

COMMISSION AGENDA ITEM  
ITEM 8(f) – ServiceNow Software Licensing and Implementation



**Date:** March 21, 2024  
**To:** California State Lottery Commission  
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Director  
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**Subject:** Item 8(f) – ServiceNow Software Licensing and Implementation

### **ISSUE**

The California State Lottery (Lottery) seeks California State Lottery Commission’s (Commission) approval to enter into a new agreement with Ahead, Inc. to renew its existing ServiceNow licensing, add additional licensing for asset management efforts, and implementation services. The total agreement amount is \$2,368,457.24 for a two-year term, beginning May 30, 2024.

### **BACKGROUND**

In 2020, Lottery successfully implemented an online service portal and service management ticketing system to support the needs of the Lottery, replacing the older service management system KBOX. The new platform ServiceNow has allowed the Lottery to automate, centralize, and integrate processes which reduce the number of staff hours currently required in the handling of Information Technology (IT) service requests and issue reporting. By re-routing service request and issue reporting cases through ServiceNow’s self-service portal, users have been able to get help from a library of knowledge articles instead of opening tickets. As more users utilized self-help resources, agent response times decreased due to advanced ticket management and tracking features in ServiceNow.

The Lottery currently has several separate ServiceNow software agreements as a result of implementing various functionality and modules including ServiceNow Human Resources (HR) Service Delivery module licensing that is set to expire May 30, 2024 (this effort is part of the HR Modernization Project), module licensing supporting Field Incident Management expiring on August 31, 2024, and IT Service Management and Strategic Portfolio Management module licensing expiring on December 15, 2024.

### **DISCUSSION**

Due to the flexibility of the platform and the robust functionality available in ServiceNow, the Lottery has made a business decision to continue its investment in the ServiceNow platform as part of a long-term strategy to increase operational efficiencies. The Lottery continues to implement additional ServiceNow functionality serving divisions across the department.

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The Lottery currently has multiple efforts underway that leverage the ServiceNow flexible platform and functionality. One example is the HR Modernization Project, designed to eliminate cumbersome manual paper processes in the Human Resources Division (HRD) such as collection of timesheets, probation reports, and annual departmental policies acknowledgements. Another is the Sales & Marketing Field Incident Management Project, allowing Lottery employees to report field incidents quickly. As the Lottery continues to leverage the ServiceNow platform and functionality available, ServiceNow implementation consulting services are also required to assist existing staff by providing knowledge transfer and training as new modules, enhancements, and functionality are implemented.

In October 2022, Lottery obtained an agreement for specialized consultant services to assist with the implementation of modules and functionality, and potentially augment permanent ITSD resources to support the ServiceNow platform. Turnover of the Lottery's only senior developer resulted in knowledge gaps and technical development disruptions requiring the use of additional ServiceNow implementation hours to continue meeting existing Lottery business needs. Although the Lottery onboarded a new senior developer, the resource is currently undergoing training and familiarization with the systems and processes. The implementation hours associated with this agreement to assist with the development, implementation, configuration, and potential customization of the Lottery's ServiceNow instances will be exhausted by June 2024 due to increased and expanding business needs to leverage the ServiceNow platform.

In 2023, the Lottery identified that having separate ServiceNow software agreements as a result of phased roll outs of additional ServiceNow functionality to meet business needs creates an administrative bottleneck. The Lottery began efforts to co-term and combine the separate agreements onto a single agreement to further streamline processes and reduce administrative overhead. Lottery is also working towards implementing asset management functionality which requires additional licensing and consulting services. Co-termining and combining these separate orders with the next scheduled software renewal, due May 30, 2024, will streamline administrative processes and facilitate better budgeting by allowing for synchronized expiration dates on a single agreement. This new agreement will combine all efforts of renewing the three existing software licensing agreements, new modules, and ServiceNow implementation services onto one single agreement. The new ServiceNow agreement will combine and renew all of Lottery's current ServiceNow agreements to encompass subscriptions to the HR Service Delivery, Field Incident Management, IT Service Management and Strategic Portfolio Management modules, add new Asset Management modules, and procure ServiceNow implementation services for the ServiceNow platform to assist internal technical staff with the ongoing implementation, development of the multiple application modules and initiatives, backlog work, and knowledge transfer and training.

Not procuring this ServiceNow licensing and implementation will result in the loss of access, service interruption, restricted data accessibility, compliance risks, workflow disruptions, lack of support and updates, poor customer service, and potential issues with customizations and integrations which can lead to system failure and outage. Without ServiceNow, Lottery would not have a platform capable of meeting the business needs and would have to fall back on

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manual processes or a patch work of ill-fitting systems to compensate. The value of this platform lies in its ability to enhance organization efficiency through streamlined processes and automation, improve customer satisfaction, expedite incident resolution, integrate with other systems for a seamless experience, reduce costs and positively impact business outcomes. This would severely hinder Lottery's ability to keep up with the growing business demands and would negatively impact the ability of the Lottery to fulfill its mission to provide supplemental funding for California's public schools and colleges.

The Lottery's formal competitive procedures do 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 by 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 utilized a leveraged procurement agreement, requesting bids from multiple contractors that participate in the Software Licensing Program (SLP) contract administered by the State of California, Department of General Services (Contract Number SLP-21-70-0151H). The low-cost offer was submitted by Ahead, Inc.

**RECOMMENDATION**

The Lottery staff recommends that the Commission approve the IT software renewal and implementation support agreement with Ahead, Inc. The agreement will be for a term of two years, with a maximum authorized agreement expenditure of \$2,368,467.24. The initial term of the agreement will begin on May 30, 2024.