

California State Lottery Commission

Minutes – January 23, 2025

Sacramento, California

1. Call to Order

Commissioner Chair Anthony Garrison-Engbrecht called the meeting of the California State Lottery Commission to order at 10:04 a.m.

2. Pledge of Allegiance

Chairman Garrison-Engbrecht led the Pledge of Allegiance.

3. Roll Call

Chairman Garrison-Engbrecht asked Farida Sarwari to call the roll.

Commission Members Present:

Chairman Anthony Garrison-Engbrecht

Vice Chair Keetha Mills

Commissioner Tiffani Alvidrez

Commissioner Alexandre Rasouli

California State Lottery Staff and Presenters:

Harjinder K. Shergill-Chima, Director

Fernando Aceves, Chief Counsel

Jean Cooper, Deputy Director, Operations Division

Chris Lopez, Acting Deputy Director, Information Technology Services Division (ITSD)

Sharon Allen, Deputy Director Sales and Marketing Division

Rebecca Estrella, Recording Secretary

Farida Sarwari, Assistant to the Commission

4. Consider Appeal of the Agenda

Chairman Garrison-Engbrecht asked if the Commissioners had any suggestions or changes to today's agenda. There were no changes so Commissioner Mills made the motion to approve the agenda, and it was seconded by Commissioner Rasouli. The motion passed unanimously.

5. Approval of Minutes

Chairman Garrison-Engbrecht asked if there were any corrections to the minutes of the November 21, 2024, Commission meeting. No corrections were noted.

Commissioner Alvidrez made the motion to approve the minutes, and it was seconded by Commissioner Rasouli. The motion passed unanimously.

6. Informational Items

a. Directors Comments:

Director Chima first acknowledged those affected by the Southern California fires and assured the Commissioners that employee safety remained a priority, then provided an update on Lottery sales stating that by mid-January, sales had reached \$4.7 billion, keeping pace with the fiscal year goal. Mega Millions has led Lottery sales, boosted by a billion-dollar jackpot, which also increased sales for other games like SuperLotto Plus and Daily Games.

Hot Spot sales have been strong, and Scratchers have exceeded goals, with total sales surpassing \$3.5 billion. A record \$1.2 billion Mega Millions jackpot was won in Cottonwood California, generating nearly \$90 million for education and \$14 million in retailer bonuses.

The Lottery has contributed over \$966 million to California public schools in the first half of the fiscal year, exceeding expectations by \$15 million. The 40th Anniversary celebration includes a new “40 Years of Play” Scratchers game featuring a \$40 ticket and a special design.

7. Consent Calendar

There were no items on the consent calendar.

8. Action Items

a. Regulation Changes to the Mega Millions Game to Retailer Incentive Bonuses for Sale of Winning Tickets

The Lottery proposed regulation changes for the Mega Millions game and retailer incentives bonuses to sustain sales growth in jackpot games. The Mega Millions Consortium voted for game enhancements in 2024 to boost sales, combat jackpot fatigue, and maintain player interest. The updated game, launching in April, aims to create larger jackpots more frequently and improve non-jackpot prizes with a built-in multiplier.

The Lottery seeks Commission approval of these regulation changes in order to continue selling Mega Millions, which accounted for nearly \$700 million in sales last fiscal year. Without adoption of the regulation changes,

the Mega Millions game could no longer be offered in California. The changes also included minor clarifications regarding retailer bonus payments. The Commission was urged to approve the amended regulations to ensure ongoing sales and contribution to public education.

Chairman Garrison-Engbrecht asked if there were any questions. There were none. Commissioner Alvidrez made a motion to approve Action Item 8(a), and Commissioner Mills seconded. The motion passed unanimously.

b. Ancillary Scratchers Ticket Delivery Services Contract

The Lottery seeks approval for an Ancillary Scratchers Ticket Delivery Services Contract to handle increased order volume. Scratchers accounts for approximately 75% of Lottery revenue and are shipped from two distribution centers to over 21,000 retailers across the state. The existing contract with Unity Courier Services, set to expire in February 2026, allows for additional vendors to be engaged.

Due to pandemic-related disruptions, the Lottery has shifted from a just-in-time to a just-in-case inventory system, resulting in a larger but less frequent deliveries. However, returning to just-in-time system requires an estimated 29,000 additional orders per month, which Unity could not accommodate.

To address this, the Lottery identified FedEx Corporate Services as the best value provider through a leveraged procurement agreement with the State of California and NASPO. The proposed contract, beginning in February 2025, and running through November 2026, has an initial expenditure authority of \$5 million, with possible extensions based on NASPO agreement extensions. The Commission was asked to approve the contract award.

During the discussion, Commissioner Mills sought clarification on the contract term, which was limited to two years due to the NASPO agreement. With no public objections, Commissioner Mills moved to approved Action Item 8(b), and Commissioner Rasouli seconded. The motion pass unanimously.

c. Adobe Campaign Renewal

The Lottery has been using Adobe Campaign Standard since 2017 as a cloud-based service for email and marketing communications. The platform delivers personalized emails to players, including jackpot alerts, winner notifications, responsible gaming tips, promotional updates, and

Second Chance account messages. It is a critical tool for marketing and player engagement.

The Lottery is requesting a one-year renewal of Adobe Campaign Standard at a cost of \$424,772. This reflects more than a twofold price increase because the Lottery has been using a discounted rate from 2017, which Adobe no longer honors. Due to this significant increase, the Lottery is actively researching alternative email communication platforms, which is why only a one-year renewal is being requested.

Commission Alvidrez inquired about the price increase, and Acting Deputy Director Lopez, explained the loss of the previous discount. Commissioner Rasouli asked whether Adobe was the only available provider, and Lopez confirmed that other companies offer similar services, but the Lottery is still evaluating cost-effective alternative email communication platforms, which is why only a one-year renewal is being requested.

With no public objections, Commissioner Mills moved to approve Action Item 8(c) and Commissioner Alvidrez seconded the motion. The motion passed unanimously.

d. Ratification of Amendment to Add Funds to LPAS, Inc Agreement to Support Architectural and Engineering Services

This contract supports Architectural Engineering Services for Northern California Distribution Center (NDC) project. Funding is needed to address additional requirements identified by the State Fire Marshal during a final walk-through.

The amendment specifically covers funding for the Architecture and Engineering Services vendor, who will design solutions based on fire code requirements. Once the design is complete, a construction vendor will execute the necessary work.

During the discussion, a public member inquired if the request was related to a fence at Lottery Headquarters, but Deputy Director Cooper clarified that this was about fire safety and building code compliance (including exit signs and lighting) at the NDC.

With no further questions, Commissioner Alvidrez moved to approve Action item 8(d), and Commissioner Rasouli seconded the motion. The motion passed unanimously.

9. Commissioner General Discussion

The were no items brought up for discussion.

10. Scheduling Next Meetings

The next Commission Meeting dates are tentatively scheduled for March 27th, May 22nd, June 26th, September 25th and November 20th, all to be held in Sacramento.

11. Public Discussion

There was no public discussion.

12. Adjournment

Chairman Garrison-Engbrecht adjourned the meeting at 10:31 a.m.