

TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS LOTTERY COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

December 16, 2021

10:00 a.m.

AT

TEXAS LOTTERY COMMISSION
611 East 6th Street
Austin, Texas 78701

APPEARANCES

CHAIRMAN: Robert G. Rivera

COMMISSIONERS: Mark A. Franz
Erik C. Saenz
James H. C. "Jamey" Steen

GENERAL COUNSEL: Robert F. Biard

EXECUTIVE DIRECTOR: Gary Grief

CHARITABLE BINGO
OPERATIONS DIRECTOR: LaDonna Castañuela

CONTROLLER: Katheryn J. Pyka

PRODUCTS MANAGER: Robert Tirloni

MCCONNELL & JONES LLP: Darlene Brown

BINGO ADVISORY
COMMITTEE CHAIRMAN: William "Trace" Smith III

MEDIA RELATIONS DIRECTOR: Lauren Callahan

ASSISTANT GENERAL COUNSEL: Tyler Vance

SPECIAL COUNSEL: Deanne Rienstra

SGI: Pat McHugh

TABLE OF CONTENTS

PAGE

1		
2		
3		
4	I. The Texas Lottery Commission will call the meeting	
5	to order	6
6	Pledge of Allegiance to the U.S. and Texas flags.	
7	II. Report by the Bingo Advisory Committee (BAC)	
8	Chairman; possible discussion and/or action on the	
9	BAC's activities, including removal and	
10	appointment of committee members	16
11	III. Consideration of and possible discussion and/or	
12	action, including adoption, on amendments to 16	
13	TAC §§ 402.413 (Military Service Members, Military	
14	Veterans, and Military Spouses), 402.452 (Net	
15	Proceeds), and 402.702 (Disqualifying	
16	Convictions)	18
17	IV. Consideration of and possible discussion and/or	
18	action, including adoption, on new 16 TAC §403.701	
19	(Family Leave Pool).	19
20	V. Report, possible discussion and/or action on	
21	lottery sales and revenue, game performance, new	
22	game opportunities, advertising, promotional	
23	activities, market research, trends, and game	
24	contracts, agreements, and procedures.	20
25	VI. Report, possible discussion and/or action on	
	transfers to the State and the agency's budget	
	status	27
	VII. Report, possible discussion and/or action on FY	
	2022 Itemized Operating Budget	29
	VIII. Report, possible discussion and/or action on	
	external and internal audits and/or reviews	
	relating to the Texas Lottery Commission, and/or	
	on Internal Audit activities	30
	IX. Report by the Charitable Bingo Operations Director	
	and possible discussion and/or action on the	
	Charitable Bingo Operations Division's activities,	
	including licensing, accounting and audit	
	activities, reports, and special projects.	31

- 1 X. Report by the Executive Director and possible
 2 discussion and/or action on the agency's
 3 operational status, major contracts, agency
 4 procedures, awards, and FTE status 34
- 5 XI. Consideration of the status and possible approval
 6 of orders in enforcement cases:. 35
 7 Lottery NSF License Revocation Cases (Default)
 8 A. Docket No. 362-22-0015 - Vassu Food Mart
 9 B. Docket No. 362-22-0016 - Arena Food Mart
 10 C. Docket No. 362-22-0250 - Aya Issa Inc
 11 Lottery Agreed Orders
 12 D. Case No. 2021-774 - Royal Food Mart
 13 E. Case No. 2022-23 - E & C Express
 14 F. Case No. 2022-25 - Save Way Food Store
- 15 XII. Public comment 37
- 16 XIII. Commission may meet in Executive Session:
 17 A. To deliberate personnel matters, including the
 18 appointment, employment, evaluation, reassignment,
 19 duties, discipline, or dismissal of the Executive
 20 Director and/or Charitable Bingo Operations
 21 Director, pursuant to §551.074 of the Texas
 22 Government Code.
 23 B. To deliberate the duties of the General Counsel
 24 pursuant to §551.074 of the Texas Government Code.
 25 C. To receive legal advice regarding pending or
 contemplated litigation or settlement offers, or
 other legal advice, pursuant to §551.071(1) and
 (2) of the Texas Government Code, including but
 not limited to legal advice regarding the
 following items:
- Pending litigation regarding Fun 5's Scratch
 Ticket Game #1592, including Travis County
 District Court Docket No. D-1-GN-14-005114
 (Steele, et al. v. GTECH Corp.);
- Legal advice regarding the Governor's March 13,
 2020 COVID-19 state of disaster declaration (as
 renewed thereafter) and related Texas Lottery
 Commission matters, Texas Government Code Chapters
 466 (State Lottery Act) and 467 (Texas Lottery
 Commission), the Bingo Enabling Act, the Open
 Meetings Act, the Public Information Act, the
 Administrative Procedure Act, employment and
 personnel law, procurement and contract law,
 evidentiary and procedural law, ethics laws, and

1 general government law.
2 Legal advice regarding any item on this open
3 meeting agenda.

4 XIV. Return to open session for further deliberation
5 and possible action on any matter posted for
6 discussion in Executive Session. Any matter posted
7 for Executive Session also may be the subject of
8 discussion and/or action in open session . . . 37

9 XV. Adjournment 37

10 Reporter's Certificate. 37

P R O C E E D I N G S

THURSDAY, DECEMBER 16, 2021

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Alrighty. Good morning, everyone. It is 10:00 a.m. and we will start our meeting with the U.S. Pledge.

(Pledges recited)

CHAIRMAN RIVERA: Okay.

COMMISSIONER FRANZ: Mr. Chairman, if you would indulge me. I would like to say a few words. There we go.

In 2015, Governor Abbott appointed Robert Rivera to this Commission and then in 2020 named him Chairman. And having served with Robert for a few years now, I think other Commissioners who may be a little bit newer will hopefully soon come to appreciate what I have, which is his efficiency, his inclusiveness, and a well-run Commission here, which is a pleasure for us to serve on.

So, I would ask that Commissioners and the audience please join me in congratulating Robert on his reappointment as both Chairman and to the Commission. And we are grateful for that and grateful for your leadership, Chairman.

CHAIRMAN RIVERA: Thank you. Thank you

1 all very much.

2 Commissioners, I'm honored by the
3 responsibility and ultimately, it's the hard work of
4 all of our employees led with Gary, all the way down to
5 our newest employee and all of our partners, so we're
6 very grateful for everyone being here in the room. And
7 with that, I'm again honored with the reappointment and
8 looking forward to continued advancement for our Texas
9 Lottery.

10 So, with that, we'll get the meeting
11 going.

12 Next on our item to discuss is going to
13 be Trace Smith, Bingo Advisory Committee.

14 MR. GRIEF: Mr. Chairman?

15 CHAIRMAN RIVERA: Sure.

16 MR. GRIEF: If I could -- we have a
17 special guest I was hoping I could introduce --

18 CHAIRMAN RIVERA: Okay.

19 MR. GRIEF: -- before we start the
20 agenda, and give him an opportunity to hear from you
21 all as well.

22 We have Mr. Pat McHugh who serves as the
23 Chief Executive for Scientific Games, Lottery. Pat is
24 here with us today to provide you all with information
25 about his company, including a soon to be completed

1 major transaction that involves Scientific Games.

2 I just want the Commissioners to know
3 that Scientific Games has long been a trusted partner
4 of the Texas Lottery and a number of our most popular
5 and best selling scratch games have been printed by
6 Pat's company. Pat's also been a very valuable
7 colleague for me for many years and I'm delighted that
8 he's here in front of you to deliver his comments. So,
9 Mr. Chairman?

10 CHAIRMAN RIVERA: Sure. Pat, thank you
11 for being here and apologize for skipping over that
12 item, but grateful for your being here today, so, happy
13 to hear from you.

14 MR. MCHUGH: Great. Thank you, Mr.
15 Chairman, Commissioners, Director Grief, I'm honored to
16 be here. Thank you for having me.

17 Again, I'm Pat McHugh, I'm CEO of
18 Scientific Games Global Lottery Group. Scientific
19 Games is a global leading supplier of games,
20 technology, and services across the whole lottery
21 industry.

22 Before I go into more of who Scientific
23 Games is, I actually wanted to start with a personal
24 note. I started my career with the launch of the Texas
25 Lottery, nearly 30 years ago, so as Director Grief and

1 many others are celebrating the anniversary of the
2 Texas Lottery and their anniversary in this industry, I
3 am as well. So, not only are you a very important
4 customer to Scientific Games, for me personally, this
5 time in Texas and Texas is always going to remain a key
6 memory for me and was instrumental in my career.

7 I started here at the launch supporting
8 the role, I was a project manager of the terminals and
9 the networks, and then after leaving the launch from
10 Texas, went around the world doing lottery startups and
11 conversions, and so, really was monumental to me. So,
12 it means a tremendous amount for me to be here today.

13 And I can tell you, too, I want to also
14 start with congratulations on the 30 year anniversary
15 coming up and your successes. And I can tell you that
16 as someone that literally is around the world all the
17 time working with lotteries on every continent, that
18 the kind of success you've had doesn't happen by
19 accident. Many people think that lottery's growth is
20 just a given, but you run in the world, as you know,
21 where you have a multi-billion dollar annual consumer
22 good, that's run in a government agency, with a lot of
23 obligations to -- on integrity and how you perform
24 those games, and I can tell you that the work that the
25 Lottery here does on a day to day basis is really the

1 reason you've had this continued success over 30 years.
2 So, kudos to Gary and the team on that.

3 I'll offer more about Scientific Games
4 now. Again, we're a leading supplier of games,
5 technology, and services to the lottery business, where
6 just this year we'll reach a billion dollars in revenue
7 for our first time in our career. We have about 3,000
8 employees that serve our lottery group serving
9 lotteries in more than 50 countries around the world.
10 So, we're in every aspect of the business.

11 We're recognized as the industry leader
12 in retail scratch games, which is a \$100-billion
13 consumer product globally and we have 70 percent market
14 share around the globe, so clear leader there, but
15 we're also a leader in lottery systems and in other
16 parts of technology and really every game category.

17 We're immensely proud of our work here
18 in Texas. We are one of your instant scratch game
19 providers. We take that role very seriously. Our job
20 is to make sure that we're working with the Lottery on
21 designing the best games that are going to drive the
22 most sales and profits for responsible growth. And so
23 we have a great working relationship which continues to
24 develop with your lottery team and really is I think a
25 result of your team's effort and our partnership and

1 continuing to grow proceeds for veterans and education.

2 So, in addition to the instant scratch
3 games, we're a leading supplier of lottery systems and
4 they deliver all forms of games that enable to buy
5 lottery across retail and digital channels. We're a
6 leader in digital products, primarily in iLottery,
7 which is the sale of products via the Internet, but
8 also in digital promotion and loyalty programs, which
9 are new innovative programs using global and Internet
10 to add value and entertainment to players on their
11 retail games, which is immensely important for the
12 industry as we need to -- if you want to keep your pace
13 of growth, be able to engage with players in a digital
14 world. So, it's incredibly important.

15 This includes a category that we refer
16 to as linked games, which is where we bundle the retail
17 instant games with digital promotions and experiential
18 prizes where players cannot just win cash, but actually
19 participate in events; going to a concert, going to an
20 event, game show, those types of things. They've been
21 hugely impactful in the industry as we continue to keep
22 games exciting to players, and Texas has been
23 incredibly important as well. It's been one of the
24 huge areas of engagement with your players being able
25 to add this excitement on top of the games.

1 We've had some recent examples like
2 Willy Wonka Golden Ticket, James Bond ticket, Route 66
3 Road to a Million, those are all programs that we
4 worked together with the Lottery to launch and had
5 great success here.

6 And getting into our business and the
7 transaction that Gary mentioned, we've been on a
8 steady, consistent growth for our lottery group, we've
9 hit record numbers over the last several years each
10 year, and we've positioned for this exciting new step,
11 which is the sale of our lottery division to Brookfield
12 Asset Management.

13 Today, Scientific Games is -- our
14 lottery group is one division within a larger gaming
15 company, so we also have a division that supports the
16 casino industry, and as part of this transaction, we
17 reached an agreement with Brookfield Asset Management
18 who is one of the largest private equity and asset
19 managers in the globe. They have over \$600-billion in
20 managed assets. And what they do is they look at
21 companies and industries with infrastructure-like
22 sustainability and growth. So, they're one of the
23 largest commercial real estate owners in the world,
24 they're very much into -- have acquired companies that
25 support governments, not the lottery industry, this

1 will be the first in the lottery industry, but they
2 invest in companies that supply renewable power,
3 infrastructure to governments.

4 So, they really liked the lottery
5 industry, our position in leadership in it, and the
6 steady growth which is very consistent with the
7 infrastructure that they do elsewhere.

8 And even in Texas, Brookfield has a
9 number of assets, I think over \$5-billion in assets in
10 Texas. They're one of the largest commercial real
11 estate owners in Houston, also own a number of
12 companies that are supporting the energy sector within
13 Texas, so particularly in renewable energy.

14 So, we're really excited. Nothing
15 changes for our lottery group, really we as a whole
16 step out, the sale is expected to close in early Q2 of
17 next year, and for us, we're excited because it just
18 means that we continue to operate as we have as a
19 stand-alone lottery group, but now we will be focused
20 100 percent on our lottery customers and the lottery
21 industry, not splitting our time with the casino
22 industry, and with the infusion of capital from
23 Brookfield, we're having greater ability to invest in
24 innovation for the industry, which is going to be
25 incredibly important over the next several years.

1 So, from the Texas Lottery, what you
2 should look for is seamless transaction, no change in
3 the service that we provide you, but an acceleration of
4 innovative products as we go forward. We've already
5 started some of that investment. We're currently going
6 through a global investment to increase retail instant
7 scratch game capacity, tens of millions of dollars
8 we've invested to increase innovation and capacity
9 there, as well as in the digital space supporting
10 mobile and Internet solutions for lottery as we go
11 forward.

12 So, really excited about our positioning
13 going forward.

14 So, really, I just wanted to give a
15 brief update on the business really. On a personal and
16 professional level, appreciate the opportunity to do
17 this, happy to answer any questions either here or I'll
18 be around after the meeting for that as well, but
19 really, thank you for your time and consideration and
20 thank you to the Texas Lottery for your great
21 relationship.

22 CHAIRMAN RIVERA: Commissioners, any
23 questions or -- no? Okay. All right.

24 Can you talk about the printing process
25 and kind of how that comes to fruition?

1 MR. MCHUGH: Sure. I can talk for hours
2 about that, but I won't.

3 I would say it's an incredibly secure,
4 structured process. Obviously, the integrity with
5 printing games, there's nothing more important to our
6 lottery customers to make sure that the printing of
7 those games is clear.

8 We produce over \$70-billion worth of
9 lottery tickets per year out of facilities in North
10 America, Europe, South America and China. And the way
11 it works is we work with our lottery customers on the
12 design of games, look for what games are the right mix
13 to fit in and appeal to the broadest group of players.
14 We execute very stringent working papers on the
15 execution of the game, the size of the game, the
16 payout, and then that goes into a very structured
17 process where we produce those in these very large game
18 production facilities, which literally generate, again,
19 tens of billions of tickets.

20 The challenge of the industry is we
21 generate these 70-billion -- manufacture 70-billion of
22 these tickets, but every single one of them is unique,
23 whereas as typically in manufacturing you are producing
24 something and every one is the exact same. So, the
25 security and integrity and the speed is pretty complex,

1 and that's why we continue to invest significantly in
2 it.

3 CHAIRMAN RIVERA: Perfect. I appreciate
4 your highlighting the transparency and the security of
5 the games that are printed. Clearly that sense of
6 trust for those who play the games is paramount, so
7 thank you for your continued diligence on this level of
8 security.

9 MR. MCHUGH: Great. All right. Thanks,
10 Mr. Chairman.

11 CHAIRMAN RIVERA: Okay. Thank you.

12 MR. MCHUGH: Thank you.

13 AGENDA ITEM NO. II

14 CHAIRMAN RIVERA: Okay. Trace,
15 introduced twice today, but grateful for you being here
16 the one time.

17 MR. SMITH: Thank you, sir. Thank you,
18 Chairman, Commissioners.

19 Yesterday, the Bingo Advisory Committee
20 had a good meeting. We were discussing making
21 recommended changes to the pull-tab rules relating to
22 current manufacturing in order to speed up and
23 streamline the manufacturing process to alleviate the
24 supply and demand problems currently facing the
25 industry.

1 Also discussed some recommended changes
2 on the Bingo website to make it more user friendly.

3 We would also like to mention that we
4 missed our Bingo Commissioner, Commissioner Fields,
5 yesterday at our meeting. Her added value to our
6 meetings is really good and we greatly appreciate her
7 attendance in those meetings and the BAC sends their
8 hearts and prayers to her and her family at this time.

9 And that concludes my report.

10 CHAIRMAN RIVERA: Okay. Commissioners,
11 any questions? So, first, thank you for your comments
12 regarding Commissioner Fields and clearly, she isn't
13 here with us and we will expect that she'll be with us
14 in February and we're definitely sending prayers for
15 her family, so thank you for that.

16 Additionally, we do know that there are
17 folks from the bingo industry that would like to visit
18 with us, so if you haven't done so before, feel free to
19 do so after if there's that availability. Cindy and I
20 will be visiting with representatives in February --

21 MR. SMITH: Yes, sir.

22 CHAIRMAN RIVERA: -- and so I've chosen
23 to wait until Cindy's here but other Commissioners feel
24 free to have that communication at your pleasure.

25 So, thank you very much.

1 MR. SMITH: Thank you.

2 CHAIRMAN RIVERA: Okay.

3 AGENDA ITEM NO. III

4 CHAIRMAN RIVERA: Next item is the
5 adoption of bingo rules change. Tyler Vance, this is
6 your item.

7 MR. VANCE: Morning, Commissioners. I'm
8 Tyler Vance with the Legal Division. I have for your
9 consideration today the adoption of three amendments to
10 Rules 402.413, 402.452, and 402.702, and all of these
11 amendments are being made to conform the rules to
12 statutes, some of which have changed, some of which
13 haven't.

14 402.413 is a change to the military
15 service member section to include the Space Force in
16 the definition of the "Armed Forces of the United
17 States," which was a statutory change from this
18 legislative session.

19 402.452, Net Proceeds; is a change in a
20 definition of the rules to match a definition in the
21 Bingo Enabling Act.

22 And 402.702, Disqualifying Convictions;
23 is a change to the rules to allow respondents 30 days
24 to a proposed denial of their application in accordance
25 with the Texas Occupations Code chapter 53.

1 These were proposed at the last meeting.
2 We didn't receive any comments. The Bingo Advisory
3 Committee supported them and so staff today recommends
4 that you adopt these proposed amendments as written.

5 CHAIRMAN RIVERA: Okay. Thank you.
6 Commissioners, any discussion? Okay. Is there a
7 motion to adopt the amendments?

8 COMMISSIONER FRANZ: I move that we
9 adopt all three amendments.

10 CHAIRMAN RIVERA: All right. Is there a
11 second?

12 COMMISSIONER SAENZ: Second.

13 CHAIRMAN RIVERA: All right. All in
14 favor say aye.

15 (Chorus of "ayes")

16 CHAIRMAN RIVERA: Okay. Thank you.
17 Good job.

18 MR. VANCE: Thank you.

19 AGENDA ITEM NO. IV

20 CHAIRMAN RIVERA: Item IV, next is
21 adoption of the new Family Leave Pool rule. So Deanne
22 is here to enlighten us.

23 MS. RIENSTRA: Yes. Good morning,
24 Chairman and Commissioners. Deanne Rienstra, Special
25 Counsel. We proposed at the last meeting a new rule to

1 implement HB 2063. The new rule sets forth the purpose
2 of the Family Leave Pool, designates a pool
3 administrator, and requires the development and
4 implementation of operating procedures consistent with
5 HB 2063.

6 The proposed rule was published in the
7 Texas Register on November 5th, 2021 and there was a 30
8 day comment period, we received no written comments.
9 This is an action item in which staff recommends the
10 Commission adopt this new rule.

11 CHAIRMAN RIVERA: Okay. Commissioners,
12 any discussion? No? Okay. If not, is there a motion
13 for approval?

14 COMMISSIONER SAENZ: I make a motion.

15 CHAIRMAN RIVERA: All right. Is there a
16 second?

17 COMMISSIONER STEEN: I second.

18 CHAIRMAN RIVERA: All right. All in
19 favor say aye.

20 (Chorus of "ayes")

21 CHAIRMAN RIVERA: All right. Good job.
22 Thank you very much.

23 AGENDA ITEM NO. V

24 CHAIRMAN RIVERA: Next is a report on
25 lottery sales and revenue. We have Kathy and Robert.

1 MS. PYKA: Good morning, Commissioners.
2 My name is Kathy Pyka, Controller for the agency. With
3 me this morning is Robert Tirloni, our Commission's
4 product manager, as well as Lauren Callahan, who will
5 provide an update on the recent check presentation to
6 the Texas Veterans Commission.

7 Commissioners, this morning our
8 presentation will begin with the data on slide 2,
9 comparative sales through the week ending December
10 11th, 2021 are presented at the bottom of the slide.
11 Total fiscal year 2022 sales through this 15-week
12 period, are \$2,212,000,000, which is an increase of
13 \$194,000,000 or 9.6 percent over the \$2,018,000,000 in
14 sales for the previous fiscal year.

15 Our fiscal year 2022 scratch ticket
16 sales reflected on the second orange bar are
17 \$1,802,000,000, which is a \$137-million increase over
18 our fiscal year 2021 sales.

19 With a growth rate of 8.2 percent over
20 last fiscal year, the Commission has continued to
21 report increases over our fiscal year 2021 sales, with
22 the most recent five weeks reporting double digit
23 increases over fiscal year 2021. And Commissioners,
24 we've now had 13 consecutive weeks of sales of more
25 than \$120-million.

1 Scratch ticket sales amount to 81 and a
2 half percent of total sales through this period as
3 compared to last fiscal year in which scratch ticket
4 sales were 82 and a half percent of total sales.

5 During fiscal year 2022, our draw sales
6 reflected on the second blue bar, are at \$410-million,
7 which is a \$58-million increase or 16.3 percent, over
8 the \$352.6-million figure for fiscal year 2021.

9 Robert will now provide an overview of
10 detailed sales by product.

11 MR. TIRLONI: Thanks, Kathy. Good
12 morning, Mr. Chairman, Commissioners. This is the
13 slide that we look at regularly and it's through this
14 past Saturday, December 11th. We'll look at draw games
15 as a whole to start with.

16 They're up almost \$58-million and the
17 bulk of that gain is coming from the jackpot category.
18 Jackpot games are up \$56-million and the overwhelming
19 amount of that growth is coming from Powerball.

20 Powerball was up almost \$54-million and
21 the add-on feature for Powerball called Power Play, is
22 up just over \$9-million. This is due to a \$685-million
23 jackpot that we had back in October.

24 Mega Millions is up as well, not nearly
25 as much, a little over almost three and a half million,

1 almost a million for the add-on game. Mega Millions
2 did have a jackpot of 432-million back in September.

3 Lotto Texas is down. You might remember
4 us talking about this, but at the beginning of last
5 fiscal we had a \$47-million jackpot for Lotto. That
6 doesn't sound like a large jackpot, but for Lotto that
7 actually is. And we've not achieved those jackpot
8 levels thus far this year, thus, the decline.

9 Two Step is holding its own. It's down
10 just about \$100,000.

11 I do want to make a special note today
12 about both Mega Millions and Powerball before we move
13 on. By the time we're back together in February for
14 our meeting, our Powerball and Mega Millions sales
15 stats are going to look very different than they do
16 today. Between now and the end of January, we're up
17 against extremely large sales numbers for both games
18 and that's because in January of this past year,
19 January of '21, we had Mega Millions and Powerball both
20 growing up to significantly high jackpots.

21 So, Mega Millions reached a \$1-billion
22 jackpot last January and Powerball reached a \$730-
23 million jackpot last January. So, right now we're in
24 the mid-300-million-dollar range on Powerball, we're at
25 160 on Mega Millions, so we're far from the jackpot

1 amounts that we saw in January. So, when we're back
2 together in February, we'll look at those numbers and
3 give you an update on how we fared through these next
4 four to six weeks.

5 The daily games in the middle of the
6 slide are pretty much all holding their own. All Or
7 Nothing is seeing an \$800,000 gain, which is great, and
8 Pick 3 and Daily 4 are also up, Cash 5 is even. So,
9 those games are up 1.6-million as a whole.

10 Scratch continues to do phenomenally
11 well. We're at 1.8-billion, which is almost a \$137-
12 million gain. And when we look at the complete
13 portfolio, scratch and draw, we're at 2.2-billion,
14 which is a \$194-million gain.

15 I just have a couple of updates for you.
16 In front of you, you have sample tickets, so you have
17 our whole holiday suite of tickets that you can peruse.
18 And I've also provided for you the Power Multiplier
19 family. This family is not out just yet, it starts in
20 January, but the multiplier family is an extremely
21 important family for us that really helps us reach our
22 scratch ticket sales goals.

23 So, we think it looks great.
24 Multipliers always do well for us. These are sharp
25 looking tickets and so we have high hopes for these

1 starting in the next few weeks.

2 And the last thing I have for you is not
3 something that I regularly talk to you about or show
4 you, but I provided you all our redesign Powerball play
5 slip and really, the key is the back. The back used to
6 be full of just text. We've completely redesigned it.
7 We've got some high level play instructions and we
8 actually added a QR code, so players can scan that QR
9 code, it takes them right to our website to our
10 Powerball how to play page, and they can actually then
11 just watch a video about how to play the Powerball
12 game.

13 So, not as splashy or shiny as our
14 scratch tickets, but I think this is a great customer
15 enhancement and actually, probably for newer players,
16 this is a really good feature for them to be able to
17 learn how to play the game and just watch a video as
18 opposed to reading a lot of text.

19 So, we've gotten really good feedback
20 from this enhancement from our sales staff and so we
21 are in the process now of redoing our Mega Millions and
22 our Lotto Texas play slips to match this, to use QR
23 codes, and we'll continue to update these, and I just
24 wanted to share that with you.

25 And now I'm going to turn it over to

1 Lauren who has information on the Veterans Commission
2 check presentation.

3 MS. CALLAHAN: Thank you, Robert. Mr.
4 Chairman and Commissioners, good morning. For the
5 record, I'm Lauren Callahan, the Director of Media
6 Relations, and I'm here to provide a brief update about
7 our beneficiary partnership with the Texas Veterans
8 Commission.

9 Each year the Texas Lottery presents the
10 TVC with a ceremonial check at the University of Texas
11 home football game closest to Veterans Day.

12 This year the check presentation was
13 held on November 13th and it was an honor to have
14 Chairman Rivera represent the agency to present TVC
15 Chairwoman Laura Koerner, Vice Chair Kevin Barber, and
16 Executive Director Tom Palladino the ceremonial check.

17 And we wanted to provide you the
18 opportunity at this time to view the on-field check
19 presentation.

20 10:27:24

21 (Video plays)

22 10:28:33

23 MS. CALLAHAN: Mr. Chairman, again,
24 thank you for representing our agency at this very
25 important event for both of our agencies. That

1 concludes my portion of this presentation. If there
2 are any questions about this item, please let us know.

3 CHAIRMAN RIVERA: Okay. Any questions
4 from Commissioners? Well, clearly it was a great event
5 and ultimately our Texas veterans are the important
6 folks and most important in all of this, so we're
7 grateful for their participation and the good work that
8 they do across the state and I'm grateful for all of
9 our staff that helped put that event together, so good
10 job, everyone. So, thank you.

11 MS. CALLAHAN: Thank you.

12 CHAIRMAN RIVERA: Okay.

13 AGENDA ITEM NO. VI

14 MS. PYKA: All right. Commissioners, I
15 shall continue then. Again, for the record, my name is
16 Kathy Pyka, Controller for the Commission.

17 Tab VI includes information on the
18 agency's transfers to the State, as well as the
19 agency's budget status. The report in your notebook
20 reflects accrued revenue transfers and allocations to
21 the Foundation School Fund, as well as the Texas
22 Veterans Commission through the two month period ending
23 October 31, 2021.

24 Our total accrued revenue transfers to
25 the State amount to \$270.2-million for the first two

1 months of fiscal year 2022. Of the \$270-million
2 transfer to the State, \$267.1-million was the amount of
3 revenue transferred to the Foundation School Fund, and
4 \$3.1-million was the amount transferred to the Texas
5 Veterans Commission.

6 This leaves us with a 10.9 percent
7 increase or \$26.3-million over revenue from sales to
8 the Foundation School Fund as compared to the same
9 period last fiscal year. And again, Commissioners,
10 just as a reminder as Robert noted, we are facing some
11 very large jackpots in January, so I expect that when
12 we come back in February that the report might be
13 slightly different on this item.

14 So, through the end of October, our
15 cumulative revenue transfers to the Foundation School
16 Fund are now at \$27.95-billion.

17 Also included in your notebook is the
18 agency's final fiscal year 2021 Method of Finance
19 Summary for the fiscal year ending. The Commission's
20 lottery account budget for fiscal year 2021 was \$333-
21 million. Of this amount, 89 percent was expended and
22 encumbered through the end of the fiscal year. The
23 Bingo Administration budget funded by general revenue
24 was \$2.2-million, with 75.7 percent expended and
25 encumbered through the end of the fiscal year.

1 Commissioners, this concludes my
2 presentation, I'll be happy to answer any questions on
3 this item.

4 CHAIRMAN RIVERA: Commissioners, any
5 discussion? No?

6 Kathy, good job as always and this is
7 your -- you have one more item, right? Okay.

8 MS. PYKA: One more item. Certainly.

9 AGENDA ITEM NO. VII

10 MS. PYKA: Again, Tab VII is information
11 on the agency's fiscal year 2022 Itemized Operating
12 Budget. Commissioners, in accordance with the General
13 Appropriations Act, agencies are required to file
14 itemized operating budgets with the Governor's Office
15 of Budget, Planning and Policy and the Legislative
16 Budget Board no later than December 1, 2021.

17 The budget document included in your
18 notebook behind Tab VII reflects the Commission's
19 fiscal year 2022 operating budget previously adopted by
20 the board on August 12th of this year, as well as the
21 actual expenditures for fiscal years 2021 and fiscal
22 year 2020.

23 Under the requirements set forth by the
24 legislative offices, this document was completed by the
25 Office of the Controller on November the 19th and also

1 certified with the Legislative Budget Board on the same
2 day.

3 Commissioners, this concludes my
4 presentation. I'd be happy to answer any questions.

5 CHAIRMAN RIVERA: Okay. Commissioners,
6 any discussion? No? Okay.

7 Kathy, this is your -- as you're well
8 aware, your second to last meeting.

9 MS. PYKA: Yes, sir.

10 CHAIRMAN RIVERA: And we are excited
11 about your advancement with all the things that you're
12 going to be doing post-retirement, but you will be back
13 for February and we will look forward to seeing you
14 then, so.

15 MS. PYKA: Thank you very much,
16 Commissioners.

17 CHAIRMAN RIVERA: Thank you. Okay.

18 AGENDA ITEM NO. VIII

19 CHAIRMAN RIVERA: Next item is the
20 internal auditor report. Darlene, your item.

21 MS. BROWN: Thank you. Good morning.
22 My name is Darlene Brown, I'm the internal auditor. I
23 just have a brief status update for you.

24 So, this period since the last
25 Commission meeting, we've continued to work on bingo

1 reconciliations. It's gone a little slower because I
2 have staff out, but we are now at 1900 reconciliations.

3 We've also reviewed the retailer survey
4 process that was revised and we're in complete
5 agreement with the procedures and processes, think
6 that's excellent move on the agency's behalf to go to
7 electronic surveys.

8 We've also started looking at the ticket
9 and game management processes, and one particular area
10 where we'll delve deeper as part of the audit in
11 January, that being it's just part of our audit plan.
12 We're also going to be looking at the agency
13 performance measures in January.

14 So, that concludes my report. I would
15 be happy to answer any questions.

16 CHAIRMAN RIVERA: Okay. Any discussion?
17 No? Darlene, always awesome, thorough job, so thank
18 you for being here today.

19 MS. BROWN: Thank you.

20 CHAIRMAN RIVERA: Thank you.

21 AGENDA ITEM NO. IX

22 CHAIRMAN RIVERA: Number IX is we're
23 going to hear from our Bingo Director, so LaDonna,
24 you've got the ball.

25 MS. CASTAÑUELA: Good morning, Chairman

1 and Commissioners. For the record, I'm LaDonna
2 Castañuela, Director, Charitable Bingo Operations
3 Division. Information regarding Output Metrics for
4 CBOD for October and November can be found in your
5 notebook materials.

6 As usual, we have a lot going on in the
7 division. With the help of CBOD's new Deputy Division
8 Director, I have been able to finalize several long
9 overdue evaluations, which will allow me to award much
10 deserved merit raises. Getting staff some meaningful
11 feedback on individual performances and merit raises
12 when the performance qualifies, has been a stated goal
13 of mine since I started when I got here in July. I'm
14 very excited to report to you that it's happening.

15 Meanwhile, CBOD staff is working hard to
16 review, revise and update division procedures to ensure
17 accuracy and completeness in the Commission's Procedure
18 Tracking System.

19 We're also very focused on preparing for
20 the office move next year. Besides cleaning out
21 individual offices of the accumulated personal effects
22 and unnecessary paper, we've already been able to
23 process several long overdue boxes of files so that
24 they can be transported for destruction if appropriate
25 or sent to the warehouse for the remainder of the

1 retention, the required retention.

2 I continue to work on implementation of
3 action items to improve compliance activities in the
4 division in response to last year's CBOD enforcement
5 audit. Ms. Brown has been a great help to me on this
6 front.

7 Staff and I are eager to make changes
8 that will include CBOD taking a much more active role
9 in tracking and seeking resolution of its own
10 compliance cases. We're in the process of finalizing a
11 detailed SOP outlining several new steps that the
12 CBOD's compliance section will take in hopes of
13 improving the process for the division for our legal
14 counsel and for the license holders.

15 So, now I've been here five and a half
16 months and I want to be sure and let you know how much
17 I've enjoyed it. The challenges are certainly great
18 and numerous, but everyone has been nothing but
19 supportive and helpful and I'm very appreciative.

20 I continue to admire the dedication to
21 Bingo that I have observed from CBOD staff. That's all
22 I have for you today and I'm available to answer
23 questions.

24 CHAIRMAN RIVERA: Okay. Commissioners,
25 any discussion? None? Well, Mark?

1 COMMISSIONER FRANZ: None.

2 CHAIRMAN RIVERA: Thank you for all of
3 the work that you're doing. We know that you have had
4 a very robust five and a half months here, but all of
5 the work that you're doing is incredibly important.

6 If Cindy was here, I'm confident she
7 would reinforce the feeling that all of the
8 Commissioners have, which is a sense of just peace
9 knowing that you're here, level of comfort that is
10 needed and was needed and it's a role that you're doing
11 a great job of filling and we're excited that you're
12 here and excited about your continued, just daily
13 energy that you bring to the position. So, thank you
14 very much for all that you do.

15 MS. CASTAÑUELA: Thank you.

16 CHAIRMAN RIVERA: And all of our Bingo
17 employees. Okay.

18 AGENDA ITEM NO. X

19 CHAIRMAN RIVERA: Okay. Next item is
20 Number IX (sic), we'll hear from our Executive Director
21 Gary.

22 MR. GRIEF: Thank you, Mr. Chairman.
23 Other than what's in your notebooks today, I have
24 nothing further to report this morning.

25 CHAIRMAN RIVERA: Okay. Wow. Easy.

1 Man, efficient.

2 UNIDENTIFIED VOICE: Is that a first?

3 MR. GRIEF: Could be, yeah.

4 CHAIRMAN RIVERA: First for this -- for
5 a long time. Any comments, questions, discussion?
6 Nothing? Okay. Well Gary, thank you very much for all
7 of the work that you do and for all of our Lottery
8 employees and just we're grateful for the efficiencies
9 that you bring to the table and just you not having any
10 agenda items to really go over is testament to the
11 solid work that you put forward daily. So, thank you.

12 MR. GRIEF: Thank you, Mr. Chairman.

13 AGENDA ITEM NO. XI

14 CHAIRMAN RIVERA: Okay. Next item, we
15 will hear from Bob.

16 MR. BIARD: Thank you, Chairman. This
17 is Item XI. I have six enforcement matters and for the
18 record, I'm Bob Biard, General Counsel. And Tabs A
19 through F in your notebooks are Lottery enforcement
20 matters.

21 In these cases, the Commission staff
22 found the licensee violated a statute or rule and in
23 many of our cases, either the respondent fails to show
24 up and the matter proceeds by default or the staff and
25 the respondent reach a settlement in the form of an

1 agreed order, which is what we have today.

2 Tabs A through C are the nonsufficient
3 fund Lottery retailer license revocations and each case
4 was presented at the State Office of Administrative
5 Hearings for revocation of the retailer license because
6 the licensee failed to have sufficient funds in their
7 bank account to cover electronic fund transfers to the
8 Commission.

9 In each case, the licensee failed to
10 appear at the hearing and the judge remanded the case
11 to the Commission to handle as a default matter.

12 The remaining three cases are agreed
13 orders where the retailer violated the statute and rule
14 that prohibit charging more than the face value of a
15 lottery ticket by charging a fee for paying with a
16 debit card. The materials for these cases are all in
17 your notebook.

18 That concludes my presentation and you
19 may take up the enforcement orders in a single vote if
20 you'd like, and I'll be happy to answer any questions.

21 CHAIRMAN RIVERA: Okay. Is there a
22 motion to approve the orders, Tabs A through F?

23 COMMISSIONER SAENZ: I make a motion.

24 CHAIRMAN RIVERA: Is there a second?

25 COMMISSIONER STEEN: I second.

1 CHAIRMAN RIVERA: Okay. All in favor
2 say aye.

3 (Chorus of "ayes")

4 CHAIRMAN RIVERA: Okay. Motion passes.
5 Bob, thank you very much.

6 MR. BIARD: Thank you.

7 AGENDA ITEM NO. XII

8 CHAIRMAN RIVERA: Are there any public
9 comments?

10 MR. BIARD: No, I have no requests for
11 public comment.

12 AGENDA ITEM NOS. XIII and XIV

13 (Commission did not meet in Executive Session)

14 AGENDA ITEM NO. XV

15 CHAIRMAN RIVERA: Okay. Well, we have
16 come to the end of our meeting and it's been a very
17 efficient, almost three-quarters of an hour, so we are
18 grateful for all who are here. On behalf of all of our
19 Commissioners, we are grateful for all of our partners,
20 for all of our employees, and we wish you all a very
21 Merry Christmas and an awesome New Year celebration as
22 well. And we'll see you all in February.

23 Thank y'all very much.

24 (Proceedings concluded at 10:40 a.m.)

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C E R T I F I C A T E

STATE OF TEXAS)
COUNTY OF HARRIS)

I, Kimberly C. McCright, Certified Vendor and
Notary in and for the State of Texas, do hereby certify
that the above-mentioned matter occurred as
hereinbefore set out.

I FURTHER CERTIFY THAT the proceedings of
such were reported by me or under my supervision, later
reduced to typewritten form under my supervision and
control and that the foregoing pages are a full, true
and correct transcription of the original notes.

IN WITNESS WHEREOF, I have hereunto set my
hand and seal this 27th day of December, 2021.

/s/ Kimberly C. McCright
Kimberly C. McCright
Certified Vendor and Notary Public
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