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TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS LOTTERY COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING)
FOR THE TEXAS)
LOTTERY COMMISSION)

COMMISSION MEETING

February 6, 2024

10:00 a.m.

AT

GEORGE H.W. BUSH BUILDING
1801 Congress Avenue
Austin, Texas 78701

APPEARANCES

1
2 CHAIRMAN: Robert G. Rivera
3 COMMISSIONERS: Cindy Lyons Fields
4 Mark A. Franz
5 Clark E. Smith
6 James H.C. Steen
7
8 GENERAL COUNSEL: Robert F. Biard
9 EXECUTIVE DIRECTOR: Gary Grief
10 CHARITABLE BINGO
11 OPERATIONS DIRECTOR: LaDonna Castañuela
12 CONTROLLER: Sergio Rey
13 PRODUCTS MANAGER: William Russ
14 MCCONNELL & JONES LLP: Darlene Brown
15 BINGO ADVISORY
16 COMMITTEE CHAIRMAN: William "Trace" Smith III
17 DEPUTY EXECUTIVE DIRECTOR: Ryan Mindell
18 LOTTERY OPERATIONS DIRECTOR: Robert Tirloni
19 DIRECTOR OF ADMINISTRATION: Angela Zgabay-Zgarba
20 Engagement Partner for
21 Weaver and Tidwell, L.L.P: Kevin Sanford
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§551.074 of the Texas Government Code.
B. To deliberate the duties of the General Counsel
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 Travis County
District Court Docket No. D-1-GN-14-005114
(Steele, et al. v. GTECH Corp.); and Hays County,

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Justice of the Peace Precinct 1, Place 1, No. S23-055J11 (Angela Lampkin v. Greg Pyles); Legal advice regarding 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.
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P R O C E E D I N G S

THURSDAY, FEBRUARY 6, 2024

AGENDA ITEM NO. I

CHAIRMAN RIVERA: Okay. Good Morning. Is this on? All right. Good morning. We are here for the Lottery Commission meeting. It is 10:05, apologize for my tardiness, the flight was a little delayed. We will start with the pledge and we will go from there.

(Pledges recited)

CHAIRMAN RIVERA: Okay. Again, you can hear me, correct? Great.

AGENDA ITEM NO. II

CHAIRMAN RIVERA: The first item is the 2023 financial audit. Sergio, this is your item.

MR. REY: Good morning, Commissioners. For the record, my name is Sergio Rey, Controller for the Texas Lottery. With me this morning is Mr. Kevin Sanford, the engagement partner for Weaver and Tidwell. Weaver and Tidwell performed the statutorily required independent audit of our annual financial statements. At this moment, I will turn it over to Kevin so he can provide you with a briefing of our financial statements.

MR. SANFORD: Thank you, Sergio. Good morning, Mr. Chairman, Commissioners and Mr. Grief. As

1 Sergio mentioned, my name is Kevin Sanford. I'm a
2 partner with the CPA firm Weaver and Tidwell. We
3 conducted the financial statement audit for the
4 Commission for the year ended August 31, 2023, and have
5 some brief highlights to present to you as part of our
6 audit.

7 There's really two main things that I
8 wanted to cover in this report. The first is on pages
9 four, five, and six of the Commission's financial
10 statements, which is our opinion on these financial
11 statements. And once again, this year our opinion is
12 an unmodified or unqualified opinion. As CPA firms,
13 that's the highest level of assurance we can provide to
14 a set of financials and it states that in all material
15 respects, the lottery's financial statements and
16 footnotes are materially correct.

17 And then the last item, as the
18 Commission, certainly an agency of the State of Texas,
19 we are required under government auditing standards to
20 test key internal controls over financial reporting, as
21 well as key matters of compliance. And our report in
22 conjunction with that testing, is on pages 77 and 78,
23 the last item in the document. And happy to report
24 that our testing uncovered no items to report, either
25 in internal control over financial reporting, nor in

1 compliance in other matters. So, really in all
2 aspects, our report over the Commission's financial
3 statements, as well as its internal control and
4 compliance is a clean report.

5 So, I'm happy to go into any other
6 details, talk about anything else in the financial
7 statements or answer any questions that any of you
8 have.

9 CHAIRMAN RIVERA: Commissioners, any
10 questions? Okay. Very good. No questions.

11 MR. SANFORD: Thank you.

12 AGENDA ITEM NO. III

13 CHAIRMAN RIVERA: Okay. Next item is
14 the Bingo Advisory Committee. Trace, this is your
15 item.

16 MR. SMITH: Good morning, Commissioners,
17 Chairman. Last week, the Bingo Advisory Committee met
18 to discuss Sunset review and the upcoming rule review.
19 I can report that all members of the Bingo Advisory
20 Committee have completed their meetings with Sunset.

21 We also scheduled the rule review with staff
22 for the 2nd of April. We will be discussing industry
23 and staff suggestions prior to this meeting to expedite
24 this process.

25 The BAC meeting will be the following

1 day on the 3rd of April with the Commissioner's meeting
2 on the 4th. So, if any of the Commissioners or staff
3 wish to attend the subcommittee on the rule review, we
4 welcome you to do so. That's the end of my report.

5 CHAIRMAN RIVERA: Okay. Any questions
6 or comments, Commissioners?

7 COMMISSIONER SMITH: I do have one
8 comment. Are y'all able to hear me? Okay.

9 Trace, thanks. I've been learning a lot
10 from working with you on the BAC and the industry that
11 y'all represent.

12 I did want to offer something to put up
13 for discussion at the April Commission meeting, and
14 it's just to have a discussion about the process for
15 selecting members for the BAC. I know we are months
16 and months away from August when we have the decision
17 to continue the BAC and to formalize accepting the
18 appointments to the position. In April, I'd just like
19 to, with you and with staff, have a discussion about
20 the process that we have in place in order to -- as we
21 approach that August meeting.

22 MR. SMITH: Okay.

23 COMMISSIONER SMITH: So, I move that we
24 place an item like that on next month's -- or the April
25 agenda.

1 MR. SMITH: For the Bingo Advisory
2 Committee agenda, or the Commission meeting agenda,
3 sir?

4 COMMISSIONER SMITH: The Commission
5 meeting agenda.

6 MR. SMITH: Okay.

7 CHAIRMAN RIVERA: Cindy, do you have any
8 thoughts?

9 COMMISSIONER FIELDS: I know there's
10 some concerns on behalf of Commissioner Smith about the
11 way the process goes and the timing and the ability for
12 the Commissioners to interview the BAC members that are
13 being proposed. And I think it'd be a good idea for
14 LaDonna and Tyler and Trace and I to meet and talk
15 about that process and how we can move it up a little
16 bit so that we don't -- so that there's a little bit of
17 time in case some of the Commissioners do want to
18 interview the potential BAC member. So, I think it'd
19 be a good idea if we meet regarding that process.

20 CHAIRMAN RIVERA: Okay.

21 MR. SMITH: I'll be available at any
22 time.

23 COMMISSIONER FIELDS: Okay. Thank you.

24 MR. SMITH: Thank you. Anything else,
25 sir?

1 CHAIRMAN RIVERA: Okay. No, Trace.
2 Thank you very much. Good job. Bob? So, you made a -
3 -

4 COMMISSIONER SMITH: I made a motion.
5 Is anybody interested in seconding that or do we want
6 to -- I can withdraw that motion if that's a consensus.

7 MR. BIARD: Well, you can direct me to
8 put something on the agenda for the next Commission
9 meeting if you like. I mean, if any other Commissioner
10 has an issue with it, I mean, you can discuss it, but -
11 -

12 COMMISSIONER SMITH: I'll just -- let me
13 withdraw the motion. I'm glad to start that
14 conversation, but --

15 MR. BIARD: Sure.

16 COMMISSIONER SMITH: -- I'll pull back
17 the motion.

18 MR. BIARD: Sure. Thank you.

19 CHAIRMAN RIVERA: So, it sounds like
20 then that from what Cindy's going to be moving forward
21 with, and that's a good start. And then from there,
22 then we can collectively have that discussion at
23 Cindy's direction. Okay? Okay.

24 AGENDA ITEM NO. IV

25 CHAIRMAN RIVERA: Next item on the

1 report is lottery operations procurement. Angela, this
2 is your item.

3 MS. ZGABAY-ZGARBA: Good morning,
4 Commissioners. For the record, my name is Angela
5 Zgabay-Zgarba, I'm the Director of Administration.
6 Item 4 in your notebook is a briefing item.

7 In the October 2023 meeting, I requested
8 approval to issue the upcoming lottery operations and
9 services procurement. This is an interim status update
10 to let you know the RFP is progressing as planned and
11 the next milestone will be submission of the RFP to the
12 Contract Advisory Team, also known as CAT, for review.
13 Procurements over \$5-million are required to go to CAT
14 for review. CAT has 30 days to complete their review.
15 Once comments are received from CAT, the agency will
16 compile responses and provide those back to CAT. After
17 that process is completed, the RFP can be issued.

18 If you have any questions or comments, I'd be
19 happy to answer them.

20 CHAIRMAN RIVERA: Okay. Commissioners,
21 any discussion? Okay. Angela, good job. Thank you
22 very much.

23 AGENDA ITEM NO. V

24 CHAIRMAN RIVERA: Next item, a report on
25 Lottery sales and revenue. Sergio, again, and Will is

1 going to accompany you on this item.

2 MR. REY: Good morning. Again for the
3 record, my name is Sergio Rey, Controller for the Texas
4 Lottery. Will Russ, Product Manager, and I will
5 provide an update on sales through the week ending
6 January 27, 2024.

7 At the 22nd week mark of fiscal year
8 2024, we had reached total sales of \$3.38-billion.
9 This is a decrease over 247-million or 6.8 percent from
10 last year's \$3.63-billion for the same period. The
11 draw sales had the largest decrease from last year.
12 This time draw sales decreased 17.5 percent or
13 approximately \$157-million. This year's sales totals
14 of \$740.5-million versus the \$898-million. This is,
15 last year in January, the Mega Millions jackpot of
16 \$1.35-billion attributed to a big spike that we did not
17 see this year.

18 Scratch sales, noted here in the orange
19 bars, encompass 78 percent of the sales through week
20 22. The \$2.6-billion total is about \$90-million less
21 than last year. Now, even though the customer traffic
22 impacts of the cold weather three weeks ago and the
23 Mega Millions jackpot of last January had their
24 impacts, scratch tickets remain relatively steady as
25 approximately 3 percent decline over the last year.

1 That's the revenue perspective. Now,
2 Will will discuss more on the game side.

3 MR. RUSS: Thank you, Sergio. Good
4 morning, Mr. Chairman. Good morning, Commissioners.
5 For the record, I'm Will Russ, the Products Manager and
6 will be giving a more detailed view of the sales that
7 Sergio just reported on.

8 If we look at this slide, at the bottom
9 right corner, you can see the year-over-year decline of
10 almost 248-million. The overwhelming majority of that
11 is due to the two national draw games, Mega Millions
12 and Powerball, and then also our scratch ticket sales.
13 As I mentioned at the last meeting, we were up against
14 a very tough year for jackpots, and at this point our
15 biggest challenge has shifted to Mega Millions.

16 As Sergio mentioned, Mega Millions hit a
17 \$1.35-billion jackpot last January, and that is the
18 primary reason for the current deficit. It's worth
19 mentioning that it is currently on a modest run and has
20 a jackpot of 358-million. With some luck, it will
21 continue to roll and will begin to close the gap.

22 For Powerball, you can see the deficit
23 of about 36-million in white at the top of the slide.
24 This is, however, encouraging because the deficit at
25 the last meeting was about 52-million. On the first

1 day of the calendar year, Powerball hit an \$810-million
2 jackpot, and that is when we made up some ground
3 leading up to that roll. Draw game sales were positive
4 year-over-year every week in December, and we know that
5 this Powerball run was a contributing factor.

6 Similar to our last meeting, the in-
7 state draw game, Lotto Texas, is holding even and its
8 Extra! feature remains positive as it has for a long
9 time. The jackpot run that I mentioned last meeting
10 was hit on December 30th, when it was at an impressive
11 34-million. Our toughest comp weeks are still ahead
12 though, because as you all know, Lotto Texas hit 95-
13 million last April.

14 Finally, Texas Two Step has also
15 remained relatively flat. In the middle of the slide
16 in blue are the daily games and there's better news to
17 report here. Pick 3, Daily 4, Cash 5, and All or
18 Nothing are all slightly up. We are particularly
19 encouraged by Pick 3 sales as there has been declines
20 over the years with players of that game moving to
21 Daily 4.

22 In total, the draw games portion of the
23 portfolio is down about 157-million, and there are
24 still tough comp weeks ahead. All things considered,
25 we're encouraged by the positive sales on all the daily

1 games, and are closely watching the current Mega
2 Millions run to capitalize on sales from that roll.

3 As Sergio mentioned, scratch sales are
4 down about 90-million or 3.31 percent. After our last
5 meeting, scratch sales begin declining year-over-year
6 through most of January. To end on a positive note
7 though, last week was up 3.3 percent or about 4-
8 million.

9 As I mentioned at the last meeting, we
10 were going to add a third \$100 scratch ticket game to
11 our portfolio in response to the decline that we saw in
12 the beginning of the fiscal year. That game launched
13 yesterday, and I've included a sample with your
14 notebooks.

15 As a reminder, the prize structure for
16 this game is different than the other \$100 games
17 currently in market. The sales were very promising
18 yesterday and I will report more on its progress at our
19 April meeting.

20 With that, I'll turn it over to Lottery
21 Operations Director Robert Tirloni, who will give some
22 additional sales information.

23 MR. TIRLONI: Thanks, Will. Good
24 morning, Mr. Chairman. Good morning, Commissioners.
25 I'm Robert Tirloni, Lottery Operations Director.

1 We've recently gotten some additional
2 information about sales in the U.S. and I thought I
3 would supplement what you just heard from Sergio and
4 Will.

5 So, you heard about our scratch sales
6 and our decline of 3 percent. Our 3 percent, or our
7 \$90-million decline is from last fiscal, a fiscal year
8 that saw record breaking scratch sales of \$6.729-
9 billion. As we've discussed in previous meetings,
10 while we've been experiencing scratch sales growth for
11 many years, the surge in scratch ticket sales during
12 the pandemic was actually quite amazing.

13 Fiscal year '20 saw growth of \$710-
14 million over fiscal year '19, and fiscal year '21 saw
15 growth of almost \$1.1-billion over fiscal year '20. We
16 believe we have now entered and we're going through a
17 reset period, so to speak; a return to more normal
18 sales levels.

19 That being said, IGT has just shared
20 some interesting information with us, and I think this
21 helps put the whole sales picture into perspective.
22 The only two U.S. lotteries that typically outsell us
23 in scratch ticket sales or come close to outselling us,
24 are Florida and California. However, from the start of
25 our fiscal year in September, we are ahead -- oh, and

1 through mid-January, so from September through
2 mid-January, we are ahead of both states, both
3 California and Florida. And therefore, we're leading
4 the United States in scratch ticket sales. We're not
5 sure how long our lead will last. We're not sure how
6 long it will hold out, but regardless, I think it is
7 important to note that while we are experiencing sales
8 declines, we are one of, if not the strongest seller of
9 scratch tickets in the U.S. We continue to monitor
10 sales closely, day by day in fact, as you heard Will
11 talk about, we're closely monitoring sales of the new
12 100 that started yesterday, and we are engaged with IGT
13 and all three of our scratch ticket vendors to continue
14 to produce and deliver strong scratch ticket games and
15 to come up with unique second-chance drawing prizes for
16 our players.

17 So, thanks for letting me jump in today
18 and share this additional information that is fairly
19 new, and I'm happy to, and I'm sure Sergio and Will,
20 are happy to answer any questions that you might have.

21 CHAIRMAN RIVERA: Thank you.

22 Commissioners, any questions? Okay. Thank you.

23 MR. TIRLONI: Thank you.

24 AGENDA ITEM NO. VI

25 CHAIRMAN RIVERA: Okay. Next item is a

1 report on transfers to the State's budget. Sergio,
2 this remains your item.

3 MR. REY: Again, for the record, Sergio
4 Rey, Controller. In this agenda item, I will provide a
5 high level summary of the accrued revenues and
6 transfers through December 31st, 2023. And this
7 information is in your meeting notebooks.

8 Our accrued revenue transfers to the
9 State total \$578.1-million for the first four months of
10 fiscal year 2024. Of this amount, \$556.6-million were
11 transferred to the Texas Foundation School Fund, \$7-
12 million transferred to the Texas Veterans Commission,
13 and the remaining \$14.6-million was transferred from
14 unclaimed prizes.

15 Although this is less than the transfers
16 at this time last year, our cumulative accrued
17 transfers for Texas Education through December are
18 \$32.4-billion and \$229-million for Texas Veterans. I'm
19 going to pause here for any questions on the transfers.

20 CHAIRMAN RIVERA: Any questions? Okay.

21 MR. REY: Okay. The second part of this
22 item is the budget summary of the first quarter of
23 fiscal year 2024. That quarter ended on November 30th.
24 At the beginning of the fall, the Office of the
25 Controller presented to this body its fiscal year 2024

1 budget. Of the \$323.4-million appropriated by the
2 Legislature to the Commission, \$320.89-million is for
3 the lottery account budget. Through the first quarter,
4 67.3-percent of this budget has either been expended or
5 encumbered. The Bingo Administration budget funded by
6 general revenue funds totals \$2.5-million and 93.1
7 percent has either been expended or encumbered through
8 the first quarter. These percentages are consistent
9 with prior years and represent our continued commitment
10 to be good stewards of State funds.

11 Now, every fall, the Office of the
12 Controller is focused on year-end reporting. Earlier
13 in this meeting we discussed the audited annual
14 financial report, but other legislatively required
15 reports were also submitted to our oversight agencies
16 like the Comptroller's Office, Legislative Budget
17 Board, State Auditor's Office, and of course, the
18 Office of the Governor. The state annual financial
19 report, the unaudited version, was submitted in late
20 November, the fiscal year 2024 operating budget on
21 December 1st, and the annual report of non-financial
22 data in late December. These reports have been
23 provided to you and are also available on the Texas
24 Lottery website for public view.

25 Commissioners, this concludes my

1 presentation. I'd be happy to answer any questions.

2 CHAIRMAN RIVERA: Commissioners, any
3 questions, comments? Sergio, good job on this. Good
4 job on the audit with Kevin, and good job on sales and
5 revenue. Super good job with Will. So, I know you've
6 collected quite a bit of agenda items here in the last
7 few minutes, but good job on all three. So, if there's
8 anything else --

9 MR. REY: And if I may be obliged just
10 for one second. I'd also like to thank the financial
11 reporting team of the Office of the Controller for a
12 job well done during this transition process.

13 CHAIRMAN RIVERA: Wonderful. Well,
14 yeah, we definitely know that for all three items it
15 requires quite a bit of support across the board, and
16 we're definitely grateful. So, thank you.

17 MR. REY: Thank you.

18 AGENDA ITEM NO. VII

19 CHAIRMAN RIVERA: Okay. Next item is
20 report on agency Sunset review. Ryan, your item.

21 MR. MINDELL: Good morning, Chairman and
22 Commissioners. For the record, my name is Ryan
23 Mindell, Deputy Executive Director. I just have a
24 brief update for you on the Sunset process and where we
25 are.

1 We're still in the staff review portion
2 of the process, so we're continuing to meet with Sunset
3 staff across the agency in lottery and bingo and
4 provide responsive information and documents as
5 requested. We anticipate we'll be in this stage of the
6 process for at least another couple of months, and I'll
7 provide another update to you at the April meeting.
8 So, that's all I have, just a brief update, and happy
9 to answer any questions you may have.

10 CHAIRMAN RIVERA: Okay. Commissioners,
11 any questions? Okay.

12 MR. MINDELL: Thank you.

13 CHAIRMAN RIVERA: Thank you very much,
14 Ryan.

15 AGENDA ITEM NO. VIII

16 CHAIRMAN RIVERA: Next item is our
17 auditor's report. Darlene.

18 MS. BROWN: Good morning, Mr. Chairman
19 and Commissioners. For the record, I'm Darlene Brown,
20 your Internal Auditor. In your notebook, it includes
21 the summary of two audits that we completed. The first
22 one is the key vendor SOC user control considerations.

23 Now, system organization controls,
24 they're all known as SOC. These are the information
25 system controls that your vendors have in place for the

1 services that they provide to the agency. The entity
2 control considerations are those controls that the
3 lottery is responsible for having in place related to
4 that contract.

5 The objective of this audit was to
6 assess if the agency has adequate controls in place for
7 the 37 areas of responsibility identified in the
8 respective four SOC audit reports -- well, actually,
9 it's three that we looked at. These were related to
10 the gaming system and the scratch ticket services.

11 We rated internal controls as generally
12 effective. We did identify two gaps related to how the
13 respective UCC is written. Those two UCCs placed the
14 burden on Texas Lottery Commission, when really, it's a
15 vendor control that Lottery has no access to or
16 authority over. And it's simply the way the control
17 was written, it's nothing to be of concern about.

18 Our second completed audit is with the
19 ticket warehouse operations and our audit focused on
20 receiving those scratch tickets, distributing the
21 scratch tickets to vendors, how tickets are returned,
22 then the destruction of return tickets where the game's
23 no longer in play, and taking physical inventory. In
24 this area, we concluded that overall the design of the
25 management controls are effective to ensure that

1 scratch tickets are secure, games are ready for
2 distribution to retailers according to the game release
3 schedule, and they're all generally effective. And we
4 did note some best practices in the area of governance,
5 which is your policies and procedures and management of
6 operations. Also in vendor performance monitoring and
7 then communication and reporting of activities.

8 We're going to begin the legislative
9 change management audit, and we're viewing the scratch
10 ticket contracts. This concludes my report for today,
11 and I'll be happy to address any questions you might
12 have.

13 CHAIRMAN RIVERA: Okay. Commissioners,
14 any discussion?

15 COMMISSIONER FRANZ: Thanks, Darlene. On
16 that, just rewrite that UCC, does that have to come as
17 a proposal from IGT on that? Whose job is it to fix
18 it?

19 MS. BROWN: It's IGT's responsibility to
20 rewrite that contract, and I did communicate with IGT.
21 It's not going to be an issue for them.

22 COMMISSIONER FRANZ: Okay. So, that's
23 an easy one? All right. Thank you.

24 MS. BROWN: Uh-huh.

25 CHAIRMAN RIVERA: Any other discussion?

1 Questions? Comments? Okay. Darlene, awesome. Thank
2 you very much.

3 MS. BROWN: Thank you.

4 AGENDA ITEM NO. IX

5 CHAIRMAN RIVERA: Next item, number nine
6 is our Bingo Director's report. LaDonna your item.

7 MS. CASTAÑUELA: Good morning,
8 Commissioners. For the record I'm LaDonna Castañuela,
9 Director, Charitable Bingo Operations Division. The
10 notebook materials include CBOD's output metrics for
11 our licensing, accounting, compliance, and audit
12 activities for the months of December of 2023 and
13 January 2024 through the 22nd of the month.

14 Today, I have nothing further to report
15 regarding this item and I'm available to answer
16 questions.

17 CHAIRMAN RIVERA: Okay. Commissioners,
18 questions? Cindy?

19 COMMISSIONER FIELDS: No questions, no
20 comments.

21 CHAIRMAN RIVERA: Okay. Alrighty.
22 LaDonna, good job. Okay.

23 AGENDA ITEM NO. X

24 CHAIRMAN RIVERA: Next is our Executive
25 Director's report.

1 Before Gary gives his report. I'd like
2 to make an announcement, proclamation from the dais,
3 have all of our Commissioners have an opportunity to
4 say a few words to our esteemed leader of the Lottery.
5 And then we'll allow Gary to make his official report
6 and then we will continue on with the meeting.

7 So, with that, I have a proclamation to
8 read on behalf of the Lottery Commission.

9 Whereas, Gary Grief is retiring as the
10 longest tenured employee in the history of the Texas
11 Lottery, beginning in 1990 as an original member of the
12 Lottery Task Force formed by then State Comptroller Bob
13 Bullock, and ending on February 29th, 2024;

14 And whereas, since Gary's appointment as
15 Executive Director in 2010, the Texas Lottery has
16 achieved record breaking sales levels every year since,
17 generating a total of approximately 19.5-billion to
18 Texas education and veteran services in Texas during
19 this time;

20 And whereas, Gary has served in every
21 leadership position in the North American lottery
22 industry, including Powerball Game Chair, Multi-State
23 Lottery Association - MUSL, as President, North
24 American State and Provincial Lotteries Association -
25 NASPL, President, and Mega Millions Game Lead Director;

1 And whereas, under Gary's leadership,
2 both the Mega Millions and Powerball games achieved
3 record breaking jackpot levels, allowing Gary to serve
4 as the national spokesman and ambassador for both of
5 these games during these newsworthy occurrences;

6 And whereas, Gary has been a highly
7 sought out speaker for national and international
8 lottery events, providing keynote addresses at major
9 industry functions, and serving on conference panels
10 covering a wide range of lottery and gaming issues;

11 And whereas, Gary has been nationally
12 recognized by his colleagues in the industry numerous
13 times, by receiving the North American State and
14 Provincial Lotteries Association Powers Award in 2002,
15 the Public Gaming Research Institute - GPRI, Lifetime
16 Achievement Award in 2012, and induction into the
17 Public Gaming Research Institute Lottery Industry Hall
18 of Fame in 2014;

19 And whereas, Gary served on numerous
20 Multi-State Lottery Association committees, including
21 MUSL Board, MUSL Executive Committee, Development
22 Committee, For Life Committee, International Work
23 Group, Mega Millions Product Group Chair, and NASPL
24 Committees, including NASPL Region 4 Director appointed
25 September 13, 2023, Vendor Relations, Sports Betting,

1 Business Product Development, NASPL Professional
2 Development Steering groups, Audit and Accounting
3 Chair;

4 And whereas, prior to his state service,
5 he went to college at Southwest Texas State University
6 and the University of Texas at Permian Basin, where he
7 earned a degree in Business Administration;

8 And whereas, Gary began his state
9 government service in 1988 as a collection specialist
10 in field operations system analysis with the Office of
11 the Comptroller;

12 And whereas, Gary was then appointed in
13 1991 to the Lottery Startup Task Force formed by then
14 Comptroller John Sharp, and was one of the primary
15 architects of creating the Texas model public-private
16 partnership to administer and operate the Texas
17 Lottery;

18 And whereas, during his 32 years of
19 dedicated service to the Texas Lottery, he served in
20 the following positions: Operation Specialist,
21 Assistant Claim Center Supervisor, Acting Claim Center
22 Supervisor, Claim Center Manager, Prize Claim
23 Coordinator, Prize Claim Manager, Lottery Operations
24 Director, Acting Executive Director, Deputy Executive
25 Director, Acting Executive Director, Deputy Executive

1 Director, and ultimately in 2010 as Executive Director;

2 Whereas, Gary grew up in Odessa and
3 Kerrville, is the proud son of his late parents, Obie
4 and Joy;

5 And whereas, Gary, along with his wife,
6 Lisa, shares immense pride in their children Garrett,
7 Sammy, and Austin, their son-in-law, Bryce, and their
8 granddaughters, Carter, Logan and Reed;

9 And whereas, Gary exits his state
10 service having enabled and sustained a culture at the
11 Texas Lottery Commission of collaboration among agency
12 staff, vendors, and licensed retailers, and a pride in
13 the collective mission benefitting the State of Texas
14 and leaves the agency in fine standing;

15 And whereas, Gary will be missed by the
16 many agency personnel who have had the benefit of his
17 leadership and support and for those who became
18 friends;

19 And whereas, good wishes are extended to
20 Gary to enjoy his retirement that will include
21 traveling, time at the lake house, and lots of time
22 with family;

23 And it be resolved that the Texas
24 Lottery Commission expresses its appreciation to Gary
25 Grief for many years of service and dedication to his

1 work at the agency, and be it further resolved that an
2 official copy of this proclamation be prepared for Mr.
3 Grief and his family as an expression of high regard by
4 the Texas Lottery Commission.

5 I have hereunto set my hand and seal of
6 the Texas Lottery Commission. On behalf of all of our
7 Commissioners, Gary, congratulations.

8 Gary, if you're okay with, I'll have our
9 Commissioners speak. I'd like to say something
10 separate from the prepared statement and then we'll let
11 you speak, if that's all right. So, Commissioners?

12 COMMISSIONER FIELDS: I don't know if
13 everybody knows what a level five leader is, but that
14 is the highest level of leader that any leader in any
15 industry can achieve. And that is you. You are
16 definitely a level five leader, and you're one of the
17 few that I've actually ever met. And just so you know,
18 the font on that proclamation is really small because
19 it's very long and that speaks for itself. You're a
20 superstar and we're proud of you and we're going to
21 really miss you.

22 COMMISSIONER FRANZ: The long list of
23 accomplishments that were just read, everyone knows
24 those and everyone the public has seen that. But what
25 I've seen in the past few years from Gary is a little

1 bit, it's something that I think everybody who works
2 here knows, but I don't think anyone outside knows, is
3 what an excellent and kind leader of people you are.
4 And the way that, particularly through COVID, which was
5 really weird and really hard on people, and the way in
6 which you kept us on mission, breaking records, all of
7 that, but with a heart and a level of just kindness and
8 generosity towards our people and towards the staff,
9 that never goes publicized, and only those who are the
10 recipients of it. And I watched that and -- which
11 suggests maybe there's another level of leader that
12 should be six that includes that.

13 So, you're a good man, Gary Grief.

14 COMMISSIONER SMITH: I hope your
15 decision was just coincidental with me coming on board.
16 I wish you the best of luck. Look, I'm coming on board
17 and helping to work with my Commissioners on an
18 absolutely fantastically run agency, and I think your
19 legacy is going to speak for itself. The way that you
20 built up the Texas model, I think it's going to be a
21 source of pride for certainly the five of us, but for
22 everybody you've worked with and for whoever comes
23 after you.

24 So, I wish I'd had more of a chance to
25 work with you, I hope to learn from you some in the

1 future and again, God bless, good luck.

2 MR. GRIEF: Thank you.

3 COMMISSIONER STEEN: Some of the
4 Commissioners touched on leadership and teamwork. I
5 just -- I want to add in and reemphasize communication.
6 I think that's a quality of yours that has really shown
7 through in my tenure year, and I think it reflects on
8 the staff, but you know, it -- that doesn't come easy.
9 You have a strong grasp of your business and that is a
10 reflection of all the tireless hours and work you put
11 in and your ability to distill information and be
12 available and provide that information in a timely
13 manner is a big asset for a commission. And so we'll
14 really miss you and really appreciate your service to
15 the State and to our agency. Thank you, Gary.

16 CHAIRMAN RIVERA: Gary, literally, at
17 least for me a lifetime of involvement in various
18 boards, commissions, civic organizations, and looking
19 back on literally decades of seeing leadership, you are
20 the model for what all leaders should want to be. And
21 that's someone who literally works from, and if folks
22 at home or in the future, read your list of
23 accomplishments from where you started it is a
24 testament to that every job is important and that the
25 things you do today build on what you will be doing in

1 the future. And your ascension, although not meteoric,
2 has been one that is justified and true and earned and
3 good, and it's something that anyone can aspire to.
4 And, your position did not come by accident. It was
5 completely earned and just literally a lifetime of hard
6 work and having a depth of understanding of what each
7 position entails, and it's a true model of leadership
8 for the entire organization to know how to, how to come
9 to work every day and provide that grit, determination,
10 effort in the trenches, and you will continue to move
11 up and have folks follow that level of leadership and
12 excellence.

13 And the lottery is and should be
14 incredibly grateful to you for literally decades of
15 service. And although you physically are going to be
16 in retirement, your physical presence may not be here
17 daily, but more importantly, your spiritual presence
18 will remain, your imprint on every employee, every
19 vendor, every individual that has been a part of this
20 environment, is one that you've touched, and that will
21 reverberate into the future because of the quality of
22 what you've brought to the table. And, I am confident
23 that all of our employees, no matter how long that they
24 stay here, they move on, they're going to take part of
25 your leadership model, and they're able to then show

1 others what true leadership is.

2 And so, with that, Gary, on behalf of
3 all of our Commissioners, we're incredibly grateful for
4 your lifetime of dedication to the lottery and just
5 incredibly proud of you for all that you do, not only
6 in the building, out of the building, as a family man
7 and just a community leader.

8 So, Gary, we could go on with, again,
9 just -- we haven't even really touched on what you have
10 accomplished nationally. And truly, you are just an
11 incredible important individual in the industry. And
12 the Texas Lottery has been incredibly fortunate to have
13 had your hand at the helm for as long as it has been
14 able. So Gary, congratulations and thank you.

15 MR. GRIEF: Thank you, Mr. Chairman. So
16 thank you, all of you, for those incredibly kind and
17 gracious words. And of course, I'm overwhelmed and I
18 also feel like we must be talking about a really old
19 guy here. I don't feel like I'm that guy, but I'm -- I
20 must be. So, I do have a few things I'd like to offer
21 for today's meeting.

22 As everyone knows, the mission here in
23 our agency is to generate revenue for public education
24 and for veteran services. And as that proclamation
25 said, one of the things I'm most proud of is for my 13-

1 year tenure, we did hit record sales and revenue every
2 year. And that's tough to do in a state that's so big
3 and so diverse as the state of Texas. And in our most
4 recent fiscal year, last year, we hit that \$8.7-billion
5 in sales. And I want to remind everybody, as we
6 compare to other states that's without keno, the game
7 of keno. That's without iLottery, that's without
8 sports betting, any of that type of thing. It's just
9 traditional scratch and draw games. And that makes
10 Texas, as you heard Robert Tirloni say today, one of
11 the largest and most successful lotteries, not just in
12 the United States, but in the entire world.

13 And most importantly, those sales that I
14 talked about, those translated into more than \$2.2-
15 billion in important revenue for the school children
16 and the veterans of our state. And that's the first
17 time in our history last year that we went past the \$2-
18 billion net profit mark, something we're all very proud
19 of.

20 I am constantly asked by my colleagues
21 around the world how Texas can continue to set new
22 sales and revenue records year after year. And
23 innovation always seems to rise to the top of those
24 conversations, and that's given the bulk of the credit.
25 And it's certainly true that Texas has been a leader in

1 innovating and modernizing our traditional lottery
2 product line, all while having to ensure we stay well
3 within the boundaries of our legislative parameters.
4 And with the continually shrinking budget that we're
5 given to work with, as my colleagues know all too well,
6 we're the best at doing more with less, while at the
7 same time we've managed to keep our organization's
8 morale at record high. Something else I'm very proud
9 of.

10 Now, all these things, all these
11 innovations, all these unique approaches to how we do
12 things, they've indeed played a big part in driving our
13 lottery to record success. And while those things are
14 very important, what really sets us apart, Mr.
15 Chairman, are the people that we have here at this
16 agency and the people that we do business with as well.
17 As I look around the room today, I see our vendor
18 partners are here. We've got IGT, Scientific Games,
19 Pollard, ThirdEar, tremendously talented people and
20 high quality individuals manage our account at each one
21 of these organizations.

22 And then when I look around at our own
23 internal team, a team that I believe is the finest team
24 in the lottery industry, and I should know, because I'm
25 very familiar with almost every lottery in North

1 America, it always reminds me that it's the people and
2 it's their drive, enthusiasm, creativity, talent, et
3 cetera, that they all bring to the table. That's
4 what's really driven this organization to the new
5 heights of success that we've seen.

6 These people, they are the reason that
7 I'm the longest serving Executive Director in Texas
8 Lottery history. And I said this at my retirement
9 speech in December. That's really saying something in
10 our state, as I'm also the only Executive Director who
11 hasn't been fired or unfortunately passed away while
12 they were serving in the position. I'm very proud of
13 that.

14 The key to my success and my longevity
15 has been to have fun at the job and try to make sure
16 that everyone around us enjoys what they do and that
17 they feel rewarded and fulfilled. And to work to
18 ensure that everyone in the organization, not just
19 those people who work in products, sales and marketing,
20 but that everyone in the organization is focused,
21 they're aware, they're proud, and they're held
22 accountable for the sales and revenue that we have to
23 generate. And in my opinion, only then can a lottery
24 truly be successful.

25 So, Mr. Chairman, I've got a number of

1 Texas Lottery and IGT staff here today. Some of my
2 best friends in the industry are here as well, and I
3 want to thank each one of them for making my time in
4 this industry so rewarding, so exciting, and most
5 importantly, so much fun over the years. And I also
6 want to thank the many commissioners that I have served
7 under over the years.

8 In particular, I want to mention Mary
9 Ann Williamson, who was our longtime former chairwoman
10 and now a dear friend of mine, who convinced me back in
11 2009 to finally take the position of Executive
12 Director. This was just a position that did not seem
13 attractive to me for many years, and I owe Mary Ann for
14 talking me into doing it.

15 Likewise, our former colleague and
16 Commissioner, Winston Krause, who served as chairman
17 from September 2013 to July of 2020, and who provided
18 great leadership and encouragement during his tenure as
19 chairman.

20 And finally, I want to thank you, Mr.
21 Chairman. You've been incredibly supportive to the
22 Lottery Commission, to the mission and to me. You've
23 steered this agency with a steady hand, and you've made
24 these last few years just a pleasure for me. Thank
25 you.

1 I leave this agency with a very unique
2 appreciation for the Texas Lottery and all that it
3 embodies. I've been involved with the lottery since
4 before it started as you heard from the proclamation,
5 all the way back to 1990. And I've had the amazing
6 privilege of watching the Texas Lottery grow and mature
7 and become one of the most successful lotteries in the
8 world. And I'm proud to know that I played a small
9 part in making that happen.

10 Mr. Chairman, as I said to you in my
11 retirement letter, I'm leaving the Texas Lottery in a
12 good place. I'm confident that the agency is prepared
13 to tackle all the inevitable challenges that are going
14 to come our way over the next few years. As I
15 constantly preach to the team here, organizations are
16 all about the people that make them up. And the people
17 at the Lottery Commission are second to none.

18 Mr. Chairman, I wish you the best.
19 Please know I'm going to be following you and I'll be
20 your biggest supporter. Thank you.

21 CHAIRMAN RIVERA: Goodness, that is
22 quite a lot that we've -- as a group, everyone has
23 experienced over the last couple of minutes, and it's
24 something that I know that we're all better for. So
25 thank you, Gary.

1 I -- after -- Bob still has his agenda
2 item and when Bob is done, the Commissioners are going
3 to go into an executive session which I'll explain here
4 in a bit. But when we do break for executive session,
5 Gary, is any of your family here, friends, et cetera?

6 MR. GRIEF: They'll be here for the
7 1:00 reception.

8 CHAIRMAN RIVERA: Okay. So after we get
9 done with executive session, Commissioners, if we could
10 take some pictures with Gary before we go and do our
11 work. And then folks are obviously going to line up to
12 take photos with Gary as well. But that'll be what
13 we're going to do here shortly.

14 AGENDA ITEM NO. XI

15 CHAIRMAN RIVERA: So, with that, Bob,
16 your item.

17 MR. BIARD: Thank you, Mr. Chairman.
18 Item 11 in your notebooks are the enforcement cases,
19 Tabs A through N. Those are 14 cases: 12 lottery and 2
20 bingo cases. And these are cases where a lottery or
21 bingo licensee or a bingo worker violated a statute or
22 rule or did not qualify for a license.

23 In most of these cases, either the
24 Respondent failed to appear at the hearing and it
25 proceeds by default, or the staff and the Respondent

1 reached a settlement in the form of an agreed order.
2 We have both of these types of cases today, as well as
3 one case that went to the State Office of
4 Administrative Hearings.

5 Tabs A through G are all non-sufficient
6 fund lottery retailer license revocations. Each case
7 was presented at the State Office of Administrative
8 Hearings for revocation of the retailer license because
9 the licensee failed to have sufficient funds in their
10 bank account to cover electronic fund transfers to the
11 Commission's account. In each case, the licensee
12 failed to appear at the hearing and the judge remanded
13 the case to the Commission to handle as a default
14 matter.

15 Tabs H through L are lottery agreed
16 orders. I believe most of these, the majority of
17 these, were cases involving purchases with a credit
18 card, which are not allowed. I think there's one debit
19 card case where the retailer charged a fee for a player
20 to purchase a ticket with a debit card.

21 Tab M is a bingo worker agreed order,
22 and Tab N is a default bingo accounting case that went
23 to SOAH and the organization did not show up so it was
24 also remanded to the Commission to handle as a default
25 matter. And the recommendation in that matter is to

1 revoke the organization's license.

2 That concludes my presentation. You may
3 take the enforcement orders up in a single vote if you
4 like, and I'll be happy to answer any questions.

5 CHAIRMAN RIVERA: Okay. Bob, good job.
6 Commissioners, any discussion? If not, is there a
7 motion to approve Tabs A through N?

8 COMMISSIONER SMITH: I'll make a motion.

9 CHAIRMAN RIVERA: Motion.

10 COMMISSIONER FRANZ: I'll second.

11 CHAIRMAN RIVERA: And a second. All in
12 favor say aye.

13 (Chorus of "ayes")

14 CHAIRMAN RIVERA: Motion passes.

15 Alrighty.

16 MR. BIARD: Thank you.

17 CHAIRMAN RIVERA: Okay.

18 AGENDA ITEM NO. XIII

19 CHAIRMAN RIVERA: So, I move that the
20 Texas Lottery Commission go into executive session to
21 deliberate personnel matters and receive legal advice.
22 Is there a second?

23 COMMISSIONER FIELDS: Second.

24 CHAIRMAN RIVERA: Okay. All in favor
25 say aye.

1 (Chorus of "ayes")

2 CHAIRMAN RIVERA: Okay. We will --
3 Texas Lottery is going to go into executive session
4 here. We will be doing executive search interviews. I
5 expect that this will probably go about an hour and a
6 half or so. I will tell you now that we will have a
7 second round of interviews in the coming weeks, which
8 is standard practice for a level of this position
9 across the State. So, whenever we do return, we will
10 gavel and I'm not sure if we'll have anything to say
11 outside of what I already have. And with that,
12 Commissioners, are there any questions before we go in?

13 Okay. It is approximately 11:00,
14 February 6th, 2024.

15 (Commission in Executive Session from 11:00
16 a.m. to 1:05 p.m.)

17 AGENDA ITEM NO. XIV

18 CHAIRMAN RIVERA: Okay. Good afternoon.
19 It is 1:05, the Texas Lottery Commission is back in
20 session. We went into executive session for a little
21 while and we have no discussion at this time.

22 Is there any other items that any of the
23 Commissioners would like to bring up?

24 AGENDA ITEM NO. XV

25 COMMISSIONER FRANZ: I move for

1 adjournment.

2 CHAIRMAN RIVERA: Okay. Is there a

3 second? COMMISSIONER SMITH: I second.

4 CHAIRMAN RIVERA: All in favor say aye.

5 (Chorus of "Ayes")

6 CHAIRMAN RIVERA: All right. We are

7 adjourned. Thank you, everyone.

8 (Meeting concluded at 1:05 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 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 17th day of February, 2024.

/s/ Kimberly C. McCright
Kimberly C. McCright
Certified Vendor and Notary Public
Verbatim Reporting & Transcription, LLC
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Houston, Texas 77058
281.724.8600