



M E M O R A N D U M

Date: January 16, 2020

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Subject: Item 8(a) – Request to Add Positions

ISSUE

The California State Lottery (Lottery) requests 11.0 new positions as follows:

- One new position is needed in the Finance Division (Finance) to directly supervise six fulltime technical positions responsible for managing the Lottery's primary billing and collections activities for independent retailers and small chains across California.
- Six new positions are needed in the Human Resources Division (HRD) to properly manage increased workload and responsibility. This will enable critical services to be provided to the organization more effectively, while ensuring compliance with employment policies, laws, rules, and accepted best practices.
- Two new positions are needed in the Legal Division (Legal) to address increased workload in providing legal counsel and representation to the Lottery. With the significant increase in California Lottery sales and operations in the last few years, legal workload quantity has increased beyond what can be reasonably performed with current staffing levels.
- Two new manager positions are needed for the Operations Division (Operations) to fully support the reorganization of statewide operational functions. The Lottery intends for Operations to assume responsibility for the Lottery's contracting and procurement program. The complexity, variety, and quantity of work, as well as the resulting staff increase will exceed what can be reasonably supported with current management staffing.

BACKGROUND

A. Finance

Finance's Revenue Collections unit performs financial reviews of retail applicants, establishes credit levels, and administers the collection of payment for Lottery products and services from more than 23,000 Lottery retailers. The proposed position will supervise six fulltime technical team members responsible for managing the billing and collection activities of all independent retailers and small chains selling Lottery products across California. This team provides customer service to Lottery retailers by responding to retailer account inquiries and resolving customer billing issues, while actively helping to protect the Lottery's assets.

B. HRD

HRD is responsible for developing and administering workplace programs that comply with the state's employment and labor laws and regulations. HRD currently has 31 authorized positions and is comprised of six functional areas that are primarily responsible for: employee recruitment and selection; payroll and employee benefits; health and safety; labor relations; training and workforce development; and performance management.

HRD maintains strategic partnerships with each Lottery division and provides critical services to the organization, while ensuring compliance with employment policies, laws, rules, and accepted best practices. However, HRD staffing levels have not kept pace with increased responsibilities resulting from external mandates and growth of the rest of the organization, resulting in a degradation of service.

C. Legal

Legal is responsible for providing legal counsel and representation to the Lottery and California State Lottery Commission (Commission) on all legal issues related to the Lottery's administration and operation, which includes promoting and ensuring the overall operational integrity, security, honesty, and fairness of the Lottery's facilities, games, and products. Legal's functions are vital to the Lottery and its legal and contractual responsibilities, and is an essential component supporting the Lottery's mission of maximizing supplemental funding for education.

Legal recently experienced two unexpected vacancies. As a result of these vacancies, Legal's workload assignments have been redistributed amongst current Legal personnel, pending the vacancies being filled. As one of the vacancies was for a retired annuitant, the Legal Division is seeking to fill this vacancy with a permanent position at the Attorney I level. The second new Attorney I level position is being requested to accommodate the increased workload at the Lottery.

D. Operations

Operations is responsible for: overseeing daily operations of the Lottery; designing and implementing business strategies, plans, and procedures; setting comprehensive goals for performance; evaluating performance by analyzing and interpreting data and metrics; and establishing policies that promote Lottery culture and vision. Operation's current organizational structure includes a Deputy Director, two Staff Services Manager IIs (who act as Section Chiefs), seven first level supervisor positions, and 37 staff positions for a total of 47 positions.

The Lottery administers the procurement of goods and service contracts through the Contract Development Services (CDS) unit, currently reporting to Legal. CDS administers one of the Lottery's most complex operational business programs through the management of its acquisitions program. This responsibility includes ensuring the necessity of goods and/or services to be procured, ensuring appropriate funding is available, complying with state laws and policies, writing the contract in a manner that safeguards the Lottery's interests, and obtaining required approvals.

DISCUSSION

A. Finance

Currently, the Lottery has one manager leading the activities of a team of 14 professional and technical team members in the Revenue Collections unit. The responsibilities of this unit have grown over the years, as the Lottery introduced new retail sales models requiring customized process flows and collections management. To provide a sense of scale to the changes over the past few years, the Lottery has experienced a 10 percent increase in unique annual electronic sweep transactions, totaling 1.5 million with a related dollar amount of approximately \$1.8 billion during Fiscal Year 2017-18. Trends indicate a steady growth in both count and amount, going back to Fiscal Year 2012-13. The Revenue Collections unit has experienced growth in all aspects of collections operations that support the organization's revenue-generating activities.

The Revenue Collections unit is one of several touchpoints where the Lottery provides direct service to its retail customers, and the additional leadership, guidance, and support provided by the requested supervisor position will further the goal of providing the highest levels of customer service. Providing meaningful customer service remains an essential element of promoting the Lottery's mission to maximize supplemental funding for California's public education.

In addition to the customer service focus, the requested supervisor position will help to manage Lottery credit and collections operations. In these tasks, the supervisor will oversee and guide the technical team in maintaining and executing credit regulations, policies, procedures, payments from retailers, and managing retailer credit situations that

deviate from acceptable standards. The proposed supervisor will assist in facilitating quality assurance monitoring, process assessments, and in facilitating a technical team with ample training, communications scripts, and the appropriate equipment to perform consistent, high-quality operations.

B. HRD

HRD's responsibility and workload has increased significantly over the last several years due to external mandates, organizational challenges, and employee and management needs primarily arising from growth in the Lottery's workforce. However, HRD has not grown proportionately to properly manage this increased workload and responsibility. Lottery employees and management rely upon the critical services provided by HRD, such as employee pay and benefits, performance management, health and safety, training and development, recruitment and hiring, and workforce and succession planning. Failure to properly staff these critical Lottery human resources programs would adversely impact all Lottery divisions.

Although technology has revolutionized the way human resources processes and services are developed, delivered, and evaluated, most HRD processes remain manual, requiring human intervention at every step. Moreover, the Lottery is frequently required to respond to multiple audits that require the redirection of existing HRD resources. It is in the Lottery's best interest to staff HRD in a manner that allows the program to focus its resources on compliance and the implementation of technology needed to modernize and support HRD operations. Staffing HRD appropriately to meet these needs will eventually enable the program to take a more proactive role in terms of talent acquisition and management.

Additionally, HRD will play a critical role in Director Johnson's key initiatives including, but not limited to, partnering with the Executive Division to implement and manage responsibilities related to Lottery's mission, vision, and values initiative. This is a major initiative that will support the vision, shape the culture, and define the Lottery's core values.

If approved, the additional six positions will be assigned as follows:

1. One new Labor Relations Specialist position to increase the Lottery's ability to be proactive in building strong relationships with and responsive to concerns of employee organizations.
2. One new Staff Services Manager II to oversee a new Organizational Development Section which will be responsible for organizational development activities such as employee training and workforce and succession planning, as well as new recruitment, engagement, and retention initiatives.
3. Three new Staff Services Manager I specialist positions responsible for:
 - a. Working with executive management to coordinate the Lottery's workforce and succession planning efforts and initiatives;

- b. Ongoing management and review of Lottery's human resources policy and procedure responsibilities; and
 - c. Ongoing management of the Lottery's 14 Career Executive Assignment positions and 21 exempt positions, including but not limited to assisting executive management and the Governor's office with all processes pertaining to these positions.
4. One new Staff Services Analyst position assigned to position control as HRD works with Finance to transform the Lottery's position control processes and methodology to maximize transparency and to establish consistency with State government position control practices.

C. Legal

The Lottery's total sales have more than doubled since fiscal year 2010-11 and the number of Lottery retailers has grown by approximately 9 percent over that same timeframe. This increase in sales and retailers has resulted in an increased contract volume which requires in-depth Legal review as one of the steps for approval. A restructuring and expansion of Legal, with two additional permanent Attorney I positions, is needed to ensure proper legal oversight, program management, and administration.

The proposed restructure and slight expansion of Legal is a necessary step to establish permanent civil service classifications with increased levels of legal counsel responsibilities and oversight. Two new permanent attorney positions will be established to promote the development of Legal staff moving forward and provide additional legal oversight, as well as strategic and procedural guidance.

The new Attorney I positions will conduct legal research and analysis, provide advice, and render opinions on a wide variety of subjects, including but not limited to: the authority of the Lottery and the California State Lottery Commission to operate games, procure services and supplies, and otherwise conduct Lottery business; the Lottery Act and Lottery regulations, rules, policies, procedures, and practices; civil and administrative procedures; the application of the Bagley-Keene Open Meeting Act, the Public Records Act, the Information Practices Act, the Political Reform Act, other conflict of interest provisions, and laws of general application; statutes, rules, and regulations pertaining to employment law, including those governing civil service, labor relations, and workers' compensation; bankruptcy law as it relates to Lottery claims against Lottery retailers; the law of assignments, trusts, and estates pertaining to Lottery prizes and winners; matters associated with the marketing of games (advertising, promotions, design); and Lottery trademarks and copyrights.

Under the guidance of the Chief Counsel, the Attorney I positions will also provide counsel on legal issues relating to Lottery contracting. The Attorney I positions will provide advice and opinions regarding the content of contract development, contract interpretation, the solicitation process, bid protests, contract implementation and management, and contract dispute resolution.

D. Operations

The Lottery plans to transfer oversight of its contracting and procurement program from Legal to Operations during the first quarter of 2020. Generally, state government acquisition programs are part of an administrative and/or operations program in which subject matter experts administer the programming and controls necessary to ensure the integrity and fairness of the acquisition program. Transition of the program will ensure clear separation of scope between 1) Legal's objective to provide legal opinions and guidance and 2) business program oversight and control.

The procurement program will become part of a newly formed section in Operations responsible for all aspects of contracting oversight and control. The section will be part of a newly formed branch that includes both the Business Administration and Acquisition Administration Sections. To fully support and manage the new section and branch, the Lottery is requesting approval of two positions: a Staff Services Manager III to act as a branch chief/assistant deputy director and a Staff Services Manager II to act as the Acquisition Administration Section Chief.

RECOMMENDATION

Lottery staff recommends that the Commission approve the establishment of one position in Finance, six positions in HRD, two positions in Legal, and two positions in Operations along with the associated funding of approximately \$290,000 for the remainder of Fiscal Year 2019-20. The full fiscal year cost of the 11.0 positions is approximately \$1.4 million, which will fluctuate over time based on bargaining union contracts and salary range adjustments.