




M E M O R A N D U M

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**Date:** September 29, 2022  
**To:** California State Lottery Commission  
**From:** Alva V. Johnson, Director   
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Finance Division  
**Subject:** Item 8(f) – Request to Add Positions

**ISSUE**

The California State Lottery (Lottery) requests 11 new permanent positions as follows:

- Nine new positions are needed in the Information Technology Services Division (ITSD) to address resource gaps to support critical ongoing operational needs and will enable ITSD to establish a Field Support Unit to be able to proactively provide ongoing support and service to the District Offices (DO) and the Distribution Centers (DC).
- One new position is needed in the Human Resources Division (HRD) to manage enterprise-wide employee engagement initiatives and the forthcoming Mission, Vision, and Values (MVV) initiatives.
- One new position is needed in the Sales & Marketing Division to provide uninterrupted service to the Lottery's route model retailers.

**BACKGROUND**

A. ITSD

ITSD provides a wide variety of IT services for the Lottery, including, but not limited to, maintaining and operating the Lottery's mission-critical systems, applications, and

infrastructure while providing guidance and direction on architecture, security, project planning/management, and IT policy. With the business and program areas driving the Lottery's strategy, ITSD focuses on identifying, developing, and deploying technologies that will meet business needs and improve the Lottery's ability to maximize its sales and funding for public education.

During the pandemic, the demands for ITSD services increased, which impacted the Division's ability to keep up with the existing workload and resulted in a significant backlog of work. Currently, there is more workload than ITSD can fulfill; with ongoing requests for new services, enhancements, and functionality in addition to regular maintenance and operations (M&O) and a growing backlog, ITSD continues to fall behind. If technical debt grows faster than resource capacity, ITSD will always fall behind. Over the last 10 years, Lottery sales and program operations have grown aggressively. There has been a focus on new systems, functionality, and enhancements but not enough focus on M&O or backlog. As a result, ITSD's operations have remained too lean and have not grown commensurately with the growth of the programs and operations that it supports.

ITSD has been working to address the significant technical debt accrued by requesting additional resources and prioritizing modernization and necessary upgrades. In FY 2022/23, ITSD received eight new positions. Adding these new resources improved our resource capacity; however, these positions do not bridge the gap created over the past 10 years.

Additionally, ITSD is experiencing resource capacity challenges in meeting our customer's needs, particularly in remote offices. The District Offices (DOs) and the Warehouses/Distribution Centers (DCs) typically only receive service in break/fix situations; this results in delays in service to the DOs and the DCs as travel and coverage arrangements must be made to service the remote site. Usually, due to coverage issues and the time required to make the necessary travel arrangements, the remote locations may have broken or down equipment for several days, impacting operations. In the current environment, Lottery staff with DOs or the DCs as their primary reporting site must often make arrangements to come into the Lottery Headquarters to have their equipment serviced/repaired and to receive newly provisioned equipment.

## B. HRD

Major companies have long understood employee engagement's impact on the bottom line. Forbes Magazine defines employee engagement as "the emotional commitment the employee has to the organization and its goals". Engaged employees

are genuinely connected, aligned, and dedicated to the company's mission, values, and culture. Research has demonstrated that engaged employees are 17% more productive than their peers and are more likely to work diligently and expend discretionary effort in their jobs.

Strategic employee engagement efforts have been initiated by Lottery HRD, but HRD's focus has been reactive rather than proactive due to the unique challenges inherent in operating a sales and marketing business model within an antiquated civil service framework. Human resources is always demanding and fast-paced within state departments; however, the challenges within the Lottery are significantly increased since most of the Sales and Marketing Division management and staff are first-time state employees who work independently in the field and require considerable guidance and coaching to acclimate to a civil service environment.

To date, the Lottery has not had a dedicated resource to focus on this critical aspect of human capital management. Since 2019, the department has been actively working on an updated Mission, Vision, and Values program; however, on a day-to-day basis Lottery human resource issues require immediate response leaving little time to focus on proactive initiatives. HRD maintains strategic partnerships with each Lottery division and provides critical services to the organization, while ensuring compliance with employment policies, laws, rules, and accepted best practices. Lottery employees and management rely upon the critical services provided by HRD, such as compensation, benefits administration, performance management, employee wellness, disability, safety program management, employee training and development, recruitment, examination administration, management consultation services, and workforce and succession planning. Failure to properly staff these critical Lottery human resources programs would adversely impact all Lottery divisions.

This new position will support management across all Lottery divisions in the development of strategies to increase employee engagement and in the implementation and continued maintenance of the Lottery MVV initiative. This approach will enable the department to be intentional in systematically reviewing processes, procedures, and the work environment in a manner that positively impacts or influences employee engagement.

### C. Sales & Marketing Division

Route Sales Representatives (RSR) are responsible for all aspects of the service process for the Lottery's three route model stores (CVS, Rite Aid, and Smart & Final). RSRs are charged with bringing in Scratchers product, loading the Lottery vending

machines, counting the cash in the cash box, handling all inventory management, and POS placement. These retail partners are serviced solely by the Lottery's RSRs. In order to maintain uninterrupted sales, Permanent Intermittent (PI) RSR employees are used to provide back-up coverage when an RSR is unavailable.

District Sales Representatives (DSR) perform different duties than RSRs and also have bonus eligibility that prevent them from providing coverage for RSRs. Therefore, when RSR routes are left open due to vacancy, illness, or vacation, the accounts can only be serviced by RSR PIs. If no PIs are available, District Sales Supervisors service these routes.

Currently the Lottery has six RSR PIs in the state and they all work across districts. Two operate out of the Sacramento district, and one each in the Rancho Cucamonga, Chatsworth, Costa Mesa, and San Diego districts. This request is for one additional RSR PI to operate out of the Santa Fe Springs district, which currently does not have an RSR PI. Also, it is centrally located in the Greater Los Angeles area and the highest volume sales region.

## **DISCUSSION**

### A. ITSD

ITSD is committed to limiting our technical debt through the retirement of redundant or unnecessary systems, consolidating applications, addressing end-of-life and legacy hardware, software, and systems, investing in cloud technology, proactively addressing security risks and vulnerabilities, and building a foundation that is extensible, flexible, and adaptable enough to support innovative technology to meet increasing business needs. ITSD is still in the early phases of modernizing how ITSD operates to meet our Lottery customers' needs better. Additional staff is needed to address our maintenance and operation gaps so ITSD will have the ability to undertake future needs while competitively attracting talent and skills from the public and private sectors of northern California and the bay area.

All nine requested positions are required to support ITSD's efforts to transform and modernize operations, provide greater customer service, and improve internal processes. These positions will support the Lottery's mission-critical systems and operations.

- Three (3) IT Specialist II positions are required to improve internal processes in Gaming Vendor Management and Data, Information, and Analytics Services.

- Three (3) IT Specialist I positions are required to support ITSD's efforts to transform and modernize Network Engineering and Administration operations and Application Development and Support operations.
- One (1) IT Supervisor II and two (2) IT Specialist I positions are required to establish a Field Support Services function to provide ITSD the resources needed to service the Lottery's remote offices proactively.

Approval of this request will provide the ITSD with the resources necessary to meet our existing M&O work, address the growing backlog, and better position us to take on new project work to meet customer demands.

#### B. HRD

HRD requests one Staff Services Manager II (Specialist) position to manage Lottery's Employee Engagement and MVV programs. The request is for a senior position within HRD to attract a human resource professional with the requisite experience and knowledge of human resources and organizational development to guide the Lottery senior management team in this key functional area.

Approval of this request will provide HRD the additional staffing necessary to ensure the development and implementation of enterprise-wide employee engagement strategies, the MVV initiatives, and the success of these programs.

#### C. Sales & Marketing Division

Sales & Marketing requests one RSR position to provide additional coverage. This position will be a PI employee and will work on an as-needed basis up to the 1,500-hour annual limit. It will be based in the Santa Fe Springs office and will also cover territories in adjacent districts as necessary. This additional RSR PI will help ensure uninterrupted servicing of route model retailers while also allowing the District Sales Supervisors to focus on their supervisory duties.

### **RECOMMENDATION**

Lottery Staff recommends that the California State Lottery Commission approve the request for eleven positions and the associated funding of approximately \$804,000 for the remainder of Fiscal Year 2022-23 to support critical operational needs of the Lottery. The full fiscal year cost of the ten positions is approximately \$1.6 million, which will fluctuate over time based on bargaining union contracts and salary range adjustments.