STATE OF CALIFORNIA

TRANSCRIPT OF PROCEEDINGS

CALIFORNIA STATE LOTTERY COMMISSION

COMMISSION MEETING

TIME: **10:01 a.m.**

DATE: **Thursday, March 27, 2025**

PLACE: **California State Lottery Headquarters**
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Sacramento, California 95811

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A P P E A R A N C E S

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Thursday, March 27, 2025

Sacramento, California

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CHAIR GARRISON-ENGBRECHT: Meeting of the California Lottery Commission is now called to order. Please rise and join me in the Pledge of Allegiance.

(*The Pledge of Allegiance was recited.*)

CHAIR GARRISON-ENGBRECHT: Thank you. Before we continue on to Agenda Item 3, please note that we are implementing a new comment card system for anyone that would like to comment on agenda items or make a public comment at the end of the meeting regarding issues within the commission's purview. Please have your comment card completed before we get to agenda items. You can drop off your card in the basket located at the Commission Assistant Farida's table. Comment cards are located at the table in the back of the room near the entrance. Item 3 is the roll call of commissioners. Will the secretary please call the roll?

MS. SARWARI: Yes. Commissioner Mills?

COMMISSIONER MILLS: Present.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Commissioner Rasouli? Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Present.

MS. SARWARI: Thank you.

CHAIR GARRISON-ENGBRECHT: Thank you. The commissioners have reviewed the agenda. Do I hear a motion to adopt the agenda?

COMMISSIONER MILLS: I'll move to approve.

CHAIR GARRISON-ENGBRECHT: A second?

COMMISSIONER ALVIDREZ: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes. The next item on the agenda is Item 5, Approval of the Minutes. Are there any corrections to the minutes? Do I hear a motion to approve the minutes of the January 3, 2025 Commission Meeting?

COMMISSIONER ALVIDREZ: Motion to approve.

CHAIR GARRISON-ENGBRECHT: The second?

COMMISSIONER MILLS: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes. The next item on the agenda is the informational item, and I'll invite Director Harj to do the first report.

DIRECTOR CHIMA: All right. Good morning, commissioners.

CHAIR GARRISON-ENGBRECHT: Good morning.

DIRECTOR CHIMA: I'm very pleased to report that for the 25th year in a row, we will be providing California public schools, community colleges, and universities with over $1 billion dollars in supplemental funding. As of the end of February, our estimated dollars to education are over $1.28 billion, coming in just $11 million behind our goal at this point in the fiscal year. If you recall, our goal for the full year is to provide $2.08 billion dollars to education. If successful, it will be our fourth year providing over $2 billion dollars to public education.

On the sales side, through mid-March, we are sitting at more than $6.2 billion, also pacing just slightly below our goal. This is largely from lower-than-anticipated sales from our Powerball. As you might have noticed, it is slowly trending up now, and we hope that trend continues.

Previously this year, it's only had a top jackpot of $478 million. It's currently rolling, so, hopefully, this will pick up steam and be the extra boost that we need to get their sales back on track and meet our goal by the end of June.

Mega Millions and the Daily Games category are all exceeding their sales at this point in the fiscal year, and Scratchers are not only doing better than goal, but they're surpassing our -- where they were at this point last year by about 3 percent. And that's partly in thanks to a larger than anticipated holiday season, and we've had several new games that have been very successful, including our 40th anniversary scratchers. And while Hot Spot is a tad under goal, it's still bringing in greater sales than it was at this point in the last fiscal year.

I'd like to next take a look at the industry comparison for Quarter 2's total sales. And we recently received sales data for all U.S. lotteries in the second quarter of the fiscal year from LaFleur's Magazine. In this slide, you can see that total sales for each lottery is displayed, and in the second quarter, Florida was once again the top lottery, however, we've made some progress. They came in at $2.33 billion, and we are just $11 million behind them right now. So, we're a very close second. And Texas is in third place, with over $2.1 billion in sales, and that's

followed out by New York, Massachusetts, and Georgia in the top six lotteries in total sales.

So, you may recall that these same states held the same positions last fiscal year, but we're shortening the gap between California and Florida. We trailed last year Florida by $133 million, and now, as you just heard, it's $11 million. So, we're making some ground there.

Now, turning to look at sales of just this scratchers product. I'm very proud to announce that California was the top-selling state. As you can see, the top three lotteries were very close, with just $50 million separating all of them. Last fiscal year, Texas sold the most instant tickets, with California in third place. The reason that we've been able to overtake both Texas and Florida really lies with our scratchers sales growing at a faster pace than both of these other states.

So, for example, our instant sales in the second quarter, to the same quarter in 2023, showed Texas with a 3 percent gain, Florida with a 4 percent gain, and California with a 5 percent gain.

Looking at draw games, for all draw games, California was in third place behind New York and Florida. This chart displays the second quarter sales with the red bars, and the blue bars showing the sales from our first quarter. All states saw gains in the second quarter due to

the $1.2 billion Mega Millions jackpot that occurred in December and was won in California. That's our first billion-dollar jackpot in Mega Millions that was won in California.

In California, our 13 percent growth over the first quarter of sales was better than percentage gains in the other large lotteries. For us, our draw games' sales are dominated by jackpot-driven games, like Mega Millions, Powerball, and Super Lotto Plus. Many other jurisdictions also receive considerable sales coming from games like Daily 3 and Daily 4, with these sales being consistent week after week.

In addition to being the top seller of the scratchers in the U.S., we also led the pack in sales for Mega Millions and Powerball in the second quarter. In terms of other products, our Hot Spot games generated the sixth-best sales in the Monitor Game category. Here, Massachusetts was first in sales, with over $320 million during the second quarter, compared to our sales of $115 million.

Taking the sales from the second quarter and adding them to the sales in the first quarter, we can see how total sales for the first half of the fiscal year shape up. Florida has the highest lottery sales over the first sixth months of this fiscal year. California in second place, but, again, just a little behind Florida. And to put

this into perspective, in just a moderate week of sales, California sells over $160 million worth of lottery tickets. So, $13 million represents less than one day of sales for us, so we can overtake Florida.

DEPUTY DIRECTOR SHEIKHOLISLAM: Not that it's a competition.

DIRECTOR CHIMA: Not that it's a competition.

DEPUTY DIRECTOR SHEIKHOLISLAM: We're not competing at all.

DIRECTOR CHIMA: No. It's more money to education. That is right.

This week also saw the launch of five new Scratchers games, which include the very popular Monopoly scratcher series. And this favorite is offered at the $2, $5, and $20 price point. Monopoly-themed scratchers have been among the top sellers for each year that we've launched them.

And, finally, I want to talk a little bit about Mega Millions and the Mega Millions enhancement. Next month, in about just one week, Mega Millions will be more mega than ever. In January, this commission approved the enhancements to the Mega Millions that will go live on April 5th. The enhancements will help differentiate Mega Millions from the other draw games, make it more attractive to players, which will ultimately lead to higher sales and raise even more

supplemental funding for public education.

To promote these exciting new enhancement, we've been working in conjunction with the National Mega Millions Consortium and earlier this week, the consortium issued a national press release announcement, as we also began to spread awareness among players with an integrated marketing effort to announce and highlight the new benefits and features of the game. The campaign will fully launch with the new game on April 5th and will use a combination of channels that include paid advertising, player communications, and point-of-sale signage at our retail partner locations to boost awareness and build excitement for this game.

That's my update for you today. I'm happy to answer any questions that you might have.

COMMISSIONER MILLS: Thank you for that report and congratulations on all the success. Can you just wrap that up again, reminding us with what is that estimated contribution to education as a result of all of these sales successes?

DIRECTOR CHIMA: So, for the last three years, we've been over $2 billion. We're estimating this year to be at $2.08. As you just heard, we're a little behind, but we think with the Powerball continuing to roll that we can make up that difference. And I will point out that the $1.2

billion jackpot that was just recently won here in California, from just that series of rolls --

COMMISSIONER MILLS: Yeah.

DIRECTOR CHIMA: -- we were able to raise $89.5 million to education.

COMMISSIONER MILLS: That's awesome.

DIRECTOR CHIMA: Yeah.

COMMISSIONER MILLS: Thank you.

DIRECTOR CHIMA: Yes.

COMMISSIONER ALVIDREZ: And what's the timeline by which we'll know the cutoff for exactly how much we're looking at for public education is that a fiscal year?

DIRECTOR CHIMA: It's the fiscal year. That's correct.

COMMISSIONER ALVIDREZ: Very good.

DIRECTOR CHIMA: So, let's all keep our fingers crossed that Powerball keeps climbing.

CHAIR GARRISON-ENGBRECHT: Yes.

COMMISSIONER ALVIDREZ: Thank you very much.

CHAIR GARRISON-ENGBRECHT: Yes. Thank you so much. Congratulations to you and the entire team. The next item on the agenda is the Consent Calendar. There are no items under the Consent Calendar, so we'll move to action items. The first action item is Item 8A, Interagency Agreement with the Department of Rehabilitation presented by Sara.

DEPUTY DIRECTOR SHEIKHOLISLAM: Good morning, commissioners.

CHAIR GARRISON-ENGBRECHT: Good morning.

COMMISSIONER ALVIDREZ: Good morning.

DEPUTY DIRECTOR SHEIKHOLISLAM: California Lottery is requesting approval for entering a five-year interagency agreement with the Department of Rehabilitation for accessibility inspections and consulting services. The lottery's Retailer Access Program ensures that individuals with disabilities have access to our retailer products -- or our lottery products.

Retailers must comply as part of the lottery's regulation and the retailer contract. Five percent of retailers are randomly selected each year, and inspections are performed on those lottery retailers. Since 2013, the lottery has contracted with the Department of Rehabilitation for these services. They provide us dependable and excellent quality inspections, great customer service to both our retailers and ourselves, the lottery employees. They are the primary state agency with expertise on accessibility compliance and being a sister agency, they understand the importance of this program.

The current interagency agreement expires June 30, 2025. Renewing for five years will continue services through June 30, 2030, and the estimated total amount is $2,125,340.

The lottery recommends that the California State Commissioner approve a five-year interagency agreement with the Department of Rehabilitation for inspection and consulting services, with an option to extend for an additional three-year period. The total contract is $2,125,340, and the term of the date will be July 1, 2025, through June 30, 2030.

I'll answer any questions you guys might have.

CHAIR GARRISON-ENGBRECHT: Do any of the commissioners have any questions?

COMMISSIONER MILLS: I do have a question. Thank you, Sara, for the report. Can you talk a little bit about the pricing for this interagency agreement and how we determine that we're getting kind of best value --

DEPUTY DIRECTOR SHEIKHOLISLAM: Sure.

COMMISSIONER MILLS: -- for this work?

DEPUTY DIRECTOR SHEIKHOLISLAM: Yes. So, we've evaluated bringing the program inside and doing it ourselves, but we found that using Department of Rehabilitation is much more cost-effective. They charge us by the inspection and then the work that their supervisors and managers do is by the amount of time that they spend on that project. So, they don't have salary. We don't pay their entire salary, which, if we brought it in-house, it would be salaried. So, we get a great deal.

COMMISSIONER MILLS: Thank you.

DEPUTY DIRECTOR SHEIKHOLISLAM: And they are the experts, which makes it even better.

COMMISSIONER MILLS: Thank you.

DEPUTY DIRECTOR SHEIKHOLISLAM: Sure.

COMMISSIONER ALVIDREZ: Quick question about the near 13 years that we have had this interagency agreement. What have been the terms of those contracts? Are they the standard terms that we're looking at for this one, which is, what, a three-year with two-year -- two additional extension options, or have they been longer terms -- given this is the only agency that we've identified that kind of provides this service?

DEPUTY DIRECTOR SHEIKHOLISLAM: They've -- we've -- the last couple times I've done this, it's been five years, with -- I've done it once before. Sorry. Five years, three years opting to extend, so before that I'm not really sure, but I'm guessing it's kind of the same.

COMMISSIONER ALVIDREZ: So, I think what I'm getting at is I'm just trying to make sure that this contract term is in line with previous contract terms.

DEPUTY DIRECTOR SHEIKHOLISLAM: According to what I've experienced, yes, but I can look into it further.

COMMISSIONER ALVIDREZ: Thank you. I appreciate that.

DEPUTY DIRECTOR SHEIKHOLISLAM: Sure.

CHAIR GARRISON-ENGBRECHT: Thank you. Does any member of the public want to address the commission at this time regarding Action Item 8A? Seeing none, do I hear a motion to approve Action Item 8A, Interagency Agreement with the Department of Rehabilitation?

COMMISSIONER MILLS: I'll move to approve.

CHAIR GARRISON-ENGBRECHT: Second?

COMMISSIONER ALVIDREZ: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes. Thanks, Sara.

DEPUTY DIRECTOR SHEIKHOLISLAM: Thank you.

CHAIR GARRISON-ENGBRECHT: Action Item 8B, Adobe Enterprise Long-term License Agreement Renewal, presented by Chris Lopez. Good morning, Chris.

ACTING DEPUTY DIRECTOR LOPEZ: Good morning, commissioners. For Action Item 8B, the lottery is requesting approval to renew its Adobe Enterprise term license agreement for a two-year term.

This agreement provides software licenses for Adobe Acrobat Pro, Creative Cloud Pro Suite, Stock Enterprise, and Frame IO. These products are very important tools used by lottery staff. They enable lottery staff to develop engaging multi-media content via Adobe's powerful editing and publishing tools, and they provide operational efficiencies through the use of Adobe Forms and documents. Last, this agreement includes essential software, updates, and Adobe support services.

Growth and expansion of lottery business operations has resulted in the need for more Adobe licenses. This increase in software licenses has led to higher annual costs, which have now surpassed the commission approval threshold. As a result, we are requesting a two-year agreement. This will help us lock in favorable rates at current prices, with our current discount, for a longer period of time.

For this renewal, the lottery will be using a leveraged procurement agreement, where we requested bids for multiple resellers that participate in the state's software licensing program. The lowest bid was submitted by Allied Network Solutions, Inc. The lottery recommends the commission approve the Adobe Enterprise Term License Agreement Renewal, with a term date of April 11, 2025, through April 10, 2027, for a total contract amount of

$514,365.

And with that, does the commission have any questions for me regarding this request?

COMMISSIONER ALVIDREZ: Question about the procurement process.

ACTING DEPUTY DIRECTOR LOPEZ: Yes.

COMMISSIONER ALVIDREZ: So, I appreciate knowing that this has its own procurement process that's set forth in statute. Can you talk to us a little bit about what that process is?

ACTING DEPUTY DIRECTOR LOPEZ: So, for this, we're using the state's software licensing program, which the benefits of using the program is that the state is able to use its bargaining power to negotiate very competitive rates and using this method to ensure we're locking in the best rate for these products that are part of the SLP program.

COMMISSIONER ALVIDREZ: Okay. Thank you.

ACTING DEPUTY DIRECTOR LOPEZ: You're welcome.

CHAIR GARRISON-ENGBRECHT: Does any member of the public want to address the commission at this time regarding Action Item 8B? Seeing none, do I hear a motion to approve Action Item 8B, Adobe Enterprise Term License Agreement Renewal?

COMMISSIONER MILLS: Move to approve.

CHAIR GARRISON-ENGBRECHT: Second?

COMMISSIONER ALVIDREZ: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes. Great.

ACTING DEPUTY DIRECTOR LOPEZ: Thank you.

CHAIR GARRISON-ENGBRECHT: You are up again. Action Item 8C, Sharp Copier Maintenance Contract Amendment.

ACTING DEPUTY DIRECTOR LOPEZ: Okay. For this action item, the lottery is requesting approval to increase the expenditure authority of our Sharp Copier Maintenance Contract, which covers copier maintenance and consumables. The consumables portion of the contract includes a monthly maximum number of copies allowed per device. Copies above this monthly maximum amount incur an overage fee.

The contract has a term of five years, beginning in May 21, 2022, through May 20, 2027, with the maximum contract expenditure authority of $249,554.45. Due to current copier usage projections, the lottery now anticipates its copier usage will exceed encumbered overage allowance funds before the end of the contract term, hence

an additional $20,000 in expenditure authority is needed to cover projected costs through the remainder of the contract term.

Exercising this amendment would increase the contract's expenditure authority by $20,000, bringing the total expenditure authority to $269,554.45. The lottery requests the commission approve the increase in expenditure authority for this contract.

And with that, does the commission have any questions for me regarding this action item?

CHAIR GARRISON-ENGBRECHT: Seeing no questions from the commissioners, do -- does anyone from the public want to address Action Item 8C, Sharp Copier Maintenance Contract Amendment? Seeing none, do I hear a motion to approve Action Item 8C, Sharp Copier Maintenance Contract Amendment?

COMMISSIONER ALVIDREZ: Motion to approve.

CHAIR GARRISON-ENGBRECHT: Second?

COMMISSIONER MILLS: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes. Thank you, Chris. Next up we have Jim. Action Item 8D, Communications Effectiveness Tracking Study Contract Extension Alter Agents.

DEPUTY DIRECTOR HASEGAWA: Thank you. Good morning, Mr. Chairman, commissioners, Director Chima.

DIRECTOR CHIMA: Good morning.

DEPUTY DIRECTOR HASEGAWA: Staff is asking the commission to approve a one-year extension to the Communication Effectiveness Tracking Study contract with Alter Agents, along with increasing the contract expenditure authority by $300,000 for this additional year.

So, in terms of some background about the tracking study, the data obtained through this study represents really the backbone of the lottery's market research program. The study is conducted both in English and in Spanish and includes between 4,000 and 5,000 inner respondents over the course of a year. Now, interviews are spread across the entire year, with a sample conducted each week.

Now, because this data is representative of the California adult population, it is used extensively in our analyses. You know, many key metrics presented in prior commission meetings have come from this study. Some key

examples include the percentage of adults playing various lottery games, you know, Californians' perceptions and attitudes towards the lottery and its products, and the demographics of lottery players, which, as mentioned in the issue memo, is a requirement in the lottery act.

So, key questions are consistently asked the same way over time, and that way, we can track trends. So, as such, we use the data to assess the impact of our marketing efforts. An example of one of the many analyses we conduct using the tracking study's data includes the reports measuring the effectiveness of the scratchers category repositioning efforts, which we've talked about in prior meetings.

Now, in terms of the current contract with Alter Agents, that began in 2021, as a result of a formal competitive solicitation. The contract started on July 7, 2021, with a base term through May 31, 2024, and in that contract, there were two one-year contract extension options available. Now, the first extension was approved by the commission back in January of 2024. As such, the contract has a current expiration date of May 31, 2025. And we are asking to use the final extension option for the period of June 1, 2025, through May 31, 2026.

Now, in the procurement process back in 2021, I want to note that Alter Agents had the highest rated

proposal and also the lowest cost. Now, over the years, Alter Agents has, you know, been a very valued research partner, providing accurate data, meeting the monthly deadlines, and being attentive to meet the lottery's needs. For example, as new topics get introduced into the survey, you know, they have helped in developing new questions, as well as reviewing the entire survey or the questionnaire, with recommendations to ensure we reliability and accuracy.

Now, by exercising the final extension option, the lottery will be able to maintain the same pricing we've enjoyed since 2021 for another year. Now, even though costs in other research projects that were -- have been recently procured, we've seen increases due to inflationary pressures. And to fund the additional year of this study, an additional $300,000 in contract expenditure is being requested. And this will raise the maximum agreement amount to $1.9 million.

And with that, I can answer any questions about this request.

CHAIR GARRISON-ENGBRECHT: Any questions from the commissioners? Go ahead.

COMMISSIONER ALVIDREZ: Yes, I'm sorry. So, I appreciate that the survey has been conducted every year for 30 years. That's fantastic to know. The first part of the question is, has the survey always been conducted in English

and in Spanish for the 30 years or was it at some point the second language was folded in?

DEPUTY DIRECTOR HASEGAWA: As far back as I can recall, it's been in English and Spanish. I was in marketing when I first joined the lottery. We were users of the data, but not as conducting it ourselves, but it's been in English and Spanish for as long as I can recall.

COMMISSIONER ALVIDREZ: And is there some consideration to add additional languages, based on player demographics, based on what we now know about kind of what our playership looks like? I'm assuming it's broader than just English and Spanish.

DEPUTY DIRECTOR HASEGAWA: Yeah, what we've done in the current contract -- there actually is pricing options so that we can conduct them in certain Asian languages, and I believe we have. We don't do it on an ongoing basis, but we have done it to enhance the sample, to understand that player population as well. But the current contract does allow for additional language, we just don't consistently, on a week-to-week basis, utilize it. It is much -- it is very costly because there are a lot fewer people that can conduct the survey in those languages.

COMMISSIONER ALVIDREZ: And so, based on our playership, do we know which demographic is most active in our games?

DEPUTY DIRECTOR HASEGAWA: Yes, we -- that's part of the thing of looking at player demographics. So, we do know. Essentially, though, in terms of past year play, lottery play is pretty representative of the general California adult population. It pretty much mirrors the demographics of Californians.

COMMISSIONER ALVIDREZ: So, I think I would love some additional information on that, some additional information on what those player demographics are, kind of consistently over maybe a three-year period and some consideration of folding in additional language. If it's based on the demographics of California -- I understand what the demographics of California are. I'm acutely aware. However, I do know that it is not solely English and Spanish, and so, if I could get some more information from you on that.

DEPUTY DIRECTOR HASEGAWA: Sure. We can provide that. Yeah, and so that you know, the past year player demographics, that's actually reported in the annual financial reports.

COMMISSIONER ALVIDREZ: Uh-huh.

DEPUTY DIRECTOR HASEGAWA: We provide this type of data and graphs to our colleagues and finance so that they're part of the record as well, but we'll definitely get you some of that and some probably more detailed information

beyond just what was reported in the annual financials.

COMMISSIONER ALVIDREZ: Perfect. So, as we come up on that process, if you could tease those out for me, that would be helpful -- not something that I need today, tomorrow, any time soon, but as we come up on that process for the budgeting, if you could tease those pieces out for me and give me -- you said that it's quite costly to add an additional language. Just give me some of those cost comparisons as to what that would add to the contract.

DEPUTY DIRECTOR HASEGAWA: Yeah, because they're in the contract. We have those.

COMMISSIONER ALVIDREZ: Perfect. Thank you.

COMMISSIONER MILLS: I just have a follow-up based on that. Do you know, Jim, like, what percentage of the playership you're reaching with English and Spanish? Is it, like, 75, 80?

DEPUTY DIRECTOR HASEGAWA: You mean --

COMMISSIONER MILLS: Do you know?

DEPUTY DIRECTOR HASEGAWA: -- how many of the actual Californians we interview and so forth, or?

COMMISSIONER MILLS: No, no, no, like, what percentage of your playership do you believe that you're reaching using English and Spanish language? If you don't know that's okay, but (overlapping).

DEPUTY DIRECTOR HASEGAWA: I don't have that. It

is extremely high because, as we found with a lot in the -- we're currently doing some research in the Asian market to understand that, but a high percentage are bi-cultural or at least have some familiarity with English so that they could participate in the study.

COMMISSIONER MILLS: Yeah. Okay. This also -- I feel like a broken record, but I've been consistently asking for more like, informational items to help us be, you know, better informed in some of these things that we're asked to approve. So, to me, like, this would be, like, a perfect example of something that could have been included as an information item, so that going into voting on this item we have more context and understanding of, like, you know, the information that you're getting from, you know, the use of this contract and how you're applying it and that sort of thing. And I appreciated you gave some of that and the background, but this might be a good example because I know that the other thing we talked about is you guys were looking for examples of things that we might want to know more about and so things that you could start with an informational item about that would give us a bit more context. Even more context into what we're voting on would be super helpful.

DEPUTY DIRECTOR HASEGAWA: Yeah, every year --

COMMISSIONER MILLS: Thank you.

DEPUTY DIRECTOR HASEGAWA: -- when I do present the business plan, you'd probably recall in the draft plan in May, there's a lot of data in there.

COMMISSIONER MILLS: It's a lot.

DEPUTY DIRECTOR HASEGAWA: It may not say specifically, okay, this one is from the tracking study, and this --

COMMISSIONER MILLS: Yeah.

DEPUTY DIRECTOR HASEGAWA: -- is from this, but those are the examples. I mean, every presentation when we talk about the upcoming plan and what we've learned in the past year, that type of information, all of the statistics from playership to attitudes and so forth come from the tracking study.

COMMISSIONER MILLS: Okay. We appreciate your consideration. Thank you.

CHAIR GARRISON-ENGBRECHT: Thank you. Does any member of the public want to address the commission at this time regarding Action Item 8D? Seeing none, do I hear a motion to approve Action Item 8D, Communication Effectiveness Tracking Study Contract Extensions provided by Alter Agents?

COMMISSIONER ALVIDREZ: Motion to approve.

CHAIR GARRISON-ENGBRECHT: Second?

COMMISSIONER MILLS: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes.

DEPUTY DIRECTOR HASEGAWA: Thank you.

CHAIR GARRISON-ENGBRECHT: Thank you, Jim. Next is Action Item 8E, Weaver & Tidwell, LLP. Contract Extension, presented by Nick.

DEPUTY DIRECTOR BUCHEN: It's actually Weaver & Tidwell, LLC [sic], but I'll refer to them as --

CHAIR GARRISON-ENGBRECHT: Thank you.

DEPUTY DIRECTOR BUCHEN: So, good morning, commissioners. I'm requesting your approval to amend the contract with Weaver to exercise a one-year extension and to increase the contract expenditure authority.

The lottery currently contracts with Weaver for independent financial audit services, including auditing the lottery's financial statements annually. And this is pursuant to the Lottery Act's requirement that the lottery engage in independent certified public accounting firm to audit on an annual basis all accounts and transactions of

the lottery. The lottery has contracted with Weaver since 2022 to fulfill this requirement.

In addition to performing audits of the lottery's annual financial statements, Weaver reviews the lottery's annual comprehensive financial report and performs annual agreed-upon procedure engagements, as required under the Mega Millions and Powerball engagements. The original contract term was June 15, 2022, through March 31, 2025, with two one-year options to extend.

Because Weaver understands the lottery's business operations, they work with us effectively to gather required information, they meet our deadlines, and they provide excellent service. We recommend exercising the contract's first extension for one option year. In addition to extending the contract by one year, we recommend increasing the contract's expenditure authority by $178,000, and that's based on costs to date as well as the pricing included in the contract for the first option year.

So, I therefore ask that the commission approve the first of the two one-year extensions with Weaver and to increase the expenditure authority by $178,000 to enable Weaver to continue to perform independent financial audit services for the lottery. This amendment would extend the term of the contract from June 15, 2022, through March 31, 2026, to bring the maximum amount of the contract to

$728,000.

And with that, I'm happy to answer any questions.

CHAIR GARRISON-ENGBRECHT: Seeing no questions from the commissioners, does any member of the public want to address the commission at this time regarding Action Item 8E? Seeing none, do I hear a motion to approve Action Item 8E, Weaver & Tidwell, LLC contract extension?

COMMISSIONER MILLS: I'll move to approve.

CHAIR GARRISON-ENGBRECHT: Second?

COMMISSIONER ALVIDREZ: Second.

CHAIR GARRISON-ENGBRECHT: Will the secretary please call the roll?

MS. SARWARI: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. SARWARI: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. SARWARI: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes.

MS. SARWARI: Thank you.

CHAIR GARRISON-ENGBRECHT: Thank you, Nick. Next on the agenda is the commissioner's general discussion. Do any of the commissioners have anything to bring up at this time for discussion? Seeing none, I'll move on to the next item.

We have tentatively scheduled our next commission

meetings for May 22, June 26, September 25, and November 20, 2025. All meetings will be held here in Sacramento.

The next item on the agenda is Item 11, Public Discussion. As a reminder, comments are limited to three minutes per person. I have two comment cards. We'll start with these first. Francis O'Rourke. And Francis, can you please state your name for the record?

FRANCIS O'ROURKE: Francis O'Rourke, SEIU Local 1000, ELC 784 vice president.

The California State Lottery Act was passed by voters on November 6, 1984, and is part of the California Government Code. Section 8880.9 defines commissioner as one of the members of the lottery commission appointed by the Governor pursuant to this chapter to oversee the California State Lottery. Section 8880.10 defines director as the director of the California State Lottery, appointed by the Governor pursuant to this chapter, who serves as the chief administrator of the California State Lottery. Section 8880.11 defines Lottery Commission or simply Commission as the five members appointed by the Governor pursuant to this chapter to oversee the lottery and the director.

This means the Lottery Commission is the highest level of authority, overseeing the lottery and the director. Matters related to accountability, performance, competence, mismanagement, etcetera fall under the jurisdiction and

authority of this commission. In addition to the Lottery Act, it is incumbent upon me to remind this commission that California Lottery regulations, which were approved on June 29, 2023 also state under Section 9.12 Reporting Misconduct and Other Violations, the lottery provides an environment that fosters employee confidence in meeting the responsibilities to report wrongdoing or misconduct. The commission and senior management shall take effective action on matters reported and demonstrate organizational support for employees who in good faith report misconduct on inappropriate activity.

Commissioners, we are here today to inform you that we have requested a closed session for the next meeting to discuss concerns related to the leadership of this agency. We are still working on gathering documents and additional information and aim to have you in the next few weeks -- have this information to you in the next few weeks.

CHAIR GARRISON-ENGBRECHT: Thank you for your comment, Francis. I appreciate it. The next speaker is Paulina Vasquez.

PAULINA VASQUEZ: Good morning. Paulina Vasquez, SEIU Local 1000 union steward, a lottery sales rep.

The California Lottery Commission webpage starts by stating that they are ensuring integrity, security,

fairness, and transparency in the operation and administration of the lottery. Integrity: it's the quality of being honest and having strong moral principles, consistently doing what's right, even when it's difficult and no one is watching. Integrity is also part of the lottery's Admissions, Visions, and Values, along with transparency, respect, and accountability. This is a great concept, stemming from the need to improve a long-struggling culture at the California State Lottery.

Now, I'm a firm believer that culture comes from the top. Unfortunately, the MVV concepts are not being embraced by some in leadership positions. We talk about honesty and transparency, yet last week at a press conference announcing the largest Mega Millions jackpot winner in this great state, the novelty check used at the press conference was written for the wrong amount: $2.2 billion-plus, to Rosemary Casarotti, instead of $1.2 billion. I've checked press releases for a correction, but there seems to be a lack of integrity and transparency within that department.

We talk about respect and accountability. Six weeks ago a sales supervisor held a captive audience meeting and showed a seven-minute long, disturbingly inappropriate video containing gross profanity; some of the profanity considered hate speech towards gay men and sexual

harassment.

Speaking of sexual harassment, there has been another sexual harassment filed against a manager since I was here last, four months ago. There have been complaints of manager retaliation for complaining to the union, mismanagement, incompetence, and failed communications between departments, which is negatively impacting the work and the mission. But you can only point the finger at the offenders for so long before you turn your attention to those who continue to allow it to happen.

Despite the assurance and commitment made to the Senate Rules Committee that confirmed Director Chima on June 19, 2024, we have seen no improvements or accountability. Instead, there is always a carefully crafted spin or sidestep when honesty and integrity should have prevailed. You, commissioners, hear one thing. We, the employees, see something else.

We understand that these allegations are sensitive in nature and wish to discuss this further in a closed session. We have started the gathering of documents, and we will be forwarding those to you. So, with that said, I thank you for your time.

CHAIR GARRISON-ENGBRECHT: Thank you, Paulina. Seeing no more comment cards (inaudible), I want to thank everyone for joining and taking the time to be here today.

Thank you for those who presented all the action items. And this meeting is adjourned.

(End of Recording)

(MEETING ADJOURNED)

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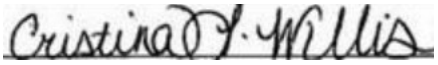
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COUNTY OF SACRAMENTO)

This is to certify that I transcribed the foregoing pages 1 to 37 to the best of my ability from an audio recording provided to me by The California State Lottery Commission.

I have subscribed this certificate at Sloughhouse, California, this 8th day of April, 2025.



Cristina L. Willis

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