

## COMMISSION AGENDA ITEM

### Item 9(f) – Fiscal Year 2026-27 Business Plan



**Date:** June 16, 2026  
**To:** California State Lottery Commission  
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Business Planning & Research  
**Subject:** **Item 9(f) – Fiscal Year 2026-27 Business Plan**

### **ISSUE**

Each fiscal year, the Lottery develops a Business Plan (Plan) that encompasses the objectives, strategies, and tactics for the upcoming year that are aligned with our strategic direction and needed to support the sales goals in the fiscal year budget.

### **BACKGROUND**

The Lottery's long-term strategic directions going forth for approval by the California State Lottery Commission (Commission) are:

- 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

The Fiscal Year (FY) 2026-27 Annual Business Objectives will align to the Strategic Objectives to focus the Lottery in fulfilling our mission of maximizing supplemental funding for our beneficiary, California public education.

### **DISCUSSION**

The proposed tactics and programs that will be executed during the upcoming year are outlined in the FY 2026-27 Business Plan. Through these efforts, the Lottery will be able to achieve both its strategic objectives as well as the specific financial goals for the upcoming fiscal year.

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

While the current game designs of Mega Millions and Powerball can produce jackpots of \$1 billion or more, there can be wide variability in the number of these large jackpots occurring in a given fiscal year. This can result in wide swings in sales of these games from year to year. On top of that, the CA Lottery has a larger share of its sales coming from this multi-state jackpot games than most other U. S. lotteries.

This objective focuses on reducing reliance on these unpredictable \$1 billion jackpots by growing sales with more consistent play at lower jackpot levels in the multi-state games and increasing play in other Draw Games like SuperLotto Plus and Daily Games.

To boost sales and playership among California games, initiatives being undertaken in FY 2026-27 include adding a third draw day for SuperLotto Plus, implementing a pilot to sell jackpot games within the checkout lanes at grocery/supermarket stores, and exploring enhancements to Daily Games. Additionally, advertising efforts such as continuing to promote low to mid-range jackpot amounts and adding additional permanent out-of-home billboards displaying jackpot amounts will help boost awareness and encourage more consistent play at all jackpot levels.

#### Continue eliminating barriers to play among infrequent Scratchers players

Past research has guided the Lottery to understand why Californian's don't play Scratchers or just play infrequently. In the previous Strategic Plan and Business Plans, the Lottery has focused on tackling the identified barriers with various initiatives. These efforts involve changing the perceptions of Scratchers games, getting more Californians to know where Lottery proceeds go, and making it easier to choose and purchase a ticket. Efforts to eliminate barriers to play will continue to be a priority for the Lottery during this and future fiscal years.

For FY 2026-27, the successful Scratchers Category Repositioning Efforts will continue. This comprehensive program involves not just advertising but includes diversifying the product mix offered at retail and communicating the fun and play value of Scratchers games across all touchpoints.

Several pilots are also planned for this fiscal year. One for new digital signage at retail to attract more attention from the lighter player, improving awareness, consideration, and purchase. The other pilot is adding the acceptance of debit card payments at Lottery self-service machines; significantly addressing a key barrier to play for casual players – not having cash on hand.

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

With the two prior strategic objectives likely needing some time before realizing significant sales gains, an objective that could achieve more immediate impact is needed. Last fiscal year, the Lottery's most loyal Scratchers players decreased their spending compared to the prior year. Expanding the Lottery's effort against this important player segment is warranted given increased competition and the economic concerns of many consumers.

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To support this objective the FY 2026-27 Scratchers Product Plan will include one additional \$30 and \$40 game each. Along with these games, there will be an increase in the number of games launched at other price points with themes that have proven to appeal to Core players. Additionally, as it has shown success in other jurisdictions, analysis and planning for a potential \$50 ticket will be conducted in anticipation of a launch in a future fiscal year.

Further infrastructure improvements will be expanded for the 2<sup>nd</sup> Chance Program including new types of bonus draws for deeper engagement and excitement among our loyal players.

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

After the success of past customer experience efforts at the Lottery, it is time to develop and launch a new generation of customer focused initiatives. Improving the customer experience will focus not only on consumers but also Lottery retailers, and internal customers in other Lottery divisions.

For players, some efforts mentioned in other objectives will also improve customer experience pain points, such as the pilot to accept cashless payments at vending machines. Another vending machine pilot will allow players to use the full value of their lottery winnings on a game to purchase new tickets. This feature is operational in many other states, with proven benefits to the player experience. Several improvements to the prize submission and payments process are also slated, such as piloting electronic claims submission and payments, and increasing the prize payment threshold at district offices.

Specific to retailers, the Lottery is continually working on equipment upgrades and retailer communications and will undertake an effort to enable the electronic submission of new retailer applications.

For internal customers, or Lottery employees, there are several data system enhancements planned to improve data analysis and reporting; ensuring staff have the best and most timely information available. Facility improvements are also planned to further benefit staff wellness and safety. And continued focus on the Lottery's Mission, Vision, and Values program and enhancing internal communications are set to further improve employee engagement.

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

In recent years, operational costs have been increasing at a faster rate than Lottery sales. In order to maximize our contributions to education, the Lottery needs to look not only at ways to boost sales but also opportunities to minimize expenditures. Many programs and processes were developed when Lottery sales were lower, thus transforming these could reduce costs or give staff more time to dedicate to revenue producing projects.

A cross-divisional committee has been created that will review and assess various programs and processes from across the organization that may benefit from modernization. This committee will create a framework and roadmap for the initiatives that will provide the most value to the Lottery

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if they are reworked, modernized, or improved over the next several years – resulting in greater cost and time efficiencies.

Additional efforts for FY 2026-27 supporting this objective include the Digital Retailer Application Form, and analysis for a new public website content management system that would move the Lottery's infrastructure to a more cost-effective system.

### **RECOMMENDATION**

Staff recommend that the Commission approve the Lottery's FY 2026-27 Business Plan.