



# **Strategic Plan**

Agenda Item 9e  
California State Lottery Commission  
June 16, 2026

# Agenda for Today's Presentation

- Strategic Plan provides direction on long-term objectives and business strategies for the next 3 – 5 years
  - In contrast, the Annual Business Plan includes specific strategies and tactics for the upcoming fiscal year
- Each of the 5 Strategic Objectives will have a section
  - Rationale on why it is strategically important for the Lottery's success
  - Examples of tactics in FY 2026-27 Plan to help achieve this objective
- Before the Strategic Objectives, a few slides on some general trends to highlight the context when developing the plan



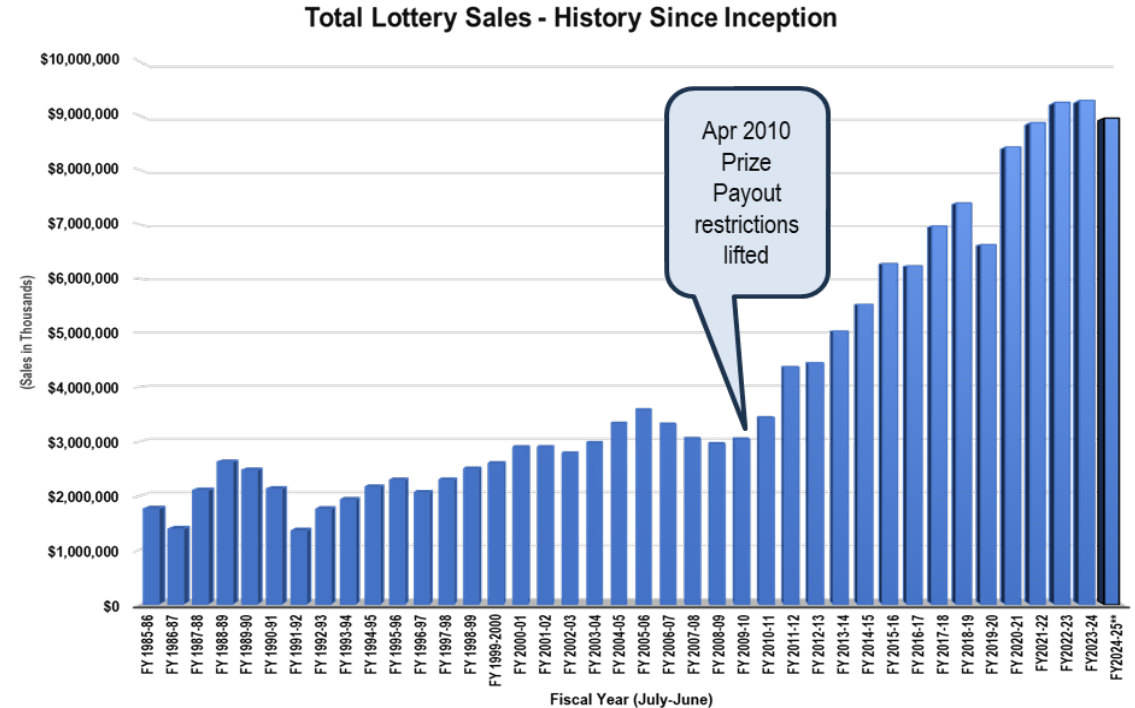
# Development of the Strategic Plan

- Within Business Planning, it began a little over a year ago
- Work with the Directorate and Deputy Directors started during summer 2025 – sharing data and insights from business review and external trends
- By late fall 2025, preliminary objectives and key issues were developed and discussed among the Executive Management Team
- In late February/early March, individual briefings with Commissioners to provide a progress report on strategic objectives
- The draft plan was presented as an informational item at the May 21<sup>st</sup> Commission meeting.



# History of Lottery Sales: After years of large growth, sales have been flat in recent years

- CA experienced tremendous growth from 2010 through 2021 mainly from Scratchers due to prize payout relief from AB 142
- Since then, sales fairly flat
- FY 2015-16 Industry Comparisons:
  - Scratchers: \$4.35B – PC rank 21
  - Draw Games: \$1.92B – PC rank 26
- FY 2024-25 Industry:
  - Scratchers: \$6.91B – PC rank 18
  - Draw Games: \$2.04B – PC rank 26



Source: All Industry Sales data is from LaFleur's Magazines - Traditional Sales excluding VLT's

Note: CA Lottery sales provided to LaFleur's were very preliminary, unaudited figures for FY 2024-25



# Stronger Competitive Threats in the Gaming and Entertainment Space

NEW DRAFTKINGS CUSTOMERS


## GET 3 TICKETS TO PLAY FREE

Take your shot at a share of MILLIONS in prizes!

Min. \$5 deposit

**SIGN UP**

[View Terms](#)



Player Prop Betting:  
Draft Kings  
Promo Offer

1:48 5G

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#### Players to Score 50+ Points in a Playoff Game

Victor Wembanyama	13.4x	8%
Jalen Brunson	11.7x	6%

\$146,985 vol 24 markets

#### Number of Series that go to a Game 7

Yes	2.46x	37%
No	1.55x	63%

\$114,569 vol 8 markets

#### Players to Record a Triple-Double in the Playoffs

Stephon Castle	15.6x	7%
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#### BASKETBALL

### Game 4 Attendance: New York vs. San Antonio

Market	Pay out	Odds
Jay-Z	1.00x	61%
Tina Fey	1.00x	50%

\$57,818 vol Spread and Total: 20 markets

News: The Knicks host the Spurs for Game 4 of

Prediction Markets  
"Trading"  
examples

1:49 5G

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#### ENTERTAINMENT - PEOPLE

### Who will be a Bridesmaid for the wedding of Travis Kelce and Taylor Swift?

Kyle Kelce	62%
Elsa Kern	50%
Digi Haddi	49%



\$150,007 vol 10 100 110 ALL

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# Economic Factors Continue to Cloud

- For the past few years, a survey of CA adults undertaken
  - Participation in various leisure activities; their perceptions of the economy and how it impacts their spending
  - 2026 survey conducted in Feb before recent rise in gas prices
- CA adults are still feeling the impact of rising costs
  - 63% feeling that essentials are consuming a greater share of their income; but this percentage is down from 71% in 2024.
- Poor outlook on future economic conditions
  - Only 27% believed “the worst of inflation is behind us”
  - Just 35% of working Californians feel confident about the future with their current employer



# Financial Objective for Next Strategic Plan

- Surpass Florida Lottery in sales and beneficiary contributions
  - FY 2024-25: CA - \$1.93 billion to education on \$8.93 billion in sales
  - FY 2024-25: FL - \$2.16 billion to its beneficiary on \$9.13 billion in sales
  - Both states saw declines in FY 25 due to fewer big jackpots
- CA would become #1 in sales and #2 in contributions among U. S. lotteries
  - New York is #1 in total contributions (\$3.58 billion) due to VLT's



# Five Strategic Objectives

- Reduce reliance on big jackpots to meet financial goals by growing Draw Game sales outside of \$1 billion+ jackpots
- Continue eliminating barriers to play among infrequent Scratchers players
- Expand efforts against Core Scratchers players to battle growing competition for the entertainment and gaming dollar
- Elevate the customer experience for players, retailers, and internal customers
- Transform and modernize Lottery programs and processes to reduce costs and/or allow staff more time for revenue generating initiatives



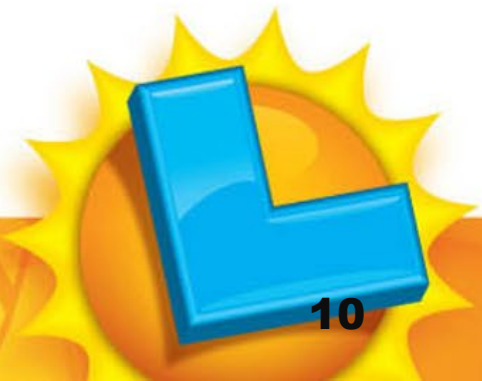
## **Objective:**

*Reduce reliance on big jackpots to meet financial goals by growing Draw Game sales outside of \$1 billion+ jackpots*



# Origins of Objective and Recent Draw Game Projects

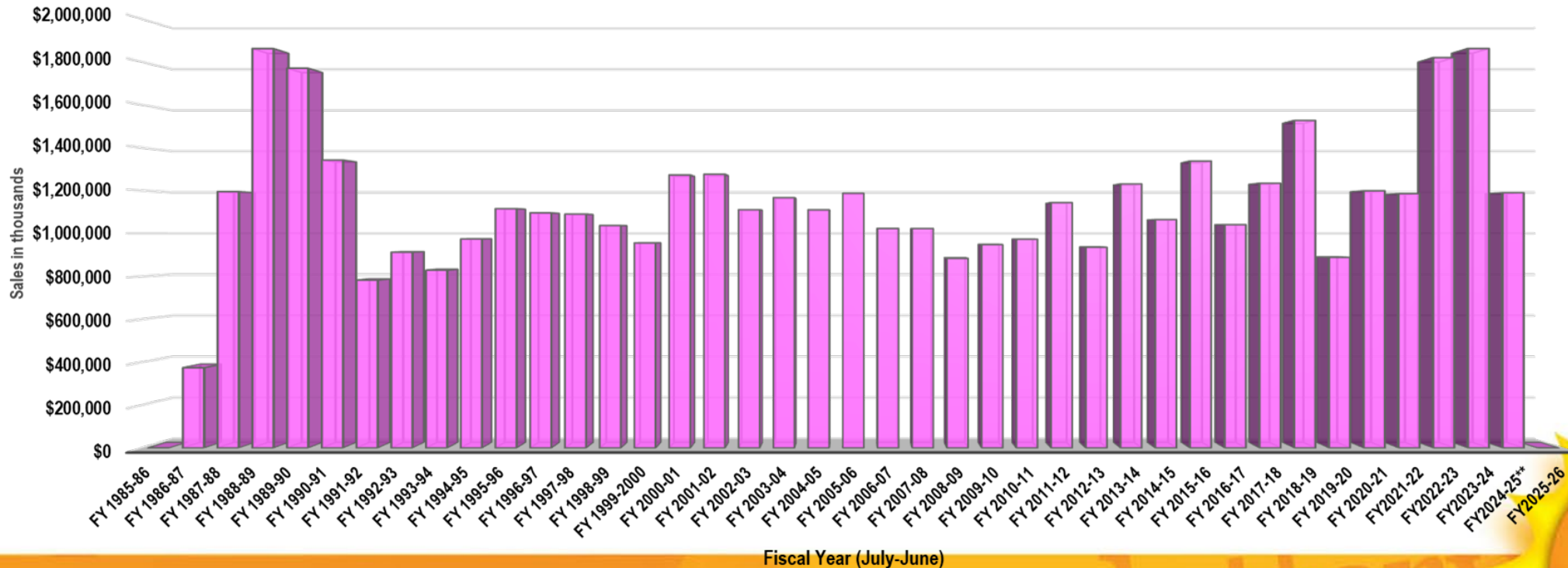
- The 2023 Strategic Plan had a Draw Games objective centered on just Jackpot Games and Hot Spot
- Hot Spot prize structure modifications were implemented leading to a 2026 promotion boosting Bullseye prizes by 50%
  - During the initial 6-week promotion, Hot Spot sales soared to record highs – peaking at \$11.04 million for the week
- Mega Millions game enhancements implemented in April 2025
  - Sales increased for jackpots under \$400 million
  - Average purchase amount has gone up



# Recent years have seen big swings in Jackpot Game Sales

In FY 2024-25, combined sales from Mega Millions, Powerball, and SLP declined by more than \$670 million compared to sales in the prior fiscal year

Jackpot Game Sales (All Combined)



Fiscal Year (July-June)

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# Insights on Draw Game Players and Spending

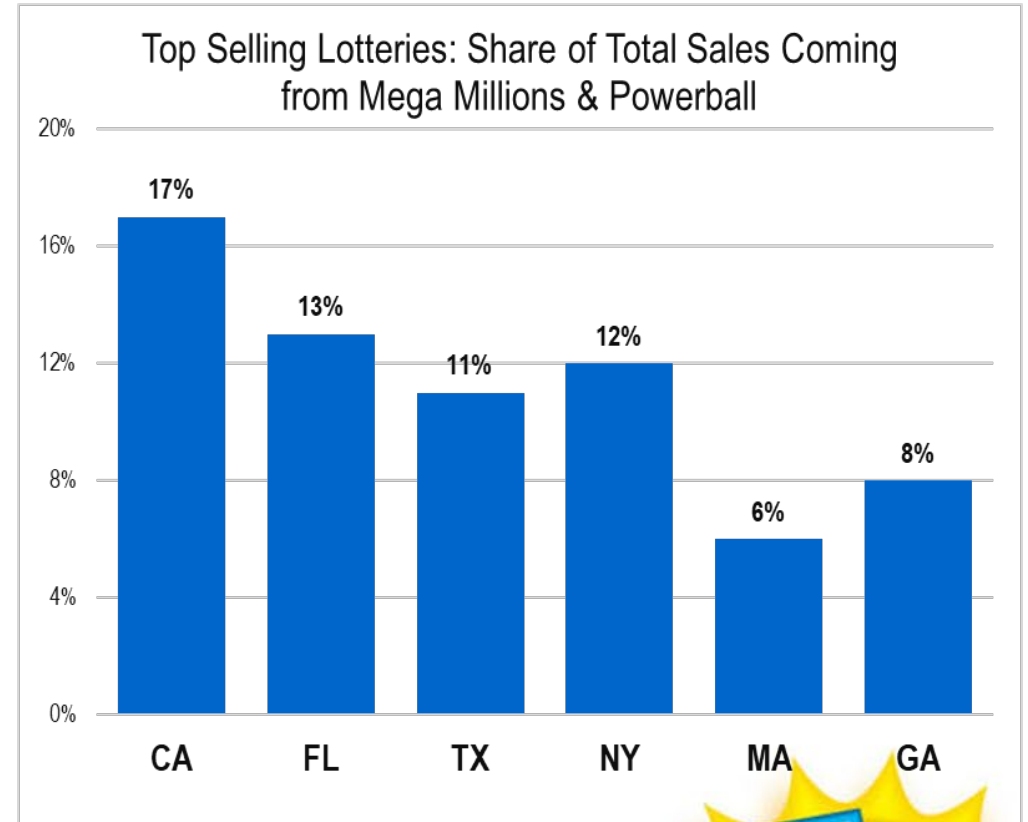
- CA player spending much lower for Draw Games than Scratchers
  - All (except Hot Spot) below \$1/wk
  - Playing infrequently and/or spending little when playing
  - There are more Casual Jackpot game players in CA than Core
- Other top selling U. S. lotteries have comparable playership rates for Jackpot Games as in CA (except NY has a higher rate)
  - However, other top lotteries typically have a greater share of players being Core Jackpot Game players than found in CA
  - This results in CA seeing sales increase more dramatically than in other states when the MM and Powerball jackpots get over \$1 billion
  - Need to get more consistent play from CA Jackpot Game players



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# CA relies on sales from Multi-State Jackpot Games more than other top selling states

- Mega Millions and Powerball combined comprised 17% of total CA Lottery sales in FY 2023-24
- Other top lottery states had between 6% and 13% of their sales from these two games



## **Objective:**

*Continue eliminating barriers to play among infrequent Scratchers players*



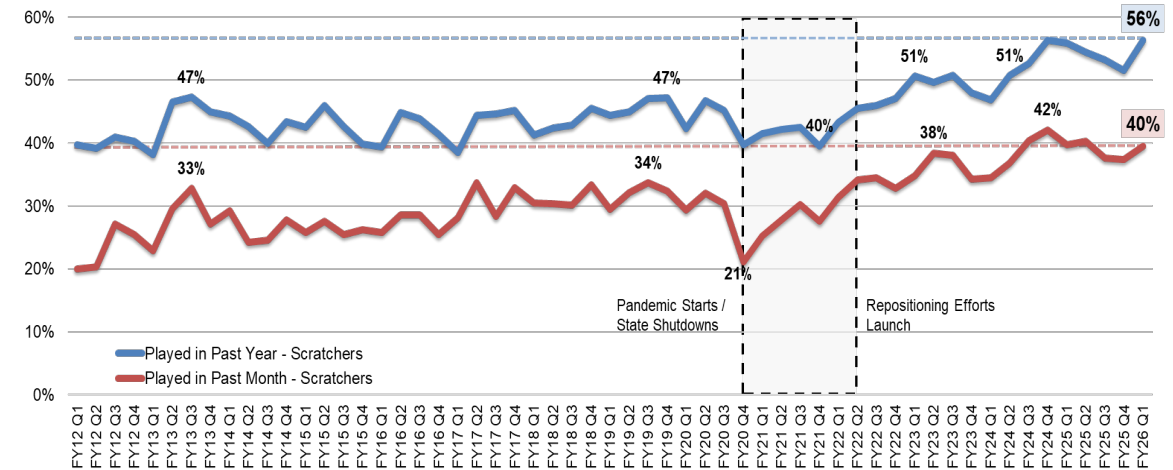
# Strategic Objective since 2020

- This objective has been part of the past two Strategic Plans
- First efforts tackled perceptual barriers
  - Repositioning Scratchers from a transactional prize-driven product to a fun, casual entertainment experience began
  - An “Education Campaign” to show Californians Lottery funds to public education in action
- These efforts have been successful



# Positive changes against perceptual barriers

- The Scratchers Category Repositioning Effort has bolstered perceptions of the product’s fun and entertainment value and increased both past year and past month playership



- The Education Campaign has increased awareness that education is the beneficiary of lottery funds
  - 38% of CA adults “know and correctly identify the beneficiary” versus 25% pre-campaign



# Other Barriers still need to be tackled: #1 is the need to have cash on hand

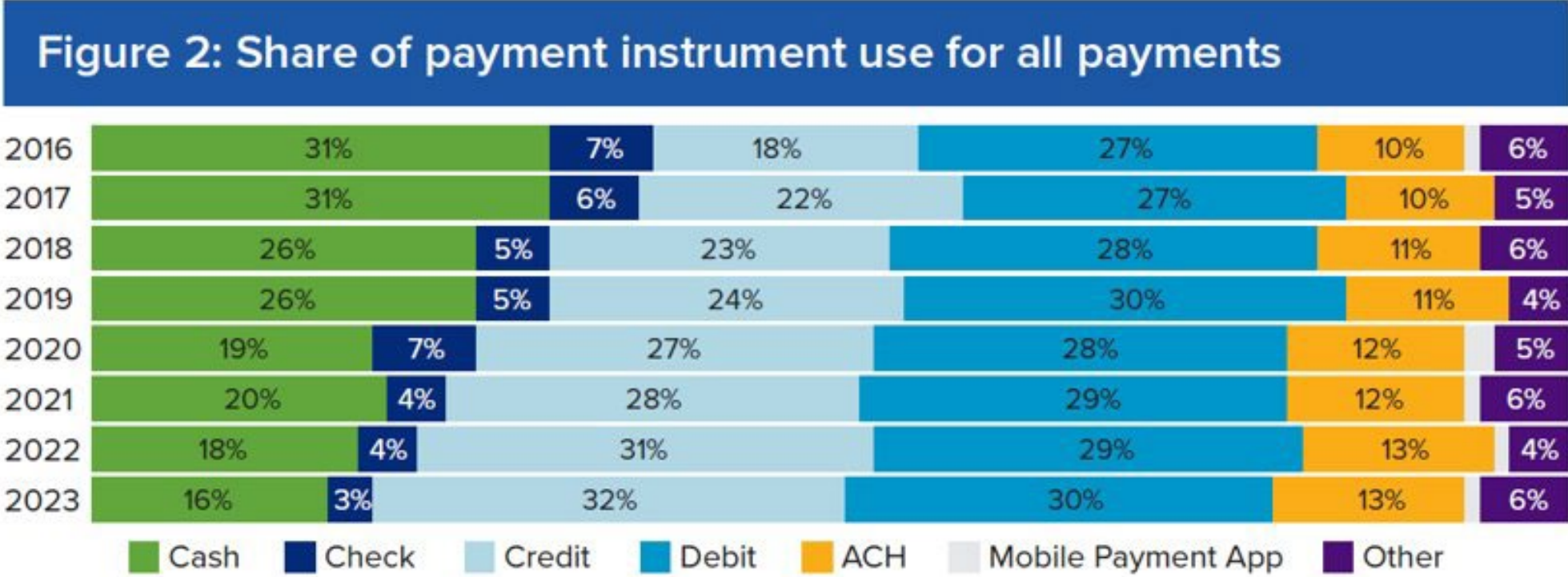


Chart: The Federal Reserve Financial Services  
2024 Findings from the Diary of Consumer Payment Choice



# Barrier still to be tackled: Helping Casual players select a ticket

- The typical retailer displays between two and three dozen Scratchers games at any time
- Infrequent players or former Scratchers players get overwhelmed
- They feel it's too hard to make a quick decision and are concerned about slowing down the line of customers
- So, these consumers tend to opt out of buying any tickets

Pictures that respondents in focus groups chose to depict how they feel about selecting a Scratchers ticket



## **Objective:**

*Expand efforts against Core Scratchers players to battle growing competition for the entertainment and gaming dollar*



# Need a new objective that can boost sales in short-term

- Competition for the gaming and entertainment dollar is fierce
- Mitigating the remaining barriers to Scratchers play could take a few years
- Draw Game alternatives may also take significant time
- Therefore, there is a need for efforts that could boost lottery sales more immediately



# Scratchers Player spending has softened in recent years; However, it is still higher than pre-pandemic levels

- Scratchers players decreased their estimated spending in FY 2024-25 compared to the prior year
  - Average Core Scratchers player spending declined by 5%
  - For Casual Scratchers players, the decline was between 25-30%
- Some of the decline could be attributed to growth in playership
- However, other sources such as inflation, consumer concerns about the economy, and increased competition are likely sources for the drop in spending

# FY 2024-25 Scratchers per capita sales among top sellers

	California	Florida	Texas	New York	Mass	Georgia
SCR Sales Rank	#1	#2	#3	#4	#5	#6
Annual Per Capita	<b>\$175</b>	<b>\$292</b>	<b>\$206</b>	<b>\$218</b>	<b>\$554</b>	<b>\$302</b>
PC Rank	#18	#3	#12	#9	#1	#2

- In FY 2024-25, CA was the top seller for Scratchers in the U. S. with \$6.9 billion in sales – narrowly in front of Florida by \$73 million.
- However, CA population is much bigger
- FL has a much higher per capita sales figure as do most of the top selling states



# Source of higher per capita sales in other states

- Higher per capita sales can be from having a higher percentage of adults playing Scratchers, higher per player spending on Scratchers, or a combination of both.
- Analyzing data from a study conducted across many states found our lower per capita Scratchers sales stem from lower player spending compared to what players spend on Scratchers in other states
  - Our rate of past year Scratchers play was higher in TX and comparable to the rates in the other Top 10 selling U. S. lotteries
- Of the top 10 states, only CA and NY do not offer a \$50 ticket

## **Objective:**

*Elevate the customer experience  
for players, retailers, and internal customers*



# Prior Plans with Customer Experience (CX) Elements

- One of the key themes in the 2016 Strategic Plan included a strong CX component with the annual business plans from FY 2017-18 through FY 2019-2020 including this as an objective
  - During these years, many initiatives were launched improving the experience for players, retailers, and internal customers
- A year ago, a CX objective was added to the FY 2025-26 Business Plan
  - Several of the projects under the retail objective and the Draw Game objective in prior plans are to provide a better customer experience

# Prioritizing the Customer Experience (CX) is proven to lead to growth due to increased retention and loyalty

- CX is the entire customer journey a person has with a business: “Every interaction” with the brand
- Customer Service is just one moment within the entire experience
- Companies that lead in CX **grow revenue 80% faster**<sup>1</sup> than their competitors.
- Why? Because great experiences turn first-time buyers into loyal customers, loyal customers into advocates, and advocates into your lowest-cost marketing channel

When companies improve brand reputation and CX together there is a compounding effect: up to a **3.5x** higher revenue impact.

*-Forrester 2025*



# Lottery Customers: Players, Retailers, and Employees

- According to the American Customer Satisfaction Index (ACSI), the U.S. average satisfaction is 76%.
- On average, **68% of Lottery players** are satisfied with the various Lottery touchpoints they've interact with
- Last year, **75% of retailers** are at least 'fairly satisfied' with their overall Lottery relationship
- Average scores for **employee engagement improved by 4%** between 2023 and 2020 – biggest improvement since 2011.



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## **Objective:**

*Transform and modernize Lottery programs and processes to reduce costs and/or allow staff more time for revenue generating initiatives*



# Recent years saw costs grow at higher rates than sales

- Sales have been relatively flat
  - Example: sales grew 5% between FY 2023-24 and FY 2021-22
- Operating Costs grew by 18% over same period
  - Includes administrative expenses excluding game costs and retailer comp
- Consequence of budget constraints is reduction in marketing; impacting Lottery sales
  - Could eventually lead to downward spiral
- To maximize contributions to education, the Lottery must look not only at ways to boost sales but also options to minimize expenditures

# What this strategic objective is and is not about

- It is about reviewing and then modifying some programs and processes when this change would bring a desirable benefit such as lowering costs or reducing staff time so that they can focus on more revenue generating projects
  - Some programs and processes were created or last modified when sales were significantly smaller
- Modernizing is not about moving to online wagering; this is still not permissible legally.



# Questions

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