



INTEROFFICE MEMO

Gary Grief, Executive Director Tom Hanson, Acting Charitable Bingo Operations Director

To: J. Winston Krause, Chairman
Cindy Lyons Fields, Commissioner
Mark A. Franz, Commissioner
Robert Rivera, Commissioner
Erik C. Saenz, Commissioner

From: Mike Fernandez, Administration Division Director

Date: June 11, 2020

Re: Report, possible discussion and/or action on HUB and/or minority business participation, including approval of the agency's Fiscal Year 2019 Minority Business Participation Report

A copy of the **Fiscal Year 2019 Minority Business Participation Report** is attached for your review. This report, which is required by Section §466.107 of the State Lottery Act, must be made available annually to the Governor, Lieutenant Governor, Speaker of the House, and members of the Legislature.

The report will require Commission approval prior to being printed and published on the TLC Website. Should you have any questions, please contact Eric Williams at (512) 344-5241.

Attachments

cc: Gary Grief, Executive Director

2019



MINORITY BUSINESS PARTICIPATION REPORT



AN AGENCY OF THE
STATE OF TEXAS

*For The Fiscal Year Ending
August 31, 2019*

Commissioners:

J. Winston Krause,
Chairman
Cindy Fields
Mark A. Franz
Robert Rivera
Erik C. Saenz



TEXAS LOTTERY COMMISSION

Gary Grief, *Executive Director*

Tom Hanson, *Acting Charitable Bingo Operations Director*

March 26, 2020

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

Ladies and Gentlemen:

In accordance with the Texas Government Code, §466.107, the Texas Lottery Commission is submitting its annual Minority Business Participation Report for fiscal year (FY) 2019.

During FY 2019, the agency achieved an overall participation of 17.66% in its minority/Historically Underutilized Business (HUB) contracting activity, which represented a decrease of three percentage points from FY 2018's performance of 20.69%. In addition, the agency continued to surpass its 20% goal for minority retailers.

During FY 2020, the Texas Lottery will continue to implement initiatives designed to increase the minority/HUB participation in its business operations.

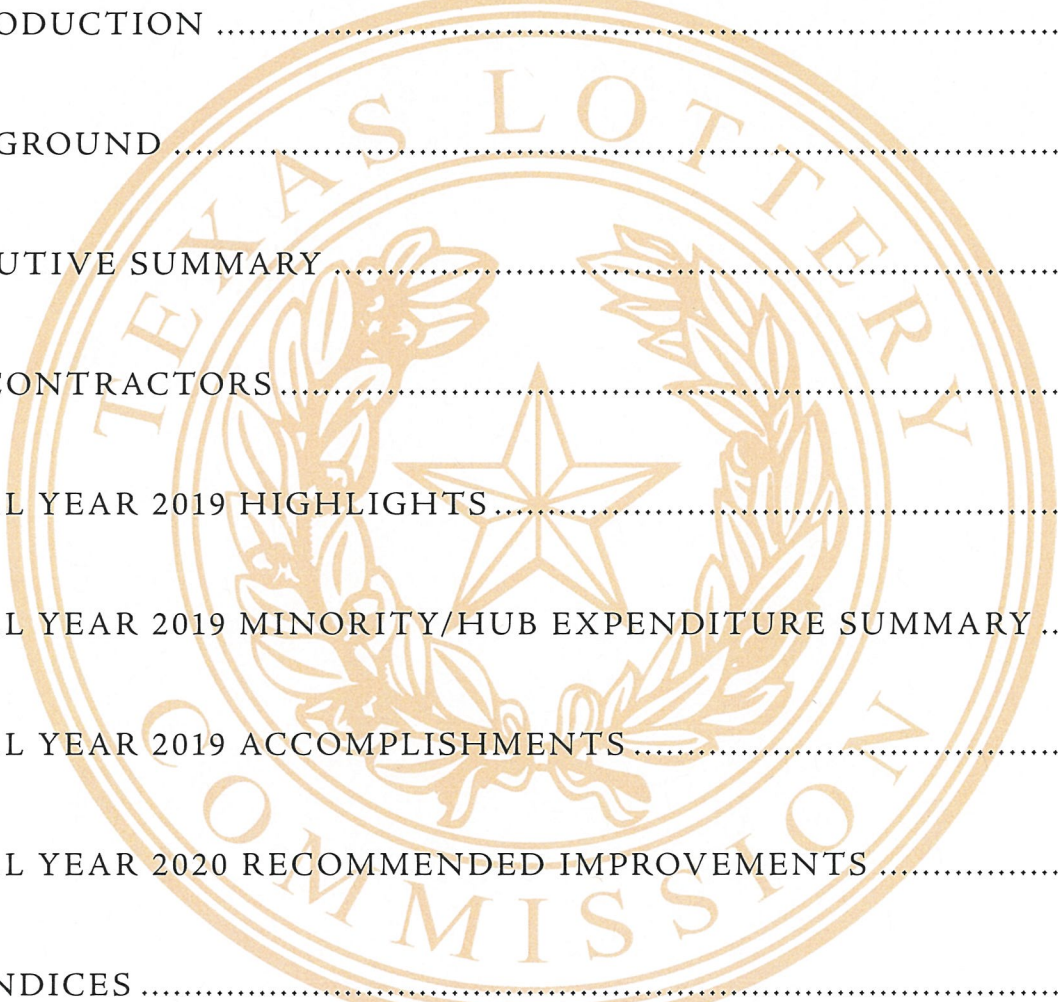
If you have any questions regarding the report, please do not hesitate to contact our Executive Director, Gary Grief.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Winston Krause".

J. Winston Krause
Chairman

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The seal of the Texas Lottery Commission is a large, circular emblem in the background. It features a central five-pointed star surrounded by a wreath of cotton and rice stalks. The words "TEXAS LOTTERY" are arched across the top, and "COMMISSION" is arched across the bottom.

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MINORITY BUSINESS PARTICIPATION REPORT

FISCAL YEAR 2019

INTRODUCTION

The Texas Lottery Commission (TLC) has prepared its annual Minority Business Participation Report for FY 2019 in accordance with Section 466.107 of the State Lottery Act. This report documents the agency's level of minority business participation both in its lottery and bingo contracting activity, and in the licensing of lottery retailers. It also provides recommendations for the improvement of lottery-related minority business opportunities.

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

The Texas Lottery Commission's HUB Program adopts by reference the rules administered by the Office of the Comptroller of Public Accounts regarding historically underutilized businesses, which are set forth in the Texas Administrative Code, Title 34, Part 1, Chapter 20, §§20.281 – 20.298. In addition to the minority group members noted above, the Comptroller's definition also includes businesses owned by women and service-disabled veterans.

Although it is not specifically addressed by the State Lottery Act, the TLC also has a strong commitment to including minorities in its business operations by maintaining a diverse workforce. Information about this area is included in Appendix D of the report (page 26).



BACKGROUND

TEXAS LOTTERY COMMISSION VISION

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

TEXAS LOTTERY MISSION

The Texas Lottery is committed to generating revenue for the state of Texas through the responsible management and sale of entertaining lottery products. The Texas Lottery will incorporate the highest standard of security, integrity and responsible gaming principles, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.

CHARITABLE BINGO MISSION

Provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo. Determine that all charitable bingo funds are used for a lawful purpose. Promote and maintain the integrity of the charitable bingo industry throughout Texas.

CORE VALUES

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

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

MINORITY/HUB COMMITMENT

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

MINORITY/HUB PROGRAM

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

OUTREACH ACTIVITIES

Outreach activities make up one of the most important components of the TLC's Minority/HUB Program. The purpose of these activities is to inform minority/HUB vendors about opportunities to provide goods and services to the agency and its contractors. Outreach is performed primarily by participating in business opportunity forums and other events throughout the state. The TLC HUB Coordinator may also assist in planning and cosponsoring statewide events in cooperation with other state agencies. In addition, the agency conducts an annual HUB Forum to inform minority/HUB vendors about TLC procurement processes and to provide networking opportunities. A chart listing the outreach events in which the agency participated during FY 2019 is available in Appendix C (page 25).

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

CONTRACT COMPLIANCE

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

REPORTING

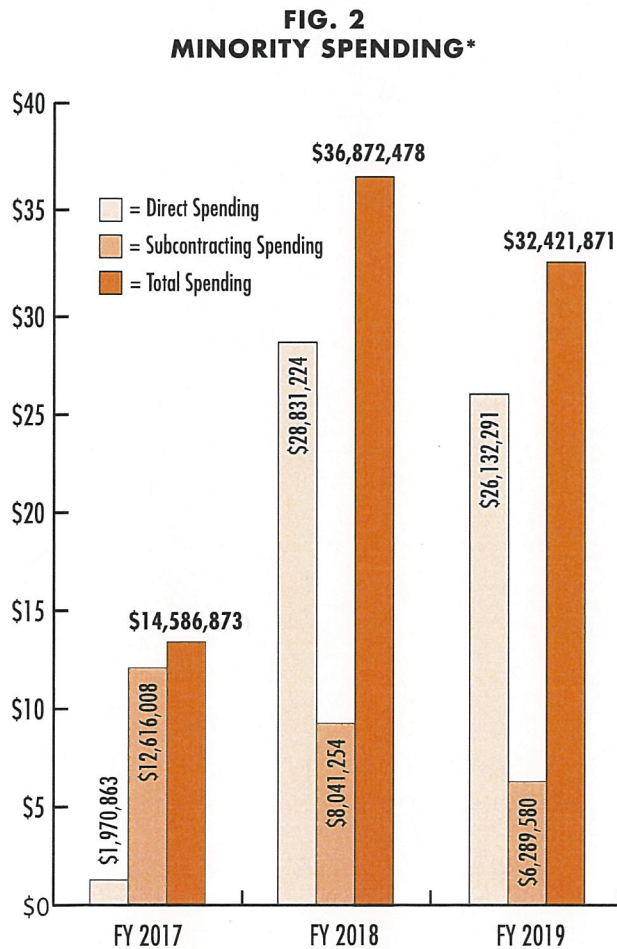
The TLC's minority/HUB expenditures are monitored throughout the year. Monthly internal minority/HUB participation reports are distributed to agency directors, and periodic updates are provided to TLC commissioners. In addition, HUB sub-contracting expenditures and supplemental information are reported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



EXECUTIVE SUMMARY

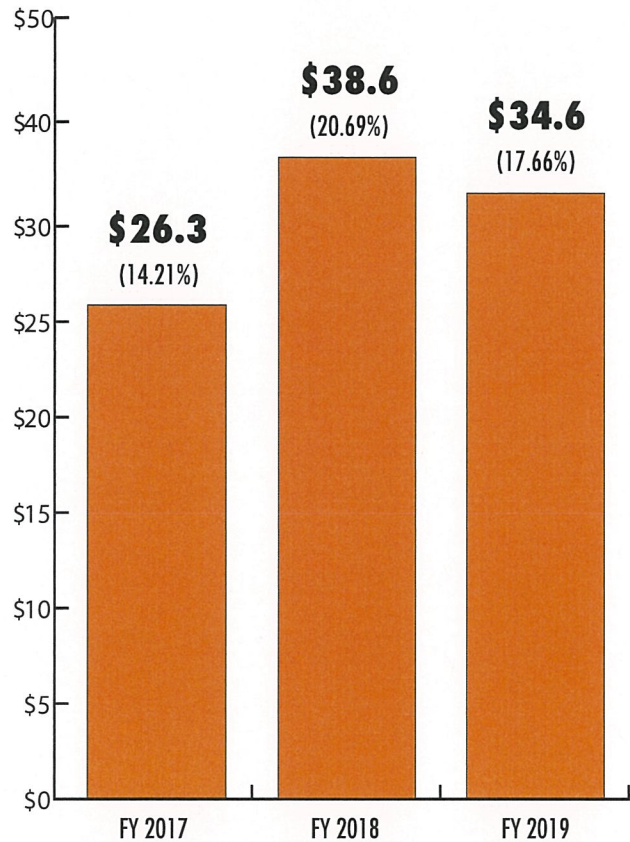
During FY 2019, the TLC continued its efforts to provide opportunities for minority-owned businesses to participate in its procurement processes. Developing contacts with minority-owned businesses in Texas and licensing minority retailers are essential to the agency's initiatives.

The TLC's overall expenditures, as captured by the CPA's *Fiscal Year 2019 Texas Historically Underutilized Business (HUB) Annual Report*, increased from FY 2018 to FY 2019. During this reporting period, the Commission ranked 17th by overall expenditures among the 50 largest-spending agencies, as compared with ranking 20th during FY 2018.



*Amounts have been rounded to the nearest dollar.

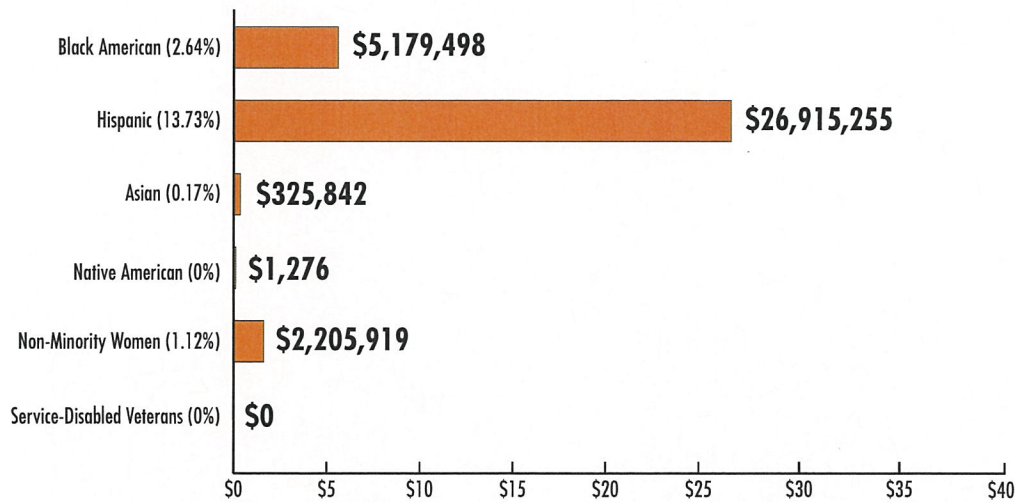
**FIG. 1
MINORITY/HUB SPENDING
(IN MILLIONS)**



During FY 2019, the TLC achieved an overall participation rate in its minority/HUB contracting activity of 17.66%. As shown in Figure 1, total expenditures paid to all minority/HUB vendors decreased from the previous fiscal year. The TLC's overall minority/HUB percentage also decreased.

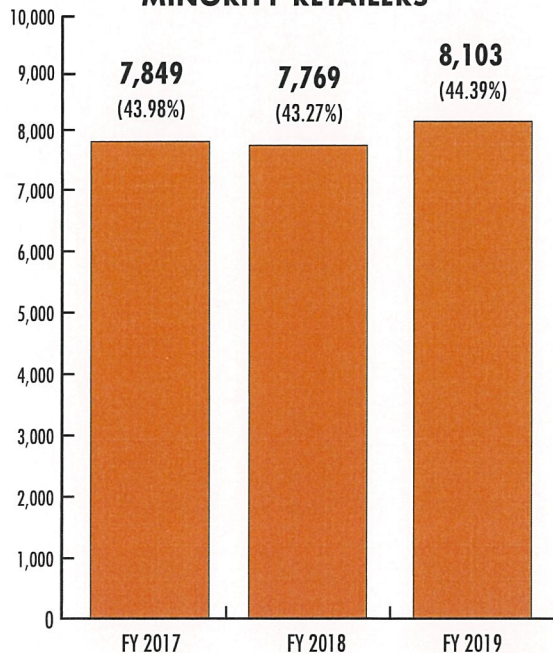
Figure 2 summarizes payments made to minority-owned businesses only (not including non-minority women or service-disabled veterans). During this reporting period, direct expenditures to minority-owned businesses decreased and subcontracting payments decreased. Figure 3 shows the breakdown of FY 2019 minority/HUB spending by ethnic group.

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

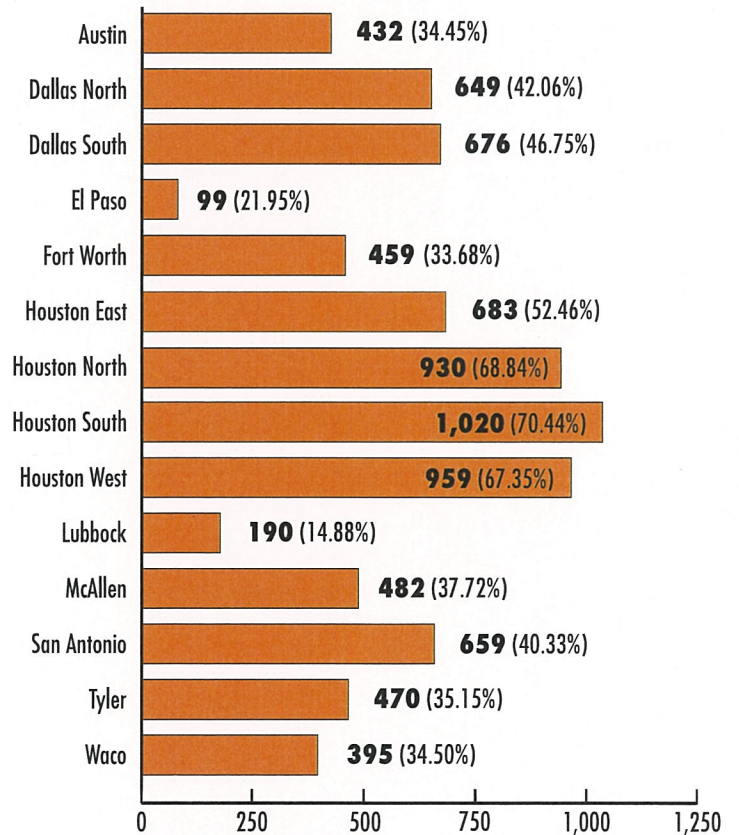


During FY 2019, the TLC continued to exceed the 20% goal for its minority retailer base which is set out in Texas Government Code, §466.151. Minority retailers now number 8,103, representing 44.39% of the agency’s total Texas Lottery retailer base (see Figures 4 and 5). More detailed information on minority retailers by county is located in Appendix B (page 18). In addition, the TLC has maintained a minority retailer percentage of more than 40% for 13 consecutive years.

**FIG. 4
NUMBER OF
MINORITY RETAILERS**



**FIG. 5
MINORITY RETAILERS
BY DISTRICT**



KEY CONTRACTORS

The Commission's key contractors during FY 2019 for contracts estimated to be \$100,000 or more* included the following:

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

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

**HUB certified contractors

FISCAL YEAR 2019 HIGHLIGHTS

- The Texas Lottery Commission's minority/HUB expenditures in FY 2019 totaled more than \$34 million.
- For FY 2019, the TLC ranked 17th among the 50 largest spending agencies in terms of overall expenditures as captured by the CPA's *Fiscal Year 2019 Texas Historically Underutilized Business (HUB) Annual Report*. Of the top 17, the TLC ranked sixth by overall HUB percentage (see Table C, page 12).
- In FY 2019, the agency paid certified HUBs approximately \$191,135 for goods and services in expenditure categories not included in the CPA's HUB Report.
- Two of the TLC's key contractors increased subcontracting payments to minority/HUB businesses.
- Six HUB companies provided key contract services to the agency during FY 2019 (see page 6).
- The TLC awarded \$23,745 in bid opportunities at the "Doing Business Texas Style Spot Bid Fair" held in conjunction with ACCESS 2019 in Irving, Texas.
- The TLC sponsored one mentor-protégé relationships during FY 2019.
- The TLC continued to assist vendors with the HUB subcontracting plan (HSP) process by offering one-on-one HSP workshops and reviews of draft HSPs. These efforts resulted in greater numbers of compliant HSPs and increased competition.
- The TLC participated in five economic opportunity forums and HUB-related outreach events statewide.
- The TLC conducted a successful annual HUB forum on May 15, 2019 which attracted minority/HUB participants from across the state. Roundtable networking sessions at this event allowed maximum interaction between attendees, agency staff and key TLC contractors.
- The TLC participated in HUB Discussion Workgroup meetings that were held during the fiscal year.
- The TLC maintained a minority retailer percentage of more than 40% for the 13th consecutive year. This represents a lottery retailer participation of more than twice the established goal.



FISCAL YEAR 2019 MINORITY/HUB EXPENDITURE SUMMARY

TABLE A

I. DIRECT MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	DIRECT EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
AFRICAN AMERICAN	\$226,306	0.12%	
HISPANIC AMERICAN	\$25,589,712	13.04%	
ASIAN AMERICAN	\$319,444	0.16%	
NATIVE AMERICAN	\$1,276	0.00%	
AMERICAN WOMEN	\$1,287,992	0.66%	
SERVICE DISABLED VETERANS	\$0	0.00%	
TOTAL	\$27,424,732	13.98%	\$196,101,001

II. MINORITY/HUB SUBCONTRACTING EXPENDITURES

MINORITY/HUB GROUP	SUBCONTRACTING EXPENDITURES	% OF NON-MINORITY NON-HUB TOTAL	TOTAL NON-MINORITY / NON-HUB EXPENDITURES
AFRICAN AMERICAN	\$4,953,191	2.96%	
HISPANIC AMERICAN	\$1,325,542	0.79%	
ASIAN AMERICAN	\$10,847	0.01%	
NATIVE AMERICAN	\$0	0.00%	
AMERICAN WOMEN	\$922,021	0.55%	
SERVICE DISABLED VETERANS	\$0	0.00%	
TOTAL	\$7,211,603	4.31%	\$168,684,813

III. GRAND TOTAL OF MINORITY/HUB EXPENDITURES

MINORITY/HUB GROUP	MINORITY/HUB EXPENDITURES	% OF TOTAL	TOTAL EXPENDITURES
AFRICAN AMERICAN	\$5,179,498	2.64%	
HISPANIC AMERICAN	\$26,915,255	13.73%	
ASIAN AMERICAN	\$325,842	0.17%	
NATIVE AMERICAN	\$1,276	0.00%	
AMERICAN WOMEN	\$2,205,919	1.12%	
SERVICE DISABLED VETERANS	\$0	0.00%	
TOTAL	\$34,627,792	17.66%	\$196,101,001

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

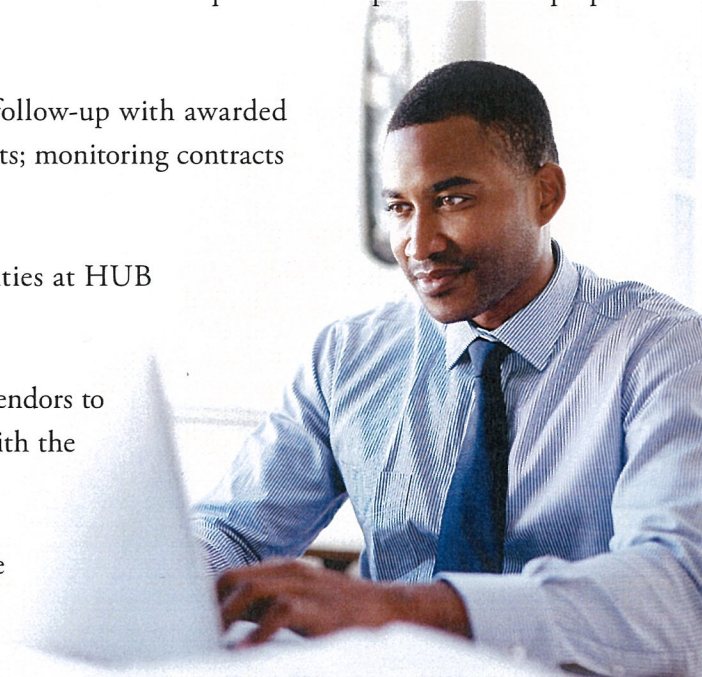
FISCAL YEAR 2019 ACCOMPLISHMENTS

The Texas Lottery Commission promotes fair and competitive opportunities for minority/HUB vendors interested in doing business with the agency and its key contractors. The TLC conducted an effective program during FY 2019 to inform and educate minority businesses/HUBs about opportunities to provide supplies, equipment, and services for the operation of the agency and to serve as licensed lottery retailers. The following sections detail some of the TLC's achievements in FY 2019.

INCLUSION IN PROCUREMENTS

The TLC's procurement-related initiatives included:

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



FISCAL YEAR 2019 ACCOMPLISHMENTS

Bids/Proposals Received and Contracts Awarded:

During FY 2019, the TLC received 60 competitive bids and proposals from HUB vendors, which represented 75.95% of all responses. Overall, the agency awarded 185 total contracts to HUB vendors, 66 of which were awarded to minority-owned business. These included contracts resulting from noncompetitive “spot purchases,” informal and formal quotes, bids, offers, and proposals received from HUB vendors.

OUTREACH ACTIVITIES

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

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

Forums: In accordance with legislative mandates, the TLC participated in conferences, forums and events to provide information regarding the agency’s procurement opportunities. As part of the TLC’s outreach program, staff attended Economic Opportunity Forums (EOFs) sponsored by state agencies and/or other governmental entities. These included forums presented by the Statewide Procurement Division (SPD) of the Comptroller of Public Accounts. In addition, the TLC participated in a number of forums, conferences and other vendor fairs coordinated by other state agencies and/or small, minority- and woman-owned business organizations. A summary of the agency’s outreach efforts is provided in Appendix C (page 25) of this report.

The TLC conducted its Annual HUB Forum on May 15, 2019, in Austin. The forum drew minority- and woman-owned companies from throughout the state. Texas Lottery Commission presenters provided an overview of the agency’s procurement opportunities and processes, as well as other information to assist HUBs. Roundtable networking sessions provided attendees with the opportunity to meet face-to-face with agency management/staff and representatives from some of the TLC’s largest contractors. Vendors who attend the TLC forum consistently provide positive feedback regarding the meeting format and the opportunity to directly network with agency staff and contractors.

Subcontracting Opportunities: In FY 2019, the TLC continued to identify subcontracting opportunities for minority/HUB vendors and to monitor HUB Subcontracting Plan requirements.

MENTOR-PROTÉGÉ PROGRAM

In accordance with Texas Government Code, §2161.065, all state agencies with biennial budgets of more than \$10 million are required to have a Mentor-Protégé Program. The purpose of the Mentor-Protégé Program is to foster long-term relationships between prime contractors

FISCAL YEAR 2019 ACCOMPLISHMENTS

and HUBs. The ultimate goal of the program is to provide developmental assistance to HUBs that will potentially increase their ability to contract directly with the state and/or to obtain subcontract opportunities under a state contract. All relationships among mentors, protégés and the program sponsor are voluntary, and participation in the agency’s Mentor-Protégé Program is neither a guarantee for a contract opportunity nor a promise of business.

The TLC sponsored one mentor-protégé relationship during FY 2019. The Mentor- Protégé Program is an ongoing initiative, and the TLC will continue its efforts to form additional relationships during FY 2020.

HUB DISCUSSION WORKGROUP

The TLC participates in the HUB Discussion Workgroup, an established group of HUB Coordinators from state agencies and institutions of higher education who meet on a regular basis. The workgroup shares program practices and ideas, supports outreach events, and provides input to the CPA on methods for improving the state’s HUB Program.

CONTRACTOR SUPPORT

Contractors are encouraged to include minority businesses and HUBs when purchasing goods and/or services related to the fulfillment of their contracts with the TLC. When the TLC determines that subcontracting is probable for contracts with an expected value of \$100,000 or more, respondents shall submit a completed HUB Subcontracting Plan demonstrating evidence of good faith effort in developing the plan. The state’s Centralized Master Bidders List and HUB Directory are key resources for identifying potential HUB subcontractors. Many of the TLC’s largest contractors also participated in the TLC’s FY 2019 HUB Forum, providing information and networking opportunities to HUBs. Through these efforts, the agency’s key contractors who utilized minority and/or HUB subcontractors achieved the following results in FY 2019:

TABLE B

CONTRACTOR NAME	MINORITY/HUB SUBCONTRACTING EXPENDITURES*
LATINWORKS MARKETING, LLC	\$10,293,687
IGT CORPORATION	\$4,546,595
POLLARD BANKNOTE, LTD.	\$1,588,893
SCIENTIFIC GAMES INTERNATIONAL, INC.	\$680,747
IGT CORPORATION (FKA GTECH PRINTING CORPORATION)	\$146,234
AGENCIES OF CHANGE DBA TECHNOLOGY SPA	\$140,966
ELEPHANT PRODUCTIONS, INC.	\$92,864
DK PARTNERS. P.C. (FKA DAVILA, BUSCHHORN & ASSOCIATES, P.C.)	\$15,275

*Amounts have been rounded to the nearest dollar.

FISCAL YEAR 2019 ACCOMPLISHMENTS

RANK AMONG LARGEST-SPENDING AGENCIES

The Texas Lottery Commission ranked 17th in terms of overall expenditures captured by the CPA's *Fiscal Year 2019 Texas Historically Underutilized Business (HUB) Annual Report*. Of the 17 largest-spending agencies, the TLC ranked 6th by overall HUB percentage (see Table C).

TABLE C
ANNUAL FISCAL YEAR 2019 HUB REPORT

SEVENTEENTH LARGEST-SPENDING AGENCIES RANKED BY OVERALL HUB PERCENTAGE

RANK	AGENCY NAME	TOTAL EXPENDITURES	TOTAL HUB EXPENDITURES	HUB % OF EXPENDITURES
1	TEXAS TECH UNIVERSITY	\$203,161,025.25	\$48,473,833.70	23.86%
2	TEXAS FACILITIES COMMISSION	\$206,397,187.96	\$46,180,075.03	22.37%
3	UNIVERSITY OF TEXAS AT AUSTIN	\$526,573,103.02	\$109,881,467.11	20.87%
4	UNIVERSITY OF HOUSTON	\$333,633,950.76	\$60,869,480.74	18.24%
5	THE TEXAS A&M UNIVERSITY SYSTEM	\$673,584,952.17	\$119,680,270.03	17.77%
6	TEXAS LOTTERY COMMISSION	\$196,101,001.88	\$34,627,792.16	17.66%
7	UNIVERSITY OF TEXAS SYSTEM	\$357,027,808.47	\$62,618,540.97	17.54%
8	TEXAS A & M UNIVERSITY (MAIN UNIV)	\$416,020,321.27	\$71,473,361.66	17.18%
9	TEXAS DEPT OF CRIMINAL JUSTICE	\$215,859,729.23	\$33,040,994.16	15.31%
10	UT SOUTHWESTERN MEDICAL CENTER	\$1,097,788,164.66	\$143,981,624.69	13.12%
11	HEALTH & HUMAN SERVICES COMMISSION	\$1,056,663,985.56	\$133,205,452.40	12.61%
12	UT HEALTH SCIENCE CENTER – HOUSTON	\$221,940,180.56	\$23,677,372.42	10.67%
13	TEXAS DEPARTMENT OF TRANSPORTATION	\$8,204,946,231.89	\$863,887,533.60	10.53%
14	DEPARTMENT OF STATE HEALTH SERVICES	\$200,754,144.88	\$17,465,894.29	8.70%
15	GENERAL LAND OFFICE	\$295,945,768.65	\$23,154,206.00	7.82%
16	UNIVERSITY OF TEXAS MEDICAL BRANCH	\$641,412,405.75	\$35,394,063.40	5.52%
17	UT MD ANDERSON CANCER CENTER	\$1,829,392,612.68	\$84,708,201.89	4.63%

Note: The largest-spending agencies are determined by total expenditures made for object codes which are reportable in the CPA's *Fiscal Year 2019 Texas Historically Underutilized Business (HUB) Annual Report*. The state does not have an overall HUB goal, but utilizes six procurement category goals, in accordance with the State Disparity Study. These figures are unaudited and have been rounded to the nearest dollar.

MINORITY RETAILERS

The Texas Lottery Commission's minority retailer base consistently exceeds its statutory goal of 20%. In FY 2019, the agency's minority retailers numbered 8,103, which represented 44.39% of the Texas Lottery's total retailer base (see Figure 4 and Appendix B). The agency has maintained a minority retailer percentage of more than 40% for the past 13 years.

FISCAL YEAR 2020 RECOMMENDED IMPROVEMENTS

- Enhance the Commission’s Mentor-Protégé Program and develop new mentor-protégé relationships.
- Work with TLC technical staff to improve internal HUB reporting capabilities.
- Attend at least one outreach event that is focused on service-disabled veterans.
- Continue providing bid opportunities at the “Doing Business Texas Style” Spot Bid Fair.
- Include TLC Purchasing staff in additional HUB outreach events.
- Maintain active participation in the HUB Discussion Workgroup.



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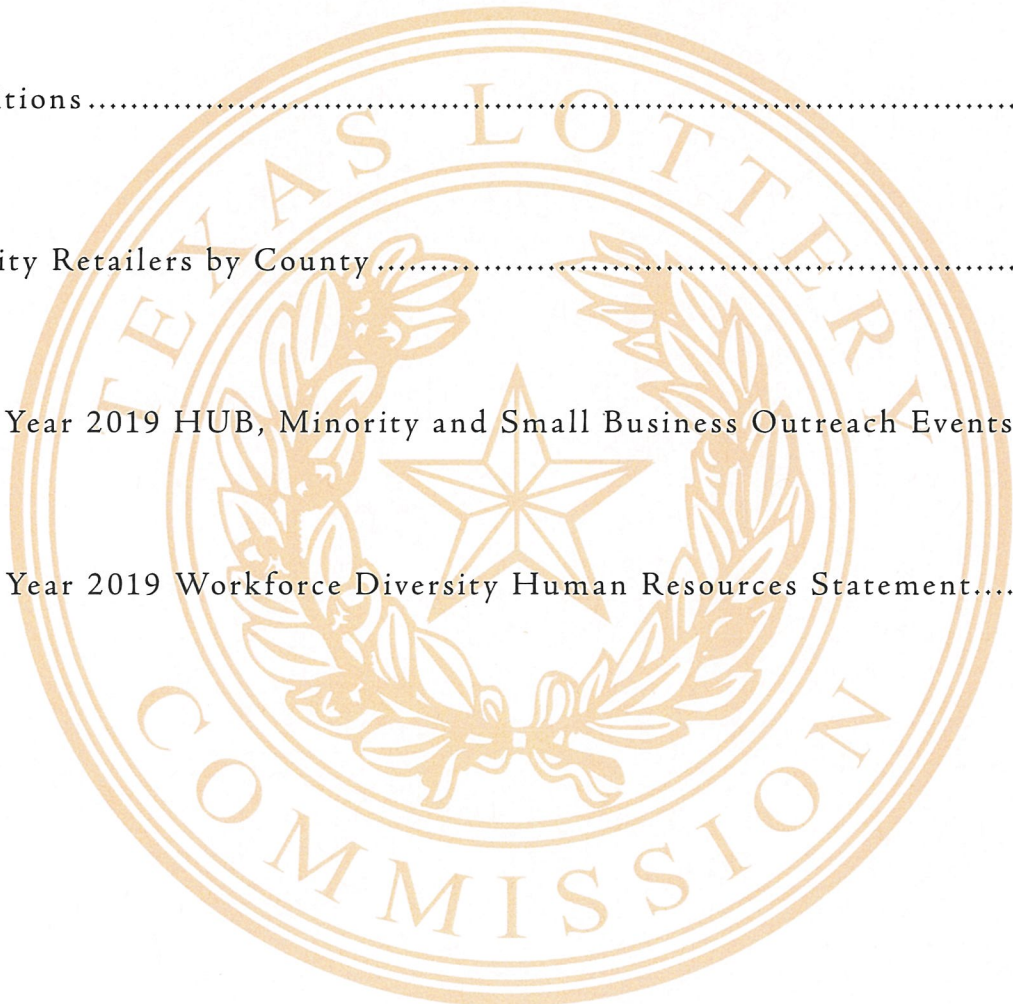
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DEFINITIONS

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

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

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

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

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

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

APPENDIX A

DEFINITIONS

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

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

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

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

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

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

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



APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
ANDERSON	44	10	22.73%
ANDREWS	9	1	11.11%
ANGELINA	71	32	45.07%
ARANSAS	19	9	47.37%
ARCHER	12	0	0.00%
ARMSTRONG	3	0	0.00%
ATASCOSA	40	20	50.00%
AUSTIN	41	28	68.29%
BAILEY	7	0	0.00%
BANDERA	13	6	46.15%
BASTROP	74	33	44.59%
BAYLOR	5	0	0.00%
BEE	23	9	39.13%
BELL	218	92	42.20%
BEXAR	1,028	494	48.05%
BLANCO	13	7	53.85%
BORDEN	0	0	0.00%
BOSQUE	27	10	37.04%
BOWIE	62	13	20.97%
BRAZORIA	209	140	66.99%
BRAZOS	133	81	60.90%
BREWSTER	8	0	0.00%
BRISCOE	2	0	0.00%
BROOKS	5	1	20.00%
BROWN	29	5	17.24%
BURLESON	25	13	52.00%
BURNET	37	15	40.54%
CALDWELL	31	14	45.16%
CALHOUN	19	8	42.11%
CALLAHAN	13	2	15.38%
CAMERON	187	47	25.13%
CAMP	10	3	30.00%
CARSON	6	0	0.00%
CASS	29	4	13.79%
CASTRO	7	0	0.00%
CHAMBERS	57	34	59.65%
CHEROKEE	41	20	48.78%
CHILDRESS	8	0	0.00%
CLAY	6	2	33.33%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
COCHRAN	4	1	25.00%
COKE	4	2	50.00%
COLEMAN	10	0	0.00%
COLLIN	387	139	35.92%
COLLINGSWORTH	2	0	0.00%
COLORADO	33	18	54.55%
COMAL	75	10	13.33%
COMANCHE	14	1	7.14%
CONCHO	6	0	0.00%
COOKE	42	11	26.19%
CORYELL	36	16	44.44%
COTTLE	2	1	50.00%
CRANE	5	1	20.00%
CROCKETT	8	3	37.50%
CROSBY	8	1	12.50%
CULBERSON	7	1	14.29%
DALLAM	10	0	0.00%
DALLAS	1,704	848	49.77%
DAWSON	7	1	14.29%
DE WITT	14	3	21.43%
DEAF SMITH	15	1	6.67%
DELTA	4	2	50.00%
DENTON	337	131	38.87%
DICKENS	2	0	0.00%
DIMMIT	15	6	40.00%
DONLEY	5	0	0.00%
DUVAL	12	4	33.33%
EASTLAND	26	1	3.85%
ECTOR	102	23	22.55%
EDWARDS	2	0	0.00%
EL PASO	367	92	25.07%
ELLIS	106	27	25.47%
ERATH	30	8	26.67%
FALLS	14	5	35.71%
FANNIN	25	7	28.00%
FAYETTE	27	10	37.04%
FISHER	4	0	0.00%
FLOYD	7	0	0.00%
FOARD	2	0	0.00%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
FORT BEND	315	192	60.95%
FRANKLIN	8	1	12.50%
FREESTONE	20	7	35.00%
FRIO	18	6	33.33%
GAINES	11	0	0.00%
GALVESTON	285	197	69.12%
GARZA	4	1	25.00%
GILLESPIE	13	1	7.69%
GLASSCOCK	0	0	0.00%
GOLIAD	4	0	0.00%
GONZALES	17	7	41.18%
GRAY	21	3	14.29%
GRAYSON	109	40	36.70%
GREGG	130	43	33.08%
GRIMES	28	18	64.29%
GUADALUPE	80	26	32.50%
HALE	27	3	11.11%
HALL	7	0	0.00%
HAMILTON	10	1	10.00%
HANSFORD	4	0	0.00%
HARDEMAN	5	0	0.00%
HARDIN	52	5	9.62%
HARRIS	3,527	2,506	71.05%
HARRISON	47	20	42.55%
HARTLEY	0	0	0.00%
HASKELL	6	0	0.00%
HAYS	104	29	27.88%
HEMPHILL	4	0	0.00%
HENDERSON	69	29	42.03%
HIDALGO	372	157	42.20%
HILL	46	11	23.91%
HOCKLEY	17	3	17.65%
HOOD	47	10	21.28%
HOPKINS	29	8	27.59%
HOUSTON	32	19	59.38%
HOWARD	31	3	9.68%
HUDSPETH	4	1	25.00%
HUNT	72	27	37.50%
HUTCHINSON	17	1	5.88%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
IRION	3	1	33.33%
JACK	10	1	10.00%
JACKSON	18	8	44.44%
JASPER	38	3	7.89%
JEFF DAVIS	2	1	50.00%
JEFFERSON	289	69	23.88%
JIM HOGG	7	4	57.14%
JIM WELLS	34	18	52.94%
JOHNSON	107	30	28.04%
JONES	12	1	8.33%
KARNES	16	4	25.00%
KAUFMAN	89	32	35.96%
KENDALL	22	6	27.27%
KENEDY	0	0	0.00%
KENT	0	0	0.00%
KERR	36	1	2.78%
KIMBLE	13	1	7.69%
KING	0	0	0.00%
KINNEY	4	0	0.00%
KLEBERG	24	10	41.67%
KNOX	4	0	0.00%
LA SALLE	8	1	12.50%
LAMAR	42	9	21.43%
LAMB	11	1	9.09%
LAMPASAS	14	5	35.71%
LAVACA	20	6	30.00%
LEE	21	8	38.10%
LEON	25	10	40.00%
LIBERTY	87	60	68.97%
LIMESTONE	27	14	51.85%
LIPSCOMB	2	0	0.00%
LIVE OAK	15	1	6.67%
LLANO	20	3	15.00%
LOVING	0	0	0.00%
LUBBOCK	172	55	31.98%
LYNN	3	0	0.00%
MADISON	14	8	57.14%
MARION	9	4	44.44%
MARTIN	1	0	0.00%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
MASON	5	1	20.00%
MATAGORDA	44	26	59.09%
MAVERICK	29	10	34.48%
MCCULLOCH	9	2	22.22%
MCLENNAN	185	86	46.49%
MCMULLEN	3	0	0.00%
MEDINA	35	7	20.00%
MENARD	3	0	0.00%
MIDLAND	81	4	4.94%
MILAM	25	5	20.00%
MILLS	3	0	0.00%
MITCHELL	8	0	0.00%
MONTAGUE	21	5	23.81%
MONTGOMERY	344	202	58.72%
MOORE	22	6	27.27%
MORRIS	11	5	45.45%
MOTLEY	3	0	0.00%
NACOGDOCHES	53	24	45.28%
NAVARRO	46	18	39.13%
NEWTON	14	3	21.43%
NOLAN	20	3	15.00%
NUECES	222	74	33.33%
OCHILTREE	8	0	0.00%
OLDHAM	3	0	0.00%
ORANGE	95	12	12.63%
PALO PINTO	43	10	23.26%
PANOLA	18	2	11.11%
PARKER	66	20	30.30%
PARMER	8	0	0.00%
PECOS	18	3	16.67%
POLK	41	26	63.41%
POTTER	102	39	38.24%
PRESIDIO	6	1	16.67%
RAINS	10	5	50.00%
RANDALL	57	5	8.77%
REAGAN	4	0	0.00%
REAL	6	1	16.67%
RED RIVER	10	4	40.00%
REEVES	16	0	0.00%

APPENDIX B

MINORITY RETAILERS BY COUNTY

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
REFUGIO	12	4	33.33%
ROBERTS	1	0	0.00%
ROBERTSON	22	10	45.45%
ROCKWALL	38	12	31.58%
RUNNELS	13	0	0.00%
RUSK	31	9	29.03%
SABINE	9	1	11.11%
SAN AUGUSTINE	10	1	10.00%
SAN JACINTO	18	15	83.33%
SAN PATRICIO	60	21	35.00%
SAN SABA	8	1	12.50%
SCHLEICHER	4	0	0.00%
SCURRY	16	1	6.25%
SHACKELFORD	5	1	20.00%
SHELBY	25	6	24.00%
SHERMAN	3	0	0.00%
SMITH	153	72	47.06%
SOMERVELL	11	1	9.09%
STARR	42	27	64.29%
STEPHENS	11	4	36.36%
STERLING	2	0	0.00%
STONEWALL	1	0	0.00%
SUTTON	10	0	0.00%
SWISHER	4	0	0.00%
TARRANT	1,279	467	36.51%
TAYLOR	106	7	6.60%
TERRELL	2	0	0.00%
TERRY	9	1	11.11%
THROCKMORTON	3	0	0.00%
TITUS	30	9	30.00%
TOM GREEN	68	5	7.35%
TRAVIS	630	179	28.41%
TRINITY	19	10	52.63%
TYLER	18	0	0.00%
UPSHUR	28	8	28.57%
UPTON	5	1	20.00%
UVALDE	27	4	14.81%
VAL VERDE	23	5	21.74%
VAN ZANDT	45	14	31.11%

APPENDIX B**MINORITY RETAILERS BY COUNTY**

COUNTY	TOTAL RETAILERS	MINORITY RETAILERS	PERCENTAGE
VICTORIA	60	19	31.67%
WALKER	54	37	68.52%
WALLER	38	27	71.05%
WARD	16	1	6.25%
WASHINGTON	34	13	38.24%
WEBB	117	48	41.03%
WHARTON	49	28	57.14%
WHEELER	9	0	0.00%
WICHITA	105	39	37.14%
WILBARGER	12	3	25.00%
WILLACY	11	4	36.36%
WILLIAMSON	229	56	24.45%
WILSON	27	7	25.93%
WINKLER	8	0	0.00%
WISE	50	18	36.00%
WOOD	27	8	29.63%
YOAKUM	8	0	0.00%
YOUNG	17	0	0.00%
ZAPATA	11	8	72.73%
ZAVALA	11	5	45.45%
TOTAL	18,253	8,103	44.39%

APPENDIX C

FISCAL YEAR 2019 HUB, MINORITY AND SMALL BUSINESS OUTREACH EVENTS

I. STATE ECONOMIC OPPORTUNITY FORUMS	LOCATION
2019 MARKETING FOR SUCCESS HUB VENDOR FAIR	AUSTIN
2019 PROCUREMENT CONNECTION SEMINAR AND EXPO	AUSTIN
"DOING BUSINESS TEXAS STYLE" AT ACCESS 2019	IRVING
II. TEXAS LOTTERY COMMISSION FORUMS	
TEXAS LOTTERY COMMISSION ANNUAL HUB FORUM	AUSTIN
III. VENDOR FAIRS, CONFERENCES & PROCUREMENT EVENTS	
BEXAR COUNTY ANNUAL SMALL, MINORITY, WOMAN AND VETERAN BUSINESS OWNER'S CONFERENCE	SAN ANTONIO
HOUSTON MINORITY BUSINESS SUPPLIER DEVELOPMENT COUNCIL EXPO	HOUSTON

APPENDIX D

FISCAL YEAR 2019 WORKFORCE DIVERSITY HUMAN RESOURCES STATEMENT

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

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

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

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

TEXAS LOTTERY COMMISSION WORKFORCE

**TEXAS LOTTERY EMPLOYEES BY ETHNICITY
FISCAL YEAR 2019**

ETHNICITY	NUMBER OF EMPLOYEES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	36	11.83%
HISPANIC AMERICAN	97.50	32.05%
ASIAN AMERICAN	9	2.96%
NATIVE AMERICAN	4	1.31%
TOTAL MINORITIES	146.50	48.15%
CAUCASIAN	157.75	51.85%
TOTAL EMPLOYEES	304.25	100%

**TEXAS LOTTERY EMPLOYEES BY GENDER
FISCAL YEAR 2019**

ETHNICITY	NUMBER OF MALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	9.50	3.12%
HISPANIC AMERICAN	35.25	11.59%
ASIAN AMERICAN	3.50	1.15%
NATIVE AMERICAN	4	1.31%
CAUCASIAN	68.75	22.60%
TOTAL MALES	121	39.77%
ETHNICITY	NUMBER OF FEMALES	% OF AGENCY EMPLOYEES
AFRICAN AMERICAN	26.50	8.71%
HISPANIC AMERICAN	62.25	20.46%
ASIAN AMERICAN	5.50	1.81%
NATIVE AMERICAN	0	0%
CAUCASIAN	89	29.25%
TOTAL FEMALES	183.25	60.23%
TOTAL EMPLOYEES	304.25	100%



2019

TEXAS LOTTERY COMMISSION

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STATE OF TEXAS