




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: Item 8(b) - Amendment of an Interagency Agreement with the
Department of Rehabilitation

ISSUE

The California State Lottery's (Lottery) interagency agreement with the Department of Rehabilitation (DOR) to conduct accessibility inspections of Lottery Retailer locations and consulting services expires on June 30, 2022, thus preventing the Lottery from complying with its inspection requirements under the Retailer Access Program (RAP).

BACKGROUND

The Lottery's RAP ensures that individuals with disabilities have access to Lottery products. All retailers must comply with the RAP as part of their Lottery retailer contract and Regulation, which require the Lottery to randomly select and conduct annual RAP compliance inspections of 5% of active Lottery Retailers.

Since 2013, the Lottery has contracted with DOR to conduct inspections of Lottery Retailers. The current interagency agreement has been in place since July 1, 2019. The interagency agreement is for three years with a one-time option to extend for three additional years. The current maximum agreement is \$1,071,000 of which \$362,000 has been expended for billings through October 2021 leaving a balance of \$709,000 for services not yet invoiced from November 2021 through June 2022.

Over the past nine years, DOR has been dependable, providing quality inspections and excellent customer service to the Lottery and Lottery Retailers. DOR is also the primary state agency with expertise on accessibility compliance, and provides the Lottery, through

the current contract, with other accessibility advice and recommendations for Lottery programs on an as needed basis.

DISCUSSION

As the contract term is set to expire on June 30, 2022, exercising the three-year option to extend services through June 30, 2025 will permit the Lottery to continue services with DOR without interruption. With the extension of contractual services, additional funding will also be necessary. To estimate the cost of extending the contract with DOR for the next three years, the Lottery considered the future growth in retailers based on past trends, estimated annual civil service general salary allowance, travel and lodging, and pre and post inspection work. The estimated projected three-year cost is \$945,000, which reflects anticipated expenses of \$299,000 in year four, \$315,000 in year five and \$331,000 in year six. The current contract amount will fall short and will require an additional \$500,000 to reimburse services through the end of the contract term.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve the final option to extend the term an additional three years through June 30, 2025 and augment contract funds by \$500,000, bringing the maximum authorized contract amount to \$1,571,000.