



M E M O R A N D U M

Date: January 16, 2020

To: California State Lottery Commission

From: Alva V. Johnson, Director 

Prepared By: Jon Schlusser, Deputy Director
Information Technology Services Division

Subject: Item 8(b) – Microsoft Enterprise Licensing Agreement

ISSUE

The current Microsoft Enterprise Licensing Agreement (MELA) for the Microsoft software products and services used by the California State Lottery (Lottery) expires on February 29, 2020.

BACKGROUND

For over twenty years, the Lottery has purchased enterprise licensing for Microsoft software products and services. The Lottery uses multiple Microsoft products to support the Lottery's technology infrastructure and to provide productivity tools to every Lottery employee. Every server, personal computer, and laptop utilizes Microsoft software and services. For example, the business productivity tools found in Microsoft's Office suite are installed on nearly all employee computing devices and serve as the foundation for almost all work done by Lottery staff surrounding document creation, email communication, and numerical analysis. These tools include Word, Access, Excel, Outlook, PowerPoint, and Publisher. Since the year 2000, the Lottery has taken advantage of substantial savings by procuring software renewal licenses through a single master agreement with Microsoft, such as the MELA, and have negotiated renewal agreements every three years since then.

In addition to licensing common business productivity software, the Lottery leverages the MELA for other core business productivity software such as, Visio, Project, InfoPath, OneNote, and SharePoint; advanced server tools that provide critical infrastructure functions such as software virtualization, application development, network management, and database administration; and Microsoft Azure Cloud Services (Azure) which provide a wide variety of cloud-based services that support the Public Website, Office 365 cloud

features, and the recently deployed virtual data center for housing Lottery applications and workloads

DISCUSSION

The MELA provides the Lottery with flexibility to respond to changing business priorities, allowing instant adjustments to software licensing at any time during the agreement. This optimizes the budget for Microsoft software licensing by always aligning to current Lottery business needs. A simple annual “true-up” for net new licenses covers any increases. The MELA also provides exclusive software, expanded technical support, and access to online training that would not be available if procured separately. This delivers increased capability and manageability to the Lottery by providing:

- Streamlined software compliance and license management under one agreement.
- Licensing for up to five devices with a single user subscription. Lottery employees will be able to use Office 365 software on personal devices under this agreement.
- Cost-effective enrollments with predictable annual pricing provided up-front.
- Unique technologies found in the Windows Enterprise Edition operating system which is only available through a MELA.

The estimated costs to procure the core enterprise products subscription, server tools licensing, and Azure cloud subscriptions, as well as additional contingency funds for emerging Lottery initiatives and new hire growth until the Fiscal Year 2022-23 budget cycle, is below:

Product Category	Estimated Cost
Core Enterprise Office 365 Subscription	\$1,835,000.00
Server Tools Licensing	\$545,000.00
Azure Cloud Subscriptions	\$2,000,000.00
10% Contingency	\$438,000.00
TOTAL COST	\$4,818,000.00

The Lottery’s formal competitive procedures will not apply to this procurement, pursuant to the exception set forth in Lottery Regulations Section 8.1.2.C as follows:

“The goods or services will be acquired using a standard United States General Services Administration Agreement or a State of California, Department of General Services Master Services Agreement, Multiple Award Schedule, Master Rental Agreement, or other such agreement which establishes a list of pre-qualified bidders who have agreed to contract terms and prices.”

The Lottery will be utilizing a leveraged procurement agreement, requesting bids from multiple resellers that participate in the Software Licensing Program administered by the State of California, Department of General Services.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve the Microsoft Enterprise Licensing Agreement for a total amount not to exceed \$4,818,000.00. The three-year contract term will begin on March 1, 2020 and end on February 28, 2023.