

The Lotto Report

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August 18, 2024

Andrew McConnell
Sunset Advisory Commission
1501 N Congress Ave.
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RE: Comments Texas Lottery Commission

Dear Andrew,

I'd like to take this opportunity to comment on topics discussed during the Sunset Hearing held on August 15, 2024 and I'm providing additional information I feel is imperative in hopes Members will write additional legislation next session. I'll try to be short and blunt!

But first, I'd like to say that the Sunset Commission did an excellent job in their audit. I didn't say that when I testified nor do I think I said it in my first written comments. I do agree that the Texas Lottery should continue but with much needed direction and supervision from the Legislature. I feel consumers should be protected and that is not the case as it stands now.

- Training Commissioners -

While I'm certain more training should be required, I would like address a problem that I've recognized for the past 20 years with the Commissioners. Not a single Commissioner is a player or has ever really played the lottery, therefore, they really have no idea how rule changes affects Texas Lottery players. The intent, of every rule change the TLC has ever made, was to increase sales. Their solution was to increase odds which would decrease having winners thereby the jackpots would climb and players would buy more tickets (spend more money) for each draw.

Having no jackpot winners has completely backfired because players grew tired of losing. IF at least ONE Commissioner was a player, then maybe he/she could make the other Commissioners understand what the Executive Director was really up to by making the games harder to win and/or by increasing the draws which has also backfired. I would think that he would surely understand that the odds of 25.8 million-to-one when they only sell \$600K to \$1.5 million each draw does not justify the odds. It only creates losers.

Modernizing the Lottery

While I agree that technology evolves and is good for the American people and businesses but in the case of gambling and lotteries - internet, email, computers and mobile phones - should not be allowed. It is this very technology that allowed rich folks to steal lottery jackpots such as the April 2023 "*bought \$95 million Lotto Texas jackpot.*" It is also the apps technology that has enabled out of state/country players to potentially win our jackpots. Winners enrich **their** states/communities with their winnings - not the state of TX.

Now when visitors come to Texas and buy tickets from licenced lottery retailers in person, that IS fair game and perfectly OK.

Players "Confidence"

There is very little to no player confidence in the Texas Lottery anymore. This is evidenced by sales. I literally have hundreds of emails from players who are/were fed up. And the declining sales makes this evident.

Minors Absolutely Purchase Lottery/Scratch Tickets

I'm in stores every day and I see what goes on. Now I'm NOT saying that store clerks sell minors tickets. Rather the minors buy their lottery tickets from Self Serve Terminals that are NOT placed in front of a clerks view. In many stores, these self serve machines are literally placed in the entrance of a grocery store and anyone can use them without being seen. I spent considerable time researching this issue and wrote a story that included photo's but my attorney immediately told me I could not post the story. I didn't post it but I did tell the TLC about the placement of the terminals and minors purchases but they took no action.

Minors are tech savvy. I recently had a minor and a couple of his buddies tell me how I could use my phone to buy lottery tickets and especially scratch tickets via my phone. He told me how much fun it was to scratch the ticket on a phone and how it was much faster it was than buying scratch tickets in the stores. I asked him how he afforded it and he replied that he had a job! He was a Junior in High School.

The selling of scratch tickets by the apps is absolutely unbelievable. I can't even comprehend how its done without them knowing if the ticket is a winner or a loser before selling it. But I don't know this.

Cut The Fat ...

I would like to suggest that someone closely examine the TLC's travel expenses, sponsorships, membership dues and fees. I believe millions could be saved as a result. I would strongly suggest that an independent entity do the audit with no "drafts" required for approval by the TLC before releasing the findings.

Players Need Help

Players have no one to call when they have a problem. They're told to call the TLC or the State Auditors office. Neither helps them. And in the case of the Fun 5's tickets, even the elected officials didn't step in and they should have. A few examples I'll share the TLC tried to steal a players prize by refusing to re-issue a prize check, disputed claims are not handled appropriately or timely and misprint tickets are denied. I've assisted in a number of cases including getting a court order demanding the TLC fund the prize.

Self serve terminals are notorious for cutting scratch tickets in half and yet the TLC or G-Tech fails to take action.

Players find me or their lawyers refer them to me for help. I've only mentioned a few of the problems ... there needs to be someone for players to call where that person has the ability to speak to TLC staff about the issue and get a fair resolution.

The TLC likes their \$60 to \$80 million in Unclaimed Prize Money that goes to the state. This is so very wrong.

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Store Clerks Should Not Be Allowed To Buy Tickets Where They Work

Store clerks should be forbidden to purchase tickets where they work. This makes it too easy for them to steal winning tickets from their customers then collect the prizes from a claim center. Many states have this written into law. There's also a number of news stories substantiating this very issue. The Texas Lottery is aware of this but they're reluctant to make this change thinking it will hurt their sales. (Ironically, the Texas Lottery is well aware of clerks "pin-pricking" scratch tickets. That's why they put symbols on non-winning tickets! See Fun 5's lawsuit to understand this)

**Apps Incentives
A Huge EASY Money Maker**

Player Adds Funds to Their App Account	*Service Fee Charged by App	Total Charged to Player	Total Amount Player Actually Pays For A \$1 Ticket
\$2	.49	\$2.49	\$1.24
\$5	.79	\$5.79	\$1.15
\$10	\$1.28	\$11.28	\$1.12
\$20	\$2.27	\$22.27	\$1.12
\$30	\$3.26	\$33.26	\$1.10
\$40	\$4.25	\$44.25	\$1.10
\$50	\$5.24	\$55.24	\$1.10
\$75	\$7.72	\$82.72	\$1.10
\$80	\$8.21	\$88.21	\$1.10
\$100	\$10.19	\$110.19	\$1.10

The TLC sweeps the retailers accounts weekly and they take .95 cents for every dollar in sales. In other words, the app retailer also earns a .05 cent commission from the Texas Lottery so instead of making 24 cents or 10 cents per \$1 ticket, the app sellers actually earn 29 cents or 15 cents per one dollar ticket sold.

But the 20,000 Texas retailers who launched the Texas Lottery only earn .05 cents for every dollar sold. If you do the math, you can see why it's such a lucrative business. And one can easily understand why Jerry Jones and his colleagues jumped in on having their own app/courier service!

What happened to retailers not being able to charge more than a \$1 (or the actual cost of a ticket) for a lottery ticket?

Apps MUST Be Banned

They not only hurt the players by enabling others to steal our jackpots, but it's not FAIR to the 20,000 Texas Lottery retailers who are not allowed to make more than a nickle per \$1 sold.

**The fees shown above are Jackpocket fees in effect on 8/18/24*

WHY Is The Texas Lottery Defending the Apps So Fiercely ...

Answer: MONEY

Sales were declining and egos were hurting. So to accomplish getting draw sales up, the TLC allowed this new technology that enables everybody from all over the world to buy Texas Lottery tickets. The TLC expanded their sales base!

This is why 6 years ago or so the Texas Lottery began working so hard to accomodate the Apps - ie ...

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Jackpocket, Lottery.com, lotto.com, Altx Mgmt, jackpot.com etc. The TLC intentionally changed language in the rules then “pretended” it was not internet or telephone sales - rather it was like ordering a pizza and having it delivered therefore they were entitled to charge a “courier” fee. But the truth is, there is NO courier involved.

Did you know that Gary Grief traveled to Waco on April 13, 2019 to meet with Altx Mgmt (an app) and years prior to that he was instrumental in assisting lottery.com (an app) to relocate to South Austin from California.

It’s too bad that the TLC hasn’t learned the ONE trade secret for gambling operations - create winners because winners will turn around and give their winnings back. Someday, hopefully, the Texas Lottery will figure this out and offer FAIR games to play.

Ryan Mindell’s Testimony

Ryan testified that “Bulk Purchasing Groups” have been around for a long time. It is true that someone won in NJ many years ago by buying all the combinations. BUT they filled out playslips and had help purchasing the tickets. PLUS, they didn’t have to buy 26 million to be successful.

It is true that players will pool their money and buy tickets and people will come into the state and buy tickets to take home and sell. But NONE of these people or groups can buy 26 million of tickets. Ryan was including office workers in his “bulk purchasing” statement.

With the apps, players don’t have to use playslips - they can use their electronics - thumb drives, scanners, bar codes and computers.

Ryan’s statement that “*every player had the same chance*” of winning the \$95 jackpot. This is true BUT that jackpot WAS going to be won this time because ONLY one entity used 5 retailers to purchase 26 million tickets while Texans only spent an est \$1.5 million. So like all the other **92** consecutive draws prior to this one, the jackpot was most likely NOT going to be won by a citizen of TX.

As for Ryan claiming they were really NOT aware of what was going on, that’s baloney. The jackpot amount was raised each day so they knew. They also knew something was going on the week before.

This same group tried to buy the jackpot the week before on April 15th - they spent \$5 million and did use “theories” to pick their numbers but they failed.

Ryan said he researched to see if there were any violations of law regarding the apps. Well, if an app is also the courier and if the brick and mortar retail outlet is owned by the app/courier, then the violation of law lies in the fact that they are selling tickets at an inflated price and that is a violation of law.

Jackpockets attorney, Jay, told me that tickets can be printed immediately after the order is received because Jackpocket has employees at the brick and mortar licensed retail outlet(s). Hmmm ...

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Limiting The Number of Draw Games, Odds & Costs To Play Is Needed

With the mindset to increase FY sales, the Texas Lottery now conducts 146 draw games per week. They've increased draws and costs of ticket in their attempt to increase sales. If you compare draw games sales to that of the olden days, you'll find their plans failed as sales WERE far greater with fewer draws and games. Here's the 146 draws - each game has it's own prize pool.

Game	Times Played Weekly	Note
Pick3	24	
Fireball	24	Add on to Pick3
Daily 4	24	
Fireball	24	Add on to Daily4
All or Nothing	24	
Cash5	6	
Lotto Texas	3	
Extra	3	Add on to Lotto Texas
Texas 2 Step	2	
Powerball	3	
Power Play	3	Add on to Powerball
Mega Millions	2	Proposing to increase to \$5 per ticket
Megaplier	2	Add on to Mega Millions
Just the Jackpot	2	Never has paid a prize
Lone Star Line Up	<u>0</u>	Promo - A buy \$5 get \$1 free
Total Games Per Week	146	

FYI - Tidbits

TLC sells a game, Just the Jackpot, that has never been won and has never paid a prize to a player. The TLC was 99% certain this would be the outcome when they launched the game to Texans. Only a handful of states (14) will sell this game.

They sell \$50 and \$100 scratch tickets. Rich people are NOT the purchasers of these games.

The Multi State games, Powerball and Mega Millions, are technically losers for Texas. What's most important to the TLC is quoting increased FY sales but what should be important is the bottom line.

Did you know, there's only been 2 PB jackpot winners since Texas joined Powerball (2010). Texas sent approx. \$1.38 BILLION out of state to fund jackpot winners. Jackpot winners help their communities and pump a states economy - they buy homes, cars, firetrucks, build schools, libraries, parks, etc.

Gross Powerball sales since inception (2010) stands at approx. \$4,199,196,951. In the past 14 years, from Powerball sales, the TLC contributed to the school fund an approx. \$1.595 Billion to schools. Is this trade off worth it?

These games are "competition" to Texas games and they entice players to spend money they don't have. Players firmly believe they will win \$1 billion dollars so they overspend. This is disheartening to me. Sales are down and these games only have 6, 7 or 8 jackpot winners per year. Keep in mind, the odds are 300 million to one and 295 million to one respectively.

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The Texas Lottery has one goal in mind, to increase gross FY sales each year. Gross and Net are two entirely different things. Granted they manage to increase sales each year but the increase is credited entirely to scratch ticket sales and is a product of the \$50 and \$100 games.

The TLC does not pay out 50% of sales to players - the only way to guarantee a return of 50% is by having all pari-mutuel prizes. California is the only state that requires its lottery to guarantee a return of 50% to its citizens. Texas needs to guarantee the same thing but they won't. Why not?

Additional Recommendations

The Texas Legislature should address limiting the odds of games based on sales and player participation. To have odds of 25.8 million-to-one and having sales of \$1 million - well, they're pretty sure there won't be a winner because there's 24.8 million of the combinations were not sold.

The Texas Legislature should remove Sovereign Immunity privileges from the Texas Lottery. The TLC is literally a business selling products to consumers. They should be held accountable.

A Few Newspaper Stories Are Attached For Your Perusal

I am only enclosing a few of the stories that were written about the April 2023 \$95 million Lotto TX jackpot. I wish I could include the stories from the Houston Chronicle but I didn't print those at the time they ran.

I sincerely hope you will protect Texas Consumers/Lottery Players by writing necessary legislation to address the issues I've mentioned. Thank you in advance for your consideration.

Sincerely,



Dawn Nettles
Publisher

Attachments

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RE: Comments Texas Lottery Commission

Dear Andrew,

As per prior conversations, I'd like to submit written comment regarding the Commissions review of the Texas Lottery.

The first issue is regarding the stolen \$95 million jackpot in April 2023 - my comments are short and simple ... this occurrence should NEVER be permitted. No matter what the TLC alleges, the winner did not walk in to Hooked on Montana and walk out with 11 million tickets. It is physically impossible for that many tickets to be printed using 10 or 11 terminals. It WAS done using computers to input his numbers - he did not have playslips. And with my knowledge of how the apps work, I doubt very seriously as they printed all 11 million tickets. They only print "winning tickets."

Either way, there's been enough press on this win so I need not comment any further than to say that it needs to STOP. This jackpot should never have been funded. The Texas Lottery literally stole Texas players money on this deal.

My 2nd issue is the use of the apps and the misconceptions the general public and members of the TX Legislature has been told. By that I mean, players are paying more than the cost of a lottery ticket under the pretense that after you place your "order" using your phone or computer, then a "courier" goes to a "licensed lottery retailer" and purchases your ticket(s). Then they send you an email telling you that "your order has been processed" and you can now go view a copy of your ticket. According to the TLC, this is why it's OK that the apps charge a "fee."

Exhibits A, A1 through H, H1.

Attached are copies of an "order email" and copies of the tickets that supposedly a "courier" bought for the player per the order. The order is basically a confirmation that is sent via an email immediately to the player. Then usually within 15 minutes to an hour or so, the player receives a second email telling him he

can view his ticket.

Please notice on the attachments that I've highlighted the time the order was placed then on the ticket I've highlighted the time the ticket was printed. Interestingly, the times match.

How can this be? How can a "courier" go to a licensed retailer after receiving an order and manage to purchase a lottery ticket within seconds of the actual order?

Please notice too that the lottery tickets includes both the players name and the apps name. I've never purchased a lottery ticket that included my name and the retailers name on it.

Exhibit J, J1 & J2 is unique

I ordered a \$10 Texas 2 Step ticket but I received two \$5 tickets. Retailers terminals will print 10 lines per ticket yet the apps can't. Please notice that I ordered the ticket at 5:18 pm and the tickets were supposedly printed at 17:18:41 (5:18 pm).

Exhibit K

A copy of the disclaimer found on all "Order" emails yet the disclaimer will not print when you print your email. In all your attachments, I inserted the disclaimer exactly as it appears in the email. But I can assure you, it wouldn't print when I printed these messages.

Interestingly, the apps won't allow you to print your lottery tickets as you view them from your computer or phone either. One has to do a screen shot then either email it to themselves or print from their phones.

FYI ...

ALL of the tickets purchased from my phone were Quick Picks yet the order/confirmation I received by email implies - by saying "Numbers Played" - that they are Self Pick tickets. At least that's how I interpret it. Real lottery tickets have a (QP) on all Quick Pick tickets printed at licensed lottery retailers.

One does not have to be in TX to purchase lottery tickets. I purchased tickets from out of state. And finally, you should see to enticement message sent to buy scratch tickets online too. They tell players the night of playing does not have to be over. One can buy & play scratch tickets late at night.

I sincerely hope that the Texas Legislature will stop the purchasing of lottery tickets via the internet which is what this actually is. It's all done electronically. Should a player win more than \$599 - then he has to travel to Austin - or wherever - to pick up his winning ticket. There's no product delivered to a player. So how can they say the fees are for buying tickets for players?

Thank you for your consideration.

Sincerely,



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