

TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS LOTTERY COMMISSION
AUSTIN, TEXAS
COMMISSION MEETING

JUNE 6, 2024

10:00 a.m.

AT

GEORGE H.W. BUSH BUILDING
1801 Congress Avenue
Austin, Texas 78701

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

APPEARANCES

CHAIRMAN:	Robert G. Rivera
COMMISSIONERS:	Cindy Lyons Fields 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
DIRECTOR OF GOVERNMENTAL AFFAIRS:	Nelda Treviño
BINGO ADVISORY COMMITTEE MEMBER:	Veronica Uriegas
BINGO INTEREST GROUP:	Steven Bresnen
TEXAS CHARITY ADVOCATES:	Tom Stewart
TEXAS CHARITY ADVOCATES:	Stephen Fenoglio

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	A. To deliberate personnel matters, including the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of the Executive Director and/or Charitable Bingo Operations Director, pursuant to §551.074 of the Texas Government Code.	
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	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:	
	<u>Pending litigation - regarding Fun 5's Scratch Ticket Game #1592, including Travis County District Court Docket No. D-1-GN-14-005114 (Steele, et al. v. GTECH Corp.); and</u>	

Dallas County Justice Court, Precinct 3, Place 1, Cause No. JPC-24-02259-31 (Ethel Lache v. Lenora Taylor, Will Simpson & Gary Grief).

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.

XVI. 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.41

XVII. Adjournment.43

1 PROCEEDINGS

2 THURSDAY, JUNE 6, 2024 (10:00 a.m.)

3 AGENDA ITEM I.

4 CHAIRMAN RIVERA: Okay. Good morning, everyone. We have a
5 quorum. It is 10:00 and the meeting is officially called to order. We
6 will start with our Pledge of Allegiance to the U.S. and Texas Flags.

7 (Pledges recited)

8 AGENDA ITEM II.

9 CHAIRMAN RIVERA: Okay. We are going to start today with our
10 Bingo Advisory Committee. Trace, your item.

11 MR. SMITH: Good morning, Commissioners. Before I begin my
12 report, I would like to introduce you to Veronica Uriegas on the Bingo
13 Advisory Committee. She wanted to sit in this morning to just watch the
14 process, if you will.

15 CHAIRMAN RIVERA: Okay.

16 MS. URIEGAS: Good morning. Thank you for having me.

17 CHAIRMAN RIVERA: Welcome, Veronica.

18 MR. SMITH: Good morning, Commissioners, Bingo Chairman
19 Fields, and Chairman. Yesterday, the Bingo Advisory Committee met to
20 discuss several agenda items, the first item being the Sunset report.
21 First of all, Steve Bresnen informed the Bingo Advisory Committee about
22 the Bingo Interest Group's response to the Sunset report. One of the
23 many things he touched on was the praise of the staff's involvement,
24 along with Commissioner Fields and the Bingo Advisory Committee. The
25 Bingo Advisory Committee supports this assessment that staff and the
26 Commissioners do pay close attention to the Bingo Advisory Committee and

1 the bingo industry, in general. Tom Stewart with Texas Charity Advocates
2 also spoke in response to the Sunset report. They also concurred with
3 the Bingo Interest Group, with a few exceptions. I'm sure Steve Bresnen
4 and Tom Stewart will give their respective group's viewpoints later
5 today. I also personally thank Commissioner Fields, LaDonna, and Tyler
6 for all the hard work and time they dedicated to not only the Bingo
7 Advisory Committee, but the whole bingo industry.

8 The next item was the rules review. The BAC and the industry
9 received the updated rules review from staff on Tuesday, the 4th of June.
10 The rules subcommittee will be reviewing the updated changes and working
11 with the industry and the Bingo Advisory Committee. The staff has
12 generously agreed to have the rules review subcommittee meeting and then
13 a BAC meeting on the 6th of August.

14 Next items are the annual work plan and the BAC end-of-year
15 report. The BAC presented to LaDonna and staff a draft version of both
16 of these documents, a meeting cycle earlier to better involve staff,
17 Commissioners, and the industry. The BAC will have a Teams meeting on
18 the 8th of July to approve the work plan and the end-of-year report.
19 This will ensure that the Commission will have both of these documents
20 in your packets to review before the August Commission meeting.

21 Fiscal year 2025 BAC nominations update. So far, the BAC
22 received 13 nomination forms from staff, with more to come. The BAC would
23 ask the Commissioners to please direct the BAC on the process that they
24 should follow during this new nomination process. The BAC has two
25 questions: Should the BAC conduct interviews of the approved nominees?
26 And also, should the BAC make recommendations to the Commissioners of

1 who the BAC recommends to be appointed to the BAC? These two questions
2 are paramount to the new process we are now doing.

3 There was no old or new business at the latest meeting. The
4 meeting dates for the BAC for the Teams meeting is July the 8th, dealing
5 with the work plan and end-of-year report. Then on August the 6th at
6 10:00 a.m. for the rules subcommittee hearing and at 2:00 p.m. for the
7 BAC meeting on the same day. This concludes my report, and I would be
8 happy to answer any questions.

9 CHAIRMAN RIVERA: Okay. Commissioners, any questions? Did you
10 have any thoughts?

11 COMMISSIONER FIELDS: Just thinking about the process, the
12 Texas Administrative Code does allow the BAC to be a resource to the
13 Commission by reviewing nominations and interviewing potential members.
14 And of course, it's not a self-nominating process. But-

15 MR. SMITH: Correct.

16 COMMISSIONER FIELDS: I've always looked to you all as a
17 resource for us, and I think it's fine if you all would like to interview
18 the different prospective members and come to us with a recommendation.
19 We won't necessarily follow your recommendation, but it's still a
20 resource for us, in my view. I'm only one vote out of five.

21 MR. SMITH: Excellent. The BAC just wants to make sure we're
22 following what the Commission sets for us to do.

23 COMMISSIONER SMITH: And I agree wholeheartedly. I welcome
24 y'all's input on the members or the potential members, and I look forward
25 to hearing what y'all have to say.

26 MR. SMITH: Excellent.

1 CHAIRMAN RIVERA: Any other comments, discussion?

2 COMMISSIONER STEEN: Does it make sense for us to participate
3 in some of the interviews?

4 COMMISSIONER FIELDS: I believe it does.

5 COMMISSIONER STEEN: Okay. Well, we can make ourselves
6 available for that, should you need it.

7 MR. SMITH: Okay. Thank you.

8 CHAIRMAN RIVERA: Please. Okay. Thank y'all very much.

9 AGENDA ITEM III.

10 CHAIRMAN RIVERA: Next item is report on contracts. Angela,
11 your item.

12 MS. ZGABAY-ZGARBA: Good morning, Chairman, Commissioners. For
13 the record, my name is Angela Zgabay-Zgarba, the Director of
14 Administration. Item three in your notebook is a briefing item to advise
15 the Commission of staff's intent to renew the promotional products
16 contracts with Beehive Specialty and Sierra Group, the retailer bonus
17 payment management services contract with Alliant Insurance Services,
18 the lottery drawing CPA services contract with DK Partners, and the
19 internal control system and related services contract with Elsym
20 Consulting, for the terms listed in the memo provided in the notebook.
21 Commissioners have independently confirmed they have no financial
22 interest in these vendors. If you have any questions, Mr. Chairman, I'd
23 be happy to answer them.

24 CHAIRMAN RIVERA: Okay, Commissioners, any questions,
25 comments? None?

26 MS. ZGABAY-ZGARBA: Ready for item four?

1 CHAIRMAN RIVERA: Yes.

2 AGENDA ITEM IV.

3 MS. ZGABAY-ZGARBA: Okay. Item four in your notebooks is a
4 briefing item as well. This is an interim status update to let you know
5 that the lottery operations and services RFP is continuing to progress
6 as planned. As previously reported, the Texas Lottery sent the RFP to
7 the Comptroller of Public Accounts Contract Advisory Team for review,
8 and the agency has received positive feedback. In addition, the pre-
9 solicitation notice that requires two months' notice window to all
10 vendors has expired on June 2nd. The RFP will be issued soon and posted
11 on the Electronic State Business Daily and the Texas Lottery websites,
12 with copies sent to those that turned in a solicitation notice by the
13 deadline. If you have any questions or comments, Mr. Chairman, I'd be
14 happy to answer those.

15 CHAIRMAN RIVERA: Okay, any questions, comments? Okay.

16 MS. ZGABAY-ZGARBA: Thank you.

17 CHAIRMAN RIVERA: Angela, thank you so much.

18 CHAIRMAN RIVERA: Okay, next item is report on lottery
19 operations procurement. I'm so sorry. Okay.

20 AGENDA ITEM V.

21 CHAIRMAN RIVERA: Next item, report on lottery sales and
22 revenue, Sergio.

23 MR. REY: Good morning, Commissioners. For the record, Sergio
24 Rey, Controller for the Texas Lottery. Will Russ, Products Manager, and
25 I will provide an update on sales through the week ending May 25th, 2024.
26 At the 39-week mark of fiscal year 2024, total sales have reached \$6.28-

1 billion. This continues to be an overall 2.6% decrease from last year.
2 The delta from last year's total is now \$169-million. As you can see on
3 this chart, the draw sales year-to-date are at \$1.36-million. This is
4 under the sales this time last year at approximately \$57-million less.
5 Scratch sales remain lower from last year by approximately 112-million,
6 but the gap is closing down to a 2.22% margin. This is the revenue
7 perspective through week 39. In the next slide, Will will provide the
8 specifics on the game performance perspective.

9 MR. RUSS: Good morning, Mr. Chairman. Good morning,
10 Commissioners. For the record, I'm Will Russ, the Products Manager, and
11 we'll be giving a more detailed view of the sales that Sergio just
12 reported on. If we look at this slide at the bottom right corner, you
13 can see the year-over-year decline of about 169-million or 2.62%. The
14 main contributors to this decline are the national draw game, Mega
15 Millions, the in-state jackpot game, Lotto Texas, and then, also, our
16 scratch ticket sales. At our last meeting, the Mega Millions deficit was
17 about 63-million, which included the add-on features. The game had a
18 moderate roll between March 29th and this past Tuesday, June 4th, when
19 the game was hit at 560-million. During this roll, we continued to close
20 the gap and reduce the deficit to about 50-million. Powerball has also
21 continued to sell relatively well since our last meeting, and sales are
22 now positive year-over-year by about 45-million.

23 The in-state draw game, Lotto Texas, is down about 56-million.
24 This was expected though, because the game had a historic run last April
25 when it hit 95-million. In good news, it is currently having a solid run
26 and the jackpot is now 24.25-million. This jackpot is relatively high

1 for the in-state game and should yield positive sales results. Our other
2 in-state jackpot game, Texas Two Step, is slightly down, but this game
3 is also on a solid run with a \$1-million jackpot. In the middle of the
4 slide, in blue, are the daily games, and there's good news to report
5 here as well. Pick 3, Daily 4, Cash 5, and All or Nothing are all slightly
6 up. As I've mentioned at meetings in the past, we are particularly
7 encouraged by Pick 3 sales, because there have been declines over the
8 years with players of this game moving to Daily 4.

9 In conclusion, for the draw games portion of the portfolio,
10 sales are currently down about 57-million or approximately 4%. You can
11 see that number in orange towards the bottom of the slide. I am happy
12 to report however that draw game sales were positive year-over-year for
13 most of the week since we last met. We do still have tough comp weeks
14 ahead because Powerball and Mega Millions both had high jackpots last
15 summer. We will be closely monitoring the rolls on all the jackpot games,
16 particularly Lotto Texas, and we'll report on sales at the next meeting.
17 As Sergio mentioned, scratch sales are down about 112-million or 2.22%.
18 That percentage is slowly but surely decreasing through the fiscal year.
19 In February, the deficit was about 3.31%. In April, it was 2.38%. We are
20 moving in the right direction, and the HIT family of scratch ticket games
21 we launched in early May should contribute to that effort. I've included
22 samples of these great looking tickets with your notebooks. With that,
23 I'll wrap up. Sergio and I are available for any questions. Thank you
24 so much.

25 CHAIRMAN RIVERA: Will, thank you. Commissioners, any
26 questions? Comments?

1 MR. RUSS: Thank you.

2 CHAIRMAN RIVERA: Alright, we appreciate it. Thank you very
3 much, Will.

4 MR. RUSS: Yes, sir.

5 AGENDA ITEM VI.

6 CHAIRMAN RIVERA: Sergio.

7 MR. REY: And I continue --

8 CHAIRMAN RIVERA: Yes.

9 MR. REY: -- with the next item. This is a high-level briefing
10 on the accrued revenues and transfers through April 30th of 2024. This
11 is item number six in your meeting notebooks. Our accrued revenue
12 transfers to the State total \$1.264-billion at the two-thirds mark of
13 the fiscal year. The Foundation School Fund has received \$1.203-billion,
14 with Texas Veterans Commission receiving \$15.7-million, and the
15 remaining 44.6-million are transfers from unclaimed prizes. In total,
16 the Texas Lottery has transferred 33-billion to the State for education
17 and \$239.7-million for Texas veterans. Commissioners, this concludes
18 this agenda item. I'd be happy to answer any questions.

19 CHAIRMAN RIVERA: Okay, Commissioners, any discussion? Okay,
20 next item.

21 AGENDA ITEM VII.

22 MR. REY: The following item is for Fiscal Year 2025 Operating
23 Budget. And before you, copies of this proposed budget. The Fiscal Year
24 2025 Operating Budget was developed in accordance with appropriation
25 amounts outlined in House Bill 1, the General Appropriations Act, from
26 the 88th Legislative Session, and adjusted for riders in Article IX

1 funding provisions. In fiscal year 2025, the agency is authorized for
2 \$338,098,234, primarily from the Lottery Account Fund 5025. The General
3 Revenue Fund portion is appropriated solely for Bingo operations. This
4 proposed budget was developed with direct feedback from the divisions
5 and approved by the executive director. In this slide, it provides a
6 breakdown of appropriated authority, as well as the riders and transfer
7 authorized funds totaling 339,267,860. You can also see the distribution
8 by the agency's divisions. This distribution follows very similar
9 patterns from our fiscal year 2024 budget.

10 To place perspective on the type of expenditures of this
11 agency, the next slide provides a breakdown by budget categories in the
12 agency's budget. Very notably, the lottery operator and printing
13 categories are more than 50% of our budget. To further compare our
14 proposed budget to the current budget, in the next slide, the significant
15 differences are that this budget includes a second year of salary
16 adjustment funds. This is effective September 1, salaries will be
17 increased by 5% or at least \$250 per month, which employees will see on
18 their October payroll statements. The agency was appropriated an
19 additional \$17.4-million in the second year of the biennium for
20 additional scratch ticket printing. This was an exceptional item
21 requested in last year's legislative appropriations request. And the
22 capital balance transfer is from front-loaded appropriations in fiscal
23 year 2024 for lottery equipment. An estimated unused 170,000 will be
24 transferred for similar expenditures in 2025. And finally, the lottery
25 operator fee funding is based on the percentage of sales fee to the
26 contractor.

1 In fiscal year 2025, the percentage is now 1.9889%, down from
2 this current year at 2.0331%. As part of this budget, the distribution
3 of staffing is also noted. The agency is approved for 321.5 full-time
4 equivalent staff positions. The agency has budgeted 317.5 FTEs. The
5 difference is to allow for future allocations as needed and funds are
6 available and to offset with contracted staff augmentation positions,
7 which qualify as FTEs per Government Code 2052. Finally, here are the
8 rider authorities in our bill pattern, which are the basis of the amounts
9 in our appropriations and in our budget. And this concludes my summary
10 of Fiscal Year 2025 Operating Budget. And on behalf of the agency, I
11 request your approval.

12 CHAIRMAN RIVERA: Okay, Sergio, thank you. Commissioners, any
13 discussion? Sergio, we know that what you're presenting is an
14 amalgamation of just a variety of factors, and a lot of different folks
15 have provided inputs that you've brought forth and just we're grateful
16 for your detail and hard work and you presenting this. So, with that,
17 is there a motion to approve the budget?

18 COMMISSIONER SMITH: I so move.

19 COMMISSIONER FIELDS: I'll second.

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

21 (Chorus of "Ayes")

22 CHAIRMAN RIVERA: Okay, Sergio.

23 MR. REY: Thank you.

24 CHAIRMAN RIVERA: It's affirmative. Okay.

25

26

1 AGENDA ITEM VIII.

2 CHAIRMAN RIVERA: Next item is the Strategic Plan and
3 Legislative Appropriations Request.

4 MR. REY: Alright. This is a briefing item. The Texas Lottery
5 has submitted the agency's Strategic Plan to the Governor's Office of
6 Budget and Policy Division and the Legislative Budget Board, as well as
7 the Lieutenant Governor's Office, Speaker of the House, State Auditor's
8 Office, and State Library, as required by Government Code 2056. A copy
9 of this document has been provided to you on the dais. As discussed in
10 our April Commission meeting, the Strategic Plan incorporated the
11 agency's goals, action items, redundancies and impediments, and
12 supplementary schedules that were presented to you then. This is part
13 of the beginning steps leading up to the upcoming legislative session
14 and translates over into our Legislative Appropriations Request, which
15 is the second half of this presentation. Because later this month, we
16 expect to receive notice and instructions for the submission of our
17 Legislative Appropriations Request for the 2026-2027 fiscal years.

18 As you're aware, the Legislative Appropriations Request is
19 the agency's initial proposal for our budget in the next biennium. It
20 will be a financial summary of fiscal years 2023 through 2025 with our
21 request for 2026-27. It will also include any requests for rider
22 authority, capital expenditure authority, exceptional appropriation item
23 requests that are over our baseline amounts. We do expect to present
24 exceptional item request and rider authority changes. Many of these are
25 reflected in the impediments section of the Strategic Plan and may also
26 present themselves as we continue our Sunset review.

1 The Legislative Budget Board has already requested from us a
2 reconciliation of our appropriations for the current and prior two fiscal
3 years. This is used to determine what will be the approved baseline for
4 the next two years. Gauging from the LAR schedule from two years ago,
5 we expect, at the end of the month, to receive our approved baseline
6 amounts, the policy guidance letter from the Office of the Governor's
7 Budget and Policy Division, and the detailed instructions from the LBB
8 for submitting the LAR. The deadline for the LAR is also typically in
9 the month of August. Again, gauging from two years ago, we expect and
10 hope to be after our next meeting, since this document requires this
11 Commission's approval. In the meantime, we will work closely with you
12 on the development of this document and keep you abreast of its progress.
13 Much more to come in the next couple of months. This concludes my
14 briefing. I'm available for any questions.

15 CHAIRMAN RIVERA: Okay, Commissioners, any discussion?
16 Specifically, any comments from our planning committee?

17 COMMISSIONER STEEN: We look forward to working with you on
18 that, and a lot of work done already and a lot of work to do. But we'll
19 get it done on time.

20 CHAIRMAN RIVERA: Okay --

21 MR. REY: Yes, sir.

22 CHAIRMAN RIVERA: -- any other comments? None? Okay, Sergio,
23 thank you so much.

24 MR. REY: Thank you.

25 AGENDA ITEM IX.

1 CHAIRMAN RIVERA: Okay. Next item is a report on agency Sunset
2 review process. Nelda, your item.

3 MS. TREVIÑO: Good morning, Commissioners. For the record, I'm
4 Nelda Treviño, I'm the Director of Governmental Affairs. I'll be
5 providing a brief update regarding the agency's review of the Sunset
6 Advisory Commission's review of the agency. Since your last meeting in
7 April and, as you are aware, the Sunset Advisory Commission Staff Report
8 on the Lottery Commission was issued last month on May the 2nd. Included
9 in your meeting materials are copies of the Sunset Advisory Commission
10 Staff Report on the Lottery Commission, the agency's May 15th response
11 to the Staff Report, along with copies of public responses to the Staff
12 Report submitted thus far to the Sunset Advisory Commission and posted
13 on their website.

14 The next steps regarding the agency's review will be for the
15 Sunset Advisory Commission to conduct their public hearings. At the first
16 hearing, Sunset staff presents its report and recommendations, the agency
17 presents its response, and the Sunset Commission hears public testimony
18 and receives additional written comments. At the second hearing, the
19 Sunset Commission considers and votes on their recommendations. The
20 recommendations adopted by the Sunset Advisory Commission will then lead
21 to a Sunset bill being drafted and filed for the legislature to consider
22 during the upcoming legislative session that will convene in January of
23 2025. We will keep you advised of the Sunset Commission's hearing dates
24 as soon as they are scheduled. This concludes my report, and I'll be
25 glad to answer any questions.

1 CHAIRMAN RIVERA: Okay, Commissioners, any discussion? Nelda,
2 good job. Thank you very much.

3 MS. TREVIÑO: Thank you.

4 CHAIRMAN RIVERA: We appreciate all the work that you do
5 perpetually, so thank you.

6 MS. TREVIÑO: Thank you.

7 CHAIRMAN RIVERA: Alrighty. Next item is the--

8 MR. BIARD: Excuse me, Chairman, I believe we have a couple of
9 public comments.

10 CHAIRMAN RIVERA: You are correct.

11 MR. BIARD: And Mr. Bresnen and Mr. Stewart, I believe, would
12 like to speak on the item nine.

13 MR. BRESNEN: Good morning, Commissioners. I'm Steve Bresnen
14 here on behalf of the Bingo Interest Group. Very much appreciate the
15 opportunity to talk about Sunset review with y'all today. I've been
16 involved with a lot of different Sunset reviews over the years. Staff
17 always does a thorough job and acts in good faith, has been my experience.
18 And it's no surprise that over the years we've found some things to agree
19 with and some things to disagree with. I'd like to hit a few of those,
20 if I might, Mr. Chairman, without taking too much of your time.

21 CHAIRMAN RIVERA: Take as much as you need.

22 MR. BRESNEN: Obviously, a key issue in the Report is the
23 degree of engagement by the Commissioners and the staff. I can't speak
24 to the Lottery side, I wouldn't purport to, but on the Bingo side, this
25 is the golden era of participation and engagement between the industry
26 and the Commissioners. We've had a chance to meet with each of you,

1 except Commissioner Smith yet, individually, we look forward to doing
2 that at your convenience, sir, and we have frequent interaction with the
3 staff.

4 Commissioner Fields is attending all of the BAC meetings.
5 She's been very responsive, including not hesitating to say no when that
6 was the view, but the relations are excellent and productive. LaDonna
7 came to a totally new enterprise and has mastered the ins and outs of
8 charitable bingo, which is not a simple enterprise. Tyler got over his
9 hangover from the Dental Board service rapidly and hit the ground running
10 as well. So, from our point of view, things had been very good. I was
11 here during a time period when they weren't so good, and so, we've got
12 nothing but praise of -- for that aspect I disagree with the report in
13 that regard at least as it relates to Charitable Bingo.

14 I want to touch base with you on the agency structure, whether
15 the Charitable Bingo Operations Director will report directly to the
16 Commission or not. That's a legislative choice. Members of the bingo
17 world went to the legislature some time ago, partly because the
18 engagement from the Commission frankly was not helpful. And so, we asked
19 the legislature to do that. It is novel. It's unusual. I don't know that
20 it's unique, but it's unusual amongst state agency structures. But I
21 don't see the evil that the Sunset Staff Report is intended to cure.
22 From the outside, I don't see a lot of resources that are being consumed
23 by that reporting structure. It gives us a feel that the Commission's
24 actually involved. These are basically free market enterprises with a
25 lot of regulatory intervention, but they're not operation of a giant,
26 proprietary enterprise like you have on the lottery side. So, we think

1 that's a completely justifiable structure, and we'll be working with the
2 legislature to retain it.

3 A couple of items that we support. We think this agency needs
4 now and has for a long-time better technology. And I'm hoping and I urge
5 you to include in the Legislative Appropriations Request the technology
6 to meet the standards and the proposals that were in the Sunset Staff
7 Report. At the same time, we'd like to have the BAC be in continuous
8 existence per statute. We support that, not because we don't trust this
9 Commission to rely on the BAC and work with it, but previous Commissions
10 did not and there was a gulf there for a time, which was not serviceable
11 to anybody.

12 Two more quick things. The recommendation regarding licensing
13 of manufacturers and distributors. I'm afraid the staff may not have
14 thought about what happens if you just pull that up. Bingo is highly
15 regulated. The products have to be collated and printed and have the
16 serial numbers, the state seal, lots of things. We're concerned if you
17 take out that regulatory structure, that the conducting organizations
18 are going to be left holding the bag to make sure that products that
19 they have are actually -- actually approved products. They could be
20 easily forged, and there wouldn't be a thing that you could do about it.
21 I suppose law enforcement could do something about it, but you wouldn't
22 have a license to go pull. They have people to deal with who have a
23 license at issue and who have the expertise to make sure that all of
24 these things are appropriately handled in the stream of commerce. And
25 so, we're very concerned that there's no detail or how would this work.
26 We're very concerned about that.

1 There's a couple of things in the Report that I think are
2 important omissions. One is -- there's a chart on page 10 of the report
3 that breaks out where the money goes from charitable bingo. And if you'll
4 notice, the biggest portion of that, not surprisingly, is prizes. But
5 there's also two categories in there for prize fees, one that goes to
6 the local government and one that goes to the state government. Prize
7 fees are withheld from prizes. So, it looks to me like they have not
8 properly characterized the prizes and showing the prize fees as a
9 separate component from that. Either the chart's wrong or it needs some
10 kind of a footnote or something to annotate that. And we've pointed that
11 out to the Sunset staff.

12 And the other thing is on the lessor structure. I won't get
13 into detail on that, there's a lot of history. But it omitted to talk
14 about what we refer to colloquially as the association lessor. If there
15 is a concern with one type of lessor having the ability to charge more
16 rent than another, that that's unequal, the association lessor model
17 solves that problem, and it operates on the same level as a grandfathered
18 lessor. So, that's an omission. And frankly, people are doing that. If
19 it meets their needs and they want to get organized that way, they can
20 do that.

21 So, a couple of omissions, few things we disagree with, few
22 things we do agree with. We will be engaged heavily in the process. I
23 spoke to Chairman Holland yesterday. We will be working with staff,
24 Sunset, and legislative staff, and we're going to support this agency
25 on these items in the manner that I'm articulating right now.

1 I have one final ask. There's a tendency in Sunset for
2 agencies to do those things that they can go ahead and do that may not
3 be necessary or they may agree with or can be done as an accommodation,
4 without difficulty. And we had some discussion about that yesterday. And
5 that's fine, I understand that, and think it's a good practice. On the
6 other hand, where some of these items need legislative approval, we would
7 appreciate the agency taking the view, at a minimum, that you support
8 letting the legislature make those decisions. There are several of these
9 items that we think the legislature has made decisions on and will in
10 the future. And if you defer to the legislature, we'd certainly
11 understand that and would recommend and request that you do so. And I'm
12 happy to answer any questions or return to my seat.

13 CHAIRMAN RIVERA: Okay. For Mr. Bresnen, is there any comments,
14 discussion?

15 COMMISSIONER SMITH: I just appreciate the context you
16 provided.

17 MR. BRESNEN: Yes, sir. Thank you very much. Appreciate it.

18 CHAIRMAN RIVERA: Steve, just -- yes, we're grateful for your
19 attention to detail. We know that your perspectives are genuine and well
20 thought out and that for you to come and visit with us, as you know,
21 we're not the deciders, however, we are and do have that level of
22 involvement and we do appreciate your comments regarding the current
23 leadership we have with LaDonna that -- you mentioned previous kind of
24 frustrations with previous leadership and -- someone who's been here for
25 a number of years that had to work through multiple iterations of trying
26 to find the right leadership -- was something that was definitely a very

1 visible struggle, and we are very grateful that we do have LaDonna here,
2 and she definitely provides a lot of comfort, so that we, particularly
3 Commissioner Fields, that Cindy's able to sleep even better at night
4 knowing that Bingo is going to be fine, so. And we're also very grateful
5 for Cindy's leadership in handling, at the Governor's direction, Bingo
6 as well. So, thank you, Cindy, and thank you, LaDonna. Steve, thank you
7 for your comments.

8 MR. BRESNEN: Yes, sir. Thank you.

9 CHAIRMAN RIVERA: Okay, Tom, you're next.

10 MR. STEWART: Thank you, Mr. Chairman, Commissioners. For the
11 record, my name is Tom Stewart. I'm the Executive Director of Texas
12 Charity Advocates. We're a small trade association that represents
13 charity conductors, lessors, distributors, and manufacturers. And I will
14 associate myself with 90% of what Mr. Bresnen just said. I'll take 10%
15 wiggle room, in case we need to back up on something. But, in particular
16 on the theme of engagement, my response to that is -- it just seems like
17 still waters run deep. I worked at this agency a long time ago and have
18 a little bit of an understanding of the work that goes on behind the
19 scenes that isn't necessarily represented in public meetings. And it's
20 not been our experience that there's a lack of engagement, certainly by
21 you, Mr. Chairman, Commissioner Fields, LaDonna, and her staff. It's
22 solid in our opinion.

23 Like the Bingo Interest Group, there are things in the Sunset
24 staff that we support, some things that we oppose, and some things that
25 we're neutral but we do have a point of view on. I won't go through that
26 in detail. I think you have the letter that we provided to the Sunset

1 staff, but, obviously, we support the renewal of this agency for another
2 dozen years or so and we support the idea of putting the BAC into statute
3 and looking and trying to identify ways that it can be more robust in
4 its process. We actually made a couple of suggestions yesterday in that
5 regard. Anything related to IT modernization, quality controls, data
6 collection, all that sort of stuff, we definitely support.

7 In terms of opposing, Steve laid it out very well. I'll just
8 say it in a slightly different way. Anything that shifts the regulatory
9 burden and the associated financial risks to the charities, we oppose,
10 and we think some of the recommendations that the staff made may do that.

11 On the budget issue and a fix for that, we're generally
12 neutral on that, but that involves money. And it just reminds me of the
13 former Senator Russell Long who was longtime chairman of the Senate
14 Finance Committee in Washington, who said, "Don't tax you. Don't tax me.
15 Tax that fellow behind the tree." And the tree in this case are the
16 funds that are already generated in the form of prize fees. There are
17 resources there. Typically, that's somewhere around roughly \$30-million
18 a year, which is equal to the amount that are net proceeds for charities.
19 So, another way to think about that is that the tax from state and local
20 government is equal to the net profit that the charities generate. And
21 I don't know of another business in our state that we tax at nearly a
22 hundred percent. So, when you think about it in that context, that's
23 significant. So, there are resources there.

24 And to that point, there's one thing that I think that the
25 staff left out. There are two problems that face charitable bingo today.
26 One is limited by what the law allows, and that's new products to attract

1 new customers. If you look at the charitable bingo numbers, the two most
2 important numbers that I pay attention to are what's attendance on an
3 aggregate basis and what are the net proceeds, what is the money that
4 the charities retain? And if you look at attendance, and if you go back
5 as far as 2007, attendance peaked at about 17.9-million. Last year, it
6 was 10,080,000, 10.08. That was a typographical error in the draft
7 report. That's a 44% decline, and that's continuing. It's slight decrease
8 year over year from '22 to '23. We hope that some of the tools that the
9 legislature provided us helped stem that tide just a little bit. But we
10 have an awareness problem. We've done our own market research, we've
11 test marketed advertising. We know what the issue is, and that's
12 awareness. It's simple awareness. We're not top of mind in the consumer,
13 with the consumer, when they think about, "Oh, what are we going to go
14 do tonight?" We compete with too many other things. We've tried to
15 address it through some self-help measures. We've seen solid results
16 from that. But it just leads me to think that we need to form some type
17 of public-private partnership that will allow us to attack that awareness
18 issue, so that we can then attack the larger issue, which is attendance.
19 And we hope that, through the BAC and other ways, that you could work
20 with us on a way to figure out how to crack that legislative nut and
21 address that. I noticed in the budget presentation that the Lottery's
22 budget for advertising is about \$10-million.

23 We could do a lot of damage and really -- meaning a lot of
24 good -- if we had 10% of that. We test marketed using about a \$100,000,
25 1% of what the Lottery budget has. We got good results. We know that we
26 can have an impact. We just don't have the scale. And it's in a state

1 with as many media markets that we have in Texas, as big as it is, we
2 need to try to achieve some type of scale. So, I plant that seed with
3 you, Commissioners, so that it'll bubble up in your thinking as you move
4 forward and consider these issues. We know your job is exclusively to
5 be the regulatory cop on the beat. We hope that, maybe in the future,
6 we can adjust that so that that dynamic has changed a little bit. With
7 that, I'll shut up and answer any questions you might have.

8 CHAIRMAN RIVERA: Commissioners, any questions? Okay, none.
9 Tom, thank you very much.

10 MR. BRESNEN: Thank you.

11 CHAIRMAN RIVERA: Thank you again.

12 MR. STEWART: Appreciate your time.

13 AGENDA ITEM X.

14 CHAIRMAN RIVERA: Okay, next item is the Internal Auditor's
15 report. Darlene, your item.

16 MS. BROWN: Good morning, Commissioners. For the record, my
17 name is Darlene Brown, and I'm your Internal Auditor. In your notebooks
18 is a summary of activities. We recently completed the internal audit of
19 change management related to legislative actions. The focus of this audit
20 was the identification, tracking, and implementation of bills that impact
21 the agency. We conducted that internal audit, concluded that the internal
22 controls are generally effective with best practices. We want to commend
23 the Governmental Affairs Division staff and all agency divisions for
24 ensuring that the legislative actions are fully implemented in a timely
25 manner. We also want to provide kudos to the Charitable Bingo Operations
26 Division for their detailed project plans. They're outstanding and should

1 set the standard for the other divisions to follow with our
2 documentation. We're in the process of auditing the agency's procurement
3 and contracting activities, and we're also completing the Retailer
4 Incentive Bonus Program audit over the next two months.

5 Sorry about this. We also updated the Internal Audit Charter
6 to reflect the new global standards promulgated by the Institute of
7 Internal Auditors that take effect in January '25. Our firm is being
8 proactive in getting ahead of the curve and implementing all the changes
9 that are required, and this is one of them. We provided the Audit
10 Committee with our annual independence statement. This is one of the new
11 requirements that take effect next year. We have a summary of it in your
12 notebook. We've also been working on preparing the Annual Internal Audit
13 Plan for fiscal year '25, and we'll be bringing that to you at the next
14 meeting for approval, instead of today. So, this concludes my report for
15 today, and I'll be happy to address any comments or questions you might
16 have.

17 CHAIRMAN RIVERA: Okay, Commissioners, any discussion? Do you
18 have any comments from our audit committee, subcommittee?

19 COMMISSIONER FIELDS: Not had time to meet yet, so no.

20 CHAIRMAN RIVERA: Okay. Well, we know that Jamey has his hands
21 full and so do you, but gratefully, that y'all will have that discussion,
22 so okay. Darlene, thank you very much.

23 AGENDA ITEM XI.

24 CHAIRMAN RIVERA: Okay. The next item is the Bingo Director's
25 report. LaDonna?

1 MS. CASTAÑUELA: Good morning, Commissioners. For the record,
2 I'm LaDonna Castañuela, Director of the Charitable Bingo Operations
3 Division. The notebook materials include CBOD's output metrics for our
4 licensing, accounting, compliance, and audit activities for April and
5 May through the run date of May 21st. I have a couple more items I want
6 to discuss with you. The first one is going to be an action item, and
7 it's in your notebooks. You have a draft bingo advisory opinion in
8 response to a request made by Kim Kiplin on behalf of All Saints Texas,
9 LLC. All Saints is a licensed distributor. The request was received on
10 April 15th, and by rule, the Commission's response is due within 60 days
11 or no later than next Friday, June 14th. The request is very
12 straightforward. The question is, "May a licensed distributor receive
13 or take back bingo equipment or bingo supplies from a licensed authorized
14 organization, not a licensed manufacturer or another licensed
15 distributor? And if so, under what circumstances?"

16 As explained in the draft advisory opinion, the answer is no.
17 The BEA §2001.407(c) states, "A licensed distributor may not receive by
18 purchase or otherwise bingo equipment or supplies from a person other
19 than a licensed manufacturer or another distributor." The draft opinion
20 also includes some discussion of code construction regarding the terms
21 "take back" and "purchase or otherwise", and explains that, although we
22 do have some rules that may suggest a different answer, an agency rule
23 may not contradict an authorizing statute. Finally, because the answer
24 to the first question is no, there is no need to address the second
25 question. Today, I'm requesting approval to finalize and issue the bingo
26 advisory opinion as drafted. And I'm available to answer questions.

1 CHAIRMAN RIVERA: Okay. Do you have any comments?

2 COMMISSIONER FIELDS: Nope. Move to approve.

3 CHAIRMAN RIVERA: Okay, is there a second?

4 COMMISSIONER SMITH: I second.

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

6 (Chorus of "Ayes")

7 CHAIRMAN RIVERA: Okay, LaDonna, thank you.

8 MS. CASTAÑUELA: I have one more item. I want to give you an
9 update on the BAC nominations. Of course, you heard from Trace earlier.
10 So, on Monday, May 6th, we sent an email blast to all contacts listed
11 in our licensing database with a message from me soliciting nominations
12 for the 2025 BAC members to represent all of the required interest
13 groups, including the public, conductors that are not licensed commercial
14 lessors, conductors that are licensed commercial lessors, commercial
15 lessors, licensed manufacturers, and licensed distributors. I also
16 reached out to Texas Municipal League, the Texas Association of Counties,
17 the Texas Commission on Law Enforcement, and the Texas Catholic
18 Conference of Bishops, in hopes of finding persons interested in serving
19 on the BAC, specifically to represent the public. The deadline for
20 nominations was 5:00 Central Standard on Tuesday, May 28th, and as of
21 today, 13 nominees have met the applicable eligibility requirements of
22 Rule 402.102(c).

23 We do have eligible nominees interested in representing all
24 six interest groups, including four eligible nominees who are interested
25 in representing the public. As required by rule, those nominees who have
26 been determined to be eligible have been forwarded to each Commissioner.

1 When and if the last application is determined eligible, I will forward
2 it to you also. When I know that you have all the eligible nomination
3 forms, I will send you confirmation and a complete list with their
4 requested interest groups. The rule also allows, but does not require,
5 each Commissioner to interview nominees. If you wish to conduct
6 interviews and would like some help with logistics or scheduling, please
7 let me know and my staff and I can help. And that concludes my comments.

8 CHAIRMAN RIVERA: Okay, LaDonna, thank you. Cindy, do you have
9 any thoughts?

10 COMMISSIONER FIELDS: A quick thank you to Commissioner Smith
11 because he helped facilitate some of the outreach to find public members,
12 so thank you for that. Other than that, we don't really have the process
13 completely down yet, but we will be interviewing candidates and reaching
14 out. LaDonna did send an email to all of the people that qualified for
15 the positions and let them know that Commissioners may be reaching out
16 to them to interview them, so at least they're aware that, if they get
17 a phone call, that it's not some sort of a scam.

18 CHAIRMAN RIVERA: Of course. Well, Cindy, we will look to you
19 to lead, to coordinate any official organization. If you do want us to
20 participate in how you do, feel free to direct, and we all collectively
21 will participate.

22 COMMISSIONER FIELDS: Sure. And anybody that's interested,
23 we'll be in touch somehow, someday. We haven't figured it all out yet,
24 it's kind of a new world.

25 CHAIRMAN RIVERA: Yes. Well, we have plenty of time before the
26 August meeting, so LaDonna, thank you. Cindy, thank you. Okay.

1 COMMISSIONER SMITH: Can I just note real quick?

2 CHAIRMAN RIVERA: Sure.

3 COMMISSIONER SMITH: Great outreach work. Besides, you reached
4 out to the Texas Catholic Conference of Bishops, I was disappointed that
5 no bishops applied for the BAC, but we still have time, I guess.

6 COMMISSIONER FIELDS: Didn't do his job on that. Right? That
7 came from you?

8 CHAIRMAN RIVERA: And we do have Steve Fenoglio, who is here
9 to visit on this item.

10 MR. FENOGLIO: Thank you, Commissioners. For the record, my
11 name is Stephen Fenoglio. I'm an attorney in Austin, and I represent the
12 Texas Charity Advocates. And I'd filed an appearance slip on the advisory
13 opinion. And I think the advisory opinion is wrong for one simple reason.
14 I'm reminded -- I'm old enough to remember who Paul Harvey was and the
15 rest of the story. Since 1967, Texas has adopted the Uniform Commercial
16 Code. Chapter two of that applies to goods. Bingo products are clearly
17 goods. And under a variety of provisions in the Uniform Commercial Code,
18 a buyer has a right to inspect and reject non-conforming or defective
19 products. The BAC opinion states they don't have those rights under the
20 Uniform Commercial Code.

21 And my position, my client's position, is the UCC trumps --
22 specifically, addressing goods. It's amazing or interesting that the
23 Lottery Commission will take back non-conforming product, and they do
24 that on a somewhat regular basis -- pull-tabs or scratch-offs are non-
25 conforming, and when that's pointed out, they immediately take them back,
26 credit the convenience store for that, ship a different product. So, the

1 UCC has those same rights for a buyer. UCC 2206 specifically addresses
2 non-conforming product and the buyer's right to inspect and reject. UCC
3 2513 reinforces that buyer's right to inspection of the goods. And again,
4 non-conforming or defective products, the buyer can return and obtain
5 conforming product. UCC 2501, there's an insurable interest in goods,
6 including non-conforming goods. UCC 2508 gives a right to cure by seller
7 of improper tender or delivery. So, in this situation, where a seller
8 does deliver a non-conforming or defective product, and that does happen
9 in the bingo world, where specifically pull-tabs have been found to be
10 non-conforming to what they were approved by either the agency or now a
11 third-party independent lab.

12 So, with all of that said, I think the full story is -- yes,
13 the agency is correct or the staff, the lawyers, are correct -- if it's
14 just, "Well, we can't sell it, we want you to take it back," that's not
15 covered or not allowed under the UCC. But if it's a defective product,
16 and I'm assuming all of us have consumed products that were defective
17 and you take it back to the seller and seller, because of UCC, if, for
18 no other reason, says, "Well, we'll take that non-conforming or defective
19 product back, give you your money or give you another product that is
20 conforming."

21 So, with that said, we do oppose the blanket statement in the
22 advisory opinion, because it doesn't address the whole story,
23 specifically where there are non-conforming or defective goods -- good
24 was ordered, but on inspection, it's not what was ordered. And in some
25 cases, it's been the case that the product is defective, and the charity
26 shouldn't be selling that product, would create problems with its own

1 customer base. I'll be happy to answer any questions. And I did make a
2 comment during the rules review about this. This came up back in, I
3 believe it was April, and pointed out that the UCC does have provisions
4 concerning the return of defective or non-conforming product.

5 CHAIRMAN RIVERA: Okay, Commissioners, any discussion,
6 questions? Steve, we are always grateful to see you here, and our former
7 chairman would consider this a banner day to have the Steves both speak
8 at the same meeting. So, we're grateful for you being here. So, thank
9 you very much.

10 MR. FENOGLIO: I've got my one eye on you. Thank you, Mr.
11 Chairman.

12 CHAIRMAN RIVERA: Yes, sir.

13 AGENDA ITEM XII.

14 CHAIRMAN RIVERA: Okay, next item, we're going to hear from
15 our Executive Director, the esteemed Ryan.

16 MR. MINDELL: Good morning, Chairman and Commissioners. For
17 the record, my name is Ryan Mindell, Executive Director. I have a few
18 updates for you on agency business activities and the national lottery
19 industry. First, I want to let you know that I think my transition to
20 executive director's going well. I had an open house with employees a
21 couple of weeks ago. A number of people across the agency took that
22 opportunity to meet with me, and really enjoyed chatting with all of
23 them. I've also had a number of meetings with our vendor and retailer
24 community, and they've been very welcoming. So, I want to let you know
25 that process has been going well.

1 Next, in our last meeting, I listed a number of reviews and
2 audits the agency has undertaken. I did want you to know that, currently,
3 the agency is undergoing the statutorily required security study.
4 Government Code 466.020 requires the executive director at least every
5 two years to employ an independent firm to conduct a comprehensive
6 security study of all aspects of lottery security, with 12 specific areas
7 that must be reviewed. The 2024 security study is currently being
8 conducted by BerryDunn, will conclude later this summer. There'll be a
9 briefing provided to you in the fall.

10 Next, the Texas Veterans Commission announced on May 20th
11 that it awarded \$44-million in funds for veterans' assistance grants
12 among 181 organizations across the State. So, the largest amount of
13 grants at one time by the TVC. And as you know, funding for those grants
14 is generated primarily by the Texas Lottery's games designed for
15 veterans' support. So, we're all thrilled to see that announcement.

16 Turning to the national lottery industry, IGT reported to us
17 last week that, since the beginning of our fiscal year, the Texas Lottery
18 has had the highest scratch ticket sales in the country, pulling ahead
19 of Florida and California. Our lead is small, but I want to continue to
20 highlight how many lotteries are struggling nationwide with year-over-
21 year comps, given the high jackpots from last year. Texas has done
22 better, relatively speaking, than most. All signs point to this being
23 the second most successful year in our long Texas Lottery history.

24 Now, you know about the organization, NASPL, the North
25 American Association of State and Provincial Lotteries, serves as a
26 platform for data sharing and communication among lotteries around the

continent. A few updates about Texas and that organization. First, I'll be attending my first NASPL Directors' Meeting later this month, so I'm very excited about that. In July, NASPL will hold its annual Professional Development Seminar, PDS. In my opinion, PDS is the best educational lottery conference in the country. It's well attended by lottery staff. Texas will have a sizable contingent, as usual, this year. I've been named the Chair of what's called the Finance Track. That's the seminars and classes for lottery CFOs and other financial staff. So, I look forward to serving that position for a while, ably assisted by Sergio and Annika and others on our staff.

NASPL PDS is also the conference where the winners of the prestigious Powers Award are announced. Named for the late Ed Powers, the so-called "Father of U.S. Lotteries," the Powers Award is given to individuals who have provided significant contributions through exceptional job performance. We have had a number of Powers Award winners on staff over the years, including a number of current employees, Robert Tirloni, Bob Biard, Joan Kotal, Conchita Daniel, Dale Bowersock, and Julie Terrell. This conference and award will occur in July, but I did get confirmation last week that the Texas Lottery has another winner. I'd like to announce that winner today by reading the nomination I submitted on their behalf.

Nelda Treviño is the Governmental Affairs Director of the Texas Lottery. Before the Texas Lottery was formed, the Texas Comptroller appointed Nelda to serve as a member of the Texas Lottery Implementation Task Force. She played a key role in the startup of the Texas Lottery and has now worked at the Texas Lottery Commission for over 30 years.

1 Nelda has the uncanny ability to see the big picture perspective on every
2 major issue that affects the agency. She knows what every major
3 legislative player in Texas thinks, often before they think it. Nelda
4 sees around the corner in a way that anticipates legislator and
5 stakeholder concerns and makes the agency better. With that knowledge,
6 she makes sound recommendations for action with a keen understanding of
7 risk, all the while operating with the highest standards of
8 professionalism and integrity in her work. Nelda provides insightful
9 interpretation of comments and actions of stakeholders outside and inside
10 the agency. She works closely with the executive management, as well as
11 the Texas Lottery board.

12 Her teamwork and guidance to the volunteer Commissioners puts
13 them and our organization in a position to succeed. She's an incredibly
14 effective communicator, consistently conveying the agency's position
15 with clarity and conviction. Nelda guides the agency through the
16 legislative session every two years, working with her staff to
17 understand, provide comments on, and ultimately, implement legislation.
18 In between sessions, she and her staff stay busy, providing updates to
19 legislative members and staff, working on major projects like interim
20 committee hearings and the recent Sunset review of the agency and
21 otherwise providing strategic guidance. Nelda also provides effective
22 stakeholder engagement by working with retailer groups across the state.
23 Nelda understands the lottery industry, which means that she knows what
24 success looks like for retailers, lobbyists, vendors, and the agency.
25 Ultimately, Nelda's experience and acumen make her an outstanding
26 Government Affairs Director, whose contributions have been key to the

1 lottery's success throughout its entire history. Her exceptional job
2 performance make her an excellent candidate for the Powers Award. So,
3 congratulations, Nelda. That's all I had to report.

4 CHAIRMAN RIVERA: Okay, Commissioners, any discussion?

5 COMMISSIONER FIELDS: Great job, always.

6 CHAIRMAN RIVERA: Yeah. Nelda, I know this is Ryan's report,
7 but I'll speak to you here for a second. One, that that award is obviously
8 incredibly significant and all of the previous award winners that are
9 part of the organization, for you to join that esteemed group, is, one,
10 overdue, but, two, it reinforces the quality of the employees that are
11 here, that are focused, that deeply care and contribute. And Nelda, you
12 are a role model to your fellow co-workers and definitely someone that,
13 on behalf of all of our Commissioners, rely on and are grateful for your
14 ability to guide and provide insight and just give us general stewardship
15 that we would be lost at sea without. So, Nelda, thank you very much for
16 what you do every day.

17 So, I go to Ryan, as this is your report. We know,
18 collectively, all the Commissioners, that you have done a tremendous job
19 in the several weeks now that you have held the position, and it's one
20 that was earned, one that was justified that you're sitting in that
21 chair. But the comments that we, the Commissioners, are receiving from
22 folks internal to this building, across the Capitol, across the state,
23 are nothing but just quality, in terms of the appointment that you've
24 received and the work that you're doing. It just reinforces the decision
25 made by this body to have you there. And you just provide an incredible
26 amount of just reassurance to guide. So, we're grateful that you're there

1 and we look forward to your continued reports when we continue to meet.
2 So, Ryan, thank you very much.

3 MR. MINDELL: Thank you, Chairman.

4 AGENDA ITEM XIII.

5 CHAIRMAN RIVERA: Okay, next item is our enforcement cases.
6 Bob.

7 MR. BIARD: Thank you, Commissioners. I'm Bob Biard, General
8 Counsel, and this item contains the 13 cases today, 12 lottery and 1
9 bingo case - Tabs A through M, These are cases where a lottery or bingo
10 licensee violated a statute or rule, or an applicant did not qualify for
11 a license. In most of these cases, either the respondent failed to appear
12 at the hearing and it proceeds by default, or staff and the respondent
13 reached a settlement in the form of an agreed order. We have both these
14 types of cases today.

15 Tabs A through I are all non-sufficient fund lottery retailer
16 license revocations handled in a single order. Each case was presented
17 to State Office of Administrative Hearings for revocation of the retailer
18 license because the licensee failed to have sufficient funds in their
19 bank account to cover electronic fund transfers to the Commission's
20 account. In each case, the licensee failed to appear at the hearing, and
21 the judge remanded the case to the Commission to handle as a default
22 matter.

23 Tabs J through L are all lottery agreed orders. Tab J is an
24 employee micro-scratching case. This is where we have an employee of a
25 retailer who was making very small scratches on scratch tickets to
26 determine which were winners and which were not. Of course, that's a

1 violation, and this is a 30-day suspension. And I did want to note, as
2 stated in the order in this matter, that the retailer terminated this
3 employee.

4 Tabs K and L are both debit card cases. And in both of these
5 cases, the store's policy was that, when a person purchases lottery
6 tickets from a debit card, they must buy additional store merchandise.
7 Of course, that's not allowed either. Each of those cases have a 10-day
8 suspension.

9 Tab M is a bingo agreed order. This is for a bingo worker who
10 received deferred adjudication for forgery, a state jail felony, and was
11 placed on probation for a period of four years. That would normally be
12 a disqualifying event, but there is a provision where the agency can
13 issue what we term a provisional registration. So, this worker has
14 provided three letters of recommendation and has agreed to a restricted
15 license, where essentially, they may deliver prize money and sell bingo
16 cards and act as an usher or salesperson, but they're not responsible
17 for recording those transactions on the books. And that concludes my
18 presentation. You may take all these orders up in a single vote if you
19 like, and I'll be happy to answer any questions.

20 CHAIRMAN RIVERA: Commissioners, any discussion? Is there a
21 motion to approve orders, tabs A through M?

22 COMMISSIONER SMITH: So moved.

23 COMMISSIONER STEEN: Second.

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

25 (Chorus of "Ayes")

26 CHAIRMAN RIVERA: Okay. Motion passes. Thank you, Bob.

1 AGENDA ITEM XIV.

2 CHAIRMAN RIVERA: Next item is our public comment, and --

3 MR. BIARD: There's no additional public comment.

4 CHAIRMAN RIVERA: -- no additional public comment. Okay.
5 Anyone want to speak, public comment? Just making sure. Okay. Glad to
6 hear it.

7 AGENDA ITEM XV.

8 CHAIRMAN RIVERA: Alrighty. Next item is we are going to go
9 into executive session. So, I move that the Texas Lottery Commission go
10 into executive session to deliberate personnel matters and receive legal
11 advice.

12 COMMISSIONER SMITH: I second.

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

14 (Chorus of "Ayes")

15 CHAIRMAN RIVERA: All votes are affirmative. And we, the Texas
16 Lottery Commission, go into executive session at 11:07 on June 6th, 2024.

17 (Executive session)

18 AGENDA ITEM XVI.

19 CHAIRMAN RIVERA: Alrighty. The Texas Lottery Commission is
20 out of executive session. It is 11:40. We have some action items to take.
21 Is there a motion? We have sound. Got it. We're good.22 COMMISSIONER FIELDS: Mr. Chairman, the reason we went into
23 executive session was to discuss LaDonna Castañuela's annual performance
24 evaluation. And I think we all agree that your performance has been
25 stellar, and you've had a tough year with Sunset on your plate and
26 everything else that you have. And you've filled vacant positions with

1 good people. And all in all, have done just an excellent job. And as a
2 result, I move that we approve the employee performance evaluation for
3 LaDonna Castañuela, and provide her with a 5% salary increase effective
4 July 1st, 2024.

5 COMMISSIONER STEEN: Second.

6 COMMISSIONER SMITH: Second.

7 CHAIRMAN RIVERA: All in favor say aye.

8 (Chorus of "Ayes")

9 CHAIRMAN RIVERA: Okay. Motion approved. And did you have any
10 comments you want to --

11 COMMISSIONER FIELDS: Just great job. It's actually an
12 absolute pleasure working with you. You make my job very easy. Make
13 everybody's job easy.

14 CHAIRMAN RIVERA: Additional comments?

15 COMMISSIONER SMITH: Thank you, LaDonna. For your burdensome
16 year, and I think you've done a great job. So, thank you.

17 MS. CASTAÑUELA: Thank you very much for this recognition
18 today. I do want to let you know I am still having a ball.

19 COMMISSIONER SMITH: Good. Well deserved.

20 CHAIRMAN RIVERA: Yeah. LaDonna, I wish there was more people
21 here to hear about what our Commission thinks about you, in terms of
22 what we're able to do and provide, and just we're grateful for your
23 hands-on approach. And just everything that you do is just beyond
24 wonderful. And we're really grateful. So, thank you, LaDonna, and you
25 give us a lot of faith and confidence in Bingo, that was surely missed
26 for years. So, thank you.

1 AGENDA ITEM XVII.

2 CHAIRMAN RIVERA: Okay. Is there anything else that we need to
3 discuss? Is there a motion to adjourn?

4 COMMISSIONER STEEN: I'll make a motion.

5 CHAIRMAN RIVERA: Okay.

6 COMMISSIONER FIELDS: Second.

7 CHAIRMAN RIVERA: Okay. Alright. We are adjourned. Thank
8 y'all, everyone.

9 (Meeting concluded)

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