



COMPREHENSIVE

STRATEGIC PLAN



AN AGENCY OF THE
STATE OF TEXAS

FISCAL YEARS

2015-2019

Agency Strategic Plan

Fiscal Years 2015 – 2019

BY

TEXAS LOTTERY COMMISSION

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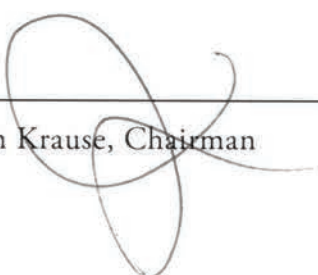

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STATEWIDE ELEMENTS

THE MISSION OF TEXAS STATE GOVERNMENT

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high.... We are not here to achieve inconsequential things!

THE PHILOSOPHY OF TEXAS STATE GOVERNMENT

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

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RELEVANT STATEWIDE GOALS AND BENCHMARKS

Following are the statewide goals and benchmarks that are relevant to the activities of the Texas Lottery Commission.

ECONOMIC DEVELOPMENT

Priority Goal: To provide an attractive economic climate for current and emerging industries and market Texas as a premier business expansion and tourist destination that fosters economic opportunity, job creation, and capital investment by:

- Promoting a favorable business climate and a fair system to fund necessary state services;
- Maintaining economic competitiveness as a key priority in setting State policy; and
- Developing a well trained, educated and productive workforce.

Relevant Benchmarks:

- Number of new small businesses created
- Number of new non-government, non-farm jobs created
- Per capita gross state product
- State and local taxes as a percentage of personal income
- Texas unemployment rate
- Median household income

REGULATORY

Priority Goal: To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and
- Reducing the regulatory burden on people and business.

Relevant Benchmarks:

- Percentage of documented complaints to professional licensing agencies resolved within six months
- Number of new business permits issued online
- Percentage increase in utilization of the state business portal

GENERAL GOVERNMENT

Priority Goal: To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient and accountable state government operations;

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RELEVANT STATEWIDE GOALS AND BENCHMARKS (CONT'D)

- Ensuring the state's bonds attain the highest possible bond rating; and
- Conservatively managing the state's debt.

Relevant Benchmarks:

- Total state taxes per capita
- Total state spending per capita
- State and local taxes per capita
- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format

HEALTH AND HUMAN SERVICES

Priority Goal: To promote the health, responsibility and self-sufficiency of individuals and families by:

- Making public assistance available to those most in need through an efficient and effective system while reducing fraud.

Relevant Benchmarks:

- Percentage of parents awarded child support payments who receive them

Texas Lottery Commission programs and strategies also **indirectly support** the following statewide goals:

EDUCATION—PUBLIC SCHOOLS

Priority Goal: To ensure that all students in the public education system acquire the knowledge and skills to be responsible and independent Texans by:

- Ensuring students graduate from high school and have the skills necessary to pursue any option including attending a university, a two-year institution, or other post-secondary training, serving in the military, or entering the workforce;
- Ensuring students learn English, math, science and social studies skills at the appropriate grade level through graduation; and
- Demonstrating exemplary performance in foundation subjects.

PUBLIC SAFETY AND CRIMINAL JUSTICE

Priority Goal: To protect Texans by:

- Preventing and reducing terrorism and crime; and
- Achieving an optimum level of state wide preparedness capable of responding and recovering from all hazards.

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AGENCY VISION

To be the preeminent Lottery and Charitable Bingo agency through innovative leadership.

AGENCY MISSION

Texas Lottery: The Texas Lottery is committed to generating revenue for the state of Texas through the responsible management and sale of entertaining lottery products. The Texas Lottery will incorporate the highest standards of security and integrity, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.

Charitable Bingo: Provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo. Determine that all charitable bingo funds are used for a lawful purpose. Promote and maintain the integrity of the charitable bingo industry throughout Texas.

AGENCY CORE VALUES

Integrity and Responsibility - The Commission works hard to maintain the public trust by protecting and ensuring the security of our lottery games, systems, drawings and operational facilities. We value and require ethical behavior by our employees, licensees and vendors. We promote the integrity of charitable bingo in Texas for the benefit of charitable organizations.

Innovation - We strive to incorporate innovation into our products to provide the citizens of Texas with the best entertainment experience available through our products. We pursue the use of technology that enhances the services that we provide to our customers and reduces our operating expenses.

Fiscal Accountability - We emphasize fiscal accountability by ensuring that all expenditures directly or indirectly generate revenue, enhance security, fulfill regulatory requirements, improve customer service and/or boost productivity. We recognize our responsibility in generating revenue for the state of Texas without unduly influencing players to participate in our games. We maximize benefits to charities through the continual examination and review of charitable bingo operations.

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AGENCY CORE VALUES (CONT'D)

Customer Responsiveness - The Commission takes pride in providing exemplary service to the people of Texas through the courteous dissemination of clear and accurate information about our products, services and regulatory functions. We seek and respond to feedback expressed by our employees, retailers, licensees and the playing and non-playing public. We apply this feedback in the development of our products and in the services that we provide.

Teamwork - We are committed to creating an environment of mutual respect where open, honest communication is our cornerstone. We embrace the diversity of our team and individual perspectives in working together to achieve our common goals.

Excellence - We strive for excellence by taking a position of leadership on issues that impact the Commission and achieve challenging goals by focusing on our core values.

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EXTERNAL/INTERNAL ASSESSMENT

I. OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

A. Statutory Basis

Article III, Section 47: Lotteries and Gift Enterprises; Bingo Games, of the Texas Constitution, Texas Government Code Chapter 476: Texas Lottery Commission, Texas Government Code, Chapter 466: State Lottery Act and Texas Occupations Code Chapter 2001: Bingo Enabling Act are the operative statutes for the Texas Lottery Commission. These statutes set out the primary duties and powers of the Commission, which are to administer and appropriately market the Texas Lottery and to regulate charitable bingo in Texas.



The Texas Sunset Act provides that the Sunset Advisory Commission (SAC), comprised of 10 legislators and two public members, periodically evaluates a state agency to determine if the agency is still needed, and what improvements are needed to ensure that state funds are well spent. Based on the recommendations of the Sunset Advisory Commission, the Texas Legislature ultimately decides whether an agency continues to operate into the future.

The Texas Lottery Commission underwent Sunset review in both 2002 and 2004, but its Sunset bills failed to pass either time, and the agency was continued through 2013 in separate legislation. The SAC began its most recent review of the agency in September 2011 and ultimately issued its recommendations in the Staff Report with Commission Decisions in July of 2012 for the full legislature to consider.

The 83rd Legislature passed the first Lottery Commission Sunset bill, HB 2197, since the agency's inception in 1993. The Sunset bill includes a provision that continues the Commission for 12 years through September 1, 2025.

B. Historical Perspective

On August 26, 1991, HB 54, creating a lottery in Texas, was passed during a special session of the 72nd Legislature. On November 5 of that same year, Texas voters approved House Joint Resolution (HJR) 8, containing the constitutional amendment to authorize a state lottery. The Texas Lottery began generating revenue for

OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

the state of Texas in 1992, initially as a division within the Comptroller of Public Accounts. It became a separate, independent agency on September 1, 1993, through the authority of HB 1587 as passed by the 73rd Texas Legislature, Regular Session.

In 1979, the 66th Legislature, Regular Session, passed Senate Joint Resolution (SJR) 18, proposing a constitutional amendment to authorize bingo games for charitable purposes on a local option basis. At the time of the constitutional amendment, Article III, Section 47, of the Texas Constitution, prohibited bingo. However, in many communities, the law was selectively enforced. The purpose of the constitutional amendment and the ensuing enabling legislation was to provide for uniform regulation so that charitable bingo would be conducted fairly.

In 1980, Texas voters approved a constitutional amendment authorizing charitable bingo. The amendment requires all bingo proceeds to be spent in Texas for charitable purposes. The Texas Legislature adopted the Bingo Enabling Act in 1981, and the first licenses were issued in spring 1982. Bingo has been regulated by three different agencies since its inception. From 1982 to 1990, Charitable Bingo was a division of the Comptroller's Office. From 1990 to 1994, the division was part of the Texas Alcoholic Beverage Commission.

HB 2771, 73rd Legislature, Regular Session, transferred regulatory authority for charitable bingo to the Texas Lottery Commission, effective April 1, 1994.

The agency's sunset legislation HB 2197, 83rd Legislature, Regular Session, 2013, increased the size of the Texas Lottery Commission to five members, from three, and enacted various provisions recommended by the Sunset Advisory Commission. The results of this bill are outlined under Section VIII.

The agency's history in undergoing reviews by the Texas Sunset Commission provides some

insight into the controversial nature of the agency's business. The Sunset Advisory Commission's (SAC) 2012 Report states "the Texas Lottery Commission walks a tightrope in balancing the many contradictions in the state's attitudes about gaming." The report further states "the agency is charged with operating the lottery, much like a business, to generate revenue for the state through gaming, but must remain mindful of gaming's many vocal opponents in Texas." The report also notes "the Commission must also balance its effort to efficiently operate the state's lottery while handling the thorny regulation of charitable bingo."

Additionally, the SAC's report notes that the controversial nature of the agency's business – administering the state lottery and regulating charitable bingo – presents more challenges than most state agencies face, but that despite these challenges, "the Texas Lottery Commission successfully balances the various demands placed on it."

While the agency's Sunset bill, HB 2197 was enacted by the 83rd Legislature, the bill was initially voted down by the House of Representatives. The House reconsidered and passed the bill, but included a provision establishing a 10-member legislative review committee to study the impact of eliminating the state lottery. The Senate amended this provision to include studying aspects of the distribution of revenue from charitable bingo. Included in the SAC's Final Report is this comment: "the dramatic pendulum swings again demonstrate the tightrope the agency walks in balancing legislators' disdain for the lottery with a desire for the money it raises."

C. Affected Populations (Key Service Populations)

The Texas Lottery serves a number of direct and indirect customers. The primary direct customers of the Texas Lottery include lottery players and licensed retailers, charitable bingo players and

licensees, the Texas Lottery Commissioners, and agency staff. Indirect customers are those Texans that benefit from the conduct of the *Games of Texas* and charitable bingo, from the agency's net revenue contributions to the state of Texas, and from associated agency activities that serve the public good. In addition, the Texas Lottery remains respectful of, and sensitive to, the viewpoints of Texans who are not in favor of gaming in any form.

Direct Customers

Lottery and Charitable Bingo Players

The Texas Lottery player base consists primarily of adult Texans 18 years and older, as well as similar-aged players from surrounding states and Mexico who travel to Texas to purchase Texas Lottery tickets. The charitable bingo player base consists primarily of adult Texans 18 years and older; however, it is not required that a bingo player be 18 if accompanied by a parent or guardian.

Lottery Retailers

At the end of Fiscal Year (FY) 2013, the Texas Lottery had more than 17,000 licensed retailers. The two largest groups, according to their North American Industry Classification System (NAICS) codes, are convenience stores and grocery stores. As the retailer base is ever-changing, with multiple sales and acquisitions of locations, the Texas Lottery continues to streamline the licensing processes for retailers to make it easier for them to meet licensing requirements and to maintain updated records. Examples of agency initiatives include offering retailers the option to submit license renewals and general information updates via the Internet. There also is an ongoing effort to consolidate license expiration dates so that all licenses for multi-location retailers have a common renewal date. The Texas Lottery also has created retailer-focused, web-based services to provide lottery financial and ticket inventory reporting to retailers. Working with retailers and industry associates to standardize lottery financial statements is a continuing initiative.

Charitable Bingo Licensees

The Charitable Bingo Operations Division (CBOD) licenses bingo conductors, lessors, manufacturers and distributors. In 2013, there were 1,462 bingo licensees. Of these, there were 1,066 charitable bingo conductors in Texas, comprising nonprofit organizations such as veteran organizations, religious societies, fraternal organizations, National Historical District Association, volunteer fire departments, volunteer emergency medical services and groups supporting medical research programs. There were 367 commercial lessors, which are individuals, corporations, authorized organizations or associations of authorized organizations that lease property where bingo is conducted. There were 17 manufacturers of bingo products and 12 distributors.

Other Direct Customers

Additional direct customers of the agency include the five-member Texas Lottery Commission and agency staff. In addition, the agency's Governmental Affairs Division serves as a resource to state leadership, other state agencies, and lawmakers considering legislation that would have an impact on the agency.

Indirect Customers

Local Jurisdictions

Local jurisdictions are indirect customers who may receive, an allocation from the state, a portion of the funds from prize fees collected by licensed organizations conducting charitable bingo. Local jurisdictions are able to apply these funds within their jurisdictions as they deem appropriate.

Texas Citizens

Texas citizens benefit from the creation of jobs resulting from the conduct of the *Games of Texas*. Since 1997, Texas families benefit from the Texas Lottery's net revenue contributions to the Foundation School Fund, which totaled more than \$16.5 billion as of March 2014, and from lottery prize money that is returned to the state from winners

OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

who are delinquent in child support payments, student loan payments, or other taxes or moneys owed to the state. In addition, from 1995 through March 2014, more than \$837 million in unclaimed Texas Lottery prize funds reverted to the state to be appropriated for health care and other programs authorized by the state legislature.

The Texas Legislature enacted legislation in 2009 requiring the agency to create and sell a scratch-off game to benefit the Fund for Veterans' Assistance, which is managed by the Texas Veterans Commission. The agency now offers a veterans' scratch-off game on an ongoing basis in support of the fund. Since the introduction of the first game in FY 2010, these games have generated more than \$33.0 million in revenue through March 2014.

Several Texas Lottery Commission initiatives indirectly support the welfare of Texans. The Texas Lottery continues its relationship with the Texas AMBER Alert Network, by communicating to the public through its lottery retailer network to help ensure that abducted children are returned home safely. Since the Texas Lottery first joined the AMBER Alert Network in 2003, the agency has participated in 112 AMBER Alerts through May 30, 2014.

In September 2007, the agency joined the Texas Silver Alert System. The purpose of this network is to assist in finding persons over 65 years of age who have a diagnosed impaired mental condition. The agency has participated in 472 Silver Alerts through May 30, 2014.

The Blue Alert Program, designed to speed the apprehension of violent criminals who kill or seriously injure local, state or federal law enforcement officers was added in August 2008. The agency has participated in four Blue Alerts through May 30, 2014.

The Endangered Missing Persons Alert Program was implemented in September 2011. The agency has participated in nine alerts through May 30, 2014 in an effort to find missing persons with intellectual disabilities.

The Texas Lottery's Enforcement Division and the Lottery Operations Security Department also aid law-enforcement officials in investigating and solving lottery-related crimes by providing detailed information on lottery transactions.

Texas citizens benefit from prize fees and rental taxes collected through the conduct of charitable bingo because these funds are deposited into the state's General Revenue Fund. Many Texas citizens are also beneficiaries of charitable causes licensed charitable bingo organizations support, which totaled more than \$1 billion as of December 31, 2013.

In 2014 the Texas Lottery joined the National Council on Problem Gambling as a Silver member, as part of its ongoing efforts to prevent problem gambling.

D. Main Functions

The Texas Lottery Commission has two main functions:

The Texas Lottery Commission is charged under the State Lottery Act with administering Texas Lottery games in an efficient and secure manner using appropriate marketing tools and innovative technology to generate revenue for the state of Texas, while ensuring and enhancing public confidence in the integrity and fairness of the games.

The Charitable Bingo Operations Division (CBOD) is charged under the Bingo Enabling Act with the regulation and administration of all charitable bingo-related activities in the state of Texas, and contributes to the regulatory and tax and revenue collection functions of the agency. The division licenses all bingo-related activities; collects taxes and prize fees generated from the conduct of charitable bingo; audits bingo licensees; conducts tests on bingo products intended for use in Texas, such as bingo paper, pull-tabs and electronic equipment; and makes quarterly allocations to local units of government for their share of the prize fees collected.

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Texas Lottery® Games

The *Games of Texas* are the body of games that the Texas Lottery makes available to the playing public. These include instant games and draw games.

The agency currently offers eight draw games, including four unique add-on features offered on 5 of its draw games, and approximately 90 instant games annually, constituting the current game portfolio.

Instant Ticket Games

Also referred to as “scratch-off” or “scratch” games, instant ticket games consist of preprinted tickets with symbols hidden under a latex covering. The player scratches off the latex to determine “instantly” whether or not a prize may be claimed. Instant tickets include a variety of themes, play styles, and prize structures in order to offer an attractive game mix to each of the player segments. Popular game themes include gaming, money, numbers, seasonal, annuity and extended play.

Play styles include matching like dollar amounts or symbols, tic-tac-toe, key number or symbol matches, beat score and add-up games. Additional play styles, such as “doubler” features, “automatic win” symbols and “win all” symbols provide added value to the games. Players enjoy multiple chances and multiple ways to win on each ticket.

Licensed property games also have helped serve a niche by capitalizing on well-known, branded concepts such as the *World Poker Tour*®, *Price Is Right*®, *Monopoly*®, the *Houston Texans* and the *Dallas Cowboys*. Licensed property games attract

members of the public, who might not typically purchase a lottery ticket, because of their familiarity with the branded property. The agency has also developed “core” or base games, those games that are always available for sale because of their long-term, ongoing popularity with players and proven sales.



Prizes for current instant games range from \$1 to \$7.5 million. The majority of \$1 price point tickets typically offer a top prize of \$3,000 - \$5,000 or less, while \$2, \$3, \$5, \$10, \$20 and \$50 games offer higher top prizes. The \$20 price point games offer top prizes of \$1 million to \$2.5 million, while the \$50 price point offers up to a \$7.5 million top prize. There are also games that provide annuity prizes that are paid out over a period of time. Annuity style instant games are offered at the \$1, \$2, \$5 and \$10 price points. While draw games have a set number of draws scheduled each week, instant ticket games offer the pos-

sibility of immediate winning experiences with cash and non-cash prizes. Most instant ticket purchases are impulse buys. Therefore, it is important to create games that are attractive to players, provide frequent opportunities to win, and offer a variety of prizes per game. In evaluating industry best practices related to scratch-off game marketing initiatives, the Texas Lottery has added “call-outs” to the face of certain tickets. These “call-outs” communicate specific prize amounts and/or the number of prizes in a game.

The prize-payout percentage (the percentage of the total sales for the game that is allocated for prizes) for instant lottery games continues to be a key topic within the lottery industry. Higher prize payouts allow a larger prize fund, which can create more appealing prizes and better overall odds of winning any prize. Improved overall odds translate into more

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winning experiences for players, which typically yield higher sales. Conversely, higher prize payouts generate smaller profit margins. Therefore, an optimum percentage must be established to ensure maximum revenue generation for the state of Texas.

Draw Games

Draw games are games for which tickets are generated from a sales terminal connected to the lottery operator's central gaming system. Players can either select their own numbers for these games or use the Quick Pick option to allow the terminal to select a combination of numbers. The Texas Lottery conducts drawings independent of the lottery operator's central computer or gaming system to select a set of winning numbers for these types of games. Draw games normally require the player to select from a pool of numbers. For example, when the pool consists of 37 numbers from which a player selects five numbers, the game is described as having a 5-of-37 matrix. In order to claim the top prize, the player's ticket must correctly match all five numbers drawn. Other prizes may be paid for matching fewer than all of the numbers drawn.

The Texas Lottery previously used lottery industry terminology to describe its "draw" games and referred to these games as "on-line" games. That terminology was used because the sales terminal was said to be "on-line" with the central system. With the proliferation of the Internet, the term "on-line" (or "online") has come to be commonly understood as something that is taking place on the Internet. As the agency's draw games are not drawn via the Internet, the change to "draw games" distinguishes the agency's games from any type of Internet-based, online gaming activity.

The Texas Lottery's current draw game offerings include *Powerball*® with the add-on feature *Power Play*®, *Mega Millions*® with the add-on feature *Megaplier*®, *Lotto Texas*® with the add-on feature *Extra!*, *Pick 3*™ with the add-on feature *Sum It Up!*®, *Daily 4*™ with the add-on feature *Sum It Up!*, *Cash Five*®, *Texas Two Step*® and *All or Nothing*™.

Lotto Texas, *Powerball* and *Mega Millions* are multimillion-dollar rolling jackpot-style games. *Lotto*



Texas was the first draw game introduced in Texas, in November 1992. The game has undergone three game or matrix changes since its introduction. The starting jackpot for *Lotto Texas* is currently \$5 million, and the numbers are drawn twice per week. In October 2003, Texas joined the multistate game *Mega Millions*, and sales began on December 3, 2003. The *Mega Millions* game matrix changed in the summer of 2005 as a result of the California Lottery joining the game, and again in October 2013 to address a lack of large, attention-getting jackpot levels. Currently, the *Mega Millions* starting jackpot is \$15 million, and numbers are drawn twice per week. For an extra \$1 wager, the *Megaplier* feature allows players the chance to increase their non-grand/jackpot prize winnings. Players can win up to \$5 million with the *Megaplier* feature.

Until January 2010,

Mega Millions was

comprised of Texas

and 11 other member

states including Cali-

ifornia, Georgia, Illinois,

Maryland, Massachusetts,

Michigan, New Jersey, New York, Ohio, Virginia

and Washington. In October 2009, a historic cross-

selling agreement was reached between *Mega Mil-*

lions member states and the Multi-State Lottery

Association (MUSL), which operates *Powerball*,

to allow *Mega Millions* states to sell *Powerball*, and

Powerball states to sell *Mega Millions*. January 31,

2010, marked the first date that member states

could begin offering both games. The Texas Lottery

Commission adopted the *Powerball* game rule at its

January 6, 2010, meeting, allowing the executive

director to sign the necessary agreements for Texas

to begin selling *Powerball*. Sales of *Powerball* began

in Texas on January 31, 2010. Offering both multi-

jurisdictional jackpot games with large population

bases creates the opportunity for increased jackpot



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rolls and record-breaking jackpot levels. Offering both of these games has resulted in increased revenue to the Foundation School Fund.



Currently, the *Powerball* starting jackpots are \$40 million and num-

bers are drawn twice per week. Like *Mega Millions*, *Powerball* also has a multiplier feature, called *Power Play*. For an extra \$1 per play, players can increase their non-grand/jackpot prizes by two, three, four or five times. The Match 5 prize (2nd-tier prize) automatically wins a \$2 million prize with *Power Play*, and all other prize tiers are multiplied by the *Power Play* number that is drawn. In January 2012, the price of a *Powerball* play increased from \$1 to \$2. This was a major initiative for the lottery industry to increase the price point on a well-known and strongly recognized jackpot-style draw game brand.



Pick 3 is a daily non-jackpot game that has typically realized consistent year-over-year sales growth since its inception in October 1993.

The game experienced its first sales decrease in FY 2008, due to the addition of the *Daily 4* game. Even with this anticipated cannibalization caused by *Daily 4*, the *Pick 3* game continues to be one of the agency's best-selling draw games, illustrating that non-jackpot style games can be effective in reaching sales and revenue goals. *Sum It Up* is an add-on game concept first introduced on the *Daily 4* game and then added to *Pick 3* in November 2007. For an additional wager, players can win if the sum of their three numbers matches the sum of the three numbers drawn in the applicable drawing. This provides players a chance to win even if they do not win on the base game. *Pick 3* drawings are currently held four times daily, six days a week. The drawing schedule was increased to four daily drawings from two daily drawings in September 2013.

Cash Five is a roll-down style game that began in October 1995 and remained unchanged until July 2002. In the



Cash Five game, when there is not a top-prize winning ticket sold for a drawing, the prize funds allocated to the top-prize tier "roll down" to the second-prize tier, and that prize amount increases accordingly. A matrix change in 2002 improved the overall odds of winning from 1 in 100 to 1 in 8, changing the game from one of the most difficult five-digit games in the country to win, to one of the easiest. *Cash Five* is drawn six days a week.

Texas Two Step is a rolling jackpot-style game similar to *Lotto Texas*, but on a smaller scale, with jackpots starting at



\$200,000. *Texas Two Step* began in May 2001 and was originally drawn twice per week, on Tuesdays and Fridays. However, after Texas joined *Mega Millions*, *Texas Two Step* draw days were changed to Mondays and Thursdays to avoid direct competition with *Mega Millions*, which had the same Tuesday/Friday draw schedule. *Texas Two Step* has a loyal player base and experiences consistent sales at lower-level jackpots. However, it does respond like any other jackpot game in that, as the jackpot climbs, sales increase.

Daily 4 is similar in play style to *Pick 3*. However, it also offers an additional play style, Pair Play, which allows players to wager



on the first two, middle two or last two numbers drawn. Pair Play is not currently offered on *Pick 3*, and this assists in differentiating the *Daily 4* and *Pick 3* games. The *Sum It Up!* add-on game feature is also available on *Daily 4*. If the sum of the player's numbers matches the sum of the four numbers drawn, the player wins *Sum It Up!* This provides players a

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chance to win even if they don't win on the base game. In an additional attempt to differentiate *Daily 4* from *Pick 3*, *Sum It Up!* was only available on the *Daily 4* game during its launch. *Sum It Up!* was later added to the *Pick 3* game. The *Daily 4* drawing schedule was increased to four daily drawings, six days a week, at the same time the *Pick 3* drawing change was implemented.



The *All or Nothing* game originated from the Texas Lottery's desire to introduce a new, innovative game to the

Texas market that was outside of the conventional draw game format. The *All or Nothing* game was a unique draw game because it introduced two ways to win the Top Prize: by matching all of the numbers drawn, or by matching none of the numbers drawn. Players can become disappointed by not matching any numbers when they play lottery draw games, but in *All or Nothing*, not matching any numbers wins \$250,000! The *All or Nothing* game also allowed the Texas Lottery to introduce two new drawing times (10:00 a.m. and 6:00 p.m.). It was also the first Texas game to offer players the opportunity to play and win up to four times per day. The *All or Nothing* draw game also provides the best overall odds of winning of all the games in the Texas draw game portfolio—1 in 4.5. In addition to the \$250,000 top prize, *All or Nothing* offers lower-tier prizes at the \$2, \$10, \$50, and \$500 level, depending on how many numbers the player does or does not match in the drawing. Tickets for *All or Nothing* are \$2 per play, and the game has a 12-of-24 matrix. *All or Nothing* became the second game in the Texas Lottery's draw game portfolio offered at a \$2 price point (joining the *Powerball* game), and the first daily drawing game offered at this price point. Designing and introducing draw games at higher price points, a very successful strategy in the instant product portfolio, is a primary goal of the agency. The successful launch of the game at this price point is an important milestone. The unique at-

tributes of the game and its price point positioning resulted in the game being recognized in 2013 by the North American Association of State and Provincial Lotteries (NASPL), as the Best New Draw Game introduced in the industry.

Charitable Bingo

Bingo is the oldest form of legalized gaming in Texas. The conduct of charitable bingo has been



approved by voter referendum in 120 counties, 160 justice precincts, and 272 cities.

In Texas, all bingo games are required to be conducted by licensed nonprofit organizations, with the exception of groups or organizations that qualify for exemption from licensing, as defined by the Texas Occupations Code, §2001.551. Types of organizations that may be eligible for exemption are organizations conducting bingo on behalf of persons 60 years of age or older, senior citizens' associations, community centers operated or funded by a governmental entity, nursing homes and hospitals certified by the Texas Department of State Health Services (DSHS), and retirement homes.

Although the original bingo game has not changed, the venues where bingo is conducted and the style of play have evolved over the years.

Venues where charitable bingo is conducted may range from a small church hall in a rural area to a large "commercial hall" in an urban center. For example, the traditional bingo game conducted in a rural setting may be conducted in the hall or other facility owned by the church. These games are generally low-stakes and are characterized primarily as a social event. More often than not, these games are conducted by volunteers at a relatively slow pace, with a large number of games being played for smaller prizes, over longer periods of time.

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A commercial hall is a location where more than one licensed nonprofit organization conducts bingo. Games conducted in these venues are generally conducted by paid employees of the nonprofit organization, may include the use of electronic card-minding devices, and are fast-paced, with fewer games played, for larger prizes, over a shorter period of time.

Style of Play

Bingo is a game of chance traditionally played with a field of 75 numbers and a game card. Each game card has 24 different preprinted numbers enclosed within five columns and five rows, with a free spot in the middle. Each column on a bingo card starts with one of the letters in the word B-I-N-G-O.

Game cards come in two forms—disposable paper sheets, and hard permanent cards. The paper cards are generally marked with a special-colored ink marker called a dauber. Permanent cards may have little shutters or windows that the player can use to cover each number when it is called. There are 75 lightweight bingo balls, each printed with one of the letter/number combinations previously identified. They are encased in either a ball cage or a blower, where they can be spun around to ensure that each pick is random. After a bingo ball is selected, its number is announced by the caller and may be displayed on an electronic board for all players to see. The process of selecting and calling the balls is repeated until one or more players cover the selected pattern for that game and shout, “Bingo!”

Bingo games are played out in many different predetermined patterns, the most common being a straight line in any direction: vertical, horizontal or diagonal. Many other patterns may be chosen for play, including a “coverall,” in which all of the numbers on the winning player’s card are selected.

Prizes awarded on any style of play must be in accordance with Occupations Code, §2001.420. The following are additional styles of play and minimum standards for bingo games:

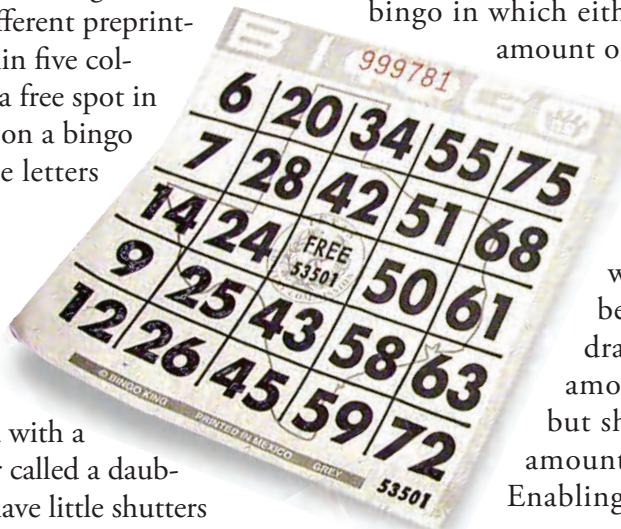
Player pick ‘ems. A game of bingo where a player selects his/her own numbers on a multi-part duplicated disposable bingo card or paper. One copy is retained by the player and used as a bingo card/paper, while the other copy is provided to the organization for verification purposes.

Progressive bingo. A game of bingo in which either the established prize amount or number of bingo balls and/or objects may be increased from one session to the next scheduled session. If no player completes the required pattern within the specified number of bingo balls or objects drawn, the established prize amount may be increased, but shall not exceed the prize amount authorized by the Bingo Enabling Act.

Warm-up or early bird. A bingo game conducted at the beginning of a bingo occasion during the authorized organization’s license times, in which prizes are awarded based on a percentage of the sum of money received from the sale of the warm-up or early bird bingo card or paper.

Shaded/Images bingo. Bingo card/paper that incorporates images where one or more squares on a bingo card or paper face are shaded. Each shaded image conforms to a pattern that must be achieved to win a bingo game, or each shaded square may be used as a free space or a pattern for a bingo game.

Bingo bonus number(s). A bingo game that has additional identified number(s) in excess of the 24



numbers that appear on the bingo card or paper face that, when called, could result in an additional prize award. The first player who matches the numbers shown on the bonus number(s) line within the specified number(s) called wins the additional prize.

Multilevel or multi-tier. Bingo card or paper that has one or more additional lines of number(s) aside from the normal five lines that, when played, could result in an additional prize. Therefore, a multilevel or multi-tiered game could be played on this bingo card or paper that provides more opportunities to win.

Multicolor bingo. A bingo game played on a bingo card or paper with a different color for each bingo card or paper face. Prizes are awarded based on the color on which bingo card or paper face had the bingo.

Precalled. A game of bingo where the numbers for the game have been precalled and identified prior to the start of the game.

Double number. A bingo game played on a bingo card or paper that has two numbers per square. A player has two chances to daub each square.

Break-open bingo. A type of bingo game played on sealed disposable bingo card or paper, where the bingo card or paper face is concealed, and may be folded, and where the bingo game has been precalled. The bingo game may not be precalled prior to the authorized organization's license time.

Regular bingo. A bingo game played on the standard card face of five rows by five columns with 24 preprinted numbers between 1 and 75, symbols, or blank squares and a free space square, where the winner is determined by a predetermined pattern.

Bingo Paper

Bingo paper is usually manufactured and sold in sheets that have one or more bingo card faces on each sheet, generally referred to as "ons." They are also manufactured and sold as single or multiple sheets, generally referred to as "ups." The number of sheets normally corresponds with the number of games being played. A 12-on-10 up sheet would consist of 10 sheets for 10 games with 12 card faces on each sheet. For purposes of security and accountability, each sheet has an identifying serial number and card number.

Electronic Bingo Card-Minding Devices

In 1995, the Texas Legislature authorized the use of electronic card-minding devices. These are mechanical, electronic, electromechanical or computerized devices, including related hardware and software, that are interfaced with or connected to equipment used to conduct a game of bingo, and which allow a player to store, display, and mark bingo card faces. The device is preprogrammed to play multiple games of bingo with a fixed number of card faces, the maximum of which is normally determined by state gaming rules and regulations. The maximum number of card faces allowed in Texas is 66 card faces per game. Card-minding devices are usually sold as stationary units or portable (hand-held) units. Players often play bingo with paper products in conjunction with monitoring the card minder(s). The latest form of card minders use wireless handsets that receive game and called ball information from the server. Many of the newer versions of hand-held card minders are designed with color screens and advanced graphics.



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Pull-tab Bingo



Pull-tab bingo is a form of bingo played using a folded or banded ticket, or a card with perforated tabs on one side, made completely of paper products, the face of which is covered or hidden to conceal numbers, symbols or letters. Some of the configurations of numbers, symbols or letters have been

designated in advance as prizewinners. Pull-tab bingo emerged in the 1970s as a popular fundraising game for charities, and found easy acceptance in bingo games. The sale of pull-tab bingo spread to other locations, such as fraternal clubs, service clubs and veterans organizations, and into taverns, depending upon state regulations.

Game participants open the perforated tabs and compare the configurations with game information provided on the front of the tickets, or on sheets called flares, in order to determine whether

a particular ticket is a winner. The flare also shows the number of cards in the set or deal, how much money should be collected from the sale of all the tickets, and the total dollar amount of the prize payouts. Additionally, the flare shows the profit amount if all of the game cards are sold, the pay-back percentage, and the win ratio. Ticket prices normally range from 25 cents to \$10, with individual prizes ranging from 25 cents to \$750. Prize payouts generally range from 65 percent to 94.7 percent of total pull-tab sales, with an approximate average of 71.4 percent for calendar year 2013. In Texas, the prize payout must be at least 65 percent. For security purposes, each set or deal of cards is factory sealed and given a unique serial number.

Pull-tab tickets come in a variety of themes that are designed for pull-tab payouts, and the sets or deals come in a wide range of ticket counts. The newest style of pull-tab tickets is an “event” ticket, and continues to be overwhelmingly popular with bingo players as well as profitable for the charities. Event tickets include the same features of regular pull-tabs but incorporate a second level of play that provides an additional opportunity to win. Event ticket winners are determined by some sub-



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sequent action, such as drawing a ball(s), spinning a wheel, opening a seal on a flare, or any other approved action, as long as that action has designated numbers, letters, or symbols that conform to the randomly selected numbers, letters, or symbols.

A major advantage of event tickets is that they come in much smaller ticket counts per set or deal, and the major “event” winners are not paid until all tickets are sold, which guarantees the exact stated profit per set or deal. Gross receipts for pull-tab sales in 2013 were more than \$369 million, the highest amount ever for pull-tab ticket sales in Texas.

Pull-tab tickets are generally sold in the bingo hall by bingo workers such as floor ushers, or out of a special area designed solely for pull-tab sales. They may also be sold from mechanical dispensing machines during an organization’s licensed bingo occasion.

E. Public Perception

The Texas Lottery Commission works hard to foster both public awareness of and confidence in Texas Lottery and Charitable Bingo games and other Commission activities. Public perception is important to the Texas Lottery Commission. Texas residents are surveyed via quarterly tracking and annual segmentation studies conducted by the agency’s market research firm. Several questions gauge the public’s perception of the Texas Lottery as detailed in Table 1.

The 2013 segmentation study found that of the 1,200 Texas residents surveyed, 49 percent held a positive overall opinion of the Texas Lottery, while 31 percent responded negatively (see Table 1).

**TABLE 1
TEXAS LOTTERY OPINION SURVEY RESULTS**

	2009	2010	2011	2012	2013
OVERALL OPINION OF THE TEXAS LOTTERY					
POSITIVE	51%	47%	47%	49%	49%
NEGATIVE	32%	32%	31%	32%	31%
NEUTRAL	17%	21%	23%	19%	20%
TEXAS LOTTERY OPERATED FAIRLY AND HONESTLY					
AGREE	58%	54%	54%	54%	53%
DISAGREE	22%	28%	26%	26%	28%
NEUTRAL	20%	18%	20%	20%	20%
POSITIVE CONTRIBUTION TO STATE OF TEXAS					
AGREE	50%	48%	46%	49%	48%
DISAGREE	34%	38%	36%	35%	33%
NEUTRAL/DK	16%	14%	18%	16%	19%
SATISFIED WITH TEXAS LOTTERY GAMES					
PERCENT SATISFIED	67%	63%	66%	69%	69%

Source: Ipsos Reid annual segmentation studies: 2009-2013

TEXAS LOTTERY COMMISSION

Agency Strategic Plan
Fiscal Years 2015 – 2019

II. ORGANIZATIONAL ASPECTS

A. Workforce Composition

The Texas Lottery Commission has 326.50 Full Time Equivalent (FTE) positions distributed among its 10 divisions, as shown in Table 2.

TABLE 2
POSITION ALLOCATION, BY DIVISION

DIVISION	FTE
ADMINISTRATION	72
CHARITABLE BINGO OPERATIONS	47
ENFORCEMENT	16
EXECUTIVE	3
GOVERNMENTAL AFFAIRS	4
HUMAN RESOURCES	7
LEGAL SERVICES	15.5
LOTTERY OPERATIONS	132
MEDIA RELATIONS	7
OFFICE OF THE CONTROLLER	23
TOTAL	326.50

Source: Texas Lottery Commission

Diversity

The Texas Lottery Commission takes pride in the diversity of its workforce, which is illustrated in Tables 3, 4 and 5. The agency's workforce composition at the end of FY 2013 was: 10 percent African American, 29 percent Hispanic, 56 percent White, 4 percent Asian, and 1 percent Indian. During the same time period, the agency's staff was 61 percent female and 39 percent male, and 81 percent of the workforce was more than 40 years of age.

TABLE 3
AGE OF EMPLOYEES
(AS OF 8/31/2013)

LESS THAN 30	3%
BETWEEN 30 AND 40	16%
BETWEEN 40 AND 50	32%
BETWEEN 50 AND 60	35%
MORE THAN 60	14%

Source: Uniform Statewide Payroll/Personnel System (USPS)

TABLE 4
EMPLOYEE ETHNIC AND GENDER REPRESENTATION (FY 2013)

GENDER	AFRICAN AMERICAN	HISPANIC	WHITE	ASIAN	INDIAN	TOTAL
FEMALES	7%	20%	32%	2%	0	61%
MALES	3%	9%	24%	2%	1	39%
TOTAL	10%	29%	56%	4%	1	100%

Source: Uniform Statewide Payroll/Personnel System (USPS)

TABLE 5
WORKFORCE DIVERSITY DATA (FY 2013)

JOB CATEGORY	AFRICAN AMERICAN	HISPANIC	FEMALE
OFFICIALS AND ADMINISTRATORS	0%	14%	43%
ADMINISTRATIVE SUPPORT	17%	42%	81%
PROFESSIONALS	8%	18%	56%
PARAPROFESSIONALS	12%	37%	67%
TECHNICIANS	3%	22%	31%

Source: Uniform Statewide Payroll/Personnel System (USPS)

B. Organizational Structure and Process

The five-member Texas Lottery Commission sets policy, promulgates rules for the agency, and performs all other duties required by law. The Governor appoints Commission members, with the advice and consent of the state Senate, to staggered six-year terms. One member must have experience in the bingo industry.

Commission members serve without salary, but are entitled to reimbursement for actual and necessary expenses incurred in performing Commission duties, subject to any applicable limitation in the General Appropriations Act.

The executive director and the director of Charitable Bingo Operations are appointed by and report to the five-member Commission. The Texas Lottery executive director provides leadership to eight divisions within the agency, ensuring that staff carries out applicable state law and Commission policies. The director of Charitable Bingo Operations is responsible for the day-to-day operations relating to the regulation of charitable bingo, ensuring that the staff carries out applicable state law and Commission policies.

The Internal Audit function is outsourced to an independent contractor and reports to the five-member Commission. The Internal Auditors work to ensure that internal and external controls are adequate to improve the efficiency and effectiveness of the Texas Lottery Commission.

The agency is divided into 10 divisions: Administration, Charitable Bingo Operations, Enforcement, Executive, Governmental Affairs, Human Resources, Legal Services, Lottery Operations, Media Relations and the Office of the Controller.

The members of the original Implementation Task Force of the Texas Lottery were the architects of what has become known as the “Texas Model,” a unique public-private arrangement. The agency maintains administrative, regulatory and management control over all critical functions, while utilizing private enterprises’ inherent efficiency and profit motive to optimize the Texas Lottery’s revenue potential. This organizational model maintains critical functions and broad oversight within the agency, while outsourcing those functions better performed by private industry, thus shifting the burden of performance to the private sector while the state enforces performance standards under parameters strictly defined by contract. The agency also enjoys economies of scale by contracting with vendor partners to provide—directly or through subcontractors—a wide range of services statewide. This alliance with private enterprise enables the Texas Lottery to limit the size of its work force.

Division Descriptions

Administration Division

The Administration Division serves the needs of the Texas Lottery and its custom-

ers in the areas of information resources, support services and records management. The Administration Division is managed by a director, who reports to the executive director.

The Information Resources Department is responsible for managing the Texas Lottery's network infrastructure, which includes the local and wide area networks, telecommunications, the intranet site and the Texas Lottery and Charitable Bingo websites. The department manages and supports a variety of software applications for the agency including the Texas Lottery's Internal Control System (ICS). ICS replicates transactions from the lottery operator, and is used for reporting and balancing daily sales activity.

The Support Services Department is organized into five distinct functional areas: Facilities, Research, Purchasing & Contracts, Publications & Graphics, and Policies and Procedures. The Facilities Section manages the day-to-day physical operations of the agency. These services include building security and safety, warehouse management, property management, risk management, copy center services, mail center services, supply inventory management, shipping and receiving, and vehicle fleet management. This section manages support operations for office locations throughout the state, including the Austin headquarters facility, 16 claim center offices and Austin warehouse facilities.

The Research Section conducts and/or coordinates all market research, enabling staff to respond to the changing market conditions in the gaming industry. The Purchasing & Contracts Section manages all procurements for the Texas Lottery. This includes Lottery and Charitable Bingo related contracts for a broad range of goods and services provided by state agencies and private vendors. The section also administers the HUB Program and monitors contract compliance. The Publications & Graphics Section supports the design, development, production and distribution of all Texas Lottery publications for print and Web media. The Policies and Procedures section manages the

coordination and publication of all Texas Lottery policies, management directives, and procedures.

Charitable Bingo Operations Division

The CBOD is responsible for the regulation of all activities relating to the conduct of charitable bingo games in the state of Texas. The CBOD regulatory objective is:

Charitable bingo is an important fund-raising activity for a variety of Texas nonprofit organizations. The Charitable Bingo Operations Division of the Texas Lottery Commission is charged with the strict control and close supervision of bingo conducted in this state so that bingo is fairly conducted and the proceeds from bingo are used for an authorized purpose. Our goal is to achieve voluntary compliance and assist licensees through training and education.

We will strive for the highest levels of professionalism, conducting our regulatory activities fairly, competently and consistently. We will develop clear regulatory requirements in an open environment, encouraging two-way communication.

The CBOD is managed by a director, who reports to the five-member Commission. The division is organized into two departments: Audit, and Education, Licensing and Accounting (ELA). While each department performs a distinct function, they also interact frequently with each other, as well as with other divisions of the Texas Lottery in the regulation of charitable bingo activities in Texas.

Audit Department

The CBOD's regulatory objective states, "The Charitable Bingo Operations Division of the Texas Lottery Commission is charged with the strict control and close supervision of bingo conducted in this state so that bingo is fairly conducted and the proceeds from bingo are used for an authorized purpose." The activities conducted by the Audit Department address these components of the regulatory objective.

The Audit Department has two primary activities: audits and inspection. The key activities performed by the audit team include financial monitoring, compliance audits, game inspections and complaint investigations. The Audit Department conducts or reviews testing on bingo card-minding systems and devices.

Education, Licensing and Accounting Department

The ELA Department has three sections: Education, Licensing and Accounting. The key functions of the Education section are to provide information to licensees and the public and to test and approve bingo products. The key functions of Licensing are to process applications and issue licenses. The key functions of Accounting are to process quarterly reports, allocate prize fees, and monitor charitable distributions.

The Education Section's services include providing information to licensees and the general public to promote voluntary compliance with the Bingo Enabling Act and Charitable Bingo Administrative Rules; updating and maintaining the Bingo Training Program, including the online Bingo Training Program; and testing and approving disposable bingo card and pull-tab bingo games sold in the state. Only bingo products approved by the Texas Lottery can be sold, leased or used in Texas. The Education section coordinates and maintains the CBOD website, and develops and coordinates the publication and distribution of educational material to licensees and the general public. When called upon, the section researches bingo/gaming trends and charitable gaming regulations in other jurisdictions. The section also responds to questions from licensees and the general public about bingo games and operations.

Licensing is responsible for the review and processing of all applications to conduct a charitable bingo activity in Texas. Licensing examiners communicate via standard mail, email, fax, or telephone with all applicants to clear deficiencies before licenses are issued. Licensees may renew their licenses for one year or two years, and all license renewal applications are reviewed by licens-

ing examiners to verify compliance with the Bingo Enabling Act and the Charitable Bingo Administrative Rules. Examiners also process and issue temporary licenses to authorized organizations for one-time occasions. Licensing maintains a registry of approved bingo workers, processes equipment transfer requests, and updates changes to licensees' information on file. Additionally, all examiners provide assistance as necessary to applicants who call on the 1-800 information line.

Accounting interacts frequently with licensees regarding the filing of reports, meeting net proceed requirements, notification of accounting unit changes, transfer of funds, and the calculation of operating capital and required charitable distribution. On a quarterly basis, Accounting notifies all conductors in writing of required distributions and then verifies that distributions were made as mandated by the Bingo Enabling Act.

Accounting is responsible for collection of required fees and taxes if a licensee does not pay, or underpays, its prize fee or gross rental tax for a quarter. The process for collection of prize fees and rental tax may include forfeiting bonds, placing licensees on payee hold with the Comptroller of Public Accounts, or testifying in administrative hearings to revoke or deny the license.

Accounting is responsible for working with the agency's Office of the Controller to allocate bingo funds to local cities and counties on a quarterly basis. The allocation of bingo funds to local jurisdictions is based on bingo prize fees collected at games conducted in counties and municipalities. A county or municipality that imposed a gross receipts tax on the conduct of bingo as of January 1, 1993, is entitled to 50 percent of the prize fee collected under Section 2001.502 on a prize awarded at a game conducted in the county or municipality. In the event that a county and municipality are both entitled to a share of the fee, the county and the municipality are each entitled to 25 percent of the fee on a prize awarded at a game conducted in the municipality.

Other services provided by both Audit and ELA departments include assisting with responses to open records requests, assisting in the development and implementation of surveys, preparing the Bingo Annual Report, and preparing sections of the Agency Strategic Plan and Agency Business Plan that pertain to the CBOD.

Enforcement Division

The Enforcement Division investigates violations of the State Lottery Act, Bingo Enabling Act and administrative rules as determined by Texas Lottery prioritization. Enforcement staff works closely with the Charitable Bingo and Lottery Operations Divisions, as well as state and local law enforcement agencies, to effectively conduct their investigations. In FY 2013, Enforcement investigators completed a total of 1,501 investigations. Investigations conducted included field investigations on possible administrative and criminal violations, efforts to assist local law enforcement agencies, and background investigations of Texas Lottery job applicants, bingo and lottery licensees, contract vendors, and contract vendor employees.

The Enforcement Division is managed by a director who reports to the executive director.

Executive Division

The Executive Division refers to the executive director and administrative staff. The Executive Division is the focal point for the decision making and strategic planning related to the day-to-day operation and administration of the Texas Lottery.

The executive director serves as the Chief Executive Officer for the Texas Lottery Commission relating to the agency's lottery operations, and plays a key role in the short- and long-term planning for the agency. The executive director performs highly advanced management activities with broad oversight responsibility, and exercises strict control and supervision over all lottery games conducted by the Texas Lottery. Through leadership, example, and daily conduct, the executive director promotes

and ensures integrity, security, honesty, and fairness in the operation and administration of the Texas Lottery. The executive director is responsible for the day-to-day operations of the Texas Lottery and for overseeing the Texas Lottery's strategic and budget planning process. The executive director is also responsible for ensuring the Texas Lottery is appropriately represented in national and world lottery industry events and initiatives impacting the agency's revenue generating opportunities.

The Agency Ombudsman function was created in 2007 in response to a recommendation resulting from a workforce management audit conducted by the State Auditor's Office. The Ombudsman function is an out-sourced function that serves the Texas Lottery's employees by providing independent, neutral third-party assistance in resolving employment problems, concerns, and complaints.

Governmental Affairs Division

The Governmental Affairs Division serves as the Texas Lottery Commission's primary liaison with the legislative and executive branches of state government. Its actions are designed to assist the Commissioners, the executive director, the director of Charitable Bingo Operations, and all divisions of the agency by providing legislative tracking, analysis, representation, recommendations and information.

Governmental Affairs is managed by a director who reports to the executive director.

Human Resources Division

The Human Resources Division assists the agency in recruiting and hiring the best-qualified workforce available. Human Resources also serves the agency by providing and coordinating the compensation, benefit, workforce management and training programs necessary to support its employees and managers.

Human Resources staff works with Texas Lottery division directors and managers to coordinate

recruiting, interviewing, hiring and orienting new employees. Human Resources coordinates employee attendance and leave-keeping with the agency payroll system, and communicates and interprets provisions of insurance, deferred compensation and retirement programs available as benefits to state employees. Human Resources staff assist Texas Lottery managers in classifying jobs and developing position descriptions, evaluating and tracking employee job performance, and processing salary actions. Human Resources also coordinates the Texas Lottery's employee recognition programs, employee assistance program, sick leave pool, and tuition reimbursement program.

Division staff works with managers and employees to cultivate positive employee relations. Human Resources maintains a current technical and practical knowledge of critical employment laws, including the Family and Medical Leave Act (FMLA); Fair Labor Standards Act (FLSA); Americans with Disabilities Act (ADA); Civil Rights Act; and other state and federal laws relating to equal employment opportunity and military veteran rights and benefits. Human Resources also coordinates and tracks employee training that is mandated by state statutes and regulations.

Legal Services Division

The Legal Services Division provides legal advice, analysis and other legal services to the Commissioners, the executive director, the Charitable Bingo Operations director, Internal Audit, and Texas Lottery staff. The Legal Services Division includes the agency's Open Records coordinator. The Legal Services Division is managed by the general counsel, who reports directly to the executive director and serves as the Texas Lottery's attorney.

The Legal Services Division provides legal services primarily in connection with transactional matters such as procurements and contracts, claiming lottery prizes, licensing issues, lottery promotions, and agency rulemaking. Division attorneys also represent the Texas Lottery in contested case matters

(both Lottery and Bingo) before the State Office of Administrative Hearings.

The Open Records coordinator serves as the agency's designated contact for requests from the general public for Texas Lottery information. The Open Records coordinator receives all requests, routes them to the appropriate division, and collects the information to be transmitted to the requestor in a timely manner. Under the Texas Public Information Act (Act), any information collected, assembled or maintained by the agency is presumed to be public unless it falls within one of the exceptions to disclosure. The Act requires the Office of the Texas Attorney General to liberally construe the Act in favor of open government.

Consistent with the Act, the agency provides responsive information and protects from disclosure information made confidential by law, along with other information excepted from public disclosure under the Act.

The Legal Services Division also provides personnel and employment law and ethics advice.

The deputy general counsel and the division's administrative services coordinator report to the general counsel; other division staff report to the deputy general counsel.

Lottery Operations Division

The Lottery Operations Division is responsible for player, retailer and vendor compliance with the requirements of Chapters 466 of the Texas Government Code and Chapter 401 of the Texas Administrative Code. The division serves the needs of the Texas Lottery and its customers in the areas of vendor and licensee compliance; jurisdictional complaint monitoring; instant ticket printing, testing, warehousing and distribution; retailer development; retailer licensing and accounting; customer service through email and correspondence support and the operation of a toll-free hotline, a customer service email box on the agency's website, and oversight of the agency's correspondence

ORGANIZATIONAL ASPECTS

functions; product development and product marketing; oversight of the lottery operator's sales force; lottery drawings; claims processing; retailer surveys and inspections; security of lottery drawings and claim validation processing; promotional events; and the oversight of mass-media advertising.

The division serves as the regulatory arm of the Texas Lottery, while also contributing substantially to the agency's revenue-collection function. Product development in the division focuses on maximizing revenue to the state, while advertising efforts support the goal of effectively reaching the public to enhance awareness of Texas Lottery games and to increase sales. Retailer development efforts focus on the enhancement of existing distribution channels and expansion into new distribution channels to reach new player segments and increase sales.

The division is organized into four distinct functional areas: Advertising, Promotions and Validations; Products and Drawings; Retailer Services; and Security. The Lottery Operations Division is managed by a director, who reports to the executive director.

Advertising, Promotions and Validations Department

The Advertising Section of the department is responsible for overseeing and managing all advertising services for the Texas Lottery. The section works with the advertising vendor, currently LatinWorks, to plan, develop, and implement lottery advertising, and is responsible for making recommendations regarding marketing initiatives, advertising concepts and campaigns, media plans and media buys. Advertising services include creative conceiving, production, planning, buying and placement of broadcast, print, digital and out of home advertising, as well as brand management and creation of the communications strategy. The Promotions Section is responsible for overseeing and managing all promotional events, along with the procurement and distribution of promotional products for the agency.

The Validations Section is composed of 16 claim centers statewide. Claim centers process ticket claims for payment; respond by telephone and in

person to player and general public information inquiries; represent the agency at local public events; conduct retailer site inspections for ADA compliance; and conduct Retailer Research Surveys to gather marketing data and feedback on Texas Lottery and lottery operator service levels.

All lottery prizes of \$600 or more must be claimed through the Texas Lottery at a Texas Lottery claim center. Prizes of \$1 million or less may be claimed at any of the 16 claim center offices. Prizes involving significant amounts and prizes involving installment payments must be claimed at the headquarters claim center in Austin.

Products & Drawings Department

The Products Section is responsible for managing the research, development, implementation, promotion and sale of instant and draw game products, with a focus on maximizing revenue generation for the state of Texas. Products staff works closely with instant ticket manufacturers, currently Scientific Games International, Pollard Banknote Limited, and GTECH Printing Corporation, in coordination with the lottery operator to plan the distribution of instant games and manage the ticket inventory, as well as to market and promote the games to retailers and players through contests and promotions.

Products staff also oversees the development of new draw games and enhancements to existing games, and evaluates the performance of current product offerings and research data. The Products & Drawings manager and product coordinators, both instant and draw games, work closely with research staff in the Administration Division to coordinate marketing research that provides the Texas Lottery with information about market conditions and player opinions, so that the Lottery can respond to the dynamic nature of its customer base. There is also a great deal of coordination between Products staff, Advertising and Promotions staff and lottery operator sales organization staff to ensure that the necessary levels of advertising, merchandising and promotional support is present

to ensure that Texas Lottery games are successfully sold in the Texas retail environment.

The Retailer Development coordinator designs and implements strategies for developing the retailer base through cooperative efforts with the lottery operator. Staff coordinates initiatives for exploring new trade styles and recruitment, as well as developing new business opportunities with existing retailers. The effective placement and maximum revenue generation of self-service equipment is also a priority. The Retailer Development coordinator is also responsible for coordinating the Texas Lottery's committee process for ensuring consistent and accurate training and communication with retailers.

The Retailer Incentive Program is managed by Products staff in coordination with the Lottery Operations director and Office of the Controller staff. This program rewards retailers for meeting defined sales goals while increasing revenue contributions to the state. Also, Products Section staff is responsible for administering the agency's retailer bonus program, and for top-prize claimant processing functions that take place at Texas Lottery headquarters.

The Drawings Section administers a comprehensive program that protects and maintains the security and integrity of lottery game drawings, while ensuring that drawing activities are conducted fairly and in compliance with applicable statutes, Texas Lottery guidelines, policies and procedures. The Texas Lottery contracts with a production company to broadcast draw game drawings, and an independent certified public accountant is present to certify all drawings in accordance with statute. In addition, the section handles a variety of administrative responsibilities, including the maintenance of drawing machines, ball sets and related equipment.

Retailer Services Department

The Retailer Services Department is responsible for processing new retailer license applications and

license renewal applications. Department staff enters and monitors retailer information, coordinates ownership transfers and lottery terminal moves, processes license terminations, performs retailer records maintenance, and evaluates retailer compliance with ADA requirements. The department interacts daily with retailers on Electronic Funds Transfers (EFTs), sweep amounts, account adjustments, account reconciliations and final balances due. The department works with retailers who have experienced a non-sufficient fund EFT bank-account sweep to ensure prompt payment. When appropriate, the department conducts collection or enforcement activities through the preparation of notices and evidence required for adverse licensing actions. The department tracks and manages delinquent retailer accounts using various collection methods, including bank account freezes, levies and property liens.

The Compliance Hotline Section in the Retailer Services Department takes in complaints regarding bingo and lottery issues from the public. Staff involved in tracking compliance issues use an automated system developed to monitor all lottery and bingo jurisdictional complaints received by the agency. A jurisdictional complaint is one in which the Texas Lottery has the authority to interpret and apply the law in accordance with the State Lottery Act, the Bingo Enabling Act, or the Texas Lottery or Bingo administrative rules. Compliance staff provides general support related to complaints for the Charitable Bingo and Lottery Operations Divisions.

The Retailer Services Department monitors lottery operator compliance with contractual requirements related to instant ticket distribution, sales terminal installation, equipment moves, retailer training and interaction with retailer licensees. Department staff is also stationed at the instant ticket distribution warehouse to monitor lottery operator compliance with contractual requirements related to instant ticket warehousing, distribution and returns.

The Retailer Services Department also responds to customer contacts through the toll-free Communications Services Telephone Hotline. Hotline staff answers questions about retailer licensing, retailer accounting and general regulatory issues. Questions are also received from the general public and Texas Lottery players, and callers are directed to other sources if their questions are not related to one of these subject areas. Hotline staff also communicates with retailers, game players and the general public via email and written correspondence. The department is further responsible for tracking, routing and responding to correspondence and ensuring timely responses on matters directed to the agency, the executive director and the commissioners.

Security Department

The primary role of the Security Department is to ensure the security and integrity of Texas Lottery drawings and ticket validations. The Security Department monitors lottery drawings, including draw games, second-chance and retailer incentive drawings, and validation section processes to ensure they are conducted in compliance with all applicable laws, rules, regulations, policies and procedures.

The Security Department works with the Claim Center Section to complete reviews of ticket claims that cannot be validated through approved claim center validation procedures. A variety of forensic tools and investigative efforts are employed to evaluate these claims to aid in determinations for payment or submission to the Enforcement Division for further investigation. The Department also assists the Validation Section in the completion of validation procedures associated with the review of certain large-value draw game prizes in accordance with agency procedures.

The Security Department works closely with the contracted instant ticket manufacturers, the instant ticket testing vendor, the Products Department and the lottery operator vendor to ensure that all Texas Lottery tickets sold to the public are

fully tested, secure and are of the highest quality. The Security Department is involved with instant ticket games throughout their existence, from the pre-production design of new games to the destruction of closed games. Similarly, the Security Department ensures that the lottery operator has appropriate security measures in place for the secure storage and destruction of residual draw game roll stock. The Security Department also participates in the approval process for new draw game roll stock to ensure it is secure and of the highest quality.

The Security Department is responsible for ensuring the Texas Lottery's ongoing compliance with MUSL security standards associated with the conduct of the Powerball game. The department works closely with the lottery operator and the Texas Lottery's Information Resources Department to ensure the continued integrity of all Texas Lottery gaming systems.

Media Relations Division

The Media Relations Division is the first point of contact for all inquiries from local, state and national news media. The Media Relations Division provides external communication, internal communication and audio-visual support. Media Relations responds to media inquiries, drafts and distributes news releases, coordinates and conducts media interviews, monitors media and prepares daily news clips, and works with other divisions to plan and implement check presentations, press conferences, game launches and other media events. By working with other divisions and making information about agency news and initiatives available to the media, the Media Relations Division helps keep the Texas Lottery's public service role in the public eye.

The Media Relations Division manages the Texas Lottery's social media program, which includes an active presence on Facebook, Twitter, YouTube and Instagram. The division uses social media platforms to keep the media and public informed

of jackpot amounts, drawing results, new game launches and other information. Media Relations works with other divisions to plan and execute social media contests in conjunction with new game launches. The Media Relations Division produces video for satellite distribution to media outlets as well as original video content for the Texas Lottery's YouTube account. The division also provides audio-visual support for events, including Commission meetings, check presentation, press conferences, and other agency events.

The Media Relations Division is responsible for the preparation and distribution of the Daily Dispatch, a daily employee newsletter. The Media Relations Division is managed by a director who reports to the executive director.

Office of the Controller

The Office of the Controller provides financial services and reporting functions for the Texas Lottery Commission in accordance with statutes and requirements set by the Comptroller of Public Accounts, the Legislative Budget Board, the Governor's Office of Budget, Planning and Policy, and other oversight agencies. The division's primary functions include the development, submission, and management of Texas Lottery financial statements, financial reports, payroll, accounts payable, sales reports, revenue projections, allocations, fiscal notes, performance measures, annual and biennial budgets, Internal Revenue Services (IRS) tax reporting, and all other agency reports necessary to comply with Texas Lottery and state requirements. The Office of the Controller is managed by a director who reports to the executive director.

Management Style

The Texas Lottery uses an inclusive style of management, striving to involve staff in the decision making process as much as possible and keep staff informed as decisions are made. Directors strive to involve their staff in planning and implementing

directives within their areas, and also seek feedback from staff through periodic internal staff surveys. For Texas Lottery (non-CBOD) staff, appropriate management focus is placed on the optimization of revenue to the Foundation School Fund. Staff involvement at all levels has helped create the highly skilled and experienced Texas Lottery staff that is in place today.

Meetings to define strategy and recognize progress occur throughout the agency on a regular basis. To track the general performance of the divisions and help mark their progress, each division uses a variety of internal management reports that are regularly reviewed by executive management, the division director and the managers of the specific sections within each division.

Directors of each division meet with each other as needed to discuss agency business. Each division generally has biweekly management team meetings and monthly all-staff meetings, and each division director meets individually with the executive director on a regular basis. Full directors' meetings are also held periodically and agency-wide staff meetings occur monthly.

Although the director of the CBOD reports directly to the Commission, meetings are held as needed with other division directors to review, plan and discuss projects that cross division lines and involve and/or impact the CBOD.

C. Geographical Location and Travel Requirements

The Texas Lottery Commission has its main headquarters in Austin, and field claim center offices around the state to ensure convenience for its customers.

The executive director travels out of state in his role as a member of the North American Association of State and Provincial Lotteries (NASPL), currently serving as president of the organization.

Texas Lottery staff attends and presents at various industry conferences.

The Texas Lottery posts video of its headquarters training classes to its intranet so that off-site personnel do not have to travel to Austin to receive required training. Field claim center staff includes two regional supervisors that routinely travel to field claim centers. Enforcement Division personnel travel as needed within and outside the state to conduct investigations, including background investigations of out-of-state licensees and vendors.

The CBOD is headquartered in Austin and maintains four regional offices throughout the state, which are staffed by auditors from the Audit Department and co-located with Texas Lottery claim centers. Regional offices are located in Odessa, Dallas, Houston and San Antonio. Audit staff also operates out of the office in Austin. Auditors from the CBOD travel around the state to conduct investigations, inspections and audits.

D. Location of Service Populations

The Texas Lottery Commission serves the entire state of Texas; i.e., lottery products are available for purchase in every geographic region of the state, including the Texas-Louisiana border region and the Texas-Mexico border region. Winners of prizes from \$600 to \$1,000,000 can claim their prizes at one of the 16 claim centers strategically located throughout the state. (Retailers may, and are encouraged to, pay prizes up to and including \$599). Prize winners of \$600 and more likely travel to the nearest claim center, but they may claim their prizes in person at any claim center, the Texas Lottery Commission headquarters in Austin, or through the mail by submitting a Texas Lottery Winner Claim Form. (Prizes of \$1 to \$1,000,000 may also be claimed by mail). Claim forms may be obtained on the Texas Lottery's website, requested from a retailer, or requested from the Texas Lottery via e-mail.

The claim center locations, their geographic regions, and some nearby cities and counties are shown Table 6 (note that not every one of the 254 Texas counties is listed).

Texas Lottery customers have assistance available to them in 16 cities spread across North (2 claim centers), South (4 claim centers), Central (3 claim centers), East (3 claim centers), the Panhandle (2 claim centers), and West Texas (2 claim centers). Five of the claim centers are situated in the Texas-Mexico border, and one is in the Texas-Louisiana border region, as well as being adjacent to numerous counties in those regions (underlined in the table). Texas Lottery customers are also able to contact customer services in Austin by phone or e-mail, and receive one-on-one assistance.

The Charitable Bingo Operations Division serves the entire state of Texas. Licensed authorized organizations conduct bingo in all areas of the state. Licensed commercial lessors provide bingo locations throughout the state. In addition, licensed distributors and licensed manufacturers provide and service bingo equipment throughout the state. The administration of the various Bingo licenses is conducted through the Austin Headquarter Office. Charitable Bingo licensees in addition to registered workers and bingo players are able to contact customer services in Austin by phone, e-mail, or fax and receive one-on-one assistance. Texas Lottery staff conducts audits, inspections, and investigations in all areas of the state.

The Regional Office locations, the number of licensed authorized organizations in the region, and counties with significant bingo activity are shown in Table 7 (page 30).

E. Human Resources Strengths and Weaknesses

The Texas Lottery Commission is committed to employing qualified applicants. As was recommended to all state agencies by the State Auditor's

TABLE 6
CLAIM CENTER LOCATION, GEOGRAPHIC REGIONS, AND NEARBY CITIES AND COUNTIES

CLAIM CENTER LOCATION	GEOGRAPHIC REGION	NEARBY CITIES AND COUNTIES
ABILENE (JONES & TAYLOR COUNTIES)	NORTH CENTRAL PLAINS, WEST TEXAS ROLLING PLAINS, WEST CENTRAL TEXAS	CITIES: ANSON, HAMLIN, POTOSI, MERKEL, STAMFORD, TYE COUNTIES: CALLAHAN, COLEMAN, FISHER, HASKELL, NOLAN, RUNNELS, SHACKELFORD, STONEWALL
AMARILLO (POTTER & RANDALL COUNTIES)	GREAT PLAINS, HIGH PLAINS, NORTH PLAINS, TEXAS PANHANDLE	CITIES: BORGER, CANYON, PAMPA, PLAINVIEW COUNTIES: ARMSTRONG, CARSON, DEAF SMITH, MOORE, OLDHAM
AUSTIN (TRAVIS COUNTY)	GREAT PLAINS, HIGH PLAINS, EDWARDS PLATEAU, HILL COUNTRY, CENTRAL TEXAS	CITIES: CEDAR PARK, GEORGETOWN, NEW BRAUNFELS, ROUND ROCK, SAN MARCOS COUNTIES: BASTROP, BLANCO, BURNET, CALDWELL, HAYS, WILLIAMSON
BEAUMONT (JEFFERSON COUNTY)	GULF COASTAL PLAINS, PINE BELT, EAST TEXAS	CITIES: GROVES, PORT ARTHUR COUNTIES: CHAMBERS, HARDIN, LIBERTY, ORANGE
CORPUS CHRISTI (NUECES COUNTY)	GULF COASTAL PLAINS, COASTAL PRAIRIES, <u>TEXAS-MEXICO BORDER REGION</u> , SOUTH TEXAS	CITIES: ALICE, KINGSVILLE, PORTLAND COUNTIES: ARANSAS, <u>JIM WELLS</u> , <u>KLEBERG</u> , <u>SAN PATRICIO</u>
DALLAS (DALLAS COUNTY)	INTERIOR LOWLANDS, NORTH CENTRAL PLAINS, NORTH TEXAS	CITIES: ARLINGTON, FORT WORTH, GRAND PRAIRIE, IRVING, PLANO COUNTIES: COLIN, DENTON, KAUFMAN, ROCKWALL
EL PASO (<u>EL PASO COUNTY</u>)	BASIN AND RANGE PROVINCE, UPPER RIO GRANDE VALLEY, <u>TEXAS-MEXICO BORDER REGION</u> , WEST TEXAS	CITIES: CANUTILLO, FABENS, SOCORRO COUNTIES: <u>CULBERSON</u> , <u>HUDSPETH</u>
FORT WORTH (TARRANT COUNTY)	INTERIOR LOWLANDS, NORTH CENTRAL PLAINS, GRAND PRAIRIE, NORTH CENTRAL TEXAS	CITIES: ARLINGTON, DALLAS, MANSFIELD COUNTIES: DALLAS, DENTON, JOHNSON, PARKER, WISE
HOUSTON (HARRIS COUNTY)	GULF COASTAL PLAINS, EAST TEXAS	CITIES: BEAUMONT, GALVESTON, HUMBLE, LA MARQUE, SUGAR LAND, TEXAS CITY COUNTIES: FORT BEND, GALVESTON, LIBERTY, MONTGOMERY, WALLER
LAREDO (<u>WEBB COUNTY</u>)	GULF COASTAL PLAINS, RIO GRANDE PLAIN, <u>TEXAS-MEXICO BORDER REGION</u> , SOUTH TEXAS	CITIES: CORPUS CHRISTI COUNTIES: <u>DIMMIT</u> , <u>DUVAL</u> , <u>JIM HOGG</u> , <u>LA SALLE</u> , <u>MCMULLEN</u>
LUBBOCK (LUBBOCK COUNTY)	GREAT PLAINS, HIGH PLAINS, LLANO ESTACADO, WEST TEXAS	CITIES: CROSBYTON, PLAINVIEW, LEVELLAND, SLATON, SNYDER COUNTIES: CROSBY, HALE, HOCKLEY, LYNN
MCALLEN (<u>HIDALGO COUNTY</u>)	GULF COASTAL PLAINS, LOWER RIO GRANDE VALLEY, <u>TEXAS-MEXICO BORDER REGION</u> , SOUTH TEXAS	CITIES: BROWNSVILLE, EDINBURG, RIO GRANDE CITY, HARLINGEN, SAN BENITO COUNTIES: <u>BROOKS</u> , <u>CAMERON</u> , <u>KENEDY</u> , <u>STARR</u> , <u>WILLACY</u>
ODESSA (ECTOR COUNTY)	GREAT PLAINS, LLANO ESTACADO, WEST TEXAS	CITIES: ANDREWS, KERMIT, MIDLAND, MONAHANS COUNTIES: ANDREWS, CRANE, MIDLAND, UPTON, WARD, WINKLER
SAN ANTONIO (<u>BEXAR COUNTY</u>)	GREAT PLAINS, BALCONES ESCARPMENT, <u>TEXAS-MEXICO BORDER REGION</u> , SOUTH CENTRAL TEXAS	CITIES: AUSTIN, CONVERSE, LIVE OAK, NEW BRAUNFELS, SAN MARCOS, SEGUIN COUNTIES: <u>BANDERA</u> , COMAL, GUADALUPE, KENDALL, MEDINA, WILSON
TYLER (<u>SMITH COUNTY</u>)	COASTAL PLAINS, POST OAK BELT, <u>TEXAS-LOUISIANA BORDER REGION</u> , EAST TEXAS	CITIES: BROWNSBORO, CHANDLER, EDOM, KILGORE, LONGVIEW, MARSHALL, WHITEHOUSE COUNTIES: CHEROKEE, <u>GREGG</u> , <u>RUSK</u> , <u>UPSHUR</u> , VAN ZANDT, <u>WOOD</u>
VICTORIA (VICTORIA COUNTY)	COASTAL PLAINS, SOUTHEAST TEXAS	CITIES: BAY CITY, PORT LAVACA COUNTIES: CALHOUN, DE WITT, GOLIAD, LAVACA, JACKSON, REFUGIO

**TABLE 7
CHARITABLE BINGO REGIONAL OFFICE LOCATIONS**

REGIONAL OFFICE - LOCATION	LICENSED AUTHORIZED ORGANIZATIONS IN REGION	*COUNTIES WITH SIGNIFICANT BINGO ACTIVITY
REGION I - ODESSA	159	ECTOR, LUBBOCK, MIDLAND, POTTER, TAYLOR
REGION II - DALLAS	412	BOWIE, DALLAS, GREGG, SMITH, TARRANT
REGION III - HOUSTON	213	BRAZORIA, BRAZOS, GALVESTON, HARRIS, JEFFERSON, MONTGOMERY
REGION IV - SAN ANTONIO	408	BEXAR, CAMERON, HIDALGO, NUECES, WEBB
REGION V - AUSTIN	232	BELL, CORYELL, MCLENNAN, TRAVIS, WILLIAMSON
	TOTAL 1,424	

Office, the agency uses the full range of salary within a classification to remain competitive for employees.

To maintain its diverse employee population, the Texas Lottery offers employment opportunities through a variety of resources, including the WorkInTexas online job bank (workintexas.com); the Texas Workforce Commission; a TDD Phone Line for the hearing impaired; and, the agency's 24-hour job line, website and intranet site.

To retain skilled employees, the Texas Lottery invests resources into offering competitive salaries and developmental training. Additionally, the agency provides training and continuing education opportunities for management and front-line employees to assist in their professional and personal growth.

The Texas Lottery remains mindful of employee turnover and its effect on the agency's cost of operations. In FY 2009 the Texas Lottery's turnover rate was 5.0 percent, while the average turnover rate for all state agencies was 14.4 percent. The rate slightly declined in 2010 to 4.0 percent, but has gradually risen in 2011, 2012, and 2013. As the Texas Lottery has matured, more employees have become eligible to retire. Nine employees retired in 2011, 12 in 2012, and 14 in 2013. Human Resources continues to work with agency managers to emphasize workforce and succession planning. This process involves closely monitoring staff turnover and building a talent pool within the Commission that will contribute to the current and future success of the agency.

Additional information regarding the Texas Lottery's workforce is provided in Appendix E

**TABLE 8
TURNOVER RATES**

	2009	2010	2011	2012	2013
TEXAS LOTTERY	5.0%	4.0%	5.3%	9.3%	10.1%
STATEWIDE	14.4%	14.6%	16.8%	17.3%	17.6%

Source: SAO Annual Report on Classified Employee Turnover

F. Capital Asset Strengths and Weaknesses

One of the most significant capital asset strengths continues to be the Texas Lottery's Internet services. The development of new Internet applications means services to agency customers are more timely and efficient. The Texas Lottery website continues to be expanded to provide more information to the general public, the playing public, and the media, with up-to-date information on the *Games of Texas*. In FY 2013, the Texas Lottery officially launched its social media presence on the Internet with branded social media pages on Facebook, Twitter and YouTube. The Texas Lottery is utilizing social media to communicate agency and game information including drawing results, winner awareness and new game launches to lottery players. To ensure customers can connect on any device they choose, the Texas Lottery provides a mobile version of its website—m.txlottery.org—and the primary website was re-engineered to use a responsive design. The Texas Lottery has also expanded its Internet-entry promotional second-chance drawings, in which non-winning tickets are entered via the Luck Zone player site. This player convenience has been well received and resulted in increased entries in these drawings.

The Texas Lottery currently leases a variety of equipment through statewide contracts that expire in fiscal years 2016 and 2017 as the equipment will be reaching the end of its life cycle. This equipment supports mission critical functions and is necessary for the continuation of Texas Lottery operations. The Texas Lottery continues to refresh its laptop and desktop computers, and storage area network equipment on a three-year cycle. All laptop and desktop computers will be replaced in FY 2015, and the storage area network equipment will be replaced in FY 2016. Additionally, in FY 2017 existing uninterrupted power supply units for the lottery drawings studio and business resumption center will be replaced as their lease expires. The replacement of this equipment is required to ensure adequate resources exist to support all business applications, and mini-

mize downtime and costly repairs on aging and obsolete equipment.

In order to retain player interest and continue generating revenue for the Foundation School Fund, the Texas Lottery must drive innovation within its portfolio of traditional lottery games. The Texas Lottery continually explores potential new games and game enhancements in the interest of ongoing revenue generation. The Agency Business Plan has identified new draw game opportunities that require necessary capital and staff investment. In order to accommodate the introduction of new draw games, the Texas Lottery is expanding and remodeling the drawing studio. Funding for this effort was included in the Texas Lottery's 2014-2015 appropriation.

During the 2014-2015 biennium, the Charitable Bingo Operations Division has undertaken a complete business process review and redesign of the Automated Charitable Bingo System (ACBS). The ACBS supports the critical functions needed in the administration and management of charitable bingo in Texas. The new Bingo Operating Services System will streamline administrative processes, ensure consistency and continuity in the application of bingo statute and rules, and enable timelier processing of Bingo licensing and reporting activities.

G. Agency Use of Historically Underutilized Businesses

The Texas Lottery promotes fair and competitive opportunities for historically underutilized businesses (HUBs) and minority businesses interested in contracting with the Texas Lottery and/or its prime contractors. This is accomplished through outreach efforts focused on informing and educating HUB and minority businesses about the Texas Lottery's procurements and subcontracting opportunities. The agency's use of the HUB Subcontracting Plan for contracts over \$100,000 has also had a positive effect on HUB participation.

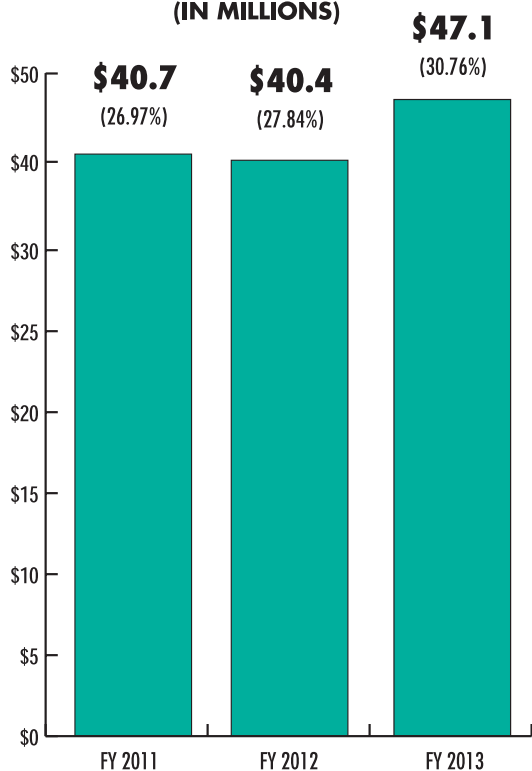
ORGANIZATIONAL ASPECTS

During FY 2013, the Texas Lottery experienced an increase in its overall HUB/minority utilization. During this report period, the Texas Lottery expended more than \$47.1 million with HUBs and minority businesses (see Figure A), which represented an increase of over \$6.7 million from the previous fiscal year.

The Texas Lottery continues to develop and improve its HUB/Minority Business program. The following are some highlights from FY 2013:

- The Texas Lottery's overall HUB participation rate rose by nearly three percentage points from the previous fiscal year.
- Five of the Texas Lottery's major contractors increased subcontracting payments to minority/HUB businesses.
- Eight HUB companies provided key contract services of more than \$100,000 to the Texas Lottery.

**FIGURE A
HUB/MINORITY SPENDING
FISCAL YEAR 2011-2013*
(IN MILLIONS)**



*HUB/Minority Spending amounts include spending with minority vendors (direct and indirect) who were not HUB certified during the reported fiscal year.

- The Texas Lottery participated in 14 economic opportunity forums and HUB-related outreach events statewide.
- The Texas Lottery conducted a successful annual HUB forum in June 2013, which attracted minority/HUB participants from across the state.
- The Texas Lottery's HUB Coordinator was an active member of the HUB Discussion Workgroup.

HUB Strategic Plan Progress Report

The Texas Lottery is proud of its achievements regarding HUB/minority business utilization in procurements. For FY 2013, the Texas Lottery ranked 18th in terms of overall expenditures as captured by the CPA's Fiscal Year 2013 Annual Historically Underutilized Business Report. During this report period, the Texas Lottery ranked number one by overall HUB percentage of the 18 largest-spending state agencies.

**FIGURE B
LICENSED MINORITY RETAILERS
FISCAL YEAR 2011-2013**

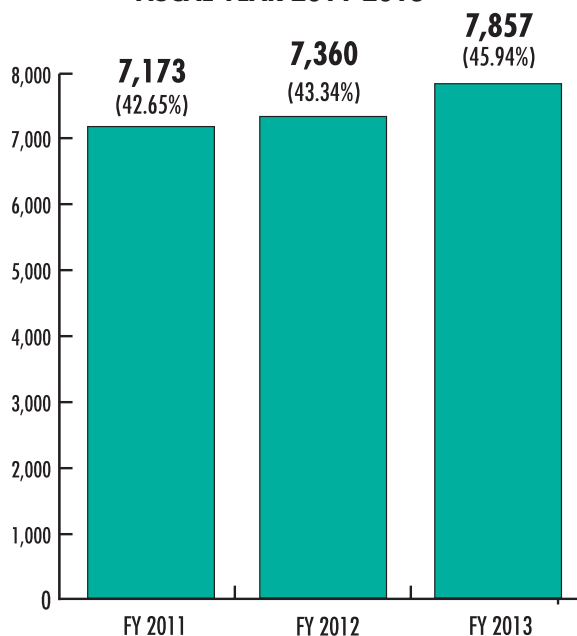


Table 9 reflects the Texas Lottery's HUB Strategic Plan Progress Report For FY 2012 and 2013, based on internal HUB goals.

TABLE 9
TEXAS LOTTERY HUB PROGRESS REPORT

REPORT CATEGORY	ACTUAL FY 2012	ACTUAL FY 2013	GOAL FY 2014
HEAVY CONSTRUCTION OTHER THAN BUILDING CONTRACTS*	N/A	N/A	N/A
BUILDING CONSTRUCTION, INCLUDING GENERAL CONTRACTORS AND OPERATIVE BUILDERS CONTRACTS*	N/A	N/A	N/A
SPECIAL TRADE CONSTRUCTION CONTRACTS	7.93%	0.65%	12.7%
PROFESSIONAL SERVICES CONTRACTS	75.68%	76.04%	23.6%
OTHER SERVICES CONTRACTS	26.55%	30.21%	24.6%
COMMODITIES CONTRACTS	42.88%	45.68%	21.0%

*The Texas Lottery Commission does not have strategies or programs related to either "Heavy Construction" or "Building Construction." Source: Comptroller of Public Accounts Statewide HUB Reports

The Texas Lottery has continued to exceed its statutory goal of a 20 percent minority-owned retailer base. During FY 2013, the Texas Lottery's retailer base included 7,857 minority retailers, which represented 45.94 percent of the Texas Lottery's total retailer base (see Figure B, to the left). The Texas Lottery has maintained a minority retailer percentage of more than 40 percent for seven consecutive years.

H. Key Organizational Events and Areas of Change

During the 83rd Legislative Session in 2013, Texas Lottery Commission underwent Sunset review, and the resulting legislation, HB 2197—Relating to the continuation and functions of the Texas Lottery Commission—made a number of substantial changes to the Texas Lottery Commission. Some of the major provisions are: an increase in the size of the Commission from three members to five; a requirement that the Commission approve all major contracts; a requirement that the Texas Lottery develop a Comprehensive Business Plan aimed at improving the lottery's efficiency and performance for the benefit of the Foundation School Fund; a

requirement that scratch-off game tickets containing a certain number of words other than English have disclosures printed in that language; and that unclaimed lottery prizes currently transferred to the General Revenue be deposited in the Foundation School Fund.

For Charitable Bingo, the enacted Sunset Bill removes the fixed bingo license amendment fee from statute and requires the Commission to adjust fees by rule; removes the fixed annual bingo license fee for manufacturers and distributors from statute and requires the Commission to set the fee by rule; authorizes the Commission to charge a fee to cover the costs of adding bingo hall workers to the Registry of Approved Bingo Workers; requires the Commission to develop a goal to audit all high-risk bingo licensees within a prescribed time frame and develop audit policies in rule; and requires the Commission to address criminal history information in bingo regulation in a manner that relates directly to the duties and responsibilities of the regulated occupation.

HB 2197, which took effect September 1, 2013, also establishes a 10-member legislative interim review committee to study the process and impacts of eliminating the state lottery, and the review of charitable bingo and the distribution of charitable bingo revenue.

TEXAS LOTTERY COMMISSION

Agency Strategic Plan Fiscal Years 2015 – 2019

III. FISCAL ASPECTS

A. Size of Budget

SB 1, the General Appropriations Act for the 2014-2015 biennium, established the Texas Lottery's appropriations (available budget) and certain key performance measures. Specific provisions included the following:

- Regular appropriations from the General Revenue (GR) Dedicated Lottery Account amount to \$204.3 million in FY 2014 and \$203.1 million in FY 2015 to operate the Texas Lottery.
- Charitable Bingo appropriations from GR amount to \$4.0 million for FY 2014 and FY 2015. Included in these amounts is \$60,000 in each fiscal year, appropriated by Rider 15, for bingo third party reimbursement collected in accordance with statutory requirements. Also included is \$1.25 million each fiscal year for the redesign of the Automated Charitable Bingo System (ACBS). In addition to those amounts, Rider 8, Local Bingo Prize Fees, increases appropriations by \$12.6 million each year for allocation of bingo prize fees to cities and counties.
- The Texas Lottery's Full Time Equivalent (FTE) cap authorized by SB 1 is 326.5.
- Contingency Rider 11 provided the GR Dedicated Lottery Account with additional appropriation funding for fulfilling contractual obligations and other administrative costs if gross sales exceed \$3.958 billion in FY 2014 and \$3.974 billion in FY 2015. If this condition is met, the Texas

Lottery will receive an appropriation equal to 1.49 percent of amounts exceeding the gross sales target.

- Rider 9 provided, in addition to the traditional five percent retailer commission amount, an amount not to exceed an additional one-half of one percent of gross sales each fiscal year, which may be made available for paying sales performance retailer commissions. Prior to providing this additional commission, a report must be provided to the Governor and the Legislative Budget Board outlining the plan, and projected sales and state revenue benefits.
- Contingency Rider 14 provided GR appropriations of \$612,438 each year of the biennium, as well as 14 FTEs, contingent upon the Texas Lottery assessing or increasing fees sufficient to generate revenue for the additional appropriation.

The Texas Lottery's budget is prepared with direct input from division management and is reviewed and approved by the executive director or director of Charitable Bingo Operations, as applicable, through a series of internal budget hearings held with each division director regarding the respective budget requests. The five-member Texas Lottery Commission reviews the final budget requests before submission to the legislative oversight agencies and the Governor. The Texas Lottery uses performance measures and goals to determine where resources are needed and adjusts priorities accordingly.

TABLE 10
BUDGET FUNDS, 2014-15 BIENNIUM

	FY 2014	FY 2015
GENERAL REVENUE FUND (CHARITABLE BINGO)	\$4,043,744	\$4,043,744
GENERAL REVENUE DEDICATED FUND - (LOTTERY ACCOUNT NUMBER 5025)	\$204,272,591	\$203,115,034
TOTAL, METHOD OF FINANCING	\$208,316,335	\$207,158,778

Source: SB1, General Appropriations Act, 83rd Legislature, Regular Session

B. Method of Finance

The Texas Lottery is funded from two distinct fund sources. Table 10, above, reflects the Texas Lottery's budget by fund type for FY 2014 and FY 2015. The operation and administration of the Texas Lottery is funded from the GR Dedicated Lottery Account. Charitable Bingo is funded from General Revenue.

C. Other States' Comparisons

The Texas Lottery presents comparative data for U.S. lotteries' fiscal year 2012 sales in Table 11.

TABLE 11
TOP 10 U.S. LOTTERIES
CALENDAR YEAR 2012

RANK	STATE LOTTERY	SALES* (\$ MIL.)
1	NEW YORK	7,245.0
2	MASSACHUSETTS	4,779.4
3	FLORIDA	4,755.7
4	CALIFORNIA	4,451.8
5	TEXAS	4,321.6
6	GEORGIA	3,940.2
7	PENNSYLVANIA	3,633.9
8	ILLINOIS	2,839.9
9	NEW JERSEY	2,814.4
10	OHIO	2,767.5

Source: *La Fleur's 2013 World Lottery Almanac*

D. Budgetary Limitations

The sale of lottery tickets is used to pay for all costs of Texas Lottery operations. This includes the payment of prizes to the holders of winning tickets, retailer commissions, and all other costs incurred in the operation and administration of the lottery. The State Lottery Act limits the combined total of retailer compensation and agency administration to no more than 12 percent of gross ticket revenues. Of this 12 percent, the State Lottery Act mandates that no less than 5 percent be allocated to retailers as commissions, with the remaining 7 percent of ticket sales allowed to be expended on administration of the Texas Lottery. The Texas Lottery returns any "unspent administrative funds" to the Foundation School Fund.

A major part of the Texas Lottery's budget is concentrated in the Lottery Operations Division budget, which accounts for the commission paid to the lottery operator. The lottery operator contract was effective September 1, 2011, and includes a compensation rate to the lottery operator of 2.2099 percent of gross sales. The contract expires August 31, 2020.

From 1992 through August 1997, Texas Lottery proceeds were deposited to the state's General Revenue Fund. Through a statutory change made by the 75th Legislature, Regular Session, Texas Lottery

proceeds are now earmarked for the Foundation School Fund in support of public education. Beginning in FY 2010, Texas Lottery proceeds from the sales of certain instant ticket games also benefit the Fund for Veterans' Assistance.

Rider 13 of the General Appropriations Act prohibits the Texas Lottery from spending agency funds for the purpose of exploring, investigating, negotiating, calculating, or otherwise taking action that would result in selling the Texas Lottery.

During the 2016-2017 biennium, the Texas Lottery will be reviewing options for a refresh of its storage area network equipment, personal computers and uninterruptable power supply equipment. This equipment is currently leased through statewide contracts that expire in fiscal years 2016 and 2017. A cost-benefit analysis will be completed prior to preparation of the Legislative Appropriations Request to determine if capital budget authority should be requested for the purchase of the equipment, as opposed to continuing with the lease arrangements.

E. Degree to Which Current Budget Meets Current/Expected Needs

Staffing and funding resources appropriated for the Texas Lottery for the 2014-15 biennium from the GR Dedicated Lottery Account are sufficient to implement current statutory requirements. However, future growth in Texas Lottery sales, changes to the number or type of lottery games authorized, changes to retailer commissions or vendor/contract obligations could necessitate a re-examination of resources required to administer Texas Lottery programs.

F. Capital and/or Leased Needs

New games and/or features added to draw game products require new equipment or adjustments to existing equipment as they are implemented. Lottery drawing equipment used in the critical function of selecting numbers used in the lottery games is replaced on a regular schedule. This includes but is not limited to: new ball machines, ball sets and additional required software. The replacement schedule varies depending on the type of game and the equipment.

The Texas Lottery continually reviews strategies for technology hardware and software refresh.

TEXAS LOTTERY COMMISSION

Agency Strategic Plan Fiscal Years 2015 – 2019

IV. SERVICE POPULATION DEMOGRAPHICS

The State Lottery Act mandates that the Texas Lottery's executive director contract with an independent firm to conduct a demographic study of Texas Lottery players every two years. In 2005, the Texas Lottery decided to have the study conducted annually. The Hobby Center for Public Policy at the University of Houston conducted the most recent state-mandated study, the *2013 Demographic Survey of Texas Lottery Players*, in November 2013.

A. Historical and Current Characteristics

Texas Lottery Players¹

Texas Lottery players were distributed variously within and across demographic categories in 2013. Players were found in lower, middle, and upper income and educational groups, and were relatively split in terms of gender. The average player age was 57 years old. The average player age increased slightly compared to the previous Strategic Plan (2013-2017).

Texas Lottery games were also played by individuals from varied socioeconomic backgrounds. Individuals with lower-, middle-, and upper-level incomes played the various games offered by the Texas Lottery. In 2011, the percentage breakdown for past-year players was 24.2 percent (<\$30,000), 37.3 percent (\$30,000-\$74,999), and 38.4 percent (>\$75,000). This distribution changed in 2013, with 25.9 percent (<\$30,000), 35.6 percent (\$30,000-\$74,999), and 38.5 percent (>\$75,000).

Past-year Texas Lottery players were, moreover, represented across all educational levels in 2013. Roughly 70 percent had at least some college, 45.5 percent held at least a college degree, and nearly four percent had not completed high school.

Overall, these demographic patterns suggest relative stability or slight variation compared to demographic material reported in the previous Strategic Plan (2013-2017).

According to the 2013 Demographic Study of Texas Lottery Players, Texas registered lottery participation was 36.5 percent, which was almost the same as the participation rate reported in 2012 (36.2 percent). The 2013 participation rate was consistent with the findings in recent years of the percentages of the respondents playing any Texas Lottery game. The average monthly dollar amount spent on any lottery game in 2013 was \$44.38, up more than \$4.50 from the average monthly dollar amount spent of \$39.71 in 2012.

The following highlights are from the 2013 Demographic Study of Texas Lottery Players profile of Texas Lottery players.

Household Income

The Texans most likely to play Texas Lottery games in 2013 were those with an annual income greater than \$75,000 (38.5 percent), with the \$30,000-\$74,999 income category being the second largest player group (35.6 percent). In 2011, 37.3 percent of players were concentrated in the middle-income categories of \$30,000-\$74,999 and 38.4 percent of players reported income greater than \$75,000. In 2012, the percentage of players reporting income of \$30,000-\$74,999 increased to 40.5 percent, while the proportion of

¹ All Texas Lottery demographic information comes from the Demographic Survey of Texas Lottery Players for the years cited herein unless noted otherwise. Available at: http://www.txlottery.org/export/sites/default/About_Us/Publications/Reports.html.

players reporting household incomes greater than \$75,000 increased to 39.2 percent. While the proportion of players reporting household incomes greater than \$75,000 increased to 39.2 percent.

Education

The distribution of Texas Lottery players across educational levels continued to exhibit a centralized pattern in 2013, with the majority of players gravitating toward the middle categories. For example, just over 70 percent of respondents reported holding high school or college degrees, or having some college. Another 54 percent claimed “some college, no degree” or a college degree. Individuals claiming less than a high school education and those asserting post-graduate degrees combined to make up more than 20 percent of the sample (3.93 percent and 16.20 percent, respectively). The largest proportions of lottery players had either a high school diploma or GED (25.9 percent) or a college degree (29.30 percent).

Age

In 2013, the majority (60.6 percent) of Texas Lottery players were age 55 or older, and 89.3 percent were older than 35. The youngest demographic group, those aged 18 to 24, comprised the smallest percentage of Texas Lottery players (3.3 percent, down 2.4 percent from players in 2012).

Gender

In 2013, Texas Lottery players were somewhat more likely to be male (51.22 percent) than female (48.78 percent).

Race & Ethnicity

Texas Lottery players were predominately white (65.9 percent). While 12.7 percent of Texas Lottery players were black, 17.5 percent of players identified themselves as of Hispanic origin.

Charitable Bingo Licensees

Total bingo attendance at licensed locations was 15.9 million in calendar year 2013.

In 2013, there were 1,462 charitable bingo licensees, including 1,066 conductors, 367 commercial lessors, 12 distributors and 17 manufacturers. Table 12 (right) shows the types of organizations licensed by calendar year from 1986 through 2013, and the percentage changes from year to year.

The total number of licensed organizations peaked in 1989 at 2,652. The total number of licensed organizations decreased yearly from 1989 through 2013, with two exceptions—there were slight increases in 1992 and 1995.

From 1986 to 2013, the number of licensed conductor organizations peaked in 1989 with 2,033 conductors and declined each year, with the exception of a 2-percent increase from 1991 to 1992. From 1986 through 2013, the number of licensed lessor organizations peaked in 1989 with 585 licensed lessors, and declined each year from 1989 through 2013, with four exceptions—there were slight increases in 1992, 1995, 1999, 2003, 2007, and 2010.

From 1986 through 2013, the number of licensed distributors varied, peaking in 1987 with 45 licensed distributors. The lowest number of licensed distributors in any year has been 12, in 2013.

From 1986 to 2013, the number of licensed manufacturers per year has varied, peaking in 1987 with 30 licensed manufacturers, dropping to a low of eight licensed manufacturers in 1994, rising to 21 in 2003. In 2013, there were 17 licensed manufacturers.

The groups conducting charitable bingo include nonprofit organizations such as fraternal organizations, National Historical District Association, veteran organizations, religious societies, volunteer fire departments, groups supporting medical research programs and emergency medical services. All conductors are located in Texas, as required by the Bingo Enabling Act. Table 13 shows the types of conductor organizations licensed by year from 1986 through 2013.

SERVICE POPULATION DEMOGRAPHICS

TABLE 12
ORGANIZATIONS THAT APPLIED FOR AND WERE ISSUED A LICENSE

YEAR	CONDUCTOR	LESSOR	DISTRIBUTOR	MANUFACTURER	SYSTEM SERVICE PROVIDER	TOTAL	% CHANGE
1986	1,451	427	27	25		1,930	
1987	1,776	495	45	30		2,346	21.55%
1988	1,813	543	28	15		2,399	2.26%
1989	2,033	585	23	11		2,652	10.55%
1990	1,844	537	25	11		2,417	-8.86%
1991	1,827	534	23	13		2,397	-0.83%
1992	1,863	554	24	11		2,452	2.29%
1993	1,811	549	25	11		2,396	-2.28%
1994	1,757	522	20	8		2,307	-3.71%
1995	1,775	547	20	9		2,351	1.91%
1996	1,707	531	20	12	1	2,271	-3.40%
1997	1,669	508	20	13	1	2,211	-2.64%
1998	1,616	491	19	12	2	2,140	-3.21%
1999	1,587	498	18	13	2	2,118	-1.03%
2000	1,536	491	17	13	1	2,058	-2.83%
2001	1,482	472	15	14	2	1,985	-3.55%
2002	1,447	461	15	15	2	1,940	-2.27%
2003	1,430	464	19	21	1	1,935	-0.26%
2004	1,419	459	18	18	1	1,915	-1.03%
2005	1,363	436	18	18	0	1,835	-4.18%
2006	1,318	425	15	19	0	1,777	-3.16%
2007	1,312	432	15	16	0	1,775	-0.11%
2008	1,310	431	16	17	0	1,774	-.06%
2009	1,255	416	20	17	0	1,708	-3.72%
2010	1,254	418	18	17	0	1,707	-0.06%
2011	1,227	417	16	18	0	1,678	-1.70%
2012	1,091	385	17	16	0	1,509	-10.07%
2013	1,066	367	17	12	0	1,462	-3.11%

1986 – 2002 Source is Texas Lottery Commission (CBS)
2003 – 2013 Source is Texas Lottery Commission (ACBS)
Figures as of 04/25/14. Unaudited.

The number of licensed religious conductor organizations was at its highest in 1987 with 356 licensed organizations, and declined yearly with the exception of 2004, 2005, and 2013, which showed increases of two, one, and five licensed organization respectively.

The number of licensed medical organizations peaked at 100 in 1989, and shows a steady decline, with the exception of 1995, 2000, and 2011, with increases of one, four, and two licensed organizations respectively.

SERVICE POPULATION DEMOGRAPHICS

TABLE 13
LICENSED AUTHORIZED CONDUCTOR ORGANIZATIONS BY ORGANIZATION TYPE

CALENDAR YEAR	RELIGIOUS	MEDICAL	FRATERNAL	VOLUNTEER FIRE DEPT.	VETERAN	EMS	NATIONAL HISTORICAL	TOTAL	% CHANGE
1986	303	75	533	93	447			1,451	
1987	356	81	692	130	517			1,776	22.40%
1988	351	83	717	135	527			1,813	2.08%
1989	326	100	923	141	543			2,033	12.13%
1990	301	78	776	129	560			1,844	-9.30%
1991	286	75	787	125	554			1,827	-0.92%
1992	278	75	822	125	563			1,863	1.97%
1993	267	67	807	120	550			1,811	-2.79%
1994	260	61	793	106	537			1,757	-2.98%
1995	256	62	821	101	535			1,775	1.02%
1996	244	61	799	89	514			1,707	-3.83%
1997	233	54	790	86	506			1,669	-2.23%
1998	217	50	791	74	484			1,616	-3.18%
1999	209	49	788	73	468			1,587	-1.79%
2000	195	53	757	73	458			1,536	-3.21%
2001	179	50	744	71	438			1,482	-3.52%
2002	175	44	744	71	413			1,447	-2.36%
2003	166	40	740	74	410			1,430	-1.17%
2004	168	38	743	71	399			1,419	-0.77%
2005	169	35	717	66	376			1,363	-3.95%
2006	160	32	721	64	341			1,318	-3.30%
2007	155	30	803	64	260			1,312	-0.46%
2008	149	30	815	61	255			1,310	-0.15%
2009	141	30	793	52	236	3		1,255	-4.20%
2010	141	28	796	52	233	3	1	1,254	-0.08%
2011	131	30	792	51	219	3	1	1,227	-2.15%
2012	115	26	715	42	189	3	1	1,091	-11.08%
2013	120	26	700	38	177	4	1	1,066	-2.29%

2003 – 2013 Source is Texas Lottery Commission (ACBS)
Figures as of 04/25/14. Unaudited.

The number of licensed fraternal organizations peaked in 1989 with 923 licensed organizations and shows yearly fluctuations from 1989, with the largest increase of 82 organizations from 2006 to 2007. From 2008 to 2013 there was a steady decline in the number of fraternal organizations from 815 to 700 fraternal organizations.

The number of licensed volunteer fire departments peaked in 1989, with 141 organizations, and shows a steady decline, with the exception of 2003, with an increase of three licensed organizations.

In 2009, the legislature authorized a new organization type, emergency medical services. Since the inception of this organization type, there have been 3 emergency medical services organizations licensed, with an increase to 4 in 2013.

The number of licensed veteran organizations peaked 1992, with 563 licensed organizations and shows yearly declines from 1992 to 2013, with a low of 177 licensed organizations in 2013.

There has been one licensed National Historical District Association in each of the years since inception in 2010.

B. Future Trends and Their Impacts

Texas Lottery and State Demographic Trends and Impacts

According to the U.S. Census Bureau, in 2010 Texas remained the second-largest state in the United States, ranked behind only California. California, Florida, and Texas were projected to account for nearly 46 percent of the total U.S. population growth between 2000 and 2030. Population growth in Texas was already evident in US Census Bureau population estimates for 2010. The population percent change from 2000 to 2010 was a

reported 20.6 percent. From April 1, 2010 to July 1, 2012, the Texas population increased another 3.6 percent. Since 1993, the population of Texans over the age of 18 has increased by 51 percent from 12,812,537 to 19,406,207 in 2013.

With reference to ethnicity and race, in 2004 Texas became one of the few states to be categorized a “majority-minority” state, with roughly 50.2 percent of its population being minority. By 2010, non-Hispanic whites made up roughly 45.3 percent of the state’s population, Hispanics nearly 37.6 percent, African Americans roughly 11.8 percent, Asians about 3.8 percent, and American Indian and Alaska Native .7 percent. In 2012, non-Hispanic whites comprised 44.5 percent of the state’s population, Hispanics 38.2 percent, African Americans 12.3 percent, Asians 4.2 percent, and American Indian and Alaska Native 1.0 percent.²

It can be expected that Texas Lottery player demographics will shift as the state’s population grows and changes in the direction of youth and minority groups, and with respect to changing socioeconomic conditions. Matters of age, ethnicity, population growth, income, and buying power should therefore be significant to the development of Texas Lottery services and products.

Charitable Bingo Trends and Impact

Table 14 (next page) shows a comparison of regular bingo sales and pull-tab sales for 1982 thru 2013. Some of the decline in card sales is attributable to the increase in pull-tab sales, but it is difficult to attribute the entire decline to increased pull-tab sales, as other factors could affect card sales, including declining attendance.

2 U. S. Census Bureau, State and County QuickFacts, Texas, last revised March 27, 2014.

SERVICE POPULATION DEMOGRAPHICS

TABLE 14
COMPARISON OF BINGO CARD SALES TO PULL-TAB SALES

YEAR	CARD SALES	CHANGE CARD SALES	% CHANGE CARD SALES	PULL-TAB SALES	CHANGE PULL-TAB SALES	% CHANGE PULL-TAB SALES
1982	\$66,488,368			\$-		
1983	\$163,172,680	\$96,684,312	145.42%	\$87	\$87	-
1984	\$217,137,488	\$53,964,808	33.07%	\$4,676,582	\$4,676,495	5375281.61%
1985	\$243,420,805	\$26,283,317	12.10%	\$11,872,941	\$7,196,359	153.88%
1986	\$289,108,477	\$45,687,672	18.77%	\$13,548,709	\$1,675,768	14.11%
1987	\$331,938,566	\$42,830,089	14.81%	\$36,086,789	\$22,538,080	166.35%
1988	\$365,110,091	\$33,171,525	9.99%	\$101,901,561	\$65,814,772	182.38%
1989	\$419,677,774	\$54,567,683	14.95%	\$130,997,997	\$29,096,436	28.55%
1990	\$467,113,452	\$47,435,678	11.30%	\$154,335,596	\$23,337,599	17.82%
1991	\$499,971,275	\$32,857,823	7.03%	\$173,501,233	\$19,165,637	12.42%
1992	\$503,400,917	\$3,429,642	0.69%	\$164,719,328	(\$8,781,905)	-5.06%
1993	\$500,434,638	(\$2,966,279)	-0.59%	\$151,592,343	(\$13,126,985)	-7.97%
1994	\$492,662,092	(\$7,772,546)	-1.55%	\$140,391,468	(\$11,200,875)	-7.39%
1995	\$498,120,463	\$5,458,371	1.11%	\$139,769,085	(\$622,383)	-0.44%
1996	\$488,946,621	(\$9,173,842)	-1.84%	\$121,816,923	(\$17,952,162)	-12.84%
1997	\$491,756,262	\$2,809,641	0.57%	\$104,836,239	(\$16,980,685)	-13.94%
1998	\$506,642,255	\$14,885,993	3.03%	\$99,144,445	(\$5,691,794)	-5.43%
1999	\$510,317,138	\$3,674,883	0.73%	\$96,753,377	(\$2,391,068)	-2.41%
2000	\$493,414,252	(\$16,902,886)	-3.31%	\$89,353,141	(\$7,400,236)	-7.65%
2001	\$478,397,545	(\$15,016,707)	-3.04%	\$85,122,819	(\$4,230,323)	-4.73%
2002	\$468,107,354	(\$10,290,191)	-2.15%	\$88,979,503	\$3,856,685	4.53%
2003	\$445,876,396	(\$22,230,958)	-4.75%	\$129,825,563	\$40,846,060	45.91%
2004	\$430,908,286	(\$14,968,110)	-3.36%	\$173,828,243	\$44,002,680	33.89%
2005	\$410,842,204	(\$20,066,082)	-4.66%	\$223,189,408	\$49,361,165	28.40%
2006	\$404,772,215	(\$6,069,989)	-1.48%	\$253,552,957	\$30,363,549	13.60%
2007	\$385,245,447	(\$19,526,768)	-4.82%	\$272,958,293	\$19,405,336	7.65%
2008	\$379,825,563	(\$5,419,884)	-1.41%	\$305,748,049	\$32,789,756	12.01%
2009	\$374,586,845	(\$5,238,718)	-1.38%	\$318,705,419	\$12,957,370	4.24%
2010	\$372,246,282	(\$2,340,563)	-0.62%	\$327,184,837	\$8,479,418	2.66%
2011	\$362,196,484	(\$10,049,798)	-2.70%	\$343,730,429	\$16,545,592	5.06%
2012	\$360,354,778	(\$1,938,781)	-0.54%	\$363,160,080	\$19,325,410	5.62%
2013	\$350,388,551	(\$9,966,227)	-2.77%	\$369,223,579	\$6,063,499	1.67%

1982 - 2002 Source is Texas Lottery Commission (CBS)
2003- 2013 Source is Texas Lottery Commission (ACBS)
Figures as of 04/25/14. Unaudited.

TABLE 15
ATTENDANCE AT BINGO OCCASIONS
1982 – 2013

Table 15 shows attendance from 1982 through 2013. Attendance has shown a steady decline from 1992 to 2013, with a slight increase of .53 percent from 2008 to 2009. It appears that the introduction of the new style of instant event tickets may have altered player patterns in an environment of declining attendance, with players choosing to spend their funds on instant tickets rather than paper.

YEAR	ATTENDANCE	CHANGE ATTENDANCE	% CHANGE ATTENDANCE
1982	0		
1983	900		
1984	15,292	14,392	1599.11%
1985	239,703	224,411	1467.51%
1986	21,928,014	21,688,311	9047.99%
1987	24,720,392	2,792,378	12.73%
1988	27,435,271	2,714,879	10.98%
1989	30,768,010	3,332,739	12.15%
1990	33,551,956	2,783,946	9.05%
1991	37,030,913	3,478,957	10.37%
1992	35,400,888	(1,630,025)	-4.40%
1993	34,774,830	(626,058)	-1.77%
1994	33,839,680	(935,150)	-2.69%
1995	34,087,509	247,829	0.73%
1996	32,668,785	(1,418,724)	-4.16%
1997	31,062,881	(1,605,904)	-4.92%
1998	29,908,812	(1,154,069)	-3.72%
1999	27,916,597	(1,992,215)	-6.66%
2000	25,820,526	(2,096,071)	-7.51%
2001	24,385,464	(1,435,062)	-5.56%
2002	23,718,342	(667,122)	-2.74%
2003	22,749,669	(968,673)	-4.08%
2004	21,398,109	(1,351,560)	-5.94%
2005	19,908,409	(1,489,700)	-6.96%
2006	19,348,594	(559,815)	-2.81%
2007	17,926,344	(1,422,250)	-7.35%
2008	17,741,456	(184,888)	-1.03%
2009	17,834,924	93,468	0.53%
2010	17,624,287	(210,637)	-1.18%
2011	16,770,394	(853,893)	-4.84%
2012	16,363,763	(414,058)	-2.47%
2013	15,888,726	(475,037)	-2.90%

1982 – 2002 Source is Texas Lottery Commission (CBS)
2003 – 2013 Source is Texas Lottery Commission (ACBS)
Figures as of 04/25/14. Unaudited.

TEXAS LOTTERY COMMISSION

Agency Strategic Plan
Fiscal Years 2015 – 2019

V. TECHNOLOGICAL DEVELOPMENTS

A. Impact of Technology on Agency Operations

The Texas Lottery recognizes the importance of staying current with technology to increase operational efficiency and enhance the agency's effectiveness. The agency is committed to deploying innovative technologies that deliver world-class services to our players and customers. Completed technology initiatives include:

- Expanded the use of virtualized servers and implemented a new storage area network;
- Upgraded the database infrastructure;
- Implemented tablet computers;
- Redesigned a number of agency applications; and
- Implemented an automated leave request and tracking system.

B. Impact of Anticipated Technological Advances

Key factors that influence the Texas Lottery's technology decisions over the next five years include the continued growth and refinement of Internet services, protecting the security of the network and data, and refreshing the agency's technology infrastructure.

The Texas Lottery continues to make improvements to its websites to ensure agency information is highly accessible and presented in a user-friendly

manner. The Texas Lottery has developed an Information Resources security plan that ensures the security and availability of its technology assets and information by implementing a number of security measures. These include adhering to Texas Administrative Code Part 202 guidelines, and conducting biannual agency-wide security studies and risk assessments. Other security measures include annual external network penetration tests, regularly scheduled preventative maintenance, including anti-virus updates for all network and workstation equipment, and annual information security training for all staff. The Texas Lottery cooperates with the DIR's network security operations center (NSOC) by participating in the network traffic control program and information security training that is coordinated by the DIR's Security Division. Additionally, the agency maintains a backup facility to support recovery and business continuity activities, and has a comprehensive business continuity plan which is periodically reviewed and tested.

C. Degree of Agency Automation

The Texas Lottery is committed to a proactive approach with regard to its technology resources and the development of solutions required by both internal and external factors. The Internet continues to be an integral tool for communicating with players, customers and the general public, as well as a source for processing business transactions. Providing access to agency information in formats that are usable and that adhere to state accessibility standards is an ongoing initiative at the Texas Lottery. Links to both the Texas Lottery and Charitable Bingo websites are published on

texasonline.com. The websites also provide information about health and emergency related services, such as AMBER/Silver/Blue Alerts, the Problem Gambling Hotline and Texas Homeland Security. The Texas Lottery also provides lottery results via email and text messaging, as a free subscription service.

D. Anticipated Need for Automation

The Texas Lottery has been evaluating cloud computing for email and voicemail, and plans to implement a solution in collaboration with the Texas Department of Information Resources (DIR). The Texas Lottery is also working with DIR and the lottery operator to make the lottery retailer application process available online, and expand the use of RSS feeds and XML when exchanging information with business partners and customers.

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VI. ECONOMIC VARIABLES

A. Key Economic Variables

As with any sales-oriented business, the Texas Lottery's ability to generate revenue may be affected by a myriad of economic variables, including changes in the cost of living, fluctuating interest rates, shifts in discretionary dollars, economic swings, inflation, and so on. The United States recently experienced one of what some claim was the worst recession since the 1930s-era depression.³ Throughout the recession, various economic conditions may have weighed negatively on or been associated with Texas Lottery sales variations. These conditions included, but were not limited to, rising gasoline prices and worsening retail sales, diminishing consumer confidence, accelerating unemployment, and continuing declines in home building.

B. Impact of Economic Conditions

Texas Lottery

In 2013, Recent economic trends have affected Texas Lottery participation, as evidenced by data gathered in the Lottery's Player Segmentation Studies. To gauge the effect of the economic environment on lottery participation and spending, the Texas Lottery has included a series of questions in Segmentation Studies conducted since 2008. Respondents are asked whether current economic conditions affected their lottery purchases and how their purchases of lottery games have changed (spending more, less, the same, have stopped purchasing). Results from these survey items suggest that the negative

effect of recent economic conditions may be lessening. Twenty-eight percent of 2009 respondents reported that recent economic conditions had affected their lottery purchases; this figure increased in 2010 to 31 percent and in 2011 to 33 percent. In 2012, however, the percentage decreased to 31 percent, and in 2013, it dropped again to 23 percent. Among respondents that reported an effect on their lottery purchases, in both 2009 and 2010, seven percent claimed to be spending less money. In 2011, 55 percent of the respondents reported spending less money, a percentage that has remained roughly constant in 2012 and 2013 (54 and 56 percent, respectively). In 2011, 34 percent of respondents claimed to have stopped playing altogether. This was a slight decline from 37 percent in 2010. In 2012, 29 percent of respondents claimed to have stopped purchasing lottery games; in 2013, this figure declined to 25 percent.

Finally, interest rates have a direct impact on the advertised size of *Lotto Texas*, *Mega Millions* and *Powerball* jackpots. The advertised jackpot size is a function of sales volume and the interest rate necessary to support a stream of annuity payments, the sum of which is equal to the advertised jackpot. When interest rates are relatively lower, the size of the advertised jackpots will be smaller than when interest rates are relatively higher. Since sales are usually insufficient to support the advertised jackpots in the first few rolls of the *Lotto Texas* game, it is more costly for the Texas Lottery to fund the advertised amounts during periods when rates are low than when rates are high.

Charitable Bingo

Charitable Bingo attendance peaked in 1991 and has been in steady decline since that period until 2009, with an increase of .53 percent from 2008 to 2009. Even with approval of the style of

³ Willis, Bob. 2009. "U.S. Recession Worst Since Great Depression, Revised Data Show. Available at: <http://www.bloomberg.com/apps/news?pid=20601087&sid=aNivTjr852Tl>.

play pull-tab games that increased total gross receipts each year from 2002 to 2012, attendance declined each year.

Historically, the only type of demographic player information the CBOD measured was the attendance number reported by each licensed conductor on their quarterly reports. The CBOD could also quantify the number of licensed conductors in Texas. The reported attendance numbers on the quarterly reports are cumulative, not individual; therefore, it cannot be determined whether the same people are playing bingo or whether new people are playing bingo. What can be determined is that since charitable bingo peaked in 1991, the bingo industry has experienced a decline in attendance and a decline in licensed bingo conductors.

When card-minders were introduced to bingo in 1996, the bingo industry and the Texas Lottery expected that the card-minding devices would attract younger players and, hence, increase attendance. However, there has been no noticeable increase in attendance or in the number of licensed conductors since the introduction of card-minders.

C. Gaming Competition

The Texas Lottery Commission technically has no direct intrastate competition, but other gaming options exist that compete for Texans' gambling dollars, including pari-mutuel wagering at horse and greyhound tracks; eight liners; Internet gaming; sports betting; and casinos, even apart from other, nongaming entertainment options such as going to a restaurant or seeing a movie. Nationally, in 2012, consumers spent \$202.2 billion on full-service restaurants, much more than the \$37.3 billion they spent gambling in casinos.⁴ By comparison, in 2012, Texas Lottery sales were \$4.19 billion.

⁴ American Gaming Association, (2013). 2013 state of the states, the AGA survey of casino entertainment. Washington, DC: Author

Horse and Greyhound Racing

According to the Texas Gaming Association, in 2010, \$502.3 million was wagered at the state's 13 active horse and greyhound race tracks. Of this amount, \$42.06 million was wagered on live racing at that track, with the remaining wagers consisting of simulcast and export wagers. Just under \$21 million in revenue was deposited to the Texas Racing Commission (TRC) account.⁵ According to a study prepared by the TRC, however, the pari-mutuel industry in Texas is in decline. Data from all operating racetracks for the 5 years preceding 2010 show that:

- Attendance decreased 12 percent;
- The total amount of money wagered fell more than 23 percent;
- The number of live racing performances diminished from 1,228 in 2005 to 578 in 2009; and
- The amount of revenue available to racetracks, horse and greyhound purses, local communities and the state decreased.

Further, the TRC asserted, the situation in 2010 had not improved.⁶

Native American Casinos

Of the 466 tribal casinos operating in 28 states, Texas has just one, the Lucky Eagle Casino in Eagle Pass operated by the Kickapoo Indians, and it is limited to Class II gaming (essentially, electronic bingo).⁷

Charitable Bingo

In 2009, 1,255 licensed conductors of charitable bingo generated \$692.9 million in gross receipts at 416 facilities. Approximately 74 percent of this

⁵ Texas Gaming Association. (n. d.). *The footprint of gaming in Texas (Issue Brief)*. Austin, TX: Author.

⁶ Texas Racing Commission (2011, January). *Study of the current state of horse and greyhound racing in Texas and industry recommendations for improvement*. Austin, TX: Author.

⁷ Texas Gaming Association, Footprint, op. cit., p. 3

amount, or \$514.3 million, was paid out in prizes, leaving \$178.6 million. A total of \$35.9 million, roughly 20 percent of the net balance, was distributed to charities, and \$13.5 million was allocated to the state. The remaining \$124.5 million went to the bingo facility operators.⁸

Eight Liners

It is estimated that Texas has anywhere from 30,000 to as many as 150,000 illegal eight-liner machines located in strip centers and various other venues throughout the state. These machines work just like slot machines, but they are unregulated and untaxed. The best estimate is that Texans lose \$1.9 billion in these machines each year.⁹

Internet Gaming

Internet gaming has grown exponentially over the past few years, even though it is not currently legal in the United States. The best estimates are that between 3 and 15 million Americans play poker online for money each year. Industry experts estimate that online gambling sites generated \$5.4 billion in revenue from Americans in 2009, with several hundred million coming from Texans.¹⁰

Sports Betting

Wagering on the outcome of professional and collegiate sports is illegal in every state except for Nevada, where \$2.57 billion in legal wagers generated \$136.4 million in revenue for sports books in the state. It is estimated that legal sports books make up only 1 percent to 4 percent of all sports wagering in the United States. Illegal wagering on sports in Texas is likely upwards of \$1 billion each year. Again, this activity is unregulated and untaxed.¹¹

Casinos

The primary competition for the Texas Lottery is casino gambling in states that border Texas — Oklahoma, New Mexico, and Louisiana. There

is also significant gambling activity in Mexico just across the Texas border, but there are no readily available data that accurately measure these expenditures. According to estimates, Texans spend from \$3 to \$10 billion in other U. S. states on casino gaming. Over 80 percent of Texans live within a 3-hour drive of a casino, not including horse and greyhound racetracks.¹²

Oklahoma has a total of 108 casinos; well over 20 of these facilities are within 3 hours of downtown Dallas. These facilities generated \$3.21 billion in revenue in 2009, the vast majority from Texans. WinStar World Casino is located just across the Texas-Oklahoma border. It is the fifth largest casino in the world, with 5,700 electronic games, 76 table games, off-track betting, bingo, and poker. More than 90 percent of the casino's customers come from the Dallas-Fort Worth metroplex area.¹³

New Mexico has a total of 27 casinos, five of which are racinos (combination racing and casinos). Altogether, these facilities accounted for \$1.03 billion in revenue in 2009. The five racinos brought in close to \$250 million in gaming revenue alone, almost entirely from Texans.¹⁴

Louisiana has a total of 18 commercial casino and three tribal casino operations, and 10 of these are less than 3 hours from downtown Dallas-Fort Worth or Houston. In addition, there are 2,294 video poker outlets with 14,571 gaming devices across the state. In 2009 alone, these commercial facilities raked in close to \$2.5 billion in revenue, mostly from Texans.¹⁵ Two of the top 20 casino markets in 2012 were in Louisiana, in Lake Charles and New Orleans.¹⁶

¹² Texas Gaming Association. (n. d.). Texans are paying for the public schools and highways in other states. It's time to get into the game (Issue Brief). Austin, TX: Author.

¹³ Ibid., p. 3

¹⁴ Ibid., p. 2

¹⁵ Ibid., p. 3

¹⁶ American Gaming Association, op. cit., p. 11

⁸ Ibid., p. 2

⁹ Ibid., p. 3

¹⁰ Ibid., p. 3

¹¹ Ibid., p. 3

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VII. IMPACT OF FEDERAL STATUTES/REGULATIONS

A. Current Federal Legislation

On February 7, 2014, the federal Agricultural Act of 2014 (H.R. 2642) was signed into law. Section 4009 of the Act, titled “Ending Supplemental Nutrition Assistance Program Benefits For Lottery or Gambling Winners,” provides that “Any household in which a member receives substantial lottery or gambling winnings ... shall lose eligibility for benefits immediately upon receipt of the winnings.” Section 4009 requires each state agency responsible for the administration of the federally aided public assistance programs to “establish agreements with entities responsible for the regulation or sponsorship of gaming in the state to determine whether individuals participating in the supplemental nutrition assistance program have received substantial lottery or gambling winnings.”

In February 2014, the Texas Health and Human Services Commission (HHSC) contacted the Texas Lottery Commission to discuss entering into an Interagency Agreement to allow the HHSC to obtain data on lottery winners to verify eligibility for agency benefit programs. Negotiations are in progress, and the Texas Lottery Commission anticipates entering into an agreement with HHSC in the near future.

legislation initially identified in draft form as the Internet Gambling Control Act, and now titled the Restoration of America’s Wire Act (RAWA). The proposed legislation prohibits all forms of Internet gaming, and seeks to restore the long-standing interpretation of the Wire Act. It also reverses the Department of Justice’s previous December 2011 decision to expand online gaming.

Both bills remain pending, and neither has passed the committee hearing stage as of the completion of this report.

B. Pending Federal Legislation

During the 113th session of Congress, U.S Senator Lindsey Graham introduced S.B. 2159, and Representative Jason Chaffetz introduced H.R. 4301, which were referred to committees as bipartisan

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VIII. OTHER LEGAL ISSUES

A. Impact of Recent and Proposed Legislation

During the 83rd Legislative Session, the following legislation impacting the Texas Lottery Commission was enacted:

HB 394 – Relating to limits on prizes for bingo games. Authorizes bingo prizes of \$50 or less being exempt from the \$2500 aggregate prize cap.

HB 2197 – Relating to the continuation and functions of the Texas Lottery Commission. The Sunset Bill was enacted to include major provisions applying to both the lottery and bingo. Provided is a summary of the major provisions included in the bill:

- Continues the Texas Lottery for 12 years until September 1, 2025.
- Increases the Commission size from a three to five-member board.
- Requires the Commission to approve all major contracts.
- Requires the Commission to develop a Comprehensive Business Plan aimed at improving the lottery's efficiency and performance for the benefit of the Foundation School Fund.
- Requires scratch-off game tickets containing words in a language other than English, to include disclosures in that language.
- Requires unclaimed prizes currently transferred to the General Revenue be deposited in the Foundation School Fund.
- Removes the fixed bingo license amendment fee

from statute and requires the commission to adjust fees by rule.

- Removes the fixed annual bingo license fee for manufacturers and distributors from statute and requires the commission to set the fee by rule.
- Authorizes the Commission to charge a fee to cover the costs of adding bingo hall workers to the Registry of Approved Bingo Workers.
- Requires the Commission to develop a goal to audit all high-risk bingo licensees within a prescribed time frame and develop audit policies in rule.
- Requires the Commission to address criminal history information in bingo regulation in a manner that relates directly to the duties and responsibilities of the regulated occupation.
- Establishes a 10-member legislative interim review committee to study the process and impacts of eliminating the state lottery and the review of charitable bingo and the distribution of charitable bingo revenue.

Additionally, all of the provisions of the sunset bill took effect on September 1, 2013. The adoption of any rules, policies and procedures mandated by changes in the law made by HB 2197 were required to be implemented by the Commission not later than January 1, 2014.

SB1– General Appropriations Act. SB1 authorized an increase to General Revenue appropriations, contingent upon licensing fee increases, in the amount of \$1,224,876 for the biennium and 14 new FTEs for the Charitable Bingo Operations Division. The bill also appropriated additional funds of \$2.5 million for the redesign of the Au-

tomated Charitable Bingo System and, through a new rider, appropriated an estimated \$60,000 each year for funds collected from third party reimbursements in accordance with various statutes in the Texas Occupations Code.

SB 559 – Relating to the remittance of certain taxes and fees and the allocation of certain state money. Repeals Government Code 466.355(c) which currently requires the Comptroller to estimate the amount to be transferred to the foundation school fund on or before September 15th prior to August 25th each year.

During the 83rd Legislative Sessions, the following bills potentially impacting the Texas Lottery Commission were filed, but were not enacted:

HB 109 – Relating to local option elections to legalize or prohibit the operation of eight-liners and the imposition of a fee on eight-liner owners. Would have authorized local option elections to legalize or prohibit the operation of eight-liners in a respective jurisdiction.

HB 292 – Relating to the authorization and regulation of poker gaming and the duties of the Texas Lottery Commission. Would have created the Poker Gaming Act, legalizing the play of poker and further require that it be regulated and licensed by the Texas Lottery Commission.

HB 1270 – Relating to certain unclaimed lottery prize money. Would have authorized a portion of unclaimed prizes to be directly transferred to the Foundation School Fund instead of the General Revenue Fund.

HB 1443 – Relating to the dedication of certain unclaimed lottery prize money to fund the repair, restoration, and permanent dry berth of the Battleship “Texas.” Would have dedicated a portion of unclaimed prizes to the Parks and Wildlife Department to fund the repair and restoration of the Battleship Texas.

HB 1919 – Relating to the defenses of prosecution of certain gambling offenses. Would have amended the penal code to clarify that Internet web pages that require a password and deny access to the public can qualify as “private place” for purposes of this defense to prosecution.

HB 2027 – Relating to the amount of unclaimed lottery prize money to be deposited in the fund for veterans’ assistance. Would have directed the lottery’s unclaimed prize money to be deposited in the Texas Veterans Commission’s Fund for Veterans’ Assistance.

HB 2098 – Relating to the authorization and regulation of social poker establishments and the duties of the Texas Department of Licensing and Regulation. Would have authorized poker to be played at various “social poker establishments” if establishments meet licensing criteria as required by the Department and Regulation.

HB 2375 – Relating to the authorization of race track extension locations, providing rulemaking authority to the commission and comptroller, and providing for administrative penalties. Would have allowed racetrack associations in the state to operate “racetrack extensions” known as off-track betting sites for pari-mutuel wagering on simulcast races would be permitted.

HB 2489 – Relating to the marketing and advertising of the veterans’ assistance lottery game. Would have required the Texas Lottery Commission to expend an equivalent amount of its marketing and advertising budget to promote the veterans’ game as the Commission spends on any other scratch-off game. Identical to SB 871 by Davis.

HB 2603 – Relating to the operation of casino gambling in this state by federally recognized Indian tribes on certain land. Would have required enabling legislation for HJR 117 that requires the legislature to authorize casino gaming conducted by federally recognized Indian tribes by creating Chapter 2004 of the occupations code,

legalizing gaming and giving regulatory authority to the Lottery.

HB 2672 – Relating to a change in the distribution of money in the state lottery account.

Would have diverted all unclaimed prize money to the Foundation School Fund.

HB 2729 – Relating to the operation of video lottery games by licensed horse and greyhound racetrack operators, to a defense for the operation of video lottery by Indian tribes, to the authority of the Texas Lottery Commission.

Would have required the Lottery Commission to create and operate a video lottery system and regulate video lottery terminals (VLT's) linked to the video lottery system. The VLT's would only be allowed at licensed dog and horse racetracks that actively conducted racing and allow pari-mutuel wagering.

HB 3012- Relating to certain gaming activity conducted by an Indian tribe or tribal organization. Would have amended section 47.09 of Penal Code to allow for a defense to prosecution for conduct related to gambling that is or may be permitted by the Indian Gaming Regulatory Act (IGRA). It offered only a defense to prosecution, rather than authorizing Indian gaming, with a chance that a tribe's gaming operations could be shut down.

HB 3529 – Relating to regulation of certain online poker facilities under federal law. Would have enabled legislation for proposed constitutional amendment HJR 141/SJR 43 providing for Internet poker.

HCR 127 – Requested the creation of a joint interim committee to study the gaming industry in Texas. Would have established the creation of a joint interim committee to study the gaming industry in Texas and its direct impact on specific markets and the state as a whole.

HJR 25 – Proposed a constitutional amendment to dedicate net revenue from the state lottery to support educational programs that benefit

classroom teaching in the state's public schools.

Would have proposed a constitutional amendment dedicating net revenue from the state lottery to support educational programs that benefit classroom teaching in the state's public schools.

HJR 27 – Proposed a constitutional amendment authorizing local option elections to legalize or prohibit the operation of eight-liners. Would have proposed a constitutional amendment authorizing local option elections to legalize or prohibit the operation of eight-liners.

HJR 47 – Proposed a constitutional amendment requiring the legislature to establish a state gaming commission and to authorize and provide for the regulation of gaming conducted at certain locations in this state. Would have established a gaming commission and authorize and provide the regulation of conduct of one or more types of gaming including casinos.

HJR 98 – Proposed a constitutional amendment to authorize the Kickapoo Traditional Tribe of Texas to conduct gaming by executing a gaming agreement with this state. Would have created section 47a in Article III of the Constitution to allow the Kickapoo Indian Tribe to conduct full scale gambling on their reservation and possibly other lands.

HJR 117 – Proposed a constitutional amendment authorizing the operation of casino games in this state by federally recognized Indian tribes on certain land. Would have created section 47a in Article III of the Constitution, hereby requiring the legislature to authorize casino gaming conducted by federally recognized Indian tribes.

HJR 121 – Proposed a constitutional amendment authorizing a state video lottery system to operate video lottery games at certain horse and greyhound racetracks. Would have authorized the legislature to legalize and regulate a video lottery system that allows players to play lottery games of chance on video lottery terminals at horse and

greyhound racetracks where pari-mutual wagering is authorized.

HJR 131 – Proposed a constitutional amendment providing immediate additional revenue for the state budget by creating the Texas Gaming Commission, and authorizing and regulating the operation of casino games and slot machines. Would have created a Texas Gaming Commission to regulate casino gaming and slot machines.

HJR 141 – Proposed a constitutional amendment to authorize online poker gaming regulated under federal law. Dependent on passage of federal law that would have established a program to license the operation of online poker facilities and allow any state the option of applying the federal law to authorize licensed online poker facilities to accept bets for online poker games from individuals of the state.

SB 55 – Relating to local option elections to legalize or prohibit the operation of eight-liners and the imposition of a fee on eight-liner owners. Would have allowed local option elections to legalize or prohibit the operation of eight-liners.

SB 210 – Relating to the continuation and functions of the Texas Lottery Commission. Identical to HB 2197 Sunset bill.

SB 282 – Relating to the limits on prizes for bingo games. Would have exempted Bingo prizes of \$50 less from the \$2500 aggregate prize cap. (Identical Companion to HB 394)

SB 443 – Relating to the regulation of game rooms in certain counties; providing penalties; authorizing a fee. Would have covered a game room as a business that has 5 or more “amusement redemption machines” at specific locations in Harris County.

SB 663 – Relating to the amount of unclaimed prize money to be deposited in the fund for veterans’ assistance. (Identical to HB 2017 by

Turner) Would have directed the lottery’s unclaimed prize money to be deposited in the Fund for Veterans’ Assistance.

SB 789 – Relating to video lottery games by licensed horse and greyhound racetrack operators, to a defense for the operation of video lottery by Indian tribes, to the authority of the Texas Lottery Commission. Would have required the Lottery Commission to create and operate a video lottery system and to also regulate video lottery terminals (VLT’s) linked to the video lottery system. The VLT’s would only be allowed at licensed dog and horse racetracks that actively conducted racing and allow pari-mutuel wagering. (Identical to HB 2729)

SB 799 – Relating to the operation of video gaming by authorized organizations and commercial operators that are licensed to conduct bingo or lease bingo premises; providing penalties; imposing fees. Would have authorized video gaming (VLT’s) on bingo premises and the licensing of video gaming manufacturers, distributors and retailers.

SB 871 – Relating to the marketing and advertising of the veterans’ assistance lottery game. Would require the Texas Lottery Commission to expend an equivalent amount of its marketing and advertising budget to promote the veterans’ game as the Commission spends on any other scratch-off game.

SB 1103 – Relating to the regulation of certain online poker facilities under federal law. Would have enabled legislation for the proposed constitutional amendment SJR 43, providing for Internet poker.

SB 1132 – Relating to certain gaming conducted in this state by federally recognized Indian tribes on tribal land. Would have enabled legislation for the proposed constitutional amendment SJR 45 that would have authorized a federally recognized Indian tribe to conduct Class II gaming

and any gaming authorized under the Texas Constitution or state law and conducted by an individual, organization, group or entity in this state.

SB 1371 – Relating to certain gaming activity conducted by an Indian tribe or tribal organization. Would have amended Section 47.09(a), of the Penal Code prosecutorial latitude under this Chapter related to the conduct of participation in gambling or other gaming activities of the Indian Gaming Regulatory Act (IGRA).

SB 1503 – Relating to the licensing and regulation of amusement redemption machines at certain locations. Would have amended Chapter 2153 of the Occupations Code to require that anyone with more than 10 amusement machines at a single location must obtain a license from the Comptroller.

SJR 6 – Proposing a constitutional amendment providing immediate additional revenue for the state budget by creating the Texas Gaming Commission. Resolution would have authorized the creation of the Texas Gaming Commission to authorize and regulate casino games, slot machines by licensed operators and certain Indian tribes. Temporary oversight conducted by the Texas Lottery Commission until the new Gaming Commission is established and functioning.

SJR 36 – Proposing a constitutional amendment authorizing a state video lottery system to operate video lottery games at certain horse and greyhound racetracks. Resolution would have amended Article III of the Texas Constitution and include possible regulatory oversight by the Texas Lottery Commission.

SJR 37 – Proposing a constitutional amendment authorizing the legislature to legalize the operation of video gaming in this state by persons or organizations licensed to conduct bingo or lease bingo premises. Resolution would have amended Article III of the Texas Constitution.

SJR 40 – Proposing a constitutional amendment to authorize the Kickapoo Traditional Tribe of Texas to conduct gaming by executing a gaming agreement with this state. Identical Companion to HJR 98. Resolution would have created and amend sections in Article III of the Texas Constitution to allow the Kickapoo Indian Tribe to conduct full scale gambling on their reservation and possibly other lands.

SJR 43 – Proposing a constitutional amendment to authorize online poker gaming regulated under federal law. Resolution would have created and amended Article III of the Texas Constitution.

SJR 45 – Proposed a constitutional amendment authorizing the operation of certain gaming in this state by federally recognized Indian tribes on tribal land. Resolution would have amended 47 in Article III of the Texas Constitution and authorize Class II gaming by a federally recognized Indian tribe as defined by the federal Indian Gaming Regulatory Act (IGRA).

SJR 64 – Proposing a constitutional amendment providing immediate additional revenue for the state budget by creating the Texas Gaming Commission, and authorizing and regulating the operation of casino games and slot machines. Resolution would have amended Article III of the Texas Constitution, creating a Texas Gaming Commission, authorize casino style gaming and allow for federally recognized Indian tribes to conduct Class II gaming regulated by the National Indian Gaming Commission.

B. Impact of Current and Outstanding Court Cases

Department of Texas, Veterans of Foreign Wars, et al. v. Texas Lottery Commission, et al.

Texas Occupations Code sections 2001.456(2)-(3) prohibit licensed bingo organizations from using net proceeds from bingo to support or oppose a

measure submitted to the public for a vote, or to influence or attempt to influence legislation. In this case, the Plaintiffs, all licensed bingo organizations, claim that the statutory prohibition on using bingo proceeds for such political advocacy work is a violation of their First Amendment right to free speech.

The Plaintiffs brought this suit challenging the constitutionality of sections 2001.456(2)-(3) in the U.S. District Court for the Western District of Texas on June 25, 2010. District Judge Sam Sparks agreed with the Plaintiffs that sections 2001.456(2)-(3) are an unconstitutional burden on political speech and forbid the Texas Lottery Commission from enforcing those provisions. Judge Sparks also awarded the Plaintiffs attorneys' fees. The Office of the Attorney General appealed the District Court's order to the Fifth Circuit Court of Appeals.

On appeal, a three-judge panel of the Fifth Circuit reversed the District Court's order on October 9, 2012. In a 3-0 decision, the Fifth Circuit concluded the political advocacy restrictions "fall within government's power to subsidize some activities to the exclusion of others and therefore do not penalize political speech." The Court said the state's bingo program amounted to a government subsidy to the licensed organizations. The Plaintiffs asked the panel to reconsider. On August 21, 2013, the same panel of judges issued a second opinion (this time a 2-1 decision), confirming that, because charitable bingo is a state subsidy program, the state may impose restrictions on the use of bingo proceeds for political advocacy: "Charities are free to participate in the bingo program and to engage in political advocacy, they simply must not use bingo proceeds to do so." The full Court granted rehearing of this opinion, and oral argument before the entire Court was heard on January 22, 2014. This case remains at the Fifth Circuit pending a final decision from the Court.

State of Texas v. Equal Employment Opportunity Commission, et al.

On November 4, 2013, the State of Texas filed suit

in U.S. District Court for the Northern District of Texas, challenging the EEOC's 2012 "Enforcement Guidance," guidelines purporting to limit the right of employers (including state agencies) to exclude convicted felons from employment. The guidelines state that agency hiring policies that categorically exclude all convicted felons create an unlawful "disparate impact," and federal law mandates that all employers conduct "individualized assessments" of convicted felons' job applications. The guidelines state if an employer refuses to hire a convicted felon, the employer has the burden to prove the felony disqualification is "job related for the position in question and consistent with business necessity." The EEOC is investigating and challenging employers who use felony convictions as an absolute bar to employment.

The Texas Lottery Commission is not a party to this case, but is referenced as one of several agencies with an absolute ban on hiring convicted felons (citing the Commission's long-standing written policy). Other agencies cited by the State as examples are: the Department of Public Safety, Department of Aging and Disability Services, General Land Office, Texas Juvenile Justice Department, Texas Parks and Wildlife Department, as well as Texas school districts.

The resolution of this lawsuit may affect the Texas Lottery Commission's policy of excluding all convicted felons from employment.

C. Attorney General Opinions

Authority to Conduct Second-Chance Drawings and Any Game of Chance via the Internet (Attorney General Opinion GA-0950)

On June 13, 2012, the Office of the Attorney General (OAG) issued an opinion regarding the Texas Lottery Commission's authority to conduct second-chance drawings for non-winning tickets and other games via the Internet. The OAG concluded the Texas Lottery likely has authority to utilize the In-

ternet in its promotional second-chance drawings pursuant to its broad authority under the State Lottery Act, and absent prohibition otherwise.

In its brief to the OAG and in other public statements, the Commission has said it strongly believes that conducting lottery drawings via the Internet and the sale of lottery tickets via the Internet are both policy decisions best determined by the Texas Legislature. In the absence of express authority, the Commission has no intention of pursuing Internet lottery sales or conducting drawings via the Internet.

Whether the proposed new lottery game “Texas Triple Chance” qualifies as a “lottery” under the guidelines set by the Texas Constitution (RQ-1185-GA)

On February 10, 2014, the OAG received a request for an opinion from Senator Robert F. Deuell asking whether the Texas Lottery Commission’s proposed new draw game, “Texas Triple Chance,” established by rule at 16 Texas Administrative Code Section 401.322, qualifies as a “lottery” under the Texas Constitution because the game offers preset (or “guaranteed”) prize amounts. On February 13, 2014, the Commissioners issued an order adopting the Texas Triple Chance lottery game rule with an instruction to the executive director “not to start sales for Texas Triple Chance or expend agency funds to implement this specific game pending the outcome of the Texas Attorney General’s opinion.”

The issue presented in the request for opinion potentially impacts more than the Commission’s proposed Texas Triple Chance game. On March 3, the Commission submitted a brief to the OAG in response to this request for opinion. The Commission stated it believes Texas Triple Chance and other Texas Lottery games that offer guaranteed prizes are authorized lottery games under the Texas Constitution, following the analysis established by the OAG in prior opinions reviewing the Commis-

sion’s authority, because the common understanding of the term “state lottery” at the time Texas voters approved the constitutional amendment authorizing a state lottery included such types of games. Guaranteed prize games have been a core feature of many state lotteries since before the Texas Lottery was authorized by the voters in November 1991, and have been in the Texas Lottery’s draw game portfolio since 1993 (when the Texas Lottery was a Division of the Texas Comptroller of Public Accounts). Further, nothing in the Texas common law or the State Lottery Act indicates that a game with guaranteed prizes cannot be a lottery game.

The OAG’s opinion in this matter is expected to be issued by August 2014.

Whether the Lottery Commission may deny or revoke an entity’s bingo-related license based on the criminal history of an individual associated with that entity (Attorney General Opinion GA-1065)

On December 12, 2013, the Commission Chairman submitted a request for opinion to the OAG inquiring whether the Commission may deny or revoke a legal entity’s bingo-related license based on the criminal history of an individual associated with that entity (such as an officer or director of a corporation) for an offense that is not explicitly listed as a disqualifying offense in the Bingo Enabling Act (BEA). Under the BEA, the Commission may not issue a bingo-related license to an entity when certain individuals associated with that entity have been convicted of gambling, a gambling-related offense, or criminal fraud. However, under the Commission’s recently enacted sunset legislation, the Commission is now required to apply Chapter 53 of the Texas Occupations Code when issuing or renewing bingo-related licenses. Under Chapter 53, a licensing agency may deny or revoke a “person’s” license if that “person” has been convicted of one or more of four particular classes of offenses.

On June 9, 2014, the OAG issued an opinion concluding that Chapter 53 does not authorize the Commission to deny or revoke an entity's bingo-related license solely on the basis that an officer, director, or shareholder has been convicted of an offense specified in Chapter 53: "The Legislature has chosen not to give the Commission the authority to revoke or deny an entity its license for the conviction of an individual required to be listed in the entity's application for an offense other than gambling, a gambling-related offense, or criminal fraud."

D. Other Legal Issues

Multi-State Lottery Association/Powerball and Mega Millions Games

Effective March 1, 2014, the Texas Lottery Commission joined the Multistate Lottery Association (MUSL) and now offers *Powerball* as a MUSL member, and *Mega Millions* through the Cross-Sell Agreement between MUSL and the Mega Millions Party Lotteries.

TEXAS LOTTERY COMMISSION

Agency Strategic Plan
Fiscal Years 2015 – 2019

IX. SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

A. Accomplishments

The Texas Lottery is proud of its accomplishments in the following areas:

- economic development
- revenue and tax collection
- performance measures and customer satisfaction
- regulation and compliance
- public confidence and trust
- game and product innovations
- public awareness
- public service initiatives

Through its work in these areas, the agency has fulfilled the requirements of the State Lottery Act and Bingo Enabling Act, and has initiated programmatic changes as necessary to generate revenue for the state of Texas and fulfill the Texas Lottery's vision to be the preeminent lottery and charitable bingo agency through innovative leadership.

Since 1992, the Texas Lottery has generated revenue for good causes in the state of Texas exceeding \$21 billion, for programs including education, veterans' services and other important state programs. Through close adherence to our vision, mission and core values, the Texas Lottery is dedicated to ensuring that these benefits continue in the future.

Selling lottery tickets and generating revenue for good causes is only part of the Texas Lottery's mission. Encouraging the public to "Play Responsibly" is an important initiative, and the Texas Lottery proudly serves as a contributing member

of the National Council on Problem Gambling. Likewise, the Texas Lottery outsources a number of large contracts to the private sector, and, in doing so, encourages the use of Historically Underutilized Businesses (HUBs) in Texas. State service initiatives like the AMBER, Silver and Blue Alert programs are also important to us and we continually look for new opportunities in these areas.

Nationally and globally, the Texas Lottery continues to take a leadership role in the two multi-jurisdictional lottery organizations, the North American Association of State Lotteries (NASPL) and the Multi-State Lottery Association (MUSL), filling the presidency role for NASPL and focusing on product development for MUSL.

Economic Development

From its inception in May 1992 through the end of FY 2013, the Texas Lottery generated \$70.9 billion in sales and returned more than \$21.6 billion in revenue to the state of Texas. The Texas Lottery contributes to economic development in Texas by generating revenue for the state of Texas and non-profit organizations through the conduct of its lottery and charitable bingo operations, respectively. Gross dollars generated by these activities also result in the creation of new jobs and businesses in local communities within the Texas economy. The Texas Lottery consistently ranks highest in gross sales among Texas entertainment-industry providers, as shown in Table 16.

TABLE 16
GROSS SALES OF THE TEXAS ENTERTAINMENT INDUSTRY
(BY CALENDAR YEAR)

INDUSTRY	2008	2009	2010	2011	2012	2013
PERFORMING ARTS COMPANIES*	\$217,368,502	\$1,838,934,975	\$245,198,909	\$323,502,152	\$446,367,759	\$321,472,107
SPECTATOR SPORTS*	\$416,576,659	\$532,554,858	\$528,686,683	\$590,400,207	\$642,451,504	\$590,540,327
MUSEUMS, HISTORICAL SITES, AND SIMILAR INSTITUTIONS*	\$77,828,411	\$78,753,258	\$78,750,723	\$81,310,986	\$84,020,205	\$66,319,826
AMUSEMENT PARKS & ARCADES*	\$527,434,286	\$508,548,985	\$509,414,247	\$566,420,808	\$607,056,772	\$524,386,771
GAMBLING INDUSTRIES*	\$32,120,110	\$29,794,276	\$29,794,276	\$30,005,282	\$30,578,408	\$22,346,303
OTHER AMUSEMENT & RECREATION INDUSTRIES*	\$3,222,436,046	\$3,137,139,685	\$3,177,267,521	\$3,346,507,487	\$3,595,313,289	\$2,888,417,078
RACETRACKS*	\$97,858,231	\$85,914,715	\$72,693,976	\$65,635,089	\$59,683,830	\$45,140,649
TEXAS LOTTERY	\$3,645,999,482	\$3,773,590,861	\$3,733,639,571	\$3,863,446,227	\$4,321,638,126	\$4,427,929,573
CHARITABLE BINGO	\$685,573,612	\$693,292,264	\$699,434,079	\$706,128,229	\$723,514,858	\$719,612,130

*Complete data for Calendar Year 2013 not yet available, numbers shown through September 2013.
Source: Texas Comptroller of Public Accounts and Texas Lottery Commission

Texas Lottery National Ranking

According to sales summaries provided by La Fleur's, the Texas Lottery was the fifth-ranked lottery in the United States for overall total sales in calendar year 2012, behind the New York, Massachusetts, Florida, and California lotteries.

TABLE 17
TOP 10 U.S. LOTTERIES
CALENDAR YEAR 2012

RANK	STATE LOTTERY	SALES* (\$ MIL.)
1	NEW YORK	7,245.0
2	MASSACHUSETTS	4,779.4
3	FLORIDA	4,755.7
4	CALIFORNIA	4,451.8
5	TEXAS	4,321.6
6	GEORGIA	3,940.2
7	PENNSYLVANIA	3,633.9
8	ILLINOIS	2,839.9
9	NEW JERSEY	2,814.4
10	OHIO	2,767.5

Source: La Fleur's 2013 World Lottery Almanac

Texas Lottery International Ranking

Based on calendar year 2012 sales, the Texas Lottery ranked 16th among lotteries worldwide, according to La Fleur's. International lotteries claimed the first seven positions in sales, while the New York, Massachusetts, Florida, and California lotteries were ranked 8th, 12th, 13th and 14th, as shown in Table 18.

Charitable Bingo

Since the first licenses were issued in 1982, charitable bingo has had positive benefits for charities, players, and state, county and municipal governments in Texas. Gross receipts from the conduct of charitable bingo total more than \$17.7 billion, bingo prizes awarded have been in excess of \$13 billion, and allocations to local jurisdictions have totaled approximately \$288.9 million. By the end of calendar year 2013, the total amount of charitable distributions from the conduct of bingo was \$1.0 billion.

Distributions by organizations conducting charitable bingo benefit the people of Texas in many ways that include providing assistance to local libraries, veterans organizations, museums, women's shelters, needy children, the disabled, homeless shelters, churches, schools, drug and alcohol treatment programs, medical treatment and research programs, volunteer fire departments, EMS units, police officer organizations, and senior citizen organizations, to name a few.

Local jurisdictions benefit from charitable bingo activity through allocations derived from charitable bingo prize fees.

Table 19 provides data related to gross receipts, prizes paid to players, charitable distributions, and allocations to cities and counties from 1982 through 2013.

Revenue and Tax Collection

The Texas Lottery collects revenue from a variety of sources, primarily lottery ticket sale proceeds,

**TABLE 18
INTERNATIONAL LOTTERY RANKINGS
CALENDAR YEAR 2012**

RANK	LOTTERY
1	ITALY (LOTTOMATICA)
2	CHINA WELFARE
3	CHINA SPORTS
4	FRANCE
5	SPAIN (LAE)
6	JAPAN
7	UNITED KINGDOM
8	U.S. - NEW YORK
9	GREECE (OPOP S.A.)
10	BRAZIL
11	SINGAPORE
12	U.S. - MASSACHUSETTS
13	U.S. - FLORIDA
14	U.S. - CALIFORNIA
15	ITALY (SISAL S.P.A.)
16	U.S. - TEXAS

Source: *La Fleur's 2013 World Lottery Almanac*

licensing fees, and charitable bingo taxes and prize fees. As part of this function, Texas Lottery staff provides customer service and information related to licensing and accounting issues for licensed lottery retailers and bingo licensees. Collections staff works with licensees to make sure all funds due to the state are either electronically transferred or manually processed in a timely manner. When necessary, staff prepares notices and evidence required for administrative disciplinary actions against licensees, and works to collect delinquent payments due the agency. Delinquent accounts are tracked and managed using all available collection tools, such as placing accounts on payee hold with the Comptroller of Public Accounts, bank account freezes, levies and property liens.

Prior to 1997, lottery proceeds were allocated to the General Revenue Fund. Since 1997, lottery

**TABLE 19
CHARITABLE BINGO FOR CALENDAR YEARS 1982 - 2013**

YEAR	GROSS RECEIPTS	BINGO PRIZES	CHARITABLE DISTRIBUTIONS	ALLOCATIONS
1982	\$66,488,368	\$45,102,756	\$3,536	\$657,184
1983	\$163,172,767	\$117,391,473	\$3,646,181	\$1,193,376
1984	\$221,814,070	\$161,408,850	\$17,993,595	\$4,047,322
1985	\$255,293,746	\$186,271,397	\$27,731,430	\$4,103,469
1986	\$302,657,186	\$220,241,691	\$18,814,743	\$3,745,303
1987	\$368,025,355	\$270,745,207	\$20,464,169	\$6,042,654
1988	\$467,011,652	\$346,054,120	\$28,082,676	\$7,935,380
1989	\$550,675,771	\$407,309,715	\$35,774,683	\$9,390,573
1990	\$621,449,048	\$447,567,333	\$47,668,061	\$9,560,443
1991	\$673,472,508	\$482,773,824	\$54,587,709	\$9,826,017
1992	\$668,120,245	\$484,992,347	\$48,192,980	\$5,961,898
1993	\$652,026,981	\$481,514,701	\$51,427,711	\$7,278,829
1994	\$633,053,560	\$471,699,954	\$48,796,271	\$10,729,548
1995	\$637,889,548	\$481,589,618	\$46,442,122	\$10,807,774
1996	\$610,763,544	\$460,626,238	\$40,480,040	\$10,690,662
1997	\$596,592,501	\$439,669,153	\$38,398,937	\$10,238,960
1998	\$605,786,700	\$432,737,727	\$42,588,718	\$9,919,696
1999	\$607,070,515	\$430,764,545	\$40,053,678	\$9,915,454
2000	\$582,767,393	\$413,799,779	\$36,809,265	\$9,589,796
2001	\$563,520,364	\$399,983,036	\$34,123,897	\$9,221,389
2002	\$557,086,857	\$397,920,227	\$31,745,178	\$9,098,223
2003	\$575,701,959	\$417,410,389	\$29,884,716	\$9,503,656
2004	\$604,736,529	\$444,841,402	\$30,044,665	\$10,303,938
2005	\$634,031,612	\$471,503,840	\$30,384,530	\$10,912,959
2006	\$658,325,172	\$492,181,753	\$31,997,726	\$11,589,240
2007	\$658,203,740	\$493,339,524	\$32,090,655	\$11,598,956
2008	\$685,573,612	\$513,228,658	\$32,852,800	\$11,866,340
2009	\$693,290,588	\$518,394,364	\$36,036,457	\$12,264,641
2010	\$699,434,079	\$526,737,400	\$33,910,570	\$12,338,567
2011	\$706,128,229	\$534,010,163	\$29,044,762	\$12,576,181
2012	\$723,514,858	\$549,003,354	\$29,464,079	\$12,898,689
2013	\$719,612,130	\$549,385,412	\$26,554,863	\$13,044,976
TOTAL	\$17,763,291,187	\$13,090,199,949	\$1,056,091,404	\$288,852,093

**TABLE 20
REVENUE TRANSFERRED
TO THE STATE,
FISCAL YEAR 1992 - 2013
(IN MILLIONS)**

ACCRUAL BASIS (ACTUAL)	
FY 1992	\$250
FY 1993	\$657
FY 1994	\$928
FY 1995	\$1,015
FY 1996	\$1,098
FY 1997	\$1,183
FY 1998	\$1,098
FY 1999	\$953
FY 2000	\$863
FY 2001	\$864
FY 2002	\$929
FY 2003	\$949
FY 2004	\$1,051
FY 2005	\$1,070
FY 2006	\$1,090
FY 2007	\$1,093
FY 2008	\$1,035
FY 2009	\$1,062
FY 2010	\$1,063
FY 2011	\$1,024
FY 2012	\$1,156
FY 2013	\$1,214

Source: Texas Lottery Commission

Figures as of 4/25/14.
Source: Texas Lottery Commission

proceeds have been dedicated to the Foundation School Fund to support public education in Texas; the Texas Lottery has contributed almost \$16 billion to the Foundation School Fund during that time. Other Texas Lottery funds, such as unclaimed prizes, revert back to the state for programs authorized by the Texas Legislature. Legislation was passed in 2009 directing the Texas Lottery to create and offer an instant scratch-off game for the benefit of the Fund for Veterans' Assistance administered by the Texas Veterans Commission.

The Fund awards reimbursement grants to eligible charitable organizations, local government agencies, and Veterans Service Organizations that provide direct services to Texas Veterans and their families. Approximately 90 percent of the revenue contributed to the Fund is derived from the sales of the Texas Lottery veteran's games. The first game was introduced in FY 2010 and since that time twelve additional games have been introduced with the proceeds supporting the fund. Through FY 2013, the Texas Lottery has transferred approxi-

mately \$27.5 million in proceeds for the benefit of Texas Veterans and their families.

In FY 2013, the Texas Lottery transferred approximately \$1.15 billion to the Foundation School Fund and \$6.2 million to the Fund for Veterans' Assistance. Including unclaimed prize money, total revenue transferred to the state was \$1.2 billion. The Texas Lottery recognizes that future results may flatten or possibly decrease, in large part due to the maturity of the lottery in Texas and due to increased competition from other gambling activities, legal and illegal, in Texas and in surrounding states.

Since the inception of the Texas Lottery through FY 2013, almost \$42 billion has been returned to players in the form of lottery prizes. The Texas Lottery's licensed retailers have received approximately \$3.5 billion in commissions and \$138 million in bonuses and incentives. In FY 2013, prizes paid to Texas Lottery winners totaled almost \$2.8 billion. Retailers received almost \$218.9 million in retailer commissions and \$17.9 million in retailer bonus and incentive payments, for a total of more than \$236 million in payments to Texas Lottery retailers.

The Texas Lottery's record transfer of approximately \$1.2 billion to the state of Texas marks the tenth consecutive year the agency has reached the \$1 billion mark since 2004. See Table 20, page 61. The Texas Lottery's revenue transfer in FY 2013 was based on overall sales of \$4.38 billion, the highest amount of total sales in the Texas Lottery's history.

Instant game sales for FY 2013 totaled approximately \$3.2 billion, marking the highest instant sales total in the Texas Lottery's history; and an increase of 4.4 percent over FY 2012. Spotlight instant tickets games with larger print runs and larger prizes, such as *10X Mega Money*, *\$500 Million Extreme Cash Blast*, and *\$200 Million Cash Spectacular*, were large contributors to the record sales.

Draw game sales experienced an increase as well in FY 2013. In total, draw game sales increased by approximately \$49 million, or 4.4 percent,

from the prior year sales total, and constituted the highest draw sales since FY 2004. This increase is primarily attributable to the continued success of the \$2 *Powerball*, *Daily 4* and the new draw game *All or Nothing*. *Powerball* and *Power Play* increased \$131.3 million or 66.1 percent over the prior year, and *Daily 4* finished with record sales of approximately \$75 million. *All or Nothing*, which was introduced in the fall of 2012, also contributed \$63.6 million in new sales.

In addition to transfers to the Foundation School Fund and the Fund for Veterans' Assistance, the Texas Lottery also contributed revenue from other sources, such as unclaimed prizes and collection of debts owed to the state.

During FY 2013, the Texas Lottery transferred \$59.9 million in unclaimed prizes to the state. This brings the total amount of unclaimed prizes transferred to the state to approximately \$785 million since the first statutory change was made addressing unclaimed prizes in 1999. The biggest beneficiary of unclaimed lottery prizes to date has been the General Revenue Fund, which has received approximately \$431 million. Prior to statutory changes in 1999, unclaimed prize money was used by the Texas Lottery to provide additional money for the payment of prizes, and unclaimed prize money on hand at the end of a fiscal year was then returned to the state.

As directed by statute, each of the fiscal years of the 2012 – 2013 biennium, the Texas Lottery transferred \$5.75 million of unclaimed prizes to the Department of State Health Services (DSHS) for the credit of the Multicategorical Teaching Hospital Account (Account No. 5049). The Texas Lottery also transfers unclaimed prizes from specific instant ticket games that benefit the Fund for Veterans' Assistance, to that Fund. Any unclaimed prizes in excess of those amounts are transferred to the state's General Revenue Fund. Beginning with the 2014 – 2015 biennium, unclaimed prizes previously transferred to General Revenue Fund will be transferred to the Foundation School Fund.

Finally, the Texas Lottery assists in collecting debts owed to the state of Texas. Before the Texas Lottery pays a claimant his or her prize, staff checks to ensure that the winner does not have certain outstanding debts to the state. This effort has garnered approximately \$8.2 million for the state over the

past three years to satisfy debt that might have otherwise gone unpaid.

A breakdown of how an average dollar spent on Texas Lottery games is distributed, is in Figure C, below.

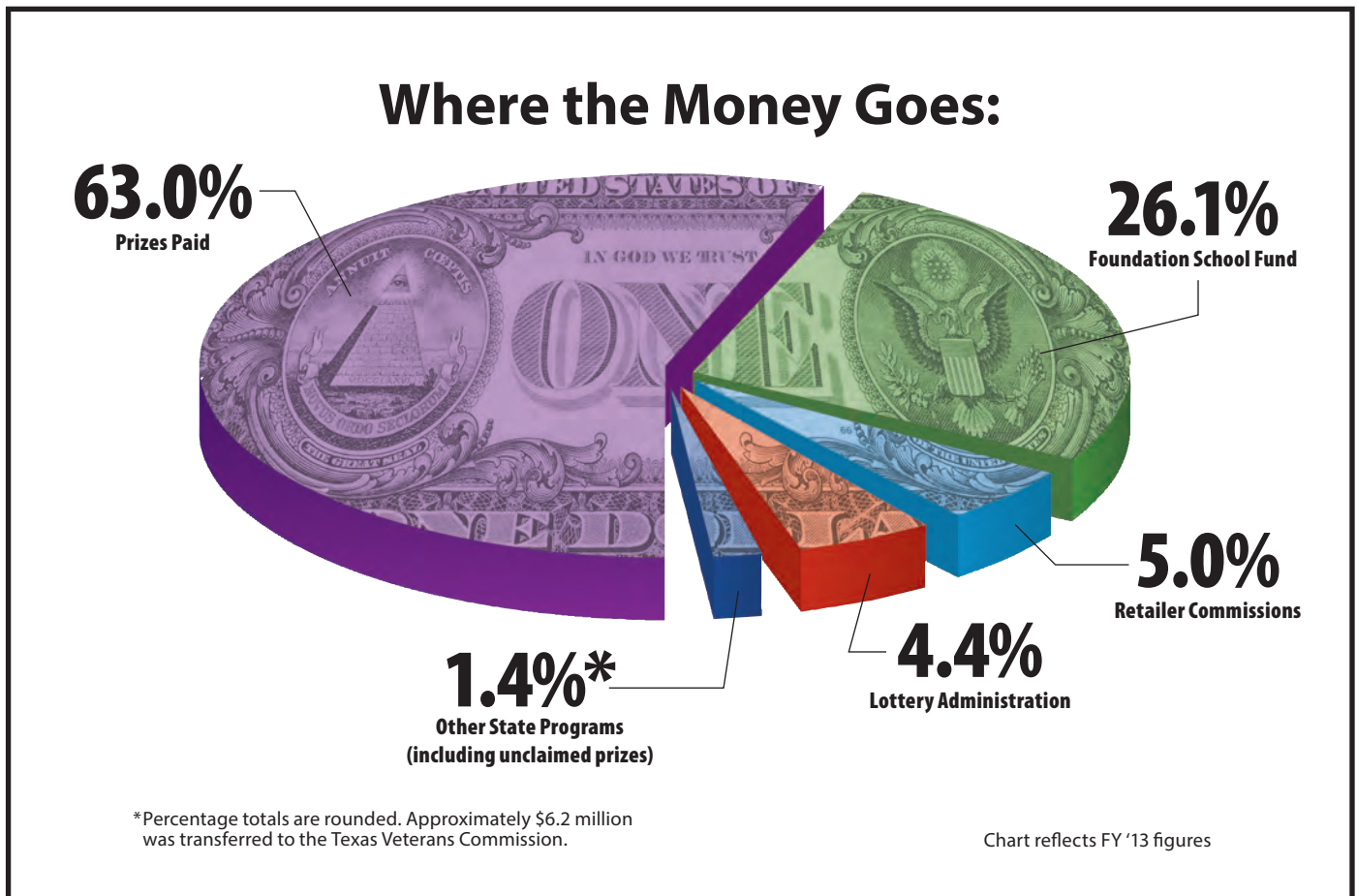


FIGURE C

Charitable Bingo

In calendar year 2013:

- \$719.6 million in gross receipts was generated from the conduct of charitable bingo in Texas;
- \$549.4 million was paid in prizes to bingo players;
- \$26.6 million was distributed to charitable purposes by licensed conductors;
- \$28.7 million in prize fees and taxes was collected from charitable bingo activities;
- \$2.9 million was collected in charitable bingo license fees; and
- \$31.9 million was deposited to the General Revenue Fund, of which \$13.0 million in allocations was returned to local jurisdictions for their share of charitable bingo prize fees.

EVALUATION AND OPPORTUNITIES

Table 21 provides data on charitable bingo licenses and revenue for fiscal years 2008-2013.

**TABLE 21
CHARITABLE BINGO LICENSES, REVENUE AND EXPENDITURES
CALENDAR YEARS 2008 - 2013**

	2008	2009	2010	2011	2012	2013
APPLICATIONS						
RECEIVED	7,402	7,614	9,568	9,668	10,177	10,665
PROCESSED	7,087	7,137	9,073	9,272	9,803	10,049
REVENUE						
BINGO OPERATORS/ LESSORS	\$3,062,425	\$2,900,760	\$2,956,022	\$ 2,993,964	\$2,908,994	\$2,942,390
BINGO EQUIPMENT	\$81,000	\$59,000	\$67,500	\$79,800	\$70,000	\$71,300
BINGO RENTAL TAX	\$1,209,870	\$1,222,561	\$1,221,782	\$1,209,914	\$1,207,976	\$1,209,425
BINGO PRIZE FEES	\$25,223,223	\$26,165,918	\$25,881,024	\$26,603,680	\$27,327,255	\$27,467,492
JUDGMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FEES/COPIES OR FILING OF RECORDS	\$1,008	\$ -	\$1,809	\$1,421	\$1,253	\$488
FEES FOR ADMINISTRATIVE SVCS	\$ -	\$ -	\$60	\$530	\$ -	\$377
OTHER SURPLUS/ SALVAGE PROPERTY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FORFEITURES	\$ -	\$5,837	\$ -	\$ -	\$ -	\$ -
ADMINISTRATIVE PENALTIES	\$ 55,260	\$56,213	\$ 244,612	\$207,299	\$268,181	\$ 141,913
DEFAULT FUND-RETURN CHECKS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER MISC GOVT REVENUE	\$ -	\$820	\$123	\$125	\$70	\$136
REIMBURSEMENT- THIRD PARTY	\$20,965	\$65,573	\$49,946	\$47,441	\$37,325	\$30,595
INTEREST ON LOCAL DEPOSITS-ST AGY	\$ -	\$42	\$ -	\$ -	\$ -	\$ -
TOTAL	\$29,653,751	\$30,476,724	\$30,422,878	\$31,144,175	\$31,821,054	\$31,864,116
EXPENDITURES	\$13,987,662	\$14,506,895	\$14,599,983	\$14,880,000	\$14,966,599	\$15,053,183

Figures as of 4/30/14. Unaudited.
Source: Texas Lottery Commission

Performance Measures and Customer Satisfaction

During FY 2013, the Texas Lottery attained within 5 percent or exceeded targeted performance for 8 of its 12 key performance measures, including three of five of its key outcome measures, and five of its seven output and efficiency measures, as shown in Table 22.

Lottery Retailer Satisfaction

Retailers continue to rate the Texas Lottery's services highly. Nearly all (95 percent) rate the service as "good" or "excellent," while less than 1 percent rate them as "poor" or "very poor."

This high level of retailer satisfaction is due to efforts to enhance communication between retailers, the Texas Lottery, and the lottery operator, as well as continued responsiveness to retailer issues. In recent years, several initiatives have been implemented to provide enhanced customer service to licensed retailers. Ongoing improvements to the Web-based Retailer Services Center, available to retailers at txlottery.org/rsc, include online license renewals and specific reports useful in helping retailers manage inventory and financial matters related to the lottery. To welcome new applicants to the

**TABLE 22
KEY PERFORMANCE MEASURES
FISCAL YEAR 2013**

KEY PERFORMANCE MEASURES	TARGETED 2013 PERFORMANCE	ACTUAL PERFORMANCE	% OF TARGET
OUTCOME MEASURES			
PERCENT OF RETAILERS SATISFIED WITH LOTTERY COMMISSION	95.00%	96.37%	101.44%
STATE REVENUE RECEIVED PER ADVERTISING DOLLAR EXPENDED	\$33.13	\$33.74	101.84%
PERCENTAGE OF COMPLAINTS REFERRED FOR DISCIPLINARY ACTION	10.00%	6.92%	69.20%
NET BINGO GAMES REVENUE RECEIVED BY CHARITABLE ORGANIZATIONS (MILLIONS)	\$38.00	\$27.64	72.74%
PERCENTAGE OF ORGANIZATIONS WHO MET THE STATUTORY CHARITABLE DISTRIBUTION REQUIREMENT	98.00%	99.18%	101.20%
OUTPUT MEASURES			
NUMBER OF RETAILER BUSINESS LOCATIONS LICENSED	17,000	17,103	100.61%
DOLLAR AMOUNT OF ADVERTISING BUDGET SPENT ON TELEVISION (MILLIONS)	\$12.25	\$9.10	74.29%
NUMBER OF LICENSES ISSUED TO INDIVIDUALS AND ORGANIZATIONS	8,500	10,048	118.21%
NUMBER OF BINGO COMPLAINTS COMPLETED	100	130	130.00%
NUMBER OF DAYS TO ALLOCATE PAYMENTS TO LOCAL JURISDICTIONS	14	11	78.57%
EFFICIENCY MEASURES			
AVERAGE COST PER SURVEY ISSUED	\$1.76	\$1.85	105.11%
PERCENTAGE OF ADULT TEXANS AWARE OF LOTTERY ADVERTISING	59.00%	59.93%	101.58%

lottery and provide basic information on the Texas Lottery's processes, a retailer welcome packet was developed and, since 2011, has been mailed to all new retailers upon approval of their license application. In an effort to facilitate prospective licensees' access to information on becoming a lottery retailer, a Spanish-language recruitment brochure was introduced in November 2011 and added to the variety of English-language information already available on the Texas Lottery website.

The implementation of player ticket self-check technology reduces retailer labor transaction time in processing ticket inquiries and validations by minimizing player questions on the prize amount of potential winning tickets.

Additionally, Texas Lottery and lottery operator personnel continue to reach out to retailers in small group settings called Retailer Links meetings. These meetings are held throughout the state each year, reaching retailers in more than 70 cities and towns from 2006 through April 2014. Links meetings provide retailers the most current information on Texas Lottery policies and game initiatives, while offering an open forum for soliciting feedback and addressing retailer concerns. Retailers view these meetings as a positive means of furthering communication between the Texas Lottery, the lottery operator, and lottery retailers.

Finally, while conducting on-site visits of retailers as part of the Retailer Research survey process, claim center personnel record retailer comments and concerns on Summary of Concerns forms. Completed forms are returned with surveys to Research and are delivered to the Retailer Services department for follow-up by the lottery operator's staff or lottery staff. A total of 53 Summary of Concerns forms were submitted by retailers in 10 of the 13 Texas Lottery sales districts during the first half of FY 2014.

As part of the lottery operator contract, all retailers received new sales terminals in 2011

which provided improved transaction times. The contract also provided for new playstations with space for player Check-a-Ticket devices reducing the space requirements for lottery at the retail location. Retailers were also provided with electronic monitors for displaying player transactions, lottery marketing messaging, and other important lottery and non-lottery (e.g., AMBER Alerts) messaging. The addition of electronically updated jackpot signage at retailers offers them the convenience of providing their customers with accurate information with no additional time or labor investment.

Charitable Bingo Licensee Satisfaction

The CBOD's efforts to increase communication with licensees through initiatives such as the Bingo Training Programs have resulted in favorable ratings in the quality of customer service provided by the division. The CBOD routinely surveys charitable bingo conductor licensees regarding their opinion of the quality of customer service they receive. The survey includes the question, "How would you rate the quality of services you receive from the CBOD?" and is given to each individual attending the Bingo Training Program.

Table 23 (right) shows the results of the responses to the survey question rating the quality of customer service provided by the CBOD by calendar year.

Regulation and Compliance

The Texas Lottery Commission is charged with ensuring the integrity and fairness of lottery and charitable bingo games. The Texas Lottery accomplishes this through a number of regulatory and education programs designed to incorporate the highest standards of security and integrity in Texas Lottery and charitable bingo games throughout the state.

Texas Lottery Regulation

The Lottery Operations Division is the regulatory arm for Texas Lottery games. This division ensures

TABLE 23
CBOD TRAINING SURVEY
CALENDAR YEAR 2000-2013

YEAR	NUMBER RESPONDING	% RESPONDING "EXCELLENT OR "GOOD"
2000	1,117	94%
2001	804	97%
2002	1,646	95%
2003	1,324	96%
2004	1,595	96%
2005	1,378	97%
2006	1,438	96%
2007	1,142	96%
2008	1,126	96%
2009	1,325	91%
2010	328	96%
2011	374	97%
2012	364	99%
2013	306	98%

that the lottery operator provides certain contracted services to players and retailers, and that retailers and players comply with the requirements set forth in the State Lottery Act and Title 16, Chapter 401 of the Texas Administrative Code. The Lottery Operations Division works closely with the Administration and Legal Services Divisions when violations in these areas are detected.

By maintaining a physical presence at the lottery operator's instant ticket warehouse facility, the Texas Lottery is able to monitor the level of service received from the primary vendor to ensure contractual standards are met. The division also performs many other vendor-oversight and monitoring activities to ensure that lottery players and retailers are receiving the services they expect and require from the lottery operator.

The Lottery Operations Division also licenses Texas Lottery retailers to sell lottery products to the pub-

lic. In FY 2013, new licenses were issued to 2,199 Texas Lottery retailers.

A key aspect of maintaining public confidence is providing assurance that lottery operations and performance are of the highest standards. This includes not only the functions performed by the Texas Lottery, but also the functions performed on behalf of the Texas Lottery through contracted relationships. The Texas Lottery currently contracts with an outside vendor to provide goods and services related to the operation of the lottery. This contract is generally referred to as the "lottery operator" contract.

The lottery operator contract is large and complex. The lottery operator is required to maintain continuous compliance with numerous requirements. The Texas Lottery is responsible for monitoring and reporting on the lottery operator's performance against the contractual requirements. Monitoring and reporting are on-going activities requiring regular and consistent planning, assessment, reporting and follow-up. Compliance monitoring activities include identification of all contractual requirements, prioritization of contract requirements based on operational risk, and planning and execution of quarterly reviews.

The current lottery operator contract became effective September 1, 2011, and expires August 31, 2020.

Charitable Bingo Regulation

The Texas Lottery, through its CBOD Audit and ELA departments, works to ensure licensee compliance with the Bingo Enabling Act and Charitable Bingo Administrative Rules.

The Licensing Section of ELA reviews applications and issues licenses for authorized organizations that conduct bingo games, persons who lease the locations where bingo games are conducted, entities that manufacture and entities that distribute bingo equipment.

The Accounting Section of ELA processes quarterly reports, mails out billing notices, identifies

non-filers of quarterly reports, communicates with licensees about liabilities and tax issues, prepares bond demand notices, collects remittances on delinquent accounts, conducts testing of bingo equipment and products and maintains the division's website.

The Audit Department conducts financial audits, conducts or reviews testing on electronic card-minding systems and devices and assists with investigating bingo complaints.

In calendar year 2013, the CBOD received 10,665 license applications and issued 10,124 bingo licenses. The types of bingo applications processed include original, renewals, amendments, and temporary licenses.

Through issuing licenses and compliance monitoring, the Texas Lottery works to ensure that the organizations involved in charitable bingo and lottery operations adhere to the laws of the state and administrative rules.

Enforcement Initiatives

As part of its regulatory role, the Texas Lottery Commission, through its Enforcement Division, investigates alleged violations of the State Lottery Act, Bingo Enabling Act and the respective administrative rules.

Investigations are initiated from complaints originating inside and outside the agency. During FY 2013, Enforcement Division investigators completed 1,501 investigations, including 745 for alleged violations of the Lottery Act, which includes 100 assists to local law enforcement agencies, 85 for alleged violations of the Bingo Enabling Act, 417 lottery background investigations and 254 bingo background investigations.

Since 2010, the Enforcement Division has been actively engaged in the following initiatives related to consumer protection and possible criminal violations of the State Lottery Act:

- High-tier prize inquiries – Identify inquiries of winning lottery tickets with a predetermined prize range to detect indications of possible misconduct.
- Bad validation inquiries – Identify lottery retailers experiencing an unusually high number of bad validation attempts, which may be an indication of retailer misconduct.
- Compliance tickets – Compliance tickets will have the appearance of high tier winning instant lottery tickets and will be used in response to complaints to ensure the integrity of the validation process at lottery retailers.

Beginning in 2013, the Enforcement Division has seen an increase in requests for assistance from local law enforcement agencies who are investigating local robberies and burglaries in which lottery tickets have been stolen. In the same year the division began conducting field visits to licensed lottery retailers to conduct Security Reviews based on prize claim research conducted by the Security Operations Department of the Lottery Operations Division.

Charitable Bingo Rules

Since the publication of the Texas Lottery's FY 2013-2017 Strategic Plan, the CBOD revised several existing charitable bingo administrative rules and implemented new rules in an effort to clarify Commission requirements and procedures related to the regulation of charitable bingo in Texas. In FYs 2010 and 2011, 12 administrative Rules were amended (Table 24), eight new administrative rules were adopted by the Commission (Table 25) and four administrative rules were repealed (Table 26, page 70).

Compliance Hotline

The Texas Lottery receives, tracks and addresses jurisdictional concerns from the public via the Compliance Activity Monitoring Program (CAMP) hotline, which was formally established in 2004. Awareness of the hotline is supported through place-

TABLE 24
AMENDED CHARITABLE BINGO ADMINISTRATIVE RULES

RULE NUMBER	TITLE	EFFECTIVE DATE OF AMENDMENT
§402.100	DEFINITIONS	SEPTEMBER 13, 2012
§402.103	TRAINING PROGRAM	SEPTEMBER 13, 2012
§402.200	GENERAL RESTRICTIONS ON THE CONDUCT OF BINGO	SEPTEMBER 13, 2012
§402.202	TRANSFER OF FUNDS	SEPTEMBER 13, 2012
§402.203	UNIT ACCOUNTING	SEPTEMBER 13, 2012
§402.204	PROHIBITED PRICE FIXING	SEPTEMBER 13, 2012
§402.205	UNIT AGREEMENTS	SEPTEMBER 13, 2012
§402.600	BINGO REPORTS AND PAYMENTS	SEPTEMBER 13, 2012
§402.453	REQUEST FOR OPERATING CAPITAL INCREASE	FEBRUARY 3, 2013
§402.450	REQUEST FOR WAIVER	FEBRUARY 3, 2013
§402.503	BINGO GIFT CERTIFICATES	FEBRUARY 3, 2013
§402.404	LICENSE AND REGISTRY FEES	JULY 31, 2013

TABLE 25
ADOPTED CHARITABLE BINGO ADMINISTRATIVE RULES

RULE NUMBER	TITLE	EFFECTIVE DATE OF AMENDMENT
§402.321	CARD-MINDING SYSTEMS-DEFINITIONS	JULY 1, 2012
§402.322	CARD-MINDING SYSTEMS-SITE SYSTEM STANDARDS	JULY 1, 2012
§402.323	CARD-MINDING SYSTEMS-DEVICE STANDARDS	JULY 1, 2012
§402.324	CARD-MINDING SYSTEMS-APPROVAL OF CARD-MINDING SYSTEMS	JULY 1, 2012
§402.325	CARD-MINDING SYSTEMS-LICENSED AUTHORIZED ORGANIZATIONS	JULY 1, 2012
§402.326	CARD-MINDING SYSTEMS-DISTRIBUTOR REQUIREMENTS	JULY 1, 2012
§402.327	CARD-MINDING SYSTEMS-SECURITY STANDARDS	JULY 1, 2012
§402.328	CARD-MINDING SYSTEMS-INSPECTIONS AND RESTRICTIONS	JULY 1, 2012

TABLE 26
REPEALED CHARITABLE BINGO ADMINISTRATIVE RULES

RULE NUMBER	TITLE	EFFECTIVE DATE OF AMENDMENT
§402.703	BOOKS AND RECORDS INSPECTION	JANUARY 5, 2012
§402.704	TAX REVIEW INSPECTION	JANUARY 5, 2012
§402.715	COMPLIANCE AUDIT	JANUARY 5, 2012
§402.302	CARD-MINDING SYSTEMS	JULY 1, 2012

ment of the toll-free 1-800 number on the website, in retail locations and in venues where bingo games are conducted. The Compliance Hotline Section of the Retailer Services Department is responsible for monitoring the life cycle of complaints and violations of the Bingo Enabling Act, State Lottery Act and respective administrative rules. The Compliance Hotline Section is a centralized intake unit for complaints and also monitors violations that are discovered internally. Compliance staff is responsible for maintaining the standards set by the Texas Lottery Commission relating to complaints.

An automated system has been developed which provides the ability to track all complaints and violations from initial intake or discovery to final disposition, by allowing the Compliance Hotline Section to monitor the compliance resolution process as work flows between the Enforcement, Legal Services, Charitable Bingo Operations and/or Lottery Operations Divisions. The section maintains a comprehensive database on complaints, violations and disposition to facilitate trend analysis and reporting. The information allows the Texas Lottery to make informed decisions relating to licensees by reviewing compliance history when considering license issuance and/or administrative action. The Texas Lottery has enhanced to the CAMP system over time to allow the agency to: 1) produce reports showing the resolution of complaints by the type of allegation, and 2) report statistics about complaints received and resolved each year.

Retailer Education Initiative

In FY 2005, the Texas Lottery launched an initiative to increase retailer knowledge of Texas Lottery games, policies and operation of sales terminals. The ultimate goal of the initiative is to ensure that all new and existing retailers are properly trained on the various games offered by the Texas Lottery, and the operation of the equipment used to generate tickets. Ongoing training is encouraged, and is available upon request for any retailer in-store or in classroom. New retailers must meet minimum training requirements in order to begin selling lottery tickets at their business. Retailers are provided with a retailer guide as well as a terminal manual and quick reference cards for basic terminal and game functions. The retailer guide provides hands-on information about how to sell lottery tickets, as well as policies and procedures related to lottery ticket sales. The terminal manuals provide detailed instructions on how to operate the various terminals deployed by the Texas Lottery, and how to produce and validate tickets for individual games.

In 2007, retailers were provided additional access to the retailer guide when it was placed on the Texas Lottery website. Electronic updates to the guide are provided as policies are revised and new games and add-on features are introduced. The “Retailers” page of the website also was updated in 2007 to include access to product information such as game

and Universal Product Code (UPC) lists, contests and promotions, including the Retailer Incentive Program, game-closing schedules and point-of-sale pieces, archives of retailer newsletters, and a Frequently Asked Questions section with updates on policies, practices and software that affect the sale of lottery tickets.

Other initiatives to expand retailer knowledge and provide easier access to information include the continuing use of small-group retailer forums, Retailer Links, in sales districts around the state and one-on-one training updates with the introduction of new games and add-on features. Retailer and lottery sales representative training scripts are updated as policies are revised and new games and add-on features are introduced. Also, the Texas Lottery and lottery operator are developing a Web-based refresher training module, Lottery Learning Link (LLL), where retailer licensee employees may access brief, topical lessons for quick instruction on terminal functions and game features. The LLL content is based on the initial classroom training required of all licensees before selling Texas Lottery tickets.

Bingo Training Program

Section 2001.107 of the Bingo Enabling Act established the Bingo Training Program as a requirement of maintaining a charitable bingo conductor's license in Texas. Charitable Bingo Administrative Rule 402.103 sets out the requirements of the program and requires the bingo chairperson and designated agent of a unit to complete the training program every two years.

The program provides training in the following areas: general information about the Bingo Enabling Act and Charitable Bingo Administrative Rules; conducting a bingo game; administration and operation of charitable bingo; promotion of a bingo game; and general information about the license application process.

The first Bingo Training Program was held March 1, 2000. The Bingo Training Program is available

to licensees and the public via free online program modules. In calendar year 2013, more than 842 individuals took the Bingo Training Program online, and two physical-site training courses were conducted across Texas, resulting in an additional 18 trained individuals for a total of 860 individuals trained in calendar year 2013.

Internal Audit

Internal Audit serves as an independent appraisal function within the Texas Lottery Commission. The function of Internal Audit is to assess the adequacy and effectiveness of the various functions and control systems within the agency, advise the five-member Commission and agency management concerning the condition of those functions and systems, and develop recommendations to enhance economy, efficiency, effectiveness, and excellence.

EthicsPoint®

In Executive Order RP36, Governor Perry stated, "...government has a sacred trust to guard taxpayers' dollars and maintain the highest standard of integrity, impartiality and conduct..." The order also states, "...the state of Texas is entrusted by the taxpayers of the state to provide responsible stewardship through efficient and honest governance, and all state agencies have a responsibility to prevent and eliminate fraud, and every state employee has an affirmative responsibility to report incidents of fraud."

The Texas Lottery is committed to ensuring a culture of compliance and trust. Providing employees a safe, secure, and anonymous method in which to report any concerns regarding possible misconduct is critical. No matter how stringent the preventative controls, all agencies must be alert to the possibility of inappropriate activity. The Texas Lottery Commission holds the trust of the public and of its employees as sacred.

In addition to a robust program of ethics education and awareness, the Texas Lottery believes a confidential, anonymous reporting system is vital. Internal Audit manages

EthicsPoint, an Internet- and telephone-based reporting system that can be accessed from inside or outside the workplace. This system is intended to supplement the existing avenues that Texas Lottery employees have to report concerns. In addition to anonymous reporting of concerns, the system also allows follow-up questions to be asked of the employee filing the report, while maintaining their anonymity.

Public Confidence and Trust

Consumer Protection Efforts

Maintaining public confidence in the security and integrity of the Texas Lottery is a core value of the Texas Lottery supported by several key initiatives. The Texas Lottery continues to expand existing programs and initiatives to protect and enhance the security of its lottery games, systems, drawings and operational facilities. The goal is to provide additional protection for lottery consumers, follow up on complaints and ensure retailers comply with rules related to prize validations.

Several of the Texas Lottery's consumer protection-related initiatives that have already been implemented are listed below.

- Dual validation receipts (one for player and one for retailer)
- Validation Receipt modifications to include game names
- Split validation numbers (VIRN)
- Eliminating retailer validation codes on scratch-off tickets
- "Sign Your Ticket" public awareness campaign
- PDF 417 barcode on scratch-off tickets for self-check equipment
- One-step validation Secure Shield™ barcode on scratch-off tickets
- Player-activated terminals for self-checking winning status of tickets

- Self-check terminal locator on website
- Multimedia monitor (ESMM) display of validation messages to player
- Terminal inquiry/validation tones
- Transaction display devices for terminals
- Security spotlight on website
- Purchase day, date and time printed on draw game tickets
- Monitoring of validation activity patterns at retail
- Monitoring of licensed retailer prize claims submitted for payment
- Membership in the National Council on Problem Gambling (NCPG) and participation in NCPG initiatives

Dual validation receipts were introduced to provide players printed confirmation of the validation transaction at the terminal while allowing retailers to continue to keep a copy for their records. By giving players a copy of the receipt, retailers are providing printed proof of the prize amount. This is useful when players are unsure how to play a game or if they have won.

The four-digit validation number (VIRN) is required for retailers to complete the validation of most scratch-off tickets printed prior to 2014. The VIRN on scratch-offs was changed from all four numbers inside one box within the serial number on the front of a ticket, to boxing the digits separately and placing them throughout the serial number. This action minimizes the opportunity for "pin pricking" or "micro-scratching" where a small amount of latex is removed to uncover portions of the VIRN in an effort to fish for winning tickets within a pack.

With the introduction of Secure Shield tickets beginning September 2013, players have the ability to check their tickets and receive real-time verification of the winning status of tickets.

The Secure Shield barcode also provides retailers with one-step validation, reducing retailer transaction times.

The “Sign Your Ticket” campaign encourages players to sign their tickets upon receipt to protect them from loss. The campaign includes playstation decals and terminal toppers in the stores as well as reminders on the Texas Lottery website.

Enhanced consumer protection strategies include the deployment of more than 14,000 Check-a-Ticket terminals. The player-activated terminals provide consumers with the ability to check the winning status of instant and draw game tickets prior to validation by a retailer. Players also can check their tickets at more than 2,200 Gemini self-service vending terminals located primarily in grocery stores and travel centers across Texas. The Check-a Ticket and Gemini terminals read draw game barcodes as well as the PDF 417 and Secure Shield barcodes on the front of scratch-off tickets.

With the expanding presence of self-check equipment, the scratch-off and store locator feature on the Texas Lottery website was updated in October 2009 to identify the retailer locations where consumers can check their own tickets. Players are able to search by city or ZIP code to find locations that have a Check-a-Ticket or Gemini.

The Altura terminal is the primary terminal used for producing and validating tickets in lottery sales locations. Beginning in the summer of 2011, retailers were provided the new multimedia monitors (ESMM) for displaying player transaction data, marketing messages and special alerts such as AMBER, Silver, Blue and Endangered Missing Person Alerts. With placement in more than 16,400 retail locations, the ESMM provides expanded consumer protection by displaying the winning status of validated tickets, including the actual prize amounts thus providing players visual confirmation of their prize amounts.

Additionally, a series of audible tones are included on the Altura terminal to assist players in identifying the status of tickets scanned by the retailer. The five distinct tones also are identified on the Texas Lottery website to provide consumers the opportunity to become familiar with the sounds that identify a winning and non-winning ticket.

The Security Department developed a “Security Spotlight” on the Texas Lottery website under “Player Protection.” This page features consumer protection tips and information on lottery-related scams. Information is also available regarding resources for reporting or researching suspicious activity.

The day, date and time that a draw game ticket is printed was added to supplement the draw-date information printed on each ticket. This additional information enables players to confirm that the ticket they are provided by the retailer was produced at the time of the purchase.

Security Department staff have developed reporting tools to monitor claims submitted by licensed retailers to Texas Lottery claim centers, as well as specific patterns of validation activity at retail locations. These reports are used to identify areas that may require more detailed inquiries by Texas Lottery Enforcement investigators.

Adding the game name to the validation receipts allows players to confirm the receipt was produced for the ticket that they submitted for prize inquiry or validation. This function has been implemented for both draw game and instant game tickets.

Through these many initiatives and concerted efforts, the Texas Lottery continues to identify and implement evolving strategies for consumer protection. The Texas Lottery has added, and continues to develop, a significant level of security for

consumers and retailer licensees who sell Texas Lottery games.

Another important element of the Texas Lottery's consumer protection efforts focuses on its retail licensees. The Texas Lottery continues to work to enhance retailer training materials to stress ethical standards and the consequences of rule violations. The Texas Lottery has established administrative rules that provide for a progressive disciplinary process for violations of the Act and rules. Every effort is made to ensure that a retailer's noncompliance with the Act and rules results in timely and consistent application of progressive disciplinary remedies, up to and including the revocation of sales licenses.

The Texas Lottery recognizes the need to protect consumers, while avoiding inconveniencing or disrupting the daily business activities of honest retailers. As the vast majority of retailers serve their customers in an ethical and forthright manner, it is critical for the Texas Lottery to balance consumer protection with retailer motivation to sell lottery tickets. These consumer protection initiatives are focused on equipping both players and retailers with the best tools available in the industry to enhance the playing and sales experience. The Texas Lottery's mission to generate revenue for the State of Texas is supported by making every effort to ensure fun, positive lottery player experiences and secure, profitable business practices for retailers.

Check-a-Ticket Terminals

Providing Texas Lottery consumers with the highest level of security and protection possible is key to ensuring the integrity of the games. The Texas Lottery provides consumers with the ability to verify the winning status of instant and draw game tickets at more than 14,000 Check-a-Ticket terminals and 2,200 Gemini Self-Service terminals deployed throughout the state. The player-activated terminals provide consumers the security of checking their tickets independently prior to presenting tickets to the retailer for validation.

The Check-a-Ticket terminals read draw game barcodes as well as the designated validation barcodes on the front of scratch-off tickets.

Drawings

The Texas Lottery works hard to maintain the public trust by protecting and ensuring the security of lottery games, systems, drawings and operational facilities.

Drawings to determine the winning number combinations for Texas-based draw games are conducted on-site in the Texas Lottery secured drawings studio. Drawings are conducted year-round, Monday through Saturday, including holidays. Drawings, which are open to the public, are supervised by the Security Department, certified by an independent certified public accountant, and conducted in accordance with drawings procedures.

The Texas Lottery Draw Team performs the night drawings for *Lotto Texas*, *Cash Five* and *Texas Two Step* as well as the morning, day, evening and night drawings for *All or Nothing*, *Daily 4* and *Pick 3* in the on-site drawings studio. Both *Daily 4* and *Pick 3* have an add-on feature called *Sum It Up!*. The sum of the numbers drawn in the *Pick 3* and *Daily 4* drawings is tabulated and the *Sum It Up!* number for both games is communicated as part of the drawings broadcast.

In FY 2004, with the addition of the multi-state game *Mega Millions*, to the draw game mix, the Texas Lottery implemented its first computer-generated drawing for the *Megaplier* add-on feature. The *Megaplier* number was selected using a random animated digital draw system (RADDS). The last *Megaplier* drawing as a Texas-only, add-on game feature was conducted on November 5, 2010. The *Megaplier* drawing is now conducted by the Georgia Lottery along with the *Mega Millions* game drawing. The off-site *Mega Millions* drawing is monitored remotely via live video feed by Texas Lottery draw team staff and the independent certified public accountant, and is taped

and merged with the drawings conducted in the Texas Lottery drawings studio.

In FY 2010, the multi-state game *Powerball* with the add-on feature *Power Play* was added to the draw game mix. The off-site *Powerball* and *Power Play* drawings are conducted by the Florida Lottery in Tallahassee, Florida and are remotely monitored by Texas Lottery Information Resources staff, an independent certified public accountant and draw team staff. The drawings are taped and merged with the other game drawings conducted in the Texas Lottery drawings studio.

Drawing results are made available to the general public on the Texas Lottery website via live and archived webcasts; drawing broadcasts and winning number results are transmitted via satellite for use by television stations; newspaper and print publications receive results information via email distributions; and results also are available at lottery retailer locations.

Product Testing Laboratories

Three laboratories operated by the Texas Lottery help to ensure the fairness of the games and support lottery and bingo functions.

Lottery Ticket Forensic Laboratory

A forensic laboratory operated by the Security Department is available to perform forensic testing on tickets and other questionable documents related to claims. The agency's forensic analysts examine questionable claims received from the Texas Lottery claim centers. The analysts use specialized computer, photographic and chemical methods of testing to determine whether a ticket has been altered. Altered and forged tickets requiring further investigation are referred to the Enforcement Division.

The Texas Lottery outsources the testing of new instant ticket games. The instant ticket testing process is a scientific examination of all instant games to ensure they meet established security, environmental and durability standards. The tests

are performed in addition to the quality assurance measures taken by agency staff and the ticket manufacturers, which serve to provide Texas Lottery players with a durable and secure product of the highest quality.

Pull-Tab and Paper Testing Lab

This lab is operated by the CBOD, and confirms that each pull-tab game and all bingo paper submitted comply with the requirements of the Bingo Enabling Act and Charitable Bingo Administrative Rules. Samples of each proposed bingo pull-tab game and bingo paper are submitted by licensed bingo manufacturers for approval. After the initial approval of pull-tab artwork, a series of samples of each pull-tab game are analyzed by the bingo pull-tab testing lab to determine the prize accuracy, randomness and quality of each game.

Card-minding System Testing Lab

The card-minding system testing lab is operated by the CBOD, which approves bingo card-minding systems submitted for testing. Products such as electronic card-minding devices, pull-tab ticket dispensers, bingo ball blowers and bingo flashboards are submitted by licensed bingo manufacturers for testing and approval. Initial approval applies only to the specific device or system that is submitted. A modification to any approved device or system must be resubmitted for approval before becoming available for use at charitable bingo locations.

On July 1, 2012 the Texas Lottery Commission adopted a rule allowing card-minding systems to be certified by either an independent testing facility or the Texas Lottery Commission's own testing lab.

The card-minding systems are submitted for testing at the manufacturer's expense. The testing is required to ensure that the card-minding systems comply with the requirements of the Bingo Enabling Act and Charitable Bingo Administrative Rules.

Protecting Intellectual Property

Consumers need to be assured Texas Lottery tickets are genuine. That is why the Texas Lottery Commission is committed to protecting the integrity of the games 1) by closely monitoring use of the agency's intellectual property, including game names, logos and other identifying marks and 2) identifying infringing uses that might confuse consumers.

A list of federally registered trademarks or service marks of the Texas Lottery—certain of the logos or designs for which also have been registered with the U.S. Copyright Office as indicated by “and ©”—is available on the Texas Lottery's website. None of the Texas Lottery's trademarks, service marks, logos, or other copyrightable works of authorship may be used without the prior express written permission of the Texas Lottery.

The Texas Lottery Commission maintains an outside counsel contract, approved by the Office of the Attorney General, to assist in protecting the agency's intellectual property.

Game and Product Innovations

Draw Games

One of the most significant differences between the instant and draw game playing experience is the time that elapses between buying the ticket and the player finding out if a prize is won. For example, a player who purchases a ticket for the *Lotto Texas* draw game on a Sunday morning must wait until the *Lotto Texas* drawing occurs on Wednesday night to determine if a prize has been won. In contrast, as soon as an instant ticket is scratched, the player immediately knows if a prize is won. Most prizes can be paid immediately at a retail location, creating an opportunity for a subsequent ticket purchase.

Draw games, industry wide, have relied primarily on jackpot levels to drive sales and revenue generation. Lotteries nationwide are attempting to increase draw game sales by exploring the in-

troduction of higher price points. However, lotteries have struggled in these efforts, as players have become accustomed to playing for multi-million dollar jackpots for a \$1 wager. The *Powerball* price point increase discussed earlier in this plan was implemented with a game change that created a value proposition for players, and has been a positive step toward expanding price points in the draw game category. This strategy has been very successful with the instant ticket product category, and additional increased price point draw game initiatives are underway within the industry.

As noted above, lotteries nationally have collaborated to expand the offering of multi-jurisdictional jackpot games (*Mega Millions* and *Powerball*) across significantly larger population bases. This expansion of the jackpot draw game offerings in Texas plus new game concepts that are currently under development require the continued monitoring of jackpot and daily (non-jackpot) game performance for possible modifications and adjustments to the overall draw game portfolio.

Multi-state games like *Mega Millions* and *Powerball* are capable of generating jackpots upwards of \$600 million, creating excitement for players and retailers alike, and also driving sales. While the Texas Lottery enjoys the benefits of these large jackpots and the strong sales associated with them, they can create a phenomenon known in the lottery industry as “jackpot fatigue.” Jackpot fatigue causes players to become desensitized to smaller jackpot amounts, and ever-larger jackpots are required to command the attention and excitement of players. The lottery industry, including Texas, has relied on the jackpot-style games to reach large jackpot amounts in an effort to increase sales. However, due to jackpot fatigue, sales and revenue for this type of draw game have generally decreased over time.

New draw games and/or game changes require execution of the Texas Lottery's formal administrative rulemaking process and extensive system

software development before introduction. Additionally, draw games typically require costly advertising expenditures to communicate to the public about the new product or changes to an existing product. These games differ from instant tickets, as the instant game serves as its own communication vehicle due to its visual appeal and placement at retail. These draw game product requirements serve to limit the Texas Lottery's ability to conduct frequent introductions of new draw games or make rapid changes to existing games.

Lastly, there are a number of additional draw games offered in other lottery jurisdictions that are not being pursued in Texas as they would require specific legislation. Keno, which is traditionally sold in bars and restaurants, and sales terminal-based raffle games are examples of such initiatives.

Mega Millions

Following the 78th Legislative Regular Session, in June 2003, Governor Rick Perry signed HB 3459, which authorized the Texas Lottery Commission to enter into an agreement with other jurisdictions to participate in a multi-jurisdiction lottery game. In October 2003, with the unanimous approval of Texas Lottery Commissioners, the executive director signed an agreement with 10 other party lotteries, marking Texas' official entry into *Mega Millions*, a multistate lottery game known for its big jackpots. The Texas Lottery Commission also adopted emergency rule 16 TAC §401.315 relating to the *Mega Millions* draw game. The rule established the game rules for the *Mega Millions* game in Texas.

The Texas Lottery officially became a member of the *Mega Millions* game in October 2003, and started selling *Mega Millions* tickets in December 2003. Since that time, the state has benefited from sales and revenue generated as a result of participation in *Mega Millions*. As with other Texas Lottery games, *Mega Millions* revenue from sales in Texas goes to the Foundation School Fund to support public education in Texas. Through April 2014, an estimated \$1.035 billion

in revenue from *Mega Millions* has been transferred to the Foundation School Fund since Texas joined the game in December 2003.

The largest advertised jackpot in Texas Lottery history was the advertised \$656 million *Mega Millions* jackpot in March 2012. This jackpot was a world-wide record-breaking lottery jackpot that set numerous sales records for the Texas Lottery.

When California joined the *Mega Millions* game in June 2005, the game matrix was changed, resulting in an increase in the guaranteed prize amounts. Of most interest was the second prize level, which increased from \$175,000 to \$250,000. The Texas Lottery used that game change opportunity to promote the *Megaplier* game feature. At that time, for \$1 more per playboard, *Megaplier* provided players with the opportunity to increase their non-jackpot prize winnings by two, three or four times. Texas players who purchased the *Megaplier* feature had a chance to win up to \$1 million on the second prize level. Due to a lack of large jackpot rolls, the *Mega Millions* group determined to modify the *Mega Millions* game in 2013. The *Mega Millions* group changed the game matrix, annuity period, 2nd tier prize amount and starting jackpot in October 2013. This change also included adding the number "5" to the *Megaplier* drawing field. Texas Lottery staff played a critical role in the design of this latest game change, working as part of a game design committee comprised of staff from other lottery jurisdictions and lottery vendors. Another significant change to *Mega Millions* was the cross-selling agreement reached between *Mega Millions* and MUSL states in 2009. This greatly expanded the population base for the *Mega Millions* game and had a significant impact on the sales levels and jackpot rolls. This larger playing population, coupled with the game changes introduced October 2013, led to the game's second largest jackpot and the world's second largest recorded jackpot, of \$648 million in December 2013.

In March 2014, the Texas Lottery transitioned out of the *Mega Millions* organization and into the MUSL organization. This change of affiliation did not impact the agency's ability to sell both *Powerball* and *Mega Millions* maintaining the beneficial revenue from those games, but it better aligned the Texas Lottery's ability to vote on *Powerball* game changes and have access to MUSL's portfolio of other draw games and services.

Powerball

On January 28, 2010, the largest lottery agreement in U.S. history was signed between MUSL, which operates *Powerball*, and the *Mega Millions* member states, creating the largest market ever in North America for jackpot games. Thirty-three jurisdictions, representing a combined population of 199 million people and 147,000 retail outlets, began to offer the two multi-jurisdictional mega-jackpot games. On Sunday, January 31, 2010, the Texas Lottery started sales of *Powerball*, and the first *Powerball* drawing for tickets sold in Texas was held on February 3, 2010. A \$2 version of the *Powerball* game was approved by MUSL in June 2011, and the Texas Lottery unanimously approved game rule changes in October 2011. Sales for the \$2 *Powerball* game began on January 15, 2012.

Since the \$2 game was introduced, the top two recorded *Powerball* jackpots have been achieved—an advertised \$590.5 million jackpot in May 2013 and an advertised \$587.5 million jackpot in November 2012.

In January 2014, the *Power Play* feature was modified so that non-jackpot prizes are multiplied up to five times when a player selects *Power Play* at the time of purchase. Jackpot prize winning tickets and second-tier prize winning tickets (match five numbers but not the powerball) were not affected by the change. The second-tier prize remains a \$2 million prize when the *Power Play* feature is purchased, regardless of the multiplier drawn.

Lotto Texas

Since its introduction in 1992, the *Lotto Texas* game matrix has been changed three times—the first time in July 2000, when the game changed from a 6-of-50 to a 6-of-54 matrix, and the second time in May 2003, when the game changed to a bonus ball-style, 5-of-44 plus 1-of-44 matrix. Both of these changes increased the odds of winning the jackpot in an attempt to create higher jackpots that generate player excitement, increased sales and positive media attention. The third matrix change occurred in 2006, and reverted the game back to the one-field, 6-of-54 matrix, which remains the current matrix for the *Lotto Texas* game. However, with multi-jurisdictional games such as *Powerball* and *Mega Millions* that are capable of generating jackpots of more than \$600 million, “jackpot fatigue” is a problem faced by all jurisdictions, including Texas. If and when large jackpots are achieved, the draw game product category can achieve significant sales, but without jackpots driving player spending, the draw game category typically suffers overall. Jackpot fatigue is a problem for all jackpot games, multi-state and in-state games.

Lotto Texas and the Texas Lottery are synonymous due to the strong brand recognition *Lotto Texas* has acquired during its 22-year tenure as the state's multi-million dollar in-state jackpot game. Recognizing this, the Texas Lottery makes an effort to ensure the game remains popular with players. In April 2013, an add-on feature *Extra!* was launched without a change to the base game matrix. For an additional \$1 per play per drawing, *Extra!* allows players to increase their prize amount for matching three, four or five of six numbers, and *Lotto Texas* players who match two numbers will win a \$2 guaranteed prize. Also, beginning with the first drawing of *Lotto Texas* with *Extra!*, the annuity prize payment period for the game changed from 25 years to 30 years, and the starting jackpot was raised to \$5 million instead of the previous starting jackpot of \$4 million. The last change was related to the way the jackpots rolled—if there are

no jackpot winners for a drawing, the jackpot rolls in minimum \$250,000 increments. The Texas Lottery will continue to consider new options to keep the game fresh for players.

Texas Two Step

Texas Two Step was introduced in May 2001 as a replacement for an underperforming \$2 draw game, *Texas Millions*. As the first bonus ball style game in Texas, *Texas Two Step* used its own name as an educational tool to teach players the two steps necessary to play a two-field game.

Upon the introduction of *Mega Millions* in Texas, *Texas Two Step* experienced accelerated sales declines. Approximately six months after *Mega Millions* started in Texas, the *Texas Two Step* draw days were changed from Tuesdays and Fridays to Mondays and Thursdays, to alleviate the competition from *Mega Millions*, which had Tuesday and Friday draw days. *Texas Two Step* has a loyal core player base and experiences consistent sales at lower jackpot levels. As with the Texas Lottery's other jackpot-driven games, player interest and sales increase as the *Texas Two Step* jackpot climbs.

There are currently no changes planned for *Texas Two Step*. However, the Texas Lottery will closely monitor the performance of this and all of its jackpot draw games for any needed modifications or changes.

Cash Five

The first five-digit game introduced in Texas, *Cash 5*, was a 5-of-39 lotto-style matrix when it was first added to the draw game mix in October 1995. In April 2002, after seven years of existence with minimal changes, the Texas Lottery approved changes that refreshed the game and resulted in more chances to win and better overall odds. The revised game, marketed as *Cash Five*, started July 28, 2002, with a 5-of-37, lotto-style matrix. This matrix, along with a new "match 2-of-5" prize tier and overall odds of 1 in 8, helped move the game from being one of

the most difficult to win (overall odds of 1 in 100) five-digit games in the country to one of the easiest.

Initially, the game change yielded positive sales results, but as is common with draw games, over time the game has experienced sales declines. The Texas Lottery is currently evaluating ways to renew interest in this niche of the agency's draw game product portfolio. Modifications to this game also will be considered in the context of the rest of the agency's daily (non-jackpot) game portfolio. Research groups will also likely be needed to gauge player reaction and interest in potential game changes.

Daily 4

Added to the draw game product mix in FY 2008, *Daily 4* was launched in September 2007 with the add-on feature *Sum It Up!* and both have positively impacted draw game sales since they have been available. The *Pick 3* game experienced some cannibalization as anticipated with this game introduction. However, combined sales of *Pick 3* with *Sum It Up!* and *Daily 4* with *Sum It Up!* continue to exceed the previous sales of the *Pick 3* stand-alone game. A non-jackpot game similar in play style to *Pick 3*, *Daily 4* appears to be establishing a core player base, just as *Pick 3* has, without relying on large jackpots to generate sales and increased player interest. *Daily 4* has a pair play feature, which is not currently available on *Pick 3*, to differentiate the two daily number game offerings.

Daily 4 mimics the more complex play style from the *Pick 3* game that has proved so appealing to certain players. Savvy players enjoy the different play types and wager options available in the game. In September 2013, two more drawings were added to the *Pick 3* and *Daily 4* games. A morning and evening draw were added to the existing day and night drawing schedule. Both games now offer four drawings a day, six days a week.

EVALUATION AND OPPORTUNITIES

In order to ensure the continued success of the game, the Texas Lottery will consider both player and retailer promotions to support the *Daily 4* game.

Pick 3

Pick 3, a non-jackpot game, had realized a sales increase every year since its inception in October 1993 until the introduction of another daily numbers game, *Daily 4* in FY 2008. Although this game has experienced some cannibalization as expected due to the introduction of *Daily 4* it remains one of the Texas Lottery's best-selling draw games, illustrating that non-jackpot style games are a critical component of the draw game product portfolio and are important in efforts to reach sales and revenue goals.

The Texas Lottery has no plans for modifications to the *Pick 3* game at this time.

All or Nothing

The newest draw game in the Texas Lottery's portfolio is *All or Nothing*. The 12-of-24 matrix game launched in September 2012, and offers players two ways to win the Top Prize. Players can match all of the 12 numbers drawn, or none of the numbers drawn, to win up to \$250,000. *All or Nothing* was the first Texas Lottery game to be drawn four times per day and is offered at the \$2 price point.

The Texas Lottery continues to promote awareness of this game through various player promotions statewide and at selling events across the state. The lottery is considering adding a player option to allow multi-draw selection of specific draw times to the *All or Nothing* game. This would mimic a feature offered currently on the *Pick 3* and *Daily 4* and would be added in response to player feedback.

The Texas Lottery continually evaluates its product mix. In addition to the initiatives identified above, the Texas Lottery is exploring opportunities to increase draw game sales and add to the playing and winning experience. New games

and game enhancements are being considered that do not solely rely on jackpots to generate sales. Additional game concept information is described in section I of this document.

Instant Games

The Texas Lottery's scratch-off game sales totaled more than \$3.22 billion for fiscal year 2013, the highest instant ticket sales year in the Lottery's 21-year history. The \$3.22 billion sales record was a \$136 million gain over the previous fiscal year scratch-off sales. Instant games are currently available at the following price points: \$1, \$2, \$3, \$5, \$10, \$20 and \$50.

Printed instant products have been available in the lottery industry for decades, and there has been limited vendor innovation with regard to the style and features of instant products over time. The Texas Lottery's efforts to keep instant products fresh and interesting for the consumer must now focus on unique opportunities to tweak existing game designs, while developing new and innovative product positioning and marketing strategies around this product category. These efforts are critical reaching new players, maintaining player interest and ensuring existing sales and revenue levels for this product category.

In FY 2009, the Texas Lottery introduced its first \$20 "Spotlight" or "Mega" instant game, *\$500,000,000 Blockbuster*. A Spotlight or Mega game is known in the industry as a game that typically has a larger than normal print run with an increased prize payout. Twenty-dollar games in Texas were typically produced at a three million print quantity and a 72-percent payout. Utilizing industry best practices, *\$500,000,000 Blockbuster* was produced with a 33 million print run and a slightly elevated prize payout percentage. The larger print quantity and increased payout allowed for the creation of many "call-out" features on the front of the ticket that were appealing to players, such as:

“More than \$500,000,000 in prizes”

“Win up to \$2.5 million instantly”

“More than 75 percent payout”

“50 cash prizes from \$1 million to \$2.5 million”

This game was very successful for the Texas Lottery in terms of sales and revenue generation, resulting in sales of \$420,597,540 and revenue of \$61,605,387 during the first full year of sales. Capitalizing on the success of *\$500,000,000 Blockbuster*, the Texas Lottery introduced *\$500 Million Frenzy* in March 2011, and *\$500,000,000 Extreme Cash Blast* in August 2012. These games were equally well received by both retailers and players.

Based on the success of the \$20 Spotlight games, the Texas Lottery expanded the concept to the \$10 price point, launching the *\$200 Million Cash Spectacular* game in February 2012. The game was a huge success for the Texas Lottery and its primary beneficiary, the Foundation School Fund. Sixteen weeks after the introduction of the game, the Texas Lottery’s instant ticket sales reflected a year-over-year increase of \$161.3 million or 7.36 percent over the previous fiscal year. The *\$200 Million Cash Spectacular* game contributed \$12.5 million in revenue to the Foundation School Fund of Texas, and paid out an estimated \$56.1 million in prizes to winners during that same sixteen-week period. The game also assisted the Texas Lottery in reaching record breaking overall instant product sales levels in FY 2012.

Due to these stellar sales and revenue results, *10X Mega Money*, the Texas Lottery’s second \$10 Spotlight game was launched a year later in January 2013. The introduction of *10X Mega Money* and its supporting advertising campaign proved very successful. The *10X Mega Money* game generated outstanding sales as compared to past \$10 instant ticket games including its

predecessor, the *\$200 Million Cash Spectacular* game. For the first 26 weeks, it generated \$142 million in sales as compared to an average of \$44.7 million for traditional \$10 instant ticket games, and \$112.8 million for the *\$200 Million Cash Spectacular* game.

The Texas Lottery launched the first veterans’ themed scratch-off game on November 9, 2009, following the passage of a bill during the 81st Legislature. Proceeds from veterans’ games benefit the Fund for Veteran’s Assistance (FVA) administered by the Texas Veterans Commission. The FVA provides grants to local non-profit organizations that provide direct services to Texas Veterans and their families including job placement, Post-Traumatic Stress Disorder counseling and housing. Since the first game, *Veterans Cash*, was introduced in FY 2010, the Texas Lottery has transferred more than \$27 million to the FVA through the end of FY 2013. In FY 2014, the Texas Lottery began producing games that continued to benefit the FVA but were not branded with the Veterans Cash name, in an effort to increase sales and revenue contributions. These games are marketed and promoted with the call-out, Helping Texas Veterans.

Core (or base) games are games that are always available for sale because of their long-term, ongoing popularity with players. Core games are important within the Texas Lottery’s portfolio as anchors at various price points, mitigating the need to identify and produce additional offerings at a particular price point. Examples of current core games are *\$2 Weekly Grand*, *\$2 Break the Bank*, *\$3 Bingo*, *\$3 Cashword*, *\$3 Loteria*, *\$5 Cashword*, *\$5 Bonus Break the Bank* and *\$10 Bingo*. The Texas Lottery strives to identify unique products that both resonate with players and offer the potential to become core offerings. The Texas Lottery will continue to identify and bring to market products that it believes can achieve this level of player loyalty.

To further this effort, the Texas Lottery is working to capitalize on the strength of the *Weekly Grand* brand by creating a “family” or suite of games using the *Weekly Grand* brand. \$2 *Weekly Grand* has been a top selling game for the Texas Lottery since its inception in the early 1990’s. In September 2013, a *Weekly Grand* suite was introduced—\$1 *Weekly Half Grand*, \$2 *Weekly Grand*, \$5 *Bonus Weekly Grand* and \$10 *Super Weekly Grand*. The Texas Lottery’s goal is for the games in this suite to become core offerings in the instant game portfolio. Sales results and the ability to sustain acceptable sales levels for the long term will be analyzed and reviewed to determine the longevity of this suite.

Cross-play

The Texas Lottery employs several marketing strategies to facilitate more cross-play and trial of existing Texas Lottery games. The first is to offer a free ticket for one game with the purchase of a ticket for another game. The second is to distribute bar-coded coupons that offer a free instant ticket with the purchase of a draw game ticket. Since FY 2008, the Texas Lottery has implemented efforts to increase cross-play with the introduction of a scratch-off game that offered a draw game Quick Pick as a prize. Players presented their winning scratch-off to their lottery retailer and, upon validation, the retailer’s lottery terminal automatically generated a Quick Pick ticket for the specified draw game. This concept has proven to be successful, and the Texas Lottery continues to leverage the successful scratch category to stimulate player exposure to the draw game product line.

In response to changing economic conditions and competition posed by alternative forms of entertainment, the Texas Lottery continues to look at new opportunities for meeting the interests of the playing public with new and different games, as authorized under current statutes.

Product Supply Chain

Texas Lottery products are currently available at

more than 17,000 retail locations representing a variety of trade styles. More than three-fourths of these locations are convenience stores, with grocery stores representing the second largest category of retail locations. Together, these two trade styles comprised 89 percent of retailers and 96 percent of Texas Lottery sales in 2013. The Texas Lottery is focusing its recruitment efforts on the addition of high-traffic retail locations that currently do not sell lottery products, as well as nontraditional lottery trade styles, such as general merchandise, pharmacy and big box businesses (e.g., Walmart, Target, Home Depot).

The Texas Lottery works closely with the lottery operator to increase the licensed retailer base through sustained and strategic recruitment, allowing for better product accessibility for the public while potentially increasing revenue to the state. One ongoing initiative focuses on leveraging technology to reduce barriers to lottery licensure for national chains with operations in multiple lottery jurisdictions. The Texas Lottery is working with the North American Association of State and Provincial Lotteries (NASPL) on opportunities to standardize financial reporting across jurisdictions, to provide robust back-office accounting and reporting functionality to national chain accounts.

Route Sales

Reaching new markets and consumers is a key element to expanding Texas Lottery business and increasing revenue. While sales via traditional lottery (sales associate-assisted) sales outlets has been successful operating model for lotteries, the ever-changing retail environment offers new opportunities for providing players with convenient access to lottery products. The evolving functionality and design of player-activated equipment has added the convenience of self-service to customers in new environments.

The standard of clerk-assisted lottery sales does not fit a growing number of retail business models in which: 1) consumers have the option of

self-checkout, 2) multiple entrances/exits exist and 3) the location is in a large-space venue such as a shopping mall, airport or “big-box” outlet. In addition, opportunities for providing easier access to lottery products also exist within venues where large populations spend extended time such as factories, cafeterias, hotels and hospitals.

To take advantage of these opportunities, a “route sales” pilot option, available with new trade styles, allows the lottery operator to independently contract directly with the retailer to service and stock inventory for self-service equipment in environments where clerk assistance is limited or not available. The retailer remains responsible for all regulatory and financial responsibilities associated with being a lottery licensee.

There are challenges and important licensee responsibilities associated with this unique sales model:

- Providing for prize payments to players;
- Ensuring the retailer provides customer service to lottery players;
- Managing and securing ticket inventory;
- Monitoring for purchases by minors; and
- Reconciling cash from the self-service sales equipment.

As these challenges are addressed on a case-by-case basis, and a cost-effective model for route sales is developed, there is the potential for increased revenue. Two route sales pilot programs have been implemented with the lottery operator acting as the route sales vendor. The first pilot using the self-service equipment at five locations was conducted in 2010, and a subsequent pilot program with 25 locations began in 2011 and ended in 2013. The primary challenges to success in both pilot programs were relatively low foot traffic and minimal licensee engagement with customers in support the lottery product, including the cashing of prizes on site. The Texas Lottery will continue to offer the

route sales program as a potential model for new trade styles, working with businesses to identify best practice operating models that will ensure success for the lottery and the licensed business owner.

Legislation was filed, but not enacted, during the 82nd Legislative Session that would allow the lottery operator to license directly to sell lottery tickets via third party locations. Such licensing ability would likely expand the variety of route sales models that might be explored and piloted.

Charitable Bingo

In July 2002, Charitable Bingo Administrative Rule 302.300, Pull-tab Bingo, was amended to authorize additional types of existing pull-tab tickets that could be sold in Texas, to include sign-up board tickets, tip-board tickets, event tickets, multiple-part event and multiple-part instant tickets. Since that time, pull-tab sales have shown steady yearly increases even though there has been some fluctuation in pull-tab sales from quarter to quarter.

These pull-tab games have offset a yearly decline in regular card sales each year from 2002 through 2013. Pull-tab sales increased each year from 2002 through 2013.

Public Awareness

Public awareness of Texas Lottery activities is important to the agency’s effectiveness in generating revenue for the state of Texas, and in maintaining the public trust. The goal of the Texas Lottery’s advertising and promotion efforts is to responsibly reach and communicate with adult Texans to enhance awareness and participation in Texas Lottery games.

Lottery Advertising

The Texas Lottery engages in advertising to communicate with the public about the numerous products offered by the agency each year. The agency makes considerable efforts to appropri-

ately and effectively allocate its advertising dollars to reach the public and optimize revenue, and enhance awareness of Texas Lottery games. The Texas Lottery's advertising is allocated among 20 designated market areas (DMAs) throughout the state. Texas has the largest number of DMAs of any state in the country. This means that in order to reach and communicate with all adult Texans advertising must be placed in all 20 market areas. The Texas Lottery uses a combination of mass media (television, radio, newspaper, out of home, digital social media) advertising, and point-of-sale materials (flyers, brochures, posters, etc.) to achieve this goal.

Research performed by the Texas A&M Mays School of Business was conducted in 2014 to determine the impact of advertising on lottery sales in the state of Texas. The research models in the Texas A&M report suggest that advertising has a positive and significant effect on lottery sales. More specifically, the results of the model suggest that a 10 percent decrease in advertising (expenditures) would result in a 17 percent decrease in lottery sales. Total advertising expenditures across all media in FY 2013 was \$35.26 million.¹⁷ In FY 2013, a 10 percent decrease (increase) in appropriated advertising budget would reduce (increase) sales by \$74.40 million, according to the research model. This decrease (increase) would translate to a loss (gain) of \$19.57 million for the State of Texas. The Texas A&M modeling efforts also suggested that advertising can have a long-term impact on sales, and further conclude that if the long-term impact of advertising were to be considered, the potential impact to sales and revenue for the state would be even greater.

The purchasing power and reach of the Texas Lottery's advertising budget has declined significantly over the nearly 22 years of its existence. The Texas Lottery's appropriated advertising budget has diminished in nominal dollars from

\$40 million in 1993 to \$32 million in 2013. However, the effects of inflation are even more pronounced. An advertising budget of \$40 million in 1993 dollars would equate to \$64.4 million in 2013 dollars adjusted for inflation.

Add to that the greatly expanded product mix, and it becomes apparent that the Texas Lottery faces significant challenges in advertising and communicating with the public about all of its products. In FY 1993, lottery products consisted of one draw game (*Lotto Texas*) and two instant games. Today, the Texas Lottery offers eight different draw games with four unique add-on features, and approximately 85 to 90 instant games each year.

Furthermore, in 1993, players were easier to reach frequently via network television and radio advertising. Since then, the advertising industry has undergone dramatic change, including the proliferation of new media choices for consumers. A few examples of new media include the continuing growth of the internet, social media and mobile. Cable channels and streaming media have also played a significant role in the increasingly fragmented media landscape. This market dilution means it is becoming more difficult to reach large groups of consumers with the same level of media expenditures.

Since 1993, the population of Texans over the age of 18 has increased by 51 percent from 12,812,537 to 19,406,207 in 2013. Additionally, the population of Texas has become more ethnically diverse, reaching minority-majority status in recent years. The increased population and decreased appropriated advertising budget have combined to lower per capita advertising expenditures over this period by 52 percent, from \$3.17 to \$1.65. By focusing with its advertising vendor on the efficiency of its advertising and developing an annual advertising execution strategy, the Texas Lottery continues to be one of the top selling lottery jurisdictions in the

¹⁷ The Texas Lottery's base legislative appropriation for advertising for Fiscal Year 2013 was \$32 million.

nation, while operating with one of the lowest per capita advertising budgets in the industry. According to the LaFleur's 2013 World Lottery Almanac, Texas ranks 34th of 44 state lotteries in advertising budget per capita, and 8th among the top 10 performing lotteries (ranked by sales).

The Texas Lottery adheres to specific measures to ensure appropriate communications with the public regarding Texas Lottery products. The agency's advertising reflects the Texas Lottery's mission and core values. Statutory provisions also affect the type of messaging the agency can use in its advertising. Section 466.110 of the Texas Government Code states that advertisements or promotions sponsored by the Texas Lottery must not be of a nature that unduly influences any person to purchase a lottery ticket or number. This general restriction can be broadly interpreted and, as such, has the impact of significantly limiting both the types of advertising messages and the media placement strategies employed in the Texas Lottery's messaging. The agency is very respectful of and sensitive to the viewpoints of the approximate one-third of Texans who are not in favor of gaming in any form.

Lottery Promotions

The Promotions section conducts various Texas Lottery promotional events and assists the lottery operator in facilitating retailer promotions throughout the state. In FY 2013, more than 49 promotional events and more than 3,436 retailer in-store promotions were conducted. Players attending these promotions learn about the Texas Lottery in a fun and exciting way through product trial and player education efforts. The Promotions staff continually explores avenues where the Texas Lottery can promote its games, sell tickets and/or educate players about its games. The Texas Lottery continues to use these promotional opportunities and explore new venues that can help sustain sales, educate consumers and promote lottery products.

Communicating with Retailers

Communicating effectively with Texas Lottery retailers is another key promotion strategy. The agency produces a newsletter for retailers, *RoundUp*, which provides game updates, retailer highlights, retailer sales tips and news about agency activities that impact retailers. The Retailer Service Center on the Texas Lottery's website provides a broad base of information and reporting for retailers to aid with monitoring game sales and promotion status, updating business contact information and financial reporting to support business activities related to the lottery. The agency also holds a series of small-group meetings throughout the year with retailers known as Retailer Links Meetings.

Retailer Links Meetings

Since retailers are the first point of contact with lottery players, it is important for the Texas Lottery to maintain a positive working relationship with this service population. "Retailer Links" meetings are held with a small group of retailers that join lottery and lottery operator staff in each of the various statewide sales districts each year. The retailers share best practices and tips for improved sales with Texas Lottery staff, who, in turn, share this information with other retailers. At the meetings, the retailers also discuss other issues of importance including service needs, policy input and product insights. The input gathered from the retailer links meetings is extremely beneficial to the Texas Lottery and has frequently resulted in the implementation of new innovations or revision to existing initiatives. Whenever possible, the Texas Lottery adopts suggestions from retailers that can increase revenue to the state and provide better service to retailers and lottery players.

Market Research

The purpose of market research is to gather insightful and reliable information about people's

attitudes, behaviors, and perceptions as they relate (actually or potentially) to the Texas Lottery and its products. The goal of market research is to provide supportive empirical information that may be used in decision making and product development and distribution. The Texas Lottery considers a diverse body of research as essential to understanding public attitudes and behaviors associated with the Texas Lottery, its products, and its services. It is committed to using varied methodologies to obtain an accurate and representative understanding of the Texas market, and qualitative and quantitative methods (or various combinations thereof) are employed as needed. Final research reports for all projects are distributed to appropriate Texas Lottery staff and posted on the Administration Division's intranet site.

The purpose of the Texas Lottery's research program is to monitor industry shifts and internal business needs and dynamics, with most research initiatives focusing on:

- Learning about and understanding Texans' attitudes, behaviors, and interests as they relate to the lottery and other industries;
- Improving and sustaining existing games' sales;
- Developing new games and/or game enhancements to meet or exceed customer expectations;
- Developing effective promotional opportunities; and
- Enhancing product distribution channels.

The Texas Lottery has conducted numerous research studies since its inception, both by contracting with independent firms and by internal staff. All research is coordinated by the Research Section of the Administration Division.

The following examples represent the Texas Lottery's marketing research and general research activities:

Tracking and Segmentation Studies

The Texas Lottery regards its public image highly and attempts to improve its understanding of that image through quarterly and annual public surveys. These surveys take the form of tracking and segmentation studies conducted by an independent vendor.

Quarterly tracking studies are used to solicit from Texas residents an understanding of various issues ranging from lottery play behavior to general opinion of the Texas Lottery. Other items measure player views on lottery game changes, the effects of advertising campaigns, the reasons for abandoning or beginning to play games, and so on. Tracking studies are the means to provide longitudinal data on public attitudes and behaviors. Approximately 800 Texas residents are surveyed each quarter.

Annual segmentation studies are produced each October, and sample 1,200 Texas residents. Segmentation studies are comparative in nature and offer a year-over-year depiction of lottery player attitudes and behavior, demographics, psychographics, and other items of interest to the Texas Lottery. Segmentation and tracking reports are distributed regularly throughout the Texas Lottery.

Lottery Research Groups

The Texas Lottery examines player and retailer interests using qualitative research methods such as focus groups. Individuals are selected for such research based on specific topical concerns that often emerge in the Products Department. Research groups are put together to test instant ticket concepts and new draw game matrices. These studies occur about twice per year and include participants from various Texas cities. Research groups are managed by outside vendors. Internal reports are generated and research findings are tied to previous analyses as needed. Final research reports are distributed to decision makers.

Retailer Research Survey

Retailer Research Surveys are conducted monthly by claim center personnel to collect information from lottery retailers on the nature and quality of the service they receive from the Texas Lottery and its lottery operator. The survey also collects observational data regarding lottery equipment and marketing pieces. All existing lottery retailers (approximately 17,000) are surveyed over a four-year period. Responses are compiled into biannual reports that identify and track general trends among retailers. All reports are generated and distributed internally.

Ad Hoc Research

The Research Section undertakes studies on request by the Operations Division. Research work ranges from surveying other lotteries regarding their games and practices to evaluating the effect of promotional activities. These requested studies are part of an ad hoc research agenda apart from ongoing tracking and monitoring activities.

Communicating with Charitable Bingo Licensees

The CBOD website is used extensively to update, educate and inform licensees and the general public about issues pertinent to the regulation of charitable bingo in Texas. The website is designed to provide a wide variety of information including: electronic forms; news alerts; links to the Bingo Enabling Act and Charitable Bingo Administrative Rules; access to the Bingo Services Center; Bingo Training Program schedules, and registration; FAQs; and Advisory Opinions.

Beginning in January 2011, an email subscription service was launched, allowing individuals to sign up to receive email notifications about bingo advisory opinions, draft rulemakings, latest news, press releases, and Texas Lottery activities. Users only receive updates on items to which they have subscribed. The subscription service is a free offering, and users may change their profile or unsubscribe at any time. There is

also a very helpful set of FAQs that will address the user profile, security, use of information, how the email notification process works, and other useful information.

Public Service Initiatives

The Texas Lottery's public service and media relations initiatives are key to communicating with the public about the Texas Lottery. Texas Lottery personnel attend retailer check presentations, maintain the Texas Lottery's presence on Facebook, Twitter, YouTube and Instagram, disseminate drawing results and jackpot alerts to text message and email subscribers, and promote the agency through its website. The Media Relations Division disseminates news releases that communicate about the Texas Lottery by providing updates about lottery games, winners, and milestones achieved. In addition, the Texas Lottery attempts to leverage lottery news via the Media Relations Division in a manner that optimizes revenue. As an example, during the March 2012 record-breaking *Mega Millions* jackpot run to \$640 million, the agency was able to garner millions of dollars in free publicity and advertising for the Texas Lottery through interviews with state and national media over the course of several days.

Texas AMBER Alert Network

In spring 2003, the Texas Lottery joined the Texas AMBER Alert Network, bringing Texas Lottery retailers into the state's efforts to help locate abducted children. Governor Rick Perry established the network in August 2002 to provide rapid notification of abducted child cases to the media and the public.

On September 1, 2003, HB 1401 became law, thus formalizing the process that had already been put into place. The law states that on receipt of notice by the Texas Department of Public Safety (DPS) that the Texas AMBER Alert Network has been activated, the Texas Lottery shall disseminate AMBER Alert information at its retail locations through the lottery operator system.

The Texas Lottery's participation in the Network has been well covered by the state's media and has informed the public about the important role Texas Lottery retailers statewide have in getting out information that can bring an abducted child safely home.

Silver Alert System

On May 1, 2007, the Texas State Legislature unanimously passed the Silver Alert System, which issues statewide notice for missing senior citizens. The Silver Alert System is modeled after the AMBER Alert Network and uses the same infrastructure currently used by state and local law enforcement. The legislation outlines procedures to be used by local law enforcement to verify that a senior citizen is missing and has an impaired mental condition.

On September 1, 2007, the Texas Lottery officially joined the Silver Alert System. Although SB 1315 did not mention the agency by name, since the Texas Lottery was lending assistance in the AMBER Alert Network through the DPS, the Texas Lottery became a partner in the Silver Alert System.

Blue Alert Program

On August 18, 2008, Governor Perry signed an Executive Order implementing the Blue Alert program. Executive Order RP 68 established the creation of a Blue Alert program, enabling rapid distribution of vehicle information, related to offenders who flee after killing or seriously injuring federal, state or local law enforcement officers in the line of duty.

The Blue Alert Program is modeled after the AMBER Alert Network and the Silver Alert System, and uses the same infrastructure currently used by state and local law enforcement. All the following criteria must be met for activation of a Blue Alert:

- A law enforcement officer must have been killed or seriously injured by an assailant.

- The investigating law enforcement agency must determine that the assailant poses a serious risk or threat to the public and other law enforcement personnel.
- A detailed description of the assailant's vehicle, vehicle tag or partial tag must be available for broadcast to the public.
- The investigating law enforcement agency or jurisdiction must submit a Blue Alert recommendation to the Texas Division of Emergency Management (TDEM).

The Texas Lottery officially joined the Blue Alert Program in September 2008. Although Executive Order RP 68 did not mention the agency by name, since the Texas Lottery was lending assistance in the AMBER Alert Network and the Silver Alert System through the DPS, the Texas Lottery became a partner in the Blue Alert Program.

Endangered Missing Persons Alert Program HB 1075 was an amendment to the current AMBER Alert legislation to include the Endangered Missing Persons Alert Network effective September 2011. The Texas Department of Public Safety implemented the Endangered Missing Persons Alert Network as a means to assist law enforcement in the recovery of missing persons with an Intellectual Disability. The Texas Lottery Commission officially joined the Endangered Missing Persons Alert Program when it was implemented in December 2011.

Although HB 1075 did not mention the agency by name, since the Texas Lottery was lending assistance in the AMBER Alert Network, Silver Alert System and the Blue Alert Program through the DPS, the Texas Lottery became a partner in the Endangered Missing Persons Alert Program.

Endangered Missing Persons Alert Program

HB 1075 was an amendment to the current AMBER Alert legislation to include the Endan-

gered Missing Persons Alert Network effective September 2011. The Texas Department of Public Safety implemented the Endangered Missing Persons Alert Network as a means to assist law enforcement in the recovery of missing persons with an Intellectual Disability. The Texas Lottery Commission officially joined the Endangered Missing Persons Alert Program when it was implemented in December 2011.

Although HB 1075 did not mention the agency by name, since the Texas Lottery was lending assistance in the AMBER Alert Network, Silver Alert System and the Blue Alert Program through the DPS, the Texas Lottery became a partner in the Endangered Missing Persons Alert Program.

Play Responsibly

The Texas Lottery is committed to educating players about important game-related information and encouraging them to play responsibly. The Play Responsibly public information initiative reminds consumers that the Texas Lottery Commission encourages conscientious participation in its games. The initiative was originally launched in August 2003 and continues today with the Play Responsibly message positioned in public communications, including how-to-play brochures, retailer and player publications, point-of-sale materials, instant and draw game tickets, and news releases. The initiative features the Texas Lottery's Play Responsibly Web page where players can find links to outside problem gambling resources.

Additionally, since 2004, the Texas Lottery has participated in the annual Problem Gambling Awareness Week campaign, a grassroots public awareness and outreach campaign presented by the National Council on Problem Gambling. The goal of this campaign, typically held every year in the second week of March, is to educate the general public and health care professionals about problem gambling and raise awareness

about the help that is available both locally and nationally. The Texas Lottery's Media Relations Division produces and distributes a statewide news release regarding the campaign and reminds lottery and bingo players alike to play responsibly, and remain vigilant for warning signs of problem gambling. In 2014, the Texas Lottery joined the National Council on Problem Gambling as a Silver member as part of its ongoing efforts to prevent problem gambling and increase awareness of the issue.

Sign Your Ticket -

Consumer Protection Campaign

The Texas Lottery uses the agency's website and point-of-sale materials to educate the public on consumer protection issues. Specifically, the Sign Your Ticket information campaign, launched in May 2008, reminds players about the importance of players signing tickets upon receipt. The Sign Your Ticket campaign was initially supported with a video news release, and continues with point-of-sale presence in the retail environment and periodic features on the agency's website and in retailer publications.

Texas Lottery Commission Websites

The Texas Lottery maintains two agency websites, **txlottery.org** and **txbingo.org** to communicate with Texas Lottery and Charitable Bingo players, Texas Lottery retailers and vendors, bingo licensees, and the public at large. Online services include streaming webcasts of Texas Lottery drawings, information about Texas Lottery games and promotions, regular messages from the executive director, information about consumer protection, public service campaigns, Charitable Bingo forms, applications, reports, and links to agency administrative rules. The sites also provide the public with contact information to report complaints to the agency for investigation. The agency completed a full redesign of the **txlottery.org** web site launched in spring 2014 to upgrade and update the functionality and design of the site.

Industry Resource

The Texas Lottery staff serves as a resource to Texas and other states on issues as they relate, or may potentially relate, to the Texas Lottery or gaming in general. The Legal Services Division has developed an expertise in state and federal lottery and charitable bingo laws. As new technology emerges regarding gaming opportunities, the Texas Lottery continues to develop its expertise in an industry experiencing tremendous growth.

Texas Lottery staff members are frequently called upon to speak at state and national conferences concerning gaming. In addition, the Texas Lottery's executive director holds leadership positions within national lottery industry organizations.

The executive director is an active member of the North American Association of State and Provincial Lotteries (NASPL), currently serving as president of the organization, on the Vendor Relations Committee, and as chair of the Accounting Subcommittee. In addition, the executive director recently completed a two-year term as the Lead Director for *Mega Millions* and was an integral part of discussions with MUSL (*Powerball*) regarding a recent price increase for *Powerball*.

Where the Money Goes

In order to inform the public about the Texas Lottery's revenue contributions to the state's Foundation School Fund, the Texas Lottery produces a "Where the Money Goes" brochure annually that details a complete percentage breakdown of each dollar of lottery sales. The brochure is widely disseminated to retailers, players and the general public, and is also available on **txlottery.org**. The agency also announces the attainment of significant contribution milestones on the agency's website.

B. Areas for Improvement

Ongoing Audits

The Texas Lottery Commission's Internal Audit function evaluates the various processes, programs, and responsibilities of the agency. Throughout the year, internal audits provide both formal and informal recommendations to improve controls to better ensure Texas Lottery goals and objectives are met. Texas Lottery management is committed to developing and taking effective corrective actions. Internal audit activities planned for FY 2014 include three audits, a review of internal controls and business processes for the implementation of two major information systems, updating the risk assessment matrix, and management of any fraud and/or ethics complaints received. Additionally in FY 2014, the State Auditor's Office is conducting an audit of the Texas Lottery's contract management function.

Sunset Implementation

A report from the Texas Sunset Advisory Commission in March 2012 stated, "The Texas Lottery Commission walks a tightrope in balancing the many contradictions in the state's attitudes about gaming... The current Sunset review found that despite these challenges, the Commission successfully balances the various demands placed on it." As a result of Sunset legislation, the size of the Texas Lottery Commission was increased from three to five, and the establishment of a 10-member legislative review committee was authorized to study the impact of eliminating the lottery and the revenue impacts of doing so. Other legislative requirements include Commission approval of all major contracts, the development of a comprehensive business plan aimed at improving the Lottery's performance for the benefit of the Foundation School Fund, and including disclosures on lottery scratch-off games that contain numbers or

words in a language other than English. The Texas Lottery has implemented all legislative requirements within its direct control.

C. Opportunities

Long-Range Business Planning

The *Texas Lottery Commission Comprehensive Business Plan and Annual Report for FY 2015* was prepared by the management of the Texas Lottery. Major initiatives of the Texas Lottery are guided by the business plan to ensure their cost effectiveness. The business plan includes a specific description of key programs, performance factors and management initiatives, and the related challenges and opportunities inherent in those initiatives. Texas Lottery management routinely reviews performance related to the business plan with the Commission to assess the overall performance and value of agency projects and programs. Those that fail to meet financial objectives are adjusted or terminated. The Texas Lottery business plan builds on other planning efforts made by the agency, and ensures that strategic business planning positions the lottery for future success.

Through the agency's long-range, strategic and business planning processes, Texas Lottery staff have identified several potential opportunities to positively impact the agency's key areas of activity: economic development, maintaining a culture of compliance and trust, developing innovative games and products, applying new technologies and fostering public awareness of Texas Lottery activities.

Texas Lottery Revenue Opportunities

In order to retain player interest and continue generating revenue for the state of Texas, the Texas Lottery must continue to work to drive innovation within its portfolio of traditional lottery games. The agency continues to explore new game opportunities and enhancements to

existing game products that hold the greatest long term potential for revenue generation. The following section contains a summary of many current initiatives under review or currently being implemented. Some of these opportunities would require legislative authority. The Texas Lottery Commission remains neutral as to changes in legislation and presents these opportunities for informational purposes only.

Draw Games

Texas Lottery staff is currently reviewing changes to the draw game portfolio in an effort to increase sales and revenue generation.

Price Point Expansion

While challenging, it is important to continue efforts to move to expand the price point offerings for draw game products. Price point expansion in the instant product category was a key driver in growing instant ticket product sales and revenue over a period of many years in Texas. The industry has worked collaboratively in the area of draw game price point expansion, working to redesign the *Powerball* game and reposition it at a \$2 price point. The new game features significantly higher starting jackpots than any other jackpot game available in the industry—\$40 million.

The Texas Lottery has introduced its own in-state \$2 draw game product called *All or Nothing*, in September 2012. The Texas Lottery has also conducted research on other new draw game concepts that would be positioned at the \$2 price point, along with *Powerball* and *All or Nothing*. The Texas Lottery selected the *Texas Triple Chance* draw game from this research initiative. The game features a \$2 price point that gives players three chances or sets of numbers, and provides for three ways to win in each play. This game received Texas Lottery Commission approval. However, at the Commission's direction, sales for the game will not begin and the

Commission will not expend agency funds to implement this specific game, pending the outcome of the Texas Attorney General's opinion and review of the game pursuant to Request No. 1185-GA.

A groundbreaking industry-wide initiative currently in final development would create a new \$5 national draw game. Known as the National Premium Game, this game concept incorporates numerous promotional game features in addition to a proven base game matrix and introduces a strong licensed property brand, *MONOPOLY*®, into the national draw game portfolio. The use of licensed property games historically has been very successful with instant tickets. The National Premium Game leverages the *MONOPOLY*® brand to create new play experiences and offers added value through promotional second chance drawings, in which players enter for an opportunity to be selected to join a studio audience for a chance to compete for prizes during a nationally televised lottery game show. This unique promotional draw game feature offers players an exciting new game element. This game, pending approval by the Texas Lottery Commission, is tentatively scheduled to launch in the fall of 2014 with the television game show beginning in early 2015. Texas Lottery staff is working to bring this proposed game rule before the Commission for their consideration in June of 2014.

Evaluation of Jackpot Game Portfolio

With the scheduled introduction of the new \$5 National Premium Game, the Texas Lottery will need to closely monitor sales performance of all of its jackpot games to determine the need for any portfolio modifications or adjustments.

Add-on Features

Add-on features, such as *Megaplier*, *Power Play* and *Extra!* have been successful in generating incremental sales and revenue. The Texas Lottery will continue to explore additional add-on

concepts that may offer incremental sales and revenue potential for the draw game portfolio.

Draw Game Cross Promotion

The Texas Lottery has been very successful in designing instant games that feature or highlight games from its draw game portfolio. A prize in these instant games is a free play in the associated draw game. These games have performed well from a sales perspective, and have introduced instant game players to the Texas Lottery's draw game product offerings. The Texas Lottery is launching an *All or Nothing*-themed instant game in the summer of 2014. The Texas Lottery will continue to identify opportunities to introduce these games that educate players on the agency's draw games and create player product trial opportunities.

Cash Five Game Modification Research

The Texas Lottery plans to explore options to modify or replace the current *Cash Five* game. *Cash Five* is a mature game that has experienced sales declines over time. Due to several recent national game initiatives and other in-state draw game opportunities offering greater revenue potential, there has not been an appropriate time in the game software development cycle or adequate advertising support dollars available to pursue this initiative. However, the Texas Lottery anticipates that there will be an opportunity within the next two fiscal years to conduct this evaluation and, if appropriate, proceed with a game modification or replacement.

Packaged Draw Game Play

The Texas Lottery also plans to explore packaging or bundling draw games for ease of purchase by players. This initiative will allow the agency to promote lesser played games and to potentially expand draw game product trial. This initiative will also require significant software development effort, and a gap between other draw game initiatives in order to pursue implementation.

Powerball Game Change-

MUSL is currently conducting research on new game matrices, promotions and new game features for the *Powerball* game. These changes could be implemented as early as January 2015.

There are also other product offerings being used in the lottery industry that are not being pursued at the Texas Lottery, because they would require changes in legislation. Many states have expanded their game portfolio to include Keno to offer their players better variety and a different game experience in a non-traditional lottery venue:

Keno – a lottery game that involves the use of traditional lottery terminals and TV monitors. Keno drawings are held every few minutes, and the game is typically played in social-setting venues, such as bars and restaurants.

Instant Games

Texas Lottery staff continues to evaluate strategies to bring entertaining instant game products to its customers. The strategies outlined below are either cornerstones of the existing game portfolio design that are under evaluation for further use, or new industry concepts that have arisen that merit evaluation for introduction in Texas.

Game Launch Schedule and Plan-o-Gram Implementation

While the Texas Lottery has experienced tremendous success with its instant product category, it is also exploring new ways to enhance sales based on product marketing and distribution recommendations made by the lottery operator. After carefully reviewing the product portfolio it was determined that core games such as *Crossword*, *Weekly Grand*, *Break the Bank* and *Bingo*, while successful games, may not be selling to their full potential due to the large number of non-base games frequently introduced.

Core games at all price points are very popular among players. However, they face heavy competition for retailer display space week after week from frequently launched non-base games. It is also difficult for new non-core games to gain loyalty among players as they tend to be overshadowed by “the next new game.” Based on recommendations of the lottery operator, a new instant product management strategy is being explored that includes:

- Reducing the frequency of new game introductions;
- Increasing the focus on base-game and game suite placement in dispensers; and
- Allowing for consistent merchandising of existing base games and new non-base games.

Previously, the Texas Lottery launched new games once every two weeks. Starting in January 2014, new game launches were changed to every three weeks, and, beginning in March 2014, introductions changed to every four weeks. This change only affects new game launches. Retailers still continue to receive automatic inventory replenishment orders every two weeks or upon request.

The goal of a reduction in the frequency of game introductions is to allow the Texas Lottery and the lottery operator’s sales force to take a more tactical approach to product merchandising and display at retail. In support of the revised launch schedule and the effort to maximize and advance core game sales, instant game plan-o-grams have been developed and distributed to lottery sales representatives so they can assist retailers with arranging their instant game dispensers with the correct mix of core games and new games to generate optimal sales. This initiative is still in its early stages, and the Texas Lottery will continue to closely evaluate this program and make modifications as needed.

Spotlight Game Offerings – Based on the sales and revenue results from past and current Spotlight games in market, the Texas Lottery will continue to develop and place full advertising support behind these game launch initiatives. In the summer of 2014, the next \$10 Spotlight game, *\$200 Million Cash Blowout*, will be introduced, and a new \$20 Spotlight game is being planned for FY 2015.

Game Suites

In addition to the *Weekly Grand* suite, the Texas Lottery introduced another suite of games called the multiplier suite in early 2014. The multiplier suite received full advertising support, including TV, radio, outdoor, and full in-store POS. This suite offered five different games at the \$1, \$2, \$5, \$10 and \$20 price points—*5X The Cash* (\$1), *10X The Cash* (\$2), *20X The Cash* (\$5), *50X The Cash* (\$10) and *100X The Cash* (\$20). This suite of games has performed well and all five games have been reprinted to keep up with player demand. The Texas Lottery is already planning a new suite of games that will replace the multiplier suite in early 2015.

Play Books (Game Books)

Play books are a proprietary instant game product produced by one of the Texas Lottery's instant game manufacturers. Just as its name suggests, a play book is a book of instant games. A play book typically sells for \$20 and contains multiple games packaged together that provide a value proposition to the player. Play books have been successfully launched in other jurisdictions, and the Texas Lottery is planning to introduce the first ever play book in Texas for the 2014 holiday season. Sales results will be evaluated to determine if future play book concepts should be developed and introduced. Other jurisdictions have launched play books containing extended play games like Crossword or Bingo, or have created game books with all games in the book containing a consistent theme, such as 7's, gems, or casino style games.

Products Geared to Appeal to New Players

As a mature, 22-year old lottery, the Texas Lottery recognizes that to remain relevant and continue to grow as a revenue generating entity, it must attract new players. The Texas Lottery must also achieve this goal within the framework of its traditional lottery (instant and draw) game offerings. Offering licensed/branded instant games and instant games that feature unique prizes represent a significant portion of the agency's strategy to reach new audience.

Licensed/Branded Products

As noted above, the Texas Lottery must create products that will engage new consumers. Well-recognized brands and licensed properties that have strong consumer affinity can be leveraged to appeal to consumers that may have lapsed in their lottery participation or that have not considered lottery product trial in the past. The Texas Lottery considers these offerings to be an important part of its product portfolio, and works to identify brands that would be well received by consumers. Recent properties introduced include *KISS*, *Star Trek*, *Dallas Cowboys*, *Houston Texans* and *Texas Dream Home* (a game branded with The Home Depot® logo and offering The Home Depot gift cards and a chance to win a D.R. Horton® Dream Home as a promotional second chance prizes).

Luck Zone Player Internet Site

Product innovation is not always limited to the attributes and qualities of the product itself. Innovation can occur in extensions of the product such as offering promotional second chance drawings for merchandise and experiential prizes. The Texas Lottery continues to identify and develop games that include unique merchandise/experiential prize features that appeal to particular player segments. The Texas Lottery Luck Zone site allows players to create an account and quickly and conveniently enter non-winning scratch-off game tickets for participation in promotional second chance drawings.

Market Testing of Unique Production Features for Instant Games

While many of the game design changes made by instant ticket manufacturers have been subtle and have not resulted in major changes to the product category, instant ticket manufacturers continue to develop new production methods that can be marketed to consumers. One example that the agency has leveraged successfully is a production method where the latex overprint on the ticket is scented and emits a fragrance (e.g., peppermint or chocolate) when scratched. This scent can be combined with the theme of the game to make the product unique for players.

Another recently introduced production method permits play areas to appear on the front and back of the ticket. This option offers players more play action without the need to increase the physical size of the ticket. The Texas Lottery, while continuing its focus on administrative expenses, will evaluate these and other added-value features, which may increase player enthusiasm for games and therefore increase game sales and revenue, for use in Texas.

Video Lottery Terminals

The State Lottery Act requires the Texas Lottery Commission to adopt rules prohibiting the operation of any game using a video lottery machine, more commonly referred to as video lottery terminals (VLTs). As defined by the State Lottery Act, the term “video lottery machine” means any electronic video game machine that, upon insertion of cash, is available to play or simulate the play of a video game, including video poker, keno, and blackjack, using a video display and microprocessors in which the player may receive free games or credits that can be redeemed for cash, coins, or tokens, or that directly dispenses cash, coins, or tokens. The statute and rule prohibiting VLTs have been in effect since the inception of the Texas Lottery.

New Lottery Equipment, Services and Technology

The Texas Lottery Commission completed a competitive procurement (RFP) process for its lottery operations and services contract, and entered into an agreement with GTECH Corporation in 2010. The new contract features numerous operational enhancements, including:

- All new retailer/player facing sales and marketing support equipment;
- A comprehensive update and refresh of the gaming system, equipment and infrastructure supporting the operation of the lottery;
- Enhanced player and retailer Web-based support services;
- Higher levels of security and redundancy, and expanded capacity to handle the extremely high transaction volumes generated daily by the Texas Lottery;
- Enhanced inventory management systems;
- Changes and improvements to the lottery operator sales and marketing team with an increased focus on retailer recruitment and personalized marketing for lottery retailers;
- Route sales support;
- Expanded marketing and sales organizational retail support;
- Enhanced mobile in-field sales support solution;
- Warehousing inventory management automation;
- Comprehensive system-based service level monitoring (SLM); and
- Sales transactional communication redundancy for top revenue generating locations.

The successful implementation of these innovative services and solutions yields enhanced service and support to retailers and players, and creates a platform from which to increase sales and revenue.

Lottery Product Distribution Expansion

The Texas Lottery retailer base is made up of more than 17,000 licensees. Although the base contains a variety of trade styles, convenience and grocery stores are the dominant trade-style segments. Together, these two trade styles comprise approximately 90 percent of retailers and more than 95 percent of Texas Lottery sales. Convenience and grocery stores are considered to be traditional lottery trade styles. Other common retail trade styles—such as general merchandise, pharmacy and big-box—are typically categorized as non-traditional lottery trade styles, as they have not broadly adopted the lottery category as a standard product offering.

The Texas Lottery must continue to work to maintain its presence and relationship with traditional lottery trade styles, while actively pursuing opportunities to expand into non-traditional lottery trade styles.

There are several challenges to expanding lottery distribution channels. Independently owned retailer establishments are often focused on offering higher profit-margin products that can be more easily correlated to bottom-line revenue. As lottery products produce lower profit margins than many other retail products, prospective retailers' interest in adding the lottery category can be limited. Also, the instant product category can present operational concerns associated with inventory control/shrinkage and the potentially labor-intensive nature of lottery products can serve as barriers to interest.

Recruiting chain establishments in non-traditional lottery trade styles presents other challenges. The Texas Lottery, lottery operator and North American Association of State and Provincial Lotteries (NASPL) representatives have

consistently identified the following barriers to recruiting national corporations representing new trade styles—ability to offer self-service and route sales models, lack of standardized licensing and accounting processes across all jurisdictions, and the availability of new technologies providing back-office accounting and real time connectivity to sales information. Additionally, some retailers perceive that selling lottery products may not align with their business model.

Many prospective retail trade styles are best suited for player-controlled, self-service sales due to consumer traffic patterns and trade-style business models. These different sales methods require unique equipment and support that are outside of the prevalent and historic lottery industry sales model of clerk-assisted transactions. During the 82nd Legislature, HB 1955 was filed to permit the Texas Lottery Commission to contract with or license a lottery operator as a retailer. This bill would have facilitated the self-service and route sales styles of business models mentioned above, but it did not pass. The agency continues to collaborate with lottery operator staff to identify and pursue alternatives for incorporating lottery into non-traditional business models.

In order to successfully pursue broader distribution channels for its products, the Texas Lottery must meet the needs and concerns of potential new businesses and trade styles. The most recent Texas Lottery procurement for lottery operations and services provides key infrastructure and support to position the agency for future recruitment success. Key among these is a fully-refreshed equipment platform for retail featuring state-of-the-art, player-activated, self-service equipment; dedicated lottery operator personnel focused on individual and small chain business recruitment opportunities; lottery operator support for route sales licensing models that mitigate business overhead related to retailer lottery participation; and new systems that will allow the Texas Lottery to provide its licensees with Web-based lottery inven-

tory, accounting and sales information reporting far beyond current capabilities.

The Texas Lottery is also continuing to work with NASPL and the Petroleum Convenience Alliance for Technology Standards (PCATS) to create lottery industry standards for transmitting financial and inventory data to retailers. These standards should remove one of the more significant obstacles to recruiting national specialty/general merchandise and big-box stores.

The agency and lottery operator staff will continue to actively work together to enhance retailer recruitment efforts to increase the Texas Lottery's overall presence in a broader array of trade styles. These efforts have already begun to show promise as discussions are underway with non-traditional businesses previously resistant to incorporating the lottery category into their business model.

Reaching New Demographic Markets

The markets for lottery draw games and instant lottery games are considered mature given that the games have been available to Texans for many years and, without the addition of new gaming activities, market demand is not expected to grow significantly on its own. It can be a tremendous challenge for lotteries in mature markets to grow sales and revenue at rates that satisfy stakeholders. The Texas Lottery will continue to use information gathered from its marketing research to expand product offerings that appeal to existing market segments, enhancing products to appeal to individuals who are not frequent lottery players, and developing new products for new players across all demographics.

Exploring growth through segment-focused marketing and product development strategies will not require additional resources, but rather the continued focus of existing staff and dedication of Texas Lottery resources.

Public Awareness – Making Texas Lottery Winner Information Available to the Public

The Texas Lottery Commission works hard to maintain the public's trust by protecting and ensuring the security of our lottery games, systems, drawings and operational facilities. This commitment to integrity and responsibility is one of the Texas Lottery's core values. The Texas Lottery understands that the public must have confidence in the integrity and fairness of the games, together with the ability to inquire about who is receiving Texas Lottery prize payments.

Texas Lottery prizes can be claimed by an individual or by any other properly created legal entity, such as a trust, partnership or corporation.

In accordance with sections 466.254 and 466.409 of the State Lottery Act, the Texas Lottery has adopted procedures to ensure that lottery prizes cannot be claimed by anyone prohibited by law from purchasing a ticket or claiming a prize. After certain top level or jackpot prizes are claimed, the agency may distribute a news release to media, which could include the name of the claimant. This information may also be made available through the Texas Lottery's social media platforms. Section 466.022 of the State Lottery Act provides that information involving lottery-prize claimants is public information, except for the claimant's street address and phone number. Likewise, the Texas Lottery's practice is to release information relating to a prize claimant in response to requests for information under the Public Information (Open Records) Act.

In addition, the agency will continue to evaluate, and modify as needed, the importance of its Winner Awareness campaigns and other avenues that identify for the public that "real people" play and "real people" win.

EVALUATION AND OPPORTUNITIES

Advertising Dollars

Table 27 summarizes and compares the major challenges impacting the Texas Lottery's advertising over time.

TABLE 27
TEXAS LOTTERY ADVERTISING OVERVIEW
APRIL 2014

	FISCAL YEAR 1993	FISCAL YEAR 2013
IMPACT OF INFLATION	<ul style="list-style-type: none"> \$40 MILLION BASE APPROPRIATED ADVERTISING BUDGET 12.6 MILLION TEXANS 18 OR OLDER \$3.17 AD SPEND PER CAPITA 	<ul style="list-style-type: none"> \$32 MILLION BASE APPROPRIATED ADVERTISING BUDGET \$40 MILLION IN 1993 DOLLARS EQUATES TO \$64.4 MILLION IN 2013 ADJUSTED FOR INFLATION, \$32 MILLION IN 2013 EQUATES TO 19.9 MILLION IN 1993 DOLLARS 19.4 MILLION TEXANS 18 OR OLDER \$1.65 AD SPEND PER CAPITA \$3.17 AD SPEND PER CAPITA IN 1993 DOLLARS EQUATES TO \$5.10 IN 2013 ADJUSTED FOR INFLATION, \$1.65 IN 2013 EQUATES TO \$1.02 IN 1993 DOLLARS
INCREASE IN PRODUCTS	<p>TWO PRODUCTS:</p> <ul style="list-style-type: none"> LOTTO TEXAS SCRATCH-OFF GAMES (2) 	<p>NINE PRODUCTS + 4 UNIQUE ADD-ON-FEATURES:</p> <ul style="list-style-type: none"> PICK 3/SUM IT UP CASH FIVE DAILY 4/SUM IT UP ALL OR NOTHING LOTTO TEXAS/EXTRA TEXAS TWO STEP MEGA MILLIONS/MEGAPLIER POWERBALL/POWER PLAY SCRATCH-OFF GAMES (APPROX. 80-90 LAUNCHED ANNUALLY)
PRODUCT LIFE CYCLE	LOTTERY PRODUCT WAS BRAND NEW, GENERATING IMMENSE EXCITEMENT AND INTEREST.	LOTTERY PRODUCTS ARE MATURE, MEANING THAT ADVERTISING DOLLARS MUST WORK HARDER TO CREATE PLAYER EXCITEMENT AND INTEREST IN THE GAMES. NEW GAMES, GAME CHANGES AND ADD-ON FEATURES CONTINUE TO BE INTRODUCED, ALL REQUIRING ADDITIONAL ADVERTISING SUPPORT.
FREE MEDIA EXPOSURE	EXTENSIVE FREE COVERAGE OF WINNERS, GAMES AND BALL DRAWINGS BY ALL MEDIA TYPES DUE TO NEWNESS OF GAMES.	MEDIA COVERAGE OF WINNERS AND LARGE JACKPOTS, BUT THE REACH OF TRADITIONAL MEDIA IS SIGNIFICANTLY DOWNSIZED. ALMOST NO COVERAGE OF LIVE DRAWINGS OR NEW GAME LAUNCHES. SOCIAL MEDIA PLATFORMS INCREASINGLY STRUCTURED SO THAT THEY NECESSITATE PAID ADVERTISING.
TEXAS ETHNICITY	POPULATION WAS MADE UP OF A SIGNIFICANT MAJORITY OF CAUCASIANS.	POPULATION IS MUCH MORE DIVERSE WITH A MINORITY-MAJORITY POPULATION. TEXAS IS THE SECOND MOST POPULOUS STATE IN THE NATION AND THE THIRD FASTEST-GROWING, WITH THE MAJORITY OF THE GROWTH BEING DRIVEN BY HISPANICS FOLLOWED BY AFRICAN-AMERICAN AND ASIAN COMMUNITIES. BY 2016, THE MULTICULTURAL POPULATION OF TEXAS IS FORECASTED TO ACCOUNT FOR 61% OF THE TOTAL 18-49 YEAR OLD POPULATION, FURTHER SOLIDIFYING ITS CURRENT MINORITY-MAJORITY STATUS IN THE YEARS TO COME.
MEDIA PROLIFERATION	PLAYERS WERE EASY TO REACH FREQUENTLY VIA NETWORK TV AND RADIO ADVERTISING.	THE ADVERTISING INDUSTRY HAS ENCOUNTERED DRAMATIC CHALLENGES WITH THE PROLIFERATION OF NEW MEDIA CHOICES FOR CONSUMERS, INCLUDING EXPONENTIAL CABLE CHANNEL EXPANSION, STREAMING RADIO, THE ROLE OF THE INTERNET AND SOCIAL MEDIA, ALL FACTORS THAT LIMIT ADVERTISING EXPOSURE. ADDITIONALLY, THE RAPID ADOPTION OF TABLETS AND CONTINUED EXPANSION OF SMARTPHONES, DVR USAGE AND CONTENT-STREAMING CREATE EVEN GREATER OPPORTUNITIES FOR CONSUMERS TO TIME-SHIFT PROGRAMMING, POTENTIALLY AFFECTING ADVERTISING EXPOSURE. THIS MARKET DILUTION MEANS IT HAS BECOME MORE DIFFICULT TO REACH LARGE GROUPS OF CONSUMERS FOR THE SAME LEVEL OF MEDIA EXPENDITURES.
PAY AT THE PUMP	BECAUSE PAY-AT-THE-PUMP TECHNOLOGY WAS NEW AND LIMITED, MOST PEOPLE WENT INTO THE STORE TO PAY FOR GAS, ALLOWING FOR EXPOSURE TO LOTTERY PRODUCTS.	MOST STORES HAVE PAY-AT-THE-PUMP TECHNOLOGY, AND ABOUT 64 PERCENT OF CONSUMERS USE IT, REQUIRING ADVERTISING TO WORK HARDER TO DRIVE PLAYERS INTO THE STORE FOR LOTTERY PRODUCTS.

Charitable Bingo Revenue Opportunities

Petitions for Rulemaking for Pull-tab Bingo and Card-minding Devices

In January 2014 the Commission received rule-making petitions from the Department of Texas, Veterans of Foreign Wars and K&B Sales, Inc. The petitioners requested amendments to the Commission's pull-tab bingo administrative rule and also to the card-minding device systems administrative rules. The primary purpose of the requested amendments to the pull-tab bingo rule was to allow multi-play pull-tab tickets and to authorize video confirmation for pull-tab tickets. Currently, Commission rules authorize video confirmation for event pull-tab tickets. The primary purpose of the requested amendments to the card-minding device systems rules was to allow, but not require, licensed authorized organizations to offer bingo patrons the opportunity to set up individual customer accounts utilizing a card-minding device that could be used by patrons to solely track the deposit of funds into the account and to purchase bingo products from those funds.

The petitions were presented to the Commission and the Commission voted to publish the proposed rules for public comment. Numerous interested persons, including some members of the Legislature, submitted comments on these proposed rules. At its April 16, 2014 meeting the vote on the proposed rule amendments was deferred by the Commission.

The authorization of electronic pull-tab bingo, progressive bingo, and restructuring pull-tab ticket sales would enhance revenue opportunities, not only to the state, but also to the organizations conducting charitable bingo. These types of charitable bingo are currently offered in other states and are among the most frequently requested changes made by Texas nonprofit organizations conducting charitable bingo. These opportunities would require legislative authority, and the Texas Lottery Commission strictly serves as a resource regarding proposed legislation and presents these opportunities only for purposes of information.

Progressive Bingo Games

A progressive bingo game is one in which the jackpot is allowed to grow until a winner achieves a winning bingo pattern within a specific number of balls being drawn. A progressive bingo jackpot game adds tremendous excitement to long-time bingo players who are accustomed to the standard \$500 to \$750 per game maximum payout. A progressive bingo jackpot game could attract new people to play bingo because the prize payouts could grow well beyond the \$2,500 current maximum payout per occasion.

Progressive bingo games could present new opportunities to market bingo. For example, the higher-prize payout games could be featured in local newspapers or other media, bringing exposure to bingo and the charities it supports. Progressive bingo might also serve to keep gambling dollars in Texas that currently go out of state to Oklahoma and Louisiana, where high-stakes bingo halls and casinos operate. No additional equipment would be required, and a progressive bingo game could easily be introduced into any location currently conducting charitable bingo. Approximately 20 states have some form of progressive bingo.

Progressive bingo was first considered by the Texas Legislature during the 76th Legislature, Regular Session, as HB 3087, but was not passed. During the 77th Legislature, Regular Session, HB 2119, authorizing a progressive bingo game, was passed but was subsequently vetoed by the Governor. During the 78th Legislature, Regular Session, HB 1317 and SB 507, authorizing progressive bingo, were considered but did not pass. No bills related to progressive bingo were introduced in any of the 79th Legislative sessions. In the 80th Legislature, Regular Session, HB 2265, relating to the award of prizes in, and the conduct of, a progressive bingo game passed, but was vetoed by the governor.

Electronic Pull-tab Bingo

Electronic instant (pull-tab) bingo is an electronic form of pull-tab bingo where a customer purchases an electronic ticket face (instead of a ticket made of paper or paper products), some of which have been designated in advance as prize winners from a point-of-sale station. All electronic pull-tab ticket faces come from a finite deal of tickets. Electronic pull-tab bingo has the potential to increase pull-tab sales and perhaps capture a new market because it would appeal to individuals who are technologically oriented.

HB 2792 and SB 1422, filed in the 78th Legislature, Regular Session, addressed electronic pull-tab bingo; however, the bills did not pass. Two bills that were filed in the 79th Legislature, First Called Session, addressed electronic pull-tab bingo; however, the bills did not pass. In the 80th Legislature, Regular Session, HB 2206 and SB 1110, relating to the use of a card-minding device to play bingo, were filed but did not pass.

Restructuring Pull-tab Ticket Sales

Restructuring pull-tab sales would result in the tickets being sold at times and locations other than where regular bingo is being conducted.

Minnesota is an example of a jurisdiction that offers additional opportunities for pull-tab sales. While these states still require strict record keeping measures and for the proceeds to be devoted to charitable purposes, they do not limit pull-tab sales to a regular bingo occasion. Pull-tab ticket sales in Minnesota in 2012 were \$1.1 billion, while in Texas, pull-tab ticket sales for 2013 were \$369.2 million. HB 3360, filed during the 77th Legislature, Regular Session, relating to the authorization to expand the time and location where bingo pull-tabs could be sold, had the potential to increase pull-tab ticket sales in Texas, but the bill did not pass.

One key policy issue that has been raised that needs to be given consideration speaks to the very nature of charitable bingo itself: Should

charitable bingo in Texas be a part-time fundraising event operated by volunteers, or a fundraising activity operated by professional operators? Not all organizations conducting charitable bingo would agree these changes are needed, and opponents may view these enhancements to charitable bingo in Texas as an increase in gaming activity.

Other Charitable Gaming Activities

In addition to charitable bingo, there are a number of games and gaming activities that are commonly used as a form of fundraising for nonprofit organizations. The most common are raffles, Texas Hold ‘Em poker tournaments and “Las Vegas” types of games. The Texas Lottery Commission does not currently have oversight of these activities.

Raffles are statutorily authorized in Texas, but no form of licensing is required and there are no reporting requirements. A county attorney, district attorney, criminal district attorney, or the Office of the Attorney General may bring a civil action for an injunction prohibiting conduct that violates state law relating to gambling or that is not authorized by the Charitable Raffle Enabling Act or other law. Venue for criminal prosecution of violations of the Act is in the county where the conduct occurred. Subsequently, there is no reliable information regarding the impact of charitable raffles in Texas.

“Las Vegas” types of games conducted as fundraising events are usually played for tokens/chips instead of cash. Usually, at the end of the evening, guests can use the tokens/chips won to take part in an auction for donated prizes. Charities make their money off of these events by “selling” the tokens/chips that the guests use to take part in the games. While the legality of these games depend upon specific fact situations, without uniform regulation of these activities there is no way to calculate the benefit, if any, they provide to Texas charities or if they are being conducted fairly.

Spurred by the Texas Hold ‘Em craze, many charitable organizations in other jurisdictions are finding poker tournaments a profitable form

of fundraising. As attendance at bingo games declines, many organizations in other states see charitable poker tournaments as a way to capture a new market and increase revenues. In the 82nd Legislature, Regular Session, HB 382, relating to the authorization and regulation of poker gaming and the duties of the Texas Lottery Commission, was filed, but did not pass.

In the North American Association of Fundraising Ticket Manufacturers (NAFTM) 2012 Annual Report of Charity Gaming in North America (Table 28, page 102), 21 jurisdictions reported raffle gross receipts and 21 jurisdictions reported gross receipts from “other” gaming activities. Raffles gross receipts for 2012 ranged from \$30 million (British Columbia) to \$263 million (Ontario). In many jurisdictions, Texas Hold ’Em tournaments are authorized under “Las Vegas” type games.

The CBOD routinely receives calls from individuals with questions related to the conduct of raffles and “Las Vegas” type games as fundraising activities. However, without jurisdiction over these games, the CBOD is limited in providing assistance to these individuals. The CBOD refers individuals to the Office of the Attorney General and maintains a Web link to the Office of the Attorney General’s Charitable Raffle section from the Charitable Bingo website.

Implementing any new games to realize potential new revenue streams may require changes to the agency’s budget and FTE count. Should the Legislature want the Texas Lottery Commission to pursue any of these revenue enhancements, a fiscal note would be developed to identify the agency’s costs and to provide the estimated revenue streams impact.

Opportunities for Enhancing Efficiency and Customer Service

During the 83rd Legislative Session, funding was appropriated from General Revenue for the Acquisition of Information Resource Technologies for ACBS redesign. The Texas Lottery entered into a

contract with RFD & Associates to redesign the bingo system. The Bingo Operating Services System (BOSS) will develop an online and electronic payment system for licensees. This will enhance convenience and efficiency for licensees. The BOSS Application will include an Online Web Module to provide access for lessors, conductors, manufacturers, distributors, and workers to enter, manage, and electronically pay for licensure applications, renewals and reports. This should significantly reduce data entry, mail intake, and payment processing times and staffing requirements.

The Online Web Module will improve license application processing by initiating, providing and tracking required Bingo Licensee training programs which must be completed prior to license approval.

The BOSS application will utilize business work flow distribution for the coordinated execution of tasks required for licensing examination across licensing examiners, accounts examiners, and other departments. This will improve staff efficiency by eliminating unnecessary steps and reducing potential bottlenecks. The business work flow in conjunction with the automation of the licensing examiner checklists will improve customer service by increasing consistency in the examination process and reducing the application processing lifecycle.

The BOSS application will support the business work flow distribution framework with a dynamic calendar which is tailored with individual user’s tasks generated from the work flow. The calendar additionally will post reminder notifications of critical items and timelines. In addition, the BOSS application will automate standard letters which are currently manually produced.

In conjunction with the development of the BOSS application, the Texas Lottery Commission approved a CBOD business process restructuring plan to review existing CBOD business processes, designed to ensure that the BOSS application is built around efficient processes that are aligned

EVALUATION AND OPPORTUNITIES

TABLE 28
NAFTM ANNUAL REPORT 2012 CHARITY
GAMING RECEIPTS BY GAME TYPES

STATE/PROVINCE	BINGO GROSS	PULL-TAB GROSS	RAFFLE GROSS	OTHER GROSS	TOTAL GROSS RECEIPTS
COLORADO	\$44,818,764	\$57,229,726	\$14,014,650	\$-	\$116,063,140
ILLINOIS	\$37,920,000	\$90,440,000	\$-	\$10,566,667	\$138,926,667
INDIANA	\$74,738,803	\$347,721,465	\$24,623,914	\$18,398,233	\$465,482,415
IOWA	\$13,254,530	\$-	\$11,843,801	\$1,204,174	\$26,302,504
KENTUCKY	\$76,372,714	\$285,685,772	\$14,357,805	\$7,448,817	\$383,838,108
LOUISIANA	\$94,760,500	\$91,667,800	\$2,903,500	\$16,457,900	\$205,789,700
MASSACHUSETTS	\$38,815,684	\$15,756,757	\$19,611,647	\$1,360,008	\$75,544,090
MICHIGAN	\$85,702,177	\$148,749,400	\$59,137,097	\$184,176,756	\$477,765,430
MINNESOTA	\$64,700,000	\$1,050,000,000	\$8,300,000*	\$24,500,000**	\$1,147,500,000
Mississippi	\$81,717,677	\$10,297,900	\$-	\$752,834	\$98,768,412
Missouri	\$53,077,190	\$47,073,466	\$-	\$-	\$100,461,921
Nebraska	\$8,134,470	\$28,521,223	\$6,863,176	\$203,810,243	\$247,329,112
New Hampshire	\$15,900,000	\$60,900,000	\$-	\$79,000,000	\$155,800,000
New Jersey	\$40,086,208	\$45,198,925	\$38,780,957	\$-	\$124,066,090
New York	\$150,283,396	\$219,800,393	\$14,128,963	\$2,036,107	\$386,248,859
North Dakota	\$38,988,763	\$155,891,099	\$6,260,179	\$92,601,302	\$293,741,343
Oregon	\$28,368,626	\$-	\$6,328,891	\$490,115	\$35,187,631
South Dakota	Information not collected	Information not collected	Information not collected	Information not collected	Information not collected
Texas	\$360,350,148	\$363,151,650	\$-	\$-	\$723,501,798
Virginia	\$111,422,437	\$155,266,975	\$6,042,751	\$360,228	\$273,092,391
Washington	\$35,761,017	\$36,998,574 NP \$201,963,489 CM	\$8,743,354 NP	\$386,053 NP \$249,372,335 CM	\$81,888,998 NP \$451,335,824 CM
Washington, DC	\$424,235	\$220,451	\$1,408,320	\$981,831	\$2,794,236
CANADA:					
Alberta	\$123,949,000	\$83,351,000	\$139,013,000	\$1,001,405,000	\$1,347,718,000
British Columbia	\$2,660	\$-	\$30,079,700	\$621,700	\$33,341,200
Manitoba	\$400,145	\$3,836,832	\$36,350,247	\$10,936	\$81,295,266
Ontario	\$597,495,796	\$294,448,790	\$263,504,006	\$-	\$1,155,448,592
Saskatchewan	\$18,500,000	\$3,500,000	\$51,200,000	\$43,000,000	\$116,200,000

Source: NAFTM 2012 Annual Report. Note: Figures are as reported by the states and provinces.
Canadian receipts are reported in Canadian dollars.

*Does not include tax-exempt raffles. **Paddlewheel and tipboards.

with the applicable statutes, administrative rules and generally accepted accounting principles.

D. Working with Local, State, and Federal Entities

The Texas Lottery works closely with a variety of local, state and federal agencies to achieve success. Lottery prize money is returned to the state from winners who are delinquent in child support payments, student loan payments or other taxes and moneys owed to the state. In accordance with recent federal legislation, the Federal Agricultural Act of 2014 (H.R. 2642), the Texas Lottery will be working with the Health and Human Services Commission to provide data regarding lottery winnings for verification purposes in determining eligibility for benefit programs (e.g., Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Medicaid). The Texas Lottery also assists the US Department of Justice and Texas Department of Public Safety by participating in the AMBER/Silver/Blue Alert Programs.

The Charitable Bingo Operations Division allocates and distributes quarterly an entitled county's or municipality's share of the prize fees collected in that county or municipality. The amount distributed may be used by the jurisdiction for any purpose for which the general funds of the jurisdiction may be used.

The Charitable Bingo Operations Division shares and coordinates information with local law authority in the relevant jurisdiction to assist in protection and safety of the public.

E. Employee Attitudes Towards the Organization

The Texas Lottery Commission's employees rate the agency as a good place to work, according to

results of the 2014 Survey of Employee Engagement (SEE). The SEE was administered in March 2014 by the University of Texas at Austin Institute for Organizational Excellence. The Texas Lottery's overall score exceeded the 2012 survey benchmark scores for all other state agencies taking the survey, as well as for state agencies with a similar mission and agencies of similar size.

The employees' response rate was 78 percent, equal to or higher than the average response rate for all state agencies, as well as for state agency size and mission peer groups in the 2012 survey. The high response rate shows positive employee involvement, in addition to denoting a high degree of confidence that the survey results accurately reflect employee perceptions.

Areas of strength noted in the survey show that Texas Lottery employees intrinsically like their jobs, their benefits, their physical work environment, and their opportunities for career and personal development. They feel the Texas Lottery responds well to external influences that play a role in defining its mission, vision, services, and products. Employees indicated that they are generally satisfied and engaged in their jobs.

Employees perceived all the measured issues more positively than negatively. No survey areas were identified as areas of significant concern.

Survey scores can be seen as evidence that action plans put into place in response to results of previous surveys have continued to be successful.

The Texas Lottery operates in an ever-changing environment and employees are asked daily to meet new challenges and accept new responsibilities. The Texas Lottery's management recognizes this and supports its employees through its salary and benefits administration, and by providing training opportunities, promotion opportunities, advanced technology, and benefits like its employee assistance program and tuition reimbursement program.

TEXAS LOTTERY COMMISSION

Agency Strategic Plan
Fiscal Years 2015 – 2019

AGENCY GOALS, OBJECTIVES, STRATEGIES, AND MEASURES

GOAL A: Operate Lottery

Generate revenue for the state of Texas through the responsible management and sale of entertaining lottery products, while incorporating the highest standards of security and integrity.

OBJECTIVE A.1: Promote and maintain an eligible, effective and productive retailer base in order to produce revenue for the state; maintain ticket sales and awareness of lottery products to produce revenue for the state; administer all games with the utmost security and integrity; and oversee major contractual obligations unique to a state lottery operation.

Outcomes:

- Percent of retailers satisfied with Lottery Commission
- Per capita net Lottery sales
- Percentage of net Lottery sales spent on agency administration
- Percentage of bad debt to Lottery sales
- Ratio of advertising expense to net Lottery sales
- State revenue received per advertising dollar expended
- Percent of licensees with no recent violations
- Percent of eligible players served

STRATEGY A.1.1.: Lottery Operations

Definition: Ensure player, vendor and retailer compliance with Title 16 T.A.C., Section 401, Texas Government Code Chapters 466 and 467. The strategy ensures the needs of the Commission and its customers are met in certain areas of vendor compliance, instant ticket warehousing/distribution, retailer services, prize payments, retailer inspections and support services.

Output Measures:

- Number of retailer business locations licensed
- Number of denials or revocations of licenses
- Dollars collected via the debt set-off program (thousands)

Number of new licenses issued to individual retailers
Number of licenses renewed to individual retailers

Efficiency Measure:

Average cost per retailer location license issued

STRATEGY A.1.2.:

Lottery Field Operations

Definition:

Ensure player compliance and supporting retailer licensee compliance with Title 16 T.A.C., Section 401, Texas Government Code Chapters 466 and 467. The strategy ensures the needs of the Commission and the public are met in the areas of customer service, payment of prizes and retailer support in communities throughout the state by providing customer service and educational information to players and retailers via field claim center locations.

Output Measure:

Number of prize checks issued from claim centers (thousands)

STRATEGY A.1.3.:

Marketing and Promotion

Definition:

Promote Lottery product development, market research, sales and promotional functions of the Texas Lottery Commission. Determine the interests, opinions, awareness levels and purchasing behaviors of adult Texans in order to facilitate the planning, development, and implementation of effective games.

Output Measures:

Number of newsletters distributed to retailers

Number of retailer visits

Number of Retailer Surveys Completed

Efficiency Measure:

Average cost per survey issued

STRATEGY A.1.4.:

Security

Definition:

Protect and maintain the security and integrity of lottery games, systems and drawings, assure the physical security of all commission operating sites, and investigate possible criminal and regulatory violations. Investigate complaints, conduct background investigations on prospective employees, conduct background investigations on bingo distributors

AGENCY GOALS, OBJECTIVES, STRATEGIES, AND MEASURES

and manufacturers, and Texas Lottery vendors. Cooperate with local law enforcement agencies to solve crimes involving stolen lottery tickets.

Output Measure:

Number of Lottery investigations initiated

Number of Lottery investigations completed

Number of Lottery background investigations completed

Efficiency Measures:

Average time to complete lottery investigation (days)

Average cost per lottery investigation completed

Average time to complete lottery background investigations (days)

STRATEGY A.1.5.:

Central Administration

Definition:

Provide executive and support functions of the Texas Lottery Commission through executive management, financial services, information technology, communications, legal services, governmental affairs, internal audit and human resources.

STRATEGY A.1.6.:

Lottery Operator Contract(s)

Definition:

Contract for vendor services for instant ticket and on-line gaming system design, operation and maintenance; lottery management system design, operation and maintenance; telecommunications network design, operation and maintenance; terminal installation, maintenance and repair; marketing research personnel and services; promotions personnel and services; field sales personnel and services; instant ticket and on-line ticket stock warehousing; instant ticket and on-line ticket stock packing; instant ticket and on-line ticket distribution; ticket order processing and telemarketing; hotline support system; and facilities. Estimated and nontransferable.

STRATEGY A.1.7.:

Instant Ticket Production Contract(s)

Definition:

Contract for instant ticket development and manufacturing services through an instant ticket vendor(s). Other services under this contract include production of coupons, second-chance drawing sales monitoring and trends analysis of instant tickets. These functions are governed under Title 16 T.A.C., Chapter 401 and Texas Government Code Chapters 466 and 467.

STRATEGY A.1.8.:

Mass Media Advertising Contract(s)

Definition:

Provide for the production of radio, television, Internet, newspaper,

magazine and print advertising, as well as the planning, buying and placement of electronic and print media across the State of Texas. Additionally, this strategy provides for the production and placement of outdoor signage and point-of-sales materials, as well as related advertising services.

Output Measures:

Dollar amount of advertising budget spent on print advertising (millions)

Dollar amount of advertising budget spent on radio advertising (millions)

Dollar amount of advertising budget spent on television advertising (millions)

Dollar amount of advertising budget spent on other advertising (millions)

Efficiency Measure:

Percentage of adult Texans aware of lottery advertising

STRATEGY A.1.9.:

Drawing and Broadcast Services Contract(s)

Definition:

Provide and supervise the broadcast and production of all Texas on-line game drawings. Drawing and broadcast services vendors may provide broadcast television production, animated random numbers selection and/or satellite transmission services for the broadcast of Texas Lottery on-line game draws.

STRATEGY A.1.10.:

Market Research Services Contract(s)

Definition:

Provide the Lottery Commission with market research services that may consist of various research projects in an effort to better understand player purchase behavior and assist the Commission in developing sound marketing strategies.

STRATEGY A.1.11.:

Retailer Bonus

Definition:

Maximize revenue to the State of Texas by providing lottery sales agents with incentive bonuses in accordance with Commission statutes, rules and procedures.

STRATEGY A.1.12.:

Retailer Commissions

Definition:

Implement a retailer sales performance incentive program. Estimated and nontransferable.

AGENCY GOALS, OBJECTIVES, STRATEGIES, AND MEASURES

GOAL B: Enforce Bingo Laws

Timely and fairly enforce all statutes and regulations relating to charitable bingo to determine that all proceeds derived from bingo are used for a lawful purpose and charitable bingo games are conducted fairly.

OBJECTIVE 2.1.: Process, investigate and evaluate all bingo applications efficiently; promote voluntary compliance with all applicable bingo statutes and regulations; process all quarterly reports and payments filed by licensees, and assign disciplinary action to violators of the statutes and regulations.

Outcomes:

- Percentage of licensees with no recent violations
- Percentage of Bingo audits referred for disciplinary action
- Percent of complaints referred for disciplinary action
- Percent of documented complaints completed within six months
- Net Bingo games revenue received by Charitable Organizations (in millions)
- Percentage of organizations who met the statutory charitable distribution requirement
- Percentage of organizations receiving an audit
- Percentage of organizations receiving an inspection

STRATEGY B.1.1.: Bingo Licensing

Definition: License all activities associated with the conduct of charitable bingo. These functions are governed under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

Output Measures:

- Number of licenses issued to individuals and organizations
- Number of applications processed
- Number of Worker Registry applications processed

Efficiency Measures:

- Average Bingo license (new) processing time (days)
- Average Bingo license (renewal) processing time (days)
- Average cost per license issued

Explanatory Measure:

- Number of annual license holders

STRATEGY B.1.2.: Bingo Education and Development

AGENCY GOALS, OBJECTIVES, STRATEGIES, AND MEASURES

Definition: Provide for the education and development of all licensed organizations that conduct Charitable Bingo activities in this state through the education and development of licensees with training seminars, the publication of informational newsletters and maintaining the charitable bingo website containing relevant information relating to regulatory requirements.

Output Measures:

Number of individuals receiving education

Efficiency Measures:

Average cost of Bingo Training Class

STRATEGY B.1.3.: Bingo Law Compliance Field Operations

Definition: Ensure compliance with the Bingo Enabling Act and the Charitable Bingo Administrative Rules through a system of enforcement by conducting inspections, reviews, audits and complaint investigations.

Output Measures:

Number of inspections conducted

Number of Bingo audits and reviews completed

Number of Bingo complaints completed

Dollar amount of adjustment to charitable distribution by audit and inspection

Number of Bingo background investigations completed

Efficiency Measures:

Average time for Bingo complaint completion (days)

Average cost per Bingo complaint completed

Average time to conduct compliance audit (hours)

Average time to complete Bingo background investigations (days)

Average cost per audit completed

STRATEGY B.1.4.: Bingo Prize Fee Collection and Accounting

Definition: Manage charitable bingo financial data regarding collections and allocations of revenue in a manner that ensures funds are disbursed to appropriate entities. These functions are governed under Texas Occupations Code Chapter 2001; Article III, Section 47 of the Texas Constitution; and Texas Government Code Chapter 467.

Output Measures:

Number of days to allocate payments to local jurisdictions

Percentage of licensees who fail to pay timely

Number of Bingo reports processed

TEXAS LOTTERY COMMISSION

Agency Strategic Plan
Fiscal Years 2015 – 2019

TECHNOLOGY RESOURCE PLANNING

Technology Alignment Initiative

The Texas Lottery Commission recognizes the importance of staying current with technology in order to increase operational efficiency and enhance the agency's effectiveness. The agency is committed to deploying innovative technologies that deliver world-class services to our players and customers, and is closely aligned with statewide technology initiatives.

A.

1. INITIATIVE NAME: UPGRADE TELECOMMUNICATIONS SYSTEM TO MICROSOFT LYNC	
2. INITIATIVE DESCRIPTION: TO ENHANCE OUR COMMUNICATION INFRASTRUCTURE, THE AGENCY IS DEPLOYING MICROSOFT LYNC. MICROSOFT LYNC SUPPORTS MANY FEATURES, INCLUDING IP TELEPHONY, VIDEO CHAT, AND CONFERENCING. THIS EFFORT WILL ALSO BE LEVERAGED TO REPLACE OUR AGING TELECOM INFRASTRUCTURE.	
3. ASSOCIATED PROJECT(S):	
NAME: UPGRADE TELECOMMUNICATIONS SYSTEM TO MICROSOFT LYNC	STATUS: IN PROGRESS
4. AGENCY OBJECTIVE(S) OBJECTIVE A.1 RELATED TO THE OPERATION OF THE LOTTERY OBJECTIVE B.1 RELATED TO THE ENFORCEMENT BINGO LAWS	
5. STATEWIDE TECHNOLOGY PRIORITY(IES): <ul style="list-style-type: none"> • BUSINESS CONTINUITY • ENTERPRISE PLANNING AND COLLABORATION • IT WORKFORCE • DATA MANAGEMENT • MOBILITY • NETWORK 	
6. ANTICIPATED BENEFIT(S): <ul style="list-style-type: none"> • OPERATIONAL EFFICIENCIES (TIME, COST, PRODUCTIVITY) • CITIZEN/CUSTOMER SATISFACTION (SERVICE DELIVERY QUALITY, CYCLE TIME) • FOUNDATION FOR FUTURE OPERATIONAL IMPROVEMENTS 	
7. CAPABILITIES OR BARRIERS: BARRIER – THE LEARNING CURVE TO LEARN THE NEW FEATURE SETS THAT ACCOMPANY THE TELEPHONY TECHNOLOGY. CAPABILITIES – THE AGENCY HAS IN-HOUSE TECHNICAL STAFF THAT HAS PREVIOUSLY OUTDATED SERVERS AND NETWORK EQUIPMENT.	

B.

1. INITIATIVE NAME: UPGRADE ORACLE TECHNOLOGY STACK	
2. INITIATIVE DESCRIPTION: ORACLE SOFTWARE TECHNOLOGY SUPPORTS THE AGENCY'S CORE BUSINESS FUNCTIONS. EACH FISCAL YEAR, THE ORACLE SOFTWARE LICENSED BY THE AGENCY IS UPGRADED TO SUPPORT SECURITY PATCHING AS WELL AS TO PROVIDE THE LATEST FUTURE SET.	
3. ASSOCIATED PROJECT(S):	
NAME: UPGRADE ORACLE TECHNOLOGY STACK	STATUS: IN PROGRESS
4. AGENCY OBJECTIVE(S) OBJECTIVE A.1 RELATED TO THE OPERATION OF THE LOTTERY OBJECTIVE B.1 RELATED TO THE ENFORCEMENT BINGO LAWS	
5. STATEWIDE TECHNOLOGY PRIORITY(IES): <ul style="list-style-type: none"> • SECURITY AND PRIVACY • LEGACY APPLICATIONS • BUSINESS CONTINUITY • ENTERPRISE PLANNING AND COLLABORATION • IT WORKFORCE • DATA MANAGEMENT 	
6. ANTICIPATED BENEFIT(S): <ul style="list-style-type: none"> • OPERATIONAL EFFICIENCIES (TIME, COST, PRODUCTIVITY) • CITIZEN/CUSTOMER SATISFACTION (SERVICE DELIVERY QUALITY, CYCLE TIME) • SECURITY IMPROVEMENTS • FOUNDATION FOR FUTURE OPERATIONAL IMPROVEMENTS • COMPLIANCE (REQUIRED BY STATE/FEDERAL LAWS OR REGULATIONS) 	
7. CAPABILITIES OR BARRIERS: CAPABILITIES – THE AGENCY HAS IN-HOUSE TECHNICAL STAFF (DATABASE ADMINISTRATORS) THAT HAVE PREVIOUSLY PERFORMED NUMEROUS UPGRADES TO THE ORACLE TECHNOLOGY STACK.	

C.

1. INITIATIVE NAME: REFRESH ALL AGENCY DESKTOPS AND LAPTOPS WITH NEW HARDWARE INCLUDING TABLET COMPUTERS	
2. INITIATIVE DESCRIPTION: THE AGENCY DESKTOPS AND LAPTOPS REFRESH TECHNOLOGY INITIATIVE SUPPORTS THE AGENCY'S CORE BUSINESS FUNCTIONS. OUR LEASE ON THE EXISTING DESKTOP AND LAPTOPS IS SCHEDULED TO EXPIRE JULY 2014. WE WILL ALSO INTRODUCE TABLET COMPUTERS AS A DEVICE OPTION FOR OUR STAFF.	
3. ASSOCIATED PROJECT(S):	
NAME: REFRESH ALL AGENCY DESKTOPS AND LAPTOPS	STATUS: IN PROGRESS

(continued on pg. 112)

TECHNOLOGY RESOURCE PLANNING

C. (Cont'd)

4. AGENCY OBJECTIVE(S) OBJECTIVE A.1 RELATED TO THE OPERATION OF THE LOTTERY. OBJECTIVE B.1 RELATED TO THE ENFORCEMENT BINGO LAWS
5. STATEWIDE TECHNOLOGY PRIORITY(IES): <ul style="list-style-type: none"> • SECURITY AND PRIVACY • BUSINESS CONTINUITY • ENTERPRISE PLANNING AND COLLABORATION • IT WORKFORCE • DATA MANAGEMENT • MOBILITY
6. ANTICIPATED BENEFIT(S): <ul style="list-style-type: none"> • OPERATIONAL EFFICIENCIES (TIME, COST, PRODUCTIVITY) • CITIZEN/CUSTOMER SATISFACTION (SERVICE DELIVERY QUALITY, CYCLE TIME) • SECURITY IMPROVEMENTS • FOUNDATION FOR FUTURE OPERATIONAL IMPROVEMENTS
7. CAPABILITIES OR BARRIERS: BARRIER – INSUFFICIENT STAFFING TO REFRESH ALL OF THE WORKSTATIONS IN A TIMELY MANNER BUT WILL BE OVERCOME BY OUTSOURCING THE DEPLOYMENT SERVICES. CAPABILITIES – THE AGENCY REFRESHES DESKTOPS EVERY THREE YEARS AND HAS THE EXPERIENCE TO COMPLETE THE PROJECT.

D.

1. INITIATIVE NAME: SECURITY	
2. INITIATIVE DESCRIPTION: THE AGENCY CONTINUES TO BE CONFRONTED WITH THE SECURITY THREATS TO NETWORK SECURITY AND DATA. PLANNED AND ONGOING SECURITY INITIATIVES INCLUDE REGISTERING ALL LAPTOPS WITH COMPUTRACE, ENCRYPTING ALL AGENCY LAPTOPS, PARTICIPATION IN DIR'S NETWORK AND WEBSITE PENETRATION TESTING SERVICES, AND CONDUCTING A BIENNIAL SECURITY REVIEW.	
3. ASSOCIATED PROJECT(S):	
NAME: SECURITY	STATUS: IN PROGRESS
4. AGENCY OBJECTIVE(S) OBJECTIVE A.1 RELATED TO THE OPERATION OF THE LOTTERY. OBJECTIVE B.1 RELATED TO THE ENFORCEMENT BINGO LAWS	
5. STATEWIDE TECHNOLOGY PRIORITY(IES): <ul style="list-style-type: none"> • SECURITY AND PRIVACY • CLOUD SERVICES • LEGACY APPLICATIONS • BUSINESS CONTINUITY • ENTERPRISE PLANNING AND COLLABORATION • IT WORKFORCE • VIRTUALIZATION • DATA MANAGEMENT • MOBILITY • NETWORK 	

D. (Cont'd)

6. ANTICIPATED BENEFIT(S):

- CITIZEN/CUSTOMER SATISFACTION (SERVICE DELIVERY QUALITY, CYCLE TIME)
- SECURITY IMPROVEMENTS
- FOUNDATION FOR FUTURE OPERATIONAL IMPROVEMENTS

7. CAPABILITIES OR BARRIERS:

CAPABILITIES – THE TEXAS LOTTERY HAS A SECURITY ADMINISTRATOR THAT CONTINUOUSLY MONITORS, ASSESSES AND MITIGATES SECURITY THREATS TO THE AGENCY'S TECHNOLOGY INFRASTRUCTURE. THE AGENCY ALSO REQUIRES ANNUAL SECURITY TRAINING OF ALL EMPLOYEES.

APPENDIX A

Texas Lottery Commission

Description of the Texas Lottery Commission's Planning Process

The Texas Lottery Commission's 2015-2019 Strategic Plan is the culmination of a collaborative planning process that spanned several months and involved staff from all business units within the organization, including the commissioners. This plan represents the agency's commitment to implementing strategies and activities that support the mission, philosophy, and goals of the Texas Lottery Commission and the state of Texas.

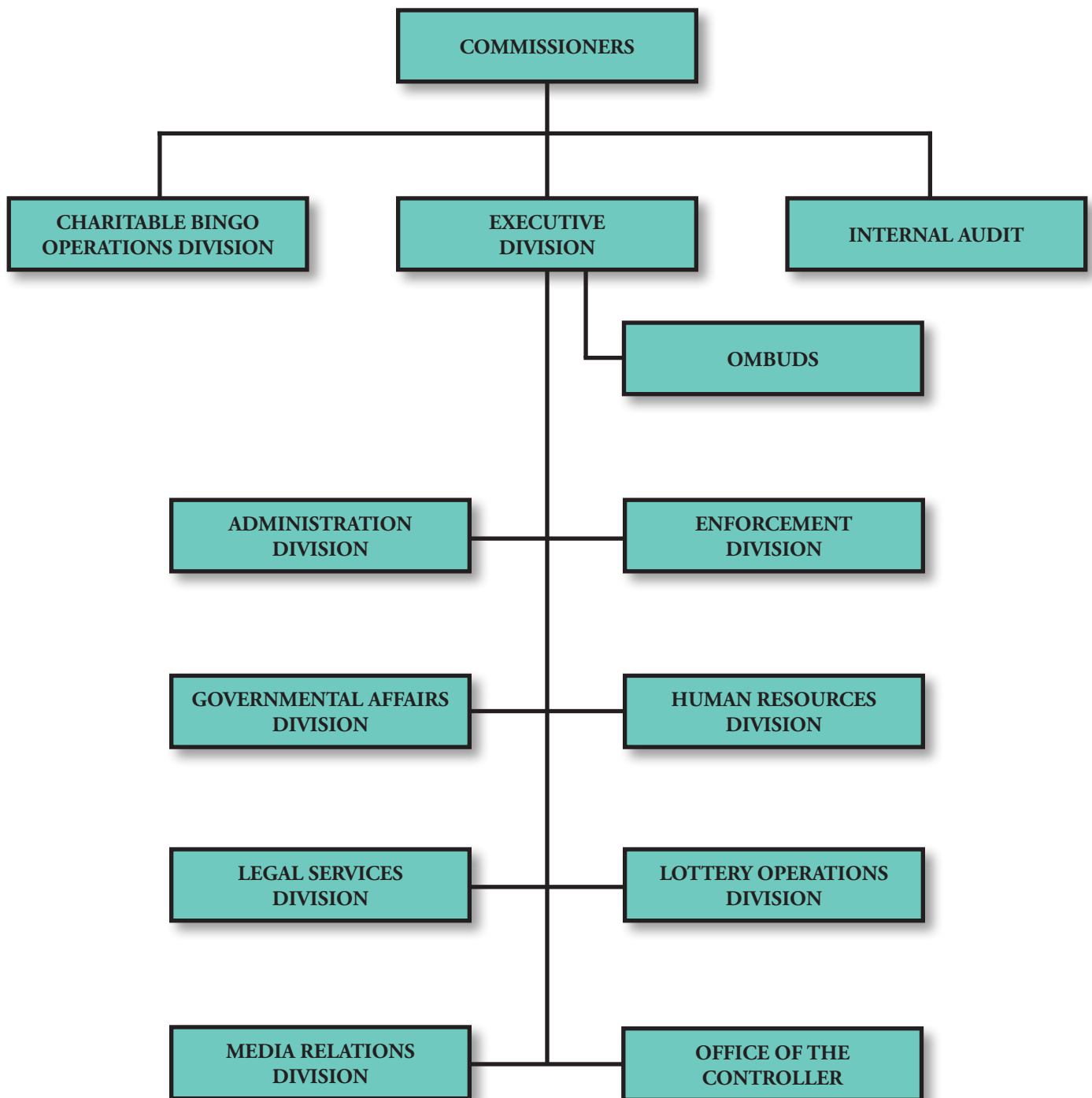
During the 83rd legislative session House Bill 2197 was passed relating to the continuation and functions of the Texas Lottery Commission. Included in the bill was a requirement for the Texas Lottery to develop a Comprehensive Business Plan to guide the commission's major initiatives. The Business Plan is similar to the Strategic Plan as it identifies specific goals for the agency; however the Business Plan also includes an evaluation component to assess the Commission's overall performance, and the efficiency and effectiveness of its programs initiatives.

In the fall of 2013, the Texas Lottery hired a third-party vendor to assist the agency with the development and publication of its Comprehensive Business Plan that incorporates the requirements set forth in House Bill 2197. Content for the Business Plan was developed collaboratively through formal meetings that were convened as part of the long-range planning process, including smaller work groups focusing on specific operational areas. The Business Plan details the agency's major initiatives and new programs, and sets specific goals that enable the agency to evaluate the overall performance and effectiveness of specific programs and initiatives, and the ongoing efficiency of operations.

When developing the Strategic Plan a number of components contained in the Business Plan were incorporated to ensure continuity and consistency between the documents. The Office of the Controller revised and submitted the agency's performance measures through the ABEST system. The Administration Division produced and submitted the Customer Service Report; the Human Resources Division provided the Workforce Plan; and the Information Resources Department developed the Technology Resources Plan.

The culmination of months of careful planning and work, the 2015-2019 Strategic Plan will serve as the Texas Lottery Commission's roadmap for future plans and activities and will ensure that agency activities support the vision and goals of the state of Texas.

APPENDIX B
Texas Lottery Commission
Organizational Structure
FY 2015-2019



APPENDIX C

Texas Lottery Commission

Outcome Projections

FY 2015-2019

Performance Measures	2015	2016	2017	2018	2019
Lottery Outcomes					
Percent of Retailers Satisfied with the Texas Lottery Commission	95.00%	95.00%	95.00%	95.00%	95.00%
Per Capita Net Lottery Sales	164.18	161.74	159.35	157.00	154.70
Percentage of Net Lottery Sales Spent on Agency Administration	4.67%	4.67%	4.67%	4.67%	4.67%
Percentage of Bad Debt to Lottery Sales	0.02%	0.02%	0.02%	0.02%	0.02%
Ratio of Advertising Expense to Net Lottery Sales	0.73%	0.73%	0.73%	0.73%	0.73%
State Revenue Received per Advertising Dollar Expended	36.73	36.73	36.73	36.73	36.73
Percent of Licensees with No Recent Violations	98.00%	98.00%	98.00%	98.00%	98.00%
Percent of Eligible Players Served	36.00%	36.00%	36.00%	36.00%	36.00%

Performance Measures	2013	2014	2015	2016	2017
Bingo Outcome					
Percentage of Licensees with No Recent Violations	91.00%	91.00%	91.00%	91.00%	91.00%
Percentage of Bingo Audits Referred for Disciplinary Action	65.00%	65.00%	65.00%	65.00%	65.00%
Percentage of Complaints Referred for Disciplinary Action	8.00%	8.00%	8.00%	8.00%	8.00%
Percent of Documented Complaints Completed Within Six Months	85.00%	85.00%	85.00%	85.00%	85.00%
Net Bingo Games Revenue Received by Charitable Organizations (Millions)	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement	96.00%	96.00%	96.00%	96.00%	96.00%
Percentage of Organizations Receiving an Audit	21.39%	21.39%	21.39%	21.39%	21.39%
Percentage of Organizations Receiving an Inspection	31.35%	31.35%	31.35%	31.35%	31.35%

APPENDIX D

Texas Lottery Commission

Performance Measure Definitions

FY 2013-2017

Goal A: Lottery**Outcome Measure A.1.a: Percent of Retailers Satisfied with Lottery Commission****Short Definition:**

This performance measure is intended to determine whether the Texas Lottery Commission is providing adequate service to retailers.

Purpose/Importance:

This key measure demonstrates whether the Texas Lottery Commission is responsive to retailer needs.

Source/Collection of Data:

Retailers are surveyed by Claim Center staff. The resulting data is collected and maintained by the Lottery's Research Section.

Method of Calculation:

All survey responses are noted by the claim center staff conducting the interviews, the results are tabulated, and a report of results is generated. The percentage is calculated by taking the number of retailers rating the Texas Lottery's services as either "Good" or "Excellent" divided by the total number of retailers asked the question regarding overall rating of Texas Lottery services. Responses for "Uncertain" are not included in the tabulation.

Data Limitations:

The percentage is based on voluntary, self-reported data.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Outcome Measure A.1.b: Per Capita Net Lottery Sales****Short Definition:**

This measure reflects the per capita annual Lottery net ticket sales, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits.

Purpose/Importance

This measure is important because it relates changes in annual Lottery ticket sales to changes in total state population.

Source/Collection of Data:

The annual ticket sales amount is reported in the Lottery's Financial Accounting system. Population estimates are provided by the U.S. Census Bureau Interim State Projections of Population by Sex.

Method of Calculation:

This measure is calculated by taking the annual net ticket sales, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits, and dividing by total state population (as reported or estimated by the U.S. Census Bureau).

Data Limitations:

The per capita total is dependent upon the level of sales for the fiscal year.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Outcome Measure A.1.c: Percentage of Net Lottery Sales Spent on Agency Administration****Short Definition:**

This measure calculates the percentage of net lottery sales spent on agency administration by taking the cost of operating the Lottery, including payments to the Lottery's primary vendors and payments to vendors for marketing and promotional activities, divided by the annual revenue from the net sale of lottery tickets, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits.

Purpose/Importance:

This measure reflects part of the Agency's mission which is to "administer and market state Lottery games in an efficient and secure manner using appropriate marketing tools to maximize revenue for the state of Texas while enhancing public confidence in the integrity and fairness of the game."

Source/Collection of Data:

The annual ticket revenue and the operating cost amounts are obtained from the Lottery's Financial Accounting system.

Method of Calculation:

Costs associated with operating the Lottery divided by annual revenue from the net sale of Lottery tickets, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits.

Data Limitations:

The amount of funds available for the administration of the Lottery is dependent upon the level of sales for the fiscal year.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Outcome Measure A.1.d.: Percentage of Bad Debt to Lottery Sales****Short Definition:**

This measure calculates the ratio (in percent) of Certified Bad Debt to total lottery sales at the end of the fiscal year. Certified Bad Debt includes amounts that have been delinquent or in bankruptcy for at least 12 months at the end of the fiscal year and accounts that have an outstanding debt of \$10,000 or more that have been delinquent for up to 180 days.

Purpose/Importance:

This measure provides an indication of the effectiveness of the Commission's systems and procedures for collecting the proceeds from the sale of lottery tickets. The measure also provides an indication of the effectiveness of the collection and enforcement tools used by the Commission to collect on delinquent accounts. This measure is important because it reflects the Commission's performance as it attempts to keep bad debt related to retailer balances to a minimum.

Source/Collection of Data:

Retailer Services staff review reports generated from the Retailer Management System and the Internal Control System (ICS) for eligible delinquent accounts. Retailer Services staff acquires the total lottery sales from the Office of the Controller.

Method of Calculation:

The method of calculation uses the Certified Bad Debt described in the definition and total lottery sales at the end of the fiscal year for which the output is being reported to determine the ratio. A percentage is obtained by dividing the total value of the Certified Bad Debt by the total value of the lottery sales for the fiscal year.

Data Limitations:

The reports relating to ticket sales and unpaid balances have well defined parameters.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal A: Lottery

Outcome Measure A.1.e: Ratio of Advertising Expense to Net Lottery Sales

Short Definition:

This measure reflects the amount spent on advertising (including point-of-sale materials, and electronic and print media), compared to the annual net sale of Lottery tickets, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits.

Purpose/Importance:

This measure is intended to demonstrate the correlation between gross lottery sales for the State and advertising dollars spent by the Texas Lottery Commission.

Source/Collection of Data:

The amounts of gross lottery sales and advertising are obtained from the Lottery's Financial Accounting System.

Method of Calculation:

This measure is calculated by dividing the amount spent on advertising by the annual revenue from the net sale of Lottery tickets, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits.

Data Limitations:

The ratio is dependent on the level of sales and amount spent for Advertising during the year.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Outcome Measure A.1.f: State Revenue Received Per Advertising Dollar Expended****Short Definition:**

This measure reflects the annual accrued transfers to the state of Texas from all Lottery proceeds (including unspent administrative funds and unclaimed prizes) compared to the annual accrued amount of advertising dollars expended.

Purpose/Importance:

This performance measure is intended to demonstrate the correlation between net revenue to the State and advertising dollars spent by the Texas Lottery Commission.

Source/Collection of Data:

The net revenue to the State and advertising expenditures are obtained from the Lottery's Financial Accounting System.

Method of Calculation:

This measure is calculated by dividing state revenue by the amount spent on advertising.

Data Limitations:

The final amount of revenue to the State is dependent upon the level of sales for the fiscal year.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Outcome Measure A.1.g: Percent of Licensees with No Recent Violations****Short Definition:**

This measure reports the ratio (in percent) of currently licensed and active lottery retailer locations that have not incurred a violation within the current fiscal year to the total number of licensed and active lottery retailer locations at the end of the reporting period. A violation is defined as any violation of the State Lottery Act or Lottery Rules by a lottery retailer that results in the suspension or revocation of the retailer's license.

Purpose/Importance:

This measure is an indicator of licensed lottery retailers' adherence to state laws and administrative guidelines. This measure is important because it reflects (1) how effectively the Commission is communicating with retailers regarding statutes and rules, and (2) how effectively the Commission's activities are in deterring these violations.

Source/Collection of Data:

The number of active and licensed retailer locations licensed at the end of the reporting period is taken from a report generated from the Lottery Operator Gaming System which shows all active and licensed retailer locations as of the last day of the previous quarter. The number of licensed and active lottery retailer locations that incurred violations during the current fiscal year is tracked on databases maintained by agency staff and obtained by Retailer Services staff from reports produced from these lottery retailer database tracking systems.

Method of Calculation:

This measure is determined by dividing the total number of active and licensed retailer locations that have not incurred a violation within the current fiscal year by the total number of active and licensed retailer locations at the end of the reporting period. The result is multiplied by 100 to achieve a percentage.

Data Limitations:

The reports used to calculate this measure have well defined parameters. However, activity that would lead to suspension or revocation of a retailer's license is in many cases beyond the Commission's control. This activity will influence performance in this measure.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Outcome Measure A.1.h: Percent of Eligible Players Served****Short Definition:**

This measure reflects the percent of eligible players served by the Texas Lottery Commission and its vendors.

Purpose/Importance:

This performance measure provides Texas Lottery participation rates among the eligible player base, which are used to identify and track market trends.

Source/Collection of Data:

The Lottery's Market Research Services vendor conducts quarterly tracking surveys that include questions measuring Lottery participation rates among the adult Texas population. The survey data is collected and maintained by the Lottery's Research Section.

Method of Calculation:

The percentage is calculated by taking the number of people per quarter responding that they have participated in a lottery game in the past month divided by the total number of survey respondents for a percentage of players served.

Data Limitations:

Responses are based on surveyed individuals only, but can be generalized state-wide based on the survey methodology. It is assumed that eligible players participating in lottery games is equitable to eligible players served.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.1. Lottery Operations****Output Measure A.1.1.a: Number of Retailer Business Locations Licensed****Short Definition:**

This measure reports the number of retailer business locations licensed and active at the end of each quarter. An active retailer is licensed, approved to sell tickets, shows current sales activity and is in good financial standing with the Lottery Commission..

Purpose/Importance:

This measure provides an indication of the Commission's concerted effort to license and maintain a base of retailer businesses adequate to serve the public and generate revenue for the State.

Source/Collection of Data:

The number of retailer business locations licensed is taken from a report generated at the beginning of each quarter from the Lottery Operator Gaming System. The report shows all retailer business locations licensed and active on the last day of the reporting period.

Method of Calculation:

The number of active retailer locations is compiled from a report based on data maintained in the Lottery Operator Gaming System on the last day of the reporting period.

Data Limitations:

The report used to calculate this data has well defined parameters.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.1. Lottery Operations****Output Measure A.1.1.b: Number of Denials or Revocations of Licenses****Short Definition:**

The number of denials or revocations of licenses reflects businesses that do not comply with the Lottery Act or an applicable rule. Revocations of licenses are defined as orders received from a hearing on licensees that do not comply with the Lottery Act or an applicable rule. Retailer Services staff refer cases to the Legal Services Division for revocation of licenses from information tracked in retailer database tracking systems.

Purpose/Importance:

This measure provides an indication of the Commission's due diligence in processing applications and ensuring businesses meet all requirements to sell tickets or be licensed.

Source/Collection of Data:

Application denials are tracked by Retailer Services staff in the Lottery Operator Gaming System. Orders for license revocations are tracked and recorded in the Order Tracking Database maintained by the Governmental Affairs Division staff.

Method of Calculation:

At the end of each quarter, the activity related to denials and revocations is reviewed by designated Retailer Services staff. The total number of license application denials is compiled from a report generated by Retailer Services and based on data maintained in the Lottery Operator Gaming System. The total number of license revocations is maintained in the Order Tracking Database by Governmental Affairs Division staff. The number of denials and revocations are added to obtain the total for the reporting period.

Data Limitations:

The report used to calculate this data has well defined parameters.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.1. Lottery Operations****Output Measure A.1.1.c: Dollars Collected Via the Debt Set-off Program (Thousands)****Short Definition:**

This measure reports the amount of money collected for the state of Texas via the Texas Lottery prize payment debt set-off system. The Texas Lottery is required by statute to withhold from prize payments certain monies owed to the State by prize winners.

Purpose/Importance:

This measure represents the positive impact of that portion of the State Lottery Act which requires the Texas Lottery to ensure delinquent debts to the State of Texas are satisfied prior to the awarding of prize payments to prize winners.

Source/Collection of Data:

Various state agencies provide either to the Texas Lottery or to the Comptroller of Public Accounts the taxpayer identification numbers (TIN) of those individuals with outstanding debts. Prize winners provide their TIN on a Texas Lottery Winner Claim Form. Claimant data is entered into the Lottery Operator Gaming System. If a TIN match is found, a message is returned indicating monies owed to the state and the prize payment is reduced appropriately by the amount owed. A daily report of any debt set-off is automatically generated by the Lottery Operator Gaming System and provides the Office of the Controller with the information needed to forward the appropriate funds to the various agencies owed.

Method of Calculation:

The total money collected for the state of Texas via the prize payment debt set-off is compiled from a report based on data maintained in the Lottery Operator Gaming System for the last day of the reporting period.

Data Limitations:

The report used to calculate this data has well defined parameters.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.1. Lottery Operations****Output Measure A.1.1.d: Number of New Licenses Issued to Individual Retailers****Short Definition:**

This measure reports the number of new retailer licenses issued during the reporting period. A license is issued to a retailer when a license application is submitted and approved for the applicant(s) and retailer location.

Purpose/Importance:

This measure provides an indication of the Commission's concerted effort to generate revenue by issuing licenses to qualified businesses interested in selling lottery tickets. This data is useful in identifying trends and developing goals and strategies for the Commission.

Source/Collection of Data:

The number of new licenses issued to retailers within each quarter is taken from a report generated at the end of the reporting period from the Lottery Operator Gaming System by Retailer Services staff. The report shows the total number of new licenses processed and issued for the reporting period.

Method of Calculation:

The total number of new licenses issued to retailers is taken from a report generated from the Lottery Operator Gaming System listing the retailers that were issued new licenses during the reporting period.

Data Limitations:

The report used to calculate this data has well-defined parameters. The number of new licenses issued during a given reporting period will be impacted by the number of license applications submitted during the period.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.1. Lottery Operations****Output Measure A.1.1.e: Number of Licenses Renewed to Individual Retailers****Short Definition:**

This measure reports the number of renewed licenses issued during the reporting period to retailers who previously held permanent retailer licenses.

Purpose/Importance:

Licensure renewal is intended to ensure that individuals or entities currently licensed to sell lottery tickets satisfy current statutory and rule requirements. This measure is an indicator of the level of activity that occurs during a reporting period related to retailer license renewals and is intended to show the number of permanent licenses renewed in the reporting period. It is useful in identifying trends that may impact the administration of the Commission's license renewal program and is helpful in developing goals and strategies for the Commission.

Source/Collection of Data:

The number of licenses renewed within each quarter is taken from a report generated at the end of the reporting period from the Lottery Operator Gaming System by Retailer Services staff. The report shows the total number of licenses renewed for the reporting period.

Method of Calculation:

The total number of licenses renewed is compiled from a report based on data maintained in the Lottery Operator Gaming System for the reporting period.

Data Limitations:

The reports used to calculate this measure have well defined parameters. The number of permanent retailer licenses renewed is dependent upon the number of permanent retailer licenses expiring in the reporting period along with the number of permanently licensed retailers who timely submit and complete the renewal application.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.1. Lottery Operations****Efficiency Measure A.1.1.a: Average Cost Per Retailer Location License Issued****Short Definition:**

This measure reports the average cost per new license application issued within the reporting quarter.

Purpose/Importance:

This measure is an indicator of efficient use of staff resources and is needed to determine appropriate license application fee amounts. State law requires that the fees collected be sufficient to cover the expense of processing license applications.

Source/Collection of Data:

The number of licenses issued within the quarter is taken from a report generated at the end of the reporting period from the Lottery Operator Gaming System. The cost to process issued licenses is compiled from salary information for Retailer Services staff responsible for processing applications for licenses issued and the cost incurred for conducting criminal history investigations and credit history reviews.

Method of Calculation:

The average cost is determined by dividing the total cost to process and issue a new license by the number of licenses issued within the quarter as maintained in the Lottery Operator Gaming System. Total cost to process and issue a new license is a percentage of salary expense during the quarter for select personnel assigned to process and issue new licenses within Retailer Services combined with the costs charged to the Lottery for criminal history investigations and credit history reviews on the new license applicants. This cost information is collected by the Lottery's Office of the Controller and excludes salary benefit costs and any other direct or indirect costs.

Data Limitations:

The reports used to calculate this data have well defined parameters. The number of new licenses issued during a given reporting period will be impacted by the number of license applications submitted during the period. Business activity that involves the restructuring of a company's organization can result in a large number of new licenses being issued in a given quarter. When this occurs, the average cost per license issued can be lower than projected because application processing costs are generally lower in these situations due to criminal and credit history background checks being unnecessary. In most cases, these checks are already complete on the people that own the restructured company.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.2. Lottery Field Operations****Output Measure A.1.2.a: Number of Prize Checks Processed from Claim Centers (Thousands)****Short Definition:**

This measure reports the total number of prize checks processed by the Commission claim centers located throughout the state. Due to tax reporting requirements, prizes in excess of \$599.00 must be claimed at a claim center either in person or via mail. Prizes of lesser amounts may be claimed at licensed Texas Lottery retailers but may also be claimed in claim centers.

Purpose/Importance:

This measure is intended to reflect an important aspect of the volume of work performed by claim centers as related to the processing of prize checks.

Source/Collection of Data:

Checks are processed after a player submits a winning ticket and completes a Texas Lottery Winner Claim Form. A validation is performed on the ticket and the claimant's personal information indicated on the claim form is entered into the Enterprise Series (ES) validation system. The successful validation and entry of the personal information results in the creation of a uniquely numbered prize check. Unique check number ranges are assigned to each claim center and change with each claim in a numerically ascending order in each office according to the assigned range. The ticket, claimant, and check information are all posted to databases within the ES. Weekly summary reports are generated from this information sorted by each of the claim centers.

Method of Calculation:

Number of prize checks processed is obtained by totaling the prize checks processed for all claim centers in ES during the reported quarter.

Data Limitations:

The weekly summary reports used to calculate this data have well defined parameters. The number of prize checks processed could be affected by checks processed, new game introductions and matrix revisions changing prize structure claim requirements.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.3. Marketing and Promotions****Output Measure A.1.3.a: Number of Newsletters Distributed to Retailers****Short Definition:**

This performance measure is intended to show that the Texas Lottery Commission makes a concerted effort to maintain formal communication with its entire retailer network.

Purpose/Importance:

This measure educates retailers about current games and game closings, new game introductions, practical sales techniques, security issues, field staff information, and other related topics necessary to market lottery products.

Source/Collection of Data:

Newsletters are distributed to active retailers and chain retailer headquarters offices, during the reporting period. Retailer Services staff obtain the number of active retailer locations and chain retailer headquarter offices from a report generated from the Lottery Operator Gaming System.

Method of Calculation:

The total number of newsletters distributed is calculated by taking the total active retailers including chain retailer headquarters from the Lottery Operator Gaming System, multiplied by the number of issues of the newsletter produced and distributed for the reporting period.

Data Limitations:

The number of newsletters distributed is dependent upon the number of active retail locations and corporate account headquarters offices.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.3. Marketing and Promotions****Output Measure A.1.3.b: Number of Retailer Visits****Short Definition:**

This performance measure reflects the number of retailer visits conducted by the Lottery Operator's sales representatives.

Purpose/Importance:

The measure indicates that retailers are visited on a regular basis by Lottery Operator sales representatives who provide service and assistance from a marketing and sales standpoint.

Source/Collection of Data:

Each Lottery retail location is assigned to a Lottery operator sales representative who visits that retailer once each sales cycle (each sales cycle being a two-week period). The number of retailer visits is dependent upon the number of individual retailer locations selling Lottery products.

Method of Calculation:

Lottery Sales Representatives (LSRs) record retailer visits electronically by logging onto the lottery sales terminal at each retailer location using their LSR ID and password. Each login is recorded in the Enterprise System (ES). Visits that cannot be recorded electronically due to electrical and/or communications issues at retailer locations are tracked and reported via a spreadsheet maintained by the Lottery Operator. Retailer Services staff aggregates all retailer visit reporting for the quarter.

Data Limitations:

The number of retailer visits is dependent upon the number of active retail locations.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.3. Marketing and Promotions****Output Measure A.1.3.c: Number of Retailer Surveys Completed****Short Definition:**

This measure shows the Lottery's intent to solicit meaningful feedback from retailers.

Purpose/Importance:

Surveys assist the agency in assessing the levels of satisfaction with the Texas Lottery Commission.

Source/Collection of Data:

Retailers are surveyed by claim center staff. The resulting data is collected and maintained by the Lottery's Research Section.

Method of Calculation:

Retailer surveys conducted by claim center staff are totaled for the number of completed surveys for each quarter.

Data Limitations:

The surveying process is a voluntary one for the retailers.

Calculation Type:

Cumulative

New Measure:

Yes

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.3. Marketing and Promotions****Efficiency Measure A.1.3.a: Average Cost per Survey Issued****Short Definition:**

This performance measure provides the cost incurred in producing, distributing, and analyzing surveys to Lottery retailers.

Purpose/Importance:

It demonstrates the Texas Lottery Commission's intent to solicit meaningful feedback from retailers in a cost-effective manner.

Source/Collection of Data:

Retailers are surveyed by claim center staff. The resulting data are collected and maintained by the Lottery's Research Section. Newsletter surveys are composed and included in retailer newsletters that are distributed by the Texas Lottery Commission.

Method of Calculation:

Cost per survey issued is determined by taking the total dollar amount incurred for conducting retailer surveys during the course of the quarter and dividing that amount by the number of surveys distributed for retailer response during that same period. The cost per survey is calculated by adding together the claim center administration cost, claim center travel cost, Research administration cost, data tabulation cost, printing cost and press costs, and dividing by the number of surveys issued.

Data Limitations:

Costs may vary due to changes in salaries, travel, printing, and the distribution schedule of retailer newsletters.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.4. Security****Output Measure A.1.4.a: Number of Lottery Investigations Initiated****Short Definition:**

This measure reports the total number of administrative and criminal lottery investigations initiated by the Enforcement Division during the quarter.

Purpose/Importance:

This is important because it serves as an accurate measure of the total number of investigations initiated, which in turn provides key information regarding resource allocation.

Source/Collection of Data:

The opening dates of an investigation are recorded on the Compliance Activity Monitoring Program (CAMP) case management tracking system. Only those investigations opened within the quarter are reported in this measure.

Method of Calculation:

This measure is calculated by recording the number of investigations initiated within the quarter and dividing that number into the projected investigations for the year. Dates are recorded in the case management tracking system in the Enforcement Division.

Data Limitations:

Lottery priorities and other mandates may directly impact the initiation of some investigations.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.4. Security****Output Measure A.1.4.b: Number of Lottery Investigations Completed****Short Definition:**

This measure reports the number of lottery investigations that are completed by the Enforcement Division. Lottery investigations include but are not limited to external complaints received from the public and referred by the Lottery Operations Division, referrals received internally on questionable lottery claims, or investigations referred by the agency.

Purpose/Importance:

This measure allows the Enforcement Division the ability to identify problem areas on lottery investigations completed. This measure provides the Enforcement Division specific data to help identify patterns of activity, develop pro-active measures and or allocate staffing and resources appropriately.

Source/Collection of Data:

A completed lottery investigation is noted on the investigative report under the case heading as approved. The number of completed investigations with approval dates is recorded in the Enforcement Case Management system.

Method of Calculation:

This measure is calculated by recording the number of lottery complaints received from the public and internal agency referrals that are requested for investigation and are closed by approval from the Enforcement Division Director or designee regardless of when the case was actually opened. The approval dates of the investigation are recorded in the Enforcement Case Management System.

Data Limitations:

Delay in the receipt of information and documents from outside sources and the availability of the complainant, suspect, or witness cooperation may affect the number of investigations completed.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.4. Security****Output Measure A.1.4.c: Number of Lottery Background Investigations Completed****Short Definition:**

This measure reports the number of lottery background investigations completed by the Enforcement Division. Lottery background investigations include investigations on lottery retailers, lottery vendors, lottery operator employees, potential commission employees and or other individuals as assigned. Lottery background investigations are conducted in order to determine the eligibility requirements of the requested party.

Purpose/Importance:

This measure assists in determining the total number of background investigations completed by the Enforcement Division.

Source/Collection of Data:

A completed lottery background investigation is noted on the investigative report case heading as approved. The number of completed background investigations with approval dates is recorded in the Enforcement Case Management system.

Method of Calculation:

This measure is calculated by recording the number of completed background investigations on lottery retailers, lottery vendors, and potential commission employees as closed by the approval by the Enforcement Division Director regardless of when the case was actually opened. The approval date of an investigation is recorded in the Enforcement Case Management System.

Data Limitations:

Delay in the receipt of information and the request and receipt of documents from outside sources may affect the time and number of investigations completed.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal A: Lottery**Strategy A.1.4. Security****Efficiency Measure A.1.4.a: Average Time to Complete Investigations (Days)****Short Definition:**

This measure reports the average time for each Lottery investigation to be completed by the Enforcement Division.

Purpose/Importance:

This measure allows the Enforcement Division the ability to identify problem areas on the efficiency and timely completion of lottery investigations. It also provides specific data to help identify patterns of activity, develop pro-active measures and/or allocate staffing and resources appropriately.

Source/Collection of Data:

A completed lottery investigation is noted on the investigative report as approved. The number of days to complete an investigation from the date assigned until approved is recorded in the Enforcement Case Management system.

Method of Calculation:

This measure is calculated by recording the number of days from the date each lottery investigation is assigned to an investigator until closed for approval by the Enforcement Division Director or designee divided by the total number of lottery investigations completed within the time period. The date a lottery investigation is assigned to an investigator and approved by the Enforcement Division Director is recorded in the Enforcement Case Management System.

Data Limitations:

Delay in the receipt of information and documents from outside sources and the availability of the complainant, suspect, or witness cooperation may affect the number of investigations completed.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.4. Security****Efficiency Measure A.1.4.b: Average Cost Per Completed Investigation****Short Definition:**

This measure reports the average cost per Lottery investigation completed by the Enforcement Division within the quarter.

Purpose/Importance:

This measure allows division management to better allocate and monitor the division's funds.

Source/Collection of Data:

The number of completed Lottery investigations is captured by the Compliance Activity Monitoring Program (CAMP) case management tracking system. The Enforcement Division's cost for investigator salary and travel expenses are obtained from records maintained in the Office of the Controller.

Method of Calculation:

The average cost is determined from the total salary expense and travel costs during the quarter for the enforcement investigators assigned to lottery investigation completion (excluding supervisory salaries and salary benefits costs) divided by the number of approved completed Lottery investigations completed within the quarter.

Data Limitations:

Costs per completed investigation are difficult to project based on current economical fluctuations and legislative changes. Additionally, the location of the investigation, suspect or witnesses may, in some cases, impact the costs of performing investigations.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.4. Security****Efficiency Measure A.1.4.c: Average Time to Complete Lottery Background Investigations (Days)****Short Definition:**

This measure reports the average time for each Lottery Background investigation to be completed by the Enforcement Division within the quarter.

Purpose/Importance:

This measure allows the Enforcement Division the ability to identify problem areas on the efficiency and timely completion of lottery background investigations. It also provides specific data to help identify patterns of activity, develop pro-active measures and/or allocate staffing and resources appropriately.

Source/Collection of Data:

A completed lottery background investigation is noted on the investigative report as approved. The number of days to complete an investigation from the date assigned until approved is recorded in the Enforcement Case Management system.

Method of Calculation:

This measure is calculated by recording the number of days from the date each lottery background investigation is assigned to an investigator until closed for approval by the Enforcement Division Director or designee divided by the total number of lottery background investigations completed for the quarter. The date a lottery background investigation is assigned to an investigator and approved by the Enforcement Division Director is recorded in the Enforcement Case Management System

Data Limitations:

Delay in the receipt of information and the request and receipt of documents from internal and outside sources may affect the time and number of investigations completed.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.8. Mass Media Advertising Contract(s)****Output Measure A.1.8.a: Dollar Amount of Advertising Budget Spent on Print Advertising (Millions)****Short Definition:**

This performance measure reflects the number of dollars the Texas Lottery Commission spends on print advertising, including point-of-sale.

Purpose/Importance:

Texas Lottery Commission advertising creates awareness and impacts sales of all Texas Lottery products.

Source/Collection of Data:

The media and production expenditures for print advertising are obtained from the Lottery's Financial Accounting System.

Method of Calculation:

This measure is calculated by taking the total amount spent on lottery division media and production expenditures associated with print advertising for the reporting period.

Data Limitations:

Estimated targets are based on projected annual advertising plans which are subject to change, based on product modifications, product introduction schedules and media optimization efforts. Targets are also estimated using current year appropriations which can vary each fiscal year.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.8. Mass Media Advertising Contract(s)****Output Measure A.1.8.b: Dollar Amount of Advertising Budget Spent on Radio Advertising (Millions)****Short Definition:**

This performance measure reflects the number of dollars the Texas Lottery Commission spends on radio advertising.

Purpose/Importance:

Texas Lottery Commission advertising creates awareness and impacts sales of all Texas Lottery products.

Source/Collection of Data:

The media and production expenditures for radio advertising are obtained from the Lottery's Financial Accounting System.

Method of Calculation:

This measure is calculated by taking the total amount spent on lottery division media and production expenditures associated with radio advertising during the quarter.

Data Limitations:

Estimated targets are based on projected annual advertising plans which are subject to change, based on product modifications, product introduction schedules and media optimization efforts. Targets are also estimated using current year appropriations which can vary each fiscal year.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.8. Mass Media Advertising Contract(s)****Output Measure A.1.8.c: Dollar Amount of Advertising Budget Spent On TV Advertising (Millions)****Short Definition:**

This performance measure reflects the number of dollars the Texas Lottery Commission spends on television advertising.

Purpose/Importance:

Texas Lottery Commission advertising creates awareness and impacts sales of all Texas Lottery products.

Source/Collection of Data:

The media and production expenditures for television advertising are obtained from the Lottery's Financial Accounting System.

Method of Calculation:

This measure is calculated by taking the total amount spent on lottery division media and production expenditures associated with television advertising during the quarter.

Data Limitations:

Estimated targets are based on projected annual advertising plans which are subject to change, based on product modifications, product introduction schedules and media optimization efforts. Targets are also estimated using current year appropriations which can vary each fiscal year.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.8. Mass Media Advertising Contract(s)****Output Measure A.1.8.d: Dollar Amount of Advertising Budget Spent On Other Advertising (Millions)****Short Definition:**

This performance measure shows the number of dollars the Texas Lottery Commission spends on vendor account management and administration fees, as well as media and production expenditures for all types of advertising (digital, billboard, etc.) not included in the print, radio or television categories.

Purpose/Importance:

Texas Lottery Commission advertising creates awareness and impacts sales of all Texas Lottery products.

Source/Collection of Data:

Vendor account management and administration fee expenditures as well as media and production expenditures for all other types of advertising not included in the print, radio or television categories which are obtained from the Lottery's Financial Accounting System.

Method of Calculation:

This measure is calculated by taking the total amount spent on vendor account management and administration fee expenditures as well as media and production expenditures for all other types of lottery division specific advertising not included in the print, radio or television categories for the reporting period.

Data Limitations:

Estimated targets are based on projected annual advertising plans which are subject to change, based on product modifications, product introduction schedules and media optimization efforts. Targets are also estimated using current year appropriations which can vary each fiscal year.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal A: Lottery**Strategy A.1.8. Mass Media Advertising Contract(s)****Efficiency Measure A.1.8.a: Percentage of Adult Texans Aware of Lottery Advertising****Short Definition:**

This performance measure is intended to show that the Lottery makes a concerted effort to track the awareness of Texas Lottery game advertising.

Purpose/Importance:

This measure provides a gauge of Texas Lottery advertising awareness among the adult Texas population.

Source/Collection of Data:

The Lottery's Market Research Services vendor conducts quarterly tracking surveys that include questions measuring Texas lottery advertising awareness. The survey data are collected and maintained by the Lottery's Research Section.

Method of Calculation:

Results from the quarterly tracking surveys are used to determine the number of respondents each quarter that recalled seeing or hearing any Texas Lottery advertising recently and the total number of survey respondents. The measure is calculated by dividing the total number of respondents that recalled seeing or hearing any Texas Lottery advertising for the quarter by the total number of survey respondents for the quarter.

Data Limitations:

The percentage is based on self-reported data.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Outcome Measure B.1.a: Percentage of Licensees with No Recent Violations**

Short Definition: This measure reports the ratio (in percent) of Bingo organizations that have not incurred violation for the fiscal year to the total number of Bingo organizations that were licensed. A violation is defined as any violation of the Bingo Enabling Act and/or the Charitable Bingo Administrative Rules noted during an Inspection, Review, Game Observation, Investigation or Audit. A bingo organization is considered licensed if it is active on the last day of the fiscal year.

Purpose/Importance: This measure provides an indication of the effectiveness of taxpayer education through audits and inspection of the taxpayer's books and records.

Source/Collection of Data: This data will be captured from the Bingo Operating Services System (BOSS).

Method of Calculation: This measure reports the ratio (in percent) of currently licensed Bingo organizations that have not incurred a violation for the fiscal year to the total number of Bingo organizations currently licensed.

Data Limitations:

External Factors: General market and economic conditions, statutory changes, available resources and changes in the number of persons licensed are key variables that impact the measure.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.b: Percentage of Bingo Audits Referred for Disciplinary Action

Short Definition:

This measure reports the ratio (in percent) of Bingo Audits referred for disciplinary action to the total number of Bingo Audits completed for the fiscal year.

Purpose/Importance:

The measure is intended to show the extent to which the agency exercises its regulatory authority in proportion to the number of audits completed. It is important that both the public and licensees have an expectation that the agency will work to ensure fair and effective enforcement of the Bingo Enabling Act (Act) and Charitable Administrative Rules (Rules) and this measure seeks to indicate agency responsiveness to this expectation.

Source/Collection of Data:

This data will be captured from the Bingo Operating Services System (BOSS) for the number of audits completed and the number of audits which identified violations of the Act or Rules and have been referred for disciplinary action.

Method of Calculation:

Total number of Bingo Audits referred for disciplinary action divided by the total number of Bingo Audits completed for the fiscal year. Disciplinary action includes agreed orders, settlement agreements, warnings, suspensions, revocation, and/or administrative penalties. An audit is considered completed on the day the final audit report is issued.

Data Limitations:

There may be a period of time (days) between the issuance of the final audit report and the referral to Legal Services Division. Additionally, voluntary compliance by the organizations audited would have an impact on this percentage.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Outcome Measure B.1.c: Percent of Complaints Referred for Disciplinary Action****Short Definition:**

This measure reports the ratio (in percent) of complaints referred for disciplinary action to the total number of complaints completed for the fiscal year.

Purpose/Importance:

The measure is intended to show the extent to which the agency exercises its regulatory authority in proportion to the number of complaint investigations completed. It is important that both the public and licensees have an expectation that the agency will work to ensure fair and effective enforcement of the Bingo Enabling Act (Act) and Charitable Administrative Rules (Rules) and this measure seeks to indicate agency responsiveness to this expectation.

Source/Collection of Data:

This data is captured in the Compliance Activity Monitoring Program (CAMP) case management tracking system for the number of complaint investigations completed and the number of complaint investigations which identified violations of the Act or Rules and have been referred for disciplinary action.

Method of Calculation:

The ratio (in percentage) of Bingo complaint investigations referred to the Legal Division for some form of disciplinary action divided by the total number of complaints completed for the fiscal year. Disciplinary action includes agreed orders, settlement agreements, warnings, suspensions, revocation, and/or administrative penalties. A complaint investigation is considered completed on the day the final investigative report is issued.

Data Limitations:

The agency has no control over the number of complaints it receives, nor does it have any control over the substance of that complaint, and whether disciplinary action is justified based upon jurisdiction and evidence. There may be a period of time (days) between the issuance of the Bingo final audit report, the Enforcement investigative report and the referral to Legal Services Division. Additionally, voluntary compliance by the organizations would have an impact on this percentage.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo

Outcome Measure B.1.d: Percent of Documented Complaints Completed Within Six Months

Short Definition:

This measure reports the percentage of Bingo complaint investigations completed within six months, by the Charitable Bingo Operations Division and Enforcement Division.

Purpose/Importance:

The purpose of this measure is to assure that complaints are quickly and efficiently addressed.

Source/Collection of Data:

This data is captured in the Compliance Activity Monitoring Program (CAMP) system for Bingo complaints investigated by either the Enforcement Division, Licensing Services or Audit Services.

Method of Calculation:

The measure is calculated by dividing the number of Bingo complaint investigations completed within six months or less by the total number of Bingo complaint investigations completed for the fiscal year. The data for this measure is collected and maintained in the CAMP system.

Data Limitations:

The complexity of the allegations(s) made may affect the number of days it takes to resolve an investigation. Additionally, the availability of the complainant, suspect or witnesses may also affect the number of investigations resolved.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Outcome Measure B.1.e: Net Bingo Games Revenue Received by Charitable Organizations (in Millions)****Short Definition:**

This measure captures the amount of dollars (expressed in millions) reported as distributed by licensed conductors of bingo games from their bingo bank account for charitable purposes during a reporting period.

Purpose/Importance

This measure provides the amount of dollars used by licensed conductors for charitable purposes in Texas, which is the purpose of charitable bingo.

Source/Collection of Data:

The data is reported by the licensee to the Commission on the quarterly report and is noted as “Charitable distributions”. Quarterly reports submitted are recorded in the division’s Bingo Operating Services System (BOSS). The data for this measure is extracted from BOSS computer application system.

Method of Calculation:

Currently, bingo licensees report on a calendar quarter basis. As such, the third and fourth quarters from the preceding calendar year, as well as the first and second calendar quarters of the current calendar year will be utilized for this measure. The data reported will be rounded to the nearest hundred thousand and reported in the following format: \$XX.X.

Data Limitations:

This information is obtained from licensed authorized organizations self-reporting the amount of net proceeds used for a charitable purpose. Therefore, this performance measure is dependent upon organizations submitting their reports accurately and timely. The ultimate amount distributed is dependent on the licensee’s ability to efficiently operate its Bingo games, control expenses and comply with the provisions of the Bingo Enabling Act and Rules. The number of licensed authorized organizations and their ability to control authorized expenses may have an impact on this measure. Additionally, there is reliance on the licensee to report correct information.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.f: Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement

Short Definition:

This measure reports the ratio (in percent) of organizations who met their required charitable distribution.

Purpose/Importance:

This measure will help determine the percentage of organizations in compliance with the Bingo Enabling Act, Section 2001.457.

Source/Collection of Data:

The data is captured from the Bingo Operating Services System (BOSS)– 4 Quarter Distribution.

Method of Calculation:

Currently, bingo licensees report on a calendar quarter basis. As such, the third and fourth quarters from the preceding calendar year, as well as the first and second calendar quarters of the current calendar year will be utilized for this measure. This measure is calculated by dividing the number of organizations meeting the required minimum charitable distribution by the number of authorized organizations licensed during the year.

Data Limitations:

This information is obtained from licensed authorized organizations self-reporting the amount of net proceeds used for a charitable purpose. Therefore, this performance measure is dependent upon organizations submitting their reports accurately and timely.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.g: Percentage of Organizations Receiving an Audit

Short Definition:

This measure reports the ratio (in percent) of organizations on which an Audit is performed during the fiscal year. An organization is a licensed authorized organization or licensed commercial lessor.

Purpose/Importance:

This outcome is intended to measure the degree of coverage achieved by auditors during the fiscal year. Adequate coverage is deemed important because of the deterrent effect of the expectation of an audit.

Source/Collection of Data:

The data will be captured from the Bingo Operating Services System (BOSS).

Method of Calculation:

This measure is calculated by dividing the number of organizations for which an audit is completed by the total number of authorized organizations and commercial lessors holding a license during the fiscal year.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.h: Percentage of Organizations Receiving an Inspection

Short Definition:

This measure reports the ratio (in percent) of organizations on which an Inspection is performed during the fiscal year. An Inspection can be a Game Inspection, Books & Records Inspection, or Complaint Investigation. An organization is a licensed authorized organization or licensed commercial lessor.

Purpose/Importance:

This outcome is intended to measure the degree of coverage achieved by auditors, inspectors, and investigators during the fiscal year. Adequate coverage is deemed important because of the deterrent effect of the expectation of an inspection.

Source/Collection of Data:

This data is captured in the Compliance Activity Monitoring Program (CAMP) case management tracking system for complaint investigations and in the Bingo Operating Services System (BOSS) for inspections.

Method of Calculation:

This measure is calculated by dividing the number of organizations for which an inspection is completed by the total number of authorized organizations and commercial lessors holding a license during the fiscal year.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Output Measure B.1.1.a: Number of Licenses Issued to Individuals and Organizations****Short Definition:**

This measure reports the number of licenses issued to individuals and organizations for a Charitable Bingo activity in this state.

Purpose/Importance:

This measure provides data relating to the number of individuals and organizations desiring to be licensed under the Bingo Enabling Act during the reporting period.

Source/Collection of Data:

The Commission's Bingo Operating Services System (BOSS) provides the licensing information through the Application Processing Statistics report.

Method of Calculation:

Total of all licenses issued to Conductors, Lessors, Manufacturers, and Distributors, including Conductor temporary licenses, during the reporting period.

Data Limitations:

The ultimate number of licenses issued is dependent on the number of individuals and organizations requesting a license as well as the completeness of the application, outstanding tax liability, etc.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Output Measure B.1.1.b: Number of Applications Processed****Short Definition:**

This measure reports the number of applications processed for all Bingo licenses. This includes applications for original, renewal, amended and temporary licenses for Manufacturers, Distributors, Lessors and Conductors of Bingo operations. An application is considered processed when a license is issued or the application is denied, withdrawn, or discontinued.

Purpose/Importance:

This measure provides data relating to the total number of applications received from individuals and organizations desiring to be licensed under the Bingo Enabling Act.

Source/Collection of Data:

The Commission's Bingo Operating Services System (BOSS) provides the licensing information through the Application Issued, Denied, Withdrawn, or Discontinued Report.

Method of Calculation:

The Commission's Bingo Operating Services System (BOSS) provides the licensing information, through the Applications Issued, Denied, Withdrawn, or Discontinued report. The number of applications for original, renewal, amended and temporary licenses for Manufacturers, Distributors, Lessors and Conductors of Bingo operations is totaled and those that have been denied, withdrawn or discontinued are added to the total.

Data Limitations:

The ultimate number of applications processed is dependent on the number of organizations requesting a license.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Output Measure B.1.1.c: Number of Worker Registry Applications Processed****Short Definition:**

This measure reports the number of individuals submitting an original or renewal application for inclusion on the Worker Registry.

Purpose/Importance:

This measure provides data relating to the total number of applications received from individuals desiring to be listed on the Registry of Bingo Workers under the Bingo Enabling Act.

Source/Collection of Data:

The Commission's Bingo Operating Services System (BOSS) captures the information.

Method of Calculation:

The number of Applications for Registry of Approved Bingo Workers received from individuals that have been approved, denied, withdrawn or discontinued are added to the total.

Data Limitations:

The ultimate number of applications processed is dependent on the number of individuals requesting to be listed on the Registry of Approved Bingo Workers.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Efficiency Measure B.1.1.a: Average Bingo License (New) Processing Time (Days)****Short Definition:**

Reports the average length of time, in days, that it takes the Charitable Bingo Division to issue a new license to conduct bingo or lease premises for the conduct of bingo.

Purpose/Importance:

This measure reflects the responsiveness of the Licensing Section staff to our customers' needs. It is an indicator of our efficiency.

Source/Collection of Data:

The data for this measure is obtained from the division's Bingo Operating Services System (BOSS) computer application system through the report "Average Turnaround Time for License Issued" –.

Method of Calculation:

The total number of new licenses issued during the period for conductors times the average number of days to issue plus the total number of new licenses issued during the period for lessors times the average number of days to issue divided by the total number of new licenses issued to conductors and lessors equals the average processing time in days.

Data Limitations:

Factors that can influence this figure include: completeness of the application and the responsiveness of the applicant to requests for additional information.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Efficiency Measure B.1.1.b: Average Bingo License (Renewal) Processing Time (Days)****Short Definition:**

Reports the average length of time, in days, that it takes the Charitable Bingo Division to issue a renewal license to conduct bingo or lease premises for the conduct of bingo.

Purpose/Importance:

This measure reflects the responsiveness of the Licensing Section staff to our customers' needs. It is an indicator of our efficiency.

Source/Collection of Data:

The data for this measure is obtained from the division's Bingo Operating Services System (BOSS) computer application system through the report "Average Turnaround Time for License Issued".

Method of Calculation:

The total number of renewals licenses issued during the period for conductors times the average number of days to issue plus the total number of renewal licenses issued during the period for lessors times the average number of days to issue divided by the total number of renewal licenses issued to conductors and lessors equals the average processing time in days.

Data Limitations:

Factors that can influence this figure include: completeness of the application, the responsiveness of the applicant to requests for additional information and non-compliance issues.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Efficiency Measure B.1.1.c: Average Cost Per License Issued****Short Definition:**

This measure reports the cost of issuing a license or an amendment to a license.

Purpose/Importance:

This measure reflects the responsiveness of the Licensing Section staff to our customers' needs and is an indicator of our efficiency.

Source/Collection of Data:

Bingo Operating Services System (BOSS).

Method of Calculation:

It is calculated by dividing the number of licenses and amendments to licenses issued into the total estimated costs associated with processing licenses and amendments within the Charitable Bingo Division. Calculate the percentage of time spent by licensing examiners entering, reviewing and processing applications. Multiply that percentage by the licensing examiner's salary. Total the percentage of monthly salaries for the Data Entry Clerk, Administrative Technician, and Licensing Examiners. Multiply the sum by three for the three months in the quarter. Add the postage for mailing renewal notices and other licensing mail. Divide the sum by the total number of licenses and amendments issued for the quarter. This figure represents the average cost per license issued for the current quarter.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.1. Bingo Licensing****Explanatory Measure B.1.1.a: Number of Annual License Holders****Short Definition:**

This measure reports the number of organizations that held an active bingo license during the fiscal year.

Purpose/Importance:

This measure identifies the number of licensees who can renew.

Source/Collection of Data:

The Bingo Operating Services System (BOSS) provides a report of active organizations at the end of the fiscal year and of those organizations, whose license was surrendered, revoked or application for a renewal was denied during the fiscal year.

Method of Calculation:

The total number of conductors, lessors, manufacturers, and distributors holding an active license on August 31st each year plus those organizations, whose license was surrendered, revoked, expired, withdrawn, and application for a renewal was denied during the fiscal year.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.2. Bingo Education and Development****Output Measure B.1.2.a: Number of Individuals Receiving Education****Short Definition:**

This measure reports the number of individuals completing the Bingo Training Program via in person, video, website, or other interactive modes.

Purpose/Importance:

The number and frequency of administrative actions and compliance actions as a result of violations of the Bingo Enabling Act and Administrative Rules should be positively impacted as more individuals complete the Bingo Training program.

Source/Collection of Data:

Information maintained in the Bingo Operating Services System (BOSS).

Method of Calculation:

The number of individuals recorded as completing the Bingo Training Program (BTP).

Data Limitations:

Yes; information timely submitted by individuals that complete the BTP training via means other than seminars provided by staff members.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.2. Bingo Education and Development****Efficiency Measure B.1.2.a: Average Cost of Bingo Training Class****Short Definition:**

This measure reports the costs associated with presenting a Bingo Training class which include but is not limited to staff hours, travel expenses, supplies, materials, postage and equipment.

Purpose/Importance:

The average cost of each class must be identified to determine the impact on Charitable Bingo Operations Division's budget as a result of increased travel costs and salaries.

Source/Collection of Data:

Information maintained in the Bingo Operating Services System (BOSS).

Method of Calculation:

Cumulative cost of Bingo Training Program (staff hours, travel expenses, supplies, materials, postage and equipment) divided by the total number of Bingo Training Programs conducted, in dollars.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Output Measure B.1.3.a: Number of Inspections Conducted****Short Definition:**

This measure reports the total number of Bingo inspections, including Book and Records inspections, Game Inspections, and Complaint Investigations conducted and reported to headquarters by Audit or Enforcement staff for the fiscal year.

Purpose/Importance:

This measure provides education to taxpayers with the goal of training them in the proper method of establishing and maintaining bingo related accounting records. The measure also provides an assessment of compliance with the Act and Rules by organizations.

Source/Collection of Data:

This data is captured in the Compliance Activity Monitoring Program (CAMP) case management tracking system for complaint investigations and in the Bingo Operating Services System (BOSS) for inspections.

Method of Calculation:

The total number of inspections conducted and reported to headquarters by Audit staff and Enforcement staff for the fiscal year.

Data Limitations:

None

Calculation Type:

Cumulative

New Measure:

Revised.

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Output Measure B.1.3.b: Number of Bingo Audits and Reviews Completed****Short Definition:**

This measure reports the total number of Bingo audits and reviews completed for the period.

Purpose/Importance:

An audit is a more detailed examination of a Bingo licensee in which the auditor determines if the Bingo licensee is in compliance with the Bingo Enabling Act and/or Charitable Bingo Administrative Rules, Texas Bingo Quarterly Report information submitted to the Commission is reasonably accurate, bingo proceeds are used for authorized purposes, and bingo is conducted fairly.

Source/Collection of Data:

This data will be captured from the Bingo Operating Services System (BOSS).

Method of Calculation:

The total number of audits completed by Audit staff for the fiscal year. An audit is considered completed on the day the final audit report is issued.

Data Limitations:

None

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Output Measure B.1.3.c: Number of Bingo Complaints Completed****Short Definition:**

This measure reports the number of Bingo complaints completed by the Charitable Bingo Operations Division and the Enforcement Division during the reporting period.

Purpose/Importance:

This measure is important because it allows the Charitable Bingo Operations Division the ability to identify problem areas and allocate resources.

Source/Collection of Data:

The number of bingo complaint investigations completed by either the Charitable Bingo Operations Division or Enforcement Division is stored in the Compliance Activity Monitoring Program (CAMP).

Method of Calculation:

This measure is calculated by recording the number of Bingo complaints completed during the period. An investigation is considered completed on the day the final audit or investigative report is approved.

Data Limitations:

The complexity of the allegation(s) made may affect the number of investigations resolved within the quarter. Additionally, the number of complaints received and the availability of the complainant, suspect or witnesses may also affect the number of investigations resolved.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Output Measure B.1.3.d: Dollar Amount of Adjustments to Charitable Distributions by Audit and Inspection****Short Definition:**

This measure reports the dollar amount of adjustments made to the Charitable Distribution as reported on the Conductor Quarterly Report as a result of an Audit or Inspection.

Purpose/Importance:

This measure reflects effectiveness of inspection activities and impacts the extent of compliance by the licensed organizations.

Source/Collection of Data:

This data will be captured from the Bingo Operating Services System (BOSS).

Method of Calculation:

Total dollar amount of adjustments to the amount of Charitable Distributions reported by licensed organizations identified as a result of Audits Inspections, and Complaint Investigations completed during the reporting period.

Data Limitations:

The reporting accuracy by licensed authorized organizations and the allowable uses of proceeds from the conduct of bingo for a charitable purpose.

Calculation Type:

Cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Output Measure B.1.3.e: Number of Bingo Background Investigations Completed****Short Definition:**

This measure reports the number of bingo background investigations completed by the Enforcement Division. Bingo background investigations are conducted on licensees and others identified in the Bingo Enabling Act. Bingo background investigations are referred by the Charitable Bingo Division in order to determine the eligibility requirements for licensing or placement in the Bingo Worker Registry as indicated by the BEA.

Purpose/Importance:

This measure assists in determining the total number of background investigations completed by the Enforcement Division.

Source/Collection of Data:

A completed bingo investigation is noted on the investigative report as approved. The number of completed investigations with the approval dates is recorded in the Enforcement Case Management system.

Method of Calculation:

This measure is calculated by recording the number of completed bingo background checks that are closed by approval by the Enforcement Division Director or designee regardless of when the case was actually opened. The approval dates of the investigation are recorded in the Enforcement Case Management System.

Data Limitations:

Delay in receiving required information from the Bingo Division to complete background checks may delay the investigation.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Efficiency Measure B.1.3.a: Average Time for Bingo Complaint Completion (Days)****Short Definition:**

This measure reports the average time for Bingo complaints completed by the Charitable Bingo Operations Division and the Enforcement Division.

Purpose/Importance:

This measure is important because it serves as a gauge to measure the efficiency and timeliness of complaint investigations and completions.

Source/Collection of Data:

A resolved investigation is noted in the Bingo Operating Services System (BOSS) and Compliance Activity Monitoring Program (CAMP) case management tracking system when completed.

Method of Calculation:

The average time is measured by the number of days from the date each Bingo complaint case is assigned to an individual until the investigation is completed, divided by the total number of complaint investigations completed for the quarter.

Data Limitations:

The complexity of the allegation(s) made may impact the number of days it takes to resolve an investigation. Additionally, the availability of complainant, suspect and witness ability may also affect the length of time it takes to resolve an investigation.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Efficiency Measure B.1.3.b: Average Cost per Bingo Complaint Completed****Short Definition:**

This measure reports the average cost per Bingo complaint completed by the Charitable Bingo Operations Division and the Enforcement Division.

Purpose/Importance:

This measure allows division management to better allocate and monitor the division's funds.

Source/Collection of Data:

The number of investigations completed by the Charitable Bingo Operation Division and Enforcement Division and the travel cost per investigation is stored in the Compliance Activity Monitoring Program (CAMP) case management tracking system.

Method of Calculation:

The average cost is determined from the total salary expense and travel costs during the quarter, for the individuals assigned to bingo complaints, divided by the number of completed Bingo complaint investigations within the quarter.

Data Limitations:

Costs per completed investigations are difficult to project based on current economical fluctuations and legislative changes. Additionally, the location of the investigation, suspect or witnesses may in some cases, impact the costs of performing investigations.

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Efficiency Measure B.1.3.c: Average Time to Conduct Audit (Hours)****Short Definition:**

This measure reports the average number of hours spent by an auditor preparing, conducting and finalizing an audit.

Purpose/Importance:

The average number of hours spent on verifying taxpayer compliance with the Bingo Enabling Act and/or Charitable Bingo Administrative Rules.

Source/Collection of Data:

The data will be captured from the Bingo Operating Services System (BOSS).

Method of Calculation:

The total number of hours spent to complete an audit divided by the total number of audits completed. An audit is considered completed on the day the final audit report is issued.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Efficiency Measure B.1.3.d: Average Time to Complete Bingo Background Investigations (Days)****Short Definition:**

This measure reports the average time for each Bingo Background investigation to be completed by the Enforcement Division within the quarter.

Purpose/Importance:

This measure assists in determining the efficiency and timely completion of bingo background investigations completed by the Enforcement Division.

Source/Collection of Data:

A completed bingo investigation is noted on the investigative report as approved. The number of days to complete an investigation from the date assigned until the approval date is recorded in the Enforcement Case Management system.

Method of Calculation:

This measure is calculated by recording the number of days from the date each bingo background investigation is assigned to an investigator until the investigation is closed by approval by the Enforcement Division Director or designee divided by the total number of bingo background investigations completed for the quarter. The date a bingo background investigation is assigned to an investigator and approved by the Enforcement Director is recorded in the Enforcement Case Management System.

Data Limitations:

Delay in receiving required information from the Bingo Division may impact the number of days to complete background checks.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.3. Bingo Law Compliance Field Operations****Efficiency Measure B.1.3.e: Average Cost per Bingo Audit Completed****Short Definition:**

This measure reports the average cost per Bingo audit completed by the Charitable Bingo Operations Division.

Purpose/Importance:

This measure allows division management to better allocate and monitor the division's funds.

Source/Collection of Data:

The number of audits completed by the Charitable Bingo Operations Division, the travel costs per audit, and the hours per audit are stored in the Bingo Operating Services System (BOSS).

Method of Calculation:

The average cost is determined from the total salary expense and travel costs during the quarter, for the individuals performing the audits, divided by the number of completed Bingo audits within the quarter.

Data Limitations:

Costs per completed audit are difficult to project based on current economical fluctuations and legislative changes. Additionally, the location of the audits, condition of the records, responsiveness of the taxpayer, suspect or witnesses may in some cases, impact the costs of performing audits.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.4. Bingo Prize Fee Collection and Accounting****Output Measure B.1.4.a: Number of Days to Allocate Payments to Local Jurisdictions****Short Definition:**

This measure determines the actual number of business days between the first day of the month following the Texas Bingo Conductors Quarterly return due date and the date the allocation payments are released to local jurisdictions.

Purpose/Importance:

Prize fee allocation is one of the primary functions performed in this division. We have a responsibility to local jurisdictions to return local prize fees collected in the most efficient and effective manner possible. This measure provides an indicator of how timely the allocation is returned.

Source/Collection of Data:

The division utilizes a calendar to determine the number of business days from the first day of the month following the return due date to the date the payments are released.

Method of Calculation:

Each quarter, the actual number of business days is counted between the first day of the month following the Texas Bingo Conductor's Quarterly return due date to the date the allocation payments are released to local jurisdictions.

Data Limitations:

None

Calculation Type:

Non-cumulative

New Measure:

No

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.4. Bingo Prize Fee Collection and Accounting****Output Measure B.1.4.b: Percentage of Licensees Who Fail to Pay Timely****Short Definition:**

This measure reports the ratio (in percent) of lessors and conductors who fail to timely pay prize fees and taxes by the due date.

Purpose/Importance:

This measure will help the Licensing Services Department determine those licensees that do not comply with the Bingo Enabling Act.

Source/Collection of Data:

The data is captured in the Bingo Operating Services System (BOSS)– Percent of Licensees that Fail to Pay Discoverer Report and the Number of Reports Processed Discoverer Report.

Method of Calculation:

This measure is calculated by dividing the number of lessors and conductors who fail to pay the correct amount of prize fee or rental tax due by the due date or having a check returned as NSF by the number of original reports processed.

Data Limitations:

This information is obtained from licensed authorized organizations self-reporting the amount of prizes awarded and gross rental receipts received. The number of organizations required to file a return and pay timely may have an impact on this measure. Additionally, there is reliance on the licensee to report correct information.

Calculation Type:

Non-cumulative

New Measure:

Revised

Desired Performance:

Lower than target

Goal B: Charitable Bingo**Strategy B.1.4. Bingo Prize Fee Collection and Accounting****Output Measure B.1.4.c: Number of Bingo Reports Processed****Short Definition:**

This measure reports the number of Bingo quarterly reports processed. Data includes all quarterly reports and any estimated, amended or adjusted reports for the quarter.

Purpose/Importance:

This measure provides data relating to the total number of reports received from individuals and organizations required to file a report under the Bingo Enabling Act.

Source/Collection of Data:

The Commission's Bingo Operating Services System (BOSS) provides this information through the Total Returns Processed Report.

Method of Calculation:

This measure is calculated by totaling the number of reports processed for the quarter.

Data Limitations:

The total number of returns processed is dependent on the total number of individuals, organizations, and number of organizations in a unit holding a license.

Calculation Type:

Cumulative

New Measure:

No

Desired Performance:

Higher than target

APPENDIX E

Texas Lottery Commission Workforce Plan FY 2015-2019

I. OVERVIEW

AGENCY VISION

To be the preeminent Lottery and Charitable Bingo agency through innovative leadership.

AGENCY MISSION

Texas Lottery: The Texas Lottery is committed to generating revenue for the State of Texas through the responsible management and sale of entertaining lottery products. The Texas Lottery will incorporate the highest standards of security and integrity, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.

Charitable Bingo: Provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo. Determine that all charitable bingo funds are used for a lawful purpose. Promote and maintain the integrity of the charitable bingo industry throughout Texas.

AGENCY CORE VALUES

Integrity and Responsibility - The Texas Lottery works hard to maintain the public trust by protecting and ensuring the security of our lottery games, systems, drawings and operational facilities. We value and require ethical behavior by our employees, licensees and vendors. We promote the integrity of charitable bingo in Texas for the benefit of charitable organizations.

Innovation - We strive to incorporate innovation into our products to provide the citizens of Texas with the best entertainment experience available through our products. We pursue the use of technology that enhances the services that we provide to our customers and reduces our operating expenses.

Fiscal Accountability - We emphasize fiscal accountability by ensuring that all expenditures directly or indirectly generate revenue, enhance security, fulfill regulatory requirements, improve customer service and/or boost productivity. We recognize our responsibility in generating revenue for the state of Texas without unduly influencing players to participate in our games. We maximize benefits to charities through the continual examination and review of charitable bingo operations.

Customer Responsiveness - The Texas Lottery takes pride in providing exemplary service to the people of Texas through the courteous dissemination of clear and accurate information about our products, services and regulatory functions. We seek and respond to feedback expressed by our employees, retailers,

licensees and the playing and non-playing public. We apply this feedback in the development of our products and in the services that we provide.

Teamwork - We are committed to creating an environment of mutual respect where open, honest communication is our cornerstone. We embrace the diversity of our team and individual perspectives in working together to achieve our common goals.

Excellence - We strive for excellence by taking a position of leadership on issues that impact the Commission and achieve challenging goals by focusing on our core values.

STRATEGIC GOALS AND OBJECTIVES:

A. GOAL: Operate Lottery. Generate revenue for the state of Texas through the responsible management and sale of entertaining lottery products, while incorporating the highest standards of security and integrity.

OBJECTIVE: Promote and maintain an eligible, effective and productive retailer base in order to produce revenue for the state; maintain ticket sales and awareness of lottery products to produce revenue for the state; administer all games with the utmost security and integrity; and oversee major contractual obligations unique to a state lottery operation.

B. GOAL: Enforce Bingo Laws. Timely and fairly enforce all statutes and regulations relating to charitable bingo to determine that all proceeds derived from bingo are used for a lawful purpose and charitable bingo games are conducted fairly.

OBJECTIVE: Process, investigate and evaluate all bingo applications efficiently; promote voluntary compliance with all applicable bingo statutes and regulations; process all quarterly reports and payments filed by licensees, and assign disciplinary action to violators of the statutes and regulations.

FUNCTIONS

The Texas Lottery Commission has two main functions:

The Texas Lottery Commission is charged under the State Lottery Act with administering Texas Lottery games in an efficient and secure manner using appropriate marketing tools and innovative technology to generate revenue for the state of Texas while enhancing public confidence in the integrity and fairness of the games.

The Charitable Bingo Operations Division is charged under the Bingo Enabling Act with the regulation and administration of all charitable bingo-related activities in the state of Texas and contributes to the regulatory and tax and revenue collection functions of the agency. The division licenses all bingo-related activities; collects taxes and prize fees generated from the conduct of charitable bingo; audits bingo

licensees; conducts tests on bingo products intended for use in Texas, such as bingo paper, pull-tabs and electronic equipment; and makes quarterly allocations to local units of government for their share of the prize fees collected.

STRUCTURE

The five-member Texas Lottery Commission sets policy, promulgates rules for the agency, and performs all other duties required by law. The Governor appoints Commission members, with the advice and consent of the state Senate, to staggered six-year terms. One member must have experience in the bingo industry.

Texas Lottery Commission members serve without salary, but are entitled to reimbursement for actual and necessary expenses incurred in performing Commission member duties, subject to any applicable limitation in the General Appropriations Act.

The Executive Director and the Director of Charitable Bingo Operations are appointed by and report to the five-member Commission. The Texas Lottery Commission Executive Director provides leadership to nine divisions within the agency, ensuring that staff carries out applicable state law and Commission policies. The Director of Charitable Bingo Operations is responsible for the day-to-day operations relating to the regulation of charitable bingo, ensuring that the staff carries out applicable state law and Commission policies.

The agency is divided into 10 divisions: Administration, Charitable Bingo Operations, Enforcement, Executive, Governmental Affairs, Human Resources, Legal Services, Lottery Operations, Media Relations and the Office of the Controller.

TABLE E-1
POSITION ALLOCATION BY DIVISION

DIVISION	FTE
ADMINISTRATION	72
CHARITABLE BINGO OPERATIONS	47
ENFORCEMENT	16
EXECUTIVE	3
GOVERNMENTAL AFFAIRS	4
HUMAN RESOURCES	7
LEGAL SERVICES	15.5
LOTTERY OPERATIONS	132
MEDIA RELATIONS	7
OFFICE OF THE CONTROLLER	23
TOTAL	326.5

Source: Texas Lottery Commission

ANTICIPATED CHANGES TO THE MISSION, STRATEGIES, AND GOALS

The Texas Lottery Commission anticipates no major changes to its mission, strategies and goals over the next five years. However, the agency stands ready to adapt to any changes that may be required by legislation.

II. Current Workforce Profile (Supply Analysis)

A. Critical Workforce Skills

The Texas Lottery Commission has 326.50 full-time equivalent (FTE) positions allocated to accomplish the work performed in its divisions. Although the agency has many talented and qualified employees, there are knowledge bases, skill sets, and abilities that are critical to the agency's key business functions, and that also are critical to the Texas Lottery's mission. These are listed below:

- Leadership and management skills
- Ability to effectively communicate
- Sense of teamwork
- Innovative thinking
- Strategic planning expertise
- Ability to analyze and solve problems
- Interpersonal sensitivity
- Customer service orientation
- Proficiency in negotiation strategies and techniques
- Contract management skills
- Financial management, financial analysis and accounting theory expertise
- Competency in state purchasing and procurement
- General and state agency auditing capabilities
- Expertise in regulation and enforcement of licensees, including processing of licensee applications and fees
- Ability to monitor legislation and serve as a resource to the Texas Legislature
- Computer literacy
- Software proficiency
- Web development and maintenance expertise
- Application development capabilities
- Business continuity planning expertise
- Facility operations and security skills
- Advertising and promotions expertise
- Proficiency in research and analysis
- General and administrative law expertise
- Investigative skills
- Ability to interpret and enforce statutes, administrative rules, policies and procedures

B. Workforce Demographics

The Texas Lottery takes pride in the diversity of its workforce, which is illustrated in Tables E-2, E-3 and E-4. The agency's workforce composition at the end of FY 2013 was: 10 percent African American, 29 percent Hispanic, 56 percent White and 4 percent Asian. During the same time period, the agency's staff was 61 percent female and 39 percent male, and 81 percent of the workforce was more than 40 years of age.

TABLE E-2
AGE OF EMPLOYEES
(AS OF 8/31/2013)

LESS THAN 30	3%
BETWEEN 30 AND 40	16%
BETWEEN 40 AND 50	32%
BETWEEN 50 AND 60	35%
MORE THAN 60	14%

Source: Uniform Statewide Payroll/Personnel System (USPS)

TABLE E-3
EMPLOYEE ETHNIC AND GENDER REPRESENTATION (FY 2013)

GENDER	AFRICAN AMERICAN	HISPANIC	WHITE	ASIAN	INDIAN	TOTAL
FEMALES	7%	20%	32%	2%	0	61%
MALES	3%	9%	24%	2%	1%	39%
TOTAL	10%	29%	56%	4%	1%	100%

Source: Uniform Statewide Payroll/Personnel System (USPS)

TABLE E-4
WORKFORCE DIVERSITY DATA (FY 2011 AVERAGE)

JOB CATEGORY	AFRICAN AMERICAN	HISPANIC	FEMALE
OFFICIALS AND ADMINISTRATORS	0	14%	43%
ADMINISTRATIVE SUPPORT	17%	42%	81%
PROFESSIONALS	8%	18%	56%
PARAPROFESSIONALS	12%	37%	67%
TECHNICIANS	3%	22%	31%

Source: Uniform Statewide Payroll/Personnel System (USPS)

C. Employee Turnover

The Texas Lottery remains mindful of employee turnover and its effect on the cost of operations. The agency's turnover rate has been below that of the state's average. Table E-5 compares the agency's turnover rates with that of the state average turnover rate for the past five years.

**TABLE E-5
TURNOVER RATES**

YEARS	2009	2010	2011	2012	2013
TEXAS LOTTERY	5.0%	4.0%	5.3%	9.3%	10.1%
STATEWIDE	14.4%	14.6%	16.8%	17.3%	17.6%

Source: SAO Electronic Classification Analysis System

D. Retirement Eligible Employees

In FY 2015 through 2019, approximately 89 current employees are projected to be eligible to retire based on the rule of 80 – years of age and years of service adding up to 80 – and at least 10 years of state service. An additional two current employees who will not qualify to retire under the rule of 80, are projected to have at least 10 years of service and be eligible to retire and receive health insurance benefits at age 65. Approximately four other current Texas Lottery employees are projected to be eligible to retire at age 60 – with a minimum of five years of service – and receive at least the minimum annuity, but no health insurance, from the Employees Retirement System.

III. FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

A. Expected Workforce Changes

With technological advances, the information needs and expectations of the public continue to expand. The Texas Lottery must continue to develop the skills of current workers and identify future workforce skill sets necessary to serve these needs. In addition, the Texas Lottery will continue to use technology to revise and streamline work processes and provide Web-related services. Any additional legislative changes could expand or modify the workforce needs and FTE requirements of the agency.

B. Future Critical Functions

The Texas Lottery does not currently anticipate changes to the current critical functions needed to achieve the goals of the 2015-2019 Strategic Plan. However, legislative changes could affect Texas Lottery functions by having an impact on lottery game offerings or charitable bingo initiatives. As new technology is applied to agency processes, certain job functions may be performed differently.

C. Future Workforce Skills Needed

All of the current critical skills listed in Section II will continue to be needed and, as technology moves ahead, advanced competencies in these skills will need to be obtained and maintained.

D. Anticipated Increase in Number of Employees to Do the Work

If additional programs or responsibilities are added to the functions of the agency, then additional staffing levels and workforce composition might need to be considered. If some new initiatives are added, additional skills and staff might be required. For example, if the legislature authorized charitable poker, or if the number of lottery game drawings increased, additional staff might be needed.

IV. GAP ANALYSIS

The Texas Lottery has sufficient staff and expertise to accomplish the agency's current mission, goals and objectives. Any legislative changes to the current programs of the Texas Lottery Commission would require a reexamination of the agency's workforce to identify gaps in knowledge, experience and resources. The Texas Lottery does not anticipate any changes occurring that would require reduction in current skill sets.

V. STRATEGY DEVELOPMENT

It is the policy of the Texas Lottery to encourage all employees to continually improve their job skills; to be more productive and knowledgeable within their current job assignment; and to prepare for the possibility of future assignments.

The Texas Lottery trains its workforce to acquire and implement the skills outlined in Section II of this appendix. Additional competency gaps identified for existing staff will be addressed through internal and external training, e-training initiatives, and continuing education programs offered through colleges and mentoring programs.

Employee retention is of equal importance. The Texas Lottery maintains a number of programs to retain qualified employees, including alternative work schedules, tuition reimbursement, merit salary increases, employee service recognition, and continuing education programs. The agency's Tuition Reimbursement Program provides financial assistance to employees who wish to improve or supplement their knowledge and skills by attending classes at colleges, community colleges, universities or technical schools.

Recruitment strategies such as participation in WorkinTexas.com for Internet job posting, and listing selected jobs in metropolitan job market newspapers are used to ensure broad-based applicant pools.

Conclusion:

The Texas Lottery Commission evaluates and attempts to forecast future shortages and surpluses in agency skills requirements. Whenever possible, the Texas Lottery's management adjusts to these skill requirement changes in an appropriate and timely manner, to ensure that staff and skills are appropriately matched to agency needs.

APPENDIX F

Texas Lottery Commission

Summary of 2014 Survey of Employee Engagement

FY 2015-2019

The Texas Lottery Commission participated in the Survey of Employee Engagement in 2014, and achieved the agency's highest ever overall score.

The Texas Lottery has been participating in the survey since 1994. One of the values of participating in multiple iterations of the Survey of Employee Engagement (SEE) is the opportunity to measure organizational change over time. The employee response rate for the 2014 survey was 78 percent, a rate that was equal to or above the 2012 benchmark participation rates for all participating state agencies, all state agencies in the category group with similar mission, and all state agencies in the same size category. A high response rate shows positive employee involvement, and denotes a high degree of confidence that the survey results accurately reflect employee attitudes.

The SEE measures employee perceptions about the workplace through a series of statements that employees respond to on a scale of one to five. The Texas Lottery's overall survey score was also higher than those of its benchmark peer groups. Responses are grouped into 14 statistical constructs. Agency-wide results show that employees perceived all the measured issues more positively than negatively. Each construct score was higher than in the 2012 survey.

In particular, agency-wide scores indicated that employees intrinsically like their jobs, their benefits, their physical work environment, and their opportunities for career and personal development. They feel the agency responds well to external influences that play a role in defining its mission, vision, services, and products. Employees indicated that they are generally satisfied and engaged in their jobs.

Management has applied a proactive approach in responding to the results of these surveys, including identifying strategies to improve on identifiable elements contributing to the lower scoring constructs. This year, as in past years, the results of the SEE were posted on the Texas Lottery's intranet. All levels of staff are invited to discuss and comment on the survey results. Management has consistently shown a willingness to use the survey results when making changes that are intended to improve operations and the working environment at the Texas Lottery.

APPENDIX G

Texas Lottery Commission

Historically Underutilized Business (HUB) Plan

FY 2015-2019

A. GOAL: To promote fair and competitive opportunities that maximize the inclusion of Historically Underutilized Businesses (HUB) and minority businesses in contracts with the Texas Lottery Commission and its primary vendors.

A.1. OBJECTIVE: To meet or exceed the Commission's annual procurement utilization goals in the categories related to the Commission's current strategies and programs:

Procurement Categories*	FY 2012 Agency HUB Goals**
Special Trade Construction	12.7%
Professional Services Contracts	23.6%
Other Services Contracts	24.6%
Commodity Contracts	21.0%

** The Texas Lottery does not have any strategies or programs relating to "Heavy Construction" or "Building Construction."*

***In accordance with Texas Government Code 2161.123, the Agency establishes HUB goals at the beginning of each fiscal year.*

OUTCOME MEASURE: Total percentage of direct and subcontracting expenditures paid to HUB and minority businesses for the procurement categories that apply to the Texas Lottery.

A.1.1. STRATEGY: Implement and maintain policies and procedures, in accordance with the HUB Rules, to guide the agency in increasing the use of HUB and minority businesses through direct contracting and/or subcontracting.

OUTPUT MEASURES:

1. The total amount of direct HUB expenditures
2. The total amount of HUB subcontracting
3. The total number of contracts awarded to HUBs
4. The total number of bids received from HUBs

A.1.2. EXTERNAL AND INTERNAL ASSESSMENT: From FY 2012 to 2013, the Texas Lottery's overall HUB utilization increased by nearly three percentage points. During this report period, the Texas Lottery expended more than \$47.1 million with HUBs and minority businesses. The Texas Lottery has an effective outreach program, which focuses on informing HUB and minority businesses about the Texas Lottery's procurement processes and opportunities to provide goods and services to the agency. In addition, the Texas Lottery's inclusion of the HUB Subcontracting Plan in its large contracts has had a positive impact on HUB subcontracting. The FY 2013 Annual Statewide HUB Report ranked the Texas Lottery 18th in the state in terms of overall expenditures. However, the Texas Lottery ranked number one by overall HUB percentage of the 18 largest-spending state agencies.

B. GOAL: To take positive steps to license minority businesses as sales agents, and to monitor efforts to increase the number of minority retailers.

B.1. OBJECTIVE: To ensure that at least 20 percent of the Texas Lottery's licensed sales agents are minority businesses.

OUTCOME MEASURE: Percentage of the Lottery's total licensed retailer base that are minority businesses.

B.1.1. STRATEGY: Maintain retailer retention policies and procedures within the agency, to ensure that the Commission is working to meet or exceed the 20 percent minority retailer goal, as set out in the State Lottery Act.

OUTPUT MEASURES: A minimum of 20 percent of the total number of licensed sales agents/retailers will be minority businesses.

B.1.2. EXTERNAL AND INTERNAL ASSESSMENT: The Texas Lottery continues to consistently exceed its statutory goal of a 20 percent minority business retailer base. During FY 2013, minority retailers numbered 7,857, which represented 45.94 percent of the Texas Lottery's total lottery retailer base. FY 2013 was the seventh consecutive year during which the Texas Lottery maintained a minority retailer level of over 40 percent.

2015-2019

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