

MINORITY BUSINESS

PARTICIPATION REPORT



AN AGENCY OF THE STATE OF TEXAS

 ${\it Mary Ann Williamson} \\ {\it Chairman}$

J. Winston Krause Commissioner



TEXAS LOTTERY COMMISSION

Gary Grief, Executive Director

Sandra K. Joseph, Charitable Bingo Operations Director

April 4, 2013

The Honorable Rick Perry
The Honorable David Dewhurst
The Honorable Joe Straus
Members of the 83rd Legislature

Ladies and Gentlemen:

In accordance with Section 466.107 of the State Lottery Act, the Texas Lottery Commission (TLC) is submitting its annual Minority Business Participation Report for fiscal year (FY) 2012.

During FY 2012, the agency achieved an overall participation of 27.84 percent in its minority/Historically Underutilized Business (HUB) contracting activity, which represented an increase from FY 2011's performance of 26.97 percent. In addition, the agency continued to surpass its 20-percent goal for licensed minority retailers.

During FY 2013, 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.

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Mary Ann Williamson

Chairman

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TEXAS LOTTERY COMMISSION

MINORITY BUSINESS PARTICIPATION REPORT

FISCAL YEAR 2012

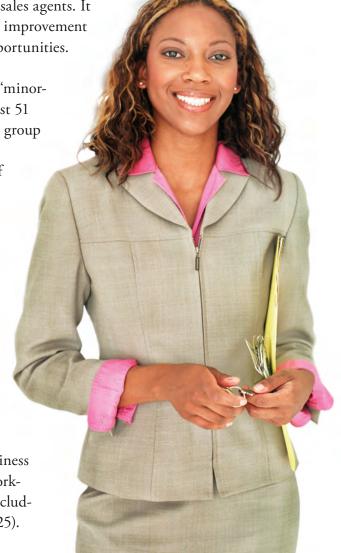
INTRODUCTION

The Texas Lottery Commission (TLC) has prepared its annual Minority Business Participation Report for FY 2012 in accordance with Section 466.107 of the State Lottery Act. This report documents the agency's level of minority business participa-

tion both in its lottery and bingo regulatory contracting activity, and in the licensing of lottery sales agents. 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.

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



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 standards of security and integrity, 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, Texas Government Code, Chapter 466, the agency and its contractors make a good faith effort to contract and subcontract with minority-owned businesses for the purchase of supplies, equipment, 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 2012 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 requirements. The HUB Coordinator also assists evaluation teams by reviewing bids/proposals to determine whether the HUB good faith effort criteria were met. Finally, the agency's subcontracting plans are monitored for compliance following contract awards.

REPORTING

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

EXECUTIVE SUMMARY

During FY 2012, 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 as Texas Lottery sales agents are essential to the agency's initiatives.

The TLC's overall expenditures, as captured by the CPA's *Fiscal Year 2012 Annual Statewide HUB Report*, decreased from FY 2011 to FY 2012. During this reporting period, the Commission ranked 18th by overall expenditures among the 50 largest-spending agencies, as compared with ranking 19th during FY 2011.

FIG. 2 MINORITY SPENDING

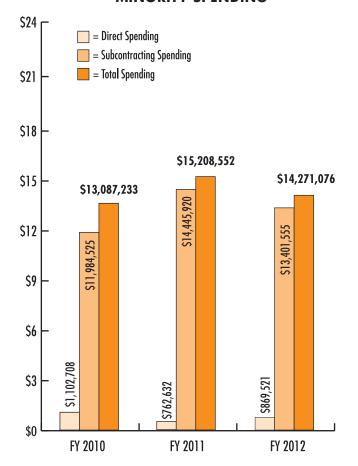
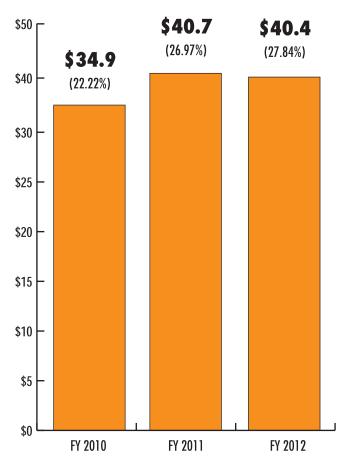
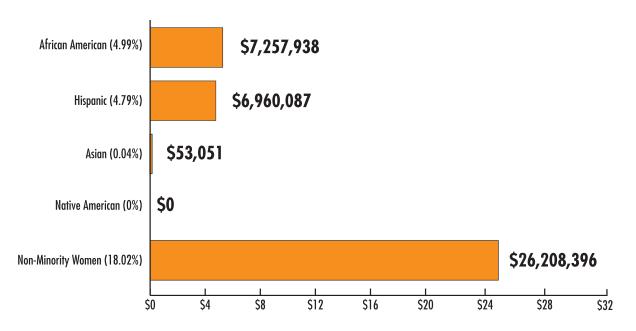


FIG. 1
MINORITY/HUB SPENDING
(IN MILLIONS)



During FY 2012, the TLC achieved an overall participation rate in its minority/HUB contracting activity of 27.84 percent. As shown in Figure 1, total expenditures paid to all minority/HUB vendors decreased slightly from the previous fiscal year, but the TLC's overall minority/HUB percentage increased. Figure 2 summarizes payments made to minority-owned businesses only (not including non-minority women). During this reporting period, direct expenditures to minority-owned businesses increased and subcontracting payments decreased. Figure 3 shows the breakdown of FY 2012 minority/HUB spending by ethnic group.

FIG. 3
FY 2012 MINORITY/HUB SPENDING BY ETHNICITY



During FY 2012, the TLC continued to exceed the 20-percent goal for its minority-owned Texas Lottery retailer base which is set out in Texas Government Code Section 466.151. Minority retailers now number 7,360, representing 43.34 percent of the agency's total Texas Lottery retailer base (see Figures 4 and 5). In addition, for the sixth consecutive year, the TLC has maintained a minority retailer percentage of more than 40 percent. More detailed information on minority retailers by county is located in Appendix B (page 18).



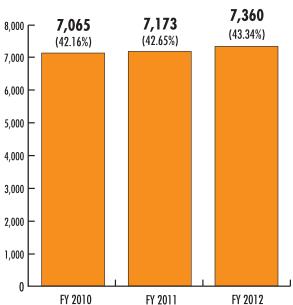
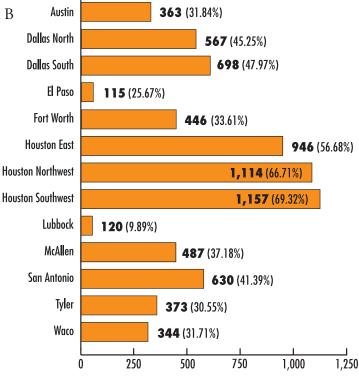


FIG. 5 MINORITY RETAILERS BY DISTRICT



MAJOR CONTRACTORS

The Commission's major contractors during FY 2012 for contracts estimated to be \$100,000 or more* included the following:

ADT SECURITY SYSTEMS, INC. - Security management system and monitoring services.

ALLIED BARTON SECURITY SERVICES LLC – Security officer services.

AUSTIN RIBBON AND COMPUTER SUPPLIES, INC.** – Uninterrupted power supply lease.

BARKER & HERBERT ANALYTICAL LABORATORIES, INC. – Lottery product testing services.

BEEHIVE SPECIALTY Co.** - Promotional products.

DAVILA, BUSCHHORN AND ASSOCIATES, P.C.** – Lottery drawings audit services.

DELEHANTY CONSULTING, LLC – Lottery security study services.

DELL MARKETING, LP – Microsoft enterprise agreement.

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.

FIVE POINTS & ASSOCIATES, INC. – Application development and maintenance services.

GRANT THORNTON, **LLP** – Risk review and compliance monitoring services.

GTECH CORPORATION® – Lottery operations and services.

GTECH PRINTING CORPORATION – Instant ticket manufacturing and services.

IPSOS-REID CORPORATION – Market research services.

KNIGHT SECURITY SYSTEMS, LLC – Surveillance camera products and services.

LATINWORKS MARKETING, LLC** – Advertising services.

MAXWELL, LOCKE AND RITTER, LLP - Audit services.

MEYERTONS, HOOD, KIVLIN, KOWART AND GOETZEL, P.C. – Outside counsel intellectual property legal services.

OCÉ IMAGISTICS, INC. – Document management services.

POLLARD BANKNOTE, LTD. – Instant ticket manufacturing and services.

RFD & ASSOCIATES, INC.** – System conversion services.

SCIENTIFIC GAMES INTERNATIONAL, INC. – Instant ticket manufacturing and services.

SEQUEL DATA SYSTEMS, INC.** – PC equipment lease.

SHI GOVERNMENT SOLUTIONS** – SAN equipment lease.

SIERRA GROUP, LLC - Promotional products.

SUNGARD VERICENTER, INC. – Web site hosting services.

TLP, Inc. DBA TRACY LOCKE AND LATINWORKS – Advertising services.

UNIQUE DIGITAL TECHNOLOGY, INC. – SAN equipment lease.

^{*}List does not include interagency contracts, property leases, or licensed property contracts. **HUB certified contractors

FISCAL YEAR 2012 HIGHLIGHTS

- The TLC implemented new statewide HUB rules, forms and procedures, and established annual agency-specific HUB goals.
- The TLC's minority/HUB expenditures totaled more than \$40.4 million.
- For FY 2012, the Texas Lottery Commission ranked 18th in terms of overall expenditures as captured by the CPA's *Fiscal Year 2012 Annual Historically Underutilized Business (HUB) Report*. Of the 18 largest-spending state agencies, the TLC ranked 2nd by overall HUB percentage (see Table C, page 12).
- Five of the TLC's major contractors increased subcontracting payments to minority/HUB businesses.
- Seven HUB companies provided major contract services to the agency during FY 2012.
- For the first time, a Hispanic-owned HUB certified company, LatinWorks Marketing, LLC, was awarded a contract for the TLC's advertising services.
- The TLC strengthened vendor education efforts regarding the HUB subcontracting plan by offering one-on-one workshops and reviews of draft HSPs.
- The TLC participated in 10 economic opportunity forums and HUB-related outreach events statewide.

• The TLC conducted a successful annual HUB forum on June 28, 2012, which attracted minority/HUB participants from across the state. Roundtable networking sessions at this event allowed maximum interaction between the attendees, key agency staff, and the agency's prime contract vendors.

- The TLC maintained a minority retailer percentage of more than 40 percent for the sixth consecutive year. This represents a retailer participation of more than twice the established goal.
- The TLC participated in HUB
 Discussion Workgroup meetings
 that were held during the
 fiscal year.



FISCAL YEAR 2012 MINORITY/HUB EXPENDITURE SUMMARY

TABLE A

I. DIRECT MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	DIRECT EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
AFRICAN AMERICAN	\$9,386	0.01%	
HISPANIC AMERICAN	\$807,296	0.56%	
ASIAN AMERICAN	\$52,839	0.04%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$ 1,734,354	1.19%	
TOTAL	\$2,603,875	1 .79 %	\$145,415,588

II. PRIME CONTRACTOR MINORITY/HUB SUBCONTRACTING EXPENDITURES

MINORITY/HUB GROUP	SUBCONTRACTING EXPENDITURES	% OF NON-MINORITY/ NON-HUB TOTAL	TOTAL NON-MINORITY/ NON-HUB EXPENDITURES
AFRICAN AMERICAN	\$7,248,552	5.08%	
HISPANIC AMERICAN	\$6,152,791	4.31%	
ASIAN AMERICAN	\$212	0.00%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$24,474,042	17.14%	
TOTAL	\$37,875,597	26.52 %	\$142,811,713

III. GRAND TOTAL OF MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	MINORITY/HUB EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
AFRICAN AMERICAN	\$7,257,938	4.99%	
HISPANIC AMERICAN	\$6,960,087	4.79%	
ASIAN AMERICAN	\$53,051	0.04%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$26,208,396	18.02%	
GRAND TOTAL	\$40,479,472	27.84%	\$145,415,588

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. Minority/HUB expenditures were derived from the Fiscal Year 2012 Annual Historically Underutilized Business (HUB) Report plus Texas Lottery Commission spending with minority and women-owned businesses (direct and indirect) who were not HUB certified during FY 2012.

The Texas Lottery Commission promotes fair and competitive business opportunities for minority businesses/HUBs interested in contracting with the agency and its major contractors. The TLC conducted an effective program during FY 2012 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 sales agents. The following sections detail some of the TLC's achievements in FY 2012.

IMPLEMENTATION OF NEW HUB RULES AND PROCEDURES

The Texas Procurement and Support Services (TPASS) division of the Comptroller of Public Accounts adopted new statewide HUB rules, which became effective during FY 2012. The TLC adopted the updated rules by reference, in 16 Texas Administrative Code 403.30, with an effective date of November 9, 2011. In accordance with the revised rules, the TLC also developed new procedures for estimating the total value of contract awards, and for establishing internal agency HUB goals. The TLC completed and documented these required activities for FY 2012. In addition, the TLC implemented new HUB Subcontracting Plan (HSP) forms and procedures which were developed by TPASS. Finally, the TLC developed new strategies to assist vendors in preparing HSPs that would be compliant with the new procedures. As a result of these efforts, the TLC had a higher HSP success rate during FY 2012.

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 prime 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.

Bids/Proposals Received and Contracts Awarded:

During FY 2012, the TLC received 47 competitive bids and proposals from HUB vendors, which represented over 39 percent of all responses. Overall, the agency awarded 168 total contracts to HUB vendors, 78 of which were awarded to minority-owned HUBs. These included contracts resulting from noncompetitive "spot purchases," informal and formal quotes, bids, offers, and proposals received from HUB vendors.

OUTREACH ACTIVITIES

Advertisements: During FY 2012, the TLC ran print advertisements to promote its HUB program and to publicize minority/HUB outreach events in minority-owned newspapers. Examples of the types of advertising placed are available in Appendix E (page 27).

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 TLC prime contractors.

Website: Information about the TLC's Minority/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 vendor fairs 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 Texas Procurement and Support Services (TPASS) division of the Comptroller of Public Accounts (CPA). In addition, the TLC participated in a number of forums, conferences and other events 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 28, 2012, 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. The agency offered roundtable networking sessions for the seventh consecutive year, which provided attendees with the opportunity to meet face-to-face with agency management/staff and representatives from the TLC's major contractors. Vendors who attend the TLC forum consistently provide positive feedback regarding the roundtable format and the opportunity to directly network with agency staff and contractors.

Subcontracting Opportunities: In FY 2012, the TLC continued to identify subcontracting opportunities for minority/HUB vendors and to monitor HUB Subcontracting Plan requirements.

MENTOR-PROTÉGÉ PROGRAM

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

Although the TLC did not have any active mentor-protégé relationships during FY 2012, the Mentor-Protégé Program is an ongoing initiative. The TLC will continue its efforts to form new mentor protégé relationships during FY 2013.

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

Major 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 must complete HUB subcontracting plan (HSP) forms and perform a good faith effort to use HUBs as subcontractors. The state's Centralized Master Bidders List and HUB Directory are key resources available to the TLC's major contractors for identifying potential HUB subcontractors. Many of the TLC's largest contractors also participated in the TLC's FY 2012 HUB Forum, providing information and networking opportunities to HUBs. Through these efforts, the agency's major contractors who utilized minority and/or HUB subcontractors achieved the following results in FY 2012:

TABLE B

CONTRACTOR NAME	MINORITY/HUB SUBCONTRACTING EXPENDITURES*
TLP, INC. DBA TRACY LOCKE AND LATINWORKS GTECH CORPORATION	\$27,226,167 \$5,896,194
SCIENTIFIC GAMES INTERNATIONAL, INC.	\$3,025,414
POLLARD BANKNOTE, LTD. DAVILA, BUSCHHORN, & ASSOCIATES, P.C.	\$510,767 \$113,125
ELEPHANT PRODUCTIONS, INC.	\$97,740
GTECH PRINTING CORPORATION LATINWORKS MARKETING, LLC	\$89,374 \$25,202

^{*}Amounts have been rounded to the nearest dollar.

RANK AMONG LARGEST-SPENDING AGENCIES

The Texas Lottery Commission ranked 18th in terms of overall expenditures captured by the CPA's Fiscal Year 2012 Annual Historically Underutilized Business (HUB) Report. Of the 18 largest-spending agencies, the TLC ranked 2nd by overall HUB percentage (see Table C).

TABLE C ANNUAL FISCAL YEAR 2012 HUB REPORT

EIGHTEEN LARGEST-SPENDING AGENCIES RANKED BY OVERALL HUB PERCENTAGE

RANK	AGENCY NAME	TOTAL EXPENDITURES	HUB EXPENDITURES	HUB PERCENTAGE
1	TEXAS A & M UNIVERSITY (MAIN UNIV)	\$180,433,770	\$60,915,883	33.76%
2	TEXAS LOTTERY COMMISSION	\$145,415,588	\$39,454,633	27.13%
3	TEXAS A & M UNIVERSITY SYSTEM	\$275,782,077	\$71,718,695	26.01%
4	UNIVERSITY OF TEXAS SYSTEM	\$610,202,689	\$153,381,913	25.14%
5	HEALTH & HUMAN SERVICES COMMISSION	\$770,115,647	\$182,156,321	23.70%
6	UNIVERSITY OF HOUSTON	\$260,770,158	\$60,420,086	23.17%
7	TEXAS TECH UNIVERSITY	\$154,634,503	\$31,273,860	20.22%
8	UNIVERSITY OF TEXAS AT AUSTIN	\$307,359,663	\$53,112,678	17.28%
9	DEPARTMENT OF STATE HEALTH SERVICES	\$344,304,780	\$53,336,915	15.49%
10	TEXAS STATE UNIVERSITY – SAN MARCOS	\$194,964,169	\$30,516,199	15.65%
11	UT SOUTHWESTERN MEDICAL CENTER/DALLAS	\$585,208,285	\$88,998,666	15.21%
12	TEXAS DEPARTMENT OF CRIMINAL JUSTICE	\$280,193,521	\$31,586,236	11.27%
13	DEPARTMENT OF PUBLIC SAFETY	\$1 <i>7</i> 9,738,088	\$19,791,263	11.01%
14	TEXAS EDUCATION AGENCY	\$158,372,610	\$14,118,817	8.91%
15	UNIVERSITY OF TEXAS MEDICAL BRANCH	\$377,671,969	\$33,586,405	8.89%
16	TEXAS DEPARTMENT OF TRANSPORTATION	\$4,875,493,612	\$406,538,673	8.34%
17	ut m d anderson cancer center	\$1,114,874,822	\$90,762,420	8.14%
18	GENERAL LAND OFFICE	\$1 <i>7</i> 0,1 <i>7</i> 0,303	\$11,225,294	6.60%

Note: The largest-spending agencies are determined by total expenditures made for object codes which are reportable in the CPA's Fiscal Year 2012 Annual Historically Underutilized Business (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 for HUB utilization only, and do not include expenditures made to uncertified minority or woman-owned businesses, which are included in the Texas Lottery Commission's totals elsewhere in this report. These figures are unaudited.

MINORITY RETAILERS

The Texas Lottery Commission's minority retailer base consistently exceeds its statutory goal of 20 percent. In FY 2012, the agency's minority retailers numbered 7,360, which represented 43.34 percent of the Texas Lottery's total retailer base (see Figure 4 and Appendix B). This represents a slight increase from the previous fiscal year. In addition, the agency has maintained a minority retailer percentage of more than 40 percent for the past six fiscal years.

FISCAL YEAR 2013 RECOMMENDED IMPROVEMENTS

- Continue ongoing efforts to assist vendors with HUB subcontracting plan preparation, and track HSP success rates.
- Focus on the Commission's Mentor-Protégé Program and develop new mentor-protégé relationships.
- Encourage prime contractors to attend statewide HUB events to locate and interact with potential minority/HUB subcontractors.
- Develop a workshop, web page, or booklet designed to help HUBs prepare and submit bids/proposals.
- Increase the number of HUB outreach events attended by TLC HUB and Purchasing staff.
- Incorporate new ideas to enhance the agency's Annual HUB Forum.



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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 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 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 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, and Native Americans, and who has suffered the effects of discriminatory practices or other similar insidious circumstances over which the person has no control.

APPENDIX A

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 B, Rule §20.11, 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.

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 §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.

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
ANDERSON	87	23	26.44%
ANDREWS	10	0	0.00%
ANGELINA	64	17	26.56%
ARANSAS	22	7	31.82%
ARCHER	9	0	0.00%
ARMSTRONG	3	0	0.00%
ATASCOSA	34	17	50.00%
AUSTIN	34	23	67.65%
BAILEY	6	0	0.00%
BANDERA	11	3	27.27%
BASTROP	60	23	38.33%
BAYLOR	4	0	0.00%
BEE	20	6	30.00%
BELL	201	63	31.34%
BEXAR	952	473	49.68%
BLANCO	16	7	43.75%
BORDEN	0	0	0.00%
BOSQUE	28	13	46.43%
BOWIE	51	12	23.53%
BRAZORIA	181	114	62.98%
BRAZOS	126	87	69.05%
BREWSTER	8	2	25.00%
BRISCOE	2	0	0.00%
BROOKS	5	2	40.00%
BROWN	33	4	12.12%
BURLESON	23	15	65.22%
BURNET	36	11	30.56%
CALDWELL	24	6	25.00%
CALHOUN	18	9	50.00%
CALLAHAN	10	1	10.00%
CAMERON	193	52	26.94%
CARSON	13	2	15.38%
CASS	6	5	0.00%
CASTRO	25		20.00%
CASTRO CHAMBERS	7 38	0 1 <i>7</i>	0.00%
CHEROKEE	43	18	44.74%
CHILDRESS	7	0	41.86%
CLAY	6	0	0.00%
COCHRAN	6	1	16.67%
COKE	4	1	25.00%
COLEMAN	9	1	11.11%
COLLIN	307	130	42.35%
COLLIN	307	130	42.55/0

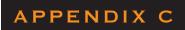
COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
COLLINGSWORTH	2	0	0.00%
COLORADO	27	12	44.44%
COMAL	72	8	11.11%
COMANCHE	13	1	7.69%
CONCHO	5	0	0.00%
COOKE	35	12	34.29%
CORYELL	30	9	30.00%
COTTLE	2	0	0.00%
CRANE	5	1	20.00%
CROCKETT	6	1	16.67%
CROSBY	8	0	0.00%
CULBERSON	9	2	22.22%
DALLAM	11	0	0.00%
DALLAS	1619	834	51.51%
DAWSON	7	0	0.00%
DEAF SMITH	14	0	0.00%
DELTA	3	1	33.33%
DENTON	300	124	41.33%
DE WITT	13	4	30.77%
DICKENS	3	0	0.00%
DIMMIT	10	5	50.00%
DONLEY	5	0	0.00%
DUVAL	14	7	50.00%
EASTLAND	24	3	12.50%
ECTOR	95	12	12.63%
EDWARDS	3	1	33.33%
ELLIS	97	29	29.90%
EL PASO	368	97	26.36%
ERATH	26	11	42.31%
FALLS	16	6	37.50%
FANNIN	25	9	36.00%
FAYETTE	25	4	16.00%
FISHER	3	0	0.00%
FLOYD	5	0	0.00%
FOARD	1	0	0.00%
FORT BEND	280	175	62.50%
FRANKLIN	6	2	33.33%
FREESTONE	24	6	25.00%
FRIO	20	7	35.00%
GAINES	10 276	2	20.00%
GALVESTON		185	67.03%
GARZA	5 12	0	0.00%
GILLESPIE	12	0	0.00%

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
GLASSCOCK	1	0	0.00%
GOLIAD	5	1	20.00%
GONZALES	18	8	44.44%
GRAY	18	2	11.11%
GRAYSON	105	40	38.10%
GREGG	133	27	20.30%
GRIMES	28	17	60.71%
GUADALUPE	74	25	33.78%
HALE	24	1	4.17%
HALL	6	0	0.00%
HAMILTON	9	1	11.11%
HANSFORD	4	0	0.00%
HARDEMAN	7	0	0.00%
HARDIN	51	4	7.84%
HARRIS	3212	2275	70.83%
HARRISON	53	14	26.42%
HARTLEY	0	0	0.00%
HASKELL	5	0	0.00%
HAYS	85	14	16.47%
HEMPHILL	5	0	0.00%
HENDERSON	53	21	39.62%
HIDALGO	357	167	46.78%
HILL	41	4	9.76%
HOCKLEY	13	1	7.69%
HOOD	46	9	19.57%
HOPKINS	26	8	30.77%
HOUSTON	26	8	30.77%
HOWARD	29	2	6.90%
HUDSPETH	3	2	66.67%
HUNT	67	31	46.27%
HUTCHINSON	18	1	5.56%
IRION	3	0	0.00%
JACK	9	2	22.22%
JACKSON	18	8	44.44%
JASPER	43	5	11.63%
JEFF DAVIS	2	0	0.00%
JEFFERSON	259	69	26.64%
JIM HOGG	6	2	33.33%
JIM WELLS	37	18	48.65%
JOHNSON	102	31	30.39%
JONES	11	1	9.09%
KARNES	13	2	15.38%
KAUFMAN	94	39	41.49%

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
KENDALL	25	8	32.00%
KENEDY	0	0	0.00%
KENT	0	0	0.00%
KERR	36	1	2.78%
KIMBLE	11	1	9.09%
KING	0	0	0.00%
KINNEY	3	0	0.00%
KLEBERG	33	18	54.55%
KNOX	4	0	0.00%
LAMAR	34	12	35.29%
LAMB	14	0	0.00%
LAMPASAS	14	4	28.57%
LA SALLE	7	1	14.29%
LAVACA	22	4	18.18%
LEE	17	5	29.41%
LEON	29	7	24.14%
LIBERTY	77	45	58.44%
LIMESTONE	24	7	29.17%
LIPSCOMB	4	0	0.00%
LIVE OAK	16	1	6.25%
LLANO	21	3	14.29%
LOVING	0	0	0.00%
LUBBOCK	150	21	14.00%
LYNN	3	0	0.00%
MADISON	8	4	50.00%
MARION	13	4	30.77%
MARTIN	1	0	0.00%
MASON	5	1	20.00%
MATAGORDA	40	21	52.50%
MAVERICK	27	12	44.44%
MCCULLOCH	9	0	0.00%
MCLENNAN	186	79	42.47%
MCMULLEN	1	0	0.00%
MEDINA	32	7	21.88%
MENARD	3	0	0.00%
MIDLAND	76	3	3.95%
MILAM	23	3	13.04%
MILLS	4	0	0.00%
MITCHELL	5	0	0.00%
MONTAGUE	20	5	25.00%
MONTGOMERY	298	182	61.07%
MOORE	19	2	10.53%
MORRIS	12	2	16.67%

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
MOTLEY	3	0	0.00%
NACOGDOCHES	56	17	30.36%
NAVARRO	46	19	41.30%
NEWTON	15	2	13.33%
NOLAN	20	0	0.00%
NUECES	230	68	29.57%
OCHILTREE	6	0	0.00%
OLDHAM	2	1	50.00%
ORANGE	84	9	10.71%
PALO PINTO	38	3	7.89%
PANOLA	18	5	27.78%
PARKER	57	14	24.56%
PARMER	8	0	0.00%
PECOS	21	7	33.33%
POLK	34	17	50.00%
POTTER	104	40	38.46%
PRESIDIO	6	1	16.67%
RAINS	10	5	50.00%
RANDALL	51	9	17.65%
reagan	3	0	0.00%
REAL	5	1	20.00%
RED RIVER	14	4	28.57%
REEVES	9	2	22.22%
REFUGIO	10	2	20.00%
ROBERTS	2	0	0.00%
ROBERTSON	25	10	40.00%
ROCKWALL	37	12	32.43%
runnels	15	0	0.00%
RUSK	27	9	33.33%
SABINE	12	0	0.00%
SAN AUGUSTINE	10	2	20.00%
SAN JACINTO	13	10	76.92%
SAN PATRICIO	71	22	30.99%
SAN SABA	7	0	0.00%
SCHLEICHER	3	0	0.00%
SCURRY	13	0	0.00%
SHACKELFORD	5	0	0.00%
SHELBY	21	6	28.57%
SHERMAN	2	0	0.00%
SMITH	130	60	46.15%
SOMERVELL	11	3	27.27%
STARR	43	27	62.79%
STEPHENS	7	2	28.57%

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
STERLING	2	0	0.00%
STONEWALL	2	0	0.00%
SUTTON	9	0	0.00%
SWISHER	5	0	0.00%
TARRANT	1148	420	36.59%
TAYLOR	107	3	2.80%
TERRELL	1	0	0.00%
TERRY	9	0	0.00%
THROCKMORTON	2	0	0.00%
TITUS	28	9	32.14%
TOM GREEN	70	3	4.29%
TRAVIS	605	146	24.13%
TRINITY	20	9	45.00%
TYLER	16	1	6.25%
UPSHUR	21	4	19.05%
UPTON	4	0	0.00%
UVALDE	25	5	20.00%
VAL VERDE	23	7	30.43%
VAN ZANDT	35	11	31.43%
VICTORIA	62	16	25.81%
WALKER	49	30	61.22%
WALLER	31	19	61.29%
WARD	13	1	7.69%
WASHINGTON	33	10	30.30%
WEBB	123	38	30.89%
WHARTON	51	31	60.78%
WHEELER	8	0	0.00%
WICHITA	102	31	30.39%
WILBARGER	10	1	10.00%
WILLACY	12	6	50.00%
WILLIAMSON	182	57	31.32%
WILSON	28	8	28.57%
WINKLER	6	0	0.00%
WISE	41	16	39.02%
WOOD	24	9	37.50%
YOAKUM	7	0	0.00%
YOUNG	18	4	22.22%
ZAPATA	14	10	71.43%
ZAVALA	11	8	72.73%
TOTAL	16,982	7,360	43.34%



FISCAL YEAR 2012 HUB, MINORITY AND SMALL BUSINESS OUTREACH EVENTS

I. STATE ECONOMIC OPPORTUNITY FORUMS	LOCATION
WEST TEXAS BUSINESS SUMMIT - TEXAS TECH UNIVERSITY	LUBBOCK
TEXAS DEPARTMENT OF TRANSPORTATION SMALL BUSINESS BRIEFING	AUSTIN
UNIVERSITY OF TEXAS HUB VENDOR FAIR	AUSTIN
"DOING BUSINESS TEXAS STYLE" AT ACCESS 2012	IRVING
TEXAS PROCUREMENT AND SUPPORT SERVICES 2012 PROCUREMENT CONNECTION SEMINAR AND EXPO	AUSTIN
16TH ANNUAL PROCUREMENT CONFERENCE - UNIVERSITY OF TEXAS ARLINGTON	Arlington
II. TEXAS LOTTERY COMMISSION FORUMS	
TEXAS LOTTERY COMMISSION ANNUAL HUB FORUM	AUSTIN
III. VENDOR FAIRS, CONFERENCES & PROCUREMENT EVENTS	
TEXAS ASSOCIATION OF AFRICAN AMERICAN CHAMBERS OF COMMERCE (TAAACC) ANNUAL CONFERENCE	AUSTIN
BEXAR COUNTY SMALL, MINORITY, WOMAN AND VETERAN BUSINESS OWNER'S CONFERENCE 2011	SAN ANTONIO
GOVERNMENT PROCUREMENT CONNECTIONS 2012	HOUSTON
TEXAS ASSOCIATION OF MEXICAN AMERICAN CHAMBERS OF COMMERCE (TAMACC) 37TH ANNUAL BUSINESS CONFERENCE	SAN ANTONIO

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 **nearly 63 percent** women and **43 percent** minorities is the result of our aggressive 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 2012

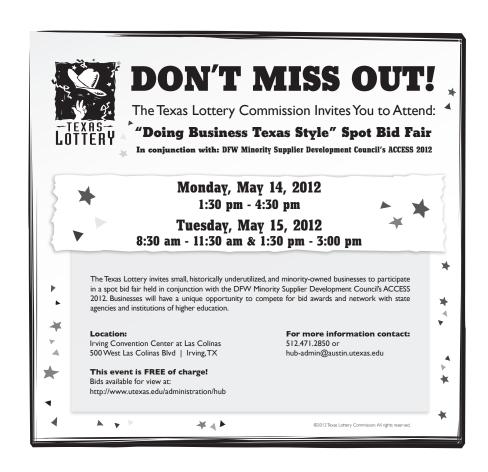
ETHNICITY	NUMBER OF EMPLOYEES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	39	11.85%
HISPANIC AMERICAN	92	27.96%
asian american	9	2.75%
NATIVE AMERICAN	1	0.30%
TOTAL MINORITIES	141	42.86%
CAUCASIAN	188	57.14%
TOTAL EMPLOYEES	329	100%

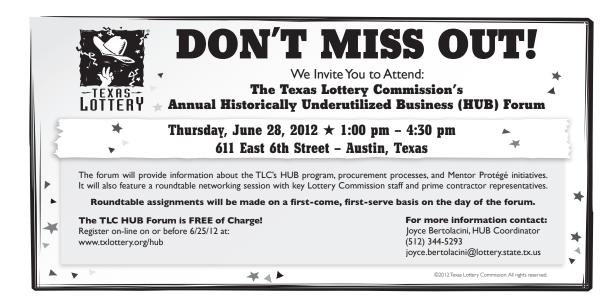
TEXAS LOTTERY EMPLOYEES BY GENDER FISCAL YEAR 2012

ETHNICITY	NUMBER OF MALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	11	3.34%
HISPANIC AMERICAN	29	8.81%
ASIAN AMERICAN	5	1.53%
NATIVE AMERICAN	1	0.30%
CAUCASIAN	76	23.10%
TOTAL MALES	122	37.08%
ETHNICITY	NUMBER OF FEMALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	28	8.51%
	1 ,	
HISPANIC AMERICAN	63	19.15%
HISPANIC AMERICAN ASIAN AMERICAN	63	19.15% 1.22%
	1	
ASIAN AMERICAN	4	1.22%
ASIAN AMERICAN NATIVE AMERICAN	4 0	1.22% 0.0%

APPENDIX E

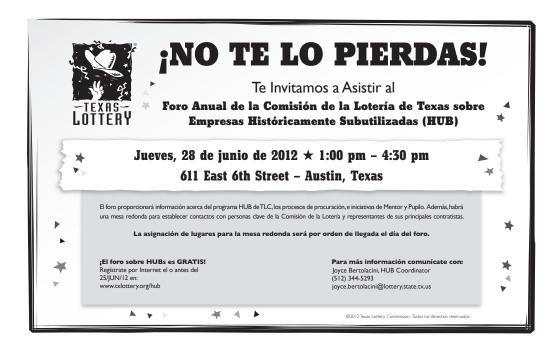




















MINORITY BUSINESS

PARTICIPATION REPORT



AN AGENCY OF THE STATE OF TEXAS