

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

JUNE 11, 2020

10:00 a.m.

AT

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

CONDUCTED AS A
ZOOM WEBINAR

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APPEARANCES

CHAIRMAN:	J. Winston Krause
COMMISSIONERS:	Mark A. Franz Robert Rivera Erik Saenz Cindy Fields
GENERAL COUNSEL:	Robert F. Biard
ASSISTANT GENERAL COUNSEL:	Kyle Wolfe
EXECUTIVE DIRECTOR:	Gary Grief
CONTROLLER:	Katheryn J. Pyka
PRODUCTS MANAGER:	Robert Tirloni
McCONNELL JONES LANIER & MURPHY, LLP:	Darlene Brown
DIRECTOR OF ADMINISTRATION:	Mike Fernandez
BINGO DIRECTOR:	Tom Hanson
BINGO ADVISORY COMMISSION CHAIRMAN:	Trace Smith
LOTTERY COMMISSION'S HUB PROGRAM COORDINATOR:	Eric Williams
LOTTERY OPERATIONS DIRECTOR:	Ryan Mindell

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- R. Case No. 2020-126 - EZ Stop #4
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Other Lottery Cases

- Z. Docket No. 362-20-0062 - Times Market #102

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- AA. Case No. 2019-905 - Robin Sanders (Bingo Worker)
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XVII. Commission may meet in Executive Session: 76

- A. To deliberate personnel matters, including the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of the Executive Director, Acting Charitable Bingo Operations Director and/or Charitable Bingo Operations Director pursuant to §551.074 of the Texas Government Code.
- B. To deliberate the duties of the General Counsel and/or the Human Resources Director pursuant to §551.074 of the Texas Government Code.

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 Tex. Supreme Court Docket No. 18-0159 (Steele, et al. v. GTECH Corp.) and Tex. Supreme Court Docket No. 17-1010 (Nettles v. GTECH Corp. and Texas Lottery Commission); and State of Texas v. C.D. (On Petition for Review to Texas Supreme Court - Docket No. 18-0808);

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 general government law.

Legal advice regarding any item on this open meeting agenda.

XVIII. Return to open session for further deliberation and possible action on any matter posted for discussion in Executive Session. Any matter posted for Executive Session also may be the subject of discussion and/or action in open session 78

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P R O C E E D I N G S

THURSDAY, JUNE 11, 2020

AGENDA ITEM NO. I

CHAIRMAN KRAUSE: Good morning, everybody. This is Winston Krause. I am the Chairman of the Texas Lottery Commission and we intend today to hold a Lottery Commission meeting. It is 10:00 a.m. and we are ready to get going. It's June the 11th, 2020. Let's have a roll call of Commissioners. Commissioner Fields.

COMMISSIONER FIELDS: Here.

CHAIRMAN KRAUSE: Commissioner Franz.

COMMISSIONER FRANZ: Here.

CHAIRMAN KRAUSE: Commissioner Rivera.

COMMISSIONER RIVERA: Here.

CHAIRMAN KRAUSE: Commissioner Saenz.

COMMISSIONER SAENZ: Here.

CHAIRMAN KRAUSE: We have a quorum. We not only have a quorum, we have a full complement and that is, in our recent history, rare. So we're happy to have it.

This meeting is being conducted remotely on Zoom pursuant to Governor Abbott's temporary suspension of certain open meetings laws during the COVID-19 disaster declaration. We appreciate the

1 public participation and your patience. I will fumble
2 the ball every now and then during this meeting, so
3 please forgive me.

4 I want to take a few moments to
5 acknowledge and recognize the outstanding job the
6 agency has done because of this disaster. There have
7 been unprecedented requirements set on agencies such as
8 ours for how to conduct business and except for certain
9 essential positions, most of our agency staff has been
10 teleworking from home or other places. Job functions
11 are being performed and the agency services have
12 continued to be provided during this time.

13 I could not be prouder of our Executive
14 Director, our Bingo Director, the management team, and
15 all of the agency staff. It's been a challenge. Thank
16 you for rising to the occasion. I know that Gary and
17 Tom will be providing us with more information on the
18 agency's management through this unique time.

19 I also want to go over a few ground
20 rules, a little housekeeping. As stated in the meeting
21 notice, requests to provide public comment were due
22 yesterday to our General Counsel Bob Biard, and I have
23 been alerted that there is no request for public
24 comment.

25 Second, our Zoom screen may have an

1 option to raise your hand in chat, but Commission and
2 staff will not be chatting with audience members during
3 the meeting. Incidentally, our General Counsel is the
4 one who is, you know, in effect assisting us by
5 controlling the Zoom and I am impressed with how good
6 of a job he is doing on that. I could never do that.

7 Third, for the benefit of the audience
8 and our court reporter I ask every speaker to state
9 their name before they speak. We need to speak clearly
10 and distinctly and slowly so that our court reporter
11 can have an opportunity to understand what we're
12 saying.

13 Let's see. Commissioners, I have
14 authorized the Commission staff to use electronic
15 signatures as necessary on any orders and other
16 documents that we approve in this meeting and that need
17 to be signed by Commissioners.

18 AGENDA ITEM NO. II

19 CHAIRMAN KRAUSE: We will now take up
20 the Executive Director and Bingo Director report first.
21 First item is Gary Grief. Would you like to go ahead
22 and give us your report?

23 MR. GRIEF: Thank you, Mr. Chairman and
24 Commissioners. Good morning. And for the record, I am
25 Gary Grief, Executive Director of the Texas Lottery

1 Commission. Just wanted to make sure you can hear me
2 okay, Mr. Chairman.

3 CHAIRMAN KRAUSE: This is the Chairman
4 and I hear you loud and clear. You sound great.

5 MR. GRIEF: Very good. Under my report
6 this morning I'll first be providing you with
7 information regarding the impact of COVID-19 on our
8 agency operations and our staff. Then I'll move on to
9 cover a number of other general agency business items.

10 Commissioners, COVID-19 began to
11 significantly impact Texas the week of spring break,
12 which started on Monday, March 9th, and since that time
13 our number one priority has been and continues to be
14 the health and safety of our employees.

15 Following the guidance that we received
16 in mid-March from the Governor's office, and in an
17 effort to limit the spread of COVID-19 and keep our
18 staff as safe as possible, beginning on Monday, March
19 16th, we immediately curtailed the number of employees
20 working in our facilities, both in headquarters and in
21 the field offices, as much as possible.

22 The goal was to limit the number of
23 employees and/or members of the public that were
24 gathered together and increase the space between the
25 employees that had to be in our facilities, thus

1 hopefully reducing the risk of illness.

2 We were very fortunate in that our
3 technology team possessed the foresight and skills such
4 that we were ready for a situation like the one we
5 encountered with COVID-19. Mike Fernandez and his
6 Administration Division team over a period of just two
7 or three days completely outfitted the vast majority of
8 the agency with the equipment and the software that's
9 allowed us to continue to fully function in a
10 predominantly telecommuting mode of operation.

11 We were also fortunate that this moment
12 in time happened to coincide with what we call our PC
13 refresh time; a process we go through every two or
14 three years to replace or upgrade our agency technology
15 including PCs, laptops, printers, scanners, mobile
16 devices, all those things. And Mike and his team were
17 able to carefully select the hardware and software that
18 would be most conducive to long-term telecommuting for
19 our team.

20 For those work areas that weren't
21 conducive to telecommuting, such as our draw studio and
22 our Austin claim center, we quickly moved to limit the
23 number of staff that we were requiring to be onsite,
24 and we instituted a rotation plan for those areas to
25 keep as few people in the office at one time as

1 possible.

2 Our goal has been and will continue to
3 be to keep our employees healthy and safe while
4 carrying out the critical functions of the agency. So,
5 on March 16th, we took the following specific actions:

6 The vast majority of employees began
7 telecommuting from home. We reduced the number of
8 staff required to be in the office down to a minimum.
9 And we observed CDC guidelines for protection and
10 social distancing to the highest extent possible.

11 We temporarily closed all of our claim
12 centers in the field and we shut down public access to
13 all of our facilities. We canceled all non-essential
14 travel and all international travel. We immediately
15 began using the special leave code created by state
16 leadership to ensure that leave that was directly
17 related to COVID-19 is appropriately tracked and that
18 those employees not able to come into the office or
19 telecommute, were placed on emergency leave until
20 further notice.

21 And finally, we have continued to find
22 creative ways to allow our staff to continue to get
23 their work done by finding appropriate alternatives to
24 our regular business processes.

25 Now during this time for those employees

1 who work in areas not conducive to telecommuting or who
2 may only be in the office periodically on a rotational
3 basis, they are considered on duty while at home and
4 they must be accessible and available from home as
5 needed by their supervisor. All of our employees
6 who've been asked to stay home, either part time or
7 full time and who are unable to perform their job by
8 telecommuting, as I said, these employees have been
9 using special COVID-19 emergency leave, not their own
10 leave, as directed by state leadership.

11 And finally, our Human Resources team
12 reviewed best practices statewide and they came up with
13 an important list of questions for employees to ask
14 themselves before being asked to come into the office.
15 These self-screening questions have been just another
16 tool for us all to use to better ensure the health and
17 safety of our colleagues and ourselves.

18 As I mentioned, a number of functions
19 have continued to be handled in person here at lottery
20 headquarters due to the nature of the jobs. These are
21 tasks that for various reasons are just not conducive
22 to being handled remotely, and I want to touch on these
23 functions.

24 The first function involves the
25 management of our facilities: Securing and locking

1 down our buildings; ensuring proper signage is in place
2 to alert the public; working closely with our uniformed
3 guard service; getting our Austin claim center staff
4 strategically and safely placed throughout the
5 headquarters facility; ensuring our mail is monitored,
6 handled, and distributed correctly; staying on top of
7 all the guidelines from state and federal authorities
8 that can help us keep our employees safe; and
9 interacting with our janitorial staff on a regular
10 basis to ensure all best practices are followed.

11 Our facilities team also further secured
12 our facility and protected the health and safety of our
13 staff by strategically securing the courtyard area
14 between the main building and the Austin claim center
15 and draw studio, beginning in late March.

16 For safety reasons, we needed to prevent
17 the public from gathering in the courtyard or in the
18 glassed in viewing lobby for the draw studio, all in an
19 effort to further decrease the risk of possible COVID-
20 19 spread.

21 So the draw studio, that was an
22 especially unique challenge, because the State Lottery
23 Act requires that any lottery game involving a drawing
24 be open to the public. That law doesn't provide us
25 with any specific guidance on that requirement, but it

1 does grant the Commission and the Executive Director
2 broad authority to promote and ensure integrity,
3 security, honesty, and fairness in the operation and
4 administration of the lottery, thus making this
5 particular requirement subject to our discretion as to
6 how best to meet the requirements of our law.

7 We quickly closed the draw studio lobby
8 to the public and we instead met our statutory
9 requirements in other ways. We ensured that the
10 exterior facing video monitor that we have inside the
11 window on the 6th Street side of the draw studio
12 provide the live video feed of the drawings and is
13 easily seen from the sidewalk right outside the draw
14 studio on 6th Street.

15 Second, we ensured that the exterior
16 loudspeaker provide the live audio feed of the drawing
17 and that it's clearly audible from the sidewalk outside
18 the draw studio.

19 And finally, we posted signage near the
20 TLC courtyard gates where the public normally enters to
21 view the drawings, directing viewers to the exterior
22 viewing area on East 6th. Since the studio lobby was
23 now closed, there was really no need to have the
24 courtyard open to the public at all, so we completely
25 locked down the courtyard while we continued to allow

1 access through the studio gate for our vendors who do
2 help support our live drawings.

3 Also related to these changes, and
4 because almost all of the staff who have basement
5 parking spots are now telecommuting, we've asked our
6 Austin claim center staff to begin parking in the
7 basement, providing that group with yet another layer
8 of safety and protection.

9 And the next function I want to mention
10 is our claim centers as telecommuting does not really
11 apply to the function of our claim centers. Since
12 their core function involves the physical payment of
13 prize claims presented in person by our players, almost
14 overnight our field claim centers had to be completely
15 closed down in mid-March, and all of our field claim
16 center employees were sent home. But for our Austin
17 claim center employees we had an entirely different set
18 of challenges.

19 We moved quickly to inform the public
20 via every means possible, that claims would temporarily
21 be accepted through the mail only and the Austin claim
22 center quickly became the sole focus for all prize
23 payments occurring in the state.

24 We had to move very quickly to develop
25 office space that was conducive to a healthy and safe

1 environment for this group of employees. Our
2 facilities team rapidly set up the infrastructure in
3 our Austin headquarters that allowed us to process
4 mail-in claims in two separate office locations in our
5 headquarters facility providing the Austin Claim Center
6 team with a healthy social distancing environment.

7 At the same time, our facilities team
8 ensured that all the proper protocols, cleanliness, and
9 sanitation, were followed to protect the health and
10 safety of that Austin claim center team.

11 Since that time in mid-March, the
12 members of our Austin claim center team have done an
13 extraordinary job in working through the tremendously
14 increased level of mailed-in claims. Our talented
15 group in Austin kept us current with the payment of
16 prizes to our players, which means staying within a
17 four to six-week turnaround time for mailed-in claims.
18 No small feat given that all prize claims of \$600 or
19 more had to now be mailed to Austin for processing.

20 Meanwhile, Ryan Mindell, our Lottery
21 Operations Director, and the entire claim center
22 management team continued to communicate on a regular
23 basis with our field claim center colleagues who had
24 been sent home. And I'll speak more about our field-
25 claim centers in a few minutes.

1 Likewise, our draw team, a critically
2 important group that must physically be in the draw
3 studio to conduct drawings, they continue to do an
4 outstanding job in both providing the services and
5 maintaining a safe work environment. Day after day and
6 night after night, six days a week, our draw team has
7 continued to come to the office, follow best practices
8 for social distancing and cleanliness, and they've been
9 carrying out the critical task of conducting our
10 drawings. And without them we could not function
11 properly.

12 Now we're also looking forward to
13 restarting a small number of non-critical functions
14 that were put on hold due to COVID-19. The first one
15 involves our Enforcement Division. With travel
16 curtailed, the physical in-person investigations that
17 are performed by enforcement staff normally involving
18 some degree of travel to a retailer location or to a
19 local law enforcement office, those have been put on
20 hold with as much as possible being handled by phone
21 and email during this time.

22 Secondly, our promotional events.
23 Events like the Poteet Strawberry Festival. Events
24 that we've typically participated in to promote the
25 lottery. Those have been put on hold until such time

1 as those events actually start back up again and travel
2 restrictions are loosened.

3 Third, the precise periodic weighing of
4 the ball sets used in our in-state draw games was put
5 on hold pending the availability of the Weights and
6 Measures Division of the Texas Department of
7 Agriculture. We're keeping in close contact with the
8 Ag Department, and we anticipate that process
9 restarting shortly.

10 And finally, in person periodic visits
11 made to retailer locations by our claim center staff to
12 ensure that IGT sales reps are meeting the needs of our
13 retailers were put on hold. We're now looking into
14 alternative means of how we might perform these reviews
15 going forward in a different manner that won't involve
16 travel via a combination of emails, digital surveys,
17 and/or phone calls.

18 Commissioners, also related to COVID-19,
19 I wanted to next touch on the importance of
20 communication during this time. We recognized early on
21 that maintaining close communication during COVID-19
22 would be the key to our success. For the senior
23 management team beginning in mid-March, we commenced
24 holding twice-weekly phone meetings on Monday
25 afternoons and on Thursday morning, in which we have

1 continued to focus on two things in this priority. One
2 is the personal health and safety of the people on that
3 call and the people who work for them, and two, the
4 business needs and the challenges that we need to
5 satisfy and overcome to keep our organization
6 functioning.

7 In addition, every Monday morning I hold
8 what I call the business meeting. Held via Zoom, this
9 meeting includes Kathy Pyka, Mike Fernandez, Ryan
10 Mindell, and Bob Biard. And it is solely focused on
11 our financial issues, lottery operations,
12 administrative functions, and legal matters.

13 In addition, every single division
14 director has remained in close contact with their
15 respective teams, holding meetings via Zoom or
16 telephone or Teams on a regular basis. All of these
17 meetings have been extremely productive and beneficial
18 throughout the entire COVID-19 situation and they've
19 allowed us to quickly address the numerous issues that
20 have come up.

21 With our staff predominantly working
22 from home, we were obviously forced to cancel our
23 monthly all-staff meetings. These meetings are the
24 most important tool I have to communicate directly with
25 all of our team face to face and to keep everyone up to

1 date on all the activities of the agency, not just
2 those activities within their particular division.

3 So, to replace that, I started up the
4 Friday email communications, communicating directly
5 with the entire Texas Lottery Commission team on a
6 weekly basis. Hence those weekly updates that I've
7 been forwarding to each of the Commissioners. This has
8 been well received by the staff, and I anticipate
9 continuing those messages until our situation returns
10 to some sense of the new normal.

11 As I mentioned, I've also forwarded
12 those emails to keep each of you informed, and I've
13 added a few special email communications to
14 Commissioners when the situation called for it. I've
15 also had several phone calls with the Chairman over
16 this period of time, as needed.

17 Another important aspect of
18 communication involves our communication with our major
19 vendors. As each of the Commissioners know, we
20 outsource a tremendous amount of goods and services to
21 the private sector under the Texas Lottery model. Some
22 of our vendor partners have been hit hard by COVID-19.
23 In particular, our business partners at IGT and
24 Scientific Games have been severely impacted by the
25 COVID-19 situation.

1 Both of these are worldwide companies
2 with significant business operations in Europe and
3 China, among other areas hard hit by COVID, and both
4 rely on the casino industry for a large part of their
5 revenue stream. With the devastating impact that
6 COVID-19 has had on certain foreign economies and with
7 the worldwide shutdown of the casino industry, both IGT
8 and Scientific Games have suffered as a result. A
9 significant number of employees have been either
10 furloughed or taken significant pay reductions, mostly
11 temporary in nature, in an effort for these companies
12 to weather the economic crisis.

13 We continue to closely monitor these
14 situations and I continue to stay in close contact with
15 the senior North American executives of both companies
16 to minimize the impact to our Texas operations. Our
17 partners at IGT Texas, our lottery operator, they
18 quickly took similar health and safety measures as we
19 did at the outset of the pandemic.

20 For example, limiting visits to
21 retailers by IGT sales reps, rotating staff at the
22 scratch ticket warehouse, and instituting telecommuting
23 as much as possible throughout the IGT Texas
24 organization.

25 Our other key vendor partners, Pollard,

1 one of our three scratch ticket printers, and Third
2 Ear, our advertising agency, continue to stay in close
3 contact with us and adjustments on both sides to
4 business processes are being made on a regular basis to
5 respond to current market conditions.

6 Again, I continue to stay in close
7 contact with the chief executive officers of every one
8 of these major vendors. The Texas Lottery is a very
9 important customer for each of them, and I can assure
10 the Commission that each of these companies is doing
11 all they can to continue to support our business.

12 Commissioners, the next subject I'll
13 cover involves the actual costs to the agency as a
14 result of COVID-19. At the outset of the situation,
15 the Legislative Budget Board mandated that all state
16 agencies and institutions of higher learning begin
17 tracking expenditures related to COVID-19 and group
18 those expenditures according to the salaries of the
19 employees involved who've been sent home and can't
20 perform their jobs; two, any impact to state revenue;
21 and three, the actual cost of any special purchase of
22 goods and services directly related to COVID-19.

23 We've been submitting these reports on a
24 monthly basis as prescribed by the LBB. And through
25 May 31st, we've estimated that COVID-19 has cost the

1 agency \$85.3-million in lost ticket sales, all in the
2 Mega Millions and Powerball games as a result of much
3 lower jackpots primarily driven by lower sales in
4 states that were harder hit by the COVID-19 pandemic.

5 That lost \$85-million in sales
6 translates into an amount of approximately \$28-million
7 in lost net revenue to the Foundation School Fund and
8 it's also resulted in a loss of approximately \$4.3-
9 million in commissions for our retailers who sell
10 lottery tickets.

11 We've lost 20,215 man hours that TLC
12 employees were unable to work due to COVID-19. That
13 equates to approximately 13 percent of the Commission's
14 workforce, or approximately \$487,000 in salaries for
15 staff who are not able to work. My sense is that many
16 agencies may be much harder hit than ours in large part
17 due to our ability, as I mentioned earlier, to quickly
18 move to a predominantly telecommuting mode of operation
19 in such a short period of time.

20 I'm sure you've seen the news reports
21 from state leadership as to the negative impact that
22 COVID-19 has had on state finances. State Comptroller,
23 Glenn Hegar, recently provided his latest report on
24 state revenue and, not surprisingly, sales tax
25 collections, oil and gas taxes, and other revenue

1 streams were down significantly, setting up the state
2 for a challenging budget situation.

3 As a result of the crisis, state
4 agencies and universities have been advised to tighten
5 our belts in preparation for inevitable budget cuts to
6 occur in the near future. To that point, in early
7 April we took the following proactive measures, all of
8 which will stay in effect until further notice:
9 Holding all salaries at current levels; suspending all
10 hiring for non-critical positions; discontinuing all
11 non-essential travel; and continually reviewing our
12 agency budget for additional potential savings.

13 On another note, all state agencies and
14 institutions of higher learning recently received a
15 letter signed by the Governor, Lieutenant Governor, and
16 Speaker of the House, asking that spending be reduced
17 in the current budget period by five percent. Again,
18 this was not unexpected and the lottery portion of our
19 agency has been exempted from this exercise. Kathy
20 Pyka will be sharing more on this subject with you
21 later in today's meeting.

22 The next item, Commissioners, relating
23 to COVID-19 that I would like to cover, is the
24 reopening of our field claim centers. After weeks of
25 preparation, our claim centers reopened on June 1st for

1 appointments only and I could not be more proud of our
2 claim center staff and the way they've handled this
3 pent-up demand for prize payments. Through this past
4 week, just up to through yesterday, the claim centers
5 had already scheduled more than 4,500 appointments for
6 players who had winning tickets and they had completed
7 more than 2,600 of those appointments, making
8 significant progress on the more than 10,000 claims
9 that we projected that have been outstanding during the
10 period of time the claim centers were closed.

11 Ryan Mindell and his team have done an
12 outstanding job in bringing the claim centers back
13 online, at all times keeping the health and safety of
14 our employees as the top priority.

15 Ryan and his team met first by telephone
16 with each of the claim centers individually gaining a
17 better understanding of the unique logistical
18 challenges each office has in dealing with a large
19 volume of claimants. By deploying the appointment-only
20 strategy, that allowed our claim center staff to manage
21 the volume of claims and limit the number of people in
22 each office at any one time.

23 A phased approach was developed to
24 reopen the claim centers, initially bringing back
25 employees only in a rotating fashion, then stepping

1 that up to include bringing all employees back to the
2 offices, then culminating with the June 1st date when
3 the claim centers officially reopened to the public.

4 Concurrently, with the help of Mike
5 Fernandez and our Administration team, we acquired the
6 necessary personal protective equipment, or PPE, local
7 law enforcement was contracted to help us with crowd
8 control, and the proper messaging went out to the
9 public via multiple press releases, our website, social
10 media, and our retailer network.

11 Also concurrently, our Information
12 Resources team, led by Joan Kotal, literally worked
13 around the clock to develop the robust appointment
14 scheduling database that has allowed direct input by
15 the public and our own customer service staff, enabling
16 our players to schedule a time that they can be
17 contacted by their local claim center.

18 And I certainly don't want to leave out
19 the outstanding work done by our Customer Service Phone
20 Bank team in this project. This group has been
21 handling a call volume that rivals any previous level,
22 coming close to what we experienced at lottery start-up
23 in 1992.

24 When our claim centers were closed in
25 mid-March due to COVID-19, the call volume on our 1-800

1 number exploded. Prize winners from around the state
2 began calling, asking what our process would be for
3 handling claims and when our claim centers would be
4 open for business again.

5 Fortunately for our agency, we have an
6 experienced and capable customer service team who
7 handle these calls for us. And for the past several
8 weeks our team has processed almost 50,000 such calls.
9 And the call volume has been almost triple the average
10 volume we receive at our busiest times. Last week
11 alone, this group handled more than 6,500 such calls.

12 Ed Rogers and his team of professionals
13 in the Retailer Service Department have all risen to
14 the occasion and shown once again that the Texas
15 Lottery is up to any task.

16 Commissioners, the final item under the
17 COVID-19 category I need to cover involves long-term
18 telecommuting opportunities that have been recognized
19 during the COVID-19 situation. Regarding our current
20 headquarters building and what the future holds for the
21 workplace, we will continue with our telecommuting
22 status for many of the employees in our agency. With
23 the tremendous support provided by our Administration
24 Division, the work of the agency has continued
25 uninterrupted.

1 I'm so proud of how our team has not
2 only adapted, but has thrived, under these conditions.
3 And it bodes well for the future for a robust agency
4 telecommunication strategy even beyond COVID-19.

5 To that point, I've asked the division
6 directors to start contemplating what our telecommuting
7 efforts may look like post-Covid, and each division
8 director has surveyed their staff and started to
9 formulate long-term plans in that regard.

10 There's been a wave of positive feedback
11 from staff regarding how well telecommuting has worked
12 for most. In particular, focusing on the time and
13 money saved in not having to commute, and the ability
14 to have a better work-life balance. And we're
15 certainly planning to capitalize on what we've learned
16 and leverage that learning for the future.

17 So, Mr. Chairman, that concludes my
18 report on all things related to COVID-19. And before I
19 move on to the other business of the agency, I'll pause
20 here and see if the Commissioners have any questions.

21 CHAIRMAN KRAUSE: This is the Chairman.
22 Thank you, Mr. Grief, that was comprehensive and
23 impressive. And so my hat -- I tip my hat to the great
24 people that work for you and the great work that you
25 and your leadership team have done.

1 Commissioners, do you have any
2 questions? Hearing no questions, thank you, Gary. I
3 guess the next item actually on our agenda is to hear
4 from our Bingo Director.

5 MR. GRIEF: Mr. Chairman, I still have a
6 few business items I need to cover first.

7 CHAIRMAN KRAUSE: Okay. Please proceed.

8 MR. GRIEF: Thank you.

9 First item involves our move to our new
10 headquarters. With COVID-19 requiring our full
11 attention, one item I have not mentioned to the
12 Commissioners in quite a while is our anticipated
13 headquarters move in 2022 to the new state office
14 building under construction on the north side of the
15 Capitol, on Congress Avenue.

16 Mike Fernandez and his team are
17 continuing to work very closely with the Texas
18 Facilities Commission on all the details related to
19 that move. But of particular interest to us will be
20 any adjustments that the Facilities Commission may be
21 considering to the building design and the layout as a
22 result of COVID-19. And our interest was further
23 piqued in this regard based on comments that came from
24 the most recent board meeting of the Facilities
25 Commission.

1 The broad based success and savings
2 realized by having a large number of employees who
3 telecommute, design changes related to social
4 distancing, enhanced cleaning protocols, these are just
5 a few of the important factors that the TFC is now
6 considering as they look at the design for our space
7 and other space in that building and other new state
8 buildings going up for all the agencies involved.

9 The world of commercial office space has
10 significantly changed in the last 60 days and we
11 anticipate that plans for our new office space will
12 change as well, and I'll keep the Commissioners
13 apprised as those things develop.

14 More recently, I want to update the
15 Commissioners on impact to our headquarters building on
16 6th Street as a result of protests that have taken
17 place in Austin. Located so close to Austin Police
18 Department Headquarters and the entertainment district,
19 there have been some limited outbreaks of looting and
20 property damage in the immediate vicinity of our
21 headquarters building.

22 Mike Fernandez and his team are keeping
23 in close contact with local law enforcement on these
24 activities, and as a result and in an abundance of
25 caution for our employees, we began closing the

1 headquarters building each day at 3:00 p.m. beginning
2 last Wednesday, June 2nd, and we continued that
3 practice through Friday of that week, June 4th. We
4 have now gone back to a regular business day schedule.

5 Concurrently, we moved our drawings team
6 from our 6th Street studio location to our backup
7 drawing site in North Austin, and we will continue to
8 conduct our drawings at the backup location through the
9 end of this week, with plans to move back in and begin
10 using our 6th Street draw studio beginning June 15th.
11 That said, we understand this is a fluid situation and
12 we will be monitoring that very closely.

13 The next item I need to update the
14 Commission on involves the implementation of what's
15 called CAPPS, the Centralized Accounting and Payroll
16 Personnel System. This system, which is overseen by
17 the Comptroller of Public Accounts, is going to become
18 the system on which our agency will manage payroll and
19 leave accounting.

20 Regardless of the COVID-19 situation,
21 the implementation of CAPPS has continued on schedule
22 without delay. The CAPPS system is going to impact
23 every employee in our agency and it's been a major
24 undertaking thus far, primarily by our teams in the
25 Human Resources, Office of the Controller, and

1 Administration Divisions.

2 Our agency is scheduled to go live with
3 CAPPS on July 1st and user acceptance testing on part
4 of our staff is in full swing, and by all reports is
5 going extremely well.

6 Commissioners, the next item I want to
7 touch on involves lottery sales and revenue. And you
8 will hear a detailed report from Kathy Pyka and Robert
9 Tirloni later today. You may have noticed some news
10 reports around the country and around the world in
11 which there was some level of criticism by the media of
12 lotteries continuing to operate in the face of COVID-
13 19. As one reads these reports, it's always important
14 to understand that there are those who are critical of
15 lotteries no matter what the situation, so I'll always
16 take criticism of what we do with that in mind.

17 But I also remember that lottery sales
18 are a key financial contributor to not just our
19 beneficiaries: education and veteran services, but to
20 the economic sustainability of the almost 20,000
21 retailer locations in Texas that sell our lottery
22 products, the vast majority of which have been deemed
23 essential throughout COVID-19 by our state and federal
24 leaders.

25 Our entire team is proud that the Texas

1 Lottery has played a role in helping keep those
2 retailer locations open and economically viable
3 throughout COVID-19. Now while COVID-19 has been
4 different in every state, the severe impact in some
5 states that participate in our Mega Millions and
6 Powerball games has had a very negative effect on those
7 games for all participating states, especially in how
8 the starting jackpot amounts can be set and funded and
9 the speed at which those jackpots can roll.

10 Both the Powerball and Mega Millions
11 game groups have made significant changes to the
12 starting jackpot levels and roll processes as a result.
13 And I was a strong proponent of these changes.
14 Starting jackpots no longer have a required minimum and
15 instead are now being set by the elected officers of
16 these games. And these amounts will be based on real-
17 time sales and interest rate data, which can fluctuate
18 wildly during this time of COVID-19.

19 These changes have already served both
20 games well, partially limiting our exposure to unfunded
21 jackpots.

22 For scratch tickets and in-state Texas
23 Daily draw games, sales have taken a roller coaster
24 ride since mid-March. Sales for these games initially
25 turned negative as shelter in place orders spread

1 rapidly throughout our state in mid-March, with many of
2 our players unable to buy tickets during that time.
3 And we experienced four weeks of down sales, but also
4 pent-up demand for these products at the outset of
5 COVID-19.

6 Now, understanding that almost all of
7 the 20,000 retailer locations where lottery tickets are
8 sold were deemed essential service locations, in mid-
9 April sales for scratch tickets began remarkably
10 turning around. The pent-up demand for the scratch
11 ticket product, the closing of all the casinos in
12 surrounding states, the lack of availability of other
13 entertainment options, along with the prior and
14 expected growth trend that we were already seeing for
15 scratch tickets of approximately seven to 10 percent
16 prior to the arrival of COVID, all of those factors
17 have contributed to a strong resurgence in scratch
18 ticket sales beginning in late April and continuing
19 through the present time.

20 In fact, we have set an all-time weekly
21 record for scratch ticket sales in four of the last six
22 weeks, culminating in a new record of \$128.2-million
23 sold last week. Draw sales for our in-state games,
24 particularly our daily games of Pick 3 and Daily 4,
25 have also been performing extremely well. And Kathy

1 and Robert will share more details with you about that
2 later.

3 Commissioners, the last time you met was
4 on February 13th and in that meeting you were told that
5 sales for the fiscal year were down \$81-million through
6 the week ending February 8th for the fiscal year.
7 Since that time, as a result of the robust sales for
8 scratch tickets and daily draw games, we're now more
9 than almost \$57-million ahead of last year's record
10 sales pace, completely turning that situation around.

11 That turnaround is not luck. That
12 turnaround has been realized as a result of good
13 planning and sound business practices.

14 There are several key activities and
15 actions that played a role in allowing us to reach
16 these current sales levels: effective RFP development
17 and contract negotiations with key vendors; game
18 planning sessions; scratch ticket working paper
19 execution; retailer player and media communication;
20 strategic game closing; the list goes on and on. These
21 are just a handful of the many activities and actions
22 that go into developing and implementing our product
23 portfolio strategy, all of which contribute to record-
24 breaking sales.

25 And as you know, Commissioners, these

1 sales provide critically needed revenue for public
2 schools and veterans services in Texas, particularly
3 important during these challenging budgetary times for
4 our state. So we at the Texas Lottery are doing all we
5 can to ensure our lottery retailers are provided with
6 the necessary support, products, and promotion to
7 continue this trend.

8 Commissioners, the last item I need to
9 cover with you today is the survey of employee
10 engagement, or SEE as it's known. Jan Thomas, our
11 Human Resources Director, provided you with an
12 executive summary of the survey results earlier this
13 week.

14 Every two years the agency takes
15 advantage of this employee survey tool and it's
16 conducted by the Institute of Organizational
17 Excellence, an organization under the auspices of UT.
18 State leadership encourages all state agencies and
19 institutions to participate in this survey tool.

20 Our survey results at this agency have
21 been outstanding for several years, but this was
22 somewhat of an unusual year in that COVID-19 hit our
23 agency during the last week in which the staff could
24 still reply, so I wasn't sure what type of response
25 rate we were going to get. And quite frankly, with all

1 that was going on with COVID-19, I lost track of the
2 SEE. That said, the final results have now come in and
3 they've been posted on the agency intranet for all
4 agency staff to review.

5 Two years ago we hit an all-time high
6 score on the SEE for our agency of 4-oh-6, 406.
7 According to the administrator of the SEE, and I quote,
8 "The overall score is a broad indicator for comparison
9 purposes with other entities. Scores above 350 are
10 desirable, and when scores dip below 300, there should
11 be cause for concern. Scores above 400 are the product
12 of a highly-engaged workforce." End quote.

13 Commissioners, I said on the record two
14 years ago that I believe that our score at that time
15 put us at or near the top of all state agencies. I
16 also said at the time that I believe it would be
17 extremely challenging for us to approach that mark
18 again. But fast forward to this year with 88 percent
19 of our staff responding to the survey, even without the
20 last week being available to them, our overall score
21 actually increased to 417, which was deeply gratifying.

22 Regarding that participation rate of 88
23 percent, the SEE survey administrator states that, and
24 I quote, "As a general rule, participation rates higher
25 than 50 percent suggest soundness of the survey

1 results, while rates lower than 30 percent may indicate
2 problems." End quote.

3 At 88 percent our response rate is
4 considered extremely high and thus the results are
5 considered sound. So I feel very confident that we
6 were able to obtain valid results from the survey this
7 year.

8 Although I haven't seen the results from
9 other agencies as yet, I'm confident that our response
10 rate of 88 percent would be at or near the top of all
11 state agencies of similar size. That response rate
12 also suggests to me that our staff trusts us enough to
13 take the survey and take the time to give us the
14 important feedback that they can provide us to help us
15 do a better job as management.

16 In addition, we saw improvement in every
17 one of the survey categories. These are known as
18 constructs from the survey that was performed two years
19 ago. And I'm again confident that our overall score of
20 417 will land at or near the top of all agencies of
21 similar size.

22 Now, Commissioners, these survey results
23 are important to us for two reasons. One, we recognize
24 there's always room for improvement in every division
25 of the agency and we're going to focus as we always do

1 on any scores, no matter where they were achieved in
2 the agency, that we don't believe meet our high
3 standards and expectations. And, second, this report
4 will be provided to the legislature in advance of the
5 upcoming legislative session, so it's very important
6 that we're viewed by the legislature as an agency that
7 respects and appreciates its team members. And I
8 believe the survey results this year do just that.

9 With that, Mr. Chairman, that concludes
10 my report this morning. I apologize for the length of
11 it, but we had a lot of ground to cover, and I will be
12 happy to answer any questions.

13 CHAIRMAN KRAUSE: Well, it was a lot to
14 cover and I'm glad that -- to hear about it. Any --
15 Commissioners, do you have any questions for the
16 Executive Director? All right, hearing none, let's
17 move on then to hear from our Bingo Director. Tom.

18 AGENDA ITEM NO. III

19 MR. HANSON: Good morning, Chairman
20 Krause and Commissioners. For the record my name is
21 Tom Hanson and I am the Acting Director of the
22 Charitable Bingo Division.

23 To supplement Gary's remarks, I also
24 want to note for the record the activity of the Bingo
25 Division in the past four months since my appointment

1 along with our response to the COVID-19 pandemic, which
2 led to the closure of most, if not all, active bingo in
3 the state of Texas.

4 Due to the number of job vacancies, the
5 Bingo Division has operated at approximately 60 percent
6 of its authorized staffing. This staff is dedicated to
7 the agency, the division, and the bingo industry. They
8 continue to fulfill the overall mission and perform
9 essential functions even during these unusual times.

10 As you are aware, the statutorily required
11 bi-annual report was recently submitted to the
12 Governor, the Lieutenant Governor, the Speaker of the
13 House of Representatives, and the chairs of the
14 standing committees with jurisdiction over bingo.

15 The data in that report include the
16 following information for the past two calendar years:

17 In 2018, the adjusted gross receipts
18 reported by the bingo industry was \$190.3-million with
19 net proceeds of \$32.9-million, or 17.31 percent of the
20 adjusted gross receipts.

21 In comparison, for calendar year 2019,
22 the adjusted gross receipts was \$192.8-million, a small
23 increase, with net proceeds of \$30.5-million, or 15.8
24 percent of the adjusted gross receipts, which is a
25 small decline.

1 On March 19th, the Commission received a
2 written request from Texas Charity Advocates, the Bingo
3 Interest Group, and other affected parties asking for
4 specific statutory relief to address the closure of
5 bingo halls throughout Texas due to the COVID-19
6 disaster. With these closings, licensed organizations
7 were unable to generate funds through the conduct of
8 bingo games for their charitable purposes.

9 The request was based on Governor
10 Abbott's disaster declaration of March 13th, which in
11 part authorized the Governor to suspend certain
12 regulatory statutes. The industry's request outlined
13 five specific items related to current statutory bingo
14 requirements.

15 As you're aware, based on the thorough
16 review by Commission staff, select items were forwarded
17 to the Governor's office for consideration. That
18 request was declined and Commission staff then looked
19 to possible administrative relief that could
20 potentially be provided to bingo licensees.

21 After Commission staff reviewed the
22 Bingo Enabling Act and administrative rules, we were
23 able to identify a rule provision which allowed the
24 Division to extend the deadline for submitting
25 quarterly reports and prize fees for a period of 90

1 days, which staff felt would provide some relief to the
2 industry.

3 The allowance for this extension was
4 communicated to the industry via messages posted on the
5 agency's website and emails sent to the mass email
6 listing. Letters were also sent to late filers, making
7 them aware of the extension availability. A message
8 was also posted to advise local jurisdictions of the
9 agency's actions which could affect their timely
10 receipt of portions of the prize fees.

11 Organizations who applied for and were
12 approved for the extension have until July 27th of 2020
13 to admit those first quart -- to submit those first
14 quarter reports and prize fees, and they will then
15 avoid any penalties or interest.

16 As of June 8th of 2020, we have received
17 quarterly reports for the first quarter from about 75
18 percent of the licensed entities. The Commission staff
19 has been in regular contact with licensees and
20 representatives of the bingo industry throughout the
21 COVID-19 pandemic and fielded questions ranging from
22 when can they conduct bingo again, were they allowed
23 any allowances for additional payment methods, as well
24 as what can they do with the federally sponsored
25 paycheck protection plan -- program and other loan

1 programs that have been offered to organizations.

2 We have methodically worked through this
3 to be responsive to the wide range of inquiries we have
4 received throughout these three months.

5 During this time, all field work and
6 organization contacts related to audit activities have
7 been placed on hold. The audit staff used the
8 suspension of active audits to develop the limited
9 scope and financial desk review audits, which should
10 create a more efficient and productive auditing
11 function in the future. This should also lead to an
12 increase in the number of audits that can be conducted
13 and reduce the staffing hours per audit. Audit staff
14 also attended training to maintain their certifications
15 or to expand their knowledge.

16 Our headquarters staff moved to a
17 maximum telecommuting environment with only the
18 critical and necessary staff coming into the office to
19 process things that they could not do at home. The
20 telecommuting staff continued to field calls, process
21 license requests, conduct research, and complete
22 special projects, or also attend training.

23 All critical and essential duties of the
24 Division are being done with a limited number of common
25 tasks which were delayed due to the limited staff,

1 system access authorization, or additional duties
2 assigned.

3 Prior to the COVID-19 response,
4 Commission staff met with the Rules Subcommittee of the
5 Bingo Advisory Committee and industry representatives
6 on the quadrennial rules review. That interaction,
7 Commissioners, with the industry was very well received
8 and very productive.

9 Division staff also used the
10 telecommuting environment to review and modify
11 operational forms and instructions used by the
12 licensees. Staff also reviewed, modified, and obtained
13 approval for changes to the online required training
14 modules for organization chairpersons and designated
15 agents. And that is still available to all of the
16 bingo workers or interested parties.

17 During this time, staff also uncovered
18 system issues that were the result of the
19 implementation of House Bill 914, which affected the
20 amount of charitable distributions required for some
21 organizations. After discussion with industry
22 representatives, the bill author, Representative
23 Senfronia Thompson, provided a letter of legislative
24 intent which allowed for a system change for the
25 calculation of charitable distributions, to take into

1 account not only the prize fees due to the state, but
2 also the prize fees due to the local jurisdictions.

3 The Division has also been involved in
4 two internal audits, one related to the implementation
5 of HB 914, and the other is a review of Division
6 enforcement activity. As halls were allowed to open by
7 local jurisdiction approval or Governor Abbott's later
8 executive orders, staff has fielded a large number of
9 licensing requests and operational questions. Many
10 halls opened with a 25 percent occupancy limitation
11 along with certain distancing and personal protective
12 measure requirements. As of May 22nd of 2020, most
13 halls could then expand to 50 percent occupancy along
14 with the protective measures.

15 I want to extend my thanks to you, the
16 Commissioners, for your support. I'd also like to
17 recognize the dedicated service of the bingo staff and
18 the involvement and assistance from every division of
19 the Commission.

20 Commissioners, that is the extent of my
21 report, and I would be willing to answer any questions
22 that you may have.

23 CHAIRMAN KRAUSE: This is the Chairman
24 and Tom, I want to thank you for a very comprehensive
25 report and rising to the occasion. And Commissioners,

1 do you all have any questions? Well, thank you very
2 much.

3 AGENDA ITEM NO. IV

4 CHAIRMAN KRAUSE: Moving on, we are now
5 going to hear from Trace Smith of our -- who is the
6 Chairman of our Bingo Advisory Committee. Trace?

7 MR. SMITH: Thank you, Chairman. Can
8 you hear me okay?

9 CHAIRMAN KRAUSE: Absolutely.

10 MR. SMITH: Okay. Wonderful. Thank
11 you, Chairman and Commissioners. Glad to be here
12 today. My report will be pretty short but pretty
13 sweet.

14 For the first time in history that I'm
15 aware of, charitable bingo in the State of Texas closed
16 statewide, for the most part, which is incredible.

17 We also need to realize that that means
18 all the money that the charities were not raising.
19 Many continued to pay expenses such as rent,
20 electricity, gas, and water, and insurance. Many
21 charities have spent thousands of dollars on upgrades
22 and precautionary shields and dividers, masks, gloves,
23 and tons of hand sanitizer to reopen. Some charities
24 have even also seized the opportunity to do complete
25 remodels of their halls to help with the new

1 restrictions.

2 In reopening, some if not all halls,
3 have had reduced attendance due to the fears of COVID-
4 19. We expect to see the charitable distributions down
5 this year considerably.

6 I'd like to thank Tom Hanson and the
7 staff at the Charitable Bingo Operations Division and
8 the Commissioners for helping the charities to have
9 more time to get their filing done efficiently and
10 proper, and keeping the safety in mind of not only the
11 charities, but the staff as well. The Bingo Advisory
12 Committee worked with and alongside the staff in these
13 matters. We also worked with the staff on the
14 quadrennial rule review and it was very productive.

15 We are still searching for another
16 member and trying to secure new names to have in a
17 waiting list in case of another opening.

18 That concludes my report. If you have
19 any questions, I'd be glad to answer them.

20 CHAIRMAN KRAUSE: Thank you very much,
21 Trace. I'm glad you did not have to drive down from
22 Texarkana to make this report. Unless you did and
23 you're here in town, so.

24 MR. SMITH: I did not, sir. I am -- I
25 am alive and well in far East Texas.

1 CHAIRMAN KRAUSE: Outstanding.

2 AGENDA ITEM NO. V

3 CHAIRMAN KRAUSE: All right. Well,
4 moving on to Mr. Mike Fernandez. You have a report on
5 the contract for internal audit services. Mike? Are
6 we having a bit of a technical difficulty, or is it
7 just me?

8 MR. FERNANDEZ: Well, that's probably
9 me. Can you hear me, Mr. Chairman?

10 CHAIRMAN KRAUSE: Absolutely. You sound
11 great.

12 MR. FERNANDEZ: I apologize. Good
13 morning, Commissioners. For the record I'm Mike
14 Fernandez, Director of Administration.

15 Item number five in your notebook is an
16 action item. Staff is seeking Commission approval to
17 extend our current contract with our internal auditor,
18 McConnell Jones, for a one-year period. Commissioners
19 have independently confirmed they have no financial
20 interest in McConnell Jones. Mr. Chairman, I'd be
21 happy to answer any questions.

22 CHAIRMAN KRAUSE: Well, this is the
23 Chairman, and I don't have any questions, but I do want
24 to say that the McConnell firm and Darlene in
25 particular, has done a fantastic job for our Commission

1 over the years. I can't tell you how happy I am to
2 have them. I was here before we had them, and I know,
3 you know, what that was like. And so I can assure
4 everyone that this is a great thing to have this firm
5 and this lady on board.

6 So other Commissioners, do you have
7 questions or comments? Hearing none, I -- is there a
8 motion to approve the contract extension?

9 COMMISSIONER FIELDS: So moved.

10 UNIDENTIFIED COMMISSIONER: Second.

11 UNIDENTIFIED COMMISSIONER: Second.

12 CHAIRMAN KRAUSE: All right. All in
13 favor say aye. One at a time.

14 (Chorus of "ayes")

15 CHAIRMAN KRAUSE: It's unanimous. So,
16 anyway, we'll have electronic signatures at a later
17 time.

18 AGENDA ITEM NO. VI

19 CHAIRMAN KRAUSE: The next item is our
20 HUB Report on Minority Business Participation. Eric
21 Williams, your item.

22 MR. WILLIAMS: Good morning Chairman,
23 Commissioners. For the record, my name is Eric
24 Williams, Coordinator of the Lottery Commission's
25 Historically Underutilized Business Program, or HUB

1 Program.

2 As you're aware, the HUB Program is a
3 statewide initiative that provides assistance and
4 contracting opportunities to minority, women, and
5 service disabled, veteran-owned businesses. I'd like
6 to provide a brief update on our program before I speak
7 about the Minority Business Participation Report.

8 At the beginning of each fiscal year,
9 the agency sets its annual internal HUB goals as
10 required by the comptrollers rules. This year's goals
11 and a set of summary reports were sent to you last
12 fall.

13 As part of the outreach to HUBs, the
14 Lottery Commission has a Mentor Protegee program. This
15 is an ongoing initiative to match HUB vendors with
16 mentor companies who assist with specific business-
17 development goals. The Lottery Commission also
18 conducts an annual HUB forum to provide information and
19 networking opportunities to HUB vendors.
20 Unfortunately, due to COVID-19, this year's event is
21 canceled.

22 A copy of the agency's finalized Fiscal
23 Year 2019 Minority Business Participation Report is
24 included in your notebooks today. This is an annual
25 report, which is required by section 466.107 of the

1 State Lottery Act and must be made available to the
2 Governor, Lieutenant Governor, Speaker of the House,
3 and members of the legislature.

4 The report documents minority and HUB
5 participation in our agency's contracting activity, and
6 includes information on the number of licensed minority
7 retailers. During year 2019, the agency achieved an
8 overall participation rate of 17.66 percent in its
9 minority HUB contracting activity which represented a
10 decrease of three percent -- of three percentage points
11 from our 2018's performance of 20.69 percent.

12 In addition, of the 20 largest spending
13 state agencies and universities, the Lottery Commission
14 ranked sixth by overall HUB percentage. During the
15 reporting period, the agency also had 8,103 minority
16 retailers which represented 44.39 percent of the Texas
17 Lottery's total retailer base.

18 I will be happy to answer any questions
19 regarding this report at this time.

20 CHAIRMAN KRAUSE: Thank you very much.
21 I don't have any questions. I do -- I have been
22 alerted that this is an action item, so, first of all,
23 Commissioners, are there any questions about this? All
24 right. Well, hearing none, I'd just like to say that
25 I'm very proud that our agency is always a leader in

1 this particular area, and I hope that we continue to do
2 that.

3 So, anyway, even though there isn't
4 anything in our agenda about this, I am asking for a
5 motion to approve this report. May I have a motion?

6 COMMISSIONER FRANZ: Move to accept the
7 HUB report.

8 COMMISSIONER FIELDS: Moved.

9 CHAIRMAN KRAUSE: Second?

10 COMMISSIONER FIELDS: Second.

11 CHAIRMAN FIELDS: All in favor say aye.

12 (Chorus of "ayes")

13 CHAIRMAN FIELDS: That sounded like that
14 was unanimous to me. So, anyway, congratulations.
15 We've approved -- we have considered that report and
16 accepted it.

17 Agenda Item No. VII

18 CHAIRMAN KRAUSE: So the next item is
19 Mr. Biard's item. Bob?

20 MR. BIARD: Morning, Commissioners. I'm
21 Bob Biard, General Counsel. Today under Item 7 I'm
22 asking the Commission to re-adopt all of the agency's
23 rules as the final step in the quadrennial rule review
24 required by the Texas Administrative Procedure Act.

25 Your notebook contains three documents

1 to submit to the Texas Register to re-adopt the rules
2 located at Title 16 Texas Administrative Code: Chapters
3 401 titled Administration of State Lottery Act, 402
4 titled Charitable Bingo Operations Division, and 403
5 titled General Administration.

6 The Commission initiated this proceeding
7 on October 10th, 2019 pursuant to Texas Government Code
8 2001.039 which requires a state agency to review all of
9 its rules every four years. The review must include an
10 assessment of whether the reasons for adopting each of
11 the rules continue to exist.

12 The Commission's notice of intent to
13 review the rules was published on October 25th, 2019.
14 We received no comments on Chapters 401 and 403,
15 although staff identified a number of potential updates
16 and clarifications to these rules. The Commission did
17 receive comments on the Chapter 402 Bingo Rules and
18 consulted with the Bingo Advisory Committee. And these
19 items are addressed in the document in your notebooks.

20 As a result of the rule review,
21 Commission staff believes the reasons for adopting each
22 of the rules continue to exist, that some of the rules
23 in these chapters need to be amended, and one rule we
24 identified in lottery needs to be repealed. Those
25 amendments will be proposed in separate rulemaking

1 proceedings, one of which is coming up as the next item
2 on the agenda today.

3 We recommend that the Commission re-
4 adopt the rules and conclude the rule review process
5 and we will be back in four years to do this again.
6 I'll be happy to answer any questions.

7 CHAIRMAN KRAUSE: All right. This is
8 your Chairman. Thank you very much. I don't have any
9 questions. Any other -- any questions from my
10 Commissioners? Hearing none, I may -- I ask for a
11 motion to re-adopt the Commission's rules.

12 COMMISSIONER FRANZ: I move that we re-
13 adopt the Commission's rules as per our General
14 Counsel's recommendation.

15 COMMISSIONER RIVERA: Right. I agree
16 with that. Second.

17 CHAIRMAN KRAUSE: Sounded like a second.
18 All right. All in favor say aye.

19 (Chorus of "ayes")

20 CHAIRMAN KRAUSE: Outstanding. It
21 sounds like that is unanimous. So thank you, Bob.

22 MR. BIARD: Thank you.

23 AGENDA ITEM NO. VIII

24 CHAIRMAN KRAUSE: We move on now to a
25 Lottery Rule Proposal. Ms. Wolfe.

1 MR. WOLFE: Yes. Hi. Thank you, Mr.
2 Chairman, Commissioners. For the record, my name is --

3 CHAIRMAN KRAUSE: Oh. It's Mr. Wolfe.

4 MR. WOLFE: Thank you. Yeah. Thanks,
5 Mr. Chairman. My name's Kyle Wolfe, Assistant General
6 Counsel. Item 8 in your notebook contains a proposal
7 to amend 21 of the Commission rules in Title 16,
8 Chapter 401 of the Texas Administrative Code.

9 These proposed rule amendments are the
10 result of the quadrennial rule review that is detailed
11 in item seven of your notebook. The proposed
12 amendments will simplify and update the rules to
13 conform to industry best practices, and they update and
14 clarify certain terms, conform usage of those terms
15 throughout the rules.

16 These proposed amendments move the draw
17 game play slip and entry of play provisions from
18 specific draw game rules to the definitions rule and
19 the general draw game rule with language that will
20 apply consistently to all draw games. The proposed
21 amendments also move general provisions regarding
22 authorized promotions and retail incentives from
23 individual draw-game rules to the general draw-game
24 rule. And for consistency purposes the amendments
25 update the various game trademarks and definitions of

1 play board.

2 The proposed amendments to the standard
3 penalty chart and the suspension and revocation of
4 license rule update and clarify lottery enforcement
5 policy and practice. The amendments also remove
6 certain outdated requirements from the licensing and
7 retailer rules.

8 Finally, the proposed amendments include
9 a repeal of Rule 401.322, the Texas Triple-Chance Draw
10 Game Rule, because that draw game is no longer offered.
11 And references to Lotto Texas Winner Take All were also
12 removed from Rule 401.305, the Lotto Texas Draw Game
13 Rule, because that promotion was never implemented.

14 Staff is recommending that the
15 Commission initiate the rulemaking process by
16 publishing these proposed amendments in the Texas
17 Register to receive public comment for a period of 30
18 days and I'm happy to answer any questions, Mr.
19 Chairman and Commissioners.

20 CHAIRMAN KRAUSE: Very comprehensive.
21 Doing a lot of work here in this particular agenda item
22 and I appreciate that. So Commissioners, we have any
23 questions, comments? Hearing none, I have none, then I
24 am looking for a motion to publish the rule proposals
25 for public comment. Don't be shy.

1 COMMISSIONER FIELDS: So moved.

2 CHAIRMAN KRAUSE: Second?

3 COMMISSIONER FRANZ: Second.

4 CHAIRMAN KRAUSE: All in favor say aye.

5 (Chorus of "ayes")

6 CHAIRMAN KRAUSE: Passed by unanimous
7 consent. Thank you, Commissioners, and thank you,
8 Kyle.

9 AGENDA ITEM NO. IX

10 CHAIRMAN KRAUSE: Next item is the 2020
11 Census Awareness Initiative by Ryan Mindell.

12 MR. MINDELL: Thank you, Chairman, and
13 good morning, Commissioners. For the record, my name
14 is Ryan Mindell, Lottery Operations Director.

15 I'm going to brief you on two items
16 today. First, I wanted to make you aware of our
17 agency's efforts to promote awareness of the 2020
18 census.

19 The Texas Secretary of State asked
20 agencies to help communicate about the census. The
21 census is vital to our state because the data gathered
22 is used to allocate federal funding for housing,
23 healthcare, education, and transportation. The
24 population numbers are also used to determine
25 congressional representation and boundaries.

1 The Texas Lottery was able to promote
2 awareness of the 2020 census in a number of ways. We
3 started with a simple, straightforward message: shape
4 your future, participate in the 2020 census. We were
5 able to place that messaging directly on our draw game
6 tickets. We also placed it on digital monitors in over
7 17,000 retail locations across the state.

8 We placed it on the Texas Lottery
9 homepage, on our social media platform, on posters at
10 our 16 claim centers across the state, on our on-hold
11 phone recording, and as a direct message to our email
12 and text subscribers.

13 All of this messaging ran from at least
14 March to May of this year. The Texas Lottery is in a
15 unique position among most state agencies with the many
16 platforms we have to speak to Texas residents. This
17 campaign was an agency-wide effort, and I believe it
18 was an great success for the state.

19 AGENDA ITEM NO. X

20 MR. MINDELL: The next item is also
21 mine, and I am pleased to provide you an update today
22 on the agency's responsible gambling, or as we refer to
23 it RG, certifications and initiatives.

24 In 2016 the World Lottery Association,
25 or WLA, awarded the Texas Lottery level 3 RG

1 certification. In the next few weeks, we will be
2 submitting documentation to re-certify our level 3
3 status and we have embarked on the process for
4 achieving level 4, the highest level of WLA RG
5 accreditation.

6 In 2018, the North American Association
7 of State and Provincial Lotteries, NASPL, and the
8 National Council on Problem Gambling, NCPG, jointly
9 certified that we were compliant with their RG
10 verification standards.

11 In 2019, the two organizations
12 introduced a parallel process for lotteries that
13 completed the WLA certification. As a participant in
14 the first round of this new program, we were not only
15 verified, but our NASPL-NCPG level was upgraded and
16 extended until 2021.

17 Based on the results of our upcoming WLA
18 submissions, the NASPL-NCPG parallel verification will
19 be updated in 2021.

20 Commissioners, these certifications
21 illustrate our commitment to encouraging responsible
22 participation in lottery games and to increasing
23 awareness of the signs of problem gambling and the
24 resources available for help. As an active member of
25 WLA, NASPL, and NCPG, we support their initiatives,

1 including the Gift Responsibly campaign during the
2 holidays and Problem Gambling Awareness Month each
3 March. During both of those campaigns we implement
4 extensive communications to retailers, players, our
5 employees, as well as the employees of IGT and our
6 advertising agency Third Ear.

7 We recognize that our retailers are
8 often the front line for providing RG information. IGT
9 sales reps provide on-site training to over 18,000
10 retailers every year. In addition, employees, the
11 Texas Lottery, IGT, and Third Ear, participate in
12 required annual RG training courses.

13 Unlike many other states, there is no
14 active NCPG affiliate in Texas to advocate for
15 education, treatment, and resources, so for many years
16 now we have been the primary source for awareness and
17 education in Texas. We have engaged nationally
18 recognized RG trainers to come to Texas and share their
19 insights with employees, retailers, and counselors.

20 Commissioners, this is just a sample of
21 the many ongoing activities of this agency that support
22 the responsible play of our games and to increase
23 awareness of problem gambling. We are committed to
24 continued evaluation and implementation of our RG
25 initiatives on maximizing available resources.

1 Thank you for your time today and I'm
2 happy to answer any questions you may have about our
3 census or RG efforts.

4 CHAIRMAN KRAUSE: Commissioners, no
5 questions or comments? I'd just like to make a note
6 that in spite of the fact that we are -- that the
7 Lottery Commission is, you know, accomplishing its core
8 mission with great success in the face of, you know,
9 the headwinds with the pandemic, we not only do that
10 well, but we are outstanding with our HUB initiative,
11 our census awareness, and responsible gambling. My
12 only fear is, is that we're going to be discovered for
13 how great we do our work and other things that we will
14 be asked to take on more.

15 And so, anyway, I would hate to tax our
16 excellent staff and great leadership team, but I want
17 to thank all the staff and our great leadership team
18 and our Executive Director for doing virtually
19 everything that is asked of this Commission done, not
20 only well, but with greatness.

21 AGENDA ITEM NO. XI

22 CHAIRMAN KRAUSE: With that said, I
23 think we're ready to hear from Kathy Pyka.

24 MS. PYKA: Morning, Commissioners. I
25 will have the next three items. And my name is Kathy

1 Pyka, Controller for the agency. With me presenting
2 the first item this morning is the Commission's
3 Products Manager, Robert Tirloni.

4 Robert and I will be presenting from the
5 PowerPoint routed to you by Mary Beth via email on
6 Tuesday of this week. The presentation will begin with
7 the data on slide two.

8 Comparative sales through the week
9 ending April -- or February 8, 2020 are presented at
10 the bottom of the slide. I'm sorry. Beginning with
11 the -- with June 6th, 2020 are presented at the bottom
12 of the slide. Total fiscal year 2020 sales through
13 this 40-week period are \$4,997,000,000, which is an
14 increase of \$56-million, or 1.1 percent over the
15 \$4,940,000,000 in sales for the same period last fiscal
16 year.

17 Commissioners, when we met in February,
18 our total year-over-year decline was \$81-million.
19 Better summarized, over the 17-week period, even with
20 the impact from COVID-19, the year-over-year total
21 sales decline has shifted from a decrease in sales to
22 an increase in sales now reflecting a year-over-year
23 shift in sales of \$137-million since our last
24 Commission meeting.

25 Fiscal year 2020 scratch ticket sales

1 are reflected on the second orange bar of this slide,
2 are at \$4,124,000,000, which is a \$342-million increase
3 over the sales figure for fiscal year 2019. With a
4 growth rate of nine percent over last fiscal year, the
5 Commission has reported six consecutive weeks of sales
6 in excess of \$122-million. Our most recent week
7 included \$128-million in scratch sales and set a new
8 weekly scratch record for the agency, breaking the
9 previous record of \$126.7-million set earlier in the
10 month.

11 We have now had 19 weeks of scratch
12 ticket sales over \$100-million this fiscal year and
13 that's compared to eight weeks in fiscal year 2019.
14 Scratch ticket sales amount to 82 1/2 percent of total
15 sales for this period, which is compared to 76.6
16 percent last fiscal year.

17 Our fiscal year 2020 draw sales, which
18 are reflected on the second blue bar, are at \$873.1-
19 million, which is a \$285-million decrease, or 24.6
20 percent under the \$1,158,000,000 reported for last
21 fiscal year.

22 The draw game sales decline is two-fold.
23 Earlier in the year, it was clearly attributed to the
24 \$1.6-billion Mega Millions jackpot and the \$750-million
25 Powerball jackpot rolls that occurred in October of

1 fiscal year 2019.

2 More recently, due to COVID-19 our
3 multi-state jackpot sales have continued to reflect
4 lower than normal sales attributed to smaller
5 incremental jackpot rolls. Robert will now provide an
6 overview of detailed sales as outlined on slide three.

7 MR. TIRLONI: Thanks, Kathy. Good
8 morning Mr. Chairman, good morning, Commissioners. For
9 the record, I'm Robert Tirloni, Products Manager for
10 the Texas Lottery Commission.

11 So, Commissioners, on slide 3 is our
12 fiscal year 2020 comparison to fiscal year 2019. And
13 this is through this past Saturday, June 6th. So at
14 the top of slide three in white, our jackpot games are
15 represented. And you'll see that we are experiencing a
16 \$301.2-million sales deficit this fiscal compared to
17 last. The overwhelming majority of that deficit is
18 from the Mega Millions and Powerball games and their
19 associated add-on games.

20 The Lotto Texas game, our in-state
21 jackpot game, is at the top. It's experiencing a
22 slight decline, 1.1-million. The add-on game for Lotto
23 Texas, which is Lotto Extra, is experiencing a gain of
24 \$1.4-million. And at the bottom of that section,
25 you'll notice our smaller in-state jackpot game, Texas

1 Two Step, is experiencing a slight decline of just
2 about a half a million dollars.

3 So pretty decent sales results for our
4 in-state portion of the portfolio. But, again, losses
5 from Mega Millions and Powerball.

6 I do want to make two comments about
7 Mega Millions and Powerball before we move on to the
8 daily games. So besides the impact from the smaller
9 jackpots that we've had this fiscal compared to last,
10 the jackpots have been rolling much slower due to the
11 sales impact from COVID-19 and the shutdowns in many of
12 the states that participate in both of these multi-
13 state games. So both games, Mega Millions and
14 Powerball, have made adjustments to their starting
15 jackpots.

16 Gary touched on this briefly earlier.
17 Both games used to start with a \$40-million starting
18 jackpot and they have now adjusted that to \$20-million.
19 So for Powerball, they've had two jackpot wins in the
20 past couple of weeks. They had a win on June 3rd, so
21 the jackpot started at 20-million for the drawing on
22 June 6th, and then actually there was a Powerball
23 winner for last night's drawing. So Saturday's drawing
24 for Powerball will be \$20-million.

25 Mega Millions had a winner just the

1 other night on Tuesday and so the Friday night draw,
2 that's this Friday, the 12th, will also be \$20-million.
3 So we're kind of in a real unique situation. Our in-
4 state lotto game is actually being advertised at \$21-
5 million right now, so it's actually -- it actually has
6 a higher jackpot than both of the multi-state games.
7 Pretty rare situation for us to be in.

8 The lower starting jackpots for Mega
9 Millions and Powerball, coupled with the slower sales,
10 will have an effect on sales for both of these games
11 for the foreseeable future. So I just wanted to make a
12 note about that before I move to the daily games.

13 So the daily games are on slide three in
14 blue font. Pick 3 and Fireball are doing very well.
15 They are -- that combination is up \$8 1/2-million,
16 compared to last fiscal. Daily 4 with the Fireball
17 feature is up \$6.2-million, and our All or Nothing game
18 is up just under \$3-million. We are experiencing
19 slight decline with Cash 5. That's down \$1.1-million.

20 So overall our draw games are up \$16.4-
21 million -- I'm sorry. Our daily games are up \$16.4-
22 million, but due to the decline with the jackpot
23 portion of the portfolio, our draw games as a whole are
24 down almost \$285-million year over year.

25 We have been able to offset that decline

1 with the scratch ticket sales that we've experienced.
2 We've sold over \$4.1-billion in scratch ticket sales,
3 and our scratch ticket sales are now up \$341.5-million
4 this fiscal compared to last fiscal.

5 We have some very solid core games out
6 in the market that have been performing very well and
7 we also have a brand new Sevens family of games. You
8 might see some advertising support for that. Those
9 games, combined with our core games, we believe are
10 positioning us well between now and the end of the
11 fiscal year to continue to see scratch ticket sales
12 growth so we can continue to see an overall increase in
13 total sales for this fiscal year.

14 So, in total, the portfolio is up just
15 under \$57-million year over year. And again, that's
16 through this past Saturday, June 6th.

17 Mr. Chairman, Commissioners, that
18 concludes the sales report. Kathy or I would be happy
19 to answer any questions that you may have.

20 CHAIRMAN KRAUSE: Commissioners?
21 Hearing none. Kathy, please proceed.

22 AGENDA ITEM NO. XII

23 MS. PYKA: Very good. Commissioners,
24 tab 12 includes information on the agency's transfers
25 to the state and the agency's budget status. The

1 report in your notebook reflects accrued revenue
2 transfers and allocations to the Foundation School Fund
3 and Texas Veterans Commission, as well as the
4 allocation of unclaimed prizes for the eight-month
5 period ending April 30, 2020.

6 Our total accrued revenue transfers to
7 the state amounted to \$951.8-million for the first
8 eight months of fiscal year 2020. Of the \$951.8-
9 million transferred to the state, \$896.2-million was
10 the amount of revenue transferred to the Foundation
11 School Fund, \$12.6-million was transferred to the Texas
12 Veterans Commission, with the remaining \$43-million
13 transferred for unclaimed lottery prizes. This leaves
14 us with 11.3 percent or \$113.8-million decrease under
15 revenue to the Foundation School Fund for the same
16 period last fiscal year.

17 And, Commissioners, I want to clarify,
18 this is dated through April. We are just now
19 completing the May revenue transfer, so that gap will
20 narrow quite a bit with the May revenue transfer. This
21 gives us total cumulative revenue to the Foundation
22 School Fund through April of this year, just under \$25-
23 billion.

24 Also included in your notebook is the
25 agency's fiscal year 2020 Method of Finance Summary for

1 the second quarter ending February 29th of 2020. The
2 Commission's Lottery Account budget for fiscal year
3 2020 is \$255.1-million. Of this amount, 80.6 percent
4 was expended and encumbered through the end of the
5 second quarter.

6 The Bingo Administration budget funded
7 by general revenue is \$6 1/2-million with just under 94
8 percent expended and encumbered through the end of the
9 second quarter.

10 Commissioners, this concludes my
11 remarks. I'd be happy to answer any questions.

12 CHAIRMAN KRAUSE: Chairman here.
13 Questions from my Commissioners? Hearing none, thank
14 you for the report. Looks like we have one more report
15 on our 2021 Operating Budget.

16 AGENDA ITEM NO. XIII

17 MS. PYKA: Yes. So, Commissioners, tab
18 13 includes information on the agency's Fiscal Year
19 2021 Operating Budget. This morning we are seeking
20 your approval of the Fiscal Year 2021 Operating Budget
21 in the amount of \$254,758,174 and 306.9 full-time
22 equivalent positions. The budget was developed in
23 accordance with the appropriation amounts outlined in
24 House Bill 1, adjusted for the rider, and Article 9
25 funding provisions.

1 The initial draft of the budget was
2 developed by the Office of the Controller, and
3 delivered to Division Management for their direct input
4 and the final draft was developed after receiving
5 feedback from the divisions and reviewed by executive
6 management.

7 Commissioners, I also would like to
8 bring to your attention correspondence that we received
9 from the leadership offices requiring each state agency
10 and institution of higher education submit a plan
11 identifying savings that will reduce general and
12 general revenue dedicated related appropriations by
13 five percent for the fiscal year 2020 and '21 biennium.
14 This plan is due to the Legislative Budget Board and
15 the Office of the Governor by Monday, June the 15th.

16 With regard to our plan, it will include
17 a \$254,694 reduction for the Bingo Program funded by
18 general revenue. We have received confirmation from
19 the Legislative Budget Board that the lottery-dedicated
20 account will be considered exempt from the savings plan
21 requirement. This exemption is because the lottery-
22 dedicated account is not subject to certification of
23 the General Appropriations Act.

24 The letter from leadership also notes
25 that in the coming weeks the legislative appropriation

1 request instructions will be released. The expectation
2 is that every state agency should prepare to submit
3 reduced budget requests; the letter also notes that it
4 may be necessary to make additional budget adjustments
5 beyond the five percent reduction required for the
6 current biennium.

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

9 CHAIRMAN KRAUSE: Chairman here.
10 Commissioners, questions? Hearing none, is there a
11 motion to approve the budget?

12 COMMISSIONER RIVERA: Motion to approve.

13 COMMISSIONER FRANZ: Second.

14 CHAIRMAN KRAUSE: All in favor say aye.

15 (Chorus of "ayes")

16 CHAIRMAN KRAUSE: Outstanding. By
17 acclamation.

18 MS. PYKA: Thank you, Commissioners.

19 CHAIRMAN KRAUSE: Absolutely.

20 AGENDA ITEM NO. XIV

21 CHAIRMAN KRAUSE: Darlene, let's please
22 hear from you.

23 MS. BROWN: Sure. Good morning,
24 Commissioners. For the record, my name is Darlene
25 Brown and I serve as your Internal Auditor. On behalf

1 of McConnell & Jones, I thank you for your confidence
2 in us and renewing our contract earlier today. We
3 greatly appreciate that.

4 In your materials is my status report.
5 We're currently wrapping up the CBOD implementation of
6 House Bill 914 audit. We're also working with CBOD on
7 the enforcement processes audit as Tom mentioned
8 earlier today.

9 Additionally, we've been following the
10 agency's response to the pandemic and the recent
11 disrupted events in downtown Austin. I wanted to take
12 this opportunity to report to you that we believe the
13 agency's actions taken to ensure the health and safety
14 of the employees and lottery players were well
15 executed. The tools provided to staff ensure they can
16 work from home without placing the agency's data at
17 risk. The additional measures taken to process mail-in
18 claims and the re-opening of claim centers did not
19 compromise internal controls, which is very important.

20 Additionally, the draw studio continued
21 operations without interruption, even when they
22 relocated to the backup facility. These actions could
23 not have been successfully accomplished without strong
24 leadership, staff support, and your investment in
25 people and technology.

1 We're cognizant of the current working
2 conditions at the agency shifting priorities in staff
3 constraints. We reached out to the management team on
4 audit timing, and will continue to do so. As a result,
5 some of the planned audits for this fiscal year may be
6 postponed until next fiscal year. However, we have no
7 concern with postponing the audits and we believe that
8 they do not pose a risk to the agency by postponing any
9 of them.

10 We stand ready to assist the agency with
11 any needs that may arise now or in the future as we
12 navigate through these waters. This is the end of my
13 report and I will be happy to answer questions if you
14 have any.

15 CHAIRMAN KRAUSE: Chairman here.
16 Commissioners, questions for Darlene? Darlene, thank
17 you for your good work.

18 MS. BROWN: Thank you.

19 AGENDA ITEM NO. XV

20 CHAIRMAN KRAUSE: The next item are the
21 enforcement cases. Bob.

22 MR. BIARD: Thank you, Commissioners.
23 Once again, I'm Bob Biard, General Counsel.

24 Item 15 in your notebooks contains 28
25 lottery and bingo enforcement matters. Tabs A through

1 double-B. I do want to note we are pulling tab S,
2 which is a lottery agreed order with Wrangler in Hood
3 County at the retailer's request and with the agreement
4 of Lottery Operations. So we actually have 27 items
5 I'm presenting today. So I'll be asking for your vote
6 on tabs A through R, and T through double-B.

7 In these cases, Commission staff either
8 found a licensee violated a statute or rule, or an
9 applicant did not qualify for a license. In many
10 cases, either the respondent fails to appear at the
11 hearing and it proceeded by default or the staff and
12 the respondent reached a settlement in the form of an
13 agreed order. And occasionally, we have litigated
14 cases, and we have one of those today.

15 Tabs A through L are the non-sufficient
16 fund lottery retailer license revocations handled in a
17 single order. Each case was presented at the State
18 Office of Administrative Hearings for revocation of the
19 retailer license, because the licensee failed to have
20 sufficient funds in their bank account to cover
21 electronic fund transfers to the Commission's account.
22 In each case, the licensee failed to appear and the
23 judge remanded the case to the Commission to handle as
24 a default matter.

25 Tabs M through Y are Lottery agreed

1 orders and tab Z is the litigated lottery case Times
2 Market number 102, in Calhoun County. This is a case
3 where the retailer accepted points won on eight-liner
4 gambling machines as payment for lottery tickets. This
5 is not an accepted form of payment, but rather than
6 settle with the agency in an agreed order, the retailer
7 wanted to litigate the case at the State Office of
8 Administrative Hearings.

9 The Commission staff argued for a 30-day
10 license suspension. The judge's original proposal
11 contained a conclusion that the Commission should
12 suspend the retailer's license for 10 days only. In
13 our exceptions, we convinced the judge to change that
14 should to may, since it is the Commission's right to
15 decide the appropriate penalty. And we now recommend
16 that you sign the order for a 30-day suspension as we
17 argued at hearing.

18 Tabs double-A and double-B are bingo
19 worker agreed orders.

20 That concludes my presentation. And you
21 may take up the enforcement orders in a single vote if
22 you like. And we'll be happy to answer any questions.

23 CHAIRMAN KRAUSE: Well, thank you
24 because we did intend to -- Chairman here -- take up
25 all these orders in a single vote. And so I'm going to

1 ask right now for a motion to approve all of the
2 orders, tabs A through R and T through double-B.

3 MR. SAENZ: Mo -- this is Erik. I make
4 a motion.

5 UNIDENTIFIED COMMISSIONER: Second.

6 UNIDENTIFIED COMMISSIONER: Second.

7 CHAIRMAN KRAUSE: All in favor say aye.

8 (Chorus of "ayes")

9 CHAIRMAN KRAUSE: Outstanding.

10 MR. BIARD: Thank you, Commissioners.

11 CHAIRMAN KRAUSE: You're certainly
12 welcome.

13 AGENDA ITEM NO. XVI

14 CHAIRMAN KRAUSE: Well, so, anyway. We
15 don't have any public comment.

16 AGENDA ITEM NO. XVII

17 And so at this point in time, we are going to go into
18 Executive Session. So we have one important item to
19 discuss that. So I move that the Texas Lottery
20 Commission go into Executive Session to deliberate
21 personnel matters and to receive legal advice as posted
22 in the open notice. Do I hear a second?

23 COMMISSIONER SAENZ: Second.

24 CHAIRMAN KRAUSE: All in favor say aye.

25 (Chorus of "ayes")

1 CHAIRMAN KRAUSE: I'm going to just roll
2 with it and say that I heard from everybody. And so,
3 anyway, the vote's unanimous and we will go into
4 Executive Session at 11:39 a.m. Today is June 11th,
5 2020. And so our instructions say that we're going to
6 call in for that and that we're going to leave the Zoom
7 meeting here for a few minutes.

8 (Executive Session from 11:39 a.m. to 12:08 p.m.)

9 AGENDA ITEM NO. XVIII

10 CHAIRMAN KRAUSE: This is the Chairman.
11 Are my Commissioners back on? (Answers in the
12 affirmative)

13 CHAIRMAN KRAUSE: All right. We've got
14 everybody. Okay. The Texas Lottery Commission is out
15 of Executive Session at 12:08 p.m. Is there any action
16 to be taken a result of Executive Session? And so,
17 anyway, I guess I'm going to ahead and make a motion
18 myself I'm so proud of this.

19 I move that the Commission approve Tom
20 Hanson to be the Charitable Bingo Operations Director,
21 effective immediately. Any seconds?

22 COMMISSIONER FRANZ: Second. I second.

23 CHAIRMAN KRAUSE: All in favor say aye.
24 (Chorus of "ayes")

25 CHAIRMAN KRAUSE: Thank you. Thank you.

1 Thank you. All right.

2 Is there any other business that needs
3 to come before us? And, if not, I believe that
4 concludes the business of the session.

5 AGENDA ITEM NO. XIX

6 CHAIRMAN KRAUSE: Is there a motion to
7 adjourn?

8 COMMISSIONER FRANZ: I move to adjourn.

9 CHAIRMAN KRAUSE: Second?

10 COMMISSIONER FIELDS: I'll second.

11 CHAIRMAN KRAUSE: All right. All in
12 favor say aye.

13 (Chorus of "ayes")

14 CHAIRMAN KRAUSE: All right. Well, it's
15 been a pleasure. And as my first Zoom public meeting
16 and I think it went just fine.

17 So, anyway, we will see each other in
18 person some day. Thank you.

19 We're adjourned.

20 MR. BIARD: Thank you, Commissioners.
21 And I will just note that a recording of this meeting
22 will be available on the Commission's YouTube channel
23 by the end of the day tomorrow. Thank you.

24 (Proceedings concluded at 12:10 p.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 22nd day of June, 2020.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

Verbatim Reporting & Transcription, LLC

1322 Space Park Drive, Suite C165

Houston, Texas 77058

281.724.8600