




M E M O R A N D U M

Date: January 28, 2021

To: California State Lottery Commission

From: Alva V. Johnson, Director 

Prepared By: Vincent Espinosa, Acting Deputy Director
Information Technology Services Division

Subject: Item 8(c) – Amendment to Microsoft Enterprise Licensing Agreement

ISSUE

The California State Lottery (Lottery) entered into a three-year contract for Microsoft Enterprise Licensing with SoftwareONE, Inc. (SoftwareONE) on March 1, 2020. This contract includes a subscription for Enterprise Office 365 M5. Since then, California Department of Technology (CDT) engaged in direct negotiation with Microsoft for this and other products. The Lottery seeks to amend the SoftwareONE contract to remove years two and three (March 1, 2021 through February 28, 2022) for the Office 365 M5 subscription component of the contract.

BACKGROUND

The Lottery's three-year agreement with SoftwareONE provides the core Enterprise Office 365 subscription; 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 virtual data center for housing Lottery applications and workloads.

DISCUSSION

CDT is negotiating with Microsoft to establish a new master Office 365 enrollment for the State of California Departments. This new enrollment will provide a standardized set of collaboration, security, and management technologies. Moving to a consolidated approach for offering this technology, one provided at the best possible price, will reduce costs to the state by millions of dollars. The savings will be significant for the Lottery but until the deal is finalized the total dollar amount cannot be defined.

The CDT services and support contract will include the Office 365 M5 subscription that is part of the current SoftwareONE contract. The Lottery will receive the same top tier level of support regardless of size and at a lower price than through SoftwareONE. Also included is a master services contract that will provide for implementation services as well as technology experts to help the state standardize its deployment of these technologies to state standards.

The following is a summary of benefits:

- Moves to a 5-year agreement cycle, reducing renewal frequency
- Standardizes Technology – Collaboration, Security, Compliance, and Audio Conferencing
- Simplifies and streamlines access to implementation services
- Simplifies subscription management
- CDT is single reseller for this new statewide agreement
- Full credit back for current Microsoft O365 agreement investment
- Departments would still own and manage their O365 enrollment

Shifting the Enterprise Office 365 M5 subscription to a leveraged procurement through CDT will decrease the cost to the Lottery. Negotiations between CDT and Microsoft are in progress. Once those negotiations have been completed and the Governor's Office Action Request approved, the final pricing and resulting savings will be known. Subscription management will be simplified through this agreement because it eliminates the need for vendor invoices. Yearly subscription charges will be processed via a direct funds transfer between CDT and the State Controller's Office eliminating the need for Lottery staff to process and manually pay these invoices. Notification of such direct transfers will be made after the fact to the Lottery's Information Technology Services Division.

RECOMMENDATION

Lottery staff recommends that the Commission approve the amendment of the current three-year contract (PO #20129) with SoftwareONE, Inc. to remove years two and three (March 1, 2021 through February 28, 2022) for the Office 365 M5 subscription component of the contract. All other provisions will remain in effect.