




M E M O R A N D U M

Date: May 26, 2022

To: California State Lottery Commission

From: Alva V. Johnson 
Director

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Subject: 8(a) – Pollard Banknote Limited Instant Ticket Printing Contract
Extension and Increase in Expenditure Authority

ISSUE

The California State Lottery (Lottery) contracts with Pollard Banknote Limited (PBL) as a secondary vendor for instant tickets (Scratchers®) production. A contract extension and additional funds are requested to extend the contract to November 30, 2023.

BACKGROUND

The Lottery currently contracts with PBL as one of its three Scratchers printing vendors. The original contract term was December 1, 2013 through November 30, 2019 with an initial expenditure authority of \$50 million. In 2019, the California State Lottery Commission (Commission) exercised the first option to extend the contract by a term of three years to November 30, 2022, and added \$15 million to the authorized contract expenditure, bringing the maximum authorized contract expenditure to \$65 million. In 2021, the Commission approved adding \$40 million to the authorized contract expenditure based on the unexpected increase in volume during the COVID-19 pandemic, bringing the maximum authorized contract expenditure to \$105 million. Following the first option, the agreement includes the option to extend for three additional one-year terms.

DISCUSSION

As a secondary vendor, PBL is responsible for printing Scratchers for the Lottery. In addition, PBL plays an integral part in the Lottery's overall success with Scratchers sales and in turn, its contribution to education. It is a crucial and engaged business partner, providing exceptional products, as well as insights on industry trends. PBL has also been a proactive vendor in addressing the Lottery's rapidly changing needs during the challenging COVID-19 pandemic. PBL has proven to be a vital vendor that has helped the Lottery increase Scratchers sales from approximately \$3 billion in 2013, to over \$6.4 billion in 2021.

There are only three instant ticket printing vendors within the industry that can meet the Lottery's needs, volume and security requirements and the Lottery has contracts with each of them. Each of these vendors provides the comprehensive, highly specialized services required for printing Scratchers, serving lottery clients across the globe. Issuing a Request for Proposal (RFP) would not result in locating any new vendors capable of producing tickets meeting these industry specifications, and the Lottery seeks to exercise the one-year contract extension option to help ensure uninterrupted product sales and save valuable staff time and the expense associated with releasing an RFP.

As of April 2022, the PBL contract has approximately \$31 million of funding available for the remainder of the proposed contract term that ends in November 2023. To allow the Lottery to have sufficient funding, Lottery staff recommends increasing the contract expenditure authority by \$7.8 million to ensure the Lottery can continue to fulfill its mission of providing supplemental funding to California schools.

With the approval of the additional funds for the one-year extension period, the new contract expiration date would be November 30, 2023, and the maximum authorized contract expenditure amount will be \$112.8 million.

RECOMMENDATION

Lottery staff recommends that the Commission approve an increase in expenditure authority and an extension of PBL's instant ticket printing contract for one year to November 30, 2023. The proposed extension will add \$7.8 million to the contract, for a maximum authorized contract expenditure amount of \$112.8 million.