

2018



MINORITY BUSINESS PARTICIPATION REPORT



AN AGENCY OF THE
STATE OF TEXAS

*For The Fiscal Year Ending
August 31, 2018*

Commissioners:

J. Winston Krause,
Chairman

Doug Lowe

Robert Rivera



TEXAS LOTTERY COMMISSION

Gary Grief, *Executive Director*

Michael P. Farrell, *Charitable Bingo Operations Director*

April 11, 2019

The Honorable Greg Abbott
The Honorable Dan Patrick
The Honorable Dennis Bonnen
Members of the 86th Legislature

Ladies and Gentlemen:

In accordance with Section 466.107 of the State Lottery Act, the Texas Lottery Commission is submitting its annual Minority Business Participation Report for fiscal year (FY) 2018.

During FY 2018, the agency achieved an overall participation of 20.69 percent in its minority/Historically Underutilized Business (HUB) contracting activity, which represented an increase of six percentage points from FY 2017's performance of 14.21 percent. The increase was largely due to one of the Texas Lottery's prime contractors re-certifying as a Texas Certified HUB, which resulted in an increase to direct HUB spending during this reporting period. In addition, the agency continued to surpass its 20-percent goal for minority retailers.

During FY 2019, the Texas Lottery will continue to implement initiatives designed to increase the minority/HUB participation in its business operations.

Should you have any questions regarding the report, please do not hesitate to contact our executive director, Mr. Gary Grief.

Sincerely,

A handwritten signature in blue ink, appearing to be "J. Winston Krause", written over a light blue circular background.

J. Winston Krause
Chairman

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MINORITY BUSINESS PARTICIPATION REPORT

FISCAL YEAR 2018

INTRODUCTION

The Texas Lottery Commission (TLC) has prepared its annual Minority Business Participation Report for FY 2018 in accordance with Section 466.107 of the State Lottery Act. This report documents the agency's level of minority business participation both in its lottery and bingo contracting activity, and in the licensing of lottery retailers. It also provides recommendations for the improvement of lottery-related minority business opportunities.

As defined by the State Lottery Act, a "minority business" is a "business entity at least 51 percent of which is owned by minority group members or, in the case of a corporation, at least 51 percent of the shares of which are owned by minority group members." Minority group members include African Americans, American Indians, Asian Americans, Mexican Americans and other Americans of Hispanic origin. Throughout this report, the terms "minority-owned business" and "minority business" are used interchangeably.

The Texas Lottery Commission has adopted by reference the rules administered by the Comptroller of Public Accounts (CPA) regarding Historically Underutilized Businesses (HUBs), which are set forth in the Texas Administrative Code, Title 34, Part 1, Chapter 20, §§20.281 – 20.298. In addition to the minority group members noted above, the Comptroller's definition also includes businesses owned by American women and service-disabled veterans.

Although it is not specifically addressed by the State Lottery Act, the TLC also has a strong commitment to include minorities in its business operations by maintaining a diverse workforce. Information about this area is included in Appendix D of the report (page 25).



BACKGROUND

TEXAS LOTTERY COMMISSION VISION

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

TEXAS LOTTERY MISSION

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 MISSION

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.

CORE VALUES

The Texas Lottery Commission combines private business management principles with public service standards of conduct in all its operations. The following values guide us in our work:

- Integrity and Responsibility
- Innovation
- Fiscal Accountability
- Customer Responsiveness
- Teamwork
- Excellence

MINORITY/HUB COMMITMENT

The Texas Lottery Commission is committed to assisting and including minority-owned businesses and Historically Underutilized Businesses (HUBs) in its procurement opportunities. In accordance with the provisions of the State Lottery Act and the state's HUB rules, the agency and its contractors make a good faith effort to contract and subcontract with minority-owned businesses for the purchase of goods and services for the operation of the agency.

MINORITY/HUB PROGRAM

The TLC's Minority/HUB Program functions as part of the agency's Administration Division. The agency's HUB Coordinator is responsible for advising and assisting the TLC in complying with the requirements of the State Lottery Act and the state's HUB rules. The agency's Minority/HUB Program operates in three key areas to promote the inclusion and utilization of minority-owned businesses and HUBs: outreach activities, contract compliance and reporting.

OUTREACH ACTIVITIES

Outreach activities make up one of the most important components of the TLC's Minority/HUB Program. The purpose of these activities is to inform minority/HUB vendors about opportunities to provide goods and services to the agency and its contractors. Outreach is performed primarily by participating in business opportunity forums and other events throughout the state. The TLC HUB Coordinator may also assist in planning and cosponsoring statewide events in cooperation with other state agencies. In addition, the agency conducts an annual HUB Forum to inform minority/HUB vendors about TLC procurement processes and to provide networking opportunities. A chart listing the outreach events in which the agency participated during FY 2018 is available in Appendix C (page 24).

Other types of outreach activities include providing information to prospective vendors via the TLC website, coordinating meetings with individual minority/HUB vendors, administering the agency's Mentor-Protégé Program, and assisting eligible businesses with obtaining state HUB certification.

CONTRACT COMPLIANCE

The TLC's HUB Coordinator, Purchasing and Contracts staff, and administering divisions work collaboratively to maintain vendor compliance with contract terms relating to minority and HUB participation. The first step in this process involves assisting the agency with making HUB subcontracting determinations for contracts with an expected value of \$100,000 or more prior to releasing solicitations. Pre-bid and pre-proposal conferences are held to highlight the TLC's HUB policy and subcontracting plan requirements. The HUB Coordinator also assists evaluation teams by reviewing HUB Subcontracting Plans submitted with bids/proposals to determine whether good faith effort criteria were met. Finally, the agency's subcontracting plans are monitored for compliance following contract award.

REPORTING

The TLC's minority/HUB expenditures are monitored throughout the year. Monthly internal minority/HUB participation reports are distributed to agency directors, and periodic updates are provided to TLC commissioners. In addition, HUB subcontracting expenditures and supplemental information are reported twice annually to the CPA for inclusion in the Statewide HUB Reports. HUB participation information is included in the agency's Strategic Plan, Legislative Appropriations Request, and Annual Report of Non-Financial Data.

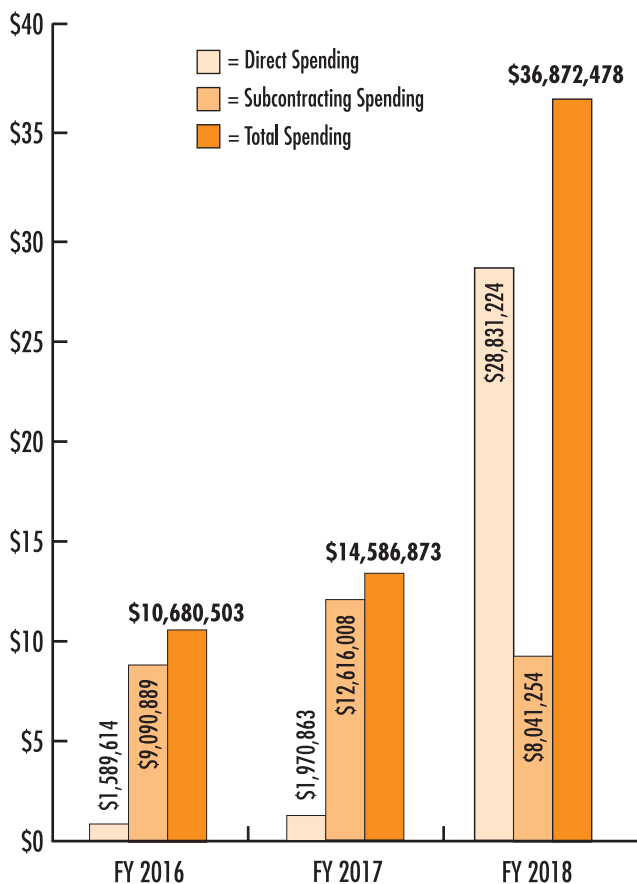


EXECUTIVE SUMMARY

During FY 2018, the TLC continued its efforts to provide opportunities for minority-owned businesses to participate in its procurement processes. Developing contacts with minority-owned businesses in Texas and licensing minority retailers are essential to the agency's initiatives.

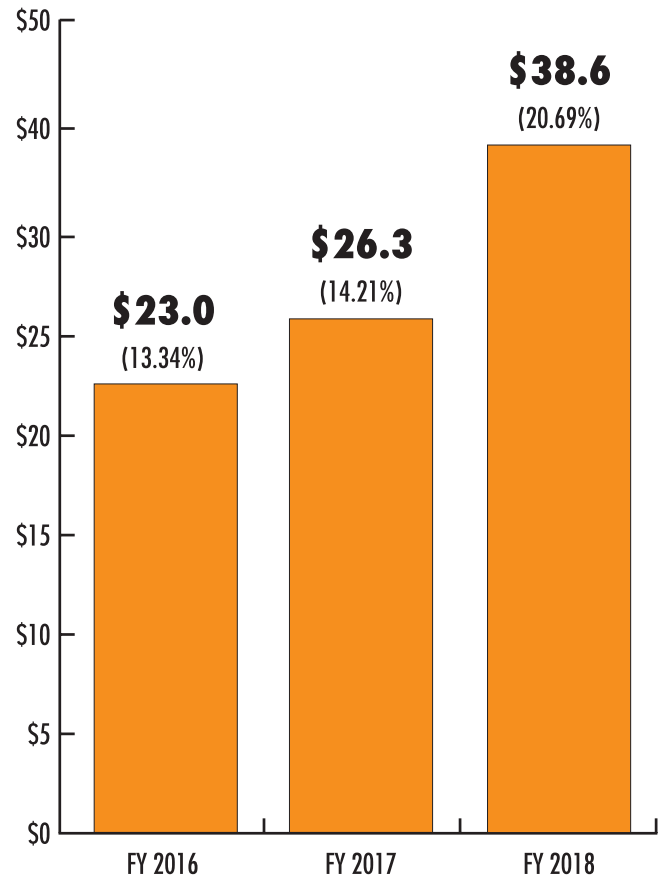
The TLC's overall expenditures, as captured by the CPA's *Fiscal Year 2018 Annual Statewide HUB Report*, increased from FY 2017 to FY 2018. During this reporting period, the Commission ranked 20th by overall expenditures among the 50 largest-spending agencies, as compared with ranking 18th during FY 2017.

**FIG. 2
MINORITY SPENDING***



*Amounts have been rounded to the nearest dollar.

**FIG. 1
MINORITY/HUB SPENDING
(IN MILLIONS)**

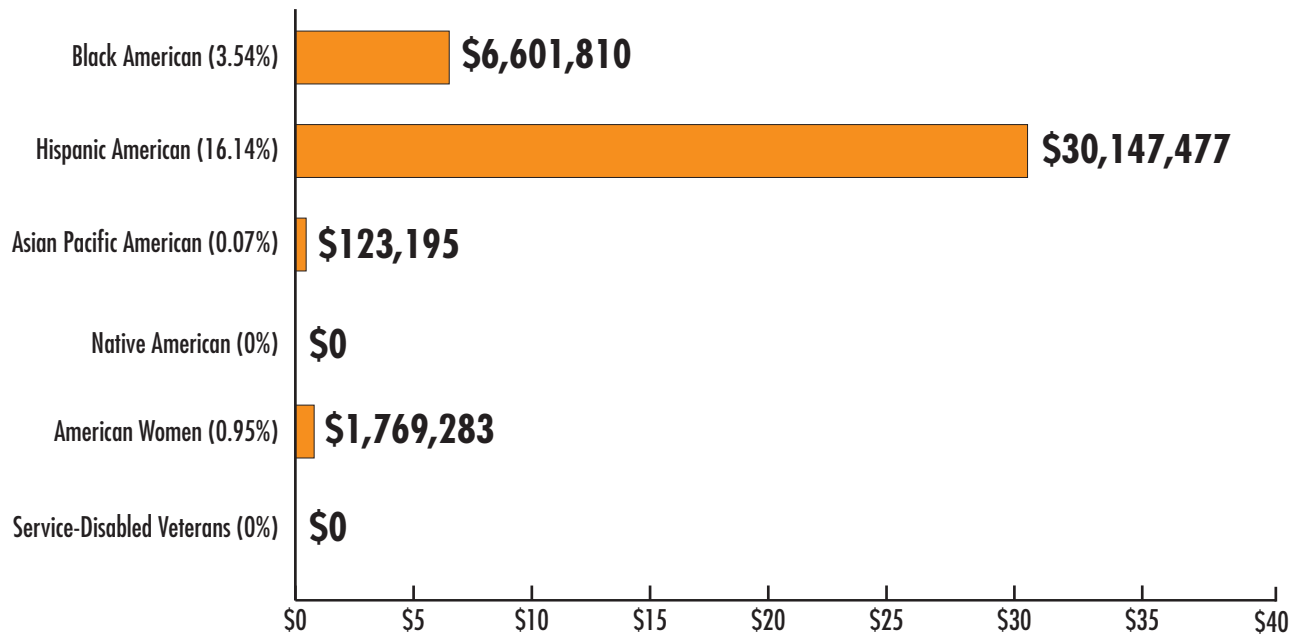


During FY 2018, the TLC achieved an overall participation rate in its minority/HUB contracting activity of 20.69 percent. As shown in Figure 1, total expenditures paid to all minority/HUB vendors increased from the previous fiscal year. The TLC's overall minority/HUB percentage also increased.

Figure 2 summarizes payments made to minority-owned businesses only (not including American women or service-disabled veterans**). During this reporting period, direct expenditures to minority-owned businesses increased and subcontracting payments decreased. Figure 3 shows the breakdown of FY 2018 minority/HUB spending by ethnic group.

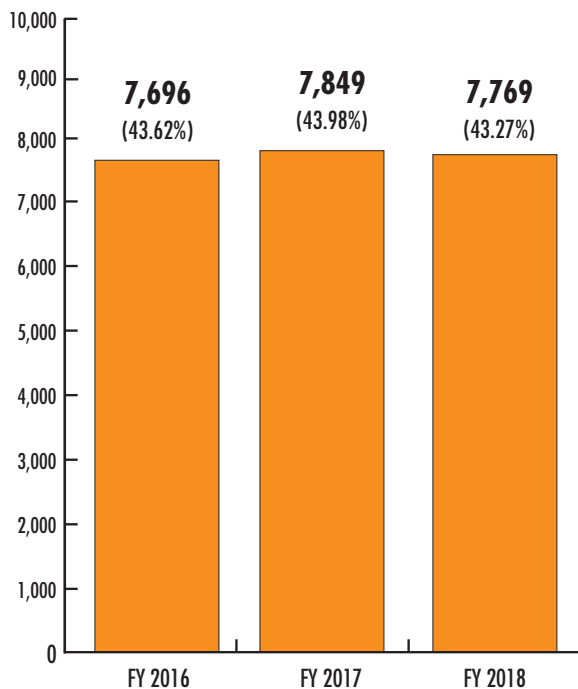
**Service-disabled veterans were added to the statewide HUB program, effective September 1, 2013 (see definition of "Economically disadvantaged person" in Appendix A).

**FIG. 3
MINORITY/HUB SPENDING BY ETHNICITY**

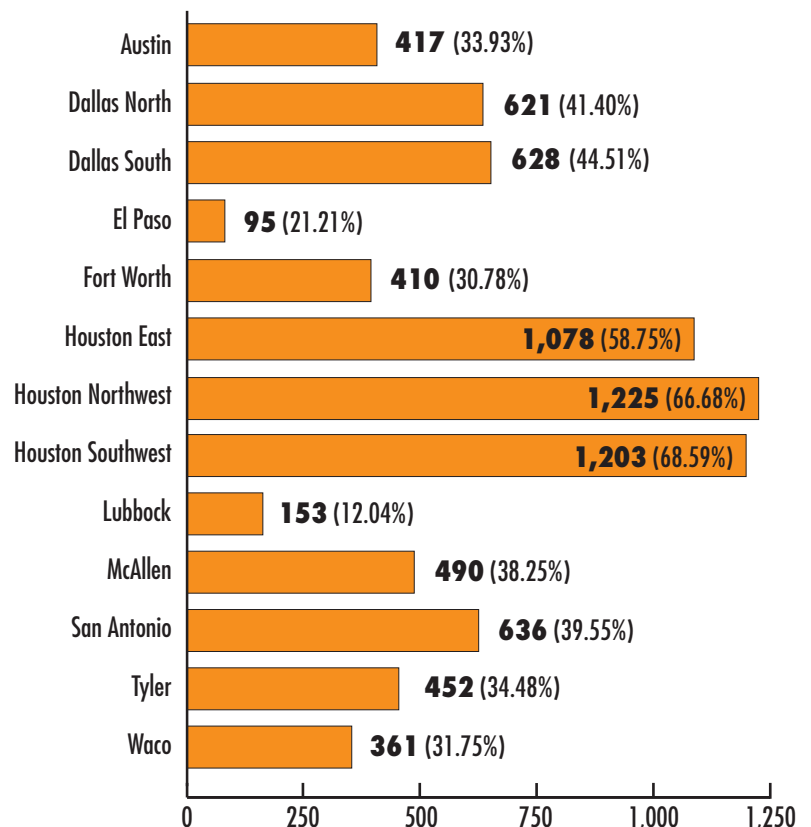


During FY 2018, the TLC continued to exceed the 20-percent goal for its minority retailer base which is set out in Texas Government Code Section 466.151. Minority retailers now number 7,769, representing 43.27 percent of the agency's total Texas Lottery retailer base (see Figures 4 and 5). More detailed information on minority retailers by county is located in Appendix B (page 18). In addition, the TLC has maintained a minority retailer percentage of more than 40 percent for 12 consecutive years.

**FIG. 4
NUMBER OF
MINORITY RETAILERS**



**FIG. 5
MINORITY RETAILERS
BY DISTRICT**



KEY CONTRACTORS

The Commission's key contractors during FY 2018 for contracts estimated to be \$100,000 or more* included the following:

AGENCIES OF CHANGE, LLC DBA TECHNOLOGY SPA – Website Hosting Services
BARKER & HERBERT ANALYTICAL LABORATORIES, INC. – Lottery Products Testing Services
BEEHIVE SPECIALTY CO.** – Promotional Products (primary)
BERRY DUNN MCNEIL & PARKER, LLC – Lottery Security Study Services
CANON SOLUTIONS AMERICA (FKA OCÉ IMAGISTICS, INC.) – Document Management Services
CFJ MANUFACTURING** – Promotional Products (secondary)
DAHILL OFFICE TECHNOLOGY – Document Management Services
DELL MARKETING, LP – SAN Equipment Lease
DK PARTNERS, P.C. (FKA DAVILA, BUSCHHORN AND ASSOCIATES, P.C.)** – Lottery Drawings CPA Services
ELEPHANT PRODUCTIONS, INC. – Drawing Studio and Production Services
ELSYM CONSULTING, INC. – Internal Control System and Related Services
EUBANK AND YOUNG STATISTICAL CONSULTING – Statistical Consulting Services
GRANT THORNTON, LLP – Risk Review and Compliance Monitoring Services
IGT GLOBAL SOLUTIONS CORPORATION DBA IGT SOLUTIONS (FKA GTECH CORPORATION®) – Lottery Operations and Services
IGT GLOBAL SOLUTIONS CORPORATION DBA IGT SOLUTIONS (FKA GTECH PRINTING CORPORATION) – Instant Ticket Manufacturing and Services
JOHNSON CONTROLS SECURITY SOLUTIONS (FKA TYCO INTEGRATED SECURITY, LLC) – Security Management System and Monitoring Services
KAMPFE DE STIJL, INC. – Professional Architect Services
KNIGHT SECURITY SYSTEMS, LLC – Surveillance Camera Products and Services
LATINWORKS MARKETING, LLC** – Advertising Services
MCCONNELL AND JONES, LLP** – Internal Audit Services
MEYERTONS, HOOD, KIVLIN, KOWART AND GOETZEL, P.C. – Outside Counsel Intellectual Property Legal Services
POLLARD BANKNOTE, LTD. – Instant Ticket Manufacturing and Services
RFD & ASSOCIATES, INC.** – IT Staffing Augmentation Services
SCIENTIFIC GAMES INTERNATIONAL, INC. – Instant Ticket Manufacturing and Services
SHI GOVERNMENT SOLUTIONS** – Desktop Computer Lease
SMITH PROTECTIVE SERVICES, INC. – Security Officer Services
SOFTWARE ONE, INC. – Microsoft Software Enterprise Agreement
WEAVER AND TIDWELL, LLP – Annual Financial Audit Services
WEAVER AND TIDWELL, LLP – Lottery Drawings CPA Services

*List does not include interagency contracts, property leases or licensed property contracts.

**HUB certified contractors

FISCAL YEAR 2018 HIGHLIGHTS

- The Texas Lottery Commission's minority/HUB expenditures in FY 2018 totaled more than \$38 million.
- For FY 2018, the TLC ranked 20th among the 50 largest spending agencies in terms of overall expenditures as captured by the CPA's *Fiscal Year 2018 Annual Statewide HUB Report*. Of the top 20, the TLC ranked fourth by overall HUB percentage (see Table C, page 12).
- In FY 2018, the agency paid certified HUBs approximately \$233,890 for goods and services in expenditure object codes not reportable in the CPA's HUB Report.
- Three of the TLC's key contractors increased subcontracting payments to minority/HUB businesses.
- Seven HUB companies provided key contract services to the agency during FY 2018 (see page 6).
- The TLC awarded \$7,141 in bid opportunities at the "Doing Business Texas Style Spot Bid Fair" held in conjunction with ACCESS 2018 in Irving, Texas.
- The TLC sponsored three mentor-protégé relationships during FY 2018.
- The TLC continued to assist vendors with the HUB subcontracting plan (HSP) process by offering one-on-one HSP workshops and reviews of draft HSPs. These efforts resulted in greater numbers of compliant HSPs and increased competition.
- The TLC participated in six economic opportunity forums and HUB-related outreach events statewide (see page 24).
- The TLC conducted a successful annual HUB forum on June 5, 2018 which attracted minority/HUB participants from across the state. Roundtable networking sessions at this event allowed maximum interaction between attendees, agency staff and key TLC contractors.
- The TLC participated in HUB Discussion Workgroup meetings that were held during the fiscal year.
- The TLC maintained a minority retailer percentage of more than 40 percent for the 12th consecutive year. This represents a lottery retailer participation of more than twice the established goal.



FISCAL YEAR 2018 MINORITY/HUB EXPENDITURE SUMMARY

TABLE A

I. DIRECT MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	DIRECT EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
BLACK AMERICAN	\$168,948	0.09%	
HISPANIC AMERICAN	\$28,553,015	15.29%	
ASIAN PACIFIC AMERICAN	\$109,261	0.06%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$1,003,707	0.54%	
SERVICE DISABLED VETERANS	\$0	0.00%	
TOTAL	\$29,834,931	15.98%	\$186,740,604

II. MINORITY/HUB SUBCONTRACTING EXPENDITURES

MINORITY/HUB GROUP	SUBCONTRACTING EXPENDITURES	% OF NON-MINORITY/ NON-HUB TOTAL	TOTAL NON-MINORITY/ NON-HUB EXPENDITURES
BLACK AMERICAN	\$6,432,860	4.10%	
HISPANIC AMERICAN	\$1,594,461	1.02%	
ASIAN PACIFIC AMERICAN	\$13,933	0.01%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$765,575	0.49%	
SERVICE DISABLED VETERANS	\$0	0.00%	
TOTAL	\$8,806,829	5.61%	\$156,905,669

III. GRAND TOTAL OF MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	MINORITY/HUB EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
BLACK AMERICAN	\$6,601,810	3.54%	
HISPANIC AMERICAN	\$30,147,477	16.14%	
ASIAN PACIFIC AMERICAN	\$123,195	0.07%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$1,769,283	0.95%	
SERVICE DISABLED VETERANS	\$0	0.00%	
GRAND TOTAL	\$38,641,765	20.69%	\$186,740,604

NOTE: Fiscal Year expenditures were based on the reportable expenditure object codes utilized by the Comptroller of Public Accounts (CPA) for the State of Texas HUB Report. Totals may not sum exactly to CPA report due to rounding.

FISCAL YEAR 2018 ACCOMPLISHMENTS

The Texas Lottery Commission promotes fair and competitive opportunities for minority/HUB vendors interested in doing business with the agency and its key contractors. The TLC conducted an effective program during FY 2018 to inform and educate minority businesses/HUBs about opportunities to provide supplies, equipment, and services for the operation of the agency and to serve as licensed lottery retailers. The following sections detail some of the TLC's achievements in FY 2018.

INCLUSION IN PROCUREMENTS

The TLC's procurement-related initiatives included:

- Participating in forums and other outreach events to inform minority/HUB vendors about the TLC's contracting and subcontracting opportunities.
- Hosting an annual HUB forum to present procurement-related information to minority/HUB vendors and provide networking opportunities.
- Determining the probability of subcontracting and identifying potential minority/HUB subcontracting opportunities for contracts with an expected value of \$100,000 or more.
- Providing vendor support by offering one-on-one HUB subcontracting plan (HSP) workshops and reviews of draft HSPs.
- Evaluating good-faith-effort compliance with HSP requirements as part of the bid/proposal process.
- Conducting post-contract award follow-up with awarded vendors to discuss HSP requirements; monitoring contracts to ensure compliance.
- Providing procurement opportunities at HUB forums and other outreach events.
- Hosting meetings with interested vendors to assist them in becoming familiar with the TLC's procurement processes.
- Assisting eligible vendors to become certified as HUBs.



FISCAL YEAR 2018 ACCOMPLISHMENTS

Bids/Proposals Received and Contracts Awarded:

During FY 2018, the TLC received 112 competitive bids and proposals from HUB vendors, which represented 76.19 percent of all responses. Overall, the agency awarded 152 total contracts to HUB vendors, 70 of which were awarded to minority-owned business. These included contracts resulting from noncompetitive “spot purchases,” informal and formal quotes, bids, offers, and proposals received from HUB vendors.

OUTREACH ACTIVITIES

Outreach Materials: The TLC provided information to minority businesses and HUBs that were interested in doing business with the agency. This included information regarding the agency’s procurements, and contacts for both agency staff and key TLC contractors.

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

Forums: In accordance with legislative mandates, the TLC participated in conferences, forums and events to provide information regarding the agency’s procurement opportunities. As part of the TLC’s outreach program, staff attended Economic Opportunity Forums (EOFs) sponsored by state agencies and/or other governmental entities. These included forums presented by the Statewide Procurement Division (SPD) of the Comptroller of Public Accounts (CPA). In addition, the TLC participated in a number of forums, conferences and other vendor fairs coordinated by other state agencies and/or small, minority- and woman-owned business organizations. A summary of the agency’s outreach efforts is provided in Appendix C (page 24) of this report.

The TLC conducted its Annual HUB Forum on June 5, 2018, in Austin. The forum drew minority- and woman-owned companies from throughout the state. Texas Lottery Commission presenters provided an overview of the agency’s procurement opportunities and processes, as well as other information to assist HUBs. Roundtable networking sessions provided attendees with the opportunity to meet face-to-face with agency management/staff and representatives from some of the TLC’s largest contractors. Vendors who attend the TLC forum consistently provide positive feedback regarding the meeting format and the opportunity to directly network with agency staff and contractors.

Subcontracting Opportunities: In FY 2018, the TLC continued to identify subcontracting opportunities for minority/HUB vendors and to monitor HUB Subcontracting Plan requirements.

FISCAL YEAR 2018 ACCOMPLISHMENTS

MENTOR-PROTÉGÉ PROGRAM

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

The TLC sponsored three mentor-protégé relationships during FY 2018. The Mentor-Protégé Program is an ongoing initiative, and the TLC will continue its efforts to form additional relationships during FY 2019.

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 minority businesses and 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 participated in the TLC's FY 2018 HUB Forum, providing information and networking opportunities to HUBs. Through these efforts, the agency's key contractors who utilized minority and/or HUB subcontractors achieved the following results in FY 2018:

TABLE B

CONTRACTOR NAME	MINORITY/HUB SUBCONTRACTING EXPENDITURES*
LATINWORKS MARKETING, LLC	\$10,512,617
IGT CORPORATION	\$5,124,487
POLLARD BANKNOTE, LTD.	\$2,601,985
SCIENTIFIC GAMES INTERNATIONAL, INC.	\$627,305
IGT CORPORATION (FKA GTECH PRINTING CORPORATION)	\$244,608
DK PARTNERS. P.C. (FKA DAVILA, BUSCHHORN & ASSOCIATES, P.C.)	\$200,964
AGENCIES OF CHANGE DBA TECHNOLOGY SPA	\$146,284
ELEPHANT PRODUCTIONS, INC.	\$62,161

*Amounts have been rounded to the nearest dollar.

FISCAL YEAR 2018 ACCOMPLISHMENTS

RANK AMONG LARGEST-SPENDING AGENCIES

The Texas Lottery Commission ranked 20th in terms of overall expenditures captured by the CPA's *Fiscal Year 2018 Annual Statewide HUB Report*. Of the 20 largest-spending agencies, the TLC ranked 4th by overall HUB percentage (see Table C).

TABLE C
ANNUAL FISCAL YEAR 2018 HUB REPORT

TWENTY LARGEST-SPENDING AGENCIES RANKED BY OVERALL HUB PERCENTAGE

RANK	AGENCY NAME	TOTAL EXPENDITURES	HUB EXPENDITURES	HUB PERCENTAGE
1	UNIVERSITY OF NORTH TEXAS	\$197,584,405.09	\$46,939,886.73	23.76%
2	TEXAS TECH UNIVERSITY	\$200,542,923.01	\$43,064,783.59	21.47%
3	UNIVERSITY OF TEXAS SYSTEM	\$458,608,917.69	\$97,864,765.47	21.34%
4	TEXAS LOTTERY COMMISSION	\$186,740,604.68	\$38,641,765.47	20.69%
5	UNIVERSITY OF TEXAS AT AUSTIN	\$530,533,447.32	\$105,351,026.75	19.86%
6	TEXAS DEPARTMENT OF CRIMINAL JUSTICE	\$226,858,910.83	\$41,597,742.74	18.34%
7	UNIVERSITY OF HOUSTON	\$270,078,612.47	\$49,077,578.32	18.17%
8	TEXAS A&M UNIVERSITY (MAIN UNIV.)	\$399,243,126.36	\$71,329,997.53	17.87%
9	HEALTH & HUMAN SERVICES COMMISSION	\$1,107,580,909.14	\$179,141,161.54	16.17%
10	TEXAS STATE UNIVERSITY	\$217,561,191.49	\$34,226,968.55	15.73%
11	THE TEXAS A&M UNIVERSITY SYSTEM	\$815,652,924.17	\$125,801,590.48	15.42%
12	DEPARTMENT OF PUBLIC SAFETY	\$248,665,618.24	\$34,964,972.72	14.06%
13	UT HEALTH SCIENCE CENTER - HOUSTON	\$201,339,551.43	\$24,436,911.21	12.14%
14	UT HEALTH SCIENCE CENTER - SAN ANTONIO	\$187,091,336.73	\$22,597,983.96	12.08%
15	TEXAS DEPARTMENT OF TRANSPORTATION	\$7,658,159,167.11	\$855,920,881.99	11.18%
16	UT SOUTHWESTERN MEDICAL CENTER	\$1,039,221,846.06	\$116,110,581.17	11.17%
17	DEPARTMENT OF STATE HEALTH SERVICES	\$249,620,254.05	\$25,868,003.14	10.36%
18	UNIVERSITY OF TEXAS MEDICAL BRANCH	\$458,217,751.14	\$30,838,036.56	6.73%
19	GENERAL LAND OFFICE	\$547,265,688.55	\$29,604,829.54	5.41%
20	UT MD ANDERSON CANCER CENTER	\$1,559,945,543.04	\$56,127,545.24	3.60%

Note: The largest-spending agencies are determined by total expenditures made for object codes which are reportable in the CPA's *Fiscal Year 2018 Annual Statewide HUB Report*. The state does not have an overall HUB goal, but utilizes six procurement category goals, in accordance with the State Disparity Study. These figures are unaudited and have been rounded to the nearest dollar.

MINORITY RETAILERS

The Texas Lottery Commission's minority retailer base consistently exceeds its statutory goal of 20 percent. In FY 2018, the agency's minority retailers numbered 7,769, which represented 43.27 percent of the Texas Lottery's total retailer base (see Figure 4 and Appendix B). The agency has maintained a minority retailer percentage of more than 40 percent for the past 12 years.

FISCAL YEAR 2019 RECOMMENDED IMPROVEMENTS

- Enhance the Commission's Mentor-Protégé Program and develop new mentor-protégé relationships.
- Work with TLC technical staff to improve internal HUB reporting capabilities.
- Increase participation at outreach events including events focused on service-disabled Veterans.
- Continue providing bid opportunities at the "Doing Business Texas Style" Spot Bid Fair.
- Increase the number of HUB outreach events attended by TLC Purchasing and Contract Staff.
- Maintain active participation in the HUB Discussion Workgroup.



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DEFINITIONS

MINORITY BUSINESS: As defined in Texas Government Code §466.107 (b), “Minority Business” means a business entity at least 51 percent of which is owned by minority group members or, in the case of a corporation, at least 51 percent of the shares of which are owned by minority group members, and that:

- 1) is managed and, in daily operations, is controlled by minority group members; and
- 2) is a domestic business entity with a home or branch office located in this state and is not a branch or subsidiary of a foreign corporation, firm or other business entity.

“MINORITY GROUP MEMBERS” include African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin.

HISTORICALLY UNDERUTILIZED BUSINESS (HUB): As defined in Texas Government Code, §2161.001 subdivisions (2) and (3), “historically underutilized business” means an entity with its principal place of business in the state of Texas that is:

- 1) a corporation formed for the purpose of making a profit in which 51 percent or more of all classes of the shares of stock or other equitable securities are owned by one or more economically disadvantaged persons who have a proportionate interest and actively participate in the corporation’s control, operation, and management;
- 2) a sole proprietorship created for the purpose of making a profit that is completely owned, operated, and controlled by an economically disadvantaged person;
- 3) a partnership formed for the purpose of making a profit in which 51 percent or more of the assets and interest in the partnership are owned by one or more economically disadvantaged persons who have a proportionate interest and actively participate in the partnership’s control, operation and management;
- 4) a joint venture in which each entity in the venture is a historically underutilized business, as determined under another paragraph of this subdivision; or
- 5) a supplier contract between a historically underutilized business as determined under another paragraph of this subdivision and a prime contractor under which the historically underutilized business is directly involved in the manufacture or distribution of the goods or otherwise warehouses and ships the goods.

“ECONOMICALLY DISADVANTAGED” PERSON means a person who is economically disadvantaged because of the person’s identification as a member of a certain group, including Black Americans, Hispanic Americans, women, Asian Pacific Americans, Native Americans, and veterans as defined by 38 U.S.C. Section 101(2) who have suffered at least a 20 percent service-connected disability as defined by 38 U.S.C. Section 101(16), and who has suffered the effects of discriminatory practices or other similar insidious circumstances over which the person has no control.

DEFINITIONS

COMMISSION: As defined in Texas Government Code, §466.002(1), “Commission” means the Texas Lottery Commission.

HUB SUBCONTRACTING PLAN: As defined by Texas Administrative Code, Title 34, Part 1, Chapter 20, Subchapter D, Division 1, Rule §20.282, a HUB subcontracting plan is “written documentation regarding the use of subcontractors, which is required to be submitted with all responses to state agency contracts with an expected value of \$100,000 or more where subcontracting opportunities have been determined by the state agency to be probable. The HUB subcontracting plan subsequently becomes a provision of the awarded contract and shall be monitored for compliance by the state agency during the term of the contract.”

LOTTERY: As defined in Texas Government Code, §466.002(5), “lottery” means the procedures operated by the state under this chapter through which prizes are awarded or distributed by chance among persons who have paid, or unconditionally agreed to pay, for a chance or other opportunity to receive a prize.

SALES AGENT OR SALES AGENCY: As defined in Texas Government Code, §466.002(9), “sales agent” or “sales agency” means a person licensed under this chapter to sell tickets. Throughout this report, sales agents are referred to as “retailers.”

SUBCONTRACTOR: As defined in Texas Government Code, §2251.001, “subcontractor” means a person who contracts with a vendor to work or contribute toward completing work for a governmental entity.

LOTTERY OPERATOR: As defined in Texas Government Code, §466.002(7), “lottery operator” means a person selected under §466.014(b) to operate a lottery.

VENDOR: As defined in Texas Government Code, §2251.001, “vendor” means a person who supplies goods or a service to a governmental entity or another person directed by the entity.



APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
ANDERSON	46	10	21.74%
ANDREWS	10	1	10.00%
ANGELINA	68	31	45.59%
ARANSAS	19	10	52.63%
ARCHER	11	0	0.00%
ARMSTRONG	3	0	0.00%
ATASCOSA	40	18	45.00%
AUSTIN	37	26	70.27%
BAILEY	7	0	0.00%
BANDERA	13	4	30.77%
BASTROP	72	30	41.67%
BAYLOR	5	0	0.00%
BEE	22	7	31.82%
BELL	212	78	36.79%
BEXAR	1002	477	47.60%
BLANCO	15	9	60.00%
BORDEN	0	0	0.00%
BOSQUE	29	10	34.48%
BOWIE	62	12	19.35%
BRAZORIA	201	135	67.16%
BRAZOS	127	79	62.20%
BREWSTER	10	0	0.00%
BRISCOE	2	0	0.00%
BROOKS	5	1	20.00%
BROWN	30	2	6.67%
BURLESON	24	12	50.00%
BURNET	36	16	44.44%
CALDWELL	31	11	35.48%
CALHOUN	19	8	42.11%
CALLAHAN	13	0	0.00%
CAMERON	179	47	26.26%
CAMP	11	2	18.18%
CARSON	6	0	0.00%
CASS	28	3	10.71%
CASTRO	7	0	0.00%
CHAMBERS	58	33	56.90%
CHEROKEE	39	19	48.72%
CHILDRESS	8	0	0.00%
CLAY	6	2	33.33%
COCHRAN	5	1	20.00%
COKE	4	2	50.00%
COLEMAN	10	1	10.00%
COLLIN	368	133	36.14%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
COLLINGSWORTH	2	0	0.00%
COLORADO	33	21	63.64%
COMAL	77	10	12.99%
COMANCHE	15	2	13.33%
CONCHO	6	0	0.00%
COOKE	40	8	20.00%
CORYELL	36	11	30.56%
COTTLE	2	0	0.00%
CRANE	5	1	20.00%
CROCKETT	8	3	37.50%
CROSBY	8	1	12.50%
CULBERSON	5	0	0.00%
DALLAM	11	0	0.00%
DALLAS	1677	803	47.88%
DAWSON	7	0	0.00%
DEAF SMITH	14	0	0.00%
DELTA	4	1	25.00%
DENTON	325	124	38.15%
DE WITT	16	4	25.00%
DICKENS	2	0	0.00%
DIMMIT	15	6	40.00%
DONLEY	6	1	16.67%
DUVAL	12	4	33.33%
EASTLAND	28	1	3.57%
ECTOR	100	16	16.00%
EDWARDS	2	0	0.00%
ELLIS	99	25	25.25%
EL PASO	363	88	24.24%
ERATH	29	7	24.14%
FALLS	14	5	35.71%
FANNIN	27	11	40.74%
FAYETTE	26	7	26.92%
FISHER	3	0	0.00%
FLOYD	7	0	0.00%
FOARD	2	0	0.00%
FORT BEND	305	188	61.64%
FRANKLIN	8	1	12.50%
FREESTONE	20	6	30.00%
FRIO	18	5	27.78%
GAINES	12	0	0.00%
GALVESTON	281	191	67.97%
GARZA	4	0	0.00%
GILLESPIE	11	0	0.00%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
GLASSCOCK	1	0	0.00%
GOLIAD	4	0	0.00%
GONZALES	18	7	38.89%
GRAY	20	2	10.00%
GRAYSON	108	36	33.33%
GREGG	128	42	32.81%
GRIMES	31	21	67.74%
GUADALUPE	75	22	29.33%
HALE	24	2	8.33%
HALL	7	0	0.00%
HAMILTON	11	2	18.18%
HANSFORD	4	0	0.00%
HARDEMAN	5	0	0.00%
HARDIN	50	5	10.00%
HARRIS	3466	2448	70.63%
HARRISON	46	16	34.78%
HARTLEY	0	0	0.00%
HASKELL	6	0	0.00%
HAYS	99	29	29.29%
HEMPHILL	5	0	0.00%
HENDERSON	72	28	38.89%
HIDALGO	367	152	41.42%
HILL	46	11	23.91%
HOCKLEY	16	2	12.50%
HOOD	47	8	17.02%
HOPKINS	28	8	28.57%
HOUSTON	31	17	54.84%
HOWARD	28	3	10.71%
HUDSPETH	4	1	25.00%
HUNT	71	27	38.03%
HUTCHINSON	16	1	6.25%
IRION	4	1	25.00%
JACK	11	1	9.09%
JACKSON	20	8	40.00%
JASPER	37	3	8.11%
JEFF DAVIS	2	1	50.00%
JEFFERSON	285	64	22.46%
JIM HOGG	6	3	50.00%
JIM WELLS	37	20	54.05%
JOHNSON	105	31	29.52%
JONES	11	1	9.09%
KARNES	16	3	18.75%
KAUFMAN	85	30	35.29%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
KENDALL	24	8	33.33%
KENEDY	0	0	0.00%
KENT	0	0	0.00%
KERR	36	1	2.78%
KIMBLE	12	1	8.33%
KING	0	0	0.00%
KINNEY	4	0	0.00%
KLEBERG	26	11	42.31%
KNOX	4	0	0.00%
LAMAR	42	10	23.81%
LAMB	13	0	0.00%
LAMPASAS	14	3	21.43%
LA SALLE	10	2	20.00%
LAVACA	21	5	23.81%
LEE	22	6	27.27%
LEON	28	12	42.86%
LIBERTY	81	51	62.96%
LIMESTONE	27	17	62.96%
LIPSCOMB	3	0	0.00%
LIVE OAK	15	1	6.67%
LLANO	21	3	14.29%
LOVING	0	0	0.00%
LUBBOCK	170	38	22.35%
LYNN	3	0	0.00%
MADISON	8	2	25.00%
MARION	190	78	41.05%
MARTIN	3	0	0.00%
MASON	14	9	64.29%
MATAGORDA	12	3	25.00%
MAVERICK	1	0	0.00%
MCCULLOCH	5	1	20.00%
MCLENNAN	44	26	59.09%
MCMULLEN	29	12	41.38%
MEDINA	34	8	23.53%
MENARD	3	0	0.00%
MIDLAND	79	2	2.53%
MILAM	25	2	8.00%
MILLS	3	0	0.00%
MITCHELL	8	0	0.00%
MONTAGUE	23	7	30.43%
MONTGOMERY	346	203	58.67%
MOORE	24	6	25.00%
MORRIS	10	5	50.00%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
MOTLEY	3	0	0.00%
NACOGDOCHES	55	25	45.45%
NAVARRO	46	20	43.48%
NEWTON	12	1	8.33%
NOLAN	21	3	14.29%
NUECES	230	79	34.35%
OCHILTREE	9	0	0.00%
OLDHAM	3	0	0.00%
ORANGE	93	12	12.90%
PALO PINTO	42	4	9.52%
PANOLA	16	3	18.75%
PARKER	62	18	29.03%
PARMER	8	0	0.00%
PECOS	18	3	16.67%
POLK	41	28	68.29%
POTTER	104	40	38.46%
PRESIDIO	6	1	16.67%
RAINS	10	6	60.00%
RANDALL	54	8	14.81%
REAGAN	4	0	0.00%
REAL	6	1	16.67%
RED RIVER	11	4	36.36%
REEVES	16	1	6.25%
REFUGIO	11	4	36.36%
ROBERTS	1	0	0.00%
ROBERTSON	23	8	34.78%
ROCKWALL	38	11	28.95%
RUNNELS	13	0	0.00%
RUSK	32	8	25.00%
SABINE	11	1	9.09%
SAN AUGUSTINE	13	3	23.08%
SAN JACINTO	17	13	76.47%
SAN PATRICIO	60	23	38.33%
SAN SABA	8	1	12.50%
SCHLEICHER	4	0	0.00%
SCURRY	15	0	0.00%
SHACKELFORD	5	0	0.00%
SHELBY	22	6	27.27%
SHERMAN	3	0	0.00%
SMITH	145	71	48.97%
SOMERVELL	11	1	9.09%
STARR	45	28	62.22%
STEPHENS	11	4	36.36%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
STERLING	2	0	0.00%
STONEWALL	1	0	0.00%
SUTTON	9	0	0.00%
SWISHER	5	0	0.00%
TARRANT	1239	419	33.82%
TAYLOR	106	7	6.60%
TERRELL	3	0	0.00%
TERRY	9	0	0.00%
THROCKMORTON	3	0	0.00%
TITUS	28	8	28.57%
TOM GREEN	69	5	7.25%
TRAVIS	630	172	27.30%
TRINITY	16	7	43.75%
TYLER	17	0	0.00%
UPSHUR	27	6	22.22%
UPTON	5	1	20.00%
UVALDE	28	4	14.29%
VAL VERDE	20	4	20.00%
VAN ZANDT	40	13	32.50%
VICTORIA	62	19	30.65%
WALKER	55	40	72.73%
WALLER	39	28	71.79%
WARD	16	1	6.25%
WASHINGTON	32	11	34.38%
WEBB	115	49	42.61%
WHARTON	47	28	59.57%
WHEELER	8	0	0.00%
WICHITA	99	35	35.35%
WILBARGER	12	2	16.67%
WILLACY	11	5	45.45%
WILLIAMSON	212	52	24.53%
WILSON	28	7	25.00%
WINKLER	8	0	0.00%
WISE	48	18	37.50%
WOOD	25	6	24.00%
YOAKUM	8	0	0.00%
YOUNG	16	0	0.00%
ZAPATA	11	8	72.73%
ZAVALA	12	5	41.67%
TOTAL	17,954	7,769	43.27%

APPENDIX C

FISCAL YEAR 2018 HUB, MINORITY AND SMALL BUSINESS OUTREACH EVENTS

I. STATE ECONOMIC OPPORTUNITY FORUMS	LOCATION
2018 MARKETING FOR SUCCESS HUB VENDOR FAIR	AUSTIN
2018 PROCUREMENT CONNECTION SEMINAR AND EXPO	BEAUMONT
"DOING BUSINESS TEXAS STYLE" AT ACCESS 2018	IRVING
II. TEXAS LOTTERY COMMISSION FORUMS	
TEXAS LOTTERY COMMISSION ANNUAL HUB FORUM	AUSTIN
III. VENDOR FAIRS, CONFERENCES & PROCUREMENT EVENTS	
TEXAS ASSOCIATION OF MEXICAN AMERICAN CHAMBERS OF COMMERCE CONVENTION AND BUSINESS EXPO	SAN MARCOS
BEXAR COUNTY ANNUAL SMALL, MINORITY, WOMAN AND VETERAN BUSINESS OWNER'S CONFERENCE	SAN ANTONIO
HOUSTON MINORITY BUSINESS SUPPLIER DEVELOPMENT COUNCIL EXPO	HOUSTON

APPENDIX D

FISCAL YEAR 2018 WORKFORCE DIVERSITY HUMAN RESOURCES STATEMENT

The Commission strives to ensure that its employee population reflects the ethnic and gender composition of the state of Texas. A workforce comprising **almost 60 percent** women and **48 percent** minorities is the result of our positive approach to equal opportunity practices (see table below).

The Commission takes great pride in its workforce diversity. Efforts to maintain and enhance this diversity are apparent in the open and fair availability of employment opportunities to all members of the public, as well as to Commission employees. Commission staff is expected to treat others with respect, regardless of individual differences and lifestyle choices. The Commission recognizes that maintaining a diverse workforce plays a role in reaching our goal of increased minority participation. This recognition of the value of employee uniqueness is an important factor in the Commission's overall effectiveness.

Programs and policies that aid in accomplishing the goal of workforce diversity include:

- Encouraging a TEAM Approach
- Emphasizing employment recruiting and retention
- Monitoring workforce demographics
- Defining management roles and responsibilities
- Equal Employment Opportunity (EEO) training for management

TEXAS LOTTERY COMMISSION WORKFORCE

TEXAS LOTTERY EMPLOYEES BY ETHNICITY
FISCAL YEAR 2018

ETHNICITY	NUMBER OF EMPLOYEES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	38	12.50%
HISPANIC AMERICAN	93.75	30.80%
ASIAN AMERICAN	9.75	3.20%
NATIVE AMERICAN	5	1.70%
TOTAL MINORITIES	146.50	48.20%
CAUCASIAN	158.75	51.80%
TOTAL EMPLOYEES	305.25	100%

TEXAS LOTTERY EMPLOYEES BY GENDER
FISCAL YEAR 2018

ETHNICITY	NUMBER OF MALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	13.50	4.14%
HISPANIC AMERICAN	34.25	9.87%
ASIAN AMERICAN	4	1.27%
NATIVE AMERICAN	5	1.27%
CAUCASIAN	68.25	23.89%
TOTAL MALES	125	40.44%
ETHNICITY	NUMBER OF FEMALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	24.50	8.10%
HISPANIC AMERICAN	59.50	19.50%
ASIAN AMERICAN	5.75	1.90%
NATIVE AMERICAN	0	0.00%
CAUCASIAN	90.50	29.70%
TOTAL FEMALES	180.25	59.20%
TOTAL AGENCY EMPLOYEES	305.25	100%



2018

TEXAS LOTTERY COMMISSION

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AN AGENCY OF THE
STATE OF TEXAS