissioners, this concludes my presentations, I'll be happy
21 to answer any questions you may have.

22 CHAIRMAN RIVERA: Okay. Sergio, thank you. Commissioners, any
23 discussion? Okay. Sergio, good job on that and you will remain and visit
24 with us regarding the report on the agency's strategic plan.

25 AGENDA ITEM IX.

1 MR. REY: That's correct. Commissioners, not only are we
2 talking 2024, we're moving on to 2025. But we are now also at the start
3 of the legislative budget process for fiscal years 2026, 2027.

4 Since our last meeting the agency has received instructions
5 from the Legislative Budget Board and the Office of the Governor, Budget
6 and Policy Division, for the completion of the strategic plan for years
7 2025 through 2029. This is to fulfill the requirements of Texas
8 Government Code Chapter 2056, and the strategic plan is the formal
9 document for state agencies to communicate its goals, directions and
10 outcomes to our oversight agencies, stakeholders, and the public. The
11 strategic plan sets the tone for the agency's request for the legislative
12 sessions to come, foremost the 89th Legislative Session this spring.

13 Since the document is due prior to our next meeting,
14 specifically, June 1st, I would like to provide an overview of the 2025-
15 2029 strategic plan as recommended by staff and executive management.
16 The strategic plan begins with our agency vision, mission, and core
17 values. It then has essentially three major components: the agency's
18 goals and action plan, also identifies redundancies and impediments, and
19 has additional supplemental schedules that provide information about the
20 agency or day-to-day operational plans.

21 The main section, agency goals and action plan, emphasizes
22 the agency's outlook to ensure it meets the mission envisioned by its
23 enabling statutes. The agency's strategic plan will continue its focus
24 on these major goals: increase gross sales and net revenue efficiently
25 and responsibly; offer a good product mix and game portfolio that
26 provides the best entertainment experience through responsible

1 management; sustain a strategic retailer distribution channel
2 development; efficient and appropriate lottery game promotion,
3 expenditures and education; optimize the retailer's cash incentive
4 program; increase effectiveness and efficiencies of bingo operations to
5 ensure proper oversight, education and enforcement; and finally,
6 planning for a secure, safe and cost-effective information technology
7 infrastructure.

8 In the next section the focus on redundancies and impediments
9 is to identify services, statutes, rules or regulations which over time
10 have had an impact on the agency's effectiveness and efficiencies to
11 achieve its mission. The agency has identified the following as
12 impediments: the lottery courier services, Bingo Division staff
13 salaries, and technology infrastructure for the Charitable Bingo
14 Division.

15 For the last section, the supplemental schedules are either
16 informational in nature or provide goals for meeting other statutory
17 requirements; the schedules are: the agency budget structure,
18 information on performance measures and its overview, historically
19 underutilized business plan information and goals, the agency's
20 workforce plan and customer service report, and a new cybersecurity
21 training compliance certification.

22 On a final note, as noted earlier, the final document is due
23 on or before June the 1st, and much like our other LBB submissions this
24 will route for signature to our new executive director and to our
25 Commission Chair prior to submitting it to our oversight agencies.

1 Commissioners, we are at the beginning steps of the upcoming
2 legislative process. Information from the plan will translate or support
3 items in our '26-'27 Legislative Appropriation Request, which you'll
4 also see later this summer. I am available for any questions you may
5 have today, and as well as in the coming weeks as we complete this
6 process. This completes my presentation.

7 CHAIRMAN RIVERA: Okay. Sergio, thank you very much.
8 Commissioners, any discussion? No discussion. Sergio, thank you for your
9 thoroughness. And obviously you have a big role and responsibility, and
10 we have a lot to continue to do and we're grateful for your participation
11 in just making sure that things are moving forward. So, thank you.

12 MR. REY: Thank you.

13 AGENDA ITEM X.

14 CHAIRMAN RIVERA: Okay. Next item is a report on agency Sunset
15 review process. Ryan, your item.

16 MR. MINDELL: Thank you, Chairman, Commissioners. Again, for
17 the record, my name is Ryan Mindell. I'm the Executive Director of the
18 Texas Lottery.

19 I have a brief update for you on the ongoing Sunset review
20 process. We do believe we're at the very end of the staff review process.
21 So, we've responded to over 100 information requests, providing a
22 voluminous set of data to Sunset staff, and we've had numerous meetings
23 between our staff and Sunset staff.

24 At this point, Sunset staff are drafting their report, and we
25 expect that to be made available to the public in early May. And just
26 as a reminder, after that the Sunset Advisory Commission will hold two

1 public meetings, the first to take comment from Sunset staff, agency
2 staff and the public, and then the second as a decision meeting to
3 consider adopting the recommendations based on the report and the comment
4 they receive. These recommendations will make their way into a Sunset
5 bill that will be introduced in the 2025 Legislative Session.

6 So, with that, I'm happy to answer any questions you have
7 about the process so far.

8 CHAIRMAN RIVERA: Commissioners, any discussion?

9 COMMISSIONER FRANZ: I know you can't speak definitively, but
10 what's your kind of gut on the timeline for--you say the early May for
11 the report release, then kind of the rest of those items. When do you
12 think those happen?

13 MR. MINDELL: Sure. Of course, the Sunset Advisory Commission
14 is not fully constituted right now. There are a number of House members
15 still going through runoffs, and then there's some Senate members that
16 still need to be appointed. So, I think that's going to be the first
17 step to determine the calendar. But if they are able to make those
18 appointments and have the board fully constituted, I would expect the
19 first hearing to be in June or July and the second hearing to be later,
20 perhaps August or September.

21 CHAIRMAN RIVERA: Any other discussion items? Ryan, thank you.
22 You and all of our staff that have participated. Obviously, this is an
23 incredibly important process, and our transparency and ability to
24 effectively communicate is incredibly important. So, we're grateful for
25 your stewardship through this important endeavor. So, Ryan and the rest
26 of the staff that is helping with this, thank you.

1 AGENDA ITEM XI.

2 CHAIRMAN RIVERA: Okay. Next item is our internal auditor's
3 report. Darlene, your item.

4 MS. BROWN: Good morning, Commissioners. Thank you for your
5 continued support in our contract. We greatly appreciate it.

6 I have a quick briefing for you today. My name is Darlene
7 Brown, the Internal Auditor for the agency, for the record. We've
8 recently completed an internal audit of the scratch ticket contracts,
9 and this is part of the overall contracting and procurement audit that
10 we will be performing later. We concluded that the procurement of these
11 and the contracting activities for the three scratch ticket vendors,
12 they follow the internal policies and procedures, and which align with
13 the state contracting guidelines.

14 Also, I want to commend the staff for keeping the
15 documentation in such an orderly manner. It was very easy to complete
16 this audit, and anybody from the external entities, if they ever wanted
17 to audit these contracts, they could look at our work and they could
18 also look at what the Lottery staff have and not have any issues with
19 it. We had no findings to report on that contract.

20 Also, in the process of auditing the agency's legislative
21 change management processes, this audit focuses on what controls are in
22 place and the processes to ensure that any new or proposed legislation
23 is identified, tracked and monitored, and implemented. We anticipate
24 that we will be able to report on the outcomes of this audit at the next
25 Commission meeting.

1 So that concludes my report for today and I'll be happy to
2 answer any questions you might have.

3 CHAIRMAN RIVERA: Okay. Commissioners, any discussion?

4 COMMISSIONER FRANZ: None for you, Darlene.

5 CHAIRMAN RIVERA: Okay, Darlene. Great job as always. Thank
6 you.

7 AGENDA ITEM XII.

8 CHAIRMAN RIVERA: Alrighty, next item is our Bingo Director's
9 report. LaDonna, your item.

10 MS. CASTAÑUELA: Hello again. LaDonna Castañuela, Director of
11 Charitable Bingo Operations Division. Since the February Commission
12 meeting, we've been very, very busy in the division with Sunset,
13 including many of those previously mentioned 100 requests made to the
14 agency, and meeting requests. And, also, of course, the rule review,
15 also previously mentioned. As usual, in your notebook materials you've
16 got the division's output metrics for the last two months, February and
17 March.

18 I also want to let you know that we've recently received a
19 request for a bingo advisory opinion regarding a matter that was raised
20 during the rule review. The request is about a distributor's ability to
21 take back bingo equipment or supplies, including pull-tabs. We received
22 the request on Monday and, per our rule, the advisory opinion is due to
23 be issued in 60 days, or within 60 days, which would be June 14th. This
24 is the third bingo advisory opinion request that we've received this
25 fiscal year. In November, we received one from a licensed manufacturer
26 about distributor logos and trademarks on pull-tabs. And then the final

1 request received, I think in December, was filled out by someone whose
2 eligibility we could not confirm with information provided, and when we
3 reached out, we did not get any responses.

4 That's all I have for you today. If you have any questions,
5 I'm available. Thank you.

6 CHAIRMAN RIVERA: Okay.

7 COMMISSIONER FRANZ: Just you mentioned that June 14th is at
8 60 days, so you anticipate-

9 MS. CASTAÑUELA: From Monday.

10 Commissioner Franz: Right. So, you anticipate that the
11 Commission will see that advisory opinion or the response on that at the
12 next meeting? [inaudible 00:47:56]. Okay, Bob, I had not looked
13 [inaudible 00:48:01]. June 6th. So, the next meeting, there should be
14 time.

15 COMMISSIONER FRANZ: Thanks.

16 CHAIRMAN RIVERA: Commissioners, any other discussion? Cindy?

17 COMMISSIONER FIELDS: Not here, thank you.

18 CHAIRMAN RIVERA: Okay. LaDonna, thank you very much. Good
19 job.

20 AGENDA ITEM XIII.

21 CHAIRMAN RIVERA: Next item is the Deputy Executive Director's
22 Report. Ryan, your item.

23 MR. MINDELL: Thank you. Again, for the record, my name is
24 Ryan Mindell, Executive Director. I do have a few updates for you today.
25 First, as you heard about bingo rule review, Legal Services is working
26 with Lottery Operations, IT and other agency staff to review the

1 Commission's lottery rules under chapters 401, the Administration of the
2 State Lottery Act, and 403, General Administration. So, that process is
3 still ongoing. We do anticipate bringing orders summarizing the results
4 of that review and readopting the existing rules to the board later this
5 year. The actual rule amendments will then be proposed at a subsequent
6 Commission meeting.

7 So, just to give you a high-level overview of what we've seen
8 so far, there are multiple non-substantive updates to clarify rule
9 language. We have identified some potential substantive amendments. That
10 includes making it an express violation to require a purchaser to buy
11 additional items when paying for lottery tickets with debit cards; making
12 it an express violation for retailers to refuse to cooperate with a
13 lottery investigation under the State Lottery Act; making sure that
14 definitions and references to in-lane sales refer to both draw games and
15 scratch ticket games, which are both now being sold in-lane; and amending
16 the lottery security rule to delete references to the security division,
17 specify that our IT division is responsible for developing and
18 maintaining security plans and procedures involving the computer network
19 and cybersecurity. We've identified no potential changes to the General
20 Administration rules in Chapter 403 so far.

21 Second, as you also heard I think from Commissioner Fields
22 and LaDonna, we did receive the agency results of the survey employee
23 engagement. Now that survey is performed by the Institute for
24 Organizational Excellence at the University of Texas at Austin, where
25 it surveys about 250,000 Texas state employees every two years to better
26 understand the employee's level of engagement with the mission of the

1 agency. To start out to share the results, I just want to say that it
2 was amazing. We had over 91% of agency staff respond to the survey, and
3 even the UT group says that over 50% response rate is good. So, obviously
4 our response rate of 91.7% is exceedingly high. It shows that we can
5 really rely on the results of that survey.

6 For the overall score, you heard that 350 is kind of
7 desirable, below 300 is a cause for concern. I'm very happy to report
8 that the agency's overall score was 425. That's the highest it's ever
9 been at the Texas Lottery. I'm very confident that compares favorably
10 with any state agency of comparable size. Numbers like those, it can be
11 hard to find improvement, but I think, as you heard, we had a number of
12 divisions show an increase since the last survey last year, led by the
13 Bingo division, the overall score that improved by 51 points.

14 So, overall, we're very pleased with the results of the
15 survey. There's obviously always room for improvement, so division
16 directors are currently reviewing the results of those in detail to
17 understand the feedback that staff took valuable time to give us.

18 And now with potential improvement in mind I wanted to share
19 a couple of recent reviews of the agency. First, the State Office of
20 Risk Management completed its Risk Management Program Review Report of
21 the agency. This review covers four fiscal years, and ultimately, we
22 received a very favorable report with only two recommendations to review
23 our insurance coverage. I'll quote directly from the SORM reviewer here
24 in her email to me. Quote, "You and your team should be commended for
25 the efforts to eliminate risk exposures and maintain a high level of
26 safety for all Texas Lottery Commission employees."

1 If we weren't busy enough, we also completed the State
2 Auditor's Office's statutorily required Contract Monitoring Assessment.
3 So, SAO is required by statute to assign contract monitoring ratings to
4 the 25 largest state agencies, as determined by the Legislative Budget
5 Board. And again, I'm very pleased. After a detailed review, the State
6 Auditor assigned our agency a rating of no additional monitoring
7 warranted. And that was across all areas: contract solicitation
8 development, contract formation and award, and contract management and
9 termination.

10 So, all that work goes back to what I believe, this is the
11 best-run state lottery in the country. I have some additional news to
12 back that up. You heard from Will and Sergio about our sales results,
13 but I did want to share that for the month of March, Texas had the
14 highest scratch ticket sales in the country. Now, every state lottery
15 across the country has seen ups and downs in its draw sales based on
16 jackpot totals. We had some really hard jackpot comps year-over-year.
17 But most large states are also seeing large declines in their scratch
18 ticket sales. Our scratch ticket program, thanks to the dedicated work
19 across the agency, is showing more resilience than most. Since the
20 beginning of our fiscal year, Texas has kept its second-place position
21 among all lotteries in the country in scratch sales, and we're now pulled
22 to within half a percentage point behind first place.

23 So, thank you, Commissioners. That's all I have to report.

24 CHAIRMAN RIVERA: Commissioners, any comments?

25 COMMISSIONER FRANZ: No. All good news. Thanks, Ryan.

1 CHAIRMAN RIVERA: Ryan, thank you. Tremendous. And just we're,
2 again, excited about you taking the helm and excited about just all the
3 years ahead of you there in that role. So again, congratulations and
4 extremely happy.

5 MR. MINDELL: Thank you very much.

6 AGENDA ITEM XIV.

7 CHAIRMAN RIVERA: Next item is an item that I've asked to be
8 placed on the agenda to discuss appointing Commissioners for
9 subcommittees. The focus would be two Commissioners on subcommittees in
10 the key areas of legal, audit, and planning.

11 The audit committee would work with the Commission's internal
12 auditor to review ongoing agency audits, as well as risk analysis for
13 upcoming audits. In addition, the subcommittee would work with Bingo to
14 identify audit issues and risk analysis to be implemented in the future
15 for bingo licensees.

16 Next, the legal subcommittee would work with General Counsel
17 and senior management to identify areas of the agency's authority, where
18 regulated entities and public would benefit from additional clarity and
19 detail on the Commission's rulemaking and policies.

20 Finally, the planning subcommittee would provide input to the
21 Executive Director, the Bingo Director and senior agency management staff
22 to discuss our strategic planning, comprehensive business plan and the
23 legislative appropriations request.

24 So, clearly all three of these are significant and important.
25 The committees, again, would be made up of two Commissioners, and
26 collectively everything that we do from our body here as Commissioners

1 comes from the collective five. So, although everyone--we would love to
2 have all five serve on all three committees, again, we're going to go
3 with two. I would suggest starting with audit, and hopefully if there
4 are members that would like to serve on something, but I'll put this out
5 there.

6 So, for audit, Cindy and Jamey. For legal, myself, and we are
7 very fortunate to have the legal expertise of Clark here to my right,
8 so I think Clark would be a natural fit. And then for the planning
9 subcommittee, Mark and Jamey. So, Jamey is kind of short stick and will
10 have to serve on two, but I think that is a responsibility that you
11 could handle. So, with that, Commissioners, are there any discussion?

12 COMMISSIONER FIELDS: I have a comment. I served two terms on
13 the Finance Commission of Texas underneath Governor Rick Perry, and
14 during those two terms served as audit committee chair. And having had
15 that experience, I think these subcommittees will work very well and
16 give the staff kind of an outside perspective and give the Commissioners
17 an inside perspective. So, I think it's a great idea.

18 CHAIRMAN RIVERA: Okay, any other comments?

19 COMMISSIONER FRANZ: No, I would just agree that having a--
20 this is essentially formalizing how we've done business up to now, and
21 I think that's a great next step. We've all worked in ones and twos with
22 staff on each of these items over time, and kind of now formalizing that,
23 and a way to bring that back to the full Commission I think is a great
24 idea. So, thanks, Chair.

25 COMMISSIONER SMITH: Agreed. I'm excited. I'm a great big legal
26 nerd, so this is right up my alley.

1 CHAIRMAN RIVERA: Good. Jamey, you're-

2 COMMISSIONER STEEN: I agree as well. Thanks, Robert, and happy
3 to serve. And I think this will be beneficial for the mission and the
4 agency. So, thank you.

5 CHAIRMAN RIVERA: All right. So, with that we need a motion.

6 COMMISSIONER FRANZ: I'll move for the creation of the three
7 subcommittees as laid out by the Chairman, and the membership as well.

8 Chairman Rivera: Okay. All in favor say aye.

9 (Chorus of "Ayes")

10 CHAIRMAN RIVERA: All right. Good job. Well clearly,
11 collectively, to all here in the room and all of our employees across
12 the State, our Commissioners are super excited about a little more
13 strategic involvement throughout. And again, collectively decisions will
14 be made regardless of who serves on the subcommittees. So-

15 AGENDA ITEM XV.

16 CHAIRMAN RIVERA: Okay, next item there are enforcement cases.
17 Bob, your item.

18 MR. BIARD: Thank you, Chairman, Commissioners. I'm Bob Biard,
19 General Counsel. Item 15 contains 13 cases. They're all lottery cases,
20 tabs A through M. These are cases where a lottery licensee has violated
21 a statute or rule, and in most of these cases the respondent fails to
22 appear at the hearing and it proceeds by default, or staff and the
23 respondent reached a settlement in the form of an agreed order. We have
24 both of these types of cases today, as well as one case that was litigated
25 at the State Office of Administrative Hearings, which we refer to as
26 SOAH.

1 Tabs A through G are all non-sufficient fund lottery retailer
2 license revocations handled in a single order. Each case was presented
3 at SOAH for revocation of the retailer license because the licensee
4 failed to have sufficient funds in their bank account to cover electronic
5 fund transfers to the Commission. In each case the licensee failed to
6 appear, and the judge remanded the case to the Commission to handle as
7 a default matter.

8 Tabs H through L are lottery agreed orders. Three of these
9 cases are debit card cases similar to what you've seen before, where a
10 retailer charged an additional fee to a customer who was purchasing
11 lottery tickets with a debit card, which is not allowed. And two of these
12 cases involved a retailer's employee purchasing a winning ticket from a
13 customer and claiming it as their own.

14 The final case, tab M, that's the litigated case. It was also
15 a non-sufficient fund case where the retailer did appear and wanted to
16 have a hearing. In that case the judge is required to issue a proposal
17 for decision, recommending Commission action. And the judge recommended
18 revocation in that case, and so does the staff.

19 All the materials for these cases are in your notebook and
20 you can handle them all in a single vote if you like. I'll be happy to
21 answer any question.

22 CHAIRMAN RIVERA: Okay. Commissioners, any discussion? Is
23 there a motion?

24 COMMISSIONER STEEN: So, moved.

25 COMMISSIONER FIELDS: Second.

26 CHAIRMAN RIVERA: Second. All right. All in favor say aye.

(Chorus of "Ayes")

CHAIRMAN RIVERA: Okay. Good job, Bob. Good job, everyone.

AGENDA ITEM XIX.

CHAIRMAN RIVERA: Is there any other items anyone would like to discuss? Okay. Hearing none, we are adjourned.

(Meeting concluded)