

# CALIFORNIA STATE LOTTERY COMMISSION

Minutes – May 25, 2023

Sacramento, California

## **1. Call to Order**

Chairman Gregory Ahern called the meeting of the California State Lottery Commission to order at 10:01 a.m.

## **2. Pledge of Allegiance**

Chairman Ahern led the Pledge of Allegiance.

## **3. Roll Call**

Chairman Ahern introduced Dr. Alexandre Rasouli and welcomed him as the newest Commissioner for the California State Lottery. Chairman Ahern requested approval of the agenda.

Commission Members Present:

Chairman Gregory Ahern

Vice Chair Keetha Mills

Commissioner Tiffani Alvidrez

Commissioner Anthony Garrison-Engbrecht

Commissioner Alexandre Rasouli

California State Lottery staff and presenters:

Alva Johnson, Director

Fernando Aceves, Chief Counsel

Jim Hasegawa, Deputy Director of Business Planning

Nicholas Buchen, Deputy Director of Finance

Jennifer Chan, Deputy Director of Information Technology Services

Elisa Topete, Assistant to the Commission

Rebecca Estrella, Recording Secretary

## **4. Consider Approval of the Agenda**

Chairman Ahern asked if any of the Commissioners wanted to make any changes to the May 25, 2023, proposed agenda. Commissioner Mills made the motion to approve the agenda and was seconded by Commissioner Garrison-Engbrecht. The agenda passed unanimously.

## **5. Approval of the Minutes**

Chairman Ahern asked if there were any additions or corrections to the March 30, 2023, minutes. Commissioner Rasouli made the motion to approve the minutes of the March 30, 2023, Commission Meeting and was seconded by Commissioner Alvidrez. The minutes passed unanimously.

## **6. Informational Items**

### a. Director's Comments

Director Alva Johnson stated that sales are now over \$8 billion and are on pace to be yet another record setting year for both sales and contributions to education. Scratchers<sup>®</sup> sales are currently over \$5.6 billion. The multi-state games of Powerball<sup>®</sup> and Mega Millions<sup>®</sup>, have sales now exceeding \$1.4 billion. Total sales for SuperLotto Plus<sup>®</sup> are well above goal and last year's sales. The Daily Games and Hot Spot<sup>®</sup> each have sales over \$300 million so far this year. Through April, expected funds for education are significantly exceeding goal by 28% and total contributions are estimated at over \$1.8 billion, which is also ahead of last year's estimates through this time by \$150 million.

Director Johnson highlighted some of the work of the Lottery's Public Affairs and Communications team with their efforts to share and amplify positive Lottery stories in line with the strategic business objective to continue improving knowledge and perceptions about the Lottery. He shared a short video that highlighted the Lottery's mission which was shared with newsrooms and social media audiences.

Commissioner Mills thanked Director Johnson for sharing the inspiring stories that show the Lottery is achieving its goal in helping students across the state.

### b. Draft Fiscal Year 2023-24 Business Plan

Jim Hasegawa, Deputy Director of Business Planning, reviewed Fiscal Year (FY) 2022-23 Lottery Sales and Key Programs. The current fiscal year will see record sales and contributions to education. The last three fiscal years have seen sales totals that far exceed pre-pandemic levels and Scratchers saw growth in FY 21 and FY 22; but large jackpots in Mega Millions and Powerball fueled this year's sales gains. Scratchers sales declined as consumers returned to other forms of entertainment; however, sales are well above pre-pandemic levels. Hot Spot sales growth continued in FY 2022-23; however, sales of the Daily Games were slightly down.

Playership grew significantly this year, and the overall perception of the Lottery has improved over the past few years. The jackpot games provided a higher share of education contribution than their share of sales. Mr. Hasegawa showed a graph of statewide lotteries and stated that California has a lower share of sales coming from Draw Games than most other states. In the Scratchers category, the repositioning effort helped grow playership to help keep the product top of mind with consumers. He stated that the Lottery met its goal to have all eligible Walmart Supercenters begin selling before the holiday period. There are currently 183 locations, with sales doing well and ahead of expectations.

Mr. Hasegawa provided information on the new GT-28 Self-Service Machines and the expansion of the program that allows the Lottery district offices to pay claims of up to \$1,000. He also provided some insights on how to help shape the Lottery's future. The strategic objectives for FY 2023-24 included expanding the opportunities for casual Lottery players by removing barriers to play; growing Draw Game sales particularly in Jackpot Games and Hot Spot; exploring new ways to expand; and utilizing the Lottery's strong retail network to continue to improve knowledge and perceptions about the Lottery. The next steps are to determine which of the various tactics proposed for next year and beyond will be included in the FY 2023-24 Business Plan to achieve these objectives which will be based on budget dollars and availability of staff resources to execute the initiative.

Chairman Ahern asked if there were any studies done on whether customers preferred purchasing tickets from a retailer who hands them tickets or buying them from a vending machine. Mr. Hasegawa stated that it is more of a personal preference as some individuals prefer to have the interaction with a live person. Others would like to take some time to figure out what game they would like to buy and if they buy from a machine, they are not taking up someone's time.

Commissioner Alvidrez stated that she wanted the Lottery to be mindful of public perception when the Lottery wants to increase visibility and the presence of Lottery merchandise at retailers as it may feel like over saturation of these gaming entities in certain communities. Mr. Hasegawa said the increased visibility and presence would be geared to existing chain locations as there are many people who did not realize that the Lottery sold in supermarkets. The retailers want to increase their own sales because they get a commission for selling Lottery products, so they are looking for opportunities to increase their sales. Staff is mindful of the issues that Commissioner Alvidrez is referring to.

Commissioner Mills asked what the objectives were last year, what was the Lottery's performance on those objectives, and which are being carried forward. She also asked if there was a reason for changing course. She inquired if there is a way to gauge the objectives' success. Mr. Hasegawa stated that once staff knows the tactics, there can be some measurements. The measurements are against the objective, not necessarily against each tactic because you cannot determine the impact of one element, as multiple factors are impacting the same objectives. However, staff will eventually have specific data against the overall objective

Commissioner Mills asked why California had a lower percentage of sales coming from draw games than some other states. Mr. Hasegawa stated that the top two states do not sell Scratcher tickets, which is why their percentage of draw games were 100%. For the other states, most of the eastern and northeastern states have very strong daily games products.

c. Draft Fiscal Year 2023-24 Budget

Nicholas Buchen, Deputy Director of Finance, provided an overview of the draft Fiscal Year 2023-24 budget. Mr. Buchen presented information on sales figures and prize expenses for the Scratchers, Multi-State Games, SuperLotto Plus, Hot Spot and the Daily Games. He covered the administrative expenses that included retailer compensation, gaming and operating costs. For the contribution to education, figures were shown for unclaimed prizes and interest income. Mr. Buchen shared a budget-to-budget comparison that included the FY 2022-23 approved budget and the FY 2023-24 draft budget. Lastly, he shared the breakout of Lottery sales revenue that included prizes, allocation of sales to education, retailer compensation and gaming costs, and other administrative expenses.

Commissioner Mills asked if there was an independent study done on the optimal prize payout. Mr. Buchen stated that there was a study conducted that was completed in late 2020. The study determined that the optimal prize payout range is between 65 percent and 67 percent of the total sales. The draft budget shows 66.9 percent of the total sales which is right within that optimal range.

Commissioner Mills asked if the budget number under personnel services includes zero vacancies. Mr. Buchen stated that, for the coming fiscal year, staff has budgeted 14 percent. Unfortunately, the vacancy problem is not specific to the Lottery as statewide data is showing the vacancy rate is running high and the Lottery is actually beating the statewide rate. Staff would never budget with zero percent vacancy because there will always be promotions, retirements, turnover and immediate hires.

Commissioner Alvidrez praised the last statement in the presentation that stated that about 95 cents of every dollar goes back into public education, which is a significant percentage. Mr. Buchen pointed out this particular statement is included in all of the Lottery's printed items in fine print at the bottom.

## **7. Consent Calendar**

### **8. Action Items**

a. 2023-2024 Microsoft Unified Enterprise Performance Level Support Agreement

Jennifer Chan, Deputy Director of Information Technology Services Division requested Commission approval to renew the Microsoft Unified Enterprise Performance Level Support Agreement for a period of 12 months. In fiscal year 2022-23, several critical Lottery technology initiatives required specialized and dedicated support from a team of expert level Microsoft Designated Support Engineers as part of, and in addition to, what is covered under the Microsoft Unified Enterprise Performance Level Support Agreement.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 8(a). No one came forward, so he proceeded to the motion.

Commissioner Rasouli made the motion to approve Action Item 8(a) and it was seconded by Commissioner Alvidrez. The motion passed unanimously.

b. Lottery's Public Website Contract

Jennifer Chan, Deputy Director of Information Technology Services Division, requested Commission approval to exercise one of the remaining two one-year extension options with an additional expenditure authority with ICF Resources LLC to continue the contract without interruption. The Lottery uses contracted services to manage the Lottery's public website (PWS) platform and cloud-based infrastructure. The PWS must be available 24 hours a day, 7 days a week, 365 days a year to support operations which is not achievable by managing, maintaining, operating, and support a website in-house with Lottery staff.

Commissioner Mills asked what prompted staff to start a Request for Proposal (RFP) process knowing that we had extensions available and what were the challenges with the RFP process. Ms. Chan explained that staff had anticipated doing a new solicitation, knowing that the existing contract would expire. With the optional extensions that were available, staff wanted to use the optimal sufficient timeframe to work on the RFP. A competitive solicitation was reissued due to some corrections that had to be made and staff expects to have some responsive bids submitted this time around. Ms. Mills asked if there were any challenges with the current provider and Ms. Chan stated that staff has worked through the challenges with the vendor.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 8(b). No one came forward, so he proceeded to the motion.

Commissioner Mills made the motion to approve Action Item 8(b) and was seconded by Commissioner Garrison-Engbrecht. The motion passed unanimously.

**9. Commissioner General Discussion**

Chairman Ahern asked if the Commissioners had anything they would like to discuss. Mr. Ahern stated that at the June Commission meeting, the Commission will elect its Chairperson and to submit any nominations to him.

**10. Scheduling Next Meetings**

The next Commission Meeting is tentatively scheduled for June 29, 2023.

**11. Public Discussion**

For Public Discussion, Chairman Ahern sought public comments or questions.

Mr. Terry Thomason of MPC Advanced Technology spoke of his patent on Braille being used on Lottery tickets.

**12. Adjournment**

Meeting adjourned at 11:41 a.m.