

COMMISSION AGENDA ITEM

Item 9(a) – Request to Add Positions to the Finance Division



Date: March 26, 2026

To: California State Lottery Commission

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Subject: Item 9(a) – Request to Add Positions to the Finance Division

ISSUE

The California State Lottery (Lottery) requests two new permanent positions to support growth and related customer service inquiries in the Taxes Unit, as well as to implement and maintain advanced data analytics, automation, and system modernization in the Budgets Unit.

BACKGROUND

Taxes Unit

The Taxes Unit within the Lottery's Finance Division is responsible for transferring more than \$400 million of prize winners' federal taxes to the Internal Revenue Service (IRS) annually. The transfer of these funds occurs daily, and any delays could result in federal penalties being assessed on the Lottery. For calendar year 2025, the Taxes Unit issued approximately 133,000 tax forms to Lottery retailers, vendors, and prize winners. Before issuing the tax forms, this data must be validated and reconciled. Additionally, the Taxes Unit assists customers with requests for duplicate tax forms and tax consultation as needed. Currently, there are only two permanent positions to address this workload: an Accounting Administrator I (Specialist), and an Associate Accounting Analyst (AAA).

Budgets Unit

The Budgets Unit is responsible for administering the Lottery's budget, including development, implementation, evaluation, and review of the Lottery's budget and fiscal planning activities. For more than 10 years, the Budgets Unit has utilized a cloud-based productivity platform to develop and maintain the Lottery's annual budget. Beginning with the Fiscal Year 2020-21 budget, the Budgets Unit implemented zero-based budgeting, requiring each of the Lottery's operating expenses to be vetted and justified prior to inclusion in the proposed budget. This enables resources to be concentrated where they are most effective and best align with the Lottery's strategic priorities. In 2021, the Budgets Unit added the Research Data Analyst classification to begin developing new tools designed to yield more effective analytics and forecasting by integrating budget planning and management, purchasing, and business record management capabilities. There are currently six staff positions within the Budgets Unit responsible for the Lottery's budgetary duties: three permanent Analyst II positions, one permanent Research Data

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Analyst II position, one permanent Research Data Analyst I (RDA I) position, and one limited-term RDA I position.

DISCUSSION

Taxes Unit

The number of claimable prizes for which taxes are withheld has increased over the last several years, primarily as sales of higher price point Scratchers® games have grown along with the gradual addition of higher price points in these games. Over this time, the Taxes Unit has identified system gaps, process improvements, and new ideas to support providing a higher level of customer service to Lottery retailers, vendors, and prize winners; however, those ideas have remained stagnant as there is insufficient staffing to lead those efforts. These ideas include documenting tax requirements in the gaming system, creating an opportunity for electronic tax forms to be available to Lottery stakeholders, and many other reporting endeavors with the IRS. Additionally, the Taxes Unit recently analyzed and determined that the Lottery must report to the Employment Development Department payments of \$600 or more made to Lottery retailers. This new process must be further analyzed and implemented in a timely fashion or risk penalties.

The addition of the AAA position is needed to enhance the Taxes Unit's compliance framework by moving beyond a reactive 'catch-up' model to one of *proactive* risk mitigation and strategic integration. This position will help to build stronger relationships across Lottery divisions to provide awareness, analysis, and change management for tax related topics which are ever changing due to Federal and State tax policies. This position is necessary to strengthen the Lottery's overall compliance posture by aligning its operational practices with long-term regulatory and business goals. The addition of this position will enhance customer experience by ensuring quality and timely customer service on tax-related issues and enable the team to have the ability to research and implement mandatory tax changes, all while ensuring prize winner, vendor, and retailer information continue to be accurately reported to the IRS and other relevant parties.

Adding the AAA position will allow for recruitment efforts to be completed and the incumbent to be onboard and trained before the 2026 tax year end process given the onboarding and training of a tax analyst is lengthy due to the nature of State and Federal tax compliance.

Budgets Unit

In 2025, the Budgets Unit established the limited term RDA I position to assist with designing, coding, and configuring new enterprise tools such as advanced budgeting and forecasting tools, as well as tools to improve Lottery position controls and protect the integrity of employee data used in budgeting. At the time, this was viewed as a temporary workload to get the tools up and running. However, as the collection of resources available to the Budgets Unit has continued to evolve, there is an ongoing need to perform database management including designing and implementing data structures, to enable the Lottery to implement and maintain advanced data analytics, automation, and system innovation. These efforts will streamline delivery of recommendations to decision-makers for organizational modernization while improving data management to better meet ever-increasing information requests.

The conversion of the limited-term RDA I position to a permanent role is essential to ensure

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continuity and stability in critical operations to refine and mature the Lottery's financial planning and analytics functions. This position supports complex data analysis and reporting that directly inform strategic decisions and compliance requirements. Maintaining this expertise on a permanent basis will ensure continuity in critical data analysis and improve long-term operational efficiency by enabling the Lottery to more effectively allocate and evaluate limited fiscal resources in the Lottery's annual financial plan.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve the establishment of one additional permanent Associate Accounting Analyst position in the Taxes Unit and the conversion of one Research Data Analyst I position in the Budgets Unit to permanent, along with the associated funding of \$37,000 for the remainder of Fiscal Year 2025-26 (of which \$25,000 is already budgeted for the limited-term position). The full fiscal year cost of these two positions is approximately \$238,000. This will be an ongoing cost and will fluctuate based on bargaining unit contracts and salary range adjustments.