

COMPREHENSIVE

# STRATEGIC PLAN



AN AGENCY OF THE  
STATE OF TEXAS

FISCAL YEARS

2025-2029

# Agency Strategic Plan

Fiscal Years 2025 – 2029

BY

## TEXAS LOTTERY COMMISSION

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# TEXAS LOTTERY COMMISSION

## STRATEGIC PLAN

FISCAL YEARS 2025 – 2029

### 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.

# AGENCY MISSION AND PHILOSOPHY

## 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

#### *Background*

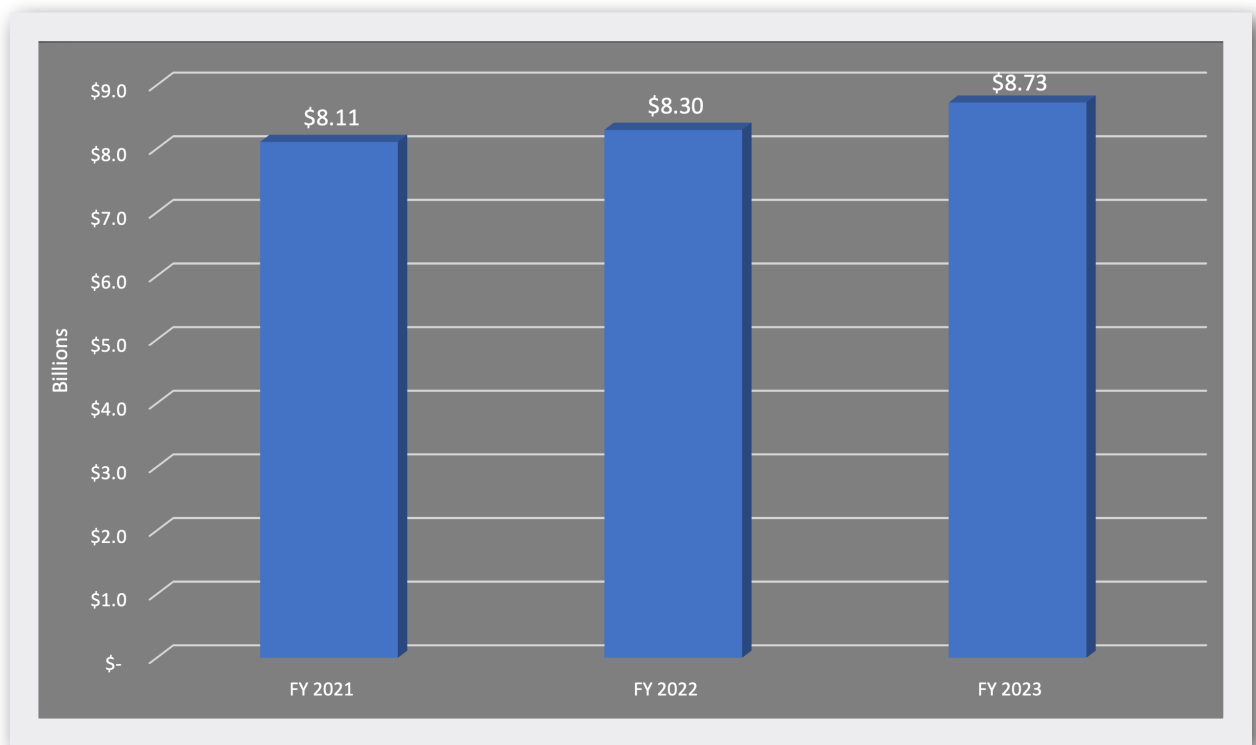
The goal of the Texas Lottery's efforts to increase Gross Sales and Net Revenue are directly consistent with its mission to generate revenue for the State of Texas through the responsible management and sale of entertaining lottery products. To achieve this mission, the Texas Lottery incorporates the highest standards of security and integrity, sets and achieves challenging goals, provides quality customer service and utilizes a TEAM approach.

#### *Gross Sales*

An increase in gross sales alone does 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 expansion, implementation of a performance-based retailer cash incentive program. New in-state and national draw game introductions and modifications have also contributed to this sales growth. The graph below illustrates the growth in sales over the three most recent full fiscal years.

#### Total Sales





# AGENCY GOALS AND ACTION PLAN

## GOAL 1

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

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 \$100 along with eight 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 truly new product offerings. During FY 2023, the Texas Lottery was able to set an all-time sales record of over \$8.73 billion. Scratch ticket sales for FY 2023 totaled \$6.729 billion, a new Texas Lottery scratch ticket sales record and which accounted for 77.1% of total sales. In addition, a strong performance from the draw games led to a record \$1.996 billion in draw games sales for the Texas Lottery – a \$426.8 million increase over FY 2022.

This sales success was two-fold. Reasons for the record sales include but are not limited to the following: new, innovative scratch ticket designs; the introduction of the first Loteria-themed \$100 scratch ticket game; growth of higher price points in the scratch portfolio; solid performance from core games, most notably the Loteria-themed games; record draw sales, including a Lotto Texas jackpot of \$95 million in April 2023 and four jackpots of at least \$1 billion on the multijurisdictional games *Powerball*® and *Mega Millions*®.

In recent legislative sessions, the agency's biennial budget to promote lottery games has been significantly reduced. The 87<sup>th</sup> Legislature reduced the agency's annual fiscal year advertising budget from \$17.7 to \$10 million each year. These significant budget reductions have had a dramatic impact on how the agency promotes the Texas Lottery. The agency believes that maintaining appropriate business and marketing tools, including an effective lottery games promotion budget, scratch ticket budget, and retailer bonus and incentive budgets, are the key to the Texas Lottery's ongoing success. This approach provides the best opportunity for the Texas Lottery to introduce new products, promote existing products, and retain and recruit retailers, resulting in increased revenue for our beneficiaries.

Decisions by the 88<sup>th</sup> Legislature and Governor granted a \$17.4 million increase to the agency's scratch ticket print budget in FY 2025. Scratch ticket sales have realized continual year-over-year increases since FY 2011 and scratch ticket games continue to be the dominant product category in Texas making up approximately 80% of total lottery sales. In addition, the agency will realize a significant increase in costs of approximately 40% for scratch ticket printing as result of new contract rates beginning in FY 2025.

#### **Net Revenue**

The Texas Lottery's primary goal is to generate net revenue for the state. Every agency program, goal and initiative are designed directly or indirectly with net revenue in mind. The agency also has a significant regulatory responsibility to protect the interests of Texans. 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 regulatory and operational responsibilities, the agency places a significant emphasis on administrative efficiency.

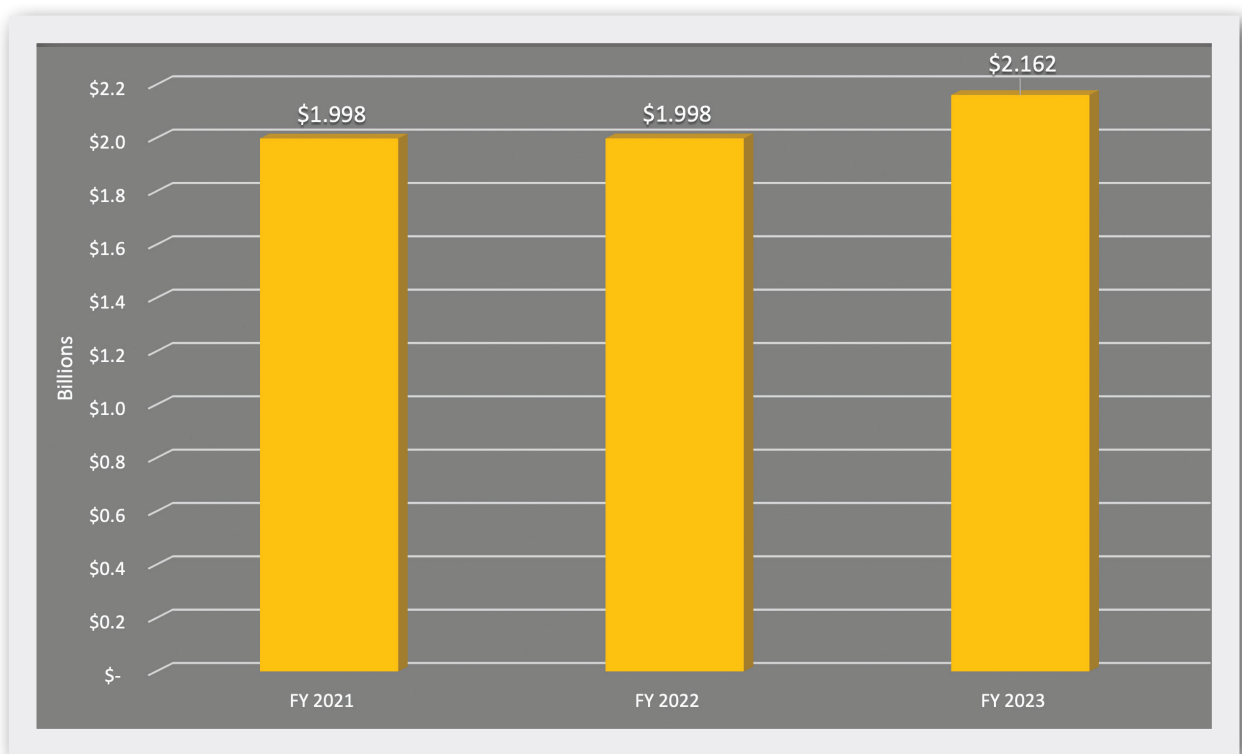
# AGENCY GOALS AND ACTION PLAN

## GOAL 1

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

The agency's continued focus on fiscally responsible operations helps convert the benefits of gross sales increases to net revenue contributions. These efforts during FY 2023 resulted in the highest revenue year with total transfers to the state of \$2.162 billion, marking the 20<sup>th</sup> consecutive year the Texas Lottery has generated more than \$1 billion in contributions to the State of Texas. In FY 2023, \$2.131 billion went to the Foundation School Fund and \$29.7 million was transferred to the Fund for Veterans' Assistance, administered by the Texas Veterans Commission. The graph below illustrates the revenue over the three most recent full fiscal years.

#### Total Transfers to the State



### 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, the launch and continued enhancement of the Retailer Cash Incentive Program, and the implementation of several product initiatives that have helped to populate and supplement the product portfolio. It should be noted that the most significant sales benefits of these initiatives have already been achieved.



# AGENCY GOALS AND ACTION PLAN

## GOAL 1

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

There are 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.

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.
- ***Lottery Game Promotion Expenditures and Efficiency*** - Amount and effectiveness of promotions.
- ***Product Mix and Game Portfolio Management*** - Lottery product mix, game design (product diversity, game odds and payout design) and product differentiation.
- ***In-Lane Scratch Ticket Sales*** - Dispensers to sell scratch tickets at retailer check-out lanes with or without a traditional lottery terminal.

At the time of this writing, the agency anticipates FY 2024 sales will be 4.6% less than the record-breaking levels of FY 2023. The multijurisdictional draw games *Powerball* and *Mega Millions* have had large rolling jackpots this year, but not as many as FY 2023 thus far. In FY 2024, *Powerball* reached a \$1.72 billion jackpot in October 2023 and a \$1.3 billion jackpot in April 2024. *Mega Millions* reached a \$1.13 billion jackpot in March 2023. These \$1 billion and above jackpots are occurring more frequently, and as a result, they do not yield the same sales results as previous years when such jackpot levels were novel and more exciting for players. This "jackpot fatigue," a term commonly used in the lottery industry, is not only happening in Texas but across the country. Scratch ticket sales, which can benefit from draw game player purchases during high jackpot runs, are also projected to be less than in FY 2023. Reduced scratch ticket sales are a trend across the country; however, Texas remains a leader in scratch ticket sales with both California and Florida.

#### ***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% of the gross revenue accruing from the sale of tickets in that biennium. A minimum of 5% of this amount is to be allocated as compensation paid to sales agents (licensed retailers).

# AGENCY GOALS AND ACTION PLAN

## GOAL 1

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

The base retailer commission has remained at 5% since the inception of the lottery, leaving the remaining 7% available for other administrative expenses, subject to legislative appropriation. The Texas Lottery has consistently kept administrative expenses well below 7% 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 net revenue contributions to the state in FY 2024 to decrease by 4.5% as compared to FY 2023. Even with reduced sales, the agency expects FY 2024 to be considered one of the largest revenue years in the agency's history.

### DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The Texas Lottery is committed to achieving its primary mission of generating revenue for the state. Sales growth and administrative efficiency are key drivers in revenue generation. However, as detailed in the prior section, continuing to grow lottery sales in the current environment will be challenging.

Further opportunities to enhance administrative efficiency will be limited. As a mature 32-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 promotion of lottery games. 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.

# AGENCY GOALS AND ACTION PLAN

## GOAL 2

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

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 aged 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 third and exceeded only by Florida and California.<sup>1</sup>

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 eight draw games, including four unique add-on features offered on five of its draw games, and approximately 70 – 80 scratch ticket games annually. This constitutes the current game portfolio. New games and game enhancements are continually being developed and reviewed to determine if they would be beneficial additions to the Texas portfolio with the goal of keeping 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 whether or not the ticket is a winner. Scratch tickets include a variety of themes, playstyles and prize structures to offer an attractive game mix to players. Scratch ticket games are offered across a range of price points from \$1 to \$100 and offer prizes ranging from \$1 to \$20 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 prizes. Scratch ticket purchases are often 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.

### *Draw Games*

Most draw games require the player to select from a pool of numbers. For example, when the pool consists of 35 numbers and a player selects five numbers from the pool, the game is described as having a 5-of-35 matrix. 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 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 *Just the Jackpot*® feature offers *Mega Millions* players a way to purchase wagers that are eligible for the Grand Prize only. The other games in the Texas Lottery's portfolio are unique to Texas and are operated by the Texas Lottery.

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<sup>1</sup> Source: *La Fleur's 2023 World Lottery Almanac (31<sup>st</sup> Edition)*, "U.S. Lotteries' Fiscal 2022 Sales by Game" p. 245

## GOAL 2

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

These include *Lotto Texas*® with the add-on feature *Extra!*, *Pick 3*™ with the add-on feature *FIREBALL*, *Daily 4*™ with the add-on feature *FIREBALL*, *Cash Five*®, *Texas Two Step*® and *All or Nothing*™. *Lotto Texas*, *Texas Two Step*, *Powerball* and *Mega Millions* are rolling jackpot-style games. The remaining draw games are daily draw games. These games feature fixed (non-rolling) 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 ticket 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. These requirements present challenges limiting the agency's ability to frequently introduce new games or make rapid changes to existing games.

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. The introduction of QUICKTICKET for *Powerball* and *Mega Millions* has provided a new marketing face for these two draw games at Dollar General® and more recently, Kroger, Albertsons® and Randalls® locations. However, the overwhelming majority of draw game tickets are printed via a sales terminal upon player request and are far more difficult to market. Draw games require significant messaging and time to educate retailers and players about new game introductions and ongoing game awareness. The regular and extensive reductions to the agency's lottery games promotion budget have made new draw game introductions extremely challenging as the level of funding required to effectively communicate information to Texans is insufficient.

Historically, draw games have relied primarily on jackpot levels to drive sales and generate revenue. Lotteries have attempted to increase draw game sales by exploring the introduction of higher price points as this has been extremely successful for the scratch ticket portion of the portfolio. However, lotteries have struggled in these efforts, as players have become accustomed to playing for large jackpots worth hundreds of millions of dollars, and on some occasions, nearly \$2 billion, for a \$1 or \$2 wager.

### 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 challenges, opportunities, key initiatives and goals are outlined on the following pages.

# AGENCY GOALS AND ACTION PLAN

## GOAL 2

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

### *Scratch Ticket Games*

The Texas Lottery's efforts to keep scratch tickets fresh and interesting focus on tweaking existing game designs, optimizing prize structures, adding printing enhancements and innovative production options to the tickets, and utilizing well-recognized brands and licensed properties. The Texas Lottery also focuses on its launch schedule of new games, promotions and marketing strategies. These efforts are critical to reach new players, maintain current player interest and ensure existing sales and revenue levels.

The agency believes that maintaining appropriate business and marketing tools, such as greater flexibility in scratch ticket printing and promotion budgets, is key to the Texas Lottery's ongoing success. This approach provides the best opportunity for the Texas Lottery to introduce new products and promote the entire scratch ticket portfolio, resulting in increased revenue for our beneficiaries. 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 budget limitations. An exceptional item passed by the 88<sup>th</sup> Legislative Session increased the agency's budget for scratch ticket manufacturing and services for FY 2025. The passing of this legislation was critical to maintain the typical scratch portfolio players expect and that yields the best transfers to our beneficiaries.

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 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 was alternating the introduction of \$20 and \$10 Spotlight games each fiscal year. The focus has shifted in recent years to rotational games (games with more typical print runs introduced regularly throughout the year) with Spotlight games being introduced strategically and/or as inventory is needed. The smaller print production runs for rotational games often yield better sales results and their life cycle is far shorter than a Spotlight game, allowing for more frequent game introductions. Spotlight games do have an important place in the scratch portfolio by creating a consistent weekly sales base for the \$10 and \$20 price points. The newest \$20 Spotlight game, *Cash Spectacular*, was introduced in November 2021 and a \$10 Spotlight game, *Ca\$h Blowout*, was printed in FY 2021 and was introduced in March 2023.

In FY 2018, the \$30 price point was re-introduced after being out of market since 2007 and the game was produced as a Spotlight game. *\$750 Million Winner's Circle* was introduced with over \$750 million in total prizes and 12 top prizes of \$3 million. This \$30 Spotlight game was ranked as the fourth bestselling game in both FY 2018 and FY 2019 and has remained in the top 15 scratch ticket games each year starting with FY 2020 and through FY 2023. The agency will continue to evaluate the benefits of Spotlight games vs. rotational games and will produce games accordingly to drive revenue results.

## GOAL 2

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

- **\$100 – Premium Price Point Scratch Ticket Game** - The \$20 and \$50 price point games have seen significant sales growth in recent years. From FY 2015 to FY 2023, sales at the \$20 price point increased 237.8% while sales at the \$50 price point increased 543.7%. At the end of FY 2023, the \$20 and \$50 price points were the second and fourth bestselling price points, respectively. During FY 2023, \$50 price point sales were \$971.7 million, a \$211.8 million or 17.9% increase from FY 2022. The \$20 price point realized a 2.2% increase or an additional \$32.9 million in FY 2023 compared to FY 2022. With the demand for games at higher price points continuing to increase, the Texas Lottery launched its first \$100 scratch ticket game in FY 2022. A game at this price point required a unique prize structure to differentiate it the \$20, \$30 and \$50 games. It also required a ticket design that allowed it to be marketed and viewed by players as a premium product. The game, *\$20 Million Supreme*, was developed featuring a prize structure which offered a minimum prize of \$150 and a top prize of \$20 million. After launching, the game immediately moved to the top of the sales charts and generated over \$20 million in sales in its second week. It remained the #1 scratch ticket game for 16 weeks in a row through the end of FY 2022. That standing continued and *\$20 Million Supreme* was the #1 scratch ticket game in FY 2023.

Due to the success of *\$20 Million Supreme*, the Texas Lottery introduced a second \$100 scratch ticket game on April 3, 2023. *Loteria Supreme*, the first Loteria-themed game at the \$100 price point, was well received by players and ranked #6 in sales for the FY 2023 despite it being in market for less than five months.

In future fiscal years, the agency is considering second-chance drawing prizes that can be incorporated into \$100 game prize structures that will give players the opportunity to win cash prizes.

- **Growth of Core Scratch Ticket Games** - 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, rotational 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), *Bingo* (\$2 and \$5), *Crossword* (\$3, \$5, \$10 and \$20) and *Loteria* (\$3, \$5, \$10, \$20, \$50, and \$100).

The Texas Lottery continues to identify games that can achieve this level of player loyalty. Due to the popularity of the \$20 Loteria game and the historic sales of the Loteria suite overall, the Texas Lottery introduced its first \$50 Loteria game, *500X Loteria Spectacular*, in October 2020, and the game quickly moved to the top of the sales charts. This was the first \$50 Loteria-themed game in the country and the first core game offered by the Texas Lottery at the \$50 price point. As previously mentioned, the \$100 *Loteria Supreme* launched in April 2023 and exceeded \$11.2 million in sales during its bestselling week. Like the \$50 *Loteria* game, *Loteria Supreme* will remain a core in the scratch ticket game portfolio.

During FY 2024, the agency along with the lottery operator will review the current core game offerings to determine if their core designation should change. Specifically, both teams will evaluate if the games in the current core portfolio should remain in the product mix or be removed to make space in the limited retail environment for potentially better performing games.

- **Game Families** - Game families are a group of scratch ticket games with the same game theme (or branding) introduced across a variety of price points. The Texas Lottery has leveraged successful elements of its Spotlight games to enhance the appeal of families. 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.



# AGENCY GOALS AND ACTION PLAN

## GOAL 2

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## PRODUCT MIX AND GAME PORTFOLIO MANAGEMENT

- **Game Families (cont'd)** - Additionally, the use of the same game theme across the family allows the agency to place marketing support behind the games to promote the various attributes that may be appealing to players. The Texas Lottery typically introduces three families per fiscal year. That continued in FY 2023, starting with the “Cash Blowout” family in September which included the popular \$5 Million Vegas Challenge® second-chance promotion. Each ticket in the family was printed in a horizontal layout with holographic foil applications. A “Cash Blitz” family was also launched in FY 2023. This family included the iHeartRadio Cash Blitz second-chance promotion which awarded trip prizes to various iHeartRadio festivals and events and an opportunity to play the \$10 Million Cash Blitz Challenge. This promotion included a comprehensive marketing and advertising support package. The third was the “Gems 7s” family which launched in May and was printed with a holographic pattern and vibrant inks causing the games to stand out in the retail environment. The “Gems 7s” family featured the \$1 Million Culinary Cash Adventure second-chance promotion which awarded winners a trip to Las Vegas to enjoy exclusive meals prepared by celebrity chefs and a special performance by Maren Morris.
- **Oversized Tickets** - The agency has been monitoring sales of these oversized tickets and in consultation with the Lottery Operator, we believe higher sales can be achieved by discontinuing oversized tickets and instead using those dispensers for two individual higher price point (\$10 and up) scratch ticket games. The final oversized ticket (*Break the Bank Super Ticket™*) launched in November 2023. It is expected that this game will close in the first half of FY 2025, and the agency plans to use the free dispensers for two individual scratch ticket games of a higher price point already in the portfolio.
- **Multicultural Games** - The population of Texas has grown more ethnically diverse over time and the state is considered a minority-majority state. 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 consumer base. The Texas Lottery began offering Loteria, a bingo-style game with historical roots in Mexico, several years ago. The Loteria-themed games have been extremely popular with lottery players and the agency has expanded this category to a variety of price points (\$1, \$3, \$5, \$10, \$20, \$50, and \$100). The \$20 Million Dollar Loteria game was the second bestselling scratch ticket game in FY 2023. The \$10 Mega Loteria games ranked #4 and #5 with combined sales of over \$468 million. The new \$100 Loteria Supreme was the sixth bestselling game in FY 2023. \$50 500X Loteria Spectacular ranked #8 and #11 this same year. The continued success of these games has made the Loteria suite a vital component of the agency’s core scratch ticket game offerings; Loteria sales represented approximately 27% of total scratch ticket sales in FY 2023.

Efforts continue to find additional games that will resonate with and appeal to Texas’ Hispanic and Latino lottery consumers although the popularity of Loteria-themed games and their incredible sales levels are extremely hard to compete with. Previous games with Spanish language titles have performed below expectations indicating they do not have the broad appeal of the Loteria-branded games.

During a recent meeting for scratch ticket game planning, the agency chose a ticket called *Azulejos* that will launch some time in FY 2025. *Azulejos* has a bingo playstyle similar to Loteria-branded games, and the agency will closely monitor sales to understand if this new concept resonates with players.

- **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

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- ***Products Geared to Appeal to New Players (cont'd)*** - this goal within the framework of its traditional lottery game (scratch ticket and draw games) of 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 Frogger, Wheel of Fortune®, Willy Wonka™, the Dallas Cowboys and the Houston Texans. In FY 2023, the licensed property games included Day of the Dead™, Monopoly®, and the popular Cowboys and Houston Texans games. The Texas Lottery regularly 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 to quickly and conveniently enter non-winning scratch tickets into promotional second-chance drawings. The Texas Lottery® App takes this convenience one step further and allows players to enter promotional second-chance drawings directly from their smartphones by simply scanning a barcode. In May 2019, the "Gems 7s" family was the first to allow for the pooling of second-chance entries across all the games in the family and gave players entries based on the price point of the entered ticket— e.g., a \$20 ticket gives the player 20 entries in the drawing. The pooling of entries is now typical for the second-chance drawings of a family of games. These options allow agency staff to create new and exciting promotions to keep player interest high.
- ***Custom Promotions*** - In FY 2023, these custom-designed, exclusive promotions were included in the Texas Lottery game plan:
  - The Living Lucky with Luke Combs second-chance promotion took winners to Nashville for a private performance with country artist Luke Combs.
  - The \$5 Million Vegas Challenge® featured on the "Cash Blowout" family offered players chances to win a trip to Las Vegas to attend a private event and have the chance to win cash prizes up to \$5 million!
  - The iHeartRadio Cash Blitz second-chance promotion awarded trip prizes to various iHeartRadio festivals and events and an opportunity to play the \$10 Million Cash Blitz Challenge. This promotion included a comprehensive iHeartRadio marketing and advertising support package.
  - The Warehouse Dash® second-chance promotion offered players a chance to win a trip to Chicago, Illinois where winners received an exciting and once-in-a-lifetime shopping spree.
  - The \$1 Million Culinary Cash Adventure awarded winners a trip to Las Vegas where they will enjoy exclusive meals prepared by celebrity chefs and a special performance by Maren Morris.
- ***In-Lane Scratch Ticket Sales*** - The Texas Lottery is currently working with two of its scratch ticket manufacturing vendors to gain acceptance for and place automated scratch ticket dispensers in retailer check-out lanes. A dispenser displays the tickets available for purchase. These attributes and an emphasis on the dispensers' physical security requirements limit retailer liability due to theft.

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- **Unique Production Features for Scratch Ticket Games** - While many of the game design changes made by scratch ticket manufacturers have been subtle, innovative 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.

These concepts have been successful in driving incremental sales and revenue and are an area of strategic focus in developing the scratch ticket portfolio each fiscal year. Variations on these concepts are continually developed to capitalize on their popularity with players, and agency staff monitor the industry for product innovations to keep the games fresh for players. These innovations include but are not limited to the following:

- **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. Among other games, the break-open concept was applied to a \$10 holiday scratch ticket, *Season's Greetings*, both in FY 2018 and 2019. The break-open feature was combined with an oversized ticket design to create added value and gift giving opportunities for players during the holiday seasons.
- **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.
- **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. Foil, holographic paper and holographic treatments on certain areas of the ticket front can help games stand out and break through the crowded retail environment.
- **Clear Plastic Tickets** - Scratch tickets are printed on a transparent, recyclable plastic stock with all the security layers offered on regular paper tickets. The tickets are perforated and can be distributed normally via scratch ticket dispensers and through self-service equipment. The clear ticket provides a new look and feel and expands design options for scratch ticket games. The Texas Lottery introduced its first clear plastic ticket in FY 2020. The \$5 holiday game, *Merry Money*, was introduced on November 4, 2019. The second clear plastic ticket was also a holiday game – *25 Days Of Winning* was a \$5 game that launched on November 1, 2021.

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.

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### *Draw Games*

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 and on the next page. As noted earlier in this section, new draw games or enhancements to existing games require significant messaging to educate retailers and players about the new product offering. The regular reductions to the agency's lottery games promotion budget have made new draw game introductions extremely challenging as the level of funding required to effectively communicate information to Texans is insufficient. Therefore, while new concepts continue to be monitored, the agency is concentrating on the existing portfolio of games with quarterly focused promotions that include retailer communications and player incentives such as digital coupons from the Texas Lottery® App.

- **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 and even jackpots close to \$2 billion have been offered for years for \$1 or \$2. 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 launched the third \$2 draw game, *Texas Triple Chance*™, in September 2015. However, this game underperformed and was closed in July 2018.

At the beginning of FY 2018, staff implemented the *Mega Millions*® game change that 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. During FY 2018, the agency completed player research on a possible price point increase for the *Lotto Texas*® game. The research did not provide conclusive results that would support a price increase at this time. 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. The Texas Lottery is monitoring the performance of a new draw game called *Cash Pop* that offers wager amounts up to \$10 and the proposed *Mega Millions* game change that could increase the price point.

- **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 member of both games, the Texas Lottery remains interested in actively participating in any future discussions involving changes related to *Powerball* or *Mega Millions*. 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.

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- **Multijurisdictional Jackpot Game Portfolio Management (cont'd)** - As noted previously, the agency is closely monitoring the changes being considered for the *Mega Millions* game.

Both *Mega Millions* and Multi-State Lottery Association (MUSL) have approved a new add-on feature called *Double Play* for jurisdictions to launch when it best works for their portfolio. Launching *Double Play* is not required, and the Texas Lottery will monitor its success in jurisdictions that introduce it to determine if *Double Play* will positively contribute to revenue. The agency did implement the addition of Mondays to the current *Powerball* drawing schedule in late August 2021. This drawing schedule change, with drawings now occurring three times per week, was one of the factors in *Powerball* experiencing increased sales in FY 2022 and then again in FY 2023.

In other jurisdictions under the MUSL umbrella, there are two Set for Life-type draw games. MUSL is discussing combining these games into one. The Texas Lottery has committed to joining the game group related to the combination of the games and will potentially implement the combined game if agency staff find it suitable for Texas.

- **Add-on and Wager Type Features** - Add-on features and additional wager types, such as *Megaplier*®, *Just the Jackpot*®, *Power Play*®, *Extra!* and *FIREBALL* have been successful in generating incremental sales and revenue. Therefore, the Texas Lottery will continue to explore and pursue additional add-on concepts. MUSL has a Game Development Committee focused on the design and development of new multijurisdictional lottery products including the development of new add-on features for the *Powerball* game. As noted previously, the Texas Lottery is considering the *Double Play* add-on feature for *Mega Millions* and *Powerball*. The agency will also consider the addition of *Double Play* to the *Texas Two Step* game to capitalize on any game introduction marketing efforts.

While national initiatives are being considered and developed, the Texas Lottery continues to work closely with the lottery operator to monitor and evaluate new options. The most recent add-on feature introduction in Texas was the *FIREBALL* launch on *Pick 3* and *Daily 4* on April 28, 2019. *FIREBALL* provides players more opportunities to create winning combinations and increase their chances of winning a prize. The feature replaced *Sum It Up!*® and was launched with the catchphrase, "Play with Fire." *FIREBALL* generated over \$37 million in sales in its first full fiscal year compared to the \$10.9 million sold for *Sum It Up!* during the previous fiscal year. In FY 2023, *FIREBALL* generated more than \$52 million in sales. *Extra!*, the add-on feature for *Lotto Texas*, is another success story for the agency. Sales for *Extra!* have increased every year since it was first introduced in 2013 with sales for FY 2023 totaling \$52.6 million. The Texas Lottery, in conjunction with the lottery operator, will continue to seek out and research other potential add-on features to determine if they resonate with Texas players.

As noted, while there are features that are interesting and have the potential to increase sales and revenue, it is extremely difficult to generate awareness and interest for new games or add-on features with the current lottery games promotion budget. While some jurisdictions are seeing success with new add-on games, they have advertising and promotions budgets that allow them to utilize mass media communication channels to inform their players about new products. The Texas Lottery regularly evaluates if it is better to dedicate resources to promote the current draw games portfolio as those games have an established reputation or bring new products to market with very limited budget resources.

- **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 was



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- Game Modification Research (cont'd)** - implemented in September 2018. The game change generated sales increases in FY 2019, FY 2020 and FY 2021. Research conducted on the *Texas Two Step* game and the *Lotto Texas* game has not resulted in any action at this time. Both *Texas Two Step* and *Lotto Texas* have a core, loyal player following, and game change decisions must factor in the potential alienation of these players. The Texas Lottery added Mondays to the *Lotto Texas* draw schedule in August 2021, so it mirrored the new *Powerball* draw schedule. This does not change the core play of the game, just the number of drawings per week. Beyond this draw schedule change, the agency believes that it will be a better use of resources to monitor *Double Play*, *Cash Pop* and the potential *Set for Life* game. The agency will also continue to support the existing draw games portfolio to increase player and retailer awareness and increase existing sales levels. If the decision is made to pursue new games or add-on features, staff will work with the lottery operator to plan the most beneficial introduction schedule based on competing revenue generating opportunities.
- 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 six of its eight draw games and potentially expand draw game product trial. The lottery has little control of the multijurisdictional jackpot games whose sales are mainly driven by large jackpot rolls and will look to promote increased visibility of in-state draw games 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*, *Lotto Texas* and *Texas Two Step*. The *Lone Star Lineup* package is a successful promotional offering at selling events such as the State Fair of Texas. The agency is working with the lottery operator on changing the *Lone Star Lineup* software design so there's flexibility to rotate games in and out of the package based on draw game strategic plans for the fiscal year.
- 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 award experiential prizes. In FY 2017 and FY 2018, the Texas Lottery launched a second-chance promotion, *Power Cruise™*, with Alchemy3. Players entered their *Powerball* tickets to collect symbols and earn entries into drawings for a chance to win an exclusive Royal Caribbean® cruise trip. In FY 2021, the Texas Lottery participated in a MUSL promotion, *Powerball First Millionaire of the Year®*. This promotion allowed participating jurisdictions to select semifinalists to be entered into a MUSL drawing for a chance to win a \$1 million prize on New Year's Eve. The Texas Lottery utilized a Facebook promotion to choose the 50 Texas semifinalists. Promotions like these allow draw games to leverage well-known brands in the same way that scratch tickets have, and the agency is always interested in new promotional opportunities.
- In-Lane Product Sales/QUICKTICKET™ and Receipt Ticket** - It is critical that lottery products are conveniently available where a broad diversity of consumers shop. The Texas Lottery has been working with the lottery operator, NASPL and various private companies to implement in-lane sales that will facilitate convenient lottery product purchases while customers are in the checkout lane. During FY 2019, the agency made in-lane sales its top priority with the goal of an FY 2020 implementation. The two new delivery options included QUICKTICKET, a gift card type ticket that contains pre-printed Quick Pick numbers under a scratch surface and Receipt Ticket, a lottery draw game ticket printed on the retailer's plain receipt paper instead of Texas Lottery roll stock. Like a gift card, QUICKTICKET has no value until purchased and activated where the QUICKTICKET was sold. Customers receive a cash register receipt confirming activation. QUICKTICKET and Receipt Ticket offer the United States' most popular lottery draw games, *Powerball* and *Mega Millions*. QUICKTICKET, available at \$4 and \$10



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- ***In-Lane Product Sales/QUICKTICKET™ and Receipt Ticket (cont'd)*** - price points, launched at Dollar General® stores and Receipt Ticket launched at H-E-B. Both programs rolled out in early FY 2020. Just like other lottery tickets, both QUICKTICKET and Receipt Ticket contain a barcode to scan on any Texas Lottery terminal for validation purposes. Since the rollout, work has continued with all relevant parties to expand the footprint for in-lane sales. Kroger launched QUICKTICKET in October 2021 and Albertsons and Randall's launched QUICKTICKET in June 2022. The agency will continue its work with various vendors in FY 2024 and FY 2025 to develop additional in-lane sales opportunities via the QUICKTICKET and Receipt Ticket platforms.
- ***Texas Lottery® App*** - With a focus on player convenience, the Texas Lottery spent a large amount of time and effort in FY 2016 working toward the introduction of a 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 a 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 can use the app to see if their tickets are winners. On August 1, 2020, the agency launched the first digital coupon exclusive to the app. Players redeem the coupon by scanning a QR code from the app at a Texas Lottery retailer terminal or a Texas Lottery self-service vending machine. The first digital coupon offered players \$6 worth of *Texas Two Step* Quick Pick tickets for \$5. Digital coupons exclusive to the app encourage downloads and usage, save print budget expenditures for the agency, reward existing players and promote product trial. The app also provides great flexibility and time savings for staff as coupons and promotions can be quickly developed to support a quarterly draw game focus or a new product launch. Three different digital coupons were offered during FY 2023 to support *Cash Five*, *Powerball* and *All or Nothing*. Digital coupons will continue to be used to support the draw game portfolio in FY 2024 and FY 2025. The agency updated the app in FY 2023 to incorporate new technologies and offer new features to improve the user experience. The main update was the addition of mobile validations that allows players to claim prizes from \$600 – \$5,000 without having to go to a Texas Lottery claim center.

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 maintaining sales levels for the draw game portfolio. Promoting new player product trials and keeping the category fresh for existing players remains critical to achieving the agency's mission.

## DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

The agency places a significant emphasis on player education and clear communication about its products. It is of utmost importance to achieve transparency across all operations, while emphasizing security and integrity to maintain the public's trust and confidence. These efforts and the agency's strategic planning of its portfolio optimize sales and revenue generation ability. Through this rigorous process, the agency consistently delivers entertaining lottery products for lottery players.

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## RETAILER DISTRIBUTION CHANNEL DEVELOPMENT

Lottery retailers at traditional “brick and mortar” locations as well as at special events are the only delivery channel through which the agency sells tickets to generate revenue for the state. Sustained and strategic retailer development efforts support the potential for increased revenue to the state and offer the tremendous benefit to the public of varied access points. To achieve the agency’s mission of generating revenue, it is critical that lottery products are available at a wide variety of locations where a broad diversity of consumers are provided the opportunity to conveniently purchase lottery tickets. Additionally, retailers benefit from the sale of lottery products by offering customers more comprehensive purchase options, thus mitigating a player’s need to patronize other businesses for both lottery purchases and prize payments.

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. The agency works to support existing retailers while recruiting new retailers to ensure a stable, but growing, product distribution channel.

Historically, expansion of on-premise beer and wine service at grocery and convenience stores presented unique licensure and administrative oversight challenges to the agency in its two primary trade styles representing 94% of current Texas Lottery® sales. Through the agency’s Strategic Plan, the Texas Lottery recommended the enactment of legislation to allow for continued licensure of these traditional lottery trade styles that offer limited on-premise beer and wine consumption. In 2017, the Texas Legislature enacted HB 1555 which clarified that traditional lottery retailers, particularly grocery and certain convenience stores, that offer on-premise beer and wine consumption are eligible to be licensed as a lottery retailer if less than 30% of the location’s gross receipts are derived from the sale or service of alcoholic beverages.

The lottery retailer base contains a variety of trade styles. However, the traditional lottery trade styles of convenience and grocery stores are dominant with 78% of licensed locations and 94% of Texas Lottery sales. As the marketplace has become more competitive among these businesses, they are expanding into non-traditional business lines like food and beverage service and on-premise beer and wine sales to remain competitive. As these businesses pursue the Texas Alcoholic Beverage Commission licenses required for these services as noted above, additional administrative burdens may be placed on the Texas Lottery to ensure compliance with licensure requirements.

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. Scratch ticket products can present operational concerns associated with inventory control/shrinkage and the potentially labor-intensive nature of the product.

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 has enhanced the timely distribution of potential retailer inquiries received by claim centers and Retailer Services to the lottery operator recruitment staff.

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Additionally, the Texas Lottery, lottery operator and members of 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.

Recruitment efforts continue to be challenged by some businesses' perception that selling lottery products may not align with their business models. The agency believes that its innovations of ticket-by-ticket activation and the upcoming Code 128 barcode will address these obstacles in recruitment.

Through its relationship with the lottery operator, national industry organizations and the retail community, the agency works to understand the unique challenges faced by existing and potential lottery retailers. The agency identifies and implements solutions within its regulatory framework that ensure the security and integrity of the lottery while addressing the needs of retail businesses. In 2017, the Texas Lottery Commission adopted rules that facilitate the sale of lottery tickets from third-party point-of-sale systems, thus allowing the potential to sell lottery tickets in-lane at brick-and-mortar retail cash registers and self-checkout counters. The third-party point-of-sale systems only perform lottery-related tasks currently performed on dedicated lottery terminals.

The lottery industry and the sale of lottery tickets are not immune to the advancement of technology. Traditional lottery tickets are a paper-based product and have been a focus for technology companies to modernize for many years, with significant advancements occurring in other states and around the world, although not in the state of Texas. However, a lottery business activity widely known as "lottery couriers" has emerged in the state. As discussed further in the "Redundancies & Impediments" section below, the Commission has no position regarding these services and understands the policy to prohibit or regulate these services is a policy decision to be determined by the Legislature.

Regardless of the challenges or trade-style category, the Texas Lottery and lottery operator are invested in growing the licensed retailer base through sustained, strategic recruitment efforts. The end goal is better product accessibility by a broad diversity of consumers and the potential for increased revenue to the state. Retailer development efforts in FY 2016 and FY 2017 resulted in a net gain of 240 and 205 retailers respectively, due, in part, to acquisitions and new store openings by licensed chain retailers. Retailer growth of 106 locations in FY 2018 was in sync with historical trends. The FY 2019 surge of 299 additional locations can primarily be attributed to the introduction of lottery sales in Walmart Supercenters. Record-breaking retailer growth in FY 2020 can be attributed to the addition of approximately 1,500 Dollar General stores. A net gain of 407 retailers in FY 2021, 256 in FY 2022 and 305 in FY 2023 continued the trend of an expanding retailer base. It is anticipated that increases in the retailer base will continue to exceed 200 locations per year due to the continued expansion of existing chains as well as recruitment of independent retailers and new chains. 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.

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## RETAILER DISTRIBUTION CHANNEL DEVELOPMENT

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

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

To increase lottery sales at currently licensed and potential multilane retail locations, the agency worked closely with the NASPL and other U.S. lotteries to establish a Standard Lottery Application Programming Interface (API) for in-lane sales and to provide an optimal consumer and retailer solution. In 2019, the Texas Lottery was the first U.S. lottery to introduce draw game tickets printed at checkout lanes on plain, cash register receipt paper. This innovation named Receipt Ticket was initially tested by H-E-B® Food Stores at their business centers with expansion to their central checkout lanes at select stores in 2020. The business center test and the gradual checkout lane expansion provided the opportunity for the retailer, the Texas Lottery and the lottery operator to comprehensively evaluate processes and reporting prior to expansion in all licensed H-E-B stores in 2021. H-E-B continues to expand points of sale for Receipt Ticket at existing and new stores.

Through the lottery operator, the agency is also developing other opportunities for in-lane draw game ticket sales with private companies that facilitate gift card transactions at retail cash registers. In November 2019, the Texas Lottery became the first U.S. lottery to introduce in-lane sales of the two multijurisdictional games, *Powerball*® and *Mega Millions*®. Merchandised like a gift card, QUICKTICKET™ provides players the convenience of a scratch ticket type product by concealing pre-printed Quick Pick numbers under a removable scratch surface. The introduction of QUICKTICKET in Dollar General® stores expanded the Texas Lottery retailer base by approximately 1,500 locations – the growth of more retailers in one year than in the agency's previous 20 years combined. Since the initial rollout at Dollar General, approximately 300 additional stores have been licensed. Kroger® launched QUICKTICKET in October 2021 and Albertsons® launched QUICKTICKET in June 2022. Additional opportunities for expansion of QUICKTICKET and Receipt Ticket sales into traditional and non-traditional retail environments are being explored.

In addition to selling draw game tickets in-lane, various pilot programs have placed scratch ticket dispensers in-lane at grocery store retailers, including Albertsons and H-E-B, to test product sales levels. In 2023, H-E-B started a single store pilot program of ticket-by-ticket scratch ticket activation which provides robust ticket sales accounting and enhanced security with or without the use of a traditional lottery sales terminal. After overcoming initial obstacles, the program went live in March 2024 at an H-E-B store in San Antonio; there are plans for expansion to additional stores after monitoring of the pilot is complete.

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The Texas Lottery is currently working with two of its scratch ticket manufacturing vendors, pursuant to the contracts for Scratch Ticket Manufacturing and Services, to gain acceptance for and place automated scratch ticket dispensers in retailer check-out lanes. A dispenser system displays the tickets available for purchase and allows for the sales of scratch tickets without a lottery terminal. These attributes and an emphasis on the dispensers' physical security requirements limit retailer liability due to theft. Pilot programs with retailers using these dispensers were implemented in 2023. By the end of March 2024, there were approximately four hundred forty-five (445) retailers with dispenser systems.

In coordination with NASPL and our scratch ticket manufacturing vendors, the Texas Lottery is also developing a new inventory barcode in the Code 128 format for all its scratch tickets. This inventory barcode allows scratch ticket games to be scanned by retailer point-of-sale systems, and information on the Code 128 barcode (including game, pack and ticket number) to be transmitted from those retailer systems to the Texas Lottery gaming system. This information supports the use of ticket-by-ticket activation for in-lane scratch tickets sales.

The agency continues to work with the lottery operator, scratch ticket vendors and NASPL to look for opportunities to introduce and expand in-lane scratch ticket sales with interested retailers.

## 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 the 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 continues to pursue expansion of the retailer base through initiatives such as QUICKTICKET, the implementation of receipt tickets, the development of in-lane scratch ticket activation and pilot sales programs at national chains.

The Texas Lottery is committed to its core value of "Customer Responsiveness" by working to provide a convenient licensing environment and efficient administrative processes for licensees interacting with the agency. The introduction of the 21-day settlement class was considered an imperative step toward growing the lottery retailer base to include non-traditional, national retailers whose business processes did not generally support management of lottery accounting functions differently across the many jurisdictions in which they operate.

# AGENCY GOALS AND ACTION PLAN

## GOAL 4

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## LOTTERY GAME PROMOTION EXPENDITURES AND EFFICIENCY

The goal of the Texas Lottery's game promotion 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 lottery games promotion dollars to reach the public and enhance awareness of Texas Lottery® games and remains committed to the goal of enhancing the efficiency of lottery games promotion. The agency is also mindful of statutory provisions that guide the type of promotional messaging the agency may use.

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 promotional messages and the media placement strategies employed in the agency's messaging.

During prior legislative sessions (2017, 2019 and 2021), the budget to promote the Texas Lottery was significantly reduced. As noted in the table below during this period the budget has been reduced from \$32 million to \$10 million annually.

BIENNIUM	FISCAL YEAR APPROPRIATION	FISCAL YEAR REDUCTION	BIENNIUM REDUCTION
2016 – 2017	\$32.0 Million	N/A	N/A
2018 – 2019	\$24.6 Million	\$7.4 Million	\$14.7 Million or 23%
2020 – 2021	\$17.8 Million	\$6.9 Million	\$13.7 Million or 28%
2022 – 2023	\$10 Million	\$7.75 Million	\$15.5 Million or 44%
2024 – 2025	\$10 Million	N/A	N/A

*\*Numbers may not add up due to rounding.*

With continued substantial budget reductions, the agency has significantly modified the media strategy, eliminating television and radio and dramatically reducing digital media. With the budget reduction, the agency has to be even more selective in choosing the product initiatives that will receive promotional 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 promotional support. Thus, the agency's ability to inform the public about new products, both draw and scratch tickets, is severely limited and this can have a direct impact on Texas Lottery sales and revenue contributions.

Concurrently, there have been dynamic changes occurring in the promotional industry, the state of Texas and the markets in which the agency communicates about its products. The purchasing power and reach of the agency's media budget has declined significantly over the 31 years of the agency's existence due to budget decreases, the effects of inflation and significant changes to the media landscape.



## GOAL 4

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## LOTTERY GAME PROMOTION EXPENDITURES AND EFFICIENCY

Media expenditures continue to rise and the proliferation of new media channels like streaming services, social media and digital continue to make the lottery games promotion more fragmented. These realities have worked to limit the value of lottery games promotion expenditures.

The following table summarizes and compares the impact of these changes and some of the major challenges impacting the Texas Lottery's game promotion communications over time.

### Texas Lottery Games Promotion Overview February 2024

	FISCAL YEAR 1993	FISCAL YEAR 2023
Impact of Inflation	\$40 million base appropriated advertising budget	\$10.0 million base appropriated advertising budget
	\$40 million in 1993 dollars equates to \$84.5 million in 2023	Adjusted for inflation, \$10.0 million in 2023 equates to \$4.7 million 1993 dollars
	12.6 million Texans 18 or older	22.8 million Texans 18 or older
	\$3.17 ad spend per capita \$3.17 ad spend per capita in 1993 dollars equates to \$6.70 in 2023	\$0.44 ad spend per capita Adjusted for inflation, \$0.44 in 2023 equates to \$0.21 in 1993 dollars
Increase in Products	Two products: <i>Lotto Texas</i> ® Scratch ticket games (2)	9 products + 4 unique add-on features: <i>Pick 3</i> ™ plus <i>FIREBALL</i> <i>Cash Five</i> ® <i>Daily 4</i> ™ plus <i>FIREBALL</i> <i>All or Nothing</i> ™ <i>Lotto Texas with Extra!</i> ® <i>Texas Two Step</i> ® <i>Mega Millions</i> ® with <i>Megaplier</i> ® <i>Powerball</i> ® with <i>Power Play</i> ® Scratch ticket games (approx. 80 launched annually)

## GOAL 4

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## LOTTERY GAME PROMOTION EXPENDITURES AND EFFICIENCY

### Texas Lottery Games Promotion Overview (cont'd)

	FISCAL YEAR 1993	FISCAL YEAR 2023
<b>Product Life Cycle</b>	Lottery product was brand new, generating immense excitement and interest.	Lottery products are mature, meaning that promotional 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 promotional support.
<b>Free Media Exposure</b>	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 are increasingly structured so that they necessitate paid promotion.
<b>Media Proliferation</b>	Players were easy to reach frequently via network TV and radio advertising.	The promotional industry has encountered dramatic challenges with the proliferation of new media choices for consumers, including exponential cable channel expansion, streaming radio, the role of the internet and social media, all factors that limit promotional exposure. Additionally, tablets, smartphones, and streaming services create even greater opportunities for consumers to time-shift programming, potentially affecting lottery games promotional exposure. This market dilution means it is becoming more difficult to reach large groups of consumers for the same level of media expenditures.
<b>Pay at the Pump</b>	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.	Pay-at-the-pump technology requires promotional support to work harder to drive players into the store for lottery products.

# AGENCY GOALS AND ACTION PLAN

## GOAL 4

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

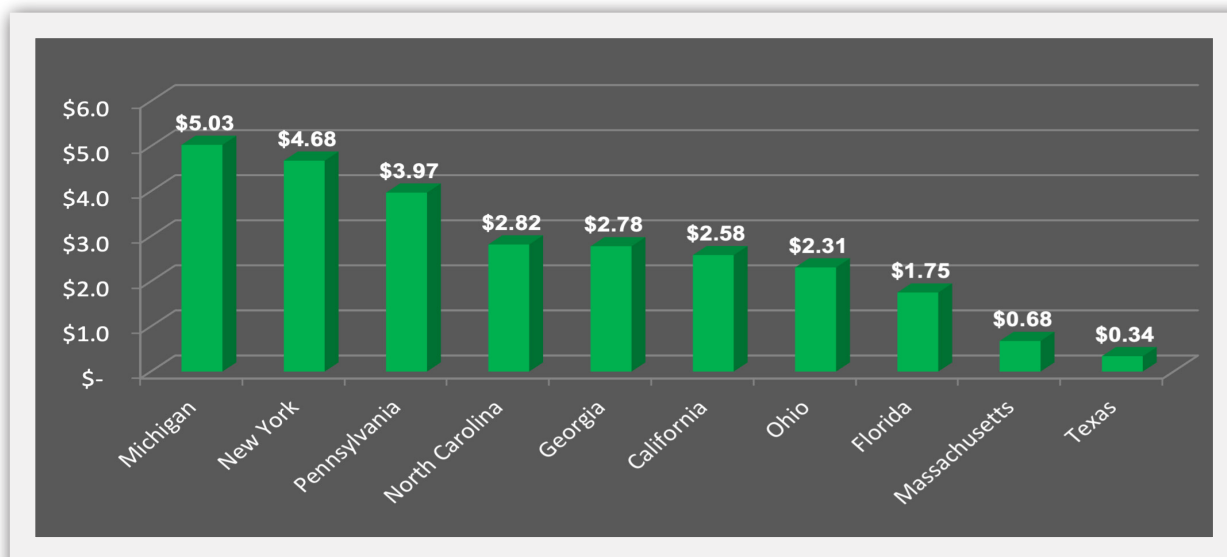
## LOTTERY GAME PROMOTION EXPENDITURES AND EFFICIENCY

### SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

The agency is focused on and committed to the goal of enhancing the efficiency of lottery games promotion. This includes efforts to internally review and challenge past promotional strategies to identify new opportunities. By focusing, in coordination with its advertising media services vendor, on the efficiency of lottery games promotion and developing an annual lottery games promotion 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 La Fleur's 2023 World Lottery Almanac, Texas ranks 45<sup>th</sup> of 46 reporting U.S. lotteries in advertising budget per capita and had the lowest per capita advertising spending among the top 10 performing U.S. lotteries as measured by total sales.<sup>3</sup> (See graph below.)

### Promote Lottery Games Budget Per Capita



Source: La Fleur's 2023 World Lottery Almanac

Additionally, 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 provides assurance that purchased media is running in markets consistent with agreed-upon placement requirements.

With the reduced promote lottery games budget to \$10 million, the Texas Lottery made the decision to bring all brand management and creative services including creative conceiving, design and media production in-house. This change allocated the promote lottery games budget to be used for media expenditures.

## GOAL 4

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## LOTTERY GAME PROMOTION EXPENDITURES AND EFFICIENCY

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 media placement strategies. Due to budgetary constraints, several years ago the agency implemented a tiered ranking process to make discrete choices in the weighting of its promotion of lottery games in the different markets in Texas. This means that the agency's promotional 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 media vendor to refine its tiered-media market strategy and media weight allocations by market to optimize lottery games promotion efficiency. The agency utilizes a formal annual advertising media plan approval process to achieve this goal.

### ***Vendor Partner Marketing Support***

With the reduction to the promote lottery games budget to \$10 million, the Texas Lottery encouraged our scratch vendor partners to add additional marketing support packages to scratch ticket game families. This support includes point of sales (POS), paid social media, radio, digital and out of home billboards. In FY 2024, this allowed the Texas Lottery to add two supplemental scratch ticket game initiatives to the media plan. The Texas Lottery continues to look for marketing opportunities with vendor partners.

### ***Experiential Marketing***

The Texas Lottery consistently adapts marketing strategies to evolve with the changing media landscape. Alternative cost-effective media strategies such as experiential and event marketing offer new opportunities to drive brand awareness, 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. Through vendor partners in FY 2024, we were able to expand our reach with experiential marketing partnerships in sports and music. Marketing relationships with top-tier organizations allow the agency to leverage consumer passion points such as sports (NASCAR®, NBA®, NFL®, NCAA®, MLB®, MLS®) and music (iHeart Radio and Moody Center) to reach adult Texans on the go.

### ***Social Media***

The Texas Lottery reaches new consumers using non-traditional marketing 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 Texas Lottery currently communicates with more than 309,000 followers about its products and events across a variety of social media platforms, including Facebook, X, Instagram, LinkedIn and YouTube. The Texas Lottery's media relations and advertising departments continue an agile approach of producing digital content in-house, which has resulted in an increase of high-quality and cost-friendly content being distributed on social media to support various product initiatives throughout the year. In 2018, the Texas Lottery also began posting lottery drawings to its YouTube channel, expanding the cost-effective ways in which the agency distributes

# AGENCY GOALS AND ACTION PLAN

## GOAL 4

### AGENCY OPERATIONAL GOAL AND ACTION PLAN

## LOTTERY GAME PROMOTION EXPENDITURES AND EFFICIENCY

### *Social Media (Cont'd)*

its official lottery drawing programs. All content is monitored, and prompt responses are provided by the agency. The Texas Lottery 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 Texas Lottery website.

### *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.

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 mobile application increases the public's access to Texas Lottery game information and player support services. From January 1, 2023 – February 26, 2024, there were over 4.39 million total downloads from the App Store and Google Play combined and approximately 2.7 million active app users.

Draw game players can 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 the Check-My-Ticket functionality. This feature provides an added layer of consumer protection as players can conveniently verify the winning or non-winning status of tickets on their mobile devices. The Texas Lottery 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 games promotion expenditure goal is to achieve optimal efficiency in promotional 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 promotion of lottery games. The agency has also established strict advertising sensitivity guidelines to ensure that its promotion of lottery games is not of a nature that unduly influences any person to purchase lottery products and that the nature of its promotion of lottery games 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 enhance its website and app and provide information at retail to help consumers make informed decisions regarding participation in its products.

## GOAL 5

### AGENCY OPERATIONAL GOAL AND ACTION PLAN RETAILER CASH INCENTIVE PROGRAM

The goal of the Texas Lottery's Retailer Cash Incentive Program is to optimize the value of funding allocated by the Texas Legislature for the program 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 percent (0.5%) 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 five percent (5%) 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 developed a same-store sales growth program that incentivizes retailers based exclusively on quantifiable sales performance.

The program is designed to allow for modifications and supplemental features while maintaining the integrity of the basic structure. Changes over the years have been implemented to maintain retailer engagement and to optimize the revenue benefit to the state. Currently, the program allows for the agency to implement a primary incentive program, traditionally 13 weeks in duration, while simultaneously introducing a secondary program of shorter duration, typically six weeks, focused on specific product sales performance. The first two secondary programs were implemented in FY 2015, both focused on increasing sales of the *Pick 3*™ daily draw game. The next secondary program was introduced in FY 2018 after enhancements to retailer reporting were implemented. Currently, secondary programs include a drawing for cash prizes as a supplement to the traditional scratch ticket pack settlement promotion that provides retailers the opportunity to earn free packs of scratch tickets. 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 *FIREBALL* on *Pick 3* and *Daily 4*™.

Due to the planned implementation of the new Aurora gaming system, the agency is only conducting two (2) primary programs in FY 2024 and FY 2025 as opposed to the historic three, but the programs have expanded from 13 to 17 weeks in duration. There are certain dates the programs cannot be conducted during the transition to Aurora and these changes accommodate those dates.

From inception of the program in September 2009, through the end of FY 2023, the agency has completed 41 primary retailer cash incentive programs plus 17 secondary programs. Qualifying retailers have generated more than \$3.47 billion in additional sales, yielding more than \$530.06 million in incremental revenue for the state. Based on their sales performance, these retailers received more than \$265.49 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.



# AGENCY GOALS AND ACTION PLAN

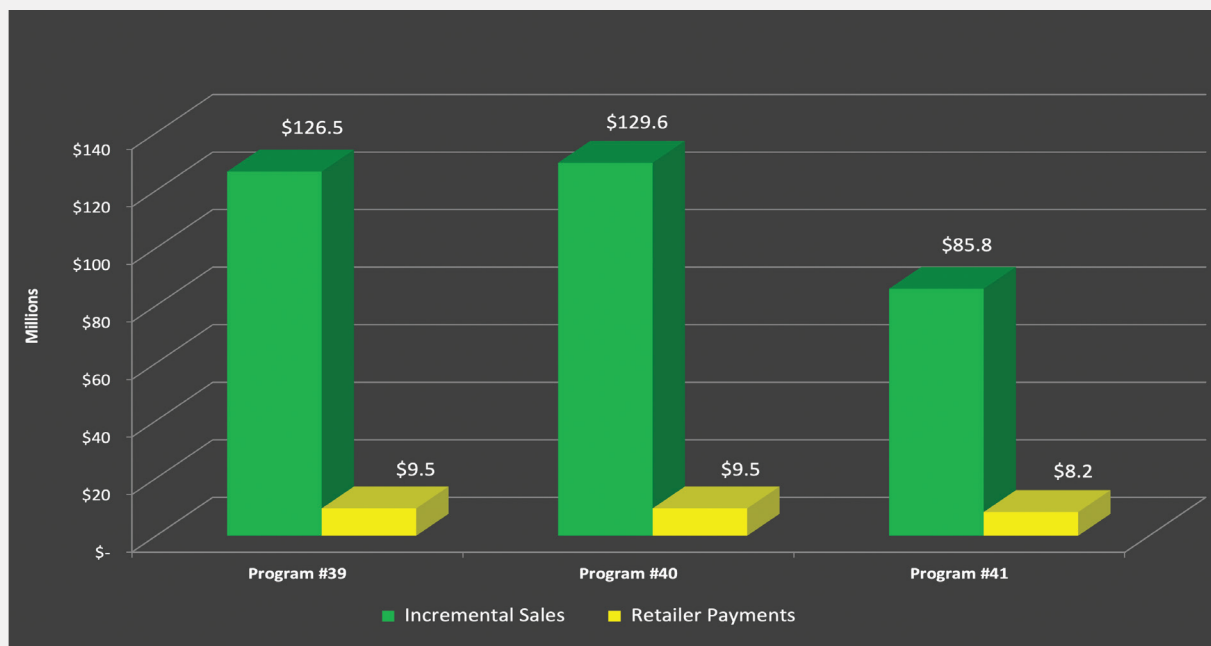
## GOAL 5

### AGENCY OPERATIONAL GOAL AND ACTION PLAN RETAILER CASH INCENTIVE PROGRAM

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 drawing prizes included as a part of each incentive period are not impacted by the budget limitations, as they are accounted for as part of the initial incentive period budget.

The chart below depicts the three primary cash incentive programs conducted during FY 2023. It illustrates the retailer payments made and the related incremental sales impact of each program. Fluctuations in incremental sales when compared to prior years for individual programs may be attributed to revisions in the minimum sales goal to align closer to state average weekly sales. Sales goal minimums will continue to be evaluated for future programs and results monitored for any effect on revenue to the state.

### Incremental Sales and 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 the program's revenue-generating benefits to ensure positive revenue from Texas Legislature appropriated funding. 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.

## GOAL 5

### AGENCY OPERATIONAL GOAL AND ACTION PLAN RETAILER CASH INCENTIVE PROGRAM

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 sales and revenue performance.

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 incremental revenue for the agency's beneficiary causes, Texas education and veterans. This is consistent with the agency's mission while creating opportunities for licensed lottery businesses to earn cash payments based on their exceptional sales performance, in addition to the standard five percent (5%) sales commission. The agency continues to provide an easy-to-understand program with effective performance reporting to allow participants to monitor progress toward achieving their sales goals and track performance in past programs.

All of these efforts have been established and implemented against a backdrop of a fiscally conservative, risk-limiting program that emphasizes ensuring positive revenue generation resulting from appropriated funding from the Texas Legislature.

# AGENCY GOALS AND ACTION PLAN

## GOAL 6

### AGENCY OPERATIONAL GOAL AND ACTION PLAN **ENFORCE BINGO LAWS**

To promote and maintain the integrity of charitable bingo through proper licensing, regulation, education and oversight as defined in the Bingo Enabling Act and rules. Ensure the lawful use of charitable proceeds and that 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 organizations with an emphasis on promoting profitable charitable bingo and voluntary compliance with the Bingo Enabling Act and Charitable Bingo Administrative Rules.
4. Collect the state's share of the bingo prize fees.
5. Ensure compliance through a system of enforcement by conducting game inspections, conductor compliance and financial reviews along with thorough investigations of complaints.

#### **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 authorized purposes. 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 raise funds for their charitable purposes. The CBOD licenses and regulates approximately 1,300 licensees that include:

- 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 CBOD also 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 are approved to be involved in the conduct of bingo. Only individuals listed on the registry may be involved in the conduct of bingo. The division 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 Advisory Committee (BAC), 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 and processes that can lead to the reduction of unnecessary work; the use of technology like the Bingo Operating Service System (BOSS) and Bingo Service Portal (BSP) to provide better, faster responsiveness and less cumbersome service; solicitation of feedback from industry stakeholders, customers and

## GOAL 6

### AGENCY OPERATIONAL GOAL AND ACTION PLAN ENFORCE BINGO LAWS

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

Bingo Training Program attendees; and by making changes based on that input, where appropriate. The Charitable Bingo website ([txbingo.org](http://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. Using the BSP, licensees can access important information related to the management of their licenses, required training, and submission of required reports, and bingo workers can access 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 veteran's 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 end of calendar year 2023 from the conduct of charitable bingo total approximately \$26.7 billion. For the same period, bingo prizes awarded have been approximately \$19.9 billion. The total amount of reported charitable distributions from the conduct of bingo is approximately \$1.35 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 bingo proceeds are disbursed and then 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 Operating Service System (BOSS), was launched in 2015 and underwent a revision in the summer of 2018. The division is in the process of converting BOSS from its end-of-life legacy platform to the current AZURE software development platform used at the Texas Lottery Commission.

# AGENCY GOALS AND ACTION PLAN

## GOAL 7

### AGENCY OPERATIONAL GOAL AND ACTION PLAN INFORMATION TECHNOLOGY PLANNING

The Information Technology (IT) division of the Texas Lottery Commission has a mission to provide a standardized Information Technology infrastructure that is stable, secure, scalable, and cost-effective. Along with supporting the agency's goals of generating revenue for the State of Texas and enforcing statutes and regulations relating to charitable bingo, the IT division is also committed to providing support services to agency business units that promote the effective use of information technology.

The IT division of the agency consists of an Information Technology Director, Business Continuity Coordinator, Information Security Officer, Data Management Officer, Programmers, Web Administrators, QA and System Analysts, Database Administrators, Network Administrators, System Administrators, Computer Operators and Technical Support.

The agency recognizes the importance of staying current with technology to increase operational efficiency and enhance the agency's effectiveness. The agency is committed to deploying innovative technologies that deliver world-class services to our players and customers and is closely aligned with the statewide strategic goals of the Texas Department of Information Resources (DIR):

- Elevated Government Experience
- Mature Data Management and Privacy Practices
- Skilled and Resilient Workforce
- Transformation and Modernization

### SPECIFIC ACTION ITEMS TO ACHIEVE GOALS

1. Enhance the Texas Lottery Mobile Application to improve messaging and allow choices for receiving claims payments.
2. Increase participation of Charitable Bingo Operators and Conductors to utilize the Bingo Services Portal for application, renewal, and reporting.
3. Update the Agency Information Security Agreement.
4. Provide enhanced information security training to staff.
5. Add functionality to the Texas Lottery website to improve other options for facilitating a lottery claim.
6. Continue to mature the Data Governance Program by protecting sensitive data and improving data quality to drive decision-making.
7. Complete bi-annual security audit and implement any corrective action.
8. Cross train IT staff across IT departments to ensure workforce resiliency.
9. Utilize existing collaboration tools to support user-centric design, Agile practices, and a distributed workplace.
10. Continue to evaluate and implement cloud computing service solutions.

### DESCRIBE HOW GOAL OR ACTION ITEMS SUPPORTS EACH STATEWIDE OBJECTIVE

1. Enhance the Texas Lottery Mobile Application to improve messaging and allow choices for receiving claims payments which aligns with DIR's Strategic Goal of Elevated Government Experience.

## GOAL 7

### AGENCY OPERATIONAL GOAL AND ACTION PLAN INFORMATION TECHNOLOGY PLANNING

2. Increase participation of Charitable Bingo Operators and Conductors to utilize the Bingo Services Portal for application, renewal and reporting which aligns with DIR's Strategic Goal of Elevated Government Experience.
3. Update the Agency Information Security Agreement which aligns with DIR's Strategic Goal of a Mature Data Management and Privacy Practices.
4. Provide enhanced Information Security Training to staff which aligns with DIR's Strategic Goal of a Mature Data Management and Privacy Practices.
5. Add functionality to the Texas Lottery Website to improve other options for facilitating a lottery claim which aligns with DIR's Strategic Goal of an Elevated Government Experience.
6. Continue to mature the Data Governance Program by protecting sensitive data and improving data quality to drive decision making which aligns with DIR's Strategic Goal of Data Governance.
7. Complete bi-annual security audit and implement any corrective action. By obtaining an independent security audit that will identify any potential security risks and provide recommended corrective action, the agency goals align with DIR's strategic goal of Mature Data Management and Privacy Practices.
8. Cross train IT staff across IT departments to ensure workforce resiliency which aligns with DIR's Strategic Goal of Skilled and Resilient Workforce.
9. Utilize existing collaboration tools to support user-centric design, Agile practices, and a distributed workplace which aligns with DIR's Strategic Goal of Transformation and Modernization.
10. Continue to evaluate and implement cloud computing service solutions which aligns with DIR's Strategic Goals Elevated Government Experience and of Transformation and Modernization.

### DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO GOAL OR ACTION ITEM

1. Enhance the Texas Lottery Mobile Application to improve messaging and allow choices for receiving claims payments. New enhancements will allow lottery players to sign up for various texts and emails concerning winning numbers and new releases of games as well as provide additional options for filing a lottery claim and having the money directly deposited into their bank account.
2. Increase participation of Charitable Bingo Operators and Conductors to utilize the Bingo Services Portal for application, renewal, and reporting. The agency will be working with Bingo providers to file their paperwork online which will provide more transparency and the process will be more efficient.
3. Update the Agency Security Agreement. Security risks are ever changing. Based on the identification of new risks, the IT division is continuously modifying security policies and the Agreement signed by all users of Texas Lottery systems.



# AGENCY GOALS AND ACTION PLAN

## GOAL 7

### AGENCY OPERATIONAL GOAL AND ACTION PLAN INFORMATION TECHNOLOGY PLANNING

#### DESCRIBE ANY OTHER CONSIDERATIONS RELEVANT TO GOAL OR ACTION ITEM (CONT'D)

4. Provide enhanced Information Security Training to staff. Security risks are ever changing. Based on the identification of new risks, the IT division is continuously modifying security policies and the information security training required by all users of Texas Lottery systems.
5. Add functionality to the Texas Lottery website to improve other options for facilitating a lottery claim. This enhancement will allow Texas Lottery players who do not want to utilize the mobile app and have mailed in claim forms in the past to enter the claim information into a website. The claim data will be saved into the claim database and the player will only need to mail in the actual ticket they are trying to claim. This process will be much more efficient and reduce paperwork and errors in the process as it will not require staff to enter the claim data for mail-in claims.
6. Continue to mature the Data Governance Program by protecting sensitive data and improving data quality to drive decision-making. As applications undergo conversion or improvements, IT staff will work with agency users to identify all sensitive information and implement application improvements that will only allow users to view sensitive data in the event they have security clearance to do so. The agency will also improve data exchange between applications to enhance data sets for decision makers and eliminate manual data re-entry.
7. Complete bi-annual security audit and implement any corrective action. Security risks are ever-changing. This security audit is conducted by a third party that will objectively examine how the lottery handles information security as well as identify any risks, findings, and opportunities for improvement.
8. Cross train IT staff across IT departments to ensure workforce resiliency. While the IT division has had very little staff turnover since 2020, we have had more turnover in the IT Operations department, mainly for network engineering, desktop support and system administration. Filling these positions, especially network engineering, has been more difficult in the in recent years due to the competition in the networking field. Because of this, the division has worked harder to cross train and engage others in the division to ensure we have coverage. This continues to be even more important as the older workforce retires.
9. Utilize existing collaboration tools to support user-centric design, Agile practices, and a distributed workplace. The agency continues ongoing efforts to modernize all legacy applications that are using end-of-life platforms. Legacy applications are to be re-imagined with a focus on the customer's needs and preferences with user-centric design. All projects are to be developed using Agile methodologies with full customer participation when available.
10. Continue to evaluate and implement cloud computing service solutions. In the past year, the agency has taken its in-house developed applications and migrated them to the cloud, providing enhanced functionality and availability options. As the agency continues to procure or develop other applications, staff will be evaluating those applications to reside in the cloud.

# REDUNDANCIES AND IMPEDIMENTS

R&I – 1

## REDUNDANCIES AND IMPEDIMENTS LOTTERY COURIER SERVICE

**Service, Statute, Rule or Regulation  
(Provide Specific Citation if Applicable)**

General Appropriations Act for the 2024-25 Biennium, 88<sup>th</sup> Leg., R.S., Art. IX, § 17.36 (2023)

**Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations**

The lottery industry and the sale of lottery tickets are not immune to the advancement of technology. Traditional lottery tickets are a paper-based product and have been a focus for technology companies to modernize for many years, with significant advancements occurring in other states and around the world, although not in the state of Texas. However, a lottery business activity widely known as “lottery couriers” has emerged in the state. The Commission has no position regarding these services and understands the policy to prohibit or regulate these services is a policy decision to be determined by the Legislature.

Over the past years, a number of lottery ticket courier companies have started operations in Texas (and other states) with a different business model than typical lottery licensees. Couriers are unlicensed service providers that take orders from customers, either through an internet website on a laptop or desktop computer, or by using an application on a mobile device, and, upon the receipt of funds from the customer, send a representative to purchase lottery tickets in-person from a licensed brick-and-mortar lottery retailer. After purchasing at the brick-and-mortar location, the courier transmits a scanned image of the ticket to the customer and retains the physical ticket until it is determined to be a winning or non-winning ticket. Winning tickets with prizes of \$600 or more must be claimed at a Texas Lottery claim center, and the courier will arrange to deliver those tickets to the customer to be claimed. The agency has noted the development of courier services in Texas in both its Strategic Plan and Business Plan for the last several years.

Courier service is a private business activity that occurs outside the regulated ticket purchase process. Couriers have no business or regulatory relationship with the Texas Lottery and the relationships a courier maintains to obtain tickets are with individual retailers in Texas with whom it has its own private working arrangement. The Texas Lottery is aware of the identity of certain couriers operating in Texas but there may be others the agency is not aware of. Some couriers, prior to starting operations, have asked the agency whether a license or other form of permission was required for them to perform their contemplated services in Texas. Based on the description of the services those couriers provided to the agency, which is consistent with the general business model described above, the agency determined that the State Lottery Act does not require a courier to obtain a license or other authorization from the agency. This conclusion is based on the fact that the form of the courier transaction does not involve a regulated sale of lottery tickets.

Some couriers work with established, non-affiliated Texas Lottery retailers to purchase tickets, while others have created an affiliated legal entity to obtain a retailer license, such that the courier and the retailer are separate business organizations under common ownership.

*(cont'd on pg. 40)*

### REDUNDANCIES AND IMPEDIMENTS LOTTERY COURIER SERVICE

#### Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations (cont'd)

A retailer that is affiliated with a courier must comply with all Texas Lottery sales agent licensing requirements, including being open and accessible to the public and not engaging in business exclusively as a lottery ticket sales agent. Also, some couriers may accept customer orders exclusively via an application on a mobile phone while others accept orders via a laptop or desktop computer internet connection without using a phone. Some couriers may take orders both ways. Regardless of the potential differences, all couriers charge a fee for their service to purchase and manage their customers' tickets. While couriers began by offering to purchase only draw game tickets, the agency understands that more recently some couriers have added scratch ticket games.

In June, 2022, the Commission was asked to testify on couriers during an interim Texas House Licensing and Administrative Procedures Committee hearing on gaming. The Commission submitted written documentation to the Committee that included correspondence with courier companies. The Committee took no action and made no recommendation to the Legislature regarding couriers.

Legislation to require the Texas Lottery to prohibit couriers from operating in Texas, S.B. 1820, was filed during the 88<sup>th</sup> Regular Legislative Session. In its analysis of S.B. 1820, the Senate Research Center stated that "Third-party couriers are not comprehended in current law." While the Senate approved S.B. 1820, the House of Representatives did not consider the legislation.

According to the Legislative Budget Board in its analysis of legislation filed in the Senate in the 88<sup>th</sup> Regular Legislative Session regarding lottery couriers (Senate Bill 1820), in the first seven months of the fiscal year 2023, lottery sales associated with courier services contributed to \$101.0 million in lottery ticket sales. The LBB noted that extrapolating these sales figures to a full fiscal year produces an estimated lottery ticket sales by retailers associated with couriers of approximately \$173.1 million for fiscal year 2023.

The final outcome approved by the Texas Legislature was a budget Rider added to Article IX of the Appropriations Bill (House Bill 1) with the intent of directing the agency to prohibit the activity of couriers. The Governor signed the Appropriations Bill on June 18, 2023, and issued a proclamation related to House Bill 1. Included in the proclamation is a statement related to the Rider provision which says, "I must note that Section 17.36 of Article IX is unconstitutional. Section 17.36 purports to tell the Lottery Commission that it must issue a new rule on a particular subject. This attempt to make general law in the General Appropriations Act violates Article III, Section 35 of the Texas Constitution." These facts left the agency in a very difficult position.

At its August 17, 2023, meeting, the Commission noted the agency is mindful and respectful of the policy direction provided by the Legislature and that it is also respectful of the related statements made by the Governor. Based on the last official action taken on this item, the Commission directed the Executive Director to take no action on the Article IX Rider (Section 17.36) and to highlight the courier service issue during the agency's Sunset review process. The agency did identify lottery courier services as the one major policy issue in its Self-Evaluation Report submission to the Sunset Advisory Commission.

During their review of the agency, the Sunset Advisory Commission staff held several meetings with agency staff on the topic of lottery courier services. The Sunset Advisory Commission Staff Report issued in May 2024 contains a timeline of the development of lottery courier services in Texas.

# REDUNDANCIES AND IMPEDIMENTS

R&I – 1

## REDUNDANCIES AND IMPEDIMENTS LOTTERY COURIER SERVICE

### Provide Agency Recommendation for Modification or Elimination

It is recommended that the Legislature provide direction to the Commission on whether courier service should be prohibited, regulated, or allowed without regulation. If the direction is for the Commission to prohibit or regulate courier service, the Commission recommends the Legislature provide express statutory authority to the Commission, as appropriate. In any event, the Commission recommends, and plans to request through its Legislative Appropriations Request, that the Legislature remove the budget Rider currently at Article IX, Section 17.36, from the General Appropriations Act for the next biennium.

### Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change

Clarity regarding the status of courier service would provide regulatory certainty to the Commission, couriers and licensed retailers that work with couriers.

Although the Texas Lottery has no authority over couriers, couriers independently publicize the lottery via their websites and advertising and have demonstrated the ability to generate incremental sales. Licensed retailers associated with couriers have emerged as some of the top-selling sales agents in Texas. The agency is aware of the following licensed retailers that work with couriers, and their recent lottery sales are provided below. As a caveat, courier transactions are not segregated from other lottery purchases so the agency cannot identify the amount of sales from courier transactions as compared to walk-in purchases only.

RETAILER	RETAILER NAME	RETAILER CITY	FY 2023 SALES	COURIER
173466	LUCK ZONE	Round Rock	\$30,135,661.50	theLotter
182571	ALTX MANAGEMENT	Waco	\$1,141,011.00	Lottery.com
186208	WINNERS CORNER TX LLC	Austin	\$127,211,390.50	Jackpocket
187369	LOTTERY.COM	Spicewood	\$5,634,526.00	Lottery.com
188862	JAJA ACCESSORIES	Round Rock	\$11,367,979.00	theLotter
190533	PLAYERS CAFE TX LLC	Cedar Park	\$22,809,541.00	Lotto.com
192446	HOOKEED ON MT	Colleyville	\$15,477,159.00	Mido Lotto
192763	LUCKY CHOICE LIMITED LIABILITY	San Antonio	\$1,812,329.00	Jackpot.com
193401	PLAYERS CAFE	Austin	\$7,075,298.00	Lotto.com

# REDUNDANCIES AND IMPEDIMENTS

R&I – 2

## REDUNDANCIES AND IMPEDIMENTS BOSS AND BSP CONVERSION

<b>Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)</b>	General Appropriations Act, Goal B Enforce Bingo Laws Occupations Code Chapter 2001, aka the Bingo Enabling Act
<b>Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations</b>	<p>The Bingo Operating Service System (BOSS) is the agency's charitable bingo licensing and accounting application, and the Bingo Service Portal (BSP) is the outward facing application used by license holders to track their licenses and payments, to submit applications and quarterly reports, and to make corresponding license fee and prize fee payments. Both systems have been in use since 2015. To meet the ongoing needs of the agency's Charitable Bingo Operations Division (CBOD) and to ensure continued systems and data availability, it is critical that the BOSS and BSP systems are converted.</p> <p>For BOSS, the project involves the conversion of an end-of-life legacy system to the current AZURE software development platform used at the Texas Lottery Commission. Upgrades to BOSS will also enhance reporting and analytics for the division.</p> <p>For BSP, the project involves a redesign that will allow for more online functionality for charitable bingo licensees in a more user-friendly environment and the conversion of an end-of-life legacy system to the current AZURE software development platform used at the Texas Lottery Commission. Upgrades to BSP will also reduce significant staff time spent processing many quarterly reports, license applications, and related payments that are currently filed in hard copy.</p>
<b>Provide Agency Recommendation for Modification or Elimination</b>	<p>The agency's recommendation is to procure the services of three (3) contract programmers to assist current dedicated IT staff with the conversion. This recommendation would allow completion of the conversion of all BOSS modules and BSP but would provide no additional resources post-conversion. Post conversion support and ongoing maintenance would revert to the existing IT staff dedicated to supporting the Charitable Bingo Operations Division. Agency staff is also reviewing and considering related Management Actions included in the Sunset Advisory Commission Staff Report.</p> <p>This recommendation, plus additional upgrades recommended in the Sunset Staff Report, are an estimated \$1,890,000 for the FY 2025 – 2026 biennium.</p>
<b>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</b>	Upgrades to BSP will allow licensees to file more of the required forms and payments online and in a more user-friendly environment. A more user-friendly system will reduce paper handling by staff and help licensees avoid postal delays. Upgrades to BOSS will enhance reporting and analytics for the division.

# REDUNDANCIES AND IMPEDIMENTS

R&I – 3

## REDUNDANCIES AND IMPEDIMENTS

### RECRUITING AND RETENTION OF QUALIFIED BINGO STAFF

<p><b>Service, Statute, Rule or Regulation</b> (Provide Specific Citation if Applicable)</p>	<p>General Appropriations Act, Strategy, Goal B Enforce Bingo Laws Occupations Code Chapter 2001, aka the Bingo Enabling Act</p>
<p><b>Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations</b></p>	<p>CBOD's salaries and payroll-related costs comprise at least 80% of the annual appropriated budget. In the last 10 years, the overall CBOD appropriations have decreased 13%. The salary adjustment appropriations authorized by the 88<sup>th</sup> Legislature provided relief, but not enough to incentivize potential qualified applicants or to retain staff longer. Turnover in FY 2022 was 15.6% and in FY 23 it was 25.8%.</p> <p>CBOD's budget does not allow the division to post vacancies at salary levels comparable to similar postings in other state agencies. This impacts CBOD's ability to hire and retain qualified staff. The division's turnover rate is high, partially due to staff leaving for higher-paid jobs or being dissatisfied with their salaries. Often, the division must repost the same vacancy two or more times before finding a suitable candidate who will accept the job offer.</p> <p>In FY 2022, CBOD had an average monthly vacancy rate of 23%. In FY 23, the average monthly vacancy decreased slightly to 21% because of increased hiring efforts; however, retirements and resignations continued to impact retention.</p> <p>As of February 2024, 23% of CBOD staff is eligible to retire or will be eligible within the next 2 years and 46% have fewer than 2 years tenure, 19% have 3-10 years tenure, and 27% have more than 11 years tenure with the division.</p> <p>In addition to hiring qualified and capable staff, retention is equally important. Competing with private sector salaries or other state agencies with higher classifications and salaries has been challenging. Maintaining the current fund authority for Goal B into the next biennium presents additional challenges to provide incentives for one-time merits for exceptional performance, equity adjustments or salary increases without impacting salaries of potential employees or funds currently for operational direct costs.</p>
<p><b>Provide Agency Recommendation for Modification or Elimination</b></p>	<p>The Texas Lottery will conduct a salary survey for classification and salaries of CBOD positions to other Texas state agencies and review employee pay within each employee's salary range. Based on these results, the agency will request from the Legislature appropriation authority from General Revenue Funds that will support the needed funds for appropriate salary actions.</p>
<p><b>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</b></p>	<p>Appropriation authority to recruit, hire and retain qualified and capable staff will enhance the CBOD's ability to maximize its efficiencies and delivery of its services with trained and experienced staff.</p>



# REDUNDANCIES AND IMPEDIMENTS

R&I – 4

## REDUNDANCIES AND IMPEDIMENTS

### UNEXPENDED BALANCE AUTHORITY FOR BINGO OPERATIONS

<b>Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable)</b>	General Appropriations Act, 87 <sup>th</sup> Session, Article VII. Bill Pattern Riders.
<b>Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations</b>	Charitable Bingo Operations Division (CBOD) is at a disadvantage to address projects or initiatives that extend into the second fiscal year of the biennium and that remain within the appropriation budget limitations. The CBOD operation activities are less than 20% of the <i>Goal B: Enforce Bingo Laws</i> appropriations. Planning for unexpected costs, large projects or additional investigations is limited by the availability of appropriation authority.
<b>Provide Agency Recommendation for Modification or Elimination</b>	Granting the Texas Lottery unexpended balance authority within the biennium of General Revenue Funds will allow the CBOD the authority to address projects or initiatives which extend into the second year of the biennium or are impacted by the staffing turnover experienced by the division.
<b>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</b>	This authority gives CBOD the authority to complete important projects which increase productivity, reliability, and the availability of services to the public.

# BUDGET STRUCTURE

GOAL 1:	<p>Operate Lottery</p> <p>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.</p>
OBJECTIVE 1.1:	<p>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.</p>
Outcomes:	<p>Percent of retailers satisfied with Lottery Commission</p> <p>Per capita net Lottery sales</p> <p>Percentage of net Lottery sales spent on agency administration</p> <p>Percentage of bad debt to Lottery sales</p> <p>Ratio of promotion expense to net Lottery sales</p> <p>State revenue received per advertising dollar expended on Lottery games promotion</p> <p>Percent of licensees with no recent violations</p>
STRATEGY 1.1.1.:	<p>Lottery Operations</p>
Definition:	<p>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.</p> <p><u>Output Measures:</u></p> <p>Number of retailer business locations licensed</p> <p>Number of denials or revocations of licenses</p> <p>Dollars collected via the debt set-off program (thousands)</p> <p>Number of new licenses issued to individual retailers</p> <p>Number of licenses renewed to individual retailers</p> <p><u>Efficiency Measure:</u></p> <p>Average cost per license application completed</p>

## SUPPLEMENTAL SCHEDULE A

### STRATEGY 1.1.2.: 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 15 field claim center locations.

Output Measure:

Number of prize payments processed by the Texas Lottery (thousands)

### STRATEGY 1.1.3.: Product Development

**Definition:** Lottery product development, promotional events and items, and sales enhancement efforts. Facilitate the planning, development, deployment, implementation and communication of entertaining and effective scratch ticket games.

Output Measures:

Number of newsletters distributed to retailers

Number of retailer visits

Efficiency Measure:

Average cost per survey issued

### STRATEGY 1.1.4.: 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

Efficiency Measures:

Average time to complete investigation (days)

Average cost per completed investigation

Average time to complete lottery background investigations (days)

STRATEGY 1.1.5.: Central Administration

Definition: Provide executive and support functions of the Texas Lottery Commission through executive management, financial services, information technology, legal services, governmental affairs, internal audit and human resources.

STRATEGY 1.1.6.: 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 1.1.7.: 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 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 1.1.8.: Promote Lottery Games Contract(s)

Definition: Provide for the media planning, buying and placement of radio, digital, social, experiential, print, television and billboard promotion of lottery games, as well as billboard production, across the state of Texas.

## SUPPLEMENTAL SCHEDULE A

### Output Measures:

Billboard expenditures from promote lottery games appropriation (millions)  
Other promotion expenditures from promote lottery games appropriation (millions)

STRATEGY 1.1.9.: 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, webcast services and/or satellite transmission services for the broadcast of Texas Lottery draw game draws.

STRATEGY 1.1.10.: Retailer Bonus

Definition: Maximize revenue to the State of Texas by providing lottery sales agents with bonuses for selling certain jackpot winning tickets in accordance with Commission statutes, rules and procedures.

STRATEGY 1.1.11.: Retailer Commissions

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

GOAL 2: Enforce Bingo Laws

Timely and fairly enforce all statutes and regulations relating to charitable bingo to determine that all proceeds derived from bingo are used for a lawful purpose and charitable bingo games are conducted fairly.

OBJECTIVE 2.1: Process, investigate and evaluate all bingo applications efficiently; promote voluntary compliance with all applicable bingo statutes and regulations; process all quarterly reports and payments filed by licensees, and assign disciplinary action to violators of the statutes and regulations.

Outcomes: Percent 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  
Charitable distributions 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 2.1.1.:

### 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 registry application processing time (days)

#### Explanatory Measure:

Number of annual license holders  
Number of annual worker registrants

## STRATEGY 2.1.2.:

### Bingo Education and Development

#### Definition:

Provide for the education and development of all licensed organizations that conduct Charitable Bingo activities in this state through training, publications, and charitable bingo website containing relevant information relating to regulatory requirements.

#### Output Measures:

Number of individuals receiving education

## STRATEGY 2.1.3.:

### 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.



## SUPPLEMENTAL SCHEDULE A

### 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 Bingo audit and review completed

### STRATEGY 2.1.4.:

Bingo Prize Fee Collection and Accounting

### Definition:

Manage charitable bingo financial data regarding collections of revenue to the State of Texas. 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

Number of Bingo reports processed

## LIST OF MEASURE DEFINITIONS

### Goal A: Lottery

#### Outcome Measure 1.1.1: 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 the Texas Lottery Commission using an internet-based survey tool. Surveys are processed, and results tabulated. The resulting data are compiled and maintained by Retailer Services.

##### Method of Calculation:

The results of the internet-based survey are tabulated, and a results report is generated. The percentage is calculated by taking the number of retailers rating the Texas Lottery's services as either "Good" or "Excellent" divided by the total number of retailers 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:

No

##### Target Attainment:

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

#### Outcome Measure 1.1.2: 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 1.1.3: 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:**

Annual ticket revenue and operating expenditures are recorded in the agency's internal and in the state's financial accounting systems.

**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

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

#### Outcome Measure 1.1.4.: 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 1.1.5: Ratio of Promotion Expense to Net Lottery Sales****Short Definition:**

This measure reflects the amount spent on promoting Lottery Games (including point-of-sale materials, electronic and print media, and experiential promotions), 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 dollars spent promoting lottery games by the Texas Lottery Commission.

**Source/Collection of Data:**

Gross lottery revenue and operating expenditures are recorded in the agency's internal and in the state's financial accounting systems.

**Method of Calculation:**

This measure is calculated by dividing the amount spent on promoting lottery games 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 promoting lottery games during the year.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target



## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

#### Outcome Measure 1.1.6: State Revenue Received Per Dollar Expended on Lottery Games Promotion

**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 dollars expended on lottery games promotion.

**Purpose/Importance:**

This performance measure is intended to demonstrate the correlation between net revenue to the State and dollars spent by the Texas Lottery Commission on lottery games promotion.

**Source/Collection of Data:**

The net revenue to the State and promotion 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 promotion.

**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 1.1.7: 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:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.1. Lottery Operations

#### Output Measure 1.1.1.1: 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:**

No

**Target Attainment:**

Higher than target

**Goal A: Lottery****Strategy 1.1.1. Lottery Operations****Output Measure 1.1.1.2: 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 Legal Services 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 Legal Services 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

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.1. Lottery Operations

#### Output Measure 1.1.1.3: 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 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 1.1.1. Lottery Operations****Output Measure 1.1.1.4: 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



## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.1. Lottery Operations

#### Output Measure 1.1.1.5: 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 1.1.1. Lottery Operations****Efficiency Measure 1.1.1.1: 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 cost 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, conducting credit history reviews and processing fingerprints.

**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, along with costs incurred for processing fingerprints. 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 license 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

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.2. Lottery Field Operations

#### Output Measure 1.1.2.1: Number of Prize Payments Processed by the Texas Lottery (Thousands)

**Short Definition:**

This measure reports the total number of prize payments processed by the Texas Lottery. Prizes less than \$600.00 may be claimed at licensed Texas Lottery retailers, Texas Lottery claim center or by mail. Due to tax reporting requirements, prizes greater than \$599.00 must be claimed at a Texas Lottery claim center or by mail. Prizes between \$600.00 and \$5,000.00 may also be claimed through the Texas Lottery's mobile application in addition to at Texas Lottery claim centers and by mail. This measure does not report vouchers for promotional second chance drawing prizes.

**Purpose/Importance:**

This measure is intended to reflect an important aspect of the volume of work performed by the Texas Lottery as related to the processing of prize payments.

**Source/Collection of Data:**

Prize payments are processed after a claimant submits a winning ticket and their personal information. A validation is performed on the ticket and the claimant's personal information is entered into the Lottery Operator Gaming System (LOGS). The successful validation and entry of the personal information results in the creation of a uniquely numbered prize payment. Claim Center staff obtain the number of prize payments processed from a report generated from the LOGS.

**Method of Calculation:**

Number of prize payments processed is obtained by totaling the prize payments processed by the Texas Lottery in the LOGS during the reported quarter.

**Data Limitations:**

The report used to calculate this data have well-defined parameters. The number of prize payments processed could be affected by payments 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 1.1.3. Product Development****Output Measure 1.1.3.1: 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, new game introductions, practical sales techniques, security issues, field staff information, incentive programs, consumer protection, responsible gambling and other lottery related topics.

**Source/Collection of Data:**

Newsletters are distributed to active retailers and chain retailer headquarters, during the reporting period. Retailer Services staff obtain the number of active retailer locations and chain retailer headquarters from a report generated from the Lottery Operator Gaming System. The number of active retailer locations that only sell a limited range of lottery products in-lane without a lottery terminal and the associated chain headquarters are subtracted from the totals obtained from the report, as newsletters are not distributed to these retailers.

**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, minus the number of active in-lane only retailer and their associated chain headquarters, for each month a newsletter was distributed for the reporting period.

**Data Limitations:**

The number of newsletters distributed is dependent upon the number of active retail locations and chain retailer headquarters.

**Calculation Type:**

Cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.3. Product Development

#### Output Measure 1.1.3.2: 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, with the exception of retail locations that only sell a limited range of lottery products in-lane without a lottery terminal, is assigned to a Lottery operator sales representative (LSR). LSRs visit each of their assigned retailers at least once per month and a minimum of 40% of retailers are visited two or more times per month. The number of retailer visits is dependent upon the number of individual retailer locations selling Lottery products.

**Method of Calculation:**

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 Lottery Operator Gaming System. 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 1.1.3. Product Development****Efficiency Measure 1.1.3.1: 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 the Texas Lottery Commission using an internet-based survey tool. Surveys are processed and the results tabulated and provided 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 cost for the internet-based survey tool, salary cost for select personnel assigned to develop and administer the online survey, printing cost for the newsletter surveys and dividing by the number of surveys issued.

**Data Limitations:**

Costs may vary due to changes in salaries, cost for the internet-based survey tool, printing, and the distribution schedule of retailer newsletters.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target



### Goal A: Lottery

### Strategy 1.1.4. Security

#### Output Measure 1.1.4.1: Number of Lottery Investigations Initiated

**Short Definition:**

This measure reports the total number of lottery investigations opened by or assigned to the Enforcement Division during the quarter.

**Purpose/Importance:**

This serves as an accurate measure of the total number of investigations initiated, which provides key information regarding resource allocation.

**Source/Collection of Data:**

The opening date of an investigation is recorded in 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.

**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 1.1.4. Security****Output Measure 1.1.4.2: 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 referrals from police agencies, external complaints received from the public and/or referrals received internally from the Lottery Operations Division, questionable lottery claims, and investigations referred by other agency divisions.

**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 when the investigative report is approved by the Enforcement Division Director. 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 cases investigated by the Enforcement Division that are closed by approval from the Enforcement Division Director regardless of when the case was 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 complainant, suspect, or witness's cooperation may affect the number of investigations completed.

**Calculation Type:**

Cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.4. Security

#### Output Measure 1.1.4.3: 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 other individuals as assigned. Lottery background investigations are conducted in order to determine the eligibility of the requested party.

**Purpose/Importance:**

This measure records the total number of background investigations completed by the Enforcement Division.

**Source/Collection of Data:**

A lottery background investigation is completed when the report has been approved in the Compliance Activity Monitoring Process (CAMP). The number of completed background investigations with approval dates is recorded in the 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 other individuals 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 1.1.4. Security****Efficiency Measure 1.1.4.1: 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 affecting 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 lottery investigation is completed when the Enforcement Division Director has approved the report in the Compliance Activity Monitoring Process (CAMP). The number of days to complete an investigation from the date assigned until approved is recorded in the CAMP 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 approved by the Enforcement Division Director 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 complainant, suspect, or witness's cooperation may affect the number of investigations completed.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.4. Security

#### Efficiency Measure 1.1.4.2: 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 investigations (excluding supervisory salaries and salary benefits costs) divided by the number of approved lottery investigations completed within the quarter.

**Data Limitations:**

Costs per completed investigation are difficult to project based on current economic fluctuations and legislative changes. Additionally, the location of the investigation, suspect or witnesses may impact the costs of performing investigations.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target

**Goal A: Lottery****Strategy 1.1.4. Security****Efficiency Measure 1.1.4.3: 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 proactive measures and/or allocate staffing and resources appropriately.

**Source/Collection of Data:**

A lottery background investigation is completed when the report has been approved in the Compliance Activity Monitoring Process (CAMP). The number of days to complete an investigation from the date assigned until approved is recorded in the 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 it is completed 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 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:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal A: Lottery

### Strategy 1.1.8. Promote Lottery Games Contract(s)

#### Output Measure 1.1.8.1: Billboard Expenditures from Promote Lottery Games Appropriation (Millions)

**Short Definition:**

This performance measure shows the number of dollars the Texas Lottery Commission spends on the promotion of lottery games for billboard media and production across the state of Texas.

**Purpose/Importance:**

Texas Lottery Commission promotion of lottery products creates awareness and impacts sales of all Texas Lottery products.

**Source/Collection of Data:**

The media and production expenditures for billboard promotion of lottery games are obtained from the Lottery's financial accounting system.

**Method of Calculation:**

This measure is calculated in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter by taking the current actual amount expended on lottery division media and production services associated with billboard promotion of lottery games for the reporting periods. The 4<sup>th</sup> quarter is calculated by taking the current actual amount expended and encumbered for lottery division media and production services associated with billboard promotion of lottery games.

**Data Limitations:**

Estimated targets are based on projected annual promotion of lottery games plan 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 1.1.8. Promote Lottery Games Contract(s)****Output Measure 1.1.8.2: Other Promotion Expenditures from Promote Lottery Games Appropriation (Millions)****Short Definition:**

This performance measure shows the number of dollars the Texas Lottery Commission spends on the promotion of lottery games in the following categories: vendor administration fee, media and production, radio, digital, social, experiential, print and television. This measure does not include billboard media and production costs.

**Purpose/Importance:**

Texas Lottery Commission promotion of lottery products creates awareness and impacts sales of all Texas Lottery products.

**Source/Collection of Data:**

Vendor administration fee expenditures as well as media and production expenditures for lottery games promotions not included in the billboard category are obtained from the Lottery's Financial Accounting System.

**Method of Calculation:**

This measure is calculated in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter by taking the current actual amount expended on vendor administration fees expenditures as well as media and production services for radio, digital, social, experiential, print, and television lottery game promotions not included in the billboard category for the reporting periods. The 4<sup>th</sup> quarter is calculated by taking the current actual amount expended and encumbered for vendor administration fees, as well as media and production services for radio, digital, social, experiential, print, and television lottery game promotions not included in the billboard category.

**Data Limitations:**

Estimated targets are based on projected annual lottery games promotion 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

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

#### Outcome Measure 2.1.1: 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 Operating Service System (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:

No

##### Target Attainment:

Higher than target

**Goal B: Charitable Bingo****Outcome Measure 2.1.2: 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 Operating Service System (BOSS) for the number of audits completed and the number of audits which identified violations of the Act or Rules and have been referred for disciplinary action.

**Method of Calculation:**

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:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

#### Outcome Measure 2.1.3: 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:**

No

**Target Attainment:**

Lower than target

**Goal B: Charitable Bingo****Outcome Measure 2.1.4: 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:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

#### Outcome Measure 2.1.5: Charitable Distributions Received by Charitable Organizations (in Millions)

**Short Definition:**

This measure captures the amount of dollars (expressed in millions) reported as distributed by licensed conductors of bingo games from their bingo bank account for charitable purposes during a reporting period.

**Purpose/Importance:**

This measure provides the amount of dollars used by licensed conductors for charitable purposes in Texas, which is the purpose of charitable bingo.

**Source/Collection of Data:**

The data is reported by the licensee to the Commission on the quarterly report and is noted as “Charitable Distributions”. Quarterly reports submitted are recorded in the division’s Bingo Operating Service System (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 distributions made to the charitable organization for 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:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Outcome Measure 2.1.6: 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:**

Quarterly reports, including information about a licensee's charitable distributions, are recorded in the Bingo Operating Service System (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:**

No

**Target Attainment:**

Higher than target



## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

#### Outcome Measure 2.1.7: 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:**

Active licensees and audits are tracked in the Bingo Operating Service System (BOSS).

**Method of Calculation:**

This measure is calculated by dividing the number of organizations for which an audit is completed by the total number of licensed authorized organizations that held an active license during the fiscal year.

**Data Limitations:**

None

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Outcome Measure 2.1.8: 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 Operating Service System (BOSS) for inspections.

**Method of Calculation:**

This measure is calculated by dividing the number of organizations for which an inspection is completed by the total number of licensed authorized organizations that held an active license during the fiscal year.

**Data Limitations:**

The number of inspections conducted is partially complaint driven. Therefore, the number of complaints received from the public may affect the percentage of organizations receiving an inspection.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.1. Bingo Licensing

#### Output Measure 2.1.1.1: 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:**

All licenses, including temporary licenses, are tracked in the Bingo Operating Service System (BOSS).

**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:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Strategy 2.1.1. Bingo Licensing****Output Measure 2.1.1.2: 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 license applications for worker registrants, manufacturers, distributors, lessors and conductors are tracked, from date of receipt to date of process completion, in the Bingo Operating Service System (BOSS).

**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:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.1. Bingo Licensing

#### Output Measure 2.1.1.3: 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:**

Bingo workers applications, whether original or renewals, are tracked in the Bingo Operating Service System (BOSS).

**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:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Strategy 2.1.1. Bingo Licensing****Efficiency Measure 2.1.1.1: 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:**

New license applications are tracked, from date of receipt to date of issuance, in the Bingo Operating Service System (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:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.1. Bingo Licensing

#### Efficiency Measure 2.1.1.2: 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 renewal license applications are tracked, from date of receipt to date of issuance, in the Bingo Operating Service System (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:**

No

**Target Attainment:**

Lower than target



**Goal B: Charitable Bingo****Strategy 2.1.1. Bingo Licensing****Efficiency Measure 2.1.1.3: 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 license applications and amendments are tracked in the Bingo Operating Service System (BOSS). Staff salary information is acquired from the agency's Office of Controller. Postage information is obtained from the Administration 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:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.1 Bingo Licensing

#### Efficiency Measure 2.1.1.4: 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:**

Original and renewal worker registry applications are tracked, from date of receipt to date of issuance, in the Bingo Operating Service System (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 where records must be obtained from various jurisdictions for review prior to approval or denial of the application.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target

**Goal B: Charitable Bingo****Strategy 2.1.1. Bingo Licensing****Explanatory Measure 2.1.1.1: Number of License Holders****Short Definition:**

This measure reports the number of conductors, lessors, manufacturers, and distributors that held an active bingo license during the fiscal year.

**Purpose/Importance:**

This measure identifies the number of conductors, lessors, manufacturers, and distributors that held an active bingo license during the fiscal year.

**Source/Collection of Data:**

Licenses for conductors, lessors, manufacturers, and distributors and their statuses are tracked in the Bingo Operating Service System (BOSS).

**Method of Calculation:**

The total number of conductors, lessors, manufacturers, and distributors holding an active license on August 31<sup>st</sup> each year plus those licensees, whose license was surrendered, revoked, expired, and applications for renewal that were denied or withdrawn during the fiscal year.

**Data Limitations:**

None

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.1. Bingo Licensing

#### Explanatory Measure 2.1.1.2: 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:**

Bingo workers listed on the worker registry are tracked in the Bingo Operating Service System (BOSS).

**Method of Calculation:**

The total number of bingo workers on the worker registry who were active during the fiscal year, as of August 31<sup>st</sup> of each year.

**Data Limitations:**

None

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Strategy 2.1.2. Bingo Education and Development****Output Measure 2.1.2.1: 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:**

An individual's completion of the Bingo Training Program is tracked in the Bingo Operating Service System (BOSS) when the individual certifies completion in the Bingo Service Portal.

**Method of Calculation:**

The total number of individuals recorded to have completed the Bingo Training Program and individuals taking 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 take the training classes.

**Calculation Type:**

Cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.3. Bingo Law Compliance Field Operations

#### Output Measure 2.1.3.1: 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, and electronic card-minding device projects conducted by Audit, Compliance 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 Operating Service System (BOSS).

**Method of Calculation:**

The total number of Bingo inspections conducted by Audit, Compliance and Enforcement staff during the fiscal year.

**Data Limitations:**

The number of inspections conducted is partially complaint driven. Therefore, the number of complaints received from the public may affect the number of inspections conducted.

**Calculation Type:**

Cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Strategy 2.1.3: Bingo Law Compliance Field Operations****Output Measure 2.1.3.2: 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 Operating Service System (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:**

No

**Target Attainment:**

Higher than target



## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.3: Bingo Law Compliance Field Operations

#### Output Measure 2.1.3.3: 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 Operating Service System (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, subjects or witnesses may also affect the number of investigations resolved.

**Calculation Type:**

Cumulative

**New Measure:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Strategy 2.1.3. Bingo Law Compliance Field Operations****Output Measure 2.1.3.4: 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:**

Dollar amount adjustments are noted in the Bingo Operating Service System (BOSS) upon completion of an audit or inspection.

**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 2.1.3. Bingo Law Compliance Field Operations

#### Output Measure 2.1.3.5: 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 regardless of when the case was opened. A bingo investigation is completed when the report has been approved in the Compliance Activity Monitoring Process (CAMP).

**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:**

No

**Target Attainment:**

Higher than target

**Goal B: Charitable Bingo****Strategy 2.1.3. Bingo Law Compliance Field Operations****Efficiency Measure 2.1.3.1: 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 Operating Service System (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, subjects and witnesses may also affect the length of time it takes to resolve an investigation.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.3. Bingo Law Compliance Field Operations

#### Efficiency Measure 2.1.3.2: 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, subjects and witnesses may also affect the cost to resolve an investigation.

**Calculation Type:**

Non-cumulative

**New Measure:**

No

**Target Attainment:**

Lower than target

**Goal B: Charitable Bingo****Strategy 2.1.3. Bingo Law Compliance Field Operations****Efficiency Measure 2.1.3.3: 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 Operating Service System (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:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.3. Bingo Law Compliance Field Operations

#### Efficiency Measure 2.1.3.4: 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 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 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:**

No

**Target Attainment:**

Lower than target



**Goal B: Charitable Bingo****Strategy 2.1.3. Bingo Law Compliance Field Operations****Efficiency Measure 2.1.3.5: 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 Operating Service System (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:**

No

**Target Attainment:**

Lower than target

## SUPPLEMENTAL SCHEDULE B

### Goal B: Charitable Bingo

### Strategy 2.1.4. Bingo Prize Fee Collection and Accounting

#### Output Measure 2.1.4.1: Percentage of Licensees Who Fail to Pay

**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:**

Past due or insufficient fund payments from conductors are noted in the Bingo Operating Service System (BOSS).

**Method of Calculation:**

This measure is calculated by dividing the number of conductors who failed to pay the appropriate 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:**

No

**Target Attainment:**

Lower than target

**Goal B: Charitable Bingo****Strategy 2.1.4. Bingo Prize Fee Collection and Accounting****Output Measure 2.1.4.2: 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:**

Quarterly reports received from licensed individuals and organizations are tracked in the Bingo Operating Service System (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:**

No

**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 increase the contract awards for the purchase of goods or services that the agency expects to make during a fiscal year to historically underutilized businesses. 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 Service-disabled Veterans.

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*\* 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% of all classes of the shares of stock or other equitable securities are owned by one or more persons identified above;
- b) a sole proprietorship created for the purpose of making a profit that is 100% owned, operated, and controlled by a person identified above;
- c) a partnership formed for the purpose of making a profit in which 51% 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; or
- f) a business other than described in (b), (c), (d), and (e) above, 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% of the assets and 51% 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% 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:

<b>Procurement Categories*</b>	<b>FY 2024 Agency HUB Goals**</b>
Special Trade Construction	32.9%
Professional Services Contracts	22.6%
Other Services Contracts	22.1%
Commodity Contracts	21.1%

\* 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 ([texaslottery.com](http://texaslottery.com)), 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, woman, and service-disabled veteran-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, assist vendors with the HUB subcontracting plan (HSP) process by offering one-on-one HSP workshops, review draft HSPs 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 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 participate in the TLC's HUB Forums, providing information and networking opportunities to HUBs.



## 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 administering Texas Lottery games in an efficient and secure manner using appropriate marketing tools and innovative technology to generate revenue for the State of Texas while enhancing public confidence in the integrity and fairness of the games.

The Charitable Bingo Operations Division is charged under the Bingo Enabling Act with the regulation and administration of all charitable bingo-related activities in the state of Texas and contributes to the

## SUPPLEMENTAL SCHEDULE F

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 ten 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 11 divisions: Administration, Charitable Bingo Operations, Enforcement, Executive, Governmental Affairs, Human Resources, Information Technology, Legal Services, Lottery Operations, Media Relations, and the Office of the Controller.

**TABLE F-1**

DIVISION	FTE
ADMINISTRATION	23
CHARITABLE BINGO OPERATIONS	30
ENFORCEMENT	16
EXECUTIVE	4
GOVERNMENTAL AFFAIRS	4
HUMAN RESOURCES	7
INFORMATION TECHNOLOGY	45
LEGAL SERVICES	11.5
LOTTERY OPERATIONS	154
MEDIA RELATIONS	5
OFFICE OF THE CONTROLLER	22
<b>TOTAL</b>	<b>321.5</b>

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 321.5 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
- Human resources management
- 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

## SUPPLEMENTAL SCHEDULE F

### B. Workforce Demographics

The Texas Lottery Commission strives for diversity of its workforce, which is illustrated in Tables F-2, F-3 and F-4. The agency's workforce composition during FY 2023 was: 10% African American, 33% Hispanic, 49% White, 4% Asian, 2% American Indian or Alaskan Native and 2% Two or More Races. During the same time period, the agency's staff was 59% female and 41% male. Eighty-four percent of the workforce was 40 years of age or older.

**TABLE F-2**  
**AGE OF EMPLOYEES**  
(FY 2023)

29 AND UNDER	3%
BETWEEN 30 AND 39	13%
BETWEEN 40 AND 49	26%
BETWEEN 50 AND 59	35%
MORE THAN 60	22%
MORE THAN 70	1%

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

**TABLE F-3**  
**EMPLOYEE ETHNIC AND GENDER REPRESENTATION (FY 2023)**

GENDER	AFRICAN AMERICAN	HISPANIC	WHITE	ASIAN	AMERICAN INDIAN/ ALASKAN NATIVE	TWO OR MORE RACES	TOTAL
FEMALES	7%	20%	27%	3%	1%	1%	59%
MALES	3%	13%	22%	1%	1%	1%	41%
<b>TOTAL</b>	<b>10%</b>	<b>33%</b>	<b>49%</b>	<b>4%</b>	<b>2%</b>	<b>2%</b>	<b>100%</b>

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

**TABLE F-4**  
**WORKFORCE DIVERSITY DATA (FY 2023)**

JOB CATEGORY	AFRICAN AMERICAN	HISPANIC	FEMALE
OFFICIALS AND ADMINISTRATORS	0%	18%	59%
ADMINISTRATIVE SUPPORT	16%	34%	61%
PROFESSIONALS	9%	36%	58%
TECHNICIANS	20%	2%	49%

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 consistently 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	2019	2020	2021	2022	2023
TEXAS LOTTERY	12.2%	10.1%	12.1%	10.3%	13.3%
STATEWIDE	20.3%	18.6%	21.5%	22.7%	18.7%

Source: SAO Classified Employee Turnover Fiscal Year Reports

### D. Retirement Eligible Employees

In FY 2025 through 2029, approximately 118 current employees are projected to be eligible to retire from the Employees Retirement System of Texas (ERS).

## III. FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

### A. Expected Workforce Changes

With technological advances, the information requirements 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 full-time equivalent (FTE) requirements of the agency.

### B. Future Critical Functions

The Texas Lottery Commission does not anticipate changes to the current critical functions needed to achieve the goals of the 2025 – 2029 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 the current critical skills listed in Section II will continue to be needed and, as technology moves forward, 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, additional staffing levels and workforce composition might need to be considered. If 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 adequate 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 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 include participation in CAPPS Recruit, WorkinTexas.com and Indeed for internet job postings. Selected jobs are posted in other online job sites and in metropolitan job markets or professional association publications 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 2024 SURVEY OF EMPLOYEE ENGAGEMENT

The Texas Lottery Commission participated in the Survey of Employee Engagement in 2024 and achieved a very high 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 2024 survey was 91.7%. 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. Agency wide results show that employees perceived all the measured constructs more positively than negatively.

In particular, overall agency scores indicated that employees intrinsically like their jobs, their benefits, their work atmosphere, have a strong sense of community, and there is a very high level of employee engagement. They are willing to go above and beyond what is expected, feel committed to the organization and experience a notable level of job satisfaction.

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.



# 2024 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. 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 Commission'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 21,025 licensed retailers statewide offering lottery products at the end of FY 2023. 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 78% of licensed locations and over 94% 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 process to make it easier for retailers 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 CY 2023, there were 1,331 bingo licensees. Of these, 988 were charitable bingo conductors in Texas, including nonprofit organizations such as veteran organizations, religious societies, fraternal organizations, volunteer fire departments, and groups supporting medical research programs. There were 309 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 13 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 \$31 billion through FY 2023 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 monies owed to the state.

In addition, from FY 1995 through FY 2023, more than \$1.5 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 ticket game to benefit the Fund for Veterans' Assistance, which is managed by the Texas Veterans Commission. The agency now offers veteran themed scratch ticket games annually 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. Additionally, funds from unclaimed prizes in scratch ticket games benefiting veterans also support the Fund for Veterans' Assistance. Since the introduction of the first game in FY 2010, these games have generated more than \$221 million in revenue through FY 2023.

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. Through end of calendar year 2023, cumulative gross receipts from the conduct of charitable bingo are approximately \$26.7 billion. For the same period, bingo prizes awarded are approximately \$19.9 billion. The total amount of reported charitable distributions from the conduct of bingo are approximately \$1.35 billion.

### **B. Services Provided to Customers**

#### ***Texas Lottery Helpline (800-375-6886)***

The Texas Lottery's Retailer Services Department responds to customer contacts through the toll-free hotline. Helpline staff answer questions about retailer licensing, retailer accounting and general regulatory issues. They answer questions from the general public and Texas Lottery players while also directing callers to other internal and external sources if their questions are related to other subject areas. Helpline staff also communicate with retailers, lottery 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), including 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; and conduct retailer site inspections for ADA compliance related to complaints.

### ***IGT 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 24-hour toll-free assistance seven days a week, with the goal of avoiding any interruption in sales. Hotline staff help resolve technical issues related to terminals and provide current information about scratch ticket games, draw games, 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, the Bingo Advisory Committee 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 Operating Service System (BOSS) and Bingo Service Portal to provide better, faster responsiveness and less cumbersome service; solicitation of feedback from customers and Bingo licensees; and by making changes based on that input, where appropriate.

### ***Charitable Bingo Customer Service Contact 800-BINGO-77 (800-246-4677) Email: (bingo.services@lottery.state.tx.us)***

The toll-free number and email address are staffed by employees who can answer inquiries and provide assistance to both 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, 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 [texaslottery.com](http://texaslottery.com).

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- *Annual Report and Comprehensive Business Plan* – produced annually, the publication provides the Governor, legislators, oversight agencies, agency staff, citizens and other interested parties with financial information and an overview of operations which guide the lottery’s major initiatives to ensure their cost effectiveness. The *Annual Report and Comprehensive Business Plan* 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 ticket 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, on the agency’s website and on the Texas Lottery® App.
- Retailer Violation Bin Toppers – printed point of sale signage that is placed on the top of a scratch ticket dispenser with a message facing the clerk. The message reminds retailers to avoid common lottery violations and provides an example of the violation and penalties.
- *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, agency and vendor employees, and the general public about responsible gambling. The brochure lists tips for keeping play positive and provides contact information for resources for assisting anyone who may have a gambling problem. They are available on the lottery’s website and print versions are at claim centers and retailer locations.
- *Retailer Manual* – a reference guide for licensed lottery retailers that includes Texas Lottery and IGT contact information, lottery policies and procedures, best practices and operational overview of lottery terminals. A Retailer Violations Penalty Chart with citations, examples and penalties also is included. It is available on the lottery’s website and printed versions are provided to all licensed retailers.
- *RoundUp* – a monthly newsletter designed for and distributed to retailers throughout Texas free of charge. It is also available on the agency’s website.

- *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. It is available on the lottery’s website and printed versions are distributed at claim centers and licensed retailer locations.
- *CBOD Director’s Message* – a periodic newsletter for the bingo community that provides licensees important information about related topics such as education and training, important dates, and tips on operating successful bingo.
- *CBOD Biennial Report of Certain Charitable Bingo Financial Information* – a report that is required of the CBOD in accordance with Section 2001.060 of the Bingo Enabling Act. It is produced every even-numbered year and provides, for each of the preceding two calendar years, the total amount of adjusted gross receipts, the total amount of net proceeds, and the amount of net proceeds as a percentage of adjusted gross receipts, as reported by licensed organizations from their bingo operations. The report is available on the charitable bingo website at **txbingo.org**.

### ***Internet Sites***

The Texas Lottery website (**texaslottery.com**) 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 ticket games. 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, enter second-chance drawings and get information about lottery scams. The Social Responsibility section includes information on Texas Alert Programs and provides retailers and consumers with responsible gambling resources for training and help with gambling problems.

More than 8.2 million visitors a month go to **texaslottery.com** for this news and information. Visitors may also email questions, comments and concerns directly to the Texas Lottery.

The Texas Lottery search feature, Retailer Locator, 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 access self-check equipment to check the winning status of lottery tickets. 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 December 2020, the Texas Lottery launched a redesign of its website, featuring a fresh, modern design that incorporates the latest web technology, making site navigation across both web and mobile platforms more intuitive for its users. The update included an expanded layout for the latest draw games on the homepage and an all-new “Player Area” that houses popular resources for Texas Lottery® players.



## SUPPLEMENTAL SCHEDULE H

In 2021, the Texas Lottery Commission's website address shifted to **texaslottery.com**, replacing the txlottery.org domain. This transition was made in connection with the December 2020 launch of the agency's redesigned lottery website. The move to **texaslottery.com** incorporated stronger brand recognition for the agency.

The Lottery Services Portal (LSP) website provides existing and potential Texas Lottery retailers with the convenience and efficiency of secure, online access to lottery reports and functions. LSP was designed with both current and potential retailers in mind by providing commonly used 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. 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.

The Texas Lottery introduced its first online retailer training tool, Lottery Learning Link in 2017. The free service to retailers was replaced in 2024 with Learning Wizard. The new service 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 and does not replace required new retailer training classes. The Learning Wizard 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. In the calendar year 2023, an average of 11,738 people visited **txbingo.org** each month to access information.

The Bingo Service Portal (BSP) allows licensees online access to important information related to the management of their licenses and required training, and allows bingo workers access to manage their worker registry information. Additionally, a variety of statewide reports and a bingo hall locator are available.

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 2016, the agency launched a mobile app providing a convenient platform to expand the public's access to Texas Lottery game information and to enhance the player support services. As of April 2024, there were approximately 3.1 million active app users. The app features "Check My Ticket"

functionality providing an added layer of consumer protection as players can conveniently verify the winning status of tickets and the value of prizes on their mobile device. The Texas Lottery's app and social media initiatives do not offer ticket sales. All purchases of lottery games must occur at licensed lottery locations, including special events, or from a designated Texas Lottery claim center. The Texas Lottery does not propose enabling the sale of tickets over mobile devices or the internet. The agency will continue to focus on developing enhancements to the mobile app to provide increased information access and convenience to lottery customers while protecting the integrity of games and processes. Recent upgrades to the app have further enhanced player convenience and security by providing the ability to claim prizes from \$600 – \$5,000 via electronic bank transfer.

### ***Social Media***

Social media is at the forefront of the Texas Lottery Commission's efforts to reach and communicate with new and existing adult consumers. The Texas Lottery currently communicates with more than 318,000 followers about its products and events across a variety of social media platforms, including Facebook, X, Instagram, LinkedIn and YouTube. The Texas Lottery's media relations and advertising departments continue an agile approach of producing digital content in-house, which has resulted in an increase of high-quality and cost-friendly content being distributed on social media to support various product initiatives throughout the year. In 2018, the Texas Lottery also began posting lottery drawings to its YouTube channel, expanding the cost-effective ways in which the agency distributes its official lottery drawing programs. All content is monitored, and prompt responses are provided by the agency. Additionally, the agency uses social media as a tool to share the PLAY RESPONSIBLY message.

The Charitable Bingo Operations Division has an official Facebook account and a playlist on the Texas Lottery YouTube channel to share training and education opportunities for bingo licensees.

The Texas Lottery'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 Texas Lottery 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
<b>A. LOTTERY PLAYERS</b>		
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>B. LOTTERY RETAILERS</b>		
RETAILER SATISFACTION SURVEYS	Gather retailer opinions and measure retailers' satisfaction with services provided by the Texas Lottery and lottery operator.	Annually
QUARTERLY RETAILER SURVEYS	Query retailers on current issues related to Texas Lottery operations.	Quarterly
<b>C. CHARITABLE BINGO</b>		
BINGO CUSTOMER SATISFACTION SURVEYS	Gather licensee opinions and measure licensees' satisfaction with services provided by the CBOD.	Throughout the year

### 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. The Hobby School of Public Affairs at the University of Houston conducted the most recent state-mandated study, the *2022 Demographic Survey of Texas Lottery Players*, which was completed in November 2022.

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 2022, a total of 1,685 self-reported players and non-players were surveyed.

Margin of Error: The margin of error is  $\pm 2.4$  percent for a sample of 1,685 at the 95% level of confidence.

Customer Groups Excluded: Persons without cell phones, land-line telephones in their homes, or internet access.

Justification for Exclusion: Based on the Census 2022 American Community Survey 1-Year Survey, 93% of Texans 18 and older had an internet subscription.

## B. Lottery Retailers

### *Retailer Satisfaction 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, in coordination with other departments, creates the survey questions and incorporates revisions annually. Prior to March 2020, retailer surveys were conducted in-person at retailer locations by Claim Center staff. In March 2020, the in-person survey process was stopped due to the COVID-19 pandemic. In FY 2021, the Texas Lottery instituted a new process to survey retailers annually via email using an internet-based survey tool. Utilizing email addresses provided by retailers, the survey is emailed to retailer owners and contacts. The survey includes questions measuring retailers' satisfaction with services provided by the Texas Lottery and the lottery operator. In addition, respondents are given the opportunity to request to be contacted about concerns or comments regarding any of their licensed locations. Texas Lottery and lottery operator staff follow up on these requests by contacting the retailers and providing any needed assistance.

Surveys are processed and the results provided to the Lottery's Retailer Services Department. Retailer Services compiles and maintains the resulting data and produces an annual report which is disseminated to lottery staff and the lottery operator.

Data Collection Time Frame/Cycle: Data is collected annually.

Data Limitations: The survey process is voluntary for the retailers. Some retailers surveyed may not have English as a first language. Some retailers may not have provided the Texas Lottery with a valid email address.

Number of Customers Surveyed: In FY 2023, the survey was emailed to 7,947 retailer owners and contacts. A total of 1,239 responses were received.

Margin of Error: While the retailer owners and contacts surveyed may represent more than one retailer location, a sample of 1,239 from a population of 21,025 retailers results in a margin of error of  $\pm 2.7$  percentage points at the 95% confidence level.

Customer Groups Excluded: Excluded retailers include those who refuse to participate in the survey, those who have not provided the Texas Lottery with a valid email address, 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.

### *Quarterly Retailer Surveys*

The Texas Lottery's monthly publication, *RoundUp*, provides retailers with news of featured draw game and scratch ticket game initiatives, the latest retailer incentive information, answers to frequently asked questions, and placement of point-of-sale materials. Quarterly, *RoundUp* includes a printed survey to query retailers on current issues related to Texas Lottery operations.

## SUPPLEMENTAL SCHEDULE H

These brief surveys typically consist of three questions. Since 2015, the surveys also are provided to retailers via lottery terminal messages. The combined low response rate results in the information collected via both survey methods being used mainly for directional purposes.

Data Collection Time Frame/Cycle: Surveys are printed in the retailer publication, supplemented by terminal surveys, quarterly.

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, surveys typically are limited to three questions. Response rates for the published surveys are low, with a typical survey resulting in less than 15 responses. The combined response rate for the *RoundUp* and terminal surveys is higher, ranging from 40 to 103 responses quarterly.

Number of Customers Surveyed: All retailers receiving *RoundUp* and/or who have a lottery sales terminal have the opportunity to respond.

Margin of Error: Not measured.

Customer Groups Excluded: Retail locations that only sell a limited range of lottery products in-lane without a lottery terminal and are not included in a lottery sales representative's visit cycle do not have access to *RoundUp* surveys. These retail locations do not receive the *RoundUp* newsletter as it is delivered to retailers that sell a full range of lottery products and that have lottery terminals. 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 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 in Table A is taken from Retailer Satisfaction Surveys conducted during FY 2023.

**TABLE A**

MEASURE	FY 2023
* RETAILERS SATISFIED WITH THE TEXAS LOTTERY	89%

\* 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"

#### B. Bingo Customer Satisfaction

Table B shows the figure for customer satisfaction as taken from Bingo Customer Satisfaction Surveys received in FY 2023. Respondents were asked to rate their level of satisfaction on a scale from 1 to 5, with 5 being very satisfied and 1 being very dissatisfied.

**TABLE B**

CALENDAR YEAR	RESPONDENTS	PERCENTAGE SATISFIED WITH CBOD
2023	104	94%

\* Percentage satisfied corresponds to the number of 4 and 5 ratings given divided by the total number of responses

#### 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 C**

MEASURE	STANDARD	PERFORMANCE
AVERAGE SPEED OF ANSWERING TELEPHONE	20 SECONDS	9 SECONDS
AVERAGE ABANDONED CALL SPEED (CALLER HANGS UP BEFORE ANSWERED) (1.6% OF ALL INCOMING CALLS ABANDONED)	20 SECONDS	10 SECONDS
PERCENTAGE OF INCOMING TELEPHONE CALLS ANSWERED IN 15 SECONDS OR LESS	80%	80%
AVERAGE RESPONSE TIME TO CORRESPONDENCE	2-5 WORKING DAYS	4 WORKING DAYS
AVERAGE RESPONSE TIME TO E-MAIL	2-5 WORKING DAYS	1 WORKING DAYS
AVERAGE CALL LENGTH	N/A	2 MIN., 24 SEC.

## IV. ANALYSIS

### A. Lottery Retailer Satisfaction

Eighty-nine percent of the respondents to the 2023 Retailer Satisfaction Survey rated the Texas Lottery's services as "Good" or "Excellent," and less than three percent rated them as "Poor" or "Very Poor." While the results from the 2023 survey demonstrated a high level of satisfaction with Texas Lottery and lottery operator services, the satisfaction level fell below historical levels. Prior to March 2020, this measure consistently rated at or above 95 percent "good to excellent." The 2023 performance was below this level likely due in part to the implementation of the online survey methodology reaching a largely different segment of retailer contacts compared to the in-person surveys. The Texas Lottery currently plans to continue using email and an internet-based survey tool for future satisfaction surveys.

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](https://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. The Texas Lottery introduced its first online retailer training tool, Lottery Learning Link in 2017. The free service to retailers was replaced in 2024 with Learning Wizard. The new service 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 and does not replace required new retailer training classes. The Learning Wizard 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 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 85 cities and towns in over 90 meetings from CY 2006 through 2023. 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. Social-distancing measures due to COVID-19 were implemented in 2020 and resulted in postponement of Retailer Links meetings until August 2022.

### 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

#### *Texas Lottery Helpline*

Communication specialists in Retailer Services 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 department. 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 payments vary depending on many factors, including but not limited to: the number of claimants in the lobby of a claim center; 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 and once a claimant gets waited on by claim center staff, the standard wait time for a claimant to receive a prize check in a claim center is 10 to 15 minutes.

#### *IGT Retailer Hotline*

The goal of the Hotline operators is to answer 100% 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 issuing licenses vary 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 case; audits in progress; results of criminal background checks of individuals on the organization's bingo record; and the number of pending applications at time of receipt.

### **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 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 workflows 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.

#### ***IGT Retailer Hotline***

Issues and concerns raised by retailers regarding stolen tickets, missing packs, ticket deliveries, 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 a complaint from the time it is



submitted through the final disposition. The centralized process enables the agency to identify problem areas of compliance activity and 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](http://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 2024 PERFORMANCE
<b>OUTCOME MEASURES</b>  <b>PERCENTAGE OF RETAILERS SATISFIED WITH LOTTERY COMMISSION</b> <i>The percentage of respondents to the Retailer Satisfaction Surveys that rate the Texas Lottery's services as "Good" or Excellent," with "Uncertain" responses removed.</i>	86%
<b>OUTPUT MEASURES</b>  <b>NUMBER OF NEWSLETTERS DISTRIBUTED TO RETAILERS</b> <i>The number of newsletters distributed annually to active retailers and chain retailer headquarter offices.</i>  <b>NUMBER OF RETAILER VISITS</b> <i>The number of retailer visits conducted annually by the lottery operator sales representatives.</i>	236,124  388,540
<b>EFFICIENCY MEASURES</b>  <b>AVERAGE COST PER SURVEY ISSUED</b> <i>Estimated employee hours required to prepare, administer, enter data, analyze and summarize data, and cost of materials utilized.</i>	\$.09

## D. Customer Service-Related Performance Measures: Charitable Bingo

CUSTOMER SERVICE PERFORMANCE MEASURES	TARGETED FY 2024 PERFORMANCE
<b>OUTCOME MEASURES</b>  <b>NUMBER OF INDIVIDUALS RECEIVING EDUCATION</b> <i>This data represents the number of individuals recorded as completing the Bingo Training Program.</i>	725



## CERTIFICATION OF COMPLIANCE WITH CYBERSECURITY TRAINING



### CERTIFICATE

#### TEXAS LOTTERY COMMISSION

Pursuant to the Texas Government Code, Section 2056.002(b)(12), this is to certify that the agency has complied with the cybersecurity training required pursuant to the Texas Government Code, Sections 2054.5191 and 2054.5192.

Chief Executive Officer

Commission Chair

A handwritten signature in cursive script, appearing to read "Ryan Mindell", written over a horizontal line.

Ryan Mindell  
Executive Director  
June 1, 2024

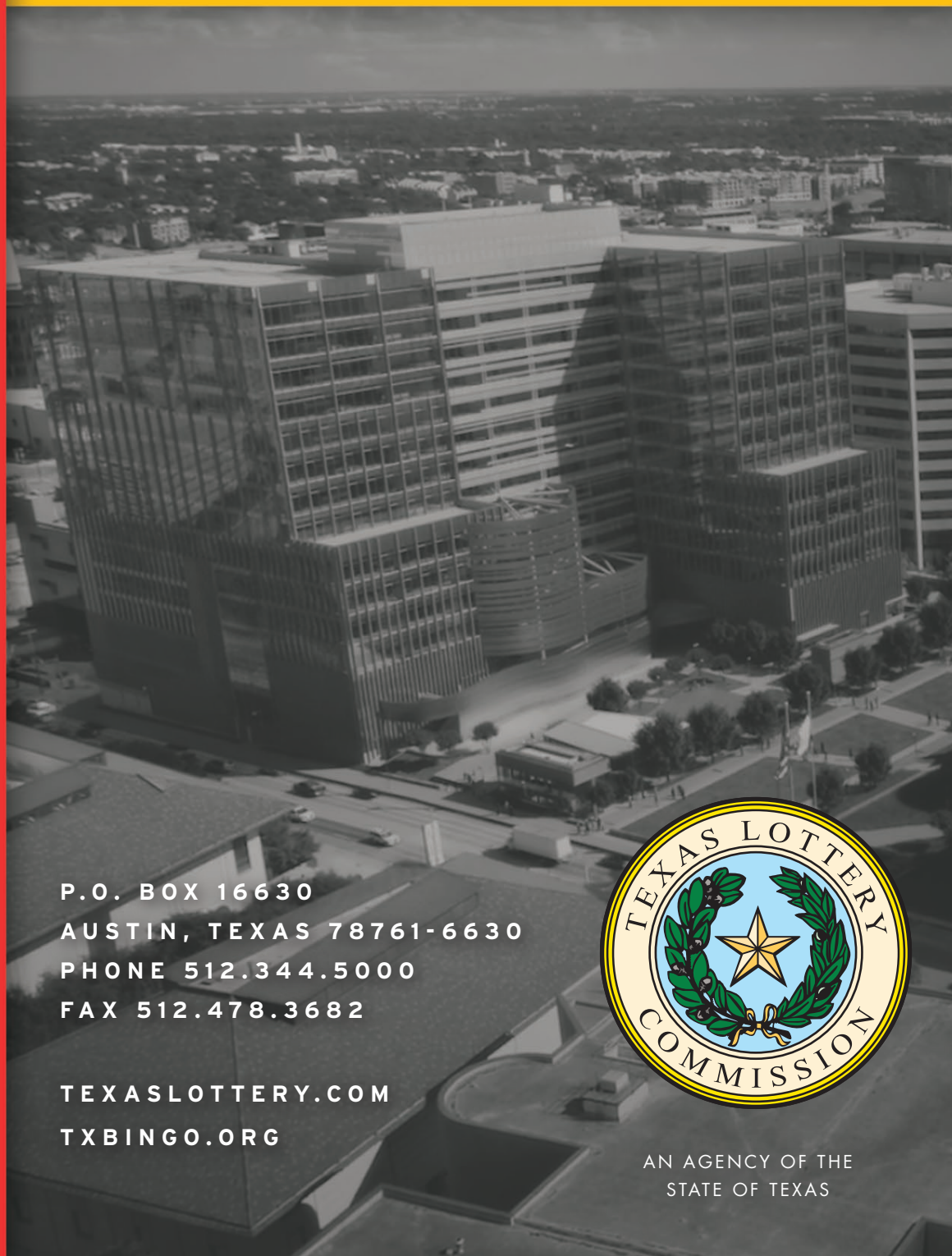
A handwritten signature in cursive script, appearing to read "Robert G. Rivera", written over a horizontal line.

Robert G. Rivera  
Chairman  
June 1, 2024

2025-2029



## TEXAS LOTTERY COMMISSION



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