COMPREHENSIVE

STRATEGIC
PLAN

TEXAS LOTTERY COMMISSION

AN AGENCY OF THE
STATE OF TEXAS

FISCAL YEARS

2019–2023

Agency Strategic Plan
Fiscal Years 2019 – 2023

BY

Texas Lottery Commission

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Date of Submission:
June 8, 2018

Signed: _____
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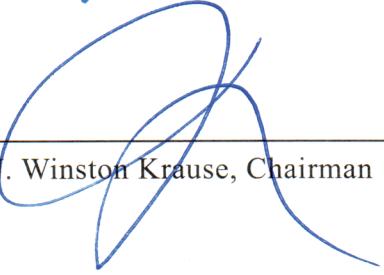
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TEXAS LOTTERY COMMISSION

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AGENCY MISSION AND PHILOSOPHY

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 standard of security, integrity and responsible gaming principles, 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. All proposed innovations must be authorized by Texas law, and do not include video lottery, casino gaming, internet-based lottery sales, fantasy sports, or any other activities not authorized by law.

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.

Texas Lottery Commission
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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.

GOAL 1 — AGENCY OPERATIONAL GOAL AND ACTION PLAN
## GROSS SALES AND NET REVENUE

The goal of the Texas Lottery's efforts to increase gross sales and net revenue are directly consistent with its mission to generate revenue for the state of Texas through the responsible management and sale of entertaining lottery products. To achieve this mission, the Texas Lottery will incorporate the highest standards of security, integrity and responsible gaming principles, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.

Gross Sales

Gross sales increases alone do not ensure net revenue growth. However, in an environment of fiscal accountability, gross sales are tied to net revenue as a critical driver in generating incremental monies for public education, veterans' services and other worthy state causes.

Since FY 2009, the Texas Lottery has experienced significant sales growth. Several different strategic sales initiatives contributed to this achievement, including innovations to the scratch ticket portfolio, an enhanced focus on retail distribution channel development, implementation of a performance-based retailer incentive program, and continued product innovation, including new in-state and national draw game introductions. The graph below illustrates the growth in sales over the three most recent full fiscal years.

Total Sales
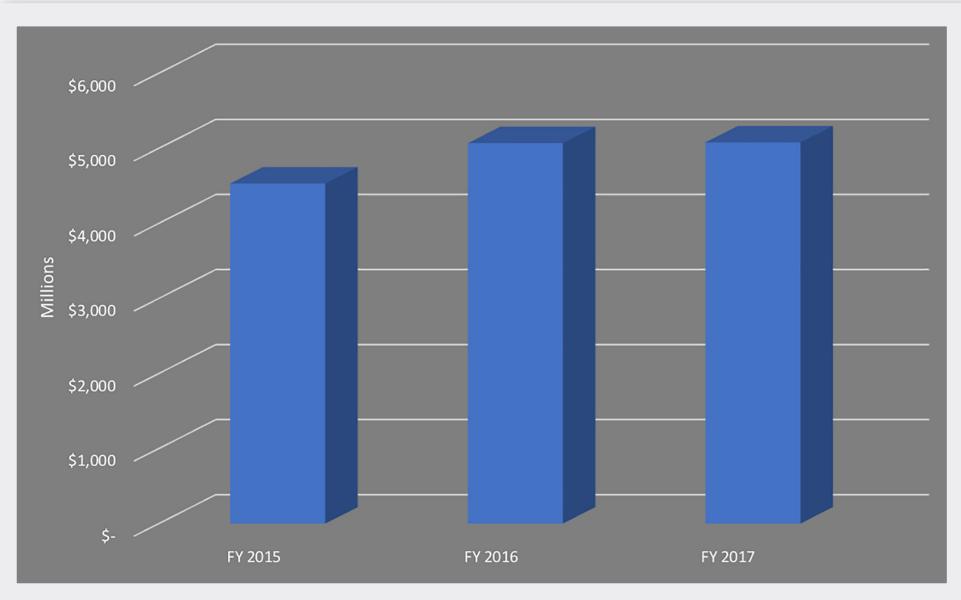
While proud of the agency's sales results over the last several years, the agency recognizes these sales levels will be challenging to sustain. The Texas Lottery faces competition from other gaming activities, both legal and illegal, in Texas and in surrounding states. The Texas Lottery is also a mature lottery offering a full suite of scratch ticket games with price points ranging from $1 to $50 along with nine different draw games, including a wide selection of daily draw games and in-state and multijurisdictional jackpot games. There are limited traditional lottery game concepts available that Texas does not currently offer, creating a lack of opportunity for new product offerings. During FY 2017, even without the benefit of large jackpots from the multijurisdictional games, the Texas Lottery was able to break a sales record because of the success realized from the scratch ticket portion of the product portfolio.

AGENCY GOALS AND ACTION PLAN

## GOAL 1 — AGENCY OPERATIONAL GOAL AND ACTION PLAN
GROSS SALES AND NET REVENUE

Scratch sales for FY 2017 totaled $3.94 billion, the highest scratch ticket sales in Texas Lottery history. This sales success was achieved because of the new, innovative product designs that were developed and introduced into the market. During the 85th Legislative session, significant reductions were made to the agency's advertising and scratch ticket print budgets. In addition, a scratch ticket budget rider that would allow the agency to continue to bring new, innovative scratch ticket products to lottery customers was not approved and the agency's retailer bonus budget was eliminated starting in FY 2019. These budgetary challenges can have an impact on the agency's ability to introduce products, promote products and retain/recruit retailers to sell the products. These realities loom in opposition to continued sales growth.

Net Revenue

The Texas Lottery's primary goal is to generate net revenue for the state. Every agency program, goal and initiative is designed directly or indirectly with net revenue in mind. The agency also has a significant regulatory responsibility to protect the interests of the citizens of Texas. The agency is committed to providing products that are fun and entertaining while ensuring all games are delivered in a safe and secure manner and that the integrity of the games is above reproach. The agency must invest in the systems, equipment and personnel necessary to ensure public trust in the *Games of Texas*. While investing in these important areas of the agency's regulatory and operational responsibilities, the agency places a significant emphasis on administrative efficiency.

The agency's continued focus on fiscally responsible operations help convert the benefits of gross sales increases to net revenue contributions. These efforts during FY 2017 resulted in the second-highest revenue year with total transfers to the state exceeding $1.33 billion, marking the 14th consecutive year the Texas Lottery has generated more than $1 billion in contributions to the state of Texas. The only higher revenue transfer occurred in FY 2016 when the *Powerball* jackpot reached a world record-setting $1.6 billion. In FY 2017, $1.31 billion went to the Foundation School Fund and $16.2 million was transferred to the Fund for Veterans' Assistance, administered by the Texas Veterans Commission. Over the last three years, lottery net revenue transfers have averaged 3.22 percent growth annually.

Total Transfers to the State
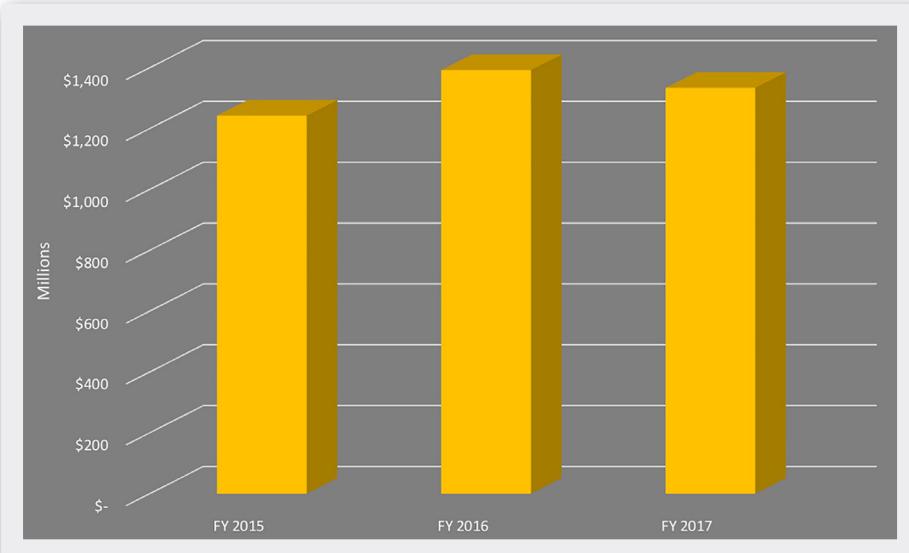
GOAL 1

AGENCY OPERATIONAL GOAL AND ACTION PLAN
GROSS SALES AND NET REVENUE

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The Texas Lottery establishes key strategic initiatives and goals that emphasize gross sales and net revenue expansion and continue the agency's commitment to efficient, responsible operations.

Gross Sales

Texas Lottery gross sales have benefited from the agency's continued focus on key initiatives and goals that have been implemented in recent years, including changes to the lottery operator contract, launching and continuing to enhance the Retailer Cash Incentive Program and the implementation of several product initiatives that have helped to fill out and supplement the product portfolio. It should be noted that the most significant sales benefits of these initiatives have already been achieved.

There are a number of controllable and uncontrollable variables that impact lottery sales. Examples of variables outside the agency's control include general economic conditions in the state, budget reductions, competition from other forms of gaming, weather conditions, and the level of jackpots on certain draw product offerings (jackpot "rolls"). The agency is focused on goals tied to agency performance, with an emphasis on controllable variables that influence the outcome of these goals.

These include the following goals, which are detailed later in the Strategic Plan along with planned Action Items:

- *Retailer Distribution Channel Development* - The number and quality of lottery retail locations.
- *Retailer Cash Incentive Program* - Same-store sales growth.
- *Advertising Expenditures and Efficiency* - Amount and effectiveness of advertising.
- *Product Mix and Game Portfolio Management* - Lottery product mix, game design (product diversity, game odds and payout design) and product differentiation.

At the time of this writing, the agency anticipates FY 2018 sales will exceed FY 2017 levels. The agency has achieved strong growth in its scratch ticket product category in FY 2018 and anticipates record sales in that category once again. Draw game sales are anticipated to conclude FY 2018 with sales slightly above FY 2017 following two multijurisdiction jackpots ($570 million *Powerball*, $450 *Mega Millions)* in January. It is anticipated that the agency will continue to achieve sales growth in the scratch ticket product category during FY 2019, however the sales growth normally generated from the use of innovation within the product line may be impacted by reductions to the FY 2018 – 19 scratch ticket printing budget. Draw sales for FY 2019 are expected to maintain similar levels to those projected for FY 2018. The agency recognizes that future growth will occur through execution at a more tactical level related to the performance factors in this plan. The agency's FY 2019 sales performance goals based on these factors are detailed in the chart on the next page.

AGENCY GOALS AND ACTION PLAN

AGENCY OPERATIONAL GOAL AND ACTION PLAN
GROSS SALES AND NET REVENUE

Sales Projection Table

	SALES ACTUAL FY 2017 (IN MILLIONS)	SALES PROJECTION FY 2018 (IN MILLIONS)	SALES GOAL FY 2019 (IN MILLIONS)
Scratch Tickets	$3,935.22	$4,321.93	$4,386.75
Draw Games	$1,142.24	$1,183.20	$1,124.05
Total Sales	**$5,077.46**	**$5,505.13**	**$5,510.80**

Net Revenue

While the agency pursues a number of program initiatives to support gross sales, the agency is equally committed to administrative efficiency. This includes careful monitoring and ongoing evaluation of the primary contributors to administrative overhead:

• *Negotiated rates for outsourced (contracted) services*

• *Retailer compensation and incentive programs*

• *Standard agency overhead costs including key lottery programs*
  (e.g., security, drawings, claim centers, etc.)

Under the State Lottery Act, the agency is authorized to pay costs incurred in the operation and administration of the lottery, including any fees received by a lottery operator, provided that the costs incurred in a fiscal biennium do not exceed an amount equal to 12 percent of the gross revenue accruing from the sale of tickets in that biennium. A minimum of 5 percent of this amount is to be allocated as compensation paid to sales agents (licensed retailers). The base retailer commission has remained at 5 percent since the inception of the lottery, leaving the remaining 7 percent available for other administrative expenses, subject to legislative appropriation. The Texas Lottery has consistently kept administrative expenses well below 7 percent of gross sales revenue.

The agency has a keen focus on its day-to-day administrative expenses, and this focus continues to yield efficiencies over time. However, as noted previously, limited opportunities exist in the near term for significant cost reductions that might yield further administrative efficiencies. The agency will continue its commitment to determining new ways to achieve greater efficiency in its operations for the benefit of the state.

The agency is confident in its ability to continue to generate significant revenue for the Foundation School Fund, the Fund for Veterans Assistance and other state programs. The agency expects record net revenue contributions to the state in FY 2018, as the first half of the fiscal year has realized strong scratch ticket product sales. Net revenue for FY 2019 is expected to resume the net revenue growth trajectory that the agency has achieved in recent years, but the growth may be limited due to budget barriers that could impact the continued development of innovative scratch products. Projected revenue is detailed in the chart on the next page.

GOAL 1
AGENCY OPERATIONAL GOAL AND ACTION PLAN
GROSS SALES AND NET REVENUE

Revenue Projection Table

	REVENUE ACTUAL FY 2017 (IN MILLIONS)	REVENUE PROJECTION FY 2018 (IN MILLIONS)	REVENUE GOAL FY 2019 (IN MILLIONS)
Total Revenue	$1,333.97	$1,404.85	$1,400.94

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The Texas Lottery is committed to continuing to achieve its primary mission of generating revenue for the state. Sales growth and administrative efficiency will remain key drivers in revenue generation. However, further opportunities to enhance administrative efficiency will be limited. As a mature 25-plus year old organization, the Texas Lottery has had the opportunity to extensively evaluate all aspects of its operations to identify and implement internal administrative efficiencies. The agency has had tremendous success in negotiating favorable pricing and services with its vendors. Although the agency has strenuously emphasized fiscal accountability, limited opportunities exist in the near term for significant cost reductions that might yield further administrative efficiencies. The agency will continue to emphasize the development of entertaining products within the statutory authority of the Texas Lottery for its customers, challenging and motivational incentive programs for its licensed retailers and continue to provide, clear and effective communications about its products through its advertising. The agency recognizes that the public's trust in the fairness and integrity of the lottery's operations are fundamental to the public's willingness to participate in the games. The agency is fully committed to conducting its operations in a transparent manner and will continue to ensure that it is doing so in the most cost efficient manner possible.

The goal of the Texas Lottery's Product Mix and Game Portfolio Management program is to offer lottery players the best entertainment experience available through the responsible management and sale of its products to generate revenue for the state of Texas.

The Texas Lottery is situated in a mature market in which it competes primarily for the discretionary entertainment dollars of adult Texans age 18 and older. It is within this general environment that the Texas Lottery must tailor its products to appeal to its customers. The Texas Lottery has consistently ranked among the top-selling lotteries in the United States, ranking fifth and exceeded only by New York, California, Florida and Massachusetts.[1]

The *Games of Texas* are the body of products that the Texas Lottery makes available to the playing public. The Texas Lottery offers two product categories: scratch ticket games and draw games. The agency currently offers nine draw games, including four unique add-on features offered on five of its draw games, and approximately 90 scratch ticket games annually constituting the current game portfolio. New games and game enhancements are continually being developed to keep Texas Lottery games innovative and exciting for players.

Scratch Ticket Games

Scratch ticket games are preprinted tickets with symbols hidden under a removable covering. The player scratches off the covering and determines instantly whether or not the ticket is a winner. Scratch tickets include a variety of themes, play styles, and prize structures in order to offer an attractive game mix to players. Scratch ticket games are offered across a range of price points from $1 to $50 and offer prizes ranging from $1 to $7.5 million.

While draw games have a set number of drawings scheduled each week, scratch ticket games offer the possibility of immediate winning experiences with cash and non-cash prizes. Most scratch 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.

The Texas Lottery's efforts to keep scratch tickets fresh and interesting for the consumer often must focus on unique opportunities to tweak existing game designs, incorporate new proprietary printing/innovative production options to the tickets, and utilize well-recognized brands and licensed properties, while developing new product positioning and marketing strategies. These efforts are critical to reach new players, maintain player interest and ensure existing sales and revenue levels for this product category.

During the 85th legislative session, the Texas Lottery requested a modified funding structure for the printing of scratch ticket products to ensure that adequate budget resources are available to meet the printing needs from the continued year-over-year increases of scratch ticket sales. In addition to operating with a scratch ticket printing budget that is a fixed budget, the Commission submitted a rider request that would have supplemented the funding for scratch ticket printing only if scratch ticket sales reached a certain threshold. The model for the rider would have increased the budget on a percentage of scratch ticket sales only upon exceeding the fixed budget. As scratch tickets experience sales growth, the budget would be increased and should there be a decline in scratch ticket sales, the budget would be decreased. The Commission's Scratch Ticket Rider request was not funded in the final version of the FY 2018 – 2019 budget bill.

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[1] *La Fleur's 2017 World Lottery Almanac (25th edition). Edited by Terri Markle, Bruce La Fleur, and Byron La Fleur. Rockville, Maryland: TLF Publications, Inc., "Worldwide Lotteries Ranked by 2016 Total Sales (excludes VLT revenue)," p. 303.*

GOAL 2

PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

To further illustrate the challenges with a fixed budget, in FY 2016 scratch ticket sales were $3.72 billion, an increase of more than $200 million over the previous fiscal year. In FY 2017, scratch ticket sales increased over $219 million to $3.93 billion. In FY 2017, the Texas Lottery spent just under $50 million for scratch ticket printing and related services which takes into account the growing demand for the scratch ticket product. The fixed scratch ticket printing budget was funded at $30.15 million for each year of the biennium (FY 2018 and FY 2019). Introducing innovative ticket production options, maintaining scratch ticket sales and revenue and/or continuing year-over-year growth in scratch ticket sales and revenue, will be challenging for the Texas Lottery with the appropriation authorized. The Texas Lottery will continue to explore new scratch ticket game opportunities and unique product enhancements that hold the most potential for generating incremental revenue for the state while working within the agency's budget limitations.

Draw Games

Most draw games require the player to select from a pool of numbers. For example, when the pool consists of 37 numbers and a player selects five numbers from the pool, 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 selected. Players may select their own numbers or have them selected by the sales terminal by choosing the Quick Pick option. The Texas Lottery conducts independently certified drawings on a set schedule to determine a set of winning numbers for these types of games.

The Texas Lottery's current draw game offerings include two multijurisdictional games: *Powerball* with the add-on feature *Power Play*® and *Mega Millions*® with the add-on feature *Megaplier*®. The other games in the Texas Lottery's portfolio are unique to Texas and are operated by the Texas Lottery. These include *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*®, *All or Nothing*™, and *Texas Triple Chance*™. *Lotto Texas*, *Texas Two Step*, *Powerball* and *Mega Millions* are rolling jackpot-style games. The remaining draw games are daily drawing games. These games are non-rolling featuring fixed or pari-mutuel top prizes and they are drawn at least once per day. The Texas Lottery conducts drawings for its games six days per week (Monday through Saturday). Some daily games are drawn up to four times daily.

One of the most significant differences between the scratch and draw game playing experiences is the time that elapses between buying the ticket and finding out if the ticket is a winner. In addition, the development and introduction process for draw game concepts requires significantly more planning and lead time than scratch ticket games. New draw games and game changes typically require research, administrative rulemaking and extensive system software development. Draw games differ from scratch tickets, as scratch ticket games serve as their own communication vehicle or marketing due to visible placement at the point of purchase at retail. Draw game tickets are printed via a sales terminal upon a player request and are far more difficult to market requiring significant time to educate retailers and players about new game introductions and ongoing game awareness. These additional requirements for draw games present challenges limiting the agency's ability to frequently introduce new games or make rapid changes to existing games.

Historically, draw games have relied primarily on jackpot levels to drive sales and revenue generation. Lotteries are attempting to increase draw game sales by exploring the introduction of higher price points. However, lotteries have struggled in these efforts, as players have become accustomed to playing for multimillion dollar jackpots for a $1 – $2 wager.

GOAL 2 — AGENCY OPERATIONAL GOAL AND ACTION PLAN
PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The Texas Lottery applies a strategic, long-term view to the development of products and management of its scratch ticket and draw game portfolios. The agency plans its game portfolio at least one fiscal year at a time ensuring a range of well-planned product offerings for Texas Lottery players. A summary of scratch ticket and draw game action items and initiatives are outlined below along with efforts in the area of product portfolio support operations.

Scratch Ticket Games

To be responsive to the changing tastes and preferences of consumers, the Texas Lottery must actively explore new scratch ticket game opportunities and unique product enhancements that hold the most promise for generating incremental revenue for the state. The agency has pursued the following scratch ticket game innovations in recent years and they will continue to be critical components of future success.

- **Spotlight Scratch Ticket Games** - Utilizing industry best practices, a Spotlight or Mega game is a game that typically has a larger than normal print run with an increased prize payout. The larger quantity and increased payout allow for the creation of many "call-out" features on the front of the ticket that are appealing to players. The Texas Lottery successfully launched its first Spotlight game in FY 2009 at the $20 price point. The agency introduced the first $10 Spotlight game in FY 2012 and typically alternates the introduction of $20 and $10 Spotlight games each fiscal year. The latest $10 Spotlight game, *$200 Million Payout*, was introduced in late FY 2016 with most of its sales being realized in FY 2017. *$200 Million Payout* was the fourth best-selling game in FY 2017. The next $10 Spotlight game will launch in FY 2018.

- **Growth of Core Scratch Product Offerings** - 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 regularly produce new games. The Texas Lottery strives to identify unique products that both resonate with players and offer the potential to become core offerings. Examples of current core games are *Break the Bank* ($2), *Weekly Grand* ($2), *Bingo* ($2 and $5), *Crossword* ($3, $5 and $10), *Loteria* ($3, $5 and $10) and *Bonus Break the Bank* ($5). The Texas Lottery will continue to identify games that it believes can achieve this level of player loyalty. A $20 *Loteria* game is being considered for FY 2019 and if launched, may become a core if its sales levels support its consistent placement at retail.

- **Game Families** - Game families are a group of scratch ticket games with the same game theme and play style introduced across a variety of price points. The Texas Lottery has leveraged successful elements of its Spotlight games to enhance the appeal of suites. The prize structures for each of these games are designed so top prizes are higher than most other games at the same price point. The games are typically produced with larger print quantities to create a higher volume of prizes at specific prize tiers. Additionally, the use of the same game theme (or branding) across the suite allows the agency to place advertising support behind the games to promote the various attributes that may be appealing to players. The Texas Lottery introduces at least one game family per fiscal year. In FY 2017, a multiplier series was introduced and three of the games from that family were included in the top 15 best-selling scratch ticket games for the year. One of those three games, the $20 multiplier game, *100X the Cash*, was the best-selling game in FY 2017 realizing $134.5 million in sales.

- *Oversized Tickets* - While the typical width of scratch tickets is four inches, oversized tickets range in width from eight inches to 12 inches and can be as long as 16 inches. Oversized scratch tickets feature numerous games creating play value for consumers. All three scratch ticket manufacturing vendors produce their own branded version of an oversized ticket. The Texas Lottery introduced its first oversized ticket, *Super Ticket™ 7's*, at the $10 price point in spring 2015 and it quickly became a top-selling scratch ticket with over $78 million in sales during that fiscal year. The agency continues to develop and launch oversized tickets with successful sales results. In FY 2017, the first oversized licensed property scratch ticket game, W*illy Wonka® Golden Ticket*, was introduced and ended the year as the 10th best-selling game. The Texas Lottery is building on its success with oversized tickets in FY 2018 with the launch of the first 12 inch x 12 inch ticket, *$1,000,000 Big Money*, and will look at other oversized ticket options in future fiscal years.

- *Multicultural Games* - The population of Texas has grown more ethnically diverse over time and the state has reached minority-majority status in recent years. Hispanic population growth has been one of the significant contributors to this trend. The Texas Lottery is focused on ensuring that it offers games that are culturally relevant to all Texans in general and, in doing so, has also worked to ensure that it develops games that are culturally relevant to its Hispanic consumers in particular. The Texas Lottery began offering *Loteria*, a bingo-style game with historical roots in Mexico, several years ago. The game has been extremely popular with lottery players and the agency has expanded this category to a variety of price points ($3, $5 and $10). The $5 *Super Loteria* game was the second best-selling game in FY 2017 and *Mega Loteria* was the third best-selling game for the year with sales of $129.2 million and $126.9 million respectively. These games have made *Loteria* an important component of the agency's core scratch ticket game offerings. The agency has also introduced other games with Spanish language titles, such as *Explosión De Dinero*, and launched its first-ever, fully Spanish language scratch ticket game, *Fiesta De Ganancias*, in spring 2017. These games have resonated very positively with consumers and the agency is developing *Cinco* games that will launch in FY 2018. In addition, discussions are underway related to the introduction of a $20 *Loteria* game in FY 2019.

- *Products Geared to Appeal to New Players* - As a mature lottery, the Texas Lottery recognizes that in order to remain relevant and continue to grow, it must attract new players. The Texas Lottery must also achieve this goal within the framework of its traditional lottery game (scratch and draw) offerings. Licensed/Branded Scratch ticket games and scratch ticket games that feature unique prizes represent a significant portion of the agency's strategy to reach new audiences.

  ◦ *Licensed/Branded Games* - Well-recognized brands and licensed properties that have strong consumer affinity can reach consumers who may have lapsed in their lottery participation or who have not considered a lottery product trial in the past. The Texas Lottery has recently offered games featuring well recognized brands such as *Wheel of Fortune®*, *MLB®*, the *Dallas Cowboys* and the *Houston Texans*. The Texas Lottery reviews licensed/branded scratch ticket games that can be acquired within the agency's budget limitations.

  ◦ *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 prizes 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 tickets into promotional second-chance drawings.

   ° *Luck Zone Player Internet Site (cont'd)* - The Texas Lottery's new mobile application takes this convenience one step further and allows players to enter promotional second-chance drawings directly from their smartphones by simply scanning a barcode.

- *Unique Production Features for Scratch Ticket Games* - While many of the game design changes made by scratch ticket manufacturers have been subtle, new production methods are available that can be marketed to consumers. One example that the agency has leveraged successfully is where the removable scratch covering on the ticket is scented and emits a fragrance (e.g., peppermint or leather) when scratched. This scent can be combined with the theme of the game to make the product unique for the player. Another production method involves printing play areas on the front and back of tickets. This offers players more play action without increasing the size of the ticket.

All of these concepts have been highly successful in driving incremental sales and revenue for the portfolio in recent years and are a significant area of strategic focus for the agency in developing the scratch ticket portfolio each fiscal year. New variations on these concepts continue to be developed to capitalize on their popularity with players and agency staff continues to monitor the industry to identify new scratch game product innovations that can be offered in Texas to keep the games fun and fresh for Texas players, such as:

- *Pouched Tickets* - Multiple tickets are combined in a cellophane pouch to create a value-added game for the player. The Texas Lottery introduced its first pouch game during the FY 2018 holiday season. The agency is evaluating the performance of that game and will determine if pouch games will be used in the future.

- *PlayBooks*® - PlayBooks® (or Game Books) are a proprietary scratch ticket product produced by one of the Texas Lottery's scratch ticket manufacturing vendors, Pollard Banknote Limited. Just as its name suggests, a PlayBook® is a book of scratch ticket games combined and grouped with multiple pages. A PlayBook® typically sells for $20 and the multiple games packaged together provide a value proposition to the player. The Texas Lottery launched its first-ever PlayBook® during the 2014 holiday season and it was very well received by players. The second version, *Holiday Game Book*, was introduced in October 2015. Since that time, the Texas Lottery has pursued other initiatives around the holidays that have been more successful and there are no plans for the introduction of a PlayBook® in the near future.

- *Die-Cut Tickets* - Tickets can be shaped into designs other than the typical square or rectangular shape allowing the ticket to stand out from the others in the dispensers. The die-cut shape typically ties to the theme of the game and/or playstyle.

- *Break-Open Tickets* - Similar to pull-tabs, perforated windows within the ticket design expose the scratch play areas. These tickets add motion and sound to the act of playing scratch tickets. In FY 2017, the Texas Lottery introduced the $20 *Super Break the Bank* which featured two large break-open panels which exposed game boards themed like the popular $2 core game, *Break the Bank*. The game performed very well and was ranked as the eighth best-selling game for FY 2017. In that same year, the $5 *Lucky 7 Flip Multiplier* scratch ticket game was launched which featured a series of smaller break-open windows which exposed the scratch/play areas. This $5 break-open ticket was the first ticket in North America to use this flip innovation and Texas players appreciated the enhanced play value. The game achieved over $20 million in sales at 12 weeks.

- *Embossed Tickets* - Scratch ticket paper stock can be embossed with almost any design which adds texture and provides a tactile difference for the players. Design elements such as this make the ticket unique and attractive to many players.

AGENCY OPERATIONAL GOAL AND ACTION PLAN
PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

- *Special Inks and Other Printing Options* - Multiple unique ink and printing options provide various visual and tactile effects to make the games attractive including fluorescent inks, pearlescent inks, inks that feel like sand or water and inks that shine like metal or glow in the dark.

While continuing its focus on keeping administrative expenses in check and staying within budget limitations, the agency will continue to evaluate and utilize these and other added-value features that may increase player enthusiasm and, in turn, produce additional game sales and revenue.

Draw Games

The Texas Lottery has expanded the variety of draw game products that it offers to its customers in recent years, including the introduction of *Texas Triple Chance* and *All or Nothing*. However, draw games are limited in the variety of design options that result in truly new game concepts. With a full portfolio of draw game offerings, the Texas Lottery is working with the lottery operator to explore design modifications to existing games, new play types and add-on features while monitoring the industry for new draw game concepts and/or promotions that may appeal to Texas players. Areas of current focus are detailed below.

- *Price Point Expansion* - Scratch ticket games have benefited greatly from the ability to offer players different value propositions across a wide variety of price points. This has proven to be a far more substantial challenge for the lottery industry for draw games, as multimillion dollar jackpots have been offered for years for a single dollar. However, growth in the price point offerings for draw games remains critical to the long-term success of this portion of the product portfolio. The Texas Lottery has invested significant time and resources working in this area. Along with other U.S. lottery jurisdictions, the Texas Lottery participated in the expansion of the popular *Powerball* game from a $1 to a $2 price point in January of 2012. The Texas Lottery followed up on this effort by introducing the *All or Nothing* game at a $2 price point. *All or Nothing* became the second $2 game in the Texas Lottery's draw game portfolio and the first $2 daily game. The successful launch of *All or Nothing* was an important milestone. The unique attributes of *All or Nothing* 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. The Texas Lottery introduced the third $2 draw game, *Texas Triple Chance*, in September 2015. At the end of FY 2017, staff was working on the *Mega Millions* game change that started in October 2017 and included a price point increase to $2 along with a new game matrix, higher starting jackpots, faster jackpot rolls and better chances at winning the second-tier $1 million prize. The agency is also exploring a possible price point increase for the *Lotto Texas* game although player and retailer research needs to be conducted before any decisions can be made about pursuing this concept. Due to the importance of draw game price point growth, the Texas Lottery remains committed to identifying new games that will resonate with Texas players at varying price points.

- *Multijurisdictional Jackpot Game Portfolio Management* - The multijurisdictional organizations that oversee *Powerball* and *Mega Millions* continue to evaluate opportunities to modify these games to ensure that their appeal is optimized with players. As a participant in both games, the Texas Lottery remains interested in actively participating in any future discussions involving changes or geographical expansion related to the *Powerball* and/or *Mega Millions* games. Both games are significant contributors to draw game sales and the jackpots they are capable of generating can have a dramatic impact on fiscal year sales and revenue performance.

Draw Games (cont'd)

- ***Add-on and Wager Type Features*** - Add-on features, such as *Megaplier*, *Power Play*, *Sum It Up!* and *Extra!* have been successful in generating incremental sales and revenue, and the Texas Lottery will continue to explore and pursue additional add-on concepts that may offer incremental sales and revenue potential for the draw game portfolio. In FY 2017, the Multi-State Lottery Association (MUSL) announced the addition of a second add-on feature to the *Powerball* game called *Winner Take All*. *Winner Take All* is a promotional/bonus drawing that allows players that purchase this add-on feature to participate in another drawing. This national initiative was originally scheduled to start in FY 2018 and it was then delayed to start in early FY 2019. In March 2018, at the time of this writing, a MUSL vote was taken that canceled the development of this add-on feature. The Texas Lottery staff had been working with the lottery operator for numerous months on various *Winner Take All* launch preparations including but not limited to playslip design/development, software specifications review and necessary mobile app changes. With this cancellation, the agency will focus on the next scheduled game modification, *Cash Five*.

  The Texas Lottery has worked closely with the lottery operator to evaluate and test an add-on feature for the *Pick 3* and *Daily 4* games commonly referred to as "Fireball." This add-on is scheduled to launch in late FY 2019 and replace *Sum It Up!*. The Texas Lottery, in conjunction with the lottery operator, will continue to research other potential add-on features to determine if they resonate with Texas players.

- ***Draw Game Cross Promotion*** - The Texas Lottery has been successful in designing scratch ticket games that feature or highlight games from its draw game portfolio. A prize in these scratch ticket games is a free play in the associated draw game. These games have the beneficial effect of introducing scratch ticket game players to the Texas Lottery's draw game products. The agency launched an *All or Nothing*-themed scratch ticket game in the summer of 2014 and is planning to launch a scratch ticket based on the popular daily game *Pick 3* in FY 2018. The agency will continue to identify opportunities to cross-promote scratch and draw games.

- ***Game Modification Research*** - The Texas Lottery worked with the lottery operator and conducted research in FY 2017 to gauge player and retailer interest in potential game modifications for both *Cash Five* and *Texas Two Step*. The research results demonstrated potential for game enhancements on *Cash Five* and a game change is tentatively scheduled in early FY 2019. Significant changes to the *Texas Two Step* game play were not positively received by current players but the addition of an embedded multiplier feature was viewed favorably and is scheduled to be implemented in FY 2020. The Texas Lottery will continue to work with the lottery operator on the design and testing of new game matrices for certain Texas-based draw games, including *Lotto Texas*, in FY 2018 to identify games that might benefit from a refreshed matrix and/or playstyle.

- ***Packaged Draw Game Play (Lone Star Lineup* ®)** - *Lone Star Lineup* is the first draw game value package to launch in Texas. *Lone Star Lineup* allows the agency to promote lesser played draw games and potentially expand draw game product trial. The lottery has little control of the multijurisdictional jackpot games that are mainly driven by large jackpot rolls and will look to promote in-state draw games with increased visibility with vehicles like *Lone Star Lineup*. The current promotional bundle offers players $6 worth of Quick Picks for $5 and includes *Pick 3*, *Daily 4*, *All or Nothing*, *Cash Five* and *Texas Triple Chance*. The *Lone Star Lineup* software design allows the flexibility to rotate games in and out of the package based on draw game strategic plans for the fiscal year. As the agency is considering closing the *Texas Triple Chance* game due to its performance, the *Lone Star Lineup* package will be changed in FY 2018 to remove *Texas Triple Chance* and include *Lotto Texas* and *Texas Two Step*.

AGENCY OPERATIONAL GOAL AND ACTION PLAN
PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

- ***Draw Game Promotions*** - The scratch ticket portfolio has been successful by utilizing licensed properties and brands that are well-known and have strong customer loyalty. Many of these licensed property games involve second-chance promotional drawings to giveaway experiential prizes. In FY 2017, the Texas Lottery launched a second-chance promotional drawing, Power Cruise™ with Alchemy3. During the 2017 promotion, players entered their *Powerball* tickets to collect symbols and earn entries into drawings for a chance to win an exclusive Royal Caribbean® cruise trip. Over 220,000 entries were received and 110 cruise trip prizes were awarded to Texas players. The agency is working with the lottery operator and Alchemy3 to participate in a second promotion, Power Cruise 2, starting in spring of 2018. These promotions allow draw games to leverage popular brands in the same way that scratch tickets have.

- ***Texas Lottery App*** - With a focus on player convenience, the Texas Lottery spent a large amount of time and effort in FY 2016 working towards the introduction of a new mobile app in FY 2017. The app allows users to scan and check tickets for winning status, create and save their favorite numbers so that a Texas Lottery retailer can scan the QR code and print a draw game ticket for purchase, view current jackpot amounts and winning numbers, scan tickets to enter promotional second-chance drawings, and locate the nearest lottery retailer. This initiative illustrates the agency's commitment to convenience but also to security and integrity as players now have the ability to use the app to see if their tickets are winners.

The agency places a significant emphasis on player education and clear communication about its products. The agency works to achieve transparency across all of its operations emphasizing security and integrity and working to maintain the public's trust and confidence in the operation of all lottery games. These efforts, combined with the agency's approach to strategically planning the game portfolio and product mix, optimizes the agency's sales and revenue generation ability. This rigorous process focused on continually improving Texas Lottery products allows the agency to consistently deliver entertaining lottery products for lottery players.

While the agency has achieved substantial growth in scratch ticket game sales, the draw game portion of the portfolio presents a more significant challenge to sales growth and expansion over time. The initiatives detailed above have and will contribute to the agency's efforts to maintain sales levels for the draw game portfolio. Promoting new player product trial and keeping the category fresh and new for existing players remains critical to achieving the agency's mission.

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The Texas Lottery's approach to strategically planning the game portfolio and product mix optimizes the agency's sales and revenue generation ability. This rigorous process focused on continually improving Texas Lottery products allows the agency to consistently deliver entertaining lottery products for lottery players. The agency places a significant emphasis on player education and clear communication about its products. The agency works to achieve transparency across all of its operations emphasizing security and integrity and working to maintain the public's trust and confidence in the operation of all lottery games.

GOAL 3
AGENCY OPERATIONAL GOAL AND ACTION PLAN
RETAILER DISTRIBUTION CHANNEL DEVELOPMENT

Lottery retailers are the primary delivery channel through which the agency sells tickets to generate revenue for the state. To achieve the agency's mission of generating revenue to support Texas education and veterans' assistance programs, it is critical that lottery products are conveniently and widely available at a variety of locations where a broad diversity of consumers have the opportunity to purchase lottery tickets.

The lottery retailer base represents a dynamic business environment in which frequent business sales and acquisitions are a part of the normal operating environment. The economic climate of the state can also have a significant impact on the size of the retailer base. Sustained and strategic retailer development supports the potential for increased revenue to the state and offers tremendous benefits to the public in the form of convenience. By offering lottery products at a broader number of diverse locations, consumers can more conveniently evaluate their purchase options. Additionally, offering lottery allows businesses to expand their relationship with their customers, limiting the need for customers to visit other business locations to make their lottery purchases. The agency works to support existing retailers while recruiting new retailers to ensure a stable, but growing, product distribution channel.

While a wide variety of trade styles comprise the lottery retailer base, convenience and grocery stores, considered to be traditional lottery trade styles, are dominant, representing more than 88 percent of licensed locations and 96 percent of Texas Lottery sales. As the marketplace has become more competitive among these businesses, they are expanding into non-traditional business lines including food and beverage service such as on-premise beer and wine. Continued expansion of on-premise beer and wine service models within the agency's two primary trade styles presented a unique licensure and administrative oversight challenge to the agency. Through the Texas Lottery's Strategic Plan, the agency recommended the enactment of legislation to allow continued licensure of the traditional lottery trade styles that offer limited on-premise beer and wine consumption. The 85th Legislature enacted HB 1555 which clarified that traditional lottery retailers, particularly grocery stores and certain convenience stores, that have business models that offer on-premise beer and wine consumption are eligible to be licensed as a lottery retailer if less than 30 percent of the location's gross receipts are derived from the sale or service of alcoholic beverages.

Efforts to recruit businesses in non-traditional lottery trade styles present other challenges. Businesses that do not currently offer lottery are often focused on higher-profit-margin products that more easily correlate to bottom-line revenue and some hold the perception that selling lottery products may not align with their business model. Additionally, scratch ticket products can present operational concerns associated with inventory control/shrinkage and the potentially labor-intensive nature of the product. The 2016 implementation of a 21-day pack settlement process for scratch tickets has aided in streamlining accounting and inventory reconciliation processes for some retailers. This settlement class is integral to growing the lottery retailer base to include non-traditional, national retailers who refuse to manage lottery accounting functions differently across the many jurisdictions in which they operate.

Exercising the agency's core value of "Customer Responsiveness," the processes for timely facilitation of information from retailer inquiries about becoming a lottery retailer are reviewed and revised on an ongoing basis. Implementation of a streamlined communication model in 2018 has enhanced the timely distribution of potential-retailer inquiries received by claim centers and Lottery Operations to the lottery operator recruitment staff.

GOAL 3
AGENCY OPERATIONAL GOAL AND ACTION PLAN
RETAILER DISTRIBUTION CHANNEL DEVELOPMENT

Additionally, the Texas Lottery, lottery operator and members of the North American Association of State and Provincial Lotteries (NASPL) have consistently identified the following barriers to recruiting national corporations representing new trade styles: 1) lack of standardized licensing and accounting processes across jurisdictions, 2) unavailability of new technologies providing retailer back-office accounting and 3) absence of real-time connectivity to sales and lottery inventory information.

Regardless of the challenges or trade-style category, the Texas Lottery is invested in growing the licensed retailer base through sustained and strategic recruitment efforts in coordination with the lottery operator allowing for better product accessibility by a broad diversity of consumers and the potential for increased revenue to the state. From FY 2011 to FY 2015, the retailer base grew by an average of 115 retailers annually. Retailer development efforts in FY 2016 and FY 2017 resulted in a net gain of 240 and 205 retailers respectively. It is anticipated that retailer growth in Fiscal Years 2018 and 2019 will continue to exceed the historical average of 115 due, in part, to acquisitions and new store openings by licensed chain retailers. The agency is committed to working with the lottery operator and NASPL locally and nationally to identify and implement strategies to continue growth in the retailer base.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The key strategy for licensing new Texas Lottery retailers requires continued focus on the needs and concerns of both traditional and non-traditional trade styles by providing innovation and enhanced services.

The agency and the lottery operator, who is primarily responsible for retailer recruitment efforts, have collaborated on a strategy of encouraging non-lottery retailers to pilot lottery sales at a small number of their locations. This has created the opportunity for some chains in non-traditional trade styles to see the benefits and convenience of offering lottery to their customers without having to make a full chain commitment. Some pilot sales programs have led to expansion to new chain locations. These pilot efforts continue and discussions are ongoing with other businesses hesitant to embrace the lottery category.

In December 2017, the Texas Lottery Commission adopted rules that would facilitate the potential future sale of lottery tickets via third-party, in-lane point-of-sale systems. The rule amendments allow the potential to sell lottery tickets in-lane at traditional brick-and-mortar retail checkout counters such as cash registers or at self-checkout. The third-party point-of-sale systems will only perform lottery-related tasks that are currently performed on dedicated lottery terminals. To increase lottery sales at currently licensed as well as potential new multilane retail locations, Texas is working in coordination with NASPL and other U.S. lotteries to establish a Standard Lottery Application Programming Interface (API) for in-lane sales and provide an optimal consumer and retailer solution.

The agency will continue to examine policies and procedures that can enhance the convenience of conducting lottery business transactions and mitigate identified barriers to lottery licensure.

GOAL 3

AGENCY OPERATIONAL GOAL AND ACTION PLAN

RETAILER DISTRIBUTION CHANNEL DEVELOPMENT

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

Retailer development offers tremendous benefit to the public in the form of convenience. By offering lottery products at a broader number of diverse locations, consumers can more conveniently evaluate purchase of the product. Additionally, offering lottery allows businesses to expand their relationship with their customers, limiting the need for their customers to conduct separate purchases for lottery at other business locations. The Texas Lottery is committed to its core value of "Customer Responsiveness" by working to provide a convenient licensing environment for businesses and implementing administrative processes that enhance efficiency for licensees, such as the streamlined recruitment communications model, the enactment of legislation to allow continued licensure of the traditional lottery trade styles that offer limited on-premise beer and wine consumption, and the 21-day pack settlement program. The agency, through its relationship with the lottery operator, national industry organizations and the retail community, works to understand the unique challenges faced by existing and potential lottery retailers. The Texas Lottery works to identify and implement solutions within its regulatory framework that ensure the security and integrity of the lottery while addressing the needs of retail businesses.

GOAL 4
AGENCY OPERATIONAL GOAL AND ACTION PLAN
ADVERTISING EXPENDITURES AND EFFICIENCY

The goal of the Texas Lottery's advertising efforts is to efficiently and appropriately engage in communication and education with the public about the numerous products offered by the agency each year. The agency makes considerable efforts to effectively allocate its advertising dollars to reach the public and enhance awareness of Texas Lottery games and remains committed to the goal of enhancing the efficiency of its advertising. The agency is also mindful of statutory provisions that guide the type of messaging the agency may 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 significantly limits both the types of advertising messages and the media placement strategies employed in the agency's messaging. The agency is very respectful of and sensitive to the viewpoints of the approximate one-fifth of adult Texans who are not in favor of gaming in any form.[1]

The Texas Lottery's fiscal year advertising budget was reduced from $32 million to $24.6 million in the 85th Legislative session. With the significant budget reduction, the agency has significantly modified the advertising media strategy, eliminating television advertising and dramatically reducing radio advertising. The agency's media expenditures have decreased across the state of Texas. With the budget reduction, the agency has to be even more selective in choosing the product initiatives that will receive advertising support. The Texas Lottery continues to develop and implement innovative scratch ticket games to drive sales and revenue generation; however, a significant amount of these product initiatives will not receive any advertising support. Thus, the agency's ability to inform the public about new products is severely limited and this can have a direct impact on Texas Lottery sales and revenue contributions. The agency plans to seek budget restoration to the previous funding level of $32 million. With budget restoration, the agency will have the flexibility to support more product initiatives with advertising and expect sales to be higher.

Concurrently, there have been dynamic changes occurring in the advertising industry, the state of Texas and the markets in which the agency communicates about its products. The following table summarizes and compares the impact of these changes and some of the major challenges impacting the Texas Lottery's advertising communications over time. (See table on the following page.)

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[1] Respondents to the Q2 2017 Tracking Study who answered "agree" to "strongly agree" (ratings of 5, 6, and 7) with the statement "I am morally opposed to gambling in any form."

Texas Lottery Advertising Challenges Overview

	FISCAL YEAR 1993	FISCAL YEAR 2017
Impact of Inflation	$40 million base appropriated advertising budget	$32 million base appropriated advertising budget
	$40 million in 1993 dollars equates to $67.2 million in 2017	Adjusted for inflation, $32 million in 2017 equates to $19 million 1993 dollars
	12.6 million Texans 18 or older	20.5 million Texans 18 or older
	$3.17 ad spend per capita	$1.62 ad spend per capita
	$3.17 ad spend per capita in 1993 dollars equates to $5.33 in 2017	Adjusted for inflation, $1.62 in 2017 equates to $0.97 in 1993 dollars
Increase in Products	Two products: *Lotto Texas* Scratch ticket games (2)	**Ten products + 4 unique add-on features:** *Pick 3* with *Sum It Up!* *Cash Five* *Daily 4* with *Sum It Up!* *All or Nothing* *Lotto Texas* with *Extra!* *Texas Two Step* *Mega Millions* with *Megaplier* *Powerball* with *Power Play* *Texas Triple Chance* Scratch ticket games (approx. 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.

Texas Lottery Advertising Challenges Overview (cont'd)

	FISCAL YEAR 1993	**FISCAL YEAR 2017**
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.
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 digital and social media, all factors that limit advertising exposure. Additionally, tablets and 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 is becoming 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.

The agency has also detailed specific challenges related to the agency's current advertising budget in the Redundancies and Impediments section of the Strategic Plan.

GOAL 4
AGENCY OPERATIONAL GOAL AND ACTION PLAN
ADVERTISING EXPENDITURES AND EFFICIENCY

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The agency is focused on and committed to the goal of enhancing the efficiency of its advertising. This includes efforts to internally review and challenge past advertising strategies to identify new opportunities. By focusing, in coordination 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 nation, while operating with one of the lowest per capita advertising budgets in the industry. According to the LaFleur's 2017 World Lottery Almanac, Texas ranks 39 of 45 reporting US lotteries in advertising budget per capita* and had the second lowest per capita advertising spending among the top 10 performing U.S. lotteries**, as measured by total sales. See graph below.

Advertising Budget Per Capita

Source: *La Fleur's 2017 World Lottery Almanac (25th edition)*

The agency also engages in efforts to seek input from third-party unbiased resources to evaluate the efficiency of the agency's advertising efforts. This includes the 2014 analysis of "The Impact of Advertising on Lottery Sales in the State of Texas," performed by the Texas A&M Mays Business School. Additionally, the agency procures vendor services to complete an advertising media review of the advertising services vendor's purchase and placement of advertising media to evaluate the efficiency of these expenditures. The Texas Lottery has applied recommendations from these efforts to subsequent media purchases and continues to undertake additional external advertising media reviews in an effort to identify further efficiency opportunities.

Additionally, beginning in 2014, the Texas Lottery implemented a media placement verification program in response to a State Auditor's Office review of the agency's advertising contract. This verification program will provide assurance that purchased media is airing in market by third-party vendors consistent with agreed-upon placement requirements.

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* *La Fleur's 2017 World Lottery Almanac (25th edition), U.S. lotteries' FY 16 ad budgets as % of sales, p. 280*
** *La Fleur's 2017 World Lottery Almanac (25th edition), Worldwide Lotteries Ranked by 2016 Total Sales (excluding VLT revenue), p. 303*

GOAL 4

ADVERTISING EXPENDITURES AND EFFICIENCY

The Texas Lottery must also engage in creative strategies to optimize its appropriated advertising expenditures. The following are a few key areas that the agency is leveraging to optimize expenditures and efficiency in reaching consumers.

Tiered-Media Markets

The Texas Lottery continues to evaluate the effectiveness of its advertising media placement strategies. Due to budgetary constraints, the agency implemented a tiered ranking process to make discrete choices in the weighting of its advertising in the different advertising markets in Texas. This means that the agency's advertising presence in some markets is "underweighted," but ultimately results in the most efficient allocation of limited resources to reach the broadest population of consumers. The Texas Lottery continues to work with its advertising vendor to refine its tiered-media market strategy and media weight allocations by market to optimize advertising efficiency. The agency utilizes a formal annual advertising media plan approval process to achieve this goal.

Experiential Marketing

The Texas Lottery consistently adapts marketing strategies to evolve with the changing media landscape. Alternative cost-effective media strategies such as experiential destination and event marketing offer new opportunities to drive brand awareness and product education and/or consumer trial. Experiential marketing engages the consumers in a fun and entertaining environment.

The Texas Lottery currently engages consumers directly through experiential marketing partnerships across the state. Marketing relationships with top-tier organizations allow the agency to leverage consumer passion points such as sports (NASCAR®, NBA®, NFL®, MLB®, F1™) and music (Toyota Music Factory, Live Nation and other music events) to reach adult Texans on the go.

Social Media

The Texas Lottery must work to reach new consumers using non-traditional advertising and communication vehicles. Social media is at the forefront of these efforts and has become an increasingly important component of the Texas Lottery's efforts to reach and communicate with adult Texans. The agency currently communicates with consumers about its products through social media resources including Facebook, Twitter, YouTube and Instagram. The Texas Lottery social media platforms were developed in compliance with the Texas Department of Information Resources social media policy and guidelines. The agency continually monitors the social media landscape for appropriate opportunities to advertise via these platforms and to reach and communicate with adult Texans about lottery products.

Consumer Electronic Communications and Applications

The Texas Lottery understands that the introduction of new technology for use with lottery games is a sensitive topic with many members of the public and is very mindful that the Texas Legislature provides the policy framework to administer the lottery. Therefore, the Texas Lottery understands that any questions regarding the sale of lottery tickets via the internet are policy decisions to be determined by the Texas Legislature. Licensed Texas Lottery retailers are the only source for purchase of Texas Lottery tickets, and those tickets must be purchased in-person at a licensed retailer location using one of the approved methods of play.

AGENCY GOALS AND ACTION PLAN

AGENCY OPERATIONAL GOAL AND ACTION PLAN
ADVERTISING EXPENDITURES AND EFFICIENCY

Consumer Electronic Communications and Applications (Cont'd)

That said, the Texas Lottery does engage its players directly through an opt-in email or text messaging program that provides winning numbers, current estimated jackpot alerts, scratch ticket information and general news and alerts. The Texas Lottery also developed and launched a mobile application in September 2016 to increase the public's access to Texas Lottery game information and player support services. As of December 2017, there were over 639,000 current installs of the app on Apple and Android devices. Draw game players can now easily view current jackpot amounts and winning numbers on their mobile devices. Scratch ticket game players can use a locator to find retail locations that are carrying their favorite scratch ticket game. Players can scan both draw and scratch ticket games and use "Check Your Ticket" functionality. This feature provides an added layer of consumer protection as players now have the ability to conveniently verify the winning or non-winning status of tickets on their mobile devices. The mobile app provides a convenient and fun platform for lottery players to access important lottery information.

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The Texas Lottery's advertising expenditure goal is to achieve optimal efficiency in advertising spending to reach adult Texans and communicate effectively with them about the Texas Lottery and its many products. The agency continues to implement and evaluate new opportunities to enhance the efficiency of its advertising. The agency has also established strict advertising sensitivity guidelines to ensure that its advertising is not of a nature that unduly influences any person to purchase lottery products and that the nature of its advertising is representative of the integrity of the lottery brand. To this end, the agency works to communicate with its customers in a transparent fashion regarding product attributes while ensuring that it does not over promise regarding participation in lottery games. The agency continues to develop new tools and resources, such as its mobile application, enhancements to its website, and information available at retail to help consumers make informed decisions regarding participation in its products.

The goal of the Texas Lottery® Retailer Cash Incentive Program is to optimize the value of funding allocated by the Texas Legislature for the program in order to generate incremental revenue for the state. The agency works to ensure that the program incentivizes licensed lottery retailers based on sales performance while mitigating financial risks associated with the program.

The Texas Lottery received authorization and funding from the Texas Legislature, via rider, for an additional one-half (0.5) percent allocation of gross sales for retailer sales performance commissions or similar sales performance incentive programs beginning with the FY 2010 – 11 biennium. This budgetary allocation is over and above the standard 5 percent sales commission paid to retailers.

In determining the optimal structure for this program, the Texas Lottery engaged in a study of other U.S. lottery retailer incentive programs and evaluated standards across the retail industry for sales performance-based programs. Following this study, the agency worked to develop a same-store sales growth program that incentivizes retailers based exclusively on performance. The program has undergone modifications over the years to maintain retailer engagement and to optimize the revenue benefit to the state.

The program is designed to allow for some modifications and supplemental features while maintaining the integrity of the basic structure. Currently, the program allows for the agency to implement a primary cash incentive program, traditionally 13 weeks in duration, while simultaneously introducing a secondary program of shorter duration focused on specific product sales performance. Two secondary programs were implemented in Fiscal Year 2015, both focused on increasing sales of the *Pick 3* daily draw game. Special features of individual primary programs have provided a focus on new draw games to support awareness and incremental sales, e.g., bonus drawing entries for designated sales levels of *Lone Star Lineup* or *Texas Triple Chance*.

From inception of the program in September 2009, through the end of FY 2017, the agency has completed 23 individual primary retailer cash incentive programs plus two secondary programs. Qualifying retailers have generated more than $1.70 billion in additional sales, yielding more than $301.27 million in incremental revenue for the state. Based on their sales performance, these retailers received more than $129.33 million in incentive payments.

While focusing on revenue generation, the agency has also designed the program to significantly mitigate risk to the state by focusing on same-store, year-over-year sales growth. Retailers receive incentive payments only if they meet their program sales growth goals thus producing incremental sales and revenue for the state. In addition, each individual program incentive period has a budget limitation, or cap, on the total amount of incentive payments that can be made. If the total projected payments exceed the cap for a given period, all payments are reduced by an equal percentage in order not to exceed the allocated program budget. This ensures the agency does not exceed its appropriation for the overall program and allows for ongoing introduction of programs to encourage sales increases, and incremental revenue to the state. Drawing entries and prizes included as a part of each incentive period are not impacted by the budget limitations, as they are accounted for as a part of the initial incentive period budget.

The chart below depicts the three primary cash incentive programs conducted during FY 2017. It illustrates the retailer payments made and the related incremental sales impact of each program.

FY 2017 Retailer Cash Incentive Programs

FY 2017 Retailer Cash Incentive Incremental Sales and Retailer Payments

Millions

	Program #21	Program #22	Program #23

■ Incremental Sales   ■ Retailer Payments
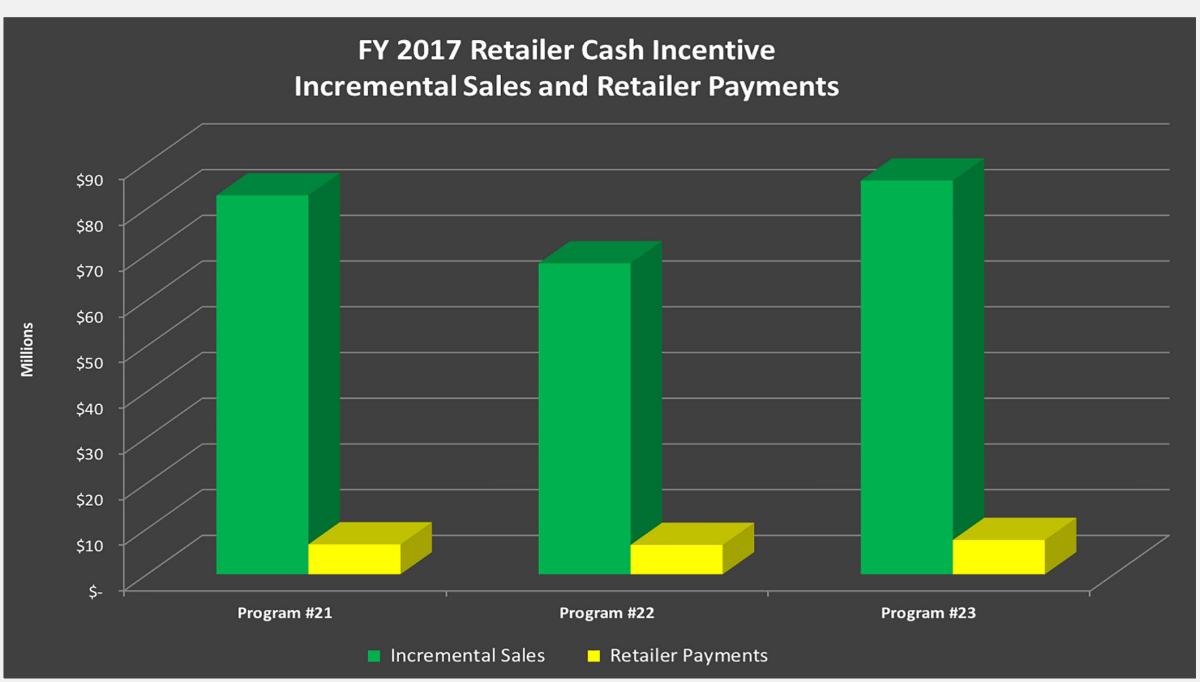
SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The Texas Lottery has created a performance-based retailer cash incentive program with an emphasis on financial risk mitigation consistent with its core value of "Fiscal Accountability." With this risk-averting structure in place, the ongoing goal of the agency is to optimize retailer participation and maximize the program's revenue generating benefits to ensure positive revenue from appropriated funding from the Texas Legislature. The agency will continue to accomplish these balanced objectives by conducting program analysis, establishing effective sales projections and maintaining close communication with, and understanding of, its retailer base, both directly and through the lottery operator's sales force. The agency is committed to achieving this goal by identifying opportunities to modify program parameters based on the results of past programs and new business environment variables which may impact future performance.

The Texas Lottery is a leader in the U.S. lottery industry in utilizing a sales performance-based program for retailer incentives based on true same-store sales performance. As an industry leader in this area, the agency continually evaluates its incentive programs to ensure their design is appealing to retailers, resulting in increased levels of participation, sales and revenue performance. The retailer participation rate has grown from 6 percent for the first cash incentive program, to an average of 46 percent for the three primary programs in FY 2017.

GOAL 5

RETAILER CASH INCENTIVE PROGRAM

As new features and products are explored for inclusion in the incentive programs, the ability to provide retailers access to timely, comprehensive reporting on their progress toward incentive goals is critical to their participation and confidence in the integrity of the program. The agency has implemented reporting via the retailer terminals and Lottery Services Portal and will continue to collaborate with the lottery operator to develop and implement reporting tools and enhanced communication support for retailers related to the program. While retailer participation is important, the agency will continue to ensure that each program incorporates challenging retailer goals and focused product emphasis that will optimize revenue to the state.

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The Texas Lottery's same-store sales performance based retailer cash incentive program is designed to maximize revenue generation from legislative funding and to reward superior retailer sales performance. Program results have yielded substantial revenue benefits for the agency's beneficiary causes, Texas education and veterans, consistent with its mission while creating opportunities for licensed lottery businesses around the state to earn incremental revenue based on performance. The agency has invested significant effort to provide an easy-to-understand program with effective performance reporting to allow the greatest number of its licensees to achieve and participate in the program. All of these efforts have been established and implemented against a backdrop of a fiscally conservative, risk-limiting program that emphasizes ensuring positive revenue benefit from appropriated funding from the Texas Legislature.

Educate and regulate lawful charitable bingo to promote and maintain the integrity of the bingo operations, provide for the lawful use of charitable proceeds and ensure the games are conducted fairly.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

1. License all activities associated with the conduct of charitable bingo.
2. Manage registry of the approved bingo workers.
3. Provide education and development services to licensed authorized organizations with an emphasis on promoting profitable charitable bingo and voluntary compliance with the Bingo Enabling Act and Charitable Bingo Administrative Rules.
4. Collect and allocate bingo prize fees.
5. Ensure compliance through a system of enforcement by conducting game inspections, conductor compliance and financial reviews, and complaint investigations.

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The Charitable Bingo Operations Division (CBOD) of the Texas Lottery Commission strives to provide consistent, effective and efficient regulation to the charitable bingo industry in Texas. The CBOD is charged with the strict control and close supervision of bingo conducted in Texas ensuring that bingo is fairly conducted and the proceeds from bingo are used for an authorized purpose. The CBOD's goal is to achieve voluntary compliance and assist licensees through training and education so that nonprofit, licensed organizations conducting bingo games in Texas have the opportunity to raise funds for their charitable purposes. The CBOD licenses and regulates approximately 1,400 licensees that include:

- Conductors, the nonprofit organizations conducting bingo;
- Lessors that lease a location for the purpose of conducting bingo;
- Manufacturers of bingo products and equipment; and
- Distributors that sell or supply products and equipment to organizations conducting bingo.

The Texas Lottery Commission maintains a registry of approved bingo workers. The registry is a list of persons on whom the agency has conducted a criminal history background check and is approved to be involved in the conduct of bingo. Only individuals listed on the registry may be involved in the conduct of bingo. The agency issues an identification card to an individual when they are approved to be listed on the registry.

CBOD staff assist licensees and the general public by providing information about the conduct and regulation of charitable bingo. In all interactions with licensees, the bingo-playing public, and the general public, CBOD staff strive for total quality customer service. This quality is achieved through the ongoing review of procedures that can lead to the reduction of unnecessary procedures; the use of technology like the Bingo Operations System Service (BOSS) and Bingo Service Portal (BSP) to provide better, faster responsiveness and less cumbersome service; solicitation of feedback from industry stakeholders, customers and Bingo Training Program attendees;

AGENCY OPERATIONAL GOAL AND ACTION PLAN
ENFORCE BINGO LAWS

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE (CONT'D)

and by making changes based on that input, where appropriate. The Charitable Bingo website (txbingo.org) provides licensees and the public with access to the Bingo Enabling Act, Charitable Bingo Administrative Rules, interactive forms and applications, information on the Bingo Training program and online registration for the program, regional office locations, information on the Registry of Approved Bingo Workers, legal notices, bingo advisory opinions, frequently asked questions, and other important information. The BSP allows licensees online access to important information related to the management of their licenses and required training, and bingo workers access to manage their worker registry information.

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. Local jurisdictions benefit from charitable bingo activity through allocations derived from charitable bingo prize fees. Charitable bingo in Texas benefits a wide range of charitable causes, including veterans organizations, women's shelters, needy children, the disabled, homeless shelters, churches, schools, local libraries, museums, addiction treatment programs, medical treatment and research programs, emergency medical services, volunteer fire departments, senior citizens groups and education scholarships. Cumulative gross receipts through calendar year 2016 from the conduct of charitable bingo total more than $20 billion. For the same period, bingo prizes awarded have been in excess of $14.6 billion, and allocations to local jurisdictions have totaled approximately $329.8 million. The total amount of charitable distributions from the conduct of bingo exceeds $1 billion.

The Audit Services Department of the CBOD conducts a variety of audit activities including game inspections, general oversight of destructions of unsold or damaged bingo paper and bingo pull-tab tickets, complaint investigations, compliance audits and reviews. The Bingo Enabling Act (BEA) and Administrative Rules (Rules) require licensees to maintain certain documentation. During game inspections, investigations and audits, licensee records are inspected and audited to determine if the required records and information are maintained in compliance with the BEA and Rules. The CBOD conducts compliance audits and reviews to determine if the records and accounts of the organization accurately reflect financial and fiscal operations, if effective accounting and internal controls are maintained, and to determine if funds are received and used for purposes authorized by the BEA and Rules.

DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO GOAL OR ACTION ITEM

The CBOD's current information system for managing and administering, Bingo Operations System Service (BOSS), was implemented in 2016. BOSS, as a new system, needs enhancements and added features and will undergo a revision in the summer of 2018.

GOAL 7

AGENCY OPERATIONAL GOAL AND ACTION PLAN
INFORMATION RESOURCE PLANNING

The Information Resources (IR) Department of the Texas Lottery Commission has a mission to provide a standardized Information Resource infrastructure that is stable, secure, scalable and cost effective which supports the agency's goals of generating revenue for the state of Texas and enforcing statutes and regulations relating to charitable bingo. The IR department is also committed to providing support services to agency business units that promote the effective use of information resources.

The IR department of the agency consists of an Information Technology Manager, Business Continuity Coordinator, Information Security Officer, Programmers, Web Administrators, QA and System Analysts, Database Coordinators, and Technical Support.

The agency recognizes the importance of staying current with technology in order to increase operational efficiency and enhance 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 the statewide strategic goals of the Texas Department of Information Resources (DIR):

- *Reliable and Secure Services* (Security, Continuity of Operations, Connectivity)
- *Mature State IT Resources Management* (Cost Optimization, IT Planning and Governance, IT Workforce)
- *Cost Effective and Collaborative Solutions* (Legacy Modernization, Cloud Services, Shared Services)
- *Data Utility* (Data Management and Governance, Open Data, Data Analytics)
- *Mobile and Digital Services* (Mobile Technology, Digital Services, Internet of Things)

Looking forward to the next five years, the Texas Lottery Commission's IR departments main focus will be on the goal of refreshing the agency's technology infrastructure and protecting the security of the network and data.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

1. Complete Bi-annual Security Audit and implement any corrective action.
2. Review and Update Confidential Data Policy.
3. Update the agency's infrastructure.
4. Continue migration from waterfall development methodology to agile methodology.
5. Develop a Data Management and Governance Plan.

DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Complete Bi-Annual Security Audit and Implement any Correction Action

By obtaining an independent security audit that will identify any potential security risks and provide recommended corrective action, the agency goal aligns with DIR's strategic goal of Reliable and Secure Services.

GOAL 7

AGENCY OPERATIONAL GOAL AND ACTION PLAN
INFORMATION RESOURCE PLANNING

2. Review and Update Confidential Data Policy

By ensuring the most trusted and sensitive confidential information is identified and appropriate safeguards are put in place to minimize risks as well as provide governance, policies and best practices to managing data, the agency goal aligns with the DIR strategic goal of Reliable and Secure Services and Data Utility.

3. Update the Agency's Infrastructure

By leveraging shared services and statewide software licensing to obtain discounts and modernizing legacy hardware with a more robust business continuity model, the agency goal aligns with the DIR strategic goal of Mature IT Resources Management and Cost-Effective and Collaborative Solutions. To meet the requirements of a Hyper-Converged Infrastructure/Stretch Cluster, as well as the demands of Disaster Recovery and Business Continuity, the agency will utilize its resilient network and look to upgrade its onsite network equipment and its site to site Data Replication Network link from 1GB to 10GB. This will allow for a high availability model with synchronous replication for agency data and applications. The agency would also look to diversify site links with different Network Providers to increase resiliency in the event of downtime with any given provider. Currently all agency network links are provided by the same provider. The agency requested and received a waiver from DIR to utilize a network provider for one of our links at a substantial savings.

4. Continue Migration from Waterfall Development Methodology to Agile Methodology

By adopting agile development methodologies, breaking up large projects into phases that incrementally add functionality and reduce time to deployment, the agency goal aligns with the DIR Strategic Goal of Mature IT Resources Management. Agile development accelerates the delivery of software, and through a process of continuous planning and feedback, is able to ensure that value is continuing to be maximized throughout the development process. The agency's IR department is now utilizing the Agile methodology for the software development life cycle. Training has been scheduled for key staff to complete agile certification to train staff and lead the migration.

5. Develop a Data Management and Governance Plan

The development of a plan that will allow for a better understanding of the type, location, volume and ownership of data possessed by the agency as well as identify potential low-risk and frequently requested data to determine suitability for publication on the Texas Open Data Portal, the agency goal aligns with the DIR strategic goal of Data Utility. By placing this data in the portal, the agency should see a reduced frequency of open records requests and staff time spent responding to such requests. The agency intends to appoint an individual to oversee the Data Management and Governance Plan. The process of developing the plan will include meeting with the different business areas to determine any public datasets that can be placed on the internet as well as the development of standards and naming conventions.

DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO GOAL OR ACTION ITEM

The Texas Lottery Commission is scheduled to physically relocate offices in 2022. Upgrading the infrastructure will be essential to preparing for the relocation.

REDUNDANCIES AND IMPEDIMENTS	
Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)	General Appropriations Bill, Strategy A.1.7., Scratch Ticket Production Contract(s)
Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations	Funding structure is a fixed budget without providing a mechanism to support potential changes in product demand and the associated changes in scratch ticket product sales and revenue. The current method of providing supplemental funding to meet scratch ticket demand, through the authorized periodic transfer of funds from other budget items, is inefficient.
Provide Agency Recommendation for Modification or Elimination	Add new rider appropriation to fund costs based on a percent of scratch sales ticket funding model. Modify the strategy to "Estimated and Nontransferable." There would be no cost to the Appropriations Bill to approve this option as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification of the GAA.
Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change	Benefits include: 1) Efficiently matching the scratch ticket production budget to scratch ticket product demand; 2) Greater transparency in the agency's budget structure; 3) Additional generation of revenue for the Foundation School Fund and Fund for Veterans' Assistance (if scratch ticket sales and associated budget increase, associated revenue will increase as well).

REDUNDANCIES AND IMPEDIMENTS	
Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)	General Appropriations Act, Strategy A.1.8., Mass Media Advertising Contract(s)
Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations	The purchasing power and reach of the advertising budget has declined significantly over the 26 years of the agency's existence due to budget decreases, the effects of inflation, the increase in the agency's products and the proliferation of new media choices for consumers.
Provide Agency Recommendation for Modification or Elimination	Options for future consideration may include 1) an increase to the straight-line appropriation for advertising, or 2) a new rider to appropriate advertising budget as a percentage of sales or revenue. There would be no cost to the Appropriations Bill to approve either option as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification of the GAA.
Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change	Benefits include additional generation of revenue for the Foundation School Fund and the Fund for Veterans' Assistance.

REDUNDANCIES AND IMPEDIMENTS	
Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)	General Appropriations Bill, Strategy A.1.11., Retailer Bonus
Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations	The $4.2 million annual retailer bonus budget was vetoed by the Governor and was zeroed out in the second year of the 2018 – 2019 biennium. Bonus payments are earned by licensed lottery retailers for selling certain prizewinning tickets. The loss of this key program impacts retailer sales performance, recruitment, retention and development opportunities.
Provide Agency Recommendation for Modification or Elimination	Restoration of the $4.2 million annual budget for the Retailer Bonus program in each year of the 2020 – 2021 biennium. There would be no cost to the Appropriations Bill to restore funding for this program as the GR-D Fund 5025 (lottery dedicated account) is not subject to the Comptroller's certification for the GAA.
Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change	Bonus payments are earned by retailers for selling certain prize-winning tickets. This key program is utilized for retailer sales promotion/motivation to carry games that offer bonuses, as well as retailer recruitment, retention and development opportunities.

REDUNDANCIES AND IMPEDIMENTS	
Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)	Senate Bill 1, Article IX, Section 17.10(b)(1), requires state agencies to seek competitive bids before renewing or extending a contract that has been in effect more than three fiscal years as of August 31, 2017 and is valued at the lesser of $10,000,000 or 10 percent of the agency's All Funds budget for the 2018 – 19 biennium.
Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations	The purpose of the provision is to find savings in contracted goods and services; however, rebidding multi-year contracts does not guarantee cost savings. The procurement process for large multimillion-dollar contracts takes a minimum of six months and requires extensive staff involvement. It is also time consuming and expensive for vendors to prepare comprehensive and detailed proposals. Nearly all the Texas Lottery's major contracts lock in contract rates for multi-year periods without provisions for annual cost increases, including renewal periods. Therefore, it is almost always more cost effective for the Texas Lottery to exercise renewal options than to seek competitive bids. Rebidding contracts allows vendors to increase costs to reflect increases in market rates. Additionally, the lottery industry is unique in that there are a very limited number of providers for certain goods or services. In some instances, the Texas Lottery contracts with all available industry providers and thus there is no competitive purpose for rebidding. Senate Bill 1, Article IX, Section 17.10 b (1) directs state agencies to seek competitive bids under the circumstances required above. LBB staff have stated Section 17.10 should be considered best practices to achieve cost savings, and that the competitive bidding requirement is not a directive to award a new contract but a review protocol. The implication of this is that agencies should revert to exercising renewals or extensions if the cost under such renewals or extensions is more favorable than under the competitively acquired bid. In turn, this directive has required the agency to conduct negotiations that are awkward at best and disingenuous at worst.

Provide Agency Recommendation for Modification or Elimination	Amending the provision to allow the agency the opportunity to show that cost savings can be achieved without seeking competitive bids, or exempting contracts related to the administration of the Texas Lottery in Subsection (b)(1) of the provision similar to other state agency contracts. All contracts that meet the threshold for the Article IX, Section 17.10 provision already require review by the Contract Advisory Team (CATRAD). CATRAD should be responsible for reviewing the term of each contract to ensure it promotes competition and provides for the most cost-effective use of state appropriations.
Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change	Cost savings and benefits associated with the recommended change include eliminating inefficient procurement processes for state agencies and responding vendors, while continuing to achieve cost savings through other methods.

REDUNDANCIES AND IMPEDIMENTS	
Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)	Occupations Code, Section 2001.507(i); General Appropriations Act, Bingo Administration Account No. 5175
Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations	HB 2578 was adopted during the 85th Legislative Session, related to the elimination and disposition of certain fees collected by the Texas Lottery Commission for licensure of bingo activities under the Bingo Enabling Act.

HB 2578 eliminated bingo conductor license fees starting in FY 2018, and sought to replace that lost revenue with a portion of the bingo prize fees that otherwise would be distributed to counties and municipalities.

The General Appropriations Act adopted by the 85th Legislature funded the Bingo division with a General Revenue Method of Finance for FY 2018 – 19. This is consistent with prior bill patterns in which General Revenue appropriation was established for the bingo programs subject to revenue collections outlined in Rider 6, Appropriations Limited to Revenue Collections.

HB 2578 requires the agency to retain a portion of bingo prize fees from the amount that otherwise would go to local governments to fund bingo administration, less the amount the agency estimates as license fees "expected to be deposited in a special account in the general revenue fund for that year." (Section 2001.507(i), Occupations Code)

HB 2578 also requires that the portion of bingo prize fees the Commission must retain be considered "miscellaneous revenue" for purposes of appropriations made to the Commission under the General Appropriations Act for the administration of Bingo. (Section 2001.507(i)(2), Occupations Code)

Prior to and following the adoption of HB 2578, Occupations Code, Section 2001.507(a) stated "the commission shall deposit the revenue collected from the fee on prizes imposed by Section 2001.502 to the credit of a special account in the general revenue fund." This provision was not modified in HB 2578.

However, following the legislative session, the Commission was notified by the Comptroller of Public Accounts of their interpretation of new Section 2001.507(i), Occupations Code noting that the "special account" referenced in the new section did not mean the existing "special account" referenced in Section 2001.507(a), but rather meant a new dedicated account for bingo administration. |

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations *(Cont'd from Page 37)*	As such, a new dedicated account for bingo administration was created and the operations of bingo are to be funded within this account rather than General Revenue appropriation. This new dedicated account funding mechanism created operational concerns for the agency as there would not be sufficient revenue collected in the new dedicated account during the first few months of the fiscal year to cover operational costs of the Bingo division such as the monthly payroll. By contrast, funding under a General Revenue method of finance provided the Commission appropriation cash at the beginning of the fiscal year to cover operational costs. The Comptroller's Office determined that they were bound by the dedicated account language in HB 2578 and offered to provide the Commission a cash loan from general revenue as necessitated by the creation of the dedicated account to ensure operational expenses could be paid until sufficient revenue was collected. The bill author of HB 2578 submitted a letter to the agency on August 30, 2017 stating their intent in HB 2578 was not to change the method of finance for bingo administration from general revenue to a newly created dedicated account.
Provide Agency Recommendation for Modification or Elimination	It is recommended that Section 2001.507(i) of the Occupations Code be modified to ensure clarity that a dedicated account is not required for bingo administration.
Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change	Operational concerns of funding Bingo administrative expenses would be addressed and funding of the program would be consistent with the intent of the bill author.

REDUNDANCIES AND IMPEDIMENTS	
Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)	Occupations Code, Section 2001.507(i)(1)
Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations	HB 2578 was adopted during the 85th Legislative Session, related to the elimination and disposition of certain fees collected by the Texas Lottery Commission for licensure of bingo activities under the Bingo Enabling Act.

Occupations Code, Section 2001.003 states the Legislature's intent that the funding necessary for the administration of bingo be collected by the agency through a combination of license fees collected from commercial lessors, manufacturers, and distributors, and money paid to the commission by bingo players as bingo prize fees. HB 2578 eliminated bingo conductor license fees starting in FY 2018.

Occupations Code, Section 2001.507(i) requires the Commission to reduce (on a pro rata basis) the amount of bingo prize fees that otherwise would be distributed to counties and municipalities to retain the amount necessary to fund bingo administration each fiscal year.

Section 2001.507(i)(1) further requires that the amount the Commission retains must, in each fiscal year, be the amount necessary to ensure that the ratio of the amount retained under this subsection to the amount paid to the commission as license fees during that fiscal year be the same as the ratio of the amount appropriated to the commission to enforce bingo laws under Chapter 1281 (HB 1), Acts of the 84th Legislature, Regular Session, 2015, to the amount paid the commission as license fees during the state fiscal year ending August 31, 2017.

The first paragraph of Section 2001.507(i) is clear in that it requires the agency to retain from the local bingo prize fees the amount necessary for the administration of bingo less the amount of license fees expected to be deposited in a special account in the general revenue fund for that fiscal year.

However, Section 2001.507(i)(1) limits the amount the agency may retain through the ratio requirement. Based on the agency's interpretation of the historical ratio and the agency's current funding needs, it is not possible to fund the agency's bingo administration costs by complying with the ratio requirement due to HB 2578's elimination of bingo conductor fees starting in FY 2018. The two denominators are considerably different while the numerator remains similar. |

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations *(Cont'd from Page 39)*	The language outlined in Section 2001.507(i)(1) is inconsistent with the first paragraph of Section 2001.507(i) and the legislative intent stated in Section 2001.003. It seems probable the drafter of HB 2578, in describing the license fee component of the ratio comparison, intended to account for the elimination of conductor license fees starting in FY 2018, either by subtracting the amount attributable to such fees in the FY 2017 ratio calculation or adding the amount of such fees that would have been collected in the current fiscal year had they not been eliminated by HB 2578.
Provide Agency Recommendation for Modification or Elimination	It is recommended that Section 2001.507(i)(1) of the Occupations Code be modified to ensure clarity regarding the ratio calculation by either (1) subtracting the amount attributable to conductor license fees in the FY 2017 ratio calculation, or (2) adding the amount of conductor license fees that would have been collected in the current fiscal year had they not been eliminated by HB 2578.
Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change	Operational concerns of funding Bingo administrative expenses would be addressed and funding of the program would be consistent with the intent of the bill author.

BUDGET STRUCTURE

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 and responsible gaming principles.

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

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, scratch 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 license application completed

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, including retailers, 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, and conduct background investigations on bingo distributors 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

<u>Efficiency Measures:</u>
Average time to complete investigation (days)
Average cost per completed investigation
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 scratch ticket and draw 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; scratch ticket and draw ticket stock warehousing; scratch ticket and draw ticket stock packing; scratch ticket and draw ticket distribution; ticket order processing and telemarketing; hotline support system; and facilities. Estimated and nontransferable.

STRATEGY A.1.7.:	Scratch Ticket Production and Services Contract(s)

Definition:

Contract for scratch ticket development and manufacturing services through a scratch ticket vendor(s). Other services under this contract include production of coupons, direct mail pieces, second chance drawing programs, provision of branded/proprietary/licensed scratch products and related services (including associated marketing and game promotion/contest support packages, drawings and prize fulfillment), and sales performance analysis related to scratch ticket products. 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, digital, 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.

<u>Output Measures:</u>
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)

STRATEGY A.1.9.:   Drawing and Broadcast Services Contract(s)

Definition: Provide and supervise the broadcast and production of all Texas draw 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 draw game draws.

STRATEGY A.1.10.:   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.1.11.:   Retailer Commissions

Definition: Implement a retailer sales performance incentive program. Estimated and nontransferable.

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 B.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
Number of applications processed
Number of Worker Registry applications approved

Efficiency Measures:
Average Bingo license (new) processing time (days)
Average Bingo license (renewal) processing time (days)
Average cost per application processed
Average Bingo worker registrant processing time (days)

Explanatory Measure:
Number of annual license holders
Number of Annual Worker Registrants

STRATEGY B.1.2.:   Bingo Education and Development

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 complaint investigations completed
          Dollar amount of adjustments to charitable distributions by audit and inspection
          Number of Bingo background investigations completed

          Efficiency Measures:
          Average time for Bingo complaint investigation completion (days)
          Average cost per Bingo complaint investigation completed
          Average time to conduct compliance audit and review (hours)
          Average time to complete Bingo background investigations (days)
          Average cost per audit and review 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:
          Percentage of licensees who fail to pay timely
          Number of Bingo reports processed

LIST OF MEASURE DEFINITIONS

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. Surveys are processed and results tabulated by the University of Texas' (UT's) Organizational Excellence Group, which provides results to the Lottery's Retailer Services Department. The resulting data are compiled and maintained by Retailer Services.

Method of Calculation:
All survey responses are noted by the claim center staff conducting the interviews, the results are tabulated by UT, and UT generates a report of results. 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 responding to the question regarding overall rating of Texas Lottery services. Responses for "Uncertain" are not included in the tabulation.

Data Limitations:
The survey process is voluntary for the retailers.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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, all ages (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

Target Attainment:
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

Target Attainment:
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:
The Certified Bad Debt is taken from a report generated at the end of the fiscal year from the Retailer Management System. 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:
No

Target Attainment:
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

Target Attainment:
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

Target Attainment:
Higher than target

Goal A: Lottery

Outcome Measure A.1.g: Percent of Licensees with No Recent Violations

Short Definition:
This measure reports the percent of currently licensed and active lottery retailer locations that have not incurred a violation within the current fiscal year. 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 retailer locations that incurred violations during the course of the current fiscal year is obtained by Retailer Services staff from the database containing all suspensions and revocations for licensed retail locations.

Method of Calculation:
This measure is determined by subtracting the total number of licensed retail locations that incurred a violation during the course of the current fiscal year from the total number of currently licensed and active lottery retailer locations at the end of the reporting period. That number is divided by the total number of currently licensed and active lottery retailer locations at the end of the reporting period.

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:
Revised

Target Attainment:
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. A licensed retailer is an active location approved to sell tickets 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:
Non-cumulative

New Measure:
Revised

Target Attainment:
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

Target Attainment:
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 program. 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:
No

Target Attainment:
Higher than target

Goal A: Lottery   **Strategy A.1.1. Lottery Operations**

Output Measure A.1.1.d: Number 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:
No

Target Attainment:
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

Target Attainment:
Higher than target

Goal A: Lottery   **Strategy A.1.1. Lottery Operations**

Efficiency Measure A.1.1.a: Average Cost Per License Application Completed

Short Definition:
This measure reports the average cost per license application completed within the reporting quarter. A completed license application is an application that resulted in the issuance of a license, the denial of the application or the cancellation of the application.

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, applications denied and applications canceled within the quarter is taken from reports generated at the end of the reporting period from the Lottery Operator Gaming System. The cost to process completed license applications is compiled from salary information for Retailer Services staff responsible for processing license applications 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 complete license applications by the total number of licenses issued, applications denied and applications canceled within the quarter as maintained in the Lottery Operator Gaming System. Total cost to process and complete a license application is a percentage of salary expense during the quarter for select personnel assigned to process and complete license applications 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 applications completed 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 license applications being completed in a given quarter. When this occurs, the average cost per license application completed 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:
No

Target Attainment:
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

Target Attainment:
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:
No

Target Attainment:
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

Target Attainment:
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. Surveys are processed and results tabulated by the University of Texas' (UT's) Organizational Excellence Group, which provides results to the Lottery's Retailer Services Department. The resulting data are compiled and maintained by Retailer Services.

Method of Calculation:
Retailer surveys conducted by claim center staff are totaled for the number of completed surveys for each quarter. A complete survey is one that contains useable information, either responses to survey questions or observations made by claim center staff.

Data Limitations:
The survey process is a voluntary for the retailers.

Calculation Type:
Cumulative

New Measure:
Revised

Target Attainment:
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. Surveys are processed and the results tabulated by the University of Texas' (UT's) Organizational Excellence Group, which provides results to the Lottery's Retailer Services Department. The resulting data are compiled and maintained by the Lottery's Retailer Services. 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 summing the claim center administration cost, claim center travel cost, Retailer Services administration cost, data tabulation cost and printing cost (retailer and newsletter surveys) 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:
Revised

Target Attainment:
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 Compliance Activity Monitoring Process (CAMP) 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

Target Attainment:
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 based 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 Compliance Activity Monitoring Process (CAMP) case management tracking 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 Compliance Activity Monitoring Process (CAMP) case management tracking 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

Target Attainment:
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 Compliance Activity Monitoring Process (CAMP) case management tracking system.

Method of Calculation:
This measure is calculated by recording the number of completed background investigations on lottery retailers, lottery vendors, lottery operator employees, potential commission employees and/or other individuals as assigned 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 Compliance Activity Monitoring Process (CAMP) case management tracking 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

Target Attainment:
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 Compliance Activity Monitoring Process (CAMP) case management tracking 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:
Non-cumulative

New Measure:
Revised

Target Attainment:
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:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 Compliance Activity Monitoring Process (CAMP) case management tracking 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 Compliance Activity Monitoring Process (CAMP) case management tracking 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:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 in the 1st, 2nd and 3rd quarter by taking the current actual amount expended on lottery division media and production services associated with print advertising for the reporting periods. The 4th quarter is calculated by taking the current actual amount expended and encumbered for lottery division media and production services associated with print advertising.

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

Target Attainment:
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 in the 1st, 2nd and 3rd quarter by taking the current actual amount expended on lottery division media and production services associated with radio advertising for the reporting periods. The 4th quarter is calculated by taking the current actual amount expended and encumbered for lottery division media and production services associated with radio advertising.

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

Target Attainment:
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 in the 1st, 2nd and 3rd quarter by taking the current actual amount expended on lottery division media and production services associated with television advertising for the reporting periods. The 4th quarter is calculated by taking the current actual amount expended and encumbered for lottery division media and production services associated with television advertising.

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

Target Attainment:
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, experiential, 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 in the 1st, 2nd and 3rd quarter by taking the current actual amount expended on vendor account management and administration fees expenditures as well as media and production services for all other types of lottery division specific advertising not included in the print, radio or television categories for the reporting periods. The 4th quarter is calculated by taking the current actual amount expended and encumbered for vendor account management and administration fees, as well as media and production services for all other types of lottery division specific advertising not included in the print, radio or television categories.

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

Target Attainment:
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 reported by the contractor are compiled and maintained by the Lottery's Research Section.

Method of Calculation:
Results from the quarterly tracking surveys are used to provide the number of respondents each quarter that recalled seeing or hearing any Texas Lottery advertising (in English or Spanish) in the past 3 months 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:
No

Target Attainment:
Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.a: Percentage of Licensees with No Recent Violations

Short Definition:
This measure reports percentage of licensed authorized organizations that have not incurred violation(s) for the fiscal year to the total number of licensed authorized organizations that held an active license during the fiscal year. A violation is defined as any violation of the Bingo Enabling Act and/or the Charitable Bingo Administrative Rules identified during an inspection, review, game observation, investigation or audit.

Purpose/Importance:
This measure provides an indication of the effectiveness of taxpayer education through audits and inspection of the taxpayer's books, records and the conduct of bingo occasions.

Source/Collection of Data:
This data will be captured from the Bingo Operations System Service (BOSS) and 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 numerator is the number of currently licensed Bingo organizations that have not incurred a violation for the fiscal year. The denominator is the total number of licensed authorized organizations that held an active license during the fiscal year. The calculation is numerator over denominator times 100.

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

Target Attainment:
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 percentage 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 Operations System Service (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:
The numerator is the number of Bingo audits referred for disciplinary action. The denominator is 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. The calculation is numerator over denominator times 100.

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 or Charitable Bingo Operations Division's Compliance Department. Additionally, voluntary compliance by the organizations audited would have an impact on this percentage.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 percentage 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 numerator is the number of Bingo complaint investigations referred to the Legal Division or Charitable Bingo Operations Division's Compliance Department for some form of disciplinary action. The denominator is 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. The calculation is numerator over denominator times 100.

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 or Charitable Bingo Operations Division's Compliance Department. Additionally, voluntary compliance by the organizations would have an impact on this percentage.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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:
This measure is calculated by dividing the number of Bingo complaint investigations completed within six months or less to the total number of Bingo complaint investigations completed for the fiscal year.

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:
Revised

Target Attainment:
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 Operations System Service (BOSS). The data for this measure is extracted from BOSS.

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

Target Attainment:
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 percentage of licensed authorized organizations who met their required charitable distribution.

Purpose/Importance:
This measure will help determine the percentage of licensed authorized organizations in compliance with the Bingo Enabling Act, Section 2001.457.

Source/Collection of Data:
The data is captured from the Bingo Operations System Service (BOSS).

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 licensed authorized organizations meeting the required minimum charitable distribution by the number of licensed authorized organizations that held an active license 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 licensed authorized organizations submitting their reports accurately and timely.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.g: Percentage of Organizations Receiving an Audit

Short Definition:
This measure reports the percentage 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 Operations System Service (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 licensed authorized organizations that held an active license during the fiscal year.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
Higher than target

Goal B: Charitable Bingo

Outcome Measure B.1.h: Percentage of Organizations Receiving an Inspection

Short Definition:
This measure reports the percentage of licensed authorized 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 Operations System Service (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 licensed authorized organizations that held an active license during the fiscal year.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
Higher than target

Goal B: Charitable Bingo   **Strategy B.1.1. Bingo Licensing**

Output Measure B.1.1.a: Number of Licenses Issued

Short Definition:
This measure reports the number of licenses issued to manufacturers, distributors, lessors and conductors of Bingo operations for a Charitable Bingo activity in this state.

Purpose/Importance:
This measure provides data relating to the number of manufacturers, distributors, lessors and conductors of Bingo operations desiring to be licensed under the Bingo Enabling Act during the reporting period.

Source/Collection of Data:
The Commission's Bingo Operations System Service (BOSS) provides the licensing information.

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:
New

Target Attainment:
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 worker registrants and original, renewal, amended and temporary licenses for manufacturers, distributors, lessors and conductors of Bingo operations. An application is considered processed when an individual is added to the registry of bingo workers, a license is issued or the application is approved, denied, withdrawn, or surrendered.

Purpose/Importance:
This measure provides data relating to the total number of applications received from entities or individuals desiring to be licensed or individuals desiring to be added to the registry of bingo workers under the Bingo Enabling Act.

Source/Collection of Data:
The Commission's Bingo Operations System Service (BOSS) provides the application information.

Method of Calculation:
The total number of applications processed for worker registrants, manufacturers, distributors, lessors and conductors.

Data Limitations:
The ultimate number of applications processed is dependent on the number of entities requesting a license or individuals desiring to be added to the registry of bingo workers.

Calculation Type:
Cumulative

New Measure:
Revised

Target Attainment:
Higher than target

Goal B: Charitable Bingo   **Strategy B.1.1. Bingo Licensing**

Output Measure B.1.1.c: Number of Worker Registry Applications Approved

Short Definition:
This measure reports the number of individuals submitting an original or renewal application for inclusion on the worker registry who have been approved.

Purpose/Importance:
This measure provides data relating to the total number of applications received from individuals desiring and approved to be listed on the registry of bingo workers under the Bingo Enabling Act.

Source/Collection of Data:
The Commission's Bingo Operations System Service (BOSS) captures the information.

Method of Calculation:
The number of applications for registry of bingo workers received from individuals that have been approved are totaled.

Data Limitations:
The ultimate number of applications approved is dependent on the number of individuals requesting to be listed on the registry of bingo workers.

Calculation Type:
Cumulative

New Measure:
Revised

Target Attainment:
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:
This measure reports the average length of time, in days, that it takes the Charitable Bingo Operations 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 Operations System Service (BOSS).

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

Target Attainment:
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:
This measure reports the average length of time, in days, for the Charitable Bingo Operations 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 Bingo Operations System Service (BOSS).

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:
New

Target Attainment:
Lower than target

Goal B: Charitable Bingo   **Strategy B.1.1. Bingo Licensing**

Efficiency Measure B.1.1.c: Average Cost Per Application Processed

Short Definition:
This measure reports the cost of processing an application 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:
The data for this measure is obtained from the Bingo Operations System Service (BOSS). Postage information is obtained from Support Services Division.

Method of Calculation:
It is calculated by dividing the number of applications and amendments to licenses processed into the total estimated costs associated with processing applications and amendments within the Charitable Bingo Operations Division. Calculate the percentage of time spent by applicable staff entering, reviewing and processing applications and amendments. Multiply that percentage by applicable staff salary for the months within the quarter. Add the postage cost. Divide the total cost by the total number of applications and amendments processed for the quarter. This figure represents the average cost per application processed for the current quarter.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
Lower than target

Goal B: Charitable Bingo   **Strategy B.1.1. Bingo Licensing**

Efficiency Measure B.1.1.d: Average Bingo Worker Registry Application Processing Time (Days)

Short Definition:
This measure reports the average length of time, in days, that it takes the Charitable Bingo Operations
Division to process original and renewal worker registry applications.

Purpose/Importance:
This measure reflects the responsiveness of the Licensing 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 Operations System Service (BOSS).

Method of Calculation:
The total number of original worker registry applications processed during the period times the average number
of days to process plus the total number of renewal worker registry applications processed during the period
times the average number of days to process divided by the total number of original and renewal worker registry
applications processed 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. Additionally, individuals
with certain past criminal history actions.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 that held an active bingo license during the fiscal year.

Source/Collection of Data:
The data for this measure is obtained from the Bingo Operations System Service (BOSS).

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, and an application for renewal that was denied or withdrawn during the fiscal year.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
Higher than target

Goal B: Charitable Bingo   **Strategy B.1.2. Bingo Education and Development**

Explanatory Measure B.1.1.b: Number of Annual Worker Registrants

Short Definition:
This measure reports the number of approved worker registrants at the end of the fiscal year.

Purpose/Importance:
This measure identifies the number of bingo workers on the worker registry.

Source/Collection of Data:
The data for this measure is obtained from the Bingo Operations System Service (BOSS).

Method of Calculation:
The total number of bingo workers on the worker registry as of August 31st of each year.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 who completed the Bingo Training Program in person, via video, website, or other interactive modes.

Purpose/Importance:
The Bingo Training Program helps to reduce the number and frequency of administrative actions and compliance actions as a result of violations of the Bingo Enabling Act and Administrative Rules.

Source/Collection of Data:
Information maintained in Bingo Operations System Service (BOSS) and the names/signatures collected from individuals attending training classes.

Method of Calculation:
The total number of individuals recorded to have completed the Bingo Training Program and individuals attending training classes.

Data Limitations:
Factors that can influence the number of individuals receiving education include: the number of individuals required to take training during the fiscal year and individuals who voluntarily attend the training classes.

Calculation Type:
Cumulative

New Measure:
Revised

Target Attainment:
Higher 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. Inspections include: Game Inspections, Site Systems Access Inspections, Complaint Investigations, Destructions, Game Observations, Book and Records inspections conducted by Audit or Enforcement staff.

Purpose/Importance:
The measure provides an assessment of compliance with the Act and Rules and whether bingo games are being conducted fairly by organizations.

Source/Collection of Data:
The data for this measure is obtained from the Compliance Activity Monitoring Program (CAMP) and the Bingo Operations System Service (BOSS).

Method of Calculation:
The total number of inspections conducted by Audit staff and Enforcement staff during the fiscal year.

Data Limitations:
None

Calculation Type:
Cumulative

New Measure:
Revised

Target Attainment:
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:
Audits and reviews are detailed examinations of a Bingo licensee to determine 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 Operations System Service (BOSS).

Method of Calculation:
The total number of audits and reviews completed by Audit staff for the fiscal year. An audit is considered completed on the day the final audit report is issued or review completed.

Data Limitations:
None

Calculation Type:
Cumulative

New Measure:
New

Target Attainment:
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 Complaint Investigations Completed

Short Definition:
This measure reports the number of Bingo complaint investigations completed by the Charitable Bingo Operations Division and the Enforcement Division during the reporting period.

Purpose/Importance:
This measure allows the Charitable Bingo Operations Division 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) and the Bingo Operations System Service (BOSS).

Method of Calculation:
This measure is calculated by recording the number of Bingo complaint investigations completed during the period. An investigation is considered completed when the final investigative report is approved or the CAMP case resulting from a complaint is closed.

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

Target Attainment:
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 Operations System Service (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:
No

Target Attainment:
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 (BEA). Bingo background investigations are referred by the Charitable Bingo Operations 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 bingo background investigations completed by the Enforcement Division.

Source/Collection of Data:
The number of completed investigations with the approval dates is recorded in the Compliance Activity Monitoring Process (CAMP).

Method of Calculation:
This measure is calculated by recording the number of completed bingo background investigations that are closed by approval by the Enforcement Division Director or designee regardless of when the case was opened. A completed bingo investigation is noted on the final investigative report as approved.

Data Limitations:
Delay in receiving required information and documentation from government entities to complete background investigations may impact the total number of bingo background investigations.

Calculation Type:
Cumulative

New Measure:
Revised

Target Attainment:
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 Investigation Completion (Days)

Short Definition:
This measure reports the average time for Bingo complaint investigations completed by the Charitable Bingo Operations Division and the Enforcement Division.

Purpose/Importance:
This measure gauges the efficiency and timeliness of complaint investigation completions.

Source/Collection of Data:
A resolved investigation is noted in the Bingo Operations System Service (BOSS) and Compliance Activity Monitoring Program (CAMP).

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

Target Attainment:
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 Investigation Completed

Short Definition:
This measure reports the average cost per Bingo complaint investigation 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 is stored in the Compliance Activity Monitoring Program (CAMP). Salary expense and travel cost are provided by the Office of Controller.

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:
The complexity of the allegation(s) made may impact the cost it takes to resolve an investigation. Additionally, the availability of complainant, suspect and witness ability may also affect the cost to resolve an investigation.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 Compliance Audit and Review (Hours)

Short Definition:
This measure reports the average number of hours spent by an auditor planning, conducting and finalizing an audit or a review.

Purpose/Importance:
The average number of hours spent on verifying licensees' compliance with the Bingo Enabling Act and/or Charitable Bingo Administrative Rules.

Source/Collection of Data:
The data will be captured from the Bingo Operations System Service (BOSS).

Method of Calculation:
The total number of hours spent to complete an audit or a review divided by the total number of audits and reviews completed. An audit or review is considered completed on the day the final report is issued.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
New

Target Attainment:
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 to complete bingo background investigations 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:
The number of days to complete an investigation from the date assigned until the approval date, is recorded in the Compliance Activity Monitoring Process (CAMP).

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 Compliance Activity Monitoring Process (CAMP) case management tracking system.

Data Limitations:
Delay in receiving required information and documentation from government entities to complete background investigations may impact the number of days to complete background investigations.

Calculation Type:
Non-cumulative

New Measure:
Revised

Target Attainment:
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 and Review Completed

Short Definition:
This measure reports the average cost per Bingo audit and review 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 and reviews completed by the Charitable Bingo Operations Division, the travel costs per audit, and the hours per audit are stored in the Bingo Operations System Service (BOSS). Salary expense is provided by the Office of Controller.

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 and reviews, divided by the number of completed Bingo audits and reviews within the quarter.

Data Limitations:
None

Calculation Type:
Non-cumulative

New Measure:
New

Target Attainment:
Lower than target

Goal B: Charitable Bingo   **Strategy B.1.4. Bingo Prize Fee Collection and Accounting**

Output Measure B.1.4.a: Percentage of Licensees Who Fail to Pay Timely

Short Definition:
This measure reports the percentage of conductors who failed to timely pay prize fees by the due date.

Purpose/Importance:
This measure will help the Charitable Bingo Operations Division determine those licensees that do not comply with the Bingo Enabling Act.

Source/Collection of Data:
The data is captured in the Bingo Operations System Service (BOSS).

Method of Calculation:
This measure is calculated by dividing the number of conductors who failed to pay the adequate amount of prize fee due by the due date or had a check returned as NSF by the number of original conductors' quarterly reports processed.

Data Limitations:
This information is obtained from licensed authorized organizations self-reporting the amount of prizes awarded. 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

Target Attainment:
Lower than target

Goal B: Charitable Bingo   **Strategy B.1.4. Bingo Prize Fee Collection and Accounting**

Output Measure B.1.4.b: 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 data is captured in the Bingo Operations System Service (BOSS).

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:
Revised

Target Attainment:
Higher than target

HISTORICALLY UNDERUTILIZED BUSINESS PLAN

I. POLICY OR MISSION STATEMENT

Policy on the Utilization of Historically Underutilized Businesses (HUBs)

The Texas Lottery Commission (TLC) is committed to assisting and including minority-owned businesses and Historically Underutilized Businesses (HUBs) in its procurement opportunities. In accordance with Texas Government Code §§2161.181-182 and §466.107, and with the TLC's rule relating to Historically Underutilized Businesses (HUBs), 16 Texas Administrative Code §403.301, state agencies shall make a good faith effort to utilize HUBs in contracts for construction, services, including professional and consulting services, and commodity contracts. The TLC has adopted the Comptroller of Public Accounts HUB Rules as its own rules, and encourages the use of HUBs by implementing these policies through race, ethnic, and gender neutral means. The TLC is committed to promoting full and equal business opportunities for all businesses in state contracting in accordance with the goals specified in the State of Texas Disparity Study:

(1) *11.2% for heavy construction other than building contracts;

(2) *21.1% for all building construction, including general contractors and operative builders contracts;

(3) 32.9% for all special trade construction contracts;

(4) 23.7% for professional services contracts;

(5) 26.0 % for all other services contracts; and,

(6) 21.1% for commodities contracts.

The TLC and its contractors shall make a good faith effort to meet or exceed these goals and assist HUBs in receiving a portion of the total contract value of all contracts that the Commission expects to award in a fiscal year. It is the policy of the TLC to accomplish these goals either through contracting directly with HUBs or indirectly through subcontracting opportunities. The TLC's policy on the utilization of HUBs and minority businesses is related to all contracts with an expected value of $100,000 or more, and whenever possible, in contracts less than $100,000.

As set forth in the Comptroller's HUB rules at 34 Texas Administrative Code §20.282, a HUB is a business, as described below, that is certified by the state of Texas and has not exceeded the size standards established by 34 Texas Administrative Code §20.294 with its principal place of business in Texas. Qualifying HUB owners must be residents of the state of Texas; have a proportionate interest and demonstrate active participation in the control, operation and management of the HUB entity's affairs; and be economically disadvantaged because of their identification as members of the following groups: Black Americans, Hispanic Americans, American Women, Asian Pacific Americans, Native Americans or Disabled Veterans.

Heavy Construction and Building Construction categories/goals are not applicable to the TLC's operations. Currently, the TLC does not have programs or strategies related to these categories.

The Comptroller of Public Accounts will certify those eligible businesses that apply for HUB certification under the following business structures and defined ownership:

- *Woman or Minority-Owned Business:*

    a) a corporation formed for the purpose of making a profit in which at least 51 percent of all classes of the shares of stock or other equitable securities are owned by one or more person(s) identified above;

    b) a sole proprietorship created for the purpose of making a profit that is 100 percent owned, operated, and controlled by a person identified above;

    c) a partnership formed for the purpose of making a profit in which 51 percent of the assets and interest in the partnership is owned by one or more persons identified above;

    d) a joint venture in which each entity in the joint venture is a HUB;

    e) a supplier contract between a HUB and a prime contractor under which the HUB is directly involved in the manufacture or distribution of the supplies or materials or otherwise warehouses and ships the supplies; and

    f) a business which is formed for the purpose of making a profit which is otherwise a legally recognized business organization under the laws of the state of Texas, provided that at least 51 percent of the assets and 51 percent of any classes of stock and equitable securities are owned by one or more persons identified above.

- *Service Disabled Veteran Business:*

    a) Veterans as defined by 38 U.S.C. §101(2) who have suffered at least a 20 percent service-connected disability as defined by 38 U.S.C. §101(16) who are not Black Americans, Hispanic Americans, American Women, Asian Pacific Americans or Native Americans.

II. HUB GOALS

GOAL: To promote fair and competitive opportunities which maximize the inclusion of Historically Underutilized Businesses (HUB) in contracts with the TLC and its primary vendors.

OBJECTIVE: To meet or exceed the TLC's annual procurement utilization goals in the categories related to the TLC's current strategies and programs:

Procurement Categories*	FY 2018 Agency HUB Goals**
Special Trade Construction	10.7%
Professional Services Contracts	23.7%
Other Services Contracts	26.0%
Commodity Contracts	21.1%

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* The Commission 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.

II. HUB GOALS (CONT'D)

OUTCOME MEASURE: Total percentage of direct and subcontracting expenditures paid to HUBs for the procurement categories that apply to the TLC.

STRATEGY: Implement and maintain policies and procedures, in accordance with the HUB Rules, to guide the agency in increasing the use of HUBs 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

III. SPECIFIC PROGRAMS THAT THE AGENCY MUST CONDUCT TO MEET THE GOALS

The TLC promotes fair and competitive opportunities for HUB vendors interested in doing business with the agency and its key contractors. The TLC conducts an effective program to inform and educate HUBs about opportunities to provide supplies, equipment, and services for the operation of the agency.

Outreach Activities

Outreach Materials: The TLC provides information to HUBs that are interested in doing business with the agency. This includes information regarding the agency's procurements, and contacts for both agency staff and key TLC contractors.

Website: Information about the TLC's HUB Program is available via the agency's website (**txlottery.org**), which also provides links to Statewide HUB Program information.

Forums: In accordance with legislative mandates, the TLC participates in conferences, forums and events to provide information regarding the agency's procurement opportunities. As part of the TLC's outreach program, staff attends Economic Opportunity Forums (EOFs) sponsored by state agencies and/or other governmental entities. These include forums presented by the Statewide Procurement Division (SPD) of the Comptroller of Public Accounts (CPA). In addition, the TLC participates in a number of forums, conferences and other vendor fairs coordinated by other state agencies and/or small, minority- and woman-owned business organizations.

The TLC conducts an Annual HUB Forum. The forum draws minority- and woman-owned companies from throughout the state. TLC presenters provide an overview of the agency's procurement opportunities and processes, as well as other information to assist HUBs. Roundtable networking sessions provide attendees with the opportunity to meet face-to-face with agency management/staff and representatives from some of the TLC's largest contractors.

Subcontracting Opportunities: The TLC continues to identify subcontracting opportunities for HUB vendors and to monitor HUB Subcontracting Plan requirements.

Mentor-Protégé Program

In accordance with Texas Government Code, Section 2161.065, all state agencies with biennial budgets of more than $10 million are required to have a Mentor-Protégé Program. The purpose of the Mentor-Protégé Program is to foster long-term relationships between prime contractors and HUBs. The ultimate goal of the program is to provide developmental assistance to HUBs that will potentially increase their ability to contract directly with the state and/or to obtain subcontract opportunities under a state contract. All relationships among mentors, protégés and the program sponsor are voluntary, and participation in the agency's Mentor-Protégé Program is neither a guarantee for a contract opportunity nor a promise of business.

The TLC continues to sponsor two mentor-protégé relationships. The Mentor-Protégé Program is an ongoing initiative, and the TLC will continue its efforts to form additional relationships in the future.

HUB Discussion Workgroup

The TLC participates in the HUB Discussion Workgroup, an established group of HUB Coordinators from state agencies and institutions of higher education that meets on a regular basis. The workgroup shares program practices and ideas, supports outreach events, and provides input to the CPA on methods for improving the state's HUB Program.

Contractor Support

Contractors are encouraged to include HUBs when purchasing goods and/or services related to the fulfillment of their contracts with the TLC. When the TLC determines that subcontracting is probable for contracts with an expected value of $100,000 or more, respondents shall submit a completed HUB Subcontracting Plan demonstrating evidence of good faith effort in developing the plan. The state's Centralized Master Bidders List and HUB Directory are key resources for identifying potential HUB subcontractors. Many of the TLC's largest contractors also participates in the TLC's HUB Forums, providing information and networking opportunities to HUBs.

STATEWIDE CAPITAL PLAN

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HEALTH AND HUMAN SERVICES STRATEGIC PLAN

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AGENCY WORKFORCE PLAN

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, integrity and responsible gaming principles, 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. All proposed innovations must be authorized by Texas law, and do not include video lottery, casino gaming, internet-based lottery sales, fantasy sports, or any other activities not authorized by law.

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 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.

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, integrity and responsible gaming principles.

> **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 administrating 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 F-1
POSITION ALLOCATION BY DIVISION

DIVISION	FTE
ADMINISTRATION	70.5
CHARITABLE BINGO OPERATIONS	41
ENFORCEMENT	16
EXECUTIVE	3
GOVERNMENTAL AFFAIRS	4
HUMAN RESOURCES	6
LEGAL SERVICES	14.5
LOTTERY OPERATIONS	138
MEDIA RELATIONS	7
OFFICE OF THE CONTROLLER	22
TOTAL	322

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 323.5 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
- Teamwork
- Innovative thinking
- Strategic planning expertise
- Ability to analyze and solve problems
- Interpersonal skills
- 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 Commission takes pride in the diversity of its workforce, which is illustrated in Tables F-2, F-3 and F-4. The agency's workforce composition at the end of FY 2017 was: 12 percent African American, 31 percent Hispanic, 54 percent White, 2 percent Asian, and 1 percent American Indian. During the same time period, the agency's staff was 60 percent female and 40 percent male, and 82 percent of the workforce was more than 40 years of age.

TABLE F-2
AGE OF EMPLOYEES
(FY 2017)

29 AND UNDER	4%
BETWEEN 30 AND 39	14%
BETWEEN 40 AND 49	31%
BETWEEN 50 AND 59	36%
MORE THAN 60	15%

Source: SAO Electronic Classification Analysis System (E-Class)

TABLE F-3
EMPLOYEE ETHNIC AND GENDER REPRESENTATION (FY 2017)

GENDER	AFRICAN AMERICAN	HISPANIC	WHITE	ASIAN	AMERICAN INDIAN	TOTAL
FEMALES	8%	21%	30%	1%	0	60%
MALES	4%	10%	24%	1%	1%	40%
TOTAL	12%	31%	54%	2%	1%	100%

Source: SAO Electronic Classification Analysis System (E-Class)

TABLE F-4
WORKFORCE DIVERSITY DATA (FY 2017)

JOB CATEGORY	AFRICAN AMERICAN	HISPANIC	FEMALE
OFFICIALS AND ADMINISTRATORS	5%	23%	45%
ADMINISTRATIVE SUPPORT	22%	37%	75%
PROFESSIONALS	11%	22%	64%
PARAPROFESSIONALS	13%	37%	61%
TECHNICIANS	3%	25%	26%

Source: SAO Electronic Classification Analysis System (E-Class)

C. Employee Turnover

The Texas Lottery Commission 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 F-5 compares the agency's turnover rates with that of the state average turnover rate for the past five years.

TABLE F-5
TURNOVER RATES

YEARS	2013	2014	2015	2016	2017
TEXAS LOTTERY	10.1 %	11.4%	9.9%	9.6%	9.9%
STATEWIDE	17.6%	17.5%	18.0%	17.6%	18.6%

Source: SAO Classified Employee Turnover Fiscal Year Reports

D. Retirement Eligible Employees

In FY 2019 through 2023, approximately 106 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, with at least 10 years of state service). In addition, two current employees with at least 10 years of service are eligible to retire at age 65 with health insurance benefits. Currently, one employee is projected to be eligible to retire with a minimum of five years of state service at age 60 without health insurance.

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 Commission must continue to develop the skills of current workers and identify future workforce skill sets necessary to serve these needs. In addition, the agency 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 Commission does not currently anticipate changes to the current critical functions needed to achieve the goals of the 2019 – 2023 Strategic Plan. However, legislative changes could affect agency 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. The agency will need to adapt to any changes required by the legislature.

IV. GAP ANALYSIS

The Texas Lottery Commission 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 agency does not anticipate any changes occurring that would require a reduction in current skill sets.

V. STRATEGY DEVELOPMENT

It is the practice of the Texas Lottery Commission 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 agency 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, and continuing education programs offered through colleges and universities.

Employee retention is of equal importance. The agency 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 online job sites and in metropolitan job market or professional association publications are all 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, agency 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.

SUMMARY OF 2018 SURVEY OF EMPLOYEE ENGAGEMENT

The Texas Lottery Commission participated in the Survey of Employee Engagement in 2018, and achieved the agency's highest ever overall score indicating a highly engaged workforce.

The agency 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 2018 survey was 90.9 percent. 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. Responses are grouped into 12 statistical constructs. Agencywide results show that employees perceived all the measured constructs more positively than negatively.

In particular, agencywide scores indicated that employees intrinsically like their jobs, their benefits, their work atmosphere, and their opportunities for career and personal development. They are willing to go above and beyond what is expected, feel committed to the organization and are very engaged in their work.

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 agency's intranet. All levels of staff are invited to review the survey results. Management has consistently shown a willingness to use the survey results when making changes that are intended to continuously improve operations and the work environment at the Texas Lottery Commission.

TEXAS WORKFORCE SYSTEM STRATEGIC PLAN

(NOT APPLICABLE)

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Texas Lottery Commission

2018 Report on Customer Service

The Texas Lottery Commission administers and markets lottery games to generate revenue for the state of Texas, and regulates charitable bingo-related activities in the state of Texas. The agency's mission statements reflect our commitment to maintaining the public trust and operating with full accountability to the citizens of Texas.

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 standard of security, integrity and responsible gaming principles, 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.

REPORT ON CUSTOMER SERVICE

In keeping with our Compact with Texans, approved in April 2000, the Texas Lottery Commission believes the performance and attitude of its staff directly impact the attitude of its customers toward the agency. A key to our continued success is establishing and reinforcing an image of staff as helpful, knowledgeable, informative, courteous and efficient professionals.

We maintain outstanding customer satisfaction levels and enhance public confidence by providing quality customer service.

I. EXTERNAL CUSTOMERS AND SERVICES PROVIDED

A. Customers

The Texas Lottery's external customers include lottery and charitable bingo players, lottery retailers, charitable bingo licensees, vendors and the general public.

Lottery and Charitable Bingo Players

The Texas Lottery player base consists of adult Texans 18 years and older, as well as similarly-aged players from surrounding states and Mexico who travel to Texas and purchase Texas Lottery tickets. The charitable bingo player base consists 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

Lottery retailers represent the key delivery channel through which the agency sells tickets to generate revenue for the state. To achieve the agency's mission of generating revenue to support Texas education and veterans' assistance programs, it is critical that lottery products are conveniently and widely available at a variety of locations where a broad diversity of consumers are offered the opportunity to purchase lottery tickets. The Texas Lottery had 17,848 licensed retailers statewide offering lottery products at the end of FY 2017. Although the retailer base contains a variety of trade styles, convenience and grocery stores are the dominant lottery segments in Texas; both are considered to be traditional lottery trade styles. Together, these two categories comprise more than 88 percent of licensed locations and over 95 percent of Texas Lottery sales.

The Texas Lottery is invested in growing the licensed retailer base through sustained and strategic recruitment efforts allowing for greater product accessibility for the public and the potential for increased revenue to the state. 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 new license applications, license renewals and general information updates via the internet. There is also 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 FY 2017, there were 1,439 bingo licensees. Of these, 1,041 were charitable bingo conductors in Texas, comprising nonprofit organizations such as veteran organizations, religious societies, fraternal organizations, volunteer fire departments, and groups supporting medical research programs. There were 363 commercial lessors, which are individuals, corporations, authorized organizations, or associations of authorized organizations that lease property where bingo is conducted. There were 21 manufacturers and 14 distributors of bingo products.

Texas Citizens

Texas citizens benefit from the creation of jobs resulting from the conduct of the *Games of Texas*. Texas families benefit from the Texas Lottery's net revenue contributions to the Foundation School Fund, which totaled more than $21 billion through FY 2017, and from lottery prize money that 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 addition, from FY 1995 through FY 2017, more than $1.1 billion 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 game to benefit the Fund for Veterans' Assistance, which is managed by the Texas Veterans Comission. The agency now offers a veterans' scratch game on an ongoing basis in support of the fund. Other non-veteran themed scratch tickets that support Texas veterans are released throughout the year based on sales levels and inventory needs. Since the introduction of the first game in FY 2010, these games have generated more than $83 million in revenue through FY 2017.

Charitable bingo in Texas benefits a wide range of charitable causes, including veterans organizations, women's shelters, needy children, the disabled, homeless shelters, churches, schools, local libraries, museums, addiction treatment programs, medical treatment and research programs, emergency medical services, volunteer fire departments, senior citizens groups and education scholarships. Since the first licenses were issued in 1982, the total amount of charitable distributions from the conduct of bingo exceeds $1 billion.

B. Services Provided to Customers

Texas Lottery Customer Services Hotline (800-375-6886)

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

Retailer Licenses

The Retailer Services Department is also responsible for processing new retailer license applications and license renewal applications. Department staff enter and monitor retailer information; coordinate ownership transfers and lottery terminal moves; perform license terminations; perform retailer records maintenance; and evaluate retailer compliance with Americans with Disabilities Act (ADA) requirements. The department interacts daily with retailers on Electronic Funds Transfers (EFTs); invoice amounts due; 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 and 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, cash register seizures and property liens.

Claim Centers

The agency's claim centers provide another point of contact for Texas Lottery customers in 16 locations throughout Texas. Claim center staff 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 related to complaints; and conduct Retailer Surveys to gather feedback on agency and lottery operator service levels.

Retailer Hotline (800-458-0884)

IGT (formerly GTECH), contracted by the Texas Lottery to operate the games, provides support to retailers through the Retailer Hotline. Trained hotline operators provide retailers with toll-free assistance seven days a week, with the goal of avoiding any interruption in daily sales. Hotline staff help resolve technical issues related to terminals and provide current information about scratch tickets, draw game functions, promotions, system enhancements, procedural changes, terminal repairs and other operational issues.

Charitable Bingo Customer Service

CBOD staff assist licensees and the general public by providing information about the conduct and regulation of charitable bingo. In all interactions with licensees, the bingo-playing public, and the general public, CBOD staff strive for total quality customer service. This quality is achieved through the reduction of unnecessary procedures; the use of technology like the Bingo Operations System Service and Bingo Service Portal to provide better, faster responsiveness and less cumbersome service; solicitation of feedback from customers and Bingo Training Program attendees; and by making changes based on that input, where appropriate.

Charitable Bingo Hotline
800-BINGO-77 (800-246-4677)
Email: (bingo.services@lottery.state.tx.us)

This toll-free number and email address is staffed by employees who can answer inquiries and provide assistance to both to licensees and the general public on issues related to the regulation and licensing of charitable bingo in Texas.

Publications

The Texas Lottery regularly produces and distributes a wide variety of publications that provide information about the Texas Lottery, Texas Lottery games and corresponding rules, Texas Lottery winners, retailer strategies, charitable bingo and the agency's business practices.

Publications include the following:

- *Agency Strategic Plan* – a report that is required of all state agencies; it is produced every other year and provides a multiyear view of objectives and strategies for the accomplishment of agency goals, and sets the direction for all agency operations. It is available in hard copy and on the Texas Lottery website at **txlottery.org**.

- *Comprehensive Business Plan and Annual Report* – an annual report and business plan that provides the Governor, legislators, oversight agencies, agency staff, citizens and other interested parties with financial information and an overview of the lottery's operations, which guides the lottery's major initiatives to ensure their cost effectiveness. The Comprehensive Business Plan and Annual Report is updated yearly to ensure the agency is meeting objectives for major lottery-related initiatives. It is available on the agency's website.

- *Report on Compliance Activity Monitoring* – a biennial report that provides information and analysis on complaints received by the Texas Lottery Commission related to violations of state laws and administrative rules under the agency's jurisdiction. It is available on the agency's website.

- "End of Game" Notices – notices that provide close dates and the last date that players can claim prizes for each scratch game. The notices are provided to retailers, published in newspapers and are available on the agency's website. Notices provided to retailers are one-page printed flyers.

- "How-to-play" Product Brochures – informational brochures about the agency's draw games and how they are played. The brochures are available in hard copy and on the agency's website and Texas Lottery App.

- Lottery Violations Brochures – informational brochures provided to retailers that present statistics on the number of lottery complaints resolved by the Texas Lottery, the percentage of complaints resulting in disciplinary action against the retailer and the top five most investigated violation complaints. The brochure stresses the importance of avoiding lottery violations.

- Retailer-facing bin topper signage – a sign that is placed on the top of a scratch ticket dispenser with a message facing the clerk. The message reminds retailers to avoid lottery violations and provides an example of a common violation.

- *Minority Business Participation Report* – an annual report of the level of minority business participation in both the agency's contracts and the licensing of sales agents. It is available in hard copy and on the agency's website.

- Product Point-of-Sale Materials – game-specific marketing pieces displayed at retailer locations.

- *"Play Responsibly" Brochure* – an informational brochure available to players and retailers that affirms the Texas Lottery's core value of responsibility for educating players, retailers and the general public about responsible gaming. The brochure lists the signs of a gambling problem and provides contact information for resources for assisting anyone who may have a gambling problem.

- *Retailer Guide to Policies and Procedures* – a reference guide for licensed lottery retailers.

- *RoundUp* – a monthly newsletter designed for and distributed to retailers throughout Texas free of charge. It is also available online at the Texas Lottery's Retailer Services Center.

- "Sell-In" Sheets – produced for all new draw games and game changes introduced, detailing game features, prize amounts, play instructions and retailer information.

- *Where the Money Goes* – a graphic showing how each dollar from Texas Lottery sales is used and identifying the Foundation School Fund and the Fund for Veterans' Assistance as the recipients of revenue from Texas Lottery sales. The graphic explains that unclaimed lottery prize funds revert to other programs authorized by the Texas Legislature.

- *Winners!* – a bimonthly newsletter for Texas Lottery players that provides information about Texas Lottery winners. The newsletter is distributed to retailers throughout Texas and is available free of charge to players. It is also available on the agency's website.

- *CBOD Directors Message* – a quarterly newsletter for the bingo community that provides licensees information about tips on operating successful bingo for profit, education and training, important dates, as well as highlights from charitable organizations on how they spent their bingo funds on their charitable causes.

- *CBOD Annual Report* – a report that is required of the CBOD; it is produced every even-numbered year and provides an overview of the total amount of adjusted gross receipts, total amount of net proceeds and amount of net proceeds as a percentage of adjusted gross receipts as reported by licensed authorized organizations from their bingo operations. It is available in hard copy and on the agency's website.

Internet Sites

The Texas Lottery website (**txlottery.org**) provides the public, lottery retailers and the media with up-to-date information on the *Games of Texas*, from drawing results for the draw games to end-of-game notices for scratch tickets. In addition, the website provides users with access to information about Texas Lottery governing rules and meetings, published reports, winners and news releases. Players can see drawings online (live and/or archived), check their numbers, inform themselves about responsible gambling and get information about lottery scams. More than 6.2 million visitors a month go to **txlottery.org** for this news and information. Visitors may also email questions, comments and concerns directly to the Texas Lottery.

In 2008, the Texas Lottery added a Retailer Locator to the website. This search feature allows players to locate lottery retail locations by city or zip code and provides a map of each location. The Retailer Locator also allows players to find where their favorite scratch ticket games are available for purchase. The feature was expanded to allow players to search for retail locations where they can check the winning status of lottery tickets and the type of self-check equipment available at each location. Users of the Retailer Locator may also search for lottery locations by smoking status, to determine if a particular retailer permits smoking inside the business.

In 2015, the Texas Lottery launched the Lottery Services Portal (LSP) website, providing existing and potential Texas Lottery retailers with the convenience and efficiency of secure, online access to lottery reports and functions. LSP, which replaced the Retailer Services Center website, was designed with both current and potential retailers in mind by

continuing to provide familiar inventory and accounting reports as well as offering new reports and features. Licensed Texas Lottery retailers registered on LSP are able to log in and access robust functionality such as the ability to manage their LSP account and view/download reports on lottery sales, ticket validations, pack settlements and scratch ticket inventory. Retailers are able to renew their lottery sales license(s) online and submit changes to their current license information. For the first time, potential Texas Lottery retailers have the ability to apply online for a Texas Lottery sales license. Users benefit from a convenient message board on the LSP home screen where the Texas Lottery alerts users to any action they need to take in the licensing process.

In 2017, the Texas Lottery launched the Lottery Learning Link, a user-friendly, online learning tool that provides retailers access to courses comprised of video tutorials, hands-on exercises, reviews and assessments. Courses are designed to deliver supplemental training on key areas of retailers' lottery business. The Lottery Learning Link is an easy way for retailers to provide lottery information to new employees and quick reference on specific topics for everyone at their stores.

The Charitable Bingo website (**txbingo.org**) provides licensees and the public with access to the Bingo Enabling Act, Charitable Bingo Administrative Rules, interactive forms and applications, information on the Bingo Training program and online registration for the program, regional office locations, information on the Registry of Approved Bingo Workers, legal notices, bingo advisory opinions, frequently asked questions, and other important information. More than 18,000 visitors a month go to **txbingo.org** for this information.

The Bingo Service Portal (BSP) allows licensees online access to important information related to the management of their licenses and required training, and bingo workers access to manage their worker registry information. Additionally, a variety of statewide reports and a bingo hall locator are available as information tools for everyone. These features have been well received by both licensees and the general public.

The CBOD also uses a social media platform (Facebook) to build a rapport with the followers and engage with the audience by providing prompt responses and communications.

Texas Lottery App

In FY 2017, the Texas Lottery introduced the official Texas Lottery App. The app allows users to scan and check tickets for winning status, create and save their favorite numbers so that a Texas Lottery retailer can scan the QR code and print a draw game ticket for purchase, view current jackpot amounts and winning numbers, scan tickets to enter promotional second-chance drawings, and locate the nearest lottery retailer. This initiative illustrates the agency's commitment to convenience but also to security and integrity as players now have the ability to use the app to see if their tickets are winners. The app is free and is available in the App Store and Google Play.

Social Media

The Texas Lottery communicates with the public about its products, promotions and events through its official accounts on Facebook (**@TexasLottery**), Twitter (**@TexasLottery**), Instagram (**@texaslottery**) and YouTube (**TheTexasLottery**). The agency uses social media as a tool to share the PLAY RESPONSIBLY message. The Charitable Bingo Operations Division has an official Facebook account (**@TexasCharitableBingo**) and a YouTube playlist on the Texas Lottery YouTube channel. Both are utilized to share training and education opportunities for bingo licensees. The Media Relations Division monitors the agency's social media accounts and works with other divisions in the agency to respond to questions or comments from social media followers. The agency's social media platforms were developed in compliance with the Texas Department of Information Resources social media policy and guidelines. Official social media guidelines can be found on the agency's website.

II. INFORMATION-GATHERING METHODS

The table below summarizes the methods by which customer service data are collected. More detailed descriptions of each method follow.

METHOD	PURPOSE/IMPORTANCE	DATA COLLECTION TIME FRAME
A. LOTTERY PLAYERS		
DEMOGRAPHIC STUDY OF TEXAS LOTTERY PLAYERS	Meet statutory requirement. Provide independent measurement of citizen participation rates, the distribution and frequency of lottery play, and the demographic profiles of past-year lottery players and non-players.	Conducted every two years as required.
B. LOTTERY RETAILERS		
RETAILER SURVEYS	Gather retailer opinions and measure retailers' satisfaction with services provided by the Texas Lottery and lottery operator.	Throughout the year
RETAILER ROUNDUP SURVEYS	Query retailers on current issues related to Texas Lottery operations.	Quarterly
C. CHARITABLE BINGO		
BINGO TRAINING SURVEYS	Survey the effectiveness and conduct of the Bingo Training Program and gain the attendees' feedback.	Near the conclusion of the in-person Bingo Training Program.

A. Lottery Players

Demographic Study of Texas Lottery Players

Texas Statute (Section 466.021, Texas Government Code) 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 November 2016, the Hobby School of Public Affairs at the University of Houston conducted the most recent state-mandated study, the *2016 Demographic Survey of Texas Lottery Players*.

Data Collection Time Frame/Cycle: Conducted every two years, typically beginning in the summer and continuing into fall of even numbered years.

Data Limitations: Based on a sample and subject to sampling errors that could skew results. All data are self-reported by the respondents, and results are dependent on honest, accurate reporting.

Number of Customers Surveyed: Approximately 1,700 per study. In 2016, a total of 1,685 self-reported players and non-players were surveyed.

Margin of Error: The margin of error is ±2.4 percent for a sample of 1,700 at the 95 percent level of confidence.

Customer Groups Excluded: Persons without cell phones or telephones in their homes.

Justification for Exclusion: Based on the Census 2012 – 2016 American Community Survey 5-Year Estimates, 99 percent of Texas households had telephone service available.

B. Lottery Retailers

Retailer Surveys

The primary objective of these surveys is to measure retailers' interactions and overall satisfaction with various Texas Lottery and lottery operator support services and functions.

The Retailer Services Department of the Lottery Operations Division creates the survey instrument and incorporates revisions annually. This instrument is forwarded to the 16 claim centers for their staff to conduct the survey. Retailers are divided according to claim center and lottery operator district areas. Each claim center has annual goals, and numbers vary depending on the geographic region. The survey includes both an opinion and an observational component; therefore, every retailer surveyed is visited in person.

Surveys are processed and the results provided to the Lottery's Retailer Services Department. The resulting data are compiled and maintained by Retailer Services.

Results from specific questions are forwarded to the lottery operator on a monthly basis for follow-up at the retailer level. Retailer Services summarizes the results of the actions taken by the operator's lottery service representatives and produces a report which is disseminated to the operator's district sales managers and lottery staff. Retailer Services also produces a semi-annual report, which is disseminated to lottery staff and the lottery operator.

Data Collection Time Frame/Cycle: Data is collected throughout the year.

Data Limitations: The survey process is voluntary for the retailers. Some retailers surveyed may not have English as a first language.

Number of Customers Surveyed: In FY 2017, approximately 400 retailers were visited monthly with a survey completion rate of 87 percent.

Margin of error: The margin of error will depend on the sample size of a particular period. For FY 2017, 4,335 surveys were completed from a population of 17,848 retailers, which results in a margin of error of ± 1.3 percentage points at the 95 percent confidence level.

Customer Groups Excluded: Excluded retailers include those who refuse to participate in the survey, those for whom there is a language barrier, and those who are not in operation at the time of the survey.

Justification for Exclusion: Retailer surveys are voluntary and are not a requirement for a licensed sales agent.

Retailer RoundUp Surveys

The Texas Lottery's monthly publication, *RoundUp*, provides retailers with news of upcoming draw game and scratch game promotions, the latest retailer incentive and retailer bonus information, answers to frequently asked questions, and placement of point-of-sale materials. Once or more a quarter, *RoundUp* includes a printed survey to query retailers on current issues related to Texas Lottery operations. These brief surveys typically consist of three to six questions. Due to low response rates, the information collected from the *RoundUp* surveys is used mainly for directional purposes.

Beginning in August 2015, *RoundUp* surveys were supplemented with surveys directed to retailers through their lottery sale terminals. Terminal surveys have the same questions as *RoundUp* surveys, and the results are combined.

Data Collection Time Frame/Cycle: Surveys are printed in the retailer publication at least once a quarter. Terminal surveys are generated as needed.

Data Limitations: All data are self-reported. Data collection must rely on retailers' willingness to complete the survey, either the published or

the terminal version, and return it to the Texas Lottery. Because of limited space, terminal surveys can contain about three questions, and when they are used in conjunction with *RoundUp* surveys, the number of questions in the published survey is limited to the same number. Response rates for the published surveys are low, with a typical survey resulting in 50-75 responses. Response rates for the combined *RoundUp* and terminal surveys are higher, ranging from 300 to 400 responses.

Number of Customers Surveyed: All retailers receiving the publication survey and the terminal survey have the opportunity to respond.

Margin of Error: Not measured

Customer Groups Excluded: No retailer is purposely excluded. Retailers may exclude themselves because they do not read the publication or they choose not to respond to the terminal survey.

Justification for Exclusion: Retailer response is strictly voluntary and is not a requirement as a licensed sales agent.

C. Charitable Bingo

Bingo Training Surveys

The CBOD's efforts to increase communication with licensees through initiatives such as the Bingo Training Programs and the Director's Messages have resulted in favorable ratings in the quality of customer service provided by the division. This survey gathers data to determine the training needs in order to help individuals and the licensed authorized organizations accomplish their goals and objectives. The survey captures the effectiveness and serves as a diagnostic tool to revise the training content, evaluate the attendees' needs and improves

voluntary compliance with the Bingo Enabling Act. The survey includes questions like, "What did you like most about this training?" and "What aspects of training could be improved?". This training is given to each individual attending a Bingo Training Program.

Bingo Customer Satisfaction Surveys

The primary objective of this survey is to gauge licensees' overall satisfaction with various CBOD services and performance. The customer satisfaction survey asks customers to answer questions on a rating scale of 1-5 to track satisfaction over time. This helps the CBOD measure changes in satisfaction to determine the impact of implemented initiatives on customer satisfaction. The survey is included with every renewal application.

III. LEVELS OF CUSTOMER-DETERMINED QUALITY

A. Lottery Retailer Satisfaction

The figure for retailer satisfaction is taken from the Retailer Surveys conducted during FY 2017.

B. Bingo Customer Satisfaction

Table B shows results of the responses to the survey question rating the quality of customer service provided by the CBOD by calendar year.

C. Service Timeliness

The Texas Lottery's Retailer Services Department responds to customer contacts through the toll-free hotline. Hotline staff strives to maintain an average answer speed of 20 seconds or less. As shown in Table C, the goal for abandoned calls, when the caller hangs up before the operator answers, is to maintain an average speed of 20 seconds or less. The agency has made a concerted effort to minimize wait time by providing customers with applications and forms with clearly written instructions and a user-friendly design. Whenever possible, minimum processing time is published on the application or form.

TABLE A

MEASURE	FY 2017
* RETAILERS SATISFIED WITH THE TEXAS LOTTERY	97%

* Retailer question: "Overall, how would you rate the services provided by the Texas Lottery?" Scale: Very Poor, Poor, Fair, Good, Excellent; Measure: Percentage of total responding "Excellent" or "Good"

TABLE B

CALENDAR YEAR	RESPONDENTS	RESPONDING "EXCELLENT" OR "GOOD"
2016	136	95%
2015	335	97%
2014	204	99%
2013	306	98%
2012	364	99%

TABLE C

MEASURE	STANDARD	PERFORMANCE
AVERAGE SPEED OF ANSWERING TELEPHONE	20 SECONDS	9.4 SECONDS
AVERAGE ABANDONED CALL SPEED (CALLER HANGS UP BEFORE ANSWERED) (2.3% OF ALL INCOMING CALLS ABANDONED)	20 SECONDS	5.1 SECONDS
PERCENTAGE OF INCOMING TELEPHONE CALLS ANSWERED IN LESS THAN 20 SECONDS	80%	96%
AVERAGE RESPONSE TIME TO CORRESPONDENCE	2-5 WORKING DAYS	3 WORKING DAYS
AVERAGE RESPONSE TIME TO E-MAIL	2-5 WORKING DAYS	2 WORKING DAYS
AVERAGE CALL LENGTH		2 MIN., 30 SEC.

IV. ANALYSIS

A. Lottery Retailer Satisfaction

The "retailer satisfaction" measure continues to rate at or above 95 percent "good to excellent," and less than one percent in the "poor to very poor" rating categories.

In recent years, several initiatives have been implemented to provide enhanced customer service to licensed retailers. In 2015, the Texas Lottery launched the Lottery Services Portal (LSP) website, available to retailers at **tx-lsp.lotteryservices.com**. LSP provides existing and potential Texas Lottery retailers with the convenience and efficiency of secure, online access to lottery reports and functions, including the ability to submit license applications online.

When a license application is submitted online through LSP, the user is now notified immediately that the application has been received. In 2017, the Texas Lottery launched the Lottery Learning Link, a user-friendly online learning tool that provides retailers access to courses comprised of video tutorials, hands-on exercises, reviews and assessments. The courses provide supplemental training on key areas of retailers' lottery business. 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 about 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, held throughout the state each year, reaching retailers in more than 80 cities and towns in over 100 meetings from CY 2006 through 2017. 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.

B. Bingo Customer Satisfaction

Though surveys consistently show a very high customer service rating, the management and staff of the CBOD strive to continuously provide and maintain high standards of customer service in all interactions with licensees and the general public.

V. PERFORMANCE MEASURE INFORMATION

A. Customer Service Providers and Standards

Communications Services Hotline

Communication Specialists strive to respond to general internet email messages within two business days and within five business days to messages requiring research to respond. Correspondence is answered within an average of five business days or less, and general requests for public information are processed within 24 hours.

Retailer license application procedures vary depending upon the type of business (independent, chain or corporate account) and according to the type of application.

Typically, a properly completed Texas Lottery Ticket Sales License Application will be completed within seven to 10 business days of receipt of the application in the Retailer Services section. The Electronic Funds Transfer (EFT) system connects retailer bank accounts with the Treasury Operations Division of the Comptroller of Public Accounts through an electronic computer network. It reduces retailer paperwork and streamlines the accounting process required to deposit Texas Lottery ticket sales revenue into the Texas State Treasury. EFT transfers are done weekly.

Claim Centers

Wait times for processing and issuance of prize checks vary depending on many factors, including but not limited to: submission of accepted form of ID for proof of identity, completeness and accuracy of the submitted claim form; the condition of the apparent winning ticket; and/or any debts owed to the state of Texas by the claimant. Barring any problems with these items, the standard wait time for a claimant to receive a prize check in a claim center is 10 to 15 minutes.

Retailer Hotline

The goal of the Hotline operators is to answer 100 percent of incoming calls within an average of 45 seconds. Inquiries needing additional research are generally answered within two business days, or the appropriate party will be notified of any further delay within that time period.

Charitable Bingo

Wait times for processing applications and issuance of licenses varies depending on many factors, including but not limited to: completeness and accuracy of the submitted application and required supporting documentation; existence of financial liabilities; existence of a pending compliance cases; audits in progress; results of criminal background checks of individuals on the organization's bingo record; and the existing backlog of applications.

Conductor quarterly reports are due the 25th of the month following the end of the calendar quarter. Prize fee allocations are processed for the local jurisdictions annually.

B. Complaint Processing

CAMP

The agency continues to receive, track and address jurisdictional concerns from the public via the Compliance Activity Monitoring Program (CAMP), established in 2004. Awareness of the CAMP hotline is supported through placement of the toll-free 800 number on the website, in retail locations and in venues where bingo games are conducted. The Compliance 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 administrative rules. The Compliance Section is a centralized intake unit for complaints, and also monitors violations that are identified internally. Compliance staff is responsible for maintaining the standards set by the Texas Lottery 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 Section to monitor the compliance resolution process as work flows between the Enforcement, Legal Services, CBOD, 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 agency to make informed decisions relating to licensees by reviewing compliance history when considering license issuance and/or administrative action.

Communications Services

The Communications Services Section of Retailer Services receives customer and retailer questions and complaints, in both English and Spanish, via telephone, written correspondence, email, fax or in person. Communication Specialists handle customer service complaints and concerns from Texas Lottery retailers and prospective retailers and customer service complaints, questions and concerns raised by players and the general public. The calls are routed to specific specialists based on caller input on the Interactive Voice Response system (IVR) of the agency telephone system. Periodically, one-on-one meetings with a complainant are held at the agency. Communications Services tracks, routes and responds to correspondence, and is responsible for ensuring timely responses on matters directed to the agency, the executive director and the commissioners.

Retailer Hotline

Issues and concerns raised by retailers regarding stolen tickets, missing packs, ticket deliveries, retailers, equipment difficulties or other issues are resolved by Texas Lottery operator hotline staff, and may be handled by dispatching a technician to the retailer location or forwarding the issue to the appropriate Texas Lottery division for resolution.

Charitable Bingo

Jurisdictional complaints related to the conduct of charitable bingo in Texas are handled by the Compliance Section of the Retailer Services Department. A jurisdictional complaint is one in which the agency has the authority to interpret and apply the law in accordance with the Bingo Enabling Act or Charitable Bingo Administrative Rules. The process tracks and monitors the status of complaints from the time they are submitted through the final disposition. The centralized process enables the agency to identify problem areas of compliance activity or complaint trends.

When an increase in a particular type of violation or complaint is identified and the complaints or violations are determined to be valid, steps are taken to remedy the situation. Educational information designed to prevent the actions that initiate the complaints or violations are incorporated into the training program.

Complaints must be submitted in writing, and complainants are encouraged to submit complaints on an official Texas Lottery complaint form. The forms are available on the website at **txbingo.org**, from the regional offices, or by contacting the Texas Lottery by telephone, fax, email or in writing. Once filed, complainants are informed of the status of their complaints every 90 days, or when the complaint case is closed.

C. Customer Service-Related Performance Measures: Lottery

CUSTOMER SERVICE PERFORMANCE MEASURES	TARGETED FY 2018 PERFORMANCE
OUTCOME MEASURES	
PERCENTAGE OF RETAILERS SATISFIED WITH LOTTERY COMMISSION *The percentage of respondents to the Retailer Research Surveys that rate the Texas Lottery's services as "Good" or Excellent," with "Uncertain" responses removed.*	95%
OUTPUT MEASURES	
NUMBER OF RETAILER SURVEYS COMPLETED *The number of Retailer Research Surveys completed annually.*	4,611
NUMBER NEWSLETTERS DISTRIBUTED TO RETAILERS *The number of newsletters distributed annually to active retailers and chain retailer headquarter offices.*	218,316
NUMBER OF RETAILER VISITS *The number of retailer visits conducted annually by the lottery operator sales representatives.*	464,048
EFFICIENCY MEASURES	
AVERAGE COST PER SURVEY ISSUED *Estimated employee hours required to prepare, administer, enter data, analyze and summarize data and cost of materials utilized.*	$2.12

D. Customer Service-Related Performance Measures: Charitable Bingo

CUSTOMER SERVICE PERFORMANCE MEASURES	TARGETED FY 2018 PERFORMANCE
OUTCOME MEASURES	
NUMBER OF INDIVIDUALS RECEIVING EDUCATION *This data represents the number of individuals recorded as completing the Bingo Training Program.*	966
EFFICIENCY MEASURES	
AVERAGE COST OF BINGO TRAINING CLASS *Estimated costs associated with presenting a Bingo Training class which includes but is not limited to: staff hours, travel expenses, supplies, materials, postage and equipment.*	$508.00

C. Customer Service-Related Performance Measures: Lottery

CUSTOMER SERVICE PERFORMANCE MEASURES	TARGETED FY 2018 PERFORMANCE
OUTCOME MEASURES PERCENTAGE OF RETAILERS SATISFIED WITH LOTTERY COMMISSION *The percentage of respondents to the Retailer Research Surveys that rate the Texas Lottery's services as "Good" or Excellent," with "Uncertain" responses removed.*	95%
OUTPUT MEASURES NUMBER OF RETAILER SURVEYS COMPLETED *The number of Retailer Research Surveys completed annually.*	4,611
NUMBER NEWSLETTERS DISTRIBUTED TO RETAILERS *The number of newsletters distributed annually to active retailers and chain retailer headquarter offices.*	218,316
NUMBER OF RETAILER VISITS *The number of retailer visits conducted annually by the lottery operator sales representatives.*	464,048
EFFICIENCY MEASURES AVERAGE COST PER SURVEY ISSUED *Estimated employee hours required to prepare, administer, enter data, analyze and summarize data and cost of materials utilized.*	$2.12

D. Customer Service-Related Performance Measures: Charitable Bingo

CUSTOMER SERVICE PERFORMANCE MEASURES	TARGETED FY 2018 PERFORMANCE
OUTCOME MEASURES NUMBER OF INDIVIDUALS RECEIVING EDUCATION *This data represents the number of individuals recorded as completing the Bingo Training Program.*	966
EFFICIENCY MEASURES AVERAGE COST OF BINGO TRAINING CLASS *Estimated costs associated with presenting a Bingo Training class which includes but is not limited to: staff hours, travel expenses, supplies, materials, postage and equipment.*	$508.00

2019–2023

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