

COMMISSION AGENDA ITEM

Item 8(i) – FedEx Corporate Inc. Scratchers® Ticket Delivery Services Contract



Date: January 22, 2026

To: California State Lottery Commission

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Director

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Subject: **Item 8(i) – FedEx Corporate Inc. Scratchers®
Ticket Delivery Services Contract**

ISSUE

The California State Lottery's (Lottery) contract with Unity Courier services (Unity) for Scratchers® delivery services is expiring on February 28, 2026. The Lottery currently contracts with FedEx Corporate Services, Inc (FedEx) for ancillary delivery services and is requesting approval of a new contract with FedEx to become the vendor for all Scratchers delivery services.

BACKGROUND

Scratchers sales account for approximately 75% of Lottery revenue. The Lottery distributes Scratchers products from two distribution centers to over 21,600 retailers statewide, including daily maintenance and monthly AutoShip orders of new games. The current contract with Unity for primary Scratchers delivery services will expire on February 28, 2026.

In February 2025, The Commission awarded a contract to FedEx for ancillary shipping services with a maximum expenditure authority of \$5 million.

The FedEx services contract was completed through a leveraged procurement agreement with the National Association of State Procurement Officials (NASPO), under the State of California participating addendum number 7-22-99-45-02. This procurement was exempt from formal competitive bidding under Lottery Regulations Section 8.1.2.C, which allows use of pre-qualified vendors under established agreements. The contract term is through November 27, 2026, with the option to extend contingent upon the extension of the State of California NASPO agreement.

DISCUSSION

A reliable shipping service that provides timely and accurate deliveries to retailers is essential for the Lottery to maximize sales and contributions to education. FedEx has handled all monthly AutoShip deliveries since June 2025. During this period, the Lottery and its retailers have experienced:

- Enhanced parcel tracking and improved delivery data; and

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- Significantly improved delivery performance – FedEx consistently delivers over 98% of AutoShip orders within two days, compared to only 85% of orders shipped via Unity in the same period in 2024.

Based on the Lottery's research and experience, there are very few qualified shipping vendors that can meet its Scratchers shipping and delivery requirements; therefore, it is unnecessary to expend the time and resources to conduct a new solicitation when a contract with a proven vendor is already in place.

Lottery staff has verified that FedEx has the capacity to handle the increase in volume due to the addition of daily maintenance orders. FedEx's capacity and proven service levels will enable the Lottery to deliver weekly to a majority of retailers and return to a Just-In-Time inventory model which will improve efficiency and reduce waste. Therefore, Lottery staff proposes to terminate the current FedEx agreement and roll the remaining funds into a new agreement that will encompass both Daily and AutoShip deliveries through November 27, 2026.

Lottery staff estimates approximately \$3 million of the \$5 million contract expenditure authority will be remaining through February 28, 2026, which is only enough to cover AutoShip delivery services through the end of FedEx's current contract term. Lottery staff estimates that an additional \$6.8 million will be needed to account for all Scratchers deliveries through the end of the term.

RECOMMENDATION

Lottery staff recommends the Commission approve a new contract with FedEx for all Scratchers Delivery Services and an increase of \$6.8 million in expenditure authority. The new contract will expire November 27, 2026, and will have a total expenditure authority of \$9.8 million.