

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

TEXAS LOTTERY COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

April 08, 2021

10:00 a.m.

AT

TEXAS LOTTERY COMMISSION

611 East 6th Street
Austin, Texas 78701

VIA ZOOM WEBINAR

APPEARANCES

CHAIRMAN: Robert G. Rivera

COMMISSIONERS: Cindy Lyons Fields
Mark A. Franz
James H. C. "Jamey" Steen

GENERAL COUNSEL: Robert F. Biard

EXECUTIVE DIRECTOR: Gary Grief

ACTING
CHARITABLE BINGO
OPERATIONS DIRECTOR: Tyler Vance

SPECIAL COUNSEL: Deanne Rienstra

CONTROLLER: Katheryn J. Pyka

PRODUCTS MANAGER: Robert Tirloni

McCONNELL JONES
LANIER & MURPHY, LLP: Darlene Brown

GOVERNMENTAL AFFAIRS
DIRECTOR: Nelda Treviño

BINGO ADVISORY
COMMITTEE CHAIRMAN: William T. "Trace" Smith,
III

ADMINISTRATION SUPPORT
SERVICES MANAGER: Toni Erickson

HISTORICALLY UNDERUTILIZED
BUSINESS PROGRAM
COORDINATOR: Eric Williams

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P R O C E E D I N G S

THURSDAY, APRIL 08, 2021

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Good morning, everyone. This is Robert Rivera and this is the meeting of the Texas Lottery Commission called to order. Today is April the 8th and it is 10:00 am. First we're going to do a roll call of our esteemed Commissioners.

Commissioner Fields.

COMMISSIONER FIELDS: Here.

CHAIRMAN RIVERA: Commissioner Franz.

COMMISSIONER FRANZ: Here.

CHAIRMAN RIVERA: Commissioner Steen.

COMMISSIONER STEEN: Here.

CHAIRMAN RIVERA: And Commissioner Saenz is not going to be with us here today. He will be missed.

We do have a quorum. This meeting is being conducted on Zoom pursuant to Governor Abbot's temporary suspension of certain open meeting laws during the COVID-19 Disaster Declaration.

Okay. For the benefit of the audience and our court reporter, we ask every person to state their name before they speak.

1 AGENDA ITEM NO. II

2 CHAIRMAN RIVERA: The first item is a
3 report from Bingo Advisory Committee. And Trace Smith
4 will present.

5 MR. SMITH: Good morning, everyone. I
6 hope you can hear me okay.

7 CHAIRMAN RIVERA: Yes.

8 MR. SMITH: I'm Trace Smith, and I am
9 the Chairman for the Bingo Advisory Committee.

10 We had a short meeting a couple weeks
11 ago. We had a new member on the Bingo Advisory
12 Committee that was recently approved - Corey Harris was
13 in attendance.

14 We discussed temporaries on demand, the
15 issue with the Facebook bingo and Facebook pull-tabs.
16 And the staff is currently working on solutions any
17 time they get a complaint. We're very pleased with
18 that. The industry is very pleased with that.

19 We also had a good, long discussion
20 about all of the bills that are filed in the
21 legislature regarding to bingo and gaming of other
22 sorts. And that was about it. We didn't have anything
23 other than we were hoping that the Commissioners had
24 some idea of when we would be able to have an in-person
25 meeting of not only the Bingo Advisory Committee, but

1 the Texas Lottery Commission.

2 CHAIRMAN RIVERA: Okay. Gary, I'm going
3 to let you take that.

4 MR. GRIEF: Thanks, Robert. Trace, I
5 appreciate that question. I wish I could give you a
6 definitive answer. But I think right now we're just
7 waiting and watching, looking for some direction from
8 the Governor's Office as well.

9 It does look, if things hold here in
10 Texas and things don't get any worse, there's a
11 possibility that we could have more of a traditional
12 in-person meeting in June. We certainly don't want to
13 confirm that at this time. But as soon as we know
14 more, we'll make sure that, not only you, but that the
15 public knows more as well.

16 MR. SMITH: Awesome. That's some great
17 news.

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

19 MR. SMITH: That's great news. Thank
20 you very much, Commissioners.

21 CHAIRMAN RIVERA: Commissioners, are
22 there any questions or discussion from the report?
23 Okay. Hearing none we will move on. But we definitely
24 are in agreement with Gary that we would love to be
25 able to meet in person when appropriate. So, we will

1 advance on. Trace, again, thank you for your report.

2 AGENDA ITEM NO. III

3 CHAIRMAN RIVERA: Next is a report on
4 the drawing studio and production services.

5 MS. ERICKSON: Good morning, Mr.
6 Chairman, Commissioners. For the record my name is
7 Toni Erickson and I am the Support Services Manager for
8 the Administration Division.

9 Item number 3 in your notebook is an
10 action item. Staff is seeking Commission approval to
11 enter into a contract with Elephant Productions,
12 Incorporated. Elephant will be the contractor
13 providing drawing studio and production services for
14 the broadcast of all Texas Lottery draw games at the
15 new studio in our future headquarters at 1801 Congress
16 Avenue.

17 If you have any questions, I would be
18 happy to answer them.

19 CHAIRMAN RIVERA: Okay. Commissioners,
20 any discussion? Okay. Hearing none is there a motion
21 to adopt the recommendation to execute the contract?

22 COMMISSIONER STEEN: This is Jamey. So
23 moved.

24 CHAIRMAN RIVERA: We need a second.

25 COMMISSIONER FRANZ: Mark will second.

1 CHAIRMAN RIVERA: Perfect. All those in
2 favor say aye.

3 (Chorus of "ayes")

4 CHAIRMAN RIVERA: Passes unanimously.
5 Good job.

6 MS. ERICKSON: Thank you.

7 CHAIRMAN RIVERA: Alrighty. We're
8 excited. That's going to be fantastic for the future
9 ribbon cutting which will be in person, so, we're
10 looking forward to that.

11 AGENDA ITEM NO. IV

12 CHAIRMAN RIVERA: Number four, next
13 item, is the 2020 Minority Business Participation
14 Report. Eric, this is your item.

15 MR. WILLIAMS: Yes, sir. Good morning
16 Chairman, Commissioners. For the record, my name is
17 Eric Williams and I am the Coordinator of the Lottery
18 Commission's Historically Underutilized Business
19 Program or the HUB Program.

20 As you are aware, the HUB Program is a
21 statewide initiative that provides assistance in the
22 contracting opportunities to minority, women, and
23 service-disabled veteran-owned businesses.

24 I would like to provide a very brief
25 update on our program before I speak about the Minority

1 Business Participation Report.

2 At the beginning of each fiscal year,
3 the agency sets its annual internal HUB goals as
4 required by the comptroller's rules. This year's goals
5 and a set of summary reports were sent to you last
6 fall. As part of our outreach to HUBs, the Lottery
7 Commission has a Mentor-Protégé Program. This is an
8 ongoing initiative to match HUB vendors with mentor
9 companies who assist with specific business development
10 goals. Currently, the Lottery Commission has one
11 mentor-protégé relationship in place.

12 The Lottery Commission also conducts an
13 annual HUB forum to provide information and networking
14 opportunities to HUB vendors. Unfortunately, due to
15 COVID-19 restrictions, last year's event was canceled.

16 A copy of the agency's finalized Fiscal
17 Year 2020 Minority Business Participation Report is
18 included in your notebooks today. This is an annual
19 report which is required by Section 466.107 of the
20 State Lottery Act, and must be made available to the
21 Governor, Lieutenant Governor, Speaker of the House,
22 and members of the Legislature.

23 The report documents minority and HUB
24 participation in our agency's contracting activity, and
25 includes information on the number of licensed minority

1 retailers.

2 During Fiscal Year 2020, the agency
3 achieved an overall participation rate of 14.78 percent
4 in the minority HUB contracting activity, which
5 represented a decrease of approximately three percent
6 from our Fiscal Year 2019's performance of 17.66
7 percent.

8 In addition, of the 20 largest-spending
9 state agencies and universities, the Lottery Commission
10 ranked 9th by overall HUB percentage. During this
11 reporting period, the agency also had 8,219 minority
12 retailers, which represented 40.98 percent of the Texas
13 Lottery retail base.

14 I will be happy to answer any questions
15 regarding the report at this time.

16 CHAIRMAN RIVERA: Alrighty. Good job on
17 the report. Very thorough. Commissioners, any
18 comments or questions? Discussion? Okay. Hearing
19 none, it reinforces, Eric, the thoroughness and good
20 job that you did.

21 Commissioners, is there a motion to
22 approve the report?

23 COMMISSIONER FIELDS: This is Cindy.
24 So, moved.

25 CHAIRMAN RIVERA: What about the second?

1 COMMISSIONER STEEN: Sure, this is
2 Jamey. Second.

3 CHAIRMAN RIVERA: Okay. Thank you. All
4 those in favor say aye.

5 (Chorus of "ayes")

6 CHAIRMAN RIVERA: It passes unanimously.
7 Eric, thank you again so much.

8 AGENDA ITEM NO. V

9 CHAIRMAN RIVERA: Next item is a
10 proposal to amend the General Administration Rules.
11 Deanne, this is your item.

12 MS. RIENSTRA: Thank you. Good morning,
13 Commissioners. This is Deanne Rienstra, Special
14 Counsel.

15 In your notebook is our proposed
16 amendments to the Texas Administrative Code, Chapter
17 403, relating to the agency's administrative rules.

18 Staff recently performed a rule review,
19 which is required every four years, and determined five
20 of the rules in Chapter 403 needed updating or
21 clarification.

22 The purpose for each of the amendments
23 are set out in the proposed rule amendments and memo
24 which are included in your notebook. They include
25 minor non-substantive changes to terminology such as

1 open records to public information and agency to
2 commission, or updating of statutory citations and
3 clarification of certain Commission practices.

4 Staff recommends publishing the proposed
5 rule amendments in the Texas Register, allowing for a
6 public comment period of 30 days.

7 I am happy to answer any questions.

8 CHAIRMAN RIVERA: Okay. Commissioners,
9 any discussion? Okay. Is there a motion and a second
10 to publish the proposal for public comment?

11 COMMISSIONER FRANZ: This is Mark. I'll
12 move.

13 CHAIRMAN RIVERA: Do we have a second?

14 COMMISSIONER FIELDS: Cindy; I'll
15 second.

16 CHAIRMAN RIVERA: Perfect. All in favor
17 say aye.

18 (Chorus of "ayes")

19 CHAIRMAN RIVERA: Fantastic. Passes
20 unanimously.

21 AGENDA ITEM NO. VI

22 CHAIRMAN RIVERA: Next item is a report
23 on Lottery sales and revenue. Kathy and Robert, we are
24 very excited to hear this report.

25 MS. PYKA: Morning, Commissioners. My

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

4 Our presentation this morning will begin
5 with the data on slide 2. Comparative sales through
6 the week ending April 3rd, 2021 are presented at the
7 bottom of the slide.

8 Total Fiscal Year 2021 sales through
9 this 31-week period are \$4,681,000,000, which is an
10 increase of \$962-million, or 25.9 percent over sales
11 for the same period last fiscal year.

12 Fiscal Year 2021 scratch ticket sales
13 reflected on the second orange bar are \$3,746,000,000,
14 a \$691-million increase over the sales figure for
15 Fiscal Year '20. And with a growth rate of 22.6
16 percent over last fiscal year, the Commission has
17 continued to report exceptional increases over record-
18 setting Fiscal Year 2020 sales.

19 Commissioners, when we met in February,
20 we reported on January sales being the most successful
21 month in the history of the Commission and had also
22 shared that we had set a new weekly scratch ticket
23 sales record of \$136.6-million. This trend of new
24 sales records has continued. Over the last month we
25 have now had three weeks of scratch ticket sales that

1 have exceeded \$150-million, and we have established a
2 new all-time record of \$158.5-million in sales that
3 occurred just last week.

4 When reviewing our top 10 weeks of
5 scratch ticket sales in the history of the Commission,
6 we have now reported 9 of the best weeks of scratch
7 ticket sales in our Commission history during this
8 fiscal year. This trend started in January with weekly
9 sales of \$128-million through our most recent week of
10 sales with just under \$159-million.

11 Our last three weeks have also seen new
12 individual daily scratch ticket sales records set with
13 us reaching \$25 1/2-million in daily scratch ticket
14 sales just this last Friday.

15 Before leaving our discussion on scratch
16 ticket sales, I thought it'd be helpful to provide an
17 update on our sales and how they are trending as
18 compared to California and Florida, who like Texas, are
19 considered the top scratch ticket sales leaders across
20 the country.

21 With our back-to-back weeks of sales
22 exceeding \$150-million, we've exceeded scratch ticket
23 sales of both California and Florida for the last two
24 weeks.

25 Back to the chart. Our scratch ticket

1 sales amount to 80 percent of total sales for this
2 period as compared to 82.1 percent last fiscal year.
3 Our Fiscal Year 2021 Draw sales, which are reflected on
4 the second blue bar, are \$934.9-million, which is a
5 \$270-million increase, or 41 percent over the \$665-
6 million amount reported for last fiscal year.

7 Similar to scratch ticket sales, we've
8 reported significant year-over-year growth in draw
9 sales with every product reporting sales growth.

10 As we have discussed several records for
11 scratch ticket sales, I wanted to highlight recent
12 trends in our Pick 3 draw sales. Last week our Pick 3
13 draw sales were just shy of \$6.4-million for the week.
14 This is our sixth best week of Pick 3 sales in the
15 history of the Commission, and the highest week going
16 back to the year 2007, which was prior to the
17 introduction of the Daily 4 game.

18 Before Robert shares the overview of
19 detailed sales, I wanted to update you on our internal
20 agency goal to increase total Lottery sales by an
21 unprecedented amount of \$1-billion over our record-
22 setting Fiscal Year 2020 amount. This would take us
23 from \$6.7-billion to 7.7-billion.

24 I'm happy to share that based on recent
25 sales results, we believe that the \$7.7-billion goal is

1 attainable with the current game plan that is in place.
2 We've revisited our goal internally and are now working
3 toward total sales of \$8-billion for Fiscal Year 2021.

4 Robert will now provide an overview of
5 detailed sales as outlined on slide 3.

6 MR. TIRLONI: Thank you, Kathy. Good
7 morning, Mr. Chairman and Commissioners. This is
8 Robert Tirloni.

9 I wanted to start on this next slide at
10 the top. This is our Fiscal Year comparison of 2021 to
11 2020, and the sales data is through this past Saturday,
12 April 3rd.

13 So, up at the top are our jackpot games
14 in the white font. You can see that we are
15 experiencing a growth of just under \$230-million for
16 the jackpot games. Most of that growth is coming from
17 our three bigger jackpot games; Mega Millions,
18 Powerball, and Lotto Texas.

19 As we've discussed at the last meeting,
20 the growth from Mega Millions and Powerball are from
21 very large jackpots that we experienced in January; a
22 \$1-billion jackpot for Mega Millions and a \$730-million
23 jackpot for Powerball.

24 I do want to call your attention to the
25 Texas Two Step game. When we last met, that game was

1 experiencing a decline of \$200,000. Since our last
2 meeting, the Texas Two Step game did climb up to a
3 jackpot of \$2,150,000. That happened in mid-March, and
4 you can see that Texas Two Step is now up \$4.3-million
5 year-over-year. A \$2.15-million jackpot may not seem
6 like a lot when we talk about billion dollar jackpots,
7 or jackpots in the realm of hundreds of millions of
8 dollars, but for Texas Two Step, which is a smaller
9 game, a jackpot of \$2-million plus is a very good,
10 healthy jackpot. And, obviously, the players responded
11 to that and liked that. So, all of the jackpot games
12 are experiencing year-over-year growth.

13 Continuing down into the middle of the
14 slide are our daily games. Those are up for a total of
15 just over \$40-million, with the large bulk of that
16 growth coming from Pick 3 and its associated add-on
17 game, Fireball. That game is up almost \$25-million.
18 And Kathy just noted some of the great sales that we
19 are seeing from the Pick 3 game.

20 So, when you look at our draw game
21 portion of the portfolio, it's up just over \$270-
22 million.

23 Scratch tickets, as Kathy talked about,
24 continue to set records, we're \$691-million up year
25 over year. And the portfolio as a whole is realizing

1 almost \$4.7-billion worth of sales, which is a \$961-
2 million increase.

3 Commissioners, I do have some updates
4 for you today. Two updates, to be specific; one
5 related to the scratch portion of the portfolio, and
6 one related to the Draw portion.

7 I'll start with Scratch. You may
8 remember at our last meeting, I provided you with
9 images of the top 10 performing scratch games for the
10 week ending February 6th, and I did that in order to
11 give you a visual of the top games that were driving
12 our sales levels.

13 Today I wanted to give you some more
14 information about scratch sales. Specifically, the
15 growth of three of our higher price points: the 10s,
16 the 20s, and the 50s.

17 For the first time ever, the \$10 price
18 point was our best-selling price point last year and
19 its growth has continued into this fiscal year. The
20 \$10 price point is up 19 1/2 percent this year compared
21 to last. That translates to just over \$155-million
22 worth of growth.

23 The \$20 price point is up over 204-
24 million, or 36.8 percent this year. But most
25 noticeably, the \$50 price point is seeing extraordinary

1 growth, and it has more than doubled in sales this year
2 so far. I just want to say that one more time. Sales
3 of the 50 are up almost 104 percent, for a total of
4 \$316.3-million worth of growth. And, again, this is
5 through Saturday, April 3rd.

6 So, players are clearly responding to
7 these games. Including the attractive production
8 features, the various play styles, the prizes we're
9 offering, the better odds, and the added convenience of
10 wrapping their smaller purchases into one larger
11 purchase. So, they're illustrating that by their
12 purchase of our higher price point tickets.

13 And retailers support the higher price
14 points as well. Especially the \$50 product. As it's
15 much more efficient for them to sell \$50 worth of
16 Lottery in one transaction rather than in numerous
17 smaller ones.

18 So, this is not a new trend and we've
19 discussed this in the agency's business and strategic
20 planning documents.

21 To give you an example of the top 15
22 scratch tickets for Fiscal Year '20, 14 of the 15 games
23 were \$10 price point games or higher, with the second,
24 third, and fourth best selling games being \$50 price
25 point games.

1 So, I just wanted to let you know today
2 that this trend is continuing and we continue to
3 produce games and regularly adjust our launch schedules
4 as necessary to meet the demands of our players and to
5 generate revenue for education and for veteran
6 services.

7 We'll talk more about our higher price
8 point initiatives in the coming months and we will
9 provide an overall price point performance update when
10 we present you with our complete fiscal year wrap up in
11 October.

12 Regarding the draw portfolio. Back in
13 February, you adopted rule amendments for the Powerball
14 game that provide that Powerball drawings will occur on
15 the day specified by the MUSL Powerball Group and
16 announced by the Commission's Executive Director. And
17 just a reminder, MUSL is the Multi-State Lottery
18 Association, the organization that runs the Powerball
19 game.

20 At that same meeting in February, you
21 also adopted amendments to the Lotto Texas and the
22 Texas Two Step Game rules. And those amendments also
23 provide that drawings will occur on the days and at the
24 times specified by the Commission's Executive Director.
25 We proposed these rule amendments to provide the agency

1 with greater flexibility to coordinate the draw dates
2 and times for our jackpot games in order to maximize
3 potential revenue to the state.

4 Since that time, MUSL has officially
5 confirmed a change to the Powerball game that's going
6 to start in August. The Powerball game will add a
7 Monday drawing with the first Monday drawing occurring
8 on August 23rd. With this change Powerball will be
9 drawn three nights a week: Mondays, Wednesdays, and
10 Saturdays.

11 The play of the Powerball base game will
12 not change in any way. It is just the drawing
13 schedule. It's just the addition of Mondays.

14 MUSL wants to deliver bigger, faster-
15 growing jackpots for the Powerball game and they
16 believe the addition of a third draw will do that, as
17 sales are always greatest on the day of the actual
18 drawing.

19 Since our in-state jackpot game, Lotto
20 Texas, is also drawn on Wednesdays and Saturdays, we
21 believe coordinating the draw dates for these new games
22 makes sense and we wanted to let you know we're going
23 to simultaneously change the Lotto Texas drawing
24 schedule to also include Mondays.

25 A task force is already starting to work

1 on this project and will be messaging about the new
2 Monday draw day for both Powerball and Lotto to our
3 players, retailers, and the general public, during the
4 summer as we get closer to the implementation date that
5 will probably occur sometime in July.

6 I will also note that we do not have any
7 plans to alter the Texas Two Step drawing schedule at
8 this time. So, you did adopt a rule amendment for the
9 Texas Two Step game, but at this time we're going to
10 leave Texas Two Step as is on Mondays and Thursdays.

11 Commissioners, that is the update on
12 scratch and draw, these product updates, and that also
13 concludes the sales presentation. We're happy to
14 answer any questions that you may have.

15 CHAIRMAN RIVERA: Okay. Commissioners, any
16 discussion? Kathy and Robert, obviously these numbers
17 are extraordinary. You know, every report that you
18 make is built on years of hard work. Years of
19 strategic planning of understanding an incredible
20 amount of variables, most of which are obviously out of
21 our control. But in order to manage, you first have to
22 measure.

23 And, you know, this organization --
24 every employee has added to the ability to manage our
25 numbers to position the Texas Lottery for this type of

1 achievement. So, this is a direct reflection on
2 literally every employee of the Lottery.

3 It also shows an incredible amount of
4 trust from every Texan who plays; the public who has
5 faith and confidence in the direction and mission of
6 Lottery, so all of our retailers, vendors, partners.
7 And, again, every employee has a direct connection to
8 this report and the numbers that are being produced in
9 very difficult conditions.

10 So, with that, all of our Commissioners
11 are grateful for your continued efforts and we
12 obviously look forward to, you know, future reports.

13 AGENDA ITEM NO. VII

14 CHAIRMAN RIVERA: So, with that, we will
15 move on to the next item, which is report on transfers
16 to the state and agency budget status. Kathy, also
17 your item.

18 MS. PYKA: Thank you, Mr. Chairman. The
19 report in your notebook reflects accrued revenue
20 transfers and the allocations to the Foundation School
21 Fund and the Texas Veterans Commission, as well as the
22 allocation of unclaimed prizes for the fiscal year
23 period ending February 28, 2021.

24 Our total accrued revenue transfer to
25 the state amounted to \$852.5-million for the first six

1 months of Fiscal Year 2021. Of the \$852.5-million
2 transferred to the State, \$810.6-million was the amount
3 of revenue transferred to the Foundation School Fund
4 and 10.6-million was the amount transferred to the
5 Texas Veterans Commission, with the remaining \$31.3-
6 million transferred from unclaimed lottery prizes.

7 We are now reporting a 26.4 percent or
8 \$169.2-million increase over revenue to the Foundation
9 School Fund from sales from the same period last fiscal
10 year. Total cumulative transfers to the Foundation
11 School Fund through February of this year total \$26.6-
12 billion.

13 Commissioners, also included in your
14 notebook is the agency's Fiscal Year 2021 Method of
15 Finance Summary for the second quarter ending February
16 28th. The Commission's Lottery Account budget for
17 Fiscal Year '21 is \$261-million. Of this amount, 83.4
18 percent was expended and encumbered through the end of
19 the second quarter.

20 The Bingo Administration budget, funded
21 by General Revenue, is \$2.2-million, with 84.2 percent
22 expended and encumbered through the end of the second
23 quarter.

24 Commissioners, this concludes my
25 presentation, and I would be happy to answer any

1 questions.

2 CHAIRMAN RIVERA: Commissioners, any
3 discussion?

4 AGENDA ITEM NO. VIII

5 CHAIRMAN RIVERA: Okay. Good job,
6 Kathy. We will stay with you on the next item.

7 MS. PYKA: I believe we're going to let
8 Nelda take the lead on that item. And I'll add in
9 after Nelda finishes if that's okay.

10 CHAIRMAN RIVERA: Okay.

11 MS. PYKA: Thank you.

12 MS. TREVINO: Thanks, Kathy. Good
13 morning, Commissioners. For the record I'm Nelda
14 Trevino, Director of Governmental Affairs.

15 I'm going to provide an update regarding
16 some of the legislation that has been filed this
17 session and Kathy will provide an update as it relates
18 to the agency's Legislative Appropriation's Request.

19 Before I provide an update on
20 legislation, I want to report on the required Senate
21 confirmation of the Governor's appointments to the
22 Commission since the last legislative session.

23 Commissioners Fields, Saenz, and Steen's
24 nominations to the Commission were considered by the
25 Senate Nominations Committee and were all voted

1 favorably from the Committee with the recommendation
2 that the full Senate confirm their appointments. On
3 March 31st, the Senate unanimously voted 31 to 0 to
4 confirm Commissioners Fields, Saenz, and Steen's
5 appointments. Congratulations, Commissioners.

6 In your Commission meeting materials we
7 included a copy of the agency's Legislative Bill
8 Tracking Report. Today I want to highlight a few bills
9 that have been filed since the report I provided at the
10 February Commission meeting and that are specifically
11 related to the administration of the lottery or the
12 regulation of Charitable Bingo.

13 These include House Bill 2204, by
14 Representative Senfronia Thompson. This bill relates
15 to the regulation of Charitable Bingo.

16 In addition to the bill including
17 several statutory clean-up and clarifying provisions
18 requested by agency staff, the next items are some of
19 the primary bill provisions.

20 The bill removes the \$750 prize limit
21 per game and increases the bingo occasion prize limit
22 cap from \$2500 to \$3500. It increases the number of
23 temporary licenses an annual license holder may request
24 from 24 to 48. It changes the negative net proceeds
25 evaluation period from one year to two, and it includes

1 a provision that would allow a bingo hall to conduct
2 any other game of chance that is legal in Texas.

3 This bill was considered by the House
4 Licensing and Administrative Procedures Committee at
5 its March 24th hearing, and a committee substitute to
6 the bill has now been voted favorably from the
7 committee.

8 The committee substitute adds a section
9 to the bill to address rent payments made by licensed
10 charities when bingo halls were closed during the
11 COVID-19 pandemic. It is anticipated the bill will
12 soon be scheduled to be considered by the full house.

13 Another bill filed related to Charitable
14 Bingo is House Bill 2570, by Representative John
15 Kuempel.

16 This bill relates to prizes awarded in
17 certain pull-tab games. The bill defines carryover
18 pull-tab bingo as a form of a pull-tab bingo game in
19 which the prize amount can carry over to a : not to
20 exceed \$10,000.

21 This bill was considered by the House
22 Licensing and Administrative Procedures Committee at
23 its hearing yesterday, and was voted favorably from the
24 committee.

25 A bill filed related to the lottery is

1 Senate Bill 1897, by Senator Royce West.

2 This bill directs the Commission to
3 implement and operate a dedicated scratch ticket game
4 to benefit a newly created fund called the Children's
5 Justice Fund. This bill creates this fund for the
6 purpose of assisting counties and financing attorneys
7 ad litem appointed for children in the permanent
8 managing conservatorship of the state.

9 The bill also authorizes the Commission
10 to solicit, accept, or refuse a gift for grant of
11 money, services, or property for any purpose related to
12 this fund.

13 As of this date there has been no action
14 taken on this bill.

15 I also want to provide an update on two
16 other Lottery-related bills I mentioned at the February
17 Commission meeting.

18 House Bill 394, by Representative Joe
19 Moody, which authorizes the Commission to conduct game
20 drawings on a Sunday and House Bill 817 also by
21 Representative Joe Moody, which relates to the
22 operation of a Quick Draw lottery game and the sale of
23 this type of game at bars and restaurants.

24 These bills were considered by the House
25 Licensing and Administrative Procedures Committee at

1 its March 10th hearing, and both were voted favorably
2 from the committee.

3 As of this date, these bills have not
4 been scheduled on the calendar for the full House to
5 consider.

6 Lastly, regarding Senate Bill 1, the
7 General Appropriations Act by Senator Jane Nelson. The
8 agency's budget for the next biennium has been
9 considered by the House Committee on Appropriations and
10 the Senate Finance Committee.

11 Both Gary and Kathy addressed the House
12 Appropriations Subcommittee at its March 1st hearing.
13 And Commissioner Franz addressed the Senate Finance
14 Committee at its March 2nd hearing.

15 The full Senate has now voted and
16 approved their version of the budget bill, and it is
17 anticipated the full house will consider their version
18 of the budget bill in the coming weeks.

19 A Conference Committee comprised of the
20 Senate and House members will then be appointed to
21 address the differences between the Senate and House
22 versions.

23 I'll now turn the report over to Kathy
24 to provide an update on the Senate and House versions
25 of the appropriations bills, and on the agency's budget

1 request. And I'll be glad to answer any questions at
2 the conclusion of Kathy's remarks.

3 MS. PYKA: Thank you, Nelda. This
4 morning I'll provide a summary of the differences in
5 the budgets as presently adopted by the Senate and the
6 House Appropriations Committee with recognition that
7 the House version of the budget could be further
8 modified when the budget is considered for adoption by
9 the House.

10 In summary, the Senate version of the
11 bill includes a \$15.9-million biennial reduction to the
12 strategy for promoting lottery games within the Lottery
13 dedicated account. The budget provides for an
14 appropriation of \$10-million per year for promoting
15 lottery games.

16 The version of the budget adopted by the
17 House Appropriations Committee is fully funded at our
18 baseline budget level of \$17.9-million per year.

19 The rider requested for unexpended
20 balances of capital budget for the construction of 1801
21 Congress is included in both versions of the budget at
22 this time.

23 And, Commissioners, there was no
24 consideration by either budget committee for the
25 exceptional item in the amount of \$4.4-million for full

1 restoration of the retailer bonus program. Also, there
2 was no consideration for the new rider to appropriate
3 funds to promote lottery games as a percentage of
4 lottery ticket sales with an amount not to exceed \$40-
5 million in each year of the biennium.

6 Upon adoption of the budget by the
7 House, a formal update will be provided to each of you
8 noting the budget items that will be addressed by the
9 Budget Conference Committee members.

10 This concludes my presentation and we
11 would be happy to answer any questions.

12 CHAIRMAN RIVERA: Okay. Commissioners,
13 is there any discussion? Okay. Nelda, my apologies
14 for staying on item number 7 and not realizing this was
15 your item.

16 And on behalf of all of our
17 Commissioners, we are incredibly grateful to the
18 tremendous amount of work that you do year-round, but
19 especially during session.

20 We know that there's an incredible
21 amount of activity to stay aware of, and engaged with.
22 Every item is incredibly important and your being the
23 lottery's front line to this information is incredibly
24 important to all of Texas Lottery and, obviously, all
25 of our Commissioners. So, Nelda, thank you for that.

1 Kathy, likewise, thank you for your involvement in
2 making sure that we're staying the course. So, thank
3 you Nelda and Kathy.

4 MS. PYKA: Absolutely.

5 MS. TREVINO: Mr. Chairman, thank you
6 very much. It is a team effort and certainly all the
7 divisions play a very big role. And I must say I have
8 a very good team in Governmental Affairs. And, so,
9 thank you very much for your comments.

10 CHAIRMAN RIVERA: You're welcome.
11 Definitely all of Governmental Affairs is working
12 overtime and you know, particularly with, you know,
13 having to deal with the COVID restrictions as well and
14 meetings and communications are that much more
15 critical. So, thank you all.

16 AGENDA ITEM NO. IX

17 CHAIRMAN RIVERA: Next item is a report
18 from the Internal Auditor. Darlene, this is your item.

19 MS. BROWN: Thank you. Good morning,
20 Chairman and Commissioners. For the record my name is
21 Darlene Brown, the Internal Auditor for the agency.

22 In your materials is the summary of our
23 audit activities for the period. We've completed the
24 agency's Monitoring of Vendor Software Changes Audit.
25 In that audit we looked at 30 compensating controls

1 that the agency is required to have in place to ensure
2 that changes made to the Lottery Operator's software
3 were authorized, tested, and documented.

4 We're happy to report that TLC's
5 management control structure over these changes are
6 adequate, appropriate, and effective to provide
7 reasonable assurance that risks are managed.

8 We rated the internal controls as
9 generally effective, and provided recommendations
10 related to documentation to enhance current controls.
11 The agency does have sound processes in place, so, we
12 have no concerns in that area.

13 Next I'd like to provide you with an
14 overview of the Charitable Bingo Operations Division
15 Ledger Account Reconciliation Project.

16 We continue to make progress on the
17 reconciliations and we've begun uploading completed
18 reconciliations to the agency's network along with a
19 tracking log so staff can identify which accounts may
20 need adjustments. As of yesterday, we've completed
21 initial review of 420 licenses.

22 That concludes my report for today, and
23 I'll be happy to answer any questions you might have.

24 CHAIRMAN RIVERA: Okay. Darlene, good
25 job. Commissioners, any discussion? Okay. Darlene,

1 very thorough as always. Thank you so much.

2 MS. BROWN: Thank you.

3 AGENDA ITEM NO. X

4 CHAIRMAN RIVERA: Next item is the Bingo
5 Director's report. Tyler, this is your item.

6 MR. VANCE: Thank you, Chairman. Good
7 morning, Commissioners. This is Tyler Vance, the
8 Acting Director of the Charitable Bingo Operations
9 Division.

10 I have nothing to report today other
11 than the materials that are in your packet regarding
12 monthly data for March and February. But I'm available
13 for any questions you may have.

14 CHAIRMAN RIVERA: Okay. Cindy, do you
15 have any comments?

16 COMMISSIONER FIELDS: I don't. Well, I
17 do. We will be scheduling interviews to hopefully hire
18 a permanent director week after next. We've got some
19 really good candidates and I'm pretty excited that
20 we've got good candidates. We will be interviewing, I
21 believe, six of the candidates who had really good
22 grades with their applications. So, looking forward to
23 that.

24 CHAIRMAN RIVERA: Wonderful. Wonderful
25 to hear on that front. Commissioners, any other

1 discussion?

2 Tyler, we are incredibly grateful to
3 your stewardship during this transition period. And,
4 Commissioner Fields, we are likewise grateful for your
5 guidance and direction to get us to where Bingo needs
6 to be. So, thank you all.

7 AGENDA ITEM NO. XI

8 CHAIRMAN RIVERA: Next item is the
9 Executive Director's report. Gary, this is your item.

10 MR. GRIEF: Thank you, Mr. Chairman, and
11 Commissioners. Other than the documents that are in
12 your notebooks this morning, I have nothing further to
13 add. Thank you, Mr. Chairman.

14 AGENDA ITEM NO. XII

15 CHAIRMAN RIVERA: Okay. Next item is
16 the enforcement cases. Bob, this is your item.

17 MR. BIARD: Thank you, Chairman. For
18 the record, I'm Bob Biard, General Counsel.

19 Item 12 in your notebook contains 10
20 lottery enforcement matters, tabs A through J. In
21 these cases, Commission staff found the licensee
22 violated a statute or rule. And in many of our cases
23 either the respondent fails to appear at a hearing and
24 it proceeds by default, or the staff and the respondent
25 reach a settlement in the form of an agreed order.

1 Today, Tabs A through E are the non-
2 sufficient funds cases. These are lottery cases
3 presented for the retailer license revocation. Each
4 case was presented at the State Office of
5 Administrative Hearings for revocation of the
6 retailer's license because the retailer failed to have
7 sufficient funds in their bank accounts to cover
8 electronic fund transfers to the Commission's account.

9 In each case the retailer failed to
10 appear at the hearing and the judge remanded the case
11 to the Commission to handle as a default matter. Your
12 notebook contains a single order to revoke each of
13 these five licenses.

14 Tabs F through J are Lottery Agreed
15 Orders. These are settlements between retailers and
16 Commission staff.

17 Tabs F and G are debit card cases where
18 a retailer either charged extra or required a minimum
19 purchase amount to buy lottery tickets with a debit
20 card.

21 Tab H is a microscratching case where a
22 store clerk scratched a ticket to see if it was a
23 winner and then returned non-winning tickets for sale
24 to customers.

25 Tabs I and J are owner purchase cases

1 where a retailer purchased a ticket with a prize of
2 over \$599 dollars from a customer and attempted to
3 claim the prize as their own.

4 That concludes my presentation. You may
5 take up the enforcement orders in a single vote if you
6 like. And I will be happy to answer any questions.

7 CHAIRMAN RIVERA: Okay. Commissioners,
8 any discussion? Then is there a motion to approve
9 orders, Tabs A through J?

10 COMMISSIONER STEEN: This is Jamey. So,
11 moved.

12 CHAIRMAN RIVERA: Is there a second?

13 COMMISSIONER FRANZ: Mark. I'll second.

14 CHAIRMAN RIVERA: Okay. All in favor
15 say aye.

16 (Chorus of "ayes")

17 CHAIRMAN RIVERA: Passes unanimously.
18 Bob, as always, good job.

19 MR. BIARD: Thank you.

20 AGENDA ITEM NO. XVI

21 CHAIRMAN RIVERA: There is no public
22 comment. And we will not have an executive session
23 today.

24 I wanted to mention before we conclude
25 the meeting, that we, all the Commissioners, are

1 incredibly grateful, Gary, to you and all of our
2 employees from the absolute leadership of the Lottery
3 going down to our newest employee and everyone in
4 between, that there is an incredible amount of
5 volatility just dealing with a variety of subjects, a
6 lot of which Lottery we do not have control over. But,
7 again, we're doing the best that we can with the
8 variables in place. Every single employee and, Gary,
9 it's a direct reflection on you, your leadership, and
10 the steady hand that you bring to all.

11 So, on behalf of our Commissioners, we
12 are grateful to all of our employees and look forward
13 to our next Commission meeting.

14 So, with that, that concludes our
15 business. Is there a motion to adjourn?

16 COMMISSIONER FRANZ: This is Mark. So,
17 moved.

18 COMMISSIONER FIELDS: Cindy. Second.

19 CHAIRMAN RIVERA: Is there a second?
20 Wonderful. All in favor say aye.

21 (Chorus of "ayes")

22 CHAIRMAN RIVERA: All right, everybody.
23 Have a wonderful rest of your day. And we look forward
24 to visiting with you soon. Thank you so much.

25 (Proceedings concluded at 10:47 a.m.)

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 19th day of April, 2021.

/s/ Kimberly C. McCright

Kimberly C. McCright

Certified Vendor and Notary Public

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