



INTEROFFICE MEMO

Ryan Mindell, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert G. Rivera, Chairman
Cindy Fields, Commissioner
Mark A. Franz, Commissioner
Clark E. Smith, Commissioner
Jamey Steen, Commissioner

Approved

Denied

From: Kyle Wolfe, Assistant General Counsel *KW*

Date: October 29, 2024

Re: Consideration of and possible discussion and/or action, including proposal, on amendments to 16 TAC §§ 401.101 (Lottery Procurement Procedures), 401.102 (Protests of the Terms of a Formal Competitive Solicitation), 401.103 (Protests of Contract Award), 401.104 (Contract Monitoring Roles and Responsibilities), 401.153 (Qualifications for License), 401.158 (Suspension or Revocation of License), 401.160 (Standard Penalty Chart), 401.301 (General Definitions), 401.302 (Scratch Ticket Game Rules), 401.304 (Draw Game Rules (General)), 401.355 (Restricted Sales), and 401.501 (Lottery Security).

Attached is a draft rule proposal prepared for submission to the *Texas Register* for amendments to the above-referenced rules. The proposed rule amendments are the result of the Texas Lottery Commission's (Commission) recent rule review conducted in accordance with Texas Government Code §2001.039, as well as the agency's recent review by the Texas Sunset Advisory Commission. Among the more significant changes, this proposal addresses issues identified as rulemaking gaps in the May 2024 Texas Sunset Advisory Commission Staff Report (Staff Report). Specifically, the Staff Report noted that there was "no clarification as to whether internet sales of lottery products are prohibited" (addressed in Rules 401.153(b)(12), 401.158(b)(27), 401.160(h), and 401.355(a)), and "no explanation of what it means for a person to 'engage in a business exclusively as a (lottery) sales agent' for purposes of licensure" (addressed in Rule 401.153(b)(13)).

The proposed rule amendments also clarify procurement procedures and the time period a bidder or proposer has to respond to an appeal of certain protest decisions issued by the agency in procurements; update several definitions; update a provision in the scratch ticket game rule to make it more consistent with the draw game rule; update the scratch and draw ticket prize claim processes; and update the language regarding lottery security to state that several divisions of the Commission are responsible for developing and maintaining security plans and procedures, and confirming that these plans and procedures are protected from required public disclosure as allowed under the Texas Public Information Act.

- The proposed amendments to Rule 401.101 clarify the rules governing the Invitation for Bid (IFB) procurement method by reorganizing the section and by adding language that describes the process used for IFBs. The proposed amendments also clarify certain differences between the Request for Proposals (RFP) and IFB procurement methods.

- The proposed amendments to Rule 401.102 add language stating that the email address designated by the vendor for correspondence in the procurement will also serve as the email address for notice of proceedings and decisions under this section.
- The proposed amendments to Rule 401.103(g) clarify the time period a successful bidder or proposer has to respond to an appeal of an agency determination of a vendor's protest to a contract award resulting from a competitive solicitation. Also, the proposal adds language stating that the email address designated by the vendor for correspondence in the procurement will also serve as the email address for notice of proceedings and decisions under this section.
- The proposed amendments to Rule 401.104 clarify that the agency may assign designated personnel to monitor contract compliance and facilitate historically underutilized business participation, in addition to the existing divisions within the agency that handle these matters.
- The proposed amendments to Rule 401.153(b)(12) clarify that an application for a sales agent license will be denied if the applicant intends to sell lottery tickets via the internet, and the proposed amendments to Rule 401.153(b)(13) reiterate the prohibition in the State Lottery Act that an application for a sales agent license will be denied if the applicant intends to engage in business exclusively as a Texas Lottery ticket sales agent (as defined in the proposed amendments). This change addresses gaps that were identified by the Staff Report.
- The proposed amendments to Rule 401.153 also add a provision that, based upon consideration of the factors in Rule 401.160(g), the director may determine a person or organization whose license has been revoked, surrendered or denied is not eligible to apply for another license for one year.
- The proposed amendments to Rule 401.158(b)(23) make it an express violation to require a purchaser to buy additional items when paying for lottery tickets with a debit card and the proposed amendments to Rule 401.158(b)(27) make it an express violation to sell lottery tickets over the internet.
- The proposed amendments to Rule 401.160 update the penalty chart and correspond with the proposed amendments to Rules 401.158(b)(23) and (27) referenced above.
- The proposed amendments to Rule 401.301(1), (4), (51), and (55) make minor updates to multiple definitions to increase the clarity of those definitions. The proposed amendments also add a definition of "Present at the terminal" that was deleted in a non-substantive rule amendment in August 2020. The purpose of re-inserting the definition, in combination with the related proposed amendment to Rule 401.304(b)(3), is to dispel any misconception that the deletion was substantive and make clear that all aspects of a sales transaction under Rule 401.304 must take place at the retail location.
- The proposed amendments to Rule 401.302(a)(1) add language from Rule 401.304(b)(3) (Draw Game Rules (General)) regarding the requirement that all aspects of a ticket purchase must take place at a licensed retail location, to make Rule 401.302 more consistent with Rule 401.304. The proposed amendments to Rule 401.302(e)(6) and (f)(2) update the rule by requiring all scratch ticket prize claim processes to be made in accordance with Commission procedures and deleting requirements that are inapplicable to mobile prize claims.
- The proposed amendments to Rule 401.304(b)(3) add language that was deleted in a non-substantive rule amendment in 2020 to reiterate and clarify that no part of a draw game ticket sale may take place away from the terminal. The proposed amendments to Rule 401.304(d)(3) update

the rule by requiring all draw ticket prize claim processes to be made in accordance with Commission procedures and deleting requirements that are inapplicable to mobile prize claims.

- The proposed amendments to Rule 401.355(a) clarify that retailers shall not sell lottery tickets via the internet, a gap that was identified by the Staff Report, and the proposed amendments to Rule 401.355(b) update a cross-reference.
- The proposed amendments to Rule 401.501 update the language regarding lottery security to state that several divisions of the Commission are responsible for developing and maintaining security plans and procedures, including information security, gaming security, and facility security as required by the State Lottery Act to ensure the integrity and security of the lottery games, and confirming that these plans and procedures are protected from required public disclosure as allowed under the Texas Public Information Act.

The Commission will hold a public hearing to receive comments on this proposal at 1:00 p.m. on January 15, 2025, at 1801 Congress Ave., George H. W. Bush Building, 4th Floor, Board Room 4.300, Austin, TX, 78701.

Recommendation: Staff recommends the Commission initiate the rulemaking process by publishing the attached proposed rule amendments in the *Texas Register* in order to receive public comments for a period of 45 days.

1 The Texas Lottery Commission (Commission) proposes amendments to 16 TAC §§
2 401.101 (Lottery Procurement Procedures), 401.102 (Protests of the Terms of a Formal
3 Competitive Solicitation), 401.103 (Protests of Contract Award), 401.104 (Contract Monitoring
4 Roles and Responsibilities), 401.153 (Qualifications for License), 401.158 (Suspension or
5 Revocation of License), 401.160 (Standard Penalty Chart), 401.301 (General Definitions), 401.302
6 (Scratch Ticket Game Rules), 401.304 (Draw Game Rules (General)), 401.355 (Restricted Sales),
7 and 401.501 (Lottery Security).

8 The proposed rule amendments are the result of the Commission's recent rule review
9 conducted in accordance with Texas Government Code §2001.039, as well as the agency's recent
10 review by the Texas Sunset Advisory Commission. Among the more significant changes, this
11 proposal addresses issues identified as rulemaking gaps in the May 2024 Texas Sunset Advisory
12 Commission Staff Report (Staff Report). Specifically, the Staff Report noted that there was "no
13 clarification as to whether internet sales of lottery products are prohibited" (addressed in Rules
14 401.153(b)(12), 401.158(b)(27), 401.160(h), and 401.355(a)), and "no explanation of what it
15 means for a person to 'engage in a business exclusively as a (lottery) sales agent' for purposes of
16 licensure" (addressed in Rule 401.153(b)(13)).

17 The proposed rule amendments also clarify procurement procedures and the time period a
18 bidder or proposer has to respond to an appeal of certain protest decisions issued by the agency in
19 procurements; update several definitions; update a provision in the scratch ticket game rule to
20 make it more consistent with the draw game rule; update the scratch and draw ticket prize claim
21 processes; and update the language regarding lottery security to state that several divisions of the
22 Commission are responsible for developing and maintaining security plans and procedures, and

1 confirming that these plans and procedures are protected from required public disclosure as
2 allowed under the Texas Public Information Act.

3 The proposed amendments to Rule 401.101 clarify the rules governing the Invitation for
4 Bid (IFB) procurement method by reorganizing the section and by adding language that describes
5 the process used for IFBs. The proposed amendments also clarify certain differences between the
6 Request for Proposals (RFP) and IFB procurement methods.

7 The proposed amendments to Rule 401.102 add language stating that the email address
8 designated by the vendor for correspondence in the procurement will also serve as the email
9 address for notice of proceedings and decisions under this section.

10 The proposed amendments to Rule 401.103(g) clarify the time period a successful bidder
11 or proposer has to respond to an appeal of an agency determination of a vendor's protest to a
12 contract award resulting from a competitive solicitation. Also, the proposal adds language stating
13 that the email address designated by the vendor for correspondence in the procurement will also
14 serve as the email address for notice of proceedings and decisions under this section.

15 The proposed amendments to Rule 401.104 clarify that the agency may assign designated
16 personnel to monitor contract compliance and facilitate historically underutilized business
17 participation, in addition to the existing divisions within the agency that handle these matters.

18 The proposed amendments to Rule 401.153(b)(12) clarify that an application for a sales
19 agent license will be denied if the applicant intends to sell lottery tickets via the internet, and the
20 proposed amendments to Rule 401.153(b)(13) reiterate the prohibition in the State Lottery Act that
21 an application for a sales agent license will be denied if the applicant intends to engage in business
22 exclusively as a Texas Lottery ticket sales agent (as defined in the proposed amendments). This
23 change addresses gaps that were identified by the Staff Report.

1 The proposed amendments to Rule 401.153 also add a provision that, based upon
2 consideration of the factors in Rule 401.160(g), the director may determine a person or
3 organization whose license has been revoked, surrendered or denied is not eligible to apply for
4 another license for one year.

5 The proposed amendments to Rule 401.158(b)(23) make it an express violation to require
6 a purchaser to buy additional items when paying for lottery tickets with a debit card and the
7 proposed amendments to Rule 401.158(b)(27) make it an express violation to sell lottery tickets
8 over the internet.

9 The proposed amendments to Rule 401.160 update the penalty chart and correspond with
10 the proposed amendments to Rules 401.158(b)(23) and (27) referenced above.

11 The proposed amendments to Rule 401.301(1), (4), (51), and (55) make minor updates to
12 multiple definitions to increase the clarity of those definitions. The proposed amendments also add
13 a definition of “Present at the terminal” that was deleted in a non-substantive rule amendment in
14 August 2020. The purpose of re-inserting the definition, in combination with the related proposed
15 amendment to Rule 401.304(b)(3), is to dispel any misconception that the deletion was substantive
16 and make clear that all aspects of a sales transaction under Rule 401.304 must take place at the
17 retail location.

18 The proposed amendments to Rule 401.302(a)(1) add language from Rule 401.304(b)(3)
19 (Draw Game Rules (General)) regarding the requirement that all aspects of a ticket purchase must
20 take place at a licensed retail location, to make Rule 401.302 more consistent with Rule 401.304.
21 The proposed amendments to Rule 401.302(e)(6) and (f)(2) update the rule by requiring all scratch
22 ticket prize claim processes to be made in accordance with Commission procedures and deleting
23 requirements that are inapplicable to mobile prize claims.

1 The proposed amendments to Rule 401.304(b)(3) add language that was deleted in a non-
2 substantive rule amendment in 2020 to reiterate and clarify that no part of a draw game ticket sale
3 may take place away from the terminal. The proposed amendments to Rule 401.304(d)(3) update
4 the rule by requiring all draw ticket prize claim processes to be made in accordance with
5 Commission procedures and deleting requirements that are inapplicable to mobile prize claims.

6 The proposed amendments to Rule 401.355(a) clarify that retailers shall not sell lottery
7 tickets via the internet, a gap that was identified by the Staff Report, and the proposed amendments
8 to Rule 401.355(b) update a cross-reference.

9 The proposed amendments to Rule 401.501 update the language regarding lottery security
10 to state that several divisions of the Commission are responsible for developing and maintaining
11 security plans and procedures, including information security, gaming security, and facility
12 security as required by the State Lottery Act to ensure the integrity and security of the lottery
13 games, and confirming that these plans and procedures are protected from required public
14 disclosure as allowed under the Texas Public Information Act.

15 Angela Zgabay-Zgarba, Administration Director, has determined that for each year of the
16 first five years the proposed amendments will be in effect, the anticipated public benefit will be
17 greater clarity regarding agency procedures governing procurement.

18 Robert Tirloni, Lottery Operations Director, has determined that for each year of the first
19 five years the proposed amendments will be in effect, the anticipated public benefit includes a
20 greater understanding of the Commission's rules and games by licensed lottery retailers and lottery
21 players based on the removal of obsolete language and the addition of new, clarifying language;
22 and addressing issues identified as rulemaking gaps in the Staff Report. The new rule language
23 should lead to an increase in understanding and compliance.

1 Sergio Rey, Controller, has determined that for each year of the first five years the proposed
2 amendments will be in effect, there will be no significant fiscal impact for state or local
3 governments as a result of the proposed amendments. There will be no adverse effect on small
4 businesses or rural communities, micro businesses, or local or state employment. There will be no
5 additional economic cost to persons required to comply with the amendments, as proposed.
6 Furthermore, an Economic Impact Statement and Regulatory Flexibility Analysis is not required
7 because the proposed amendments will not have an adverse economic effect on small businesses
8 or rural communities as defined in Texas Government Code §2006.001(1-a) and (2).

9 Pursuant to Texas Government Code §2001.0221, the Commission provides the following
10 Government Growth Impact Statement for the proposed amendments. For each year of the first
11 five years the proposed amendments will be in effect, Sergio Rey, Controller, has determined the
12 following:

13 (1) The proposed amendments do not create or eliminate a government program.

14 (2) Implementation of the proposed amendments does not require the creation of new
15 employee positions or the elimination of existing employee positions.

16 (3) Implementation of the proposed amendments does not require an increase or decrease
17 in future legislative appropriations to the Commission.

18 (4) The proposed amendments do not require an increase or decrease in fees paid to the
19 Commission.

20 (5) The proposed amendments do not create a new regulation.

21 (6) The proposed amendments do not expand or limit an existing regulation.

22 (7) The proposed amendments do not increase or decrease the number of individuals
23 subject to the rule's applicability.

1 (8) The proposed amendments do not positively or adversely affect this state's economy.

2 The Commission requests comments on the proposed amendments from any interested
3 person. Comments may be submitted to Kyle Wolfe, Assistant General Counsel, by mail at Texas
4 Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630; by facsimile at (512) 344-5189;
5 or by email at *legal.input@lottery.state.tx.us*. Comments must be received within 45 days after
6 publication of this proposal in the *Texas Register* to be considered. The Commission will also hold
7 a public hearing to receive comments on this proposal at 1:00 p.m. on January 15, 2025, at 1801
8 Congress Ave., George H. W. Bush Building, 4th Floor, Board Room 4.300, Austin, TX, 78701.

9 These amendments are proposed under Texas Government Code §466.015(c), which
10 authorizes the Commission to adopt rules governing the operation of the lottery, and §467.102,
11 which authorizes the Commission to adopt rules for the enforcement and administration of the
12 laws under the Commission's jurisdiction.

13 This proposal is intended to implement Texas Government Code, Chapter 466.
14 §401.101. Lottery Procurement Procedures.

15 (a) – (d) (No change.)

16 (e) Formal competitive solicitations.

17 (1) A formal competitive solicitation is a process conducted in order to receive at least
18 three sealed competitive bids or proposals pursuant to the issuance of an IFB, RFP, RFQ, or
19 another statewide contract process, respectively.

20 (A) An IFB will be used when the agency is able to describe, by way of established
21 specifications, exactly what it wishes to procure, and wants bidders to offer such at a specific price.

22 For formal competitive solicitations where an IFB is used, the agency will award a contract to the

1 qualified bidder submitting the lowest cost responsible bid meeting all specifications and providing
2 the best value for the agency, as determined during the evaluation of the bids.

3 (B) – (C) (No change.)

4 (2) – (4) (No change.)

5 [~~(5) For formal competitive solicitations where an IFB is used, the agency will award a~~
6 ~~contract to the qualified bidder submitting the lowest cost responsible bid meeting all~~
7 ~~specifications and providing the best value for the agency, as determined during the evaluation of~~
8 ~~the bids. Negotiations are not authorized when utilizing an IFB procurement method; however, if~~
9 ~~only one response is received, negotiations are allowed, provided, negotiations may not result in a~~
10 ~~material change to the advertised specifications.~~]

11 (f) RFPs and IFBs [~~RFP~~].

12 (1) Submission of RFP. When an RFP is used by the agency, the RFP will contain, at a
13 minimum, the following:

14 (A) – (B) (No change.)

15 (C) the time and date proposals are due, and the location and person to whom they
16 must [~~are to~~] be submitted;

17 (D) – (E) (No change.)

18 (2) Submission of IFB. When an IFB is used by the agency, a bidder will submit a bid in
19 response to the solicitation. The IFB solicitation will contain, at a minimum, the following:

20 (A) A detailed description of the goods and/or services to be provided, and specific
21 specifications for the goods or services to be procured;

22 (B) A description of the format bids must follow and the elements they must
23 contain;

1 (C) The time and date bids are due, and the location and person to whom they must
2 be submitted;

3 (D) an identification of the process to be utilized in evaluating bids; and

4 (E) a listing of the factors to be utilized in evaluating bids and awarding a purchase
5 order. At a minimum, the factors should include:

6 (i) the bidder's price to provide the goods or services;

7 (ii) the probable quality of the offered goods or services;

8 (iii) the quality of the bidder's past performance in contracting with the
9 Texas Lottery, with other state entities or with private sector entities;

10 (iv) the bidder's experience in providing the requested goods or services;

11 (v) the qualifications of the bidder's personnel; and,

12 (vi) whether the bidder performed the good faith effort required by the HUB
13 subcontracting plan, as applicable.

14 (3) [(2)] Evaluation Process. The agency will, prior to the deadline for receipt of proposals
15 or bids, develop and establish comprehensive evaluation criteria to be utilized by an evaluation
16 committee in evaluating the proposals or bids. All proposals or bids that are responsive to the
17 procurement [RFP] will be reviewed by the evaluation committee. Part of the initial evaluation
18 process may include an inspection trip to the proposer's facilities, and/or proposers may be
19 requested to make an oral presentation to the committee. The evaluation committee may seek
20 advice from consultants. If consultants are employed, they may be provided all information
21 provided by the proposers or bidders. The evaluation committee will evaluate and score all
22 proposals in accordance with the evaluation criteria.

1 (4) [(3)] Best and Final Offers (BAFO). With an RFP, the [The] agency may select top
2 proposers, which may each be given an opportunity to discuss, clarify, and negotiate with the
3 agency, and submit revisions to their respective proposals to the agency through a BAFO process.
4 During discussions between the proposers and the agency, no information from a competing
5 proposal may be revealed by the agency to another competitor. Any type of auction practice or
6 allowing the transfer of technical information is specifically prohibited. At the conclusion of the
7 discussions, BAFOs may be formally requested from the proposers and a deadline will be set for
8 submission. BAFOs will be submitted by supplemental pages and not a complete resubmission of
9 the proposal. All BAFOs will be reviewed by the evaluation committee. The evaluation committee
10 will evaluate and score the BAFO response together with the original proposal in accordance with
11 the evaluation criteria.

12 (5) [(4)] Negotiation.

13 (A) RFP. If a BAFO process is not used, the agency will attempt to negotiate a
14 contract with the selected proposer. If a contract cannot be negotiated with the selected proposer
15 on terms the agency determines reasonable, negotiations with that proposer will be terminated, and
16 negotiations will be undertaken with the next highest scored proposer. This process will be
17 continued until a contract is executed by a proposer and the agency, or negotiations with all
18 qualified proposers are terminated. If no contract is executed, the agency may cancel the
19 solicitation.

20 (B) IFB. Negotiations are not authorized when utilizing an IFB procurement
21 method; however, if only one response is received, negotiations are allowed, provided,
22 negotiations may not result in a material change to the advertised specifications.

1 (6) ~~[(5)]~~ Multiple Award. The agency may award a contract to two or more vendors or
2 contractors using a single solicitation to furnish the same or similar supplies or services, where
3 more than one vendor or contractor is needed to meet the agency's requirements for quantity,
4 delivery, or service.

5 (g) – (i) (No change.)

6 §401.102. Protests of the Terms of a Formal Competitive Solicitation.

7 (a) – (d) (No change.)

8 (e) The director of administration will review the protest, and the solicitation file, and will make a
9 written determination of the protest, which may include canceling the solicitation. The director of
10 administration's written determination will be served by email on the protestant. Confirmation that
11 the notice was sent to an email address designated for the receipt of correspondence in the
12 procurement will be conclusive proof that delivery was made. The decision of the director of
13 administration may be appealed to the executive director. The appeal must be filed electronically
14 with the commission's general counsel by 5 p.m. the next business day after issuance of the written
15 determination. An appeal is considered timely filed if it is electronically filed before the filing
16 deadline. An electronically filed appeal is deemed filed when transmitted to the protestant's
17 electronic filing service provider.

18 (f) On appeal of the director of administration's determination, the executive director will review
19 the protest, the solicitation file, any responses, and the director of administration's determination,
20 including any reasoning that supports the determination. The executive director will then make a
21 written determination of the appeal, which may include canceling the solicitation. The executive
22 director's written determination will be served, by email on the protestant. Confirmation that the
23 notice was sent to an email address designated for the receipt of correspondence in the procurement

1 ~~[correspondence,]~~ will be conclusive proof that delivery was made. An appeal to the Texas Lottery
2 Commission of the determination of the executive director must be filed electronically with the
3 commission's general counsel by 5 p.m. the next business day after issuance of the written
4 determination. An appeal is considered timely if it is electronically filed before the filing deadline.
5 An electronically filed appeal is deemed filed when transmitted to the protestant's electronic filing
6 service provider.

7 (g) – (h) (No change.)

8 (i) The Texas Lottery Commission will make a written determination of the protest. To make its
9 determination, the commission ~~[Commission]~~ will review:

10 (1) – (4) (No change.)

11 (5) The staff attorney's recommendation. The written determination on the protest may
12 include a determination canceling the solicitation. The Texas Lottery Commission's written
13 determination will be served by email on the protestant. Confirmation that the notice was sent to
14 an email address designated for the receipt of correspondence in the procurement
15 ~~[correspondence,]~~ will be conclusive proof that delivery was made. The Texas Lottery
16 Commission's determination shall be administratively final when issued.

17 §401.103. Protests of Contract Award.

18 (a) (No change.)

19 (b) A protest of any contract award must be filed electronically with the commission's general
20 counsel, by email to legal.input@lottery.state.tx.us, within 72 hours after receipt of notice of
21 contract award. A copy of the protest must be delivered to the successful bidder or proposer at the
22 same time that the protest or supplement is delivered to the agency. The protestant must include
23 its email address with the protest. A protest is considered timely filed if it is electronically filed

1 before the filing deadline. An electronically filed protest is deemed filed when transmitted to the
2 protestant's electronic filing service provider. Unless otherwise requested by the commission, the
3 protestant is not required to file a paper copy of its protest. For good cause shown by the protestant,
4 the commission may allow an alternate form of filing. The electronically filed protest must be in a
5 text-searchable PDF format. The protestant is solely responsible for ensuring its protest is complete
6 and filed timely with the office of the general counsel and a copy is sent to the successful bidder
7 or proposer. A protest not filed timely will not be considered, and the protestant will be so notified
8 in writing by the commission's general counsel by electronic notice sent to the protestant's
9 designated email address, or the email address identified for notices in the procurement response.

10 A protestant may supplement its timely filed protest. The deadline to supplement is 5 p.m. central
11 time, 10 calendar days after notice of contract award.

12 (c) In the event of a protest of a contract award, the successful bidder(s) or proposer(s) may file a
13 written response electronically to the protest within 72 hours after the office of the general
14 counsel's receipt of the protest or any supplemental filing. The successful bidder(s) or proposer(s)
15 must include its email address with the response. A response is considered timely filed if it is
16 electronically filed before the filing deadline. An electronically filed response is deemed filed
17 when transmitted to the successful bidder(s) or proposer(s)'s electronic filing service provider. The
18 electronically filed response must be in a text-searchable PDF format. The successful bidder(s) or
19 proposer(s) is solely responsible for ensuring the response is complete and filed timely with the
20 office of the general counsel. Responses not filed timely will not be considered, and the successful
21 bidder(s) or proposer(s) will be so notified in writing by the commission's general counsel by
22 electronic notice sent to the successful bidder(s) or proposer(s)'s designated email address, or the
23 email address identified for notices in the procurement response.

1 (d) – (e) (No change.)

2 (f) The director of administration will review the protest, the contract award file, any responses,
3 and will make a written determination of the protest, which may include canceling the award of
4 the contract. The director of administration's written determination will be served, by facsimile or
5 by email, on the protestant and the successful bidder(s) or proposer(s). Confirmation that the notice
6 was sent to an email address designated for the receipt of correspondence, will be conclusive proof
7 that delivery was made. The decision of the director of administration may be appealed to the
8 executive director [~~Executive Director~~]. The appeal must be filed electronically with the
9 commission's general counsel by 5 p.m. of the next business day after issuance of the written
10 determination. An appeal is considered timely filed if it is electronically filed before the filing
11 deadline. An electronically filed appeal is deemed filed when transmitted to the protestant's
12 electronic filing service provider.

13 (g) The successful bidder(s) or proposer(s) may file a response electronically to the appeal of a
14 determination made by the director of administration or the executive director [~~Executive Director~~]
15 by 5 p.m. of the next business day [~~within 24 hours~~] after notice of the commission's receipt of the
16 appeal. The successful bidder(s) or proposer(s) must include its email address with the response.
17 A response is considered timely filed if it is electronically filed before the filing deadline. An
18 electronically filed response is deemed filed when transmitted to the successful bidder(s) or
19 proposer(s)'s electronic filing service provider. Unless otherwise requested by the commission, the
20 successful bidder(s) or proposer(s) is not required to file a paper copy of its response. The
21 electronically filed response must be in text-searchable PDF format. The successful bidder(s) or
22 proposer(s) is solely responsible for ensuring the response is complete and filed timely with the
23 office of the general counsel. Responses not filed timely will not be considered, and the respondent

will be so notified in writing by the commission's general counsel by electronic notice sent to the successful bidder(s) or proposer(s)'s designated email address.

(h) On appeal of the director of administration's determination, the executive director will review the protest, the contract award file and responses, and the director of administration's determination, including any reasoning that supports the determination. The executive director [~~Executive Director~~] will then make a written determination of the protest, which may include abating the award of the contract. The executive director's written determination will be served by email on the protestant. Confirmation that the notice was sent to an email address designated for the receipt of correspondence [~~correspondence,~~] will be conclusive proof that delivery was made.

An appeal to the Texas Lottery Commission of the determination of the executive director must be filed electronically with the commission's general counsel by 5 p.m. of the next business day after issuance of the written determination. An appeal is considered timely filed if it is electronically filed before the filing deadline. An electronically filed appeal is deemed filed when transmitted to the protestant's electronic filing service provider.

(i) – (k) (No change.)

§401.104. Contract Monitoring Roles and Responsibilities.

The contract monitoring roles and responsibilities of agency internal audit staff (or contractor) and other inspection, investigative, or compliance staff are as follows:

(1) – (3) (No change.)

(4) A division or divisions, or other designated personnel within the agency, [~~agency~~] will monitor and report to other appropriate agency divisions or units regarding contract compliance.

(5) A HUB coordinator and any other designated personnel [~~division~~] within the agency will assist the administering division or divisions and the contract management section in

monitoring agency contracts in connection with applicable historically underutilized and minority business contract requirements.

§401.153. Qualifications for License.

(a) (No change.)

(b) The director may grant or deny an application for a license under this subchapter based on any one or more factors listed in subsection (a) of this section. In addition, the director shall deny an application for a license under this subchapter upon a finding that the applicant:

(1) – (9) (No change.)

(10) failed to certify to the director the applicant's compliance with the federal Americans With Disabilities Act; ~~[or]~~

(11) is the subject of a license suspension or decision issued under Chapter 232, Family Code; ~~[Code.]~~

(12) intends to sell lottery tickets via the internet; or

(13) intends to engage in business exclusively as a Texas Lottery ticket sales agent. For purposes of this section, an applicant “intends to engage in business exclusively as a Texas Lottery ticket sales agent” if the applicant does not sell any goods or services to the public other than Texas Lottery tickets.

(c) – (e) (No change.)

(f) Based upon consideration of the factors in §401.160(g) of this title (relating to Standard Penalty Chart), the director may determine a person or organization whose license has been revoked or surrendered, or whose application has been denied for reasons which would justify a revocation of an existing license, will not be eligible to apply for another license earlier than one year from the date of revocation, surrender, or denial.

§401.158. Suspension or Revocation of License.

(a) (No change.)

(b) Without limiting the commission's ability to consider factors listed in §401.153(b) of this title as grounds for suspension or revocation of a license issued under this subchapter, the commission may also suspend or revoke a license for reasons including, but not limited to, any of the following:

(1) – (22) (No change.)

(23) licensee charges a fee for lottery ticket purchases using a debit card, requires an additional purchase with a debit card, and/or requires a minimum dollar amount for debit card purchases of only lottery tickets.

(24) – (26) (No change.)

(27) licensee sells tickets over the telephone or internet, or via mail order sales; [~~sales~~], or establishes or promotes a group purchase or pooling arrangement under which tickets are purchased on behalf of the group or pool and any prize is divided among the members of the group or pool, and the licensee intentionally or knowingly:

(A) – (B) (No change.)

(28) – (39) (No change.)

(40) licensee incurs four (4) notices of nonsufficient fund transfers or non-transfer of funds within a 12-month period (revocation only);

(41) licensee fails to pay the full amount of money owed to the commission after a nonsufficient funds transfer or non-transfer of funds to the commission's account (revocation only); or

(42) (No change.)

§401.160. Standard Penalty Chart.

- 1 (a) – (f) (No change.)
- 2 (g) Based upon consideration of the following factors, the commission may impose penalties other
- 3 than the penalties recommended in §401.158 of this title (relating to Suspension or Revocation of
- 4 License) and/or this section:
- 5 (1) – (8) (No change.)
- 6 (9) Penalties imposed for related offenses; [øø]
- 7 (10) Current employment status of any employee(s) that committed violation(s); or
- 8 (11) [(40)] Any other mitigating or aggravating circumstances.
- 9 (h) Standard Penalty Chart.

| TEXAS LOTTERY COMMISSION RETAILER REGULATORY VIOLATIONS AND RELATED PENALTIES | | | | |
|--|--|--|---------------------------|--|
| No. | DESCRIPTION OF VIOLATION | 1st OCCURRENCE | 2nd OCCURRENCE | 3rd OCCURRENCE |
| 1st Tier Violations | | | | |
| 1. | Licensee engages in telecommunication or printed advertising that the director determines to have been false, deceptive or misleading. | Warning Letter (Notification in writing to the licensee of the detected violation, including a warning that future violations will result in more severe administrative penalties including Suspension and/or revocation of the license.) | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 2. | Licensee conditions redemption of a lottery prize upon the purchase of any other item or service. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 3. | Licensee imposes a restriction upon the redemption of a lottery prize not specifically authorized by the director. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 4. | Licensee fails to follow instructions and procedures for the conduct of any lottery game, lottery special event or promotion. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |

| | | | | |
|-----|---|----------------|----------------------|------------------------------------|
| 5. | Licensee and/or its employee(s) exhibit discourteous treatment including, but not limited to, abusive language toward customers, commission employees or commission vendors. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 6. | Licensee fails to establish or maintain reasonable security precautions regarding the handling of lottery tickets and other materials. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 7. | Licensee fails to deface a validated ticket. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 8. | Licensee sells a draw game ticket for a draw that has already taken place. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 9. | Licensee fails to follow validation procedures, including, but not limited to, paying a claim without validating the ticket, failing to pay a valid prize after validating a customer's winning ticket, or retaining a customer's winning ticket that has not been validated. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 10. | Licensee violates any directive or instruction issued by the director of Lottery Operations. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 11. | Licensee violates any express term or condition of its license not specifically set forth in this subchapter. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 12. | Licensee sells a scratch ticket from a game that has closed after the date designated for the end of the game. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 13. | Licensee refuses to refund or properly cancel a Pick 3 or Daily 4 ticket. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |

| | | | | |
|----------------------------|--|------------------------------------|------------------------------------|------------------------------------|
| 14. | Licensee fails to return an exchange ticket to a prize claimant claiming a prize on a multi-draw ticket if an exchange ticket is produced by the licensee's terminal. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 15. | Licensee fails to keep accurate and complete records of all tickets that have not been sold from confirmed, active, and settled packs. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 16. | Licensee fails to meet any requirement under §401.368, Lottery Ticket Vending Machines rule, if the licensee has been supplied with a self-service lottery ticket vending machine by the commission. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 17. | Licensee fails to take readily achievable measures within the allowed time period to comply with the barrier removal requirements regarding the ADA. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 18. | Licensee fails to prominently post license. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 19. | Licensee sells tickets that were assigned to another licensed location. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 20. | Licensee knowingly sells a ticket or pays a lottery prize to another person who is: (A) an officer or an employee of the commission; (B) an officer, member, or employee of a lottery operator; (C) an officer, member, or employee of a contractor or subcontractor that is excluded by the terms of its contract from playing lottery games; (D) the spouse, child, brother, sister, or parent of a person described by (A), (B), or (C) above who resides within the same household as that person. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 2nd Tier Violations | | | | |
| 21. | Licensee endangers the security and/or integrity of the lottery games operated by the commission. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |

| | | | | |
|-----|---|--|--|------------|
| 22. | Licensee intentionally or knowingly sells a ticket at a price the licensee knows is greater than the price set by the executive director. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 23. | Licensee charges a fee for lottery ticket purchases using a debit card, <u>requires an additional purchase with a debit card,</u> and/or requires a minimum dollar amount for debit card purchases of only lottery tickets. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 24. | Licensee sells tickets at a location that is not licensed. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 25. | Licensee intentionally or knowingly sells a ticket by extending credit or lends money to enable a person to buy a ticket. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 26. | Licensee intentionally or knowingly sells a ticket and accepts anything for payment not specifically allowed under the State Lottery Act. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 27. | Licensee sells tickets over the telephone or <u>internet,</u> <u>or</u> via mail order <u>sales;</u> [sales,] <u>or</u> establishes or promotes a group purchase or pooling arrangement under which tickets are purchased on behalf of the group or pool and any prize is divided among the members of the group or pool, and the licensee intentionally or knowingly: (A) uses any part of the funds solicited or accepted for a purpose other than purchasing tickets on behalf of the group or pool; or (B) retains a share of any prize awarded as compensation for establishing or promoting the group purchase or pooling arrangement. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 28. | Licensee intentionally or knowingly alters or forges a ticket. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |

| | | | | |
|-----|--|--|--|------------|
| 29. | Licensee intentionally or knowingly influences or attempts to influence the selection of a winner of a lottery game. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 30. | Licensee intentionally or knowingly claims a lottery prize or a share of a lottery prize by means of fraud, deceit, or misrepresentation; or aids or agrees to aid another person or persons to claim a lottery prize or a share of a lottery prize by means of fraud, deceit, or misrepresentation. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 31. | Licensee intentionally or knowingly tampers with, damages, defaces, or renders inoperable any vending machine, electronic computer terminal, or other mechanical device used in a lottery game, or fails to exercise due care in the treatment of commission property. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 32. | Licensee: (A) induces another person to assign or transfer a right to claim a prize; (B) initiates or accepts an offer to sell the right to claim a prize; (C) initiates or accepts an offer of compensation from another person to claim a lottery prize; or (D) purchases, for anything of value, a lottery ticket from a person who is not a licensed lottery retailer. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 33. | Licensee intentionally or knowingly makes a statement or entry that the person knows to be false or misleading on a required report. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 34. | Licensee fails to maintain or make an entry the licensee knows is required to be maintained or made for a required report. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 35. | Licensee knowingly refuses to permit the director of the Lottery Operations Division, the executive director, commission, the lottery operator, the employees or agents of the lottery operator, or the state auditor to examine the agent's books, records, papers or other objects, or refuses to answer any question authorized under the State Lottery Act. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |

| | | | | |
|----------------------------|--|--|--|------------|
| 36. | Licensee intentionally or knowingly makes a material and false or incorrect, or deceptive statement, written or oral, to a person conducting an investigation under the State Lottery Act or a commission rule. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 37. | Licensee commits an offense of conspiracy as defined in the State Lottery Act. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 38. | Licensee sells or offers for sale any interest in a lottery of another state or state government or an Indian tribe or tribal government, including an interest in an actual lottery ticket, receipt, contingent promise to pay, order to purchase, or other record of the interest. | 10-90 day Suspension to Revocation | 30-90 day Suspension to Revocation | Revocation |
| 3rd Tier Violations | | | | |
| 39. | Licensee intentionally or knowingly sells or offers to sell a ticket to a person that the licensee knows is younger than 18 years. | Revocation | n/a | n/a |
| 40. | Licensee incurs four (4) notices of nonsufficient fund transfers or non-transfer of funds within a 12-month period. | Revocation | n/a | n/a |
| 41. | Licensee fails to pay the full amount of money owed to the commission after a nonsufficient funds transfer or non-transfer of funds to the commission's account. | Revocation | n/a | n/a |

§401.301. General Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Caption--The letters or other characters appearing below the play symbols in the play area of a ticket that verify the correctness of the play symbols.

(2) – (3) (No change.)

(4) Claim form--The printed or electronic form authorized and provided by the commission that a claimant shall complete and submit to the commission when claiming a prize.

(5) – (34) (No change.)

(35) Present at the terminal--A player remains physically present at the terminal from the time the player's order for the purchase of draw game tickets is paid for and accepted by the retailer until the processing of the order is completed and the tickets are delivered to the player at the retailer terminal location.

(36) [~~(35)~~] Prize amounts--The amount of money payable to each share in a prize category, the annuitized future value of each share in a prize category, or the net present cash value of each share in a prize category for each draw game drawing. Prize amounts are calculated by dividing the prize category contribution, the annuitized future value of the prize category contribution, or the net present cash value of the prize category contribution by the number of shares determined for the prize category.

(37) [~~(36)~~] Prize breakage--The money which is left over from the rounding down of the pari-mutuel prize levels to the next lowest whole dollar amount or money which is in excess of the amount needed to pay a prize.

1 (38) [~~(37)~~] Prize category--The matching combinations of numbers and their corresponding
2 prize levels as described in rules for the specific game being played.

3 (39) [~~(38)~~] Prize category contributions--Refers to contributions for each drawing to each
4 prize category, including direct and indirect prize category contributions.

5 (40) [~~(39)~~] Prize fund--The monies allocated to be returned to players in winning tickets
6 within a specific scratch ticket game.

7 (41) [~~(40)~~] Prize pool--In a draw game, the total amount of money available for prizes as a
8 percentage of the total sales for the current draw period.

9 (42) [~~(41)~~] Prize structure--The number, value, prize payout percentage, and odds of
10 winning prizes for an individual game as approved by the executive director.

11 (43) [~~(42)~~] Promotion--One or more events coordinated or conducted by the commission
12 at retail sites, fairs, festivals and other appropriate venues, or in conjunction with one or more
13 particular Texas Lottery games, to educate players about Texas Lottery products and/or sell Texas
14 Lottery games through a retailer in specific markets to maximize Texas Lottery sales and statewide
15 awareness.

16 (44) [~~(43)~~] Promotional drawing--A drawing in which qualified contestants are awarded
17 prizes in a random manner in accordance with the procedures set forth for a specific promotion.

18 (45) [~~(44)~~] Quick Pick--A play option that generates random numbers in a manner
19 approved by the commission.

20 (46) [~~(45)~~] Roll-over--The amount in a specific draw game prize pool category resulting
21 from no matching combinations and/or prize breakage from the previous drawing.

22 (47) [~~(46)~~] Sales agent--A person licensed under the State Lottery Act to sell Texas Lottery
23 tickets.

1 ~~(48)~~ [(47)] Scratch ticket--A scratch ticket lottery game, developed and offered for sale to
2 the public in accordance with commission rules, that is played by revealing the ticket play symbols.

3 ~~(49)~~ [(48)] Shares--In a draw game, the total number of matching combinations within each
4 prize category as determined for each drawing.

5 ~~(50)~~ [(49)] Terminal--A device authorized by the commission for the purpose of issuing
6 draw game tickets and/or validating claims, including the commission or commission's vendor's
7 computer hardware as well as commission-authorized third-party point-of-sale systems.

8 ~~(51)~~ [(50)] Third-party point-of-sale systems--Self-contained computerized equipment (not
9 owned or operated by the commission or lottery operator) that performs sales-related tasks at a
10 licensed lottery ticket retailer's checkout counter and that has the sole Texas Lottery-related
11 purpose of selling lottery tickets. Third-party point-of-sale systems will only perform the same
12 lottery-related tasks as terminals owned or operated by the commission or lottery operator and may
13 not issue electronic tickets or display outcomes for draw and scratch games using casino-style
14 graphics of any kind. Third-party point-of-sale systems do not include any gambling device.

15 ~~(52)~~ [(51)] Ticket--Any tangible evidence issued to provide participation in a lottery game
16 or activity authorized by the State Lottery Act.

17 ~~(53)~~ [(52)] Ticket bearer--The person who has signed the ticket or who has possession of
18 an unsigned ticket.

19 ~~(54)~~ [(53)] Ticket number--The number on the back of the scratch ticket that refers to the
20 ticket sequence within a specific pack of a scratch ticket game.

21 ~~(55)~~ [(54)] Validation number--The unique alphanumeric number sequence or barcode
22 printed on a ticket that provides for the verification of the ticket as a valid winner.

1 (56) [~~(55)~~] Valid ticket--A ticket which meets all specifications and validation
2 requirements and entitles the holder to a specific prize amount.

3 (57) [~~(56)~~] Void ticket--Any ticket that is stolen, unissued, illegible, mutilated, altered,
4 counterfeit in whole or part, misregistered, defective, incomplete, printed or produced in error,
5 multiply printed, fails any of the commission's confidential validation tests, or is a ticket produced
6 by or for the commission for education and training purposes.

7 (58) [~~(57)~~] Winning combination--One or more digits, numbers, or symbols randomly
8 selected by the commission in a drawing which has been certified.

9 §401.302. Scratch Ticket Game Rules.

10 (a) Sale of scratch tickets.

11 (1) Only retailers who have been licensed by the commission are authorized to sell scratch
12 tickets, and scratch tickets shall [~~may~~] be sold only at the [~~a licensed~~] location listed on each
13 retailer's license from the commission. For purposes of this section, the sale of a scratch ticket at
14 the licensed location means a lottery transaction in which all elements of the sale between the
15 retailer and the purchaser must take place at the retailer location, including the exchange of
16 consideration and the exchange of the scratch ticket.

17 (2) – (3) (No change.)

18 (b) – (d) (No change.)

19 (e) Payment of low-tier and mid-tier prizes.

20 (1) – (5) (No change.)

21 (6) If a low- or mid-tier claim is presented to the commission, the claimant shall follow all
22 procedures of the commission related to claiming a prize [~~prize, including but not limited to filling~~
23 ~~out a claim form, presenting appropriate identification if required, completing the back of the~~

1 ~~ticket, and submitting these items including the apparent winning ticket to the commission by mail~~
2 ~~or in person~~]. Upon validation of the ticket as a winning ticket, the commission shall pay the
3 claimant the amount due in accordance with commission procedures. If the ticket is determined to
4 be a non-winning ticket, the claim shall be denied and the claimant shall be promptly notified.
5 ~~[Tickets will not be returned to the claimant.]~~

6 (f) Payment of high-tier prizes.

7 (1) (No change.)

8 (2) If a high-tier claim is presented to the commission, the claimant shall follow all
9 procedures of the commission related to claiming a prize ~~[prize, including but not limited to filling~~
10 ~~out a claim form, presenting appropriate identification as required, completing the back of the~~
11 ~~ticket, and submitting these items including the apparent winning ticket to the commission by mail~~
12 ~~or in person~~]. Upon validation of the ticket as a winning ticket, the commission shall pay the
13 claimant the amount due in accordance with commission procedures. If the ticket is determined to
14 be a non-winning ticket, the claim shall be denied and the claimant shall be promptly notified.
15 ~~[Tickets will not be returned to the claimant.]~~

16 (3) – (9) (No change.)

17 (g) – (k) (No change.)

18 §401.304. Draw Game Rules (General).

19 (a) (No change.)

20 (b) Sale of tickets.

21 (1) – (2) (No change.)

22 (3) Draw game tickets shall be sold only at the location listed on each retailer's license from
23 the commission. For purposes of this section, the sale of a draw game lottery ticket at the licensed

1 location means a lottery transaction in which all elements of the sale between the retailer and the
2 purchaser must take place at the retailer location using their terminal, including the exchange of
3 consideration, the exchange of the playslip if one is used, and the exchange of the draw game
4 ticket. No part of the sale may take place away from the terminal.

5 (4) – (6) (No change.)

6 (c) (No change.)

7 (d) Procedures for claiming draw game prizes.

8 (1) – (2) (No change.)

9 (3) To claim a draw game prize of \$600 or more, the claimant shall present the winning
10 draw game ticket to the commission. ~~[For purposes of this provision, the term "commission"~~
11 ~~includes claim centers located throughout Texas.]~~ In connection with certain draw games, the top-
12 level prizes must be claimed at commission headquarters. For any claim presented to the
13 commission, the claimant shall follow all procedures of the commission related to claiming a prize
14 ~~[prize, including but not limited to filling out a claim form, presenting appropriate identification~~
15 ~~as required, completing the back of the ticket, and submitting these items including the apparent~~
16 ~~winning ticket to the commission by mail or in person].~~ Upon validation of the ticket as a winning
17 ticket, the commission shall pay the claimant the amount due in accordance with commission
18 procedures. If the ticket is determined to be a non-winning ticket, the claim shall be denied and
19 the claimant shall be promptly notified. ~~[Tickets will not be returned to the claimant.]~~

20 (4) – (10) (No change.)

21 (e) – (h) (No change.)

22 §401.355. Restricted Sales.

1 (a) Retailers shall not sell lottery tickets via the internet or by mail, phone, fax, or other similar
2 method of communications. Retailers shall not sell a lottery ticket or any other document
3 evidencing a right, privilege, or share in a lottery ticket from another jurisdiction by any means.

4 (b) Retailers shall not sell tickets to persons under the age of 18. Any ticket purchased by or sold
5 to an individual under the age of 18 years shall be void and the prize otherwise payable on the
6 ticket is treated as an unclaimed prize under Texas Government Code §466.408 [~~§401.302(j)(3) of~~
7 ~~this title (relating to Scratch Ticket Game Rules)~~].

8 (c) - (d) (No change.)

9 §401.501. Lottery Security.

10 The Texas Lottery Commission considers security and integrity to be every commission [~~agency~~]
11 employee's responsibility. [~~The security of the Texas Lottery Commission shall be developed and~~
12 ~~administered by agency's Security Division.~~] The Texas Lottery Commission [~~Security Division~~]
13 shall develop and maintain [~~an internal~~] security plans and procedures through its designated
14 divisions as required by the State Lottery Act, Texas Government Code, Chapter 466 [~~plan~~]. The
15 commission's [~~agency's~~] security plans [~~plan~~] and [~~other security~~] procedures shall be designed to
16 ensure the integrity and security of the operation of the Lottery and, to the extent that they are not
17 inconsistent with Texas Public Information Act [~~Texas Open Records law~~], Texas Government
18 Code, Chapter 552, are exempt from disclosure to the public.