



Paul Hardin, CAE  
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A handwritten signature in blue ink, appearing to read "Paul Hardin".

August 14, 2024

Chairman Keith Bell  
Texas Sunset Commission  
1501 North Congress Avenue, 6th Floor  
Robert E. Johnson Building  
Austin, Texas 78701

**RE: Texas Lottery Commission 2024-2025 Sunset Review**

Dear Chairman Bell and Members of the Sunset Commission:

Texas Food & Fuel Association (TFFA) appreciates the opportunity to submit written comments and public testimony to the Texas Sunset Commission regarding the Texas Lottery Commission (TLC) as part of their 2024-2025 Sunset Review.

TFFA represents over 16,500 convenience stores, gas stations, grocery stores, and travel centers across the state, as well as the businesses which support them. As noted by the TLC in their Self-Evaluation Report (SER), “Most of the lottery base retailers is concentrated in the convenience store industry.”<sup>1</sup> Meaning 67%, or two out of every three lottery tickets purchased are sold at a convenience store.

With 10% of the nation’s convenience stores located in Texas (approximately 16,500 stores), our members were a significant contributor to the record-breaking lottery sales in FY 2023, which exceeded \$8 billion.

The TLC and its contractor, International Gaming Technology (IGT), are valuable partners and in the face of unprecedented challenges, including the uncertainties brought about by the pandemic and unpredictable weather conditions, we sincerely commend the exceptional customer service of agency staff. They have demonstrated a steadfast commitment to maintaining agency operations throughout these demanding times.

Described below are five areas of opportunity identified by TFFA and its members. While we are enthusiastic about the innovations detailed in the SER,<sup>2</sup> expanding these efforts will aid both the TLC and retailers to increase efficiencies and enhance sales while using technology and resources currently available.

1. **TFFA respectfully requests the expansion of the “in-lane” pilot programs that have been in operation since FY 2020.**<sup>3</sup> “In-lane” sales use a retailer’s plain receipt paper to print quick-pick lottery numbers at the register; in-lane sales also include the sale of “gift card-type” tickets with pre-selected numbers selected by a customer off the shelf.

In-lane sales have been a notable driver of lottery sales and because of the location purchases are made, they can reduce friction for the customer. With multiple registers available to sell tickets in a single retail location, customer lines will move more quickly, particularly during peak buying times such as the record-breaking jackpots. To that end, we recommend that the TLC facilitate and

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<sup>1</sup> Texas Lottery Commission (TLC), 2024-2025 Sunset Self-Evaluation Report, p. 83.

<sup>2</sup> TLC, 2024-2025 SER, p. 79.

<sup>3</sup> TLC, 2024-2025 SER, p. 79.

expand opportunities for in-lane sales to provide customers with the benefit of one-stop shopping and lean in towards an optimized buying experience.

With updated in-lane technologies, retailers will gain the added benefit of streamlined daily reporting. Currently some TFFA members spend up to 30 minutes per day per retail location to report their receipts and sales transactions. Further, when data does not align with what is shown in the Lottery Services Portal, it must be reconciled at the corporate office.

By working with TLC and its contracted provider, TFFA is confident that this data may be transferred in a more efficient and accurate manner. This will reduce data errors, and it will ensure that retailers have more time to stock additional lottery products, focus on instant ticket vending machines, and generally ensure that the lottery experience is top-notch.

2. **While TLC has worked to advance convenience for players, enabling single-ticket activation of scratch tickets will benefit retailers by reducing internal shrinkage and disincentivize retail theft.** Currently, when a retailer takes possession of tickets from the TLC, they are responsible for all tickets once the first ticket is activated. By enabling single-ticket activation, a retailer previously reluctant to become a lottery sales agent may be willing to begin offering sales to the public.

Using the retailer's point-of-sale (POS) system to scan and activate each ticket upon purchase reduces the potential for shrinkage dramatically. Until a ticket is activated, it cannot be redeemed, much like a gift card. Thieves are disincentivized from stealing tickets if they have no value until activation. In an era of increasing criminality and violent theft across Texas and the nation, TLC's adoption of single-ticket activation would not only lessen shrinkage internally but also promote the safety of store employees and customers.

3. **Online courier services pose a risk to the hard-earned branding and integrity of the Texas lottery.** Courier services offer to buy lottery tickets through online transactions in exchange for a service fee. Once the tickets are purchased from a retailer, the courier uploads an image of the ticket via the online platform. This sale methodology and online sales of lottery products have not been specifically authorized in statute nor contemplated by the TLC or the legislature.

At a time when the cost of goods and labor is rising and stores are competing to draw customers into stores, couriers short circuit traditional ticket purchases by selling lottery products using their web platforms and phone apps. These online or app transactions are unregulated, and couriers do not have to register with TLC. The ability for unlicensed operators to facilitate sales in an unregulated environment creates concerns that may bring the legitimacy of the lottery into question.

We question whether such sales are lawful. We urge TLC to evaluate such sales, and if so, how to best regulate this space to preserve consumer protection and the integrity of the lottery. Based on experiences currently faced in other states, we believe that such sales present a problem and we propose that the statute be amended to prohibit lottery purchases facilitated through couriers, third-party internet platforms, and/or apps.

4. **The TLC should establish a program to redeem partially sold packs of scratch-off games that have been discontinued or aged out.** Allowing retailers to redeem partial packages of tickets would ensure a wide array of games are sold at each store to keep customers engaged. Retailers who purchase new game tickets must buy a full package of tickets regardless of the volume of sales at the store. Some stores face difficulty turning over games before the next game is released or

taken off the shelf by TLC. This may result in a store having tickets that become stale and must be sold, taking up space until a new game can be displayed. Texas should follow other states and established partial pack purchase options.

- 5. Procedures should be established that clearly define the process a retailer can expect when requesting new or additional equipment.** Currently, retailers may request new equipment from TLC but there is no guarantee it will be available or when they may receive it. While the requests are made on a “first come, first served” basis, some retailers often wait months or longer without any updates or receiving new machines despite multiple requests.

TLC should develop a defined capital improvement plan to ensure that the equipment needs of all retailers can be met. Having equipment available enables retailers to fulfill customer requests promptly while staying current with the latest security updates and reporting capabilities. When a machine is out of order, a retailer may face long lines resulting in customer dissatisfaction, reduced sales, and issues meeting minimum requirements set by the TLC to receive additional ticket allotments.

Chairman, we look forward to collaborating with the Sunset Commission and its staff to develop working solutions to ensure the continued success of the TLC. Our members remain committed to responsibly serving Texans through the retail sales of lottery products and are eager to continue working with the TLC for the next twelve years and beyond.

Sincerely,



Paul Hardin, CAE  
President/CEO