

## COMMISSION AGENDA ITEM

### Item 9(d) – Microsoft 365 Renewal



**Date:** March 26, 2026  
**To:** California State Lottery Commission  
**From:** Harjinder K. Shergill Chima, Director - *HKC*  
**Prepared by:** Chris Lopez, Deputy Director  
Information Technology Services Division  
**Subject:** Item 9(d) – Microsoft 365 Renewal

### **ISSUE**

The California State Lottery (Lottery) seeks Commission approval to renew the Microsoft 365 agreement for a five-year term. The total agreement amount is \$4,470,127.60, with a term date of April 1, 2026, through March 31, 2031.

### **BACKGROUND**

The Lottery currently leverages an Enterprise Agreement for Microsoft 365 (M365) workstation software and related services through the California Department of Technology (CDT). This agreement enables the Lottery to benefit from volume pricing through CDT's master agreement with Microsoft for widely used productivity platforms.

The Lottery relies on Microsoft products and platforms to conduct daily business and to meet operational needs. These products include Windows workstation operating system licenses, which are required to use Lottery-issued desktops and laptops. It includes Microsoft Office 365 software—such as Word, Excel, PowerPoint, Outlook, Teams, OneDrive, and SharePoint—which are essential for supporting critical business functions and daily work processes for Lottery employees. It includes Microsoft Project and Visio, which are used for project management and visualization, and Power BI Premium, which provides enterprise-wide reporting and analytics capabilities. Lastly, it includes Microsoft Copilot 365, which is an Artificial Intelligence (AI) productivity tool that helps staff complete work tasks more efficiently and effectively. Examples of how these products are used by the Lottery can be found in the table below:

<b>Product</b>	<b>Usage</b>
Microsoft 365 G5	Windows Workstation Operating System licensing; Microsoft Word, Excel, PowerPoint, Outlook, Teams, OneDrive, and SharePoint licensing.
Planner and Project Plan	Project planning and tracking software.
Visio Plan	Visualization and diagramming software.
Power BI Premium	Reporting and analytics software.
Copilot 365	AI-powered productivity software leveraging Lottery data and integrated with Office 365 applications.

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The Lottery first entered into the CDT master agreement in 2021. Over the past five years, the Lottery has experienced substantial savings. Due to the length of the term, we have also reduced costs by reducing the operational overhead to procure the renewals on a more frequent basis, further reducing unanticipated price increases, while also creating a predictable forecast for budgeting.

#### **DISCUSSION**

The M365 agreement provides the Lottery with the flexibility to adapt to evolving business priorities by streamlining software management and consolidating charges into a single contract for critical productivity software which has been negotiated to ensure low-cost. This subscription-based agreement allows the Lottery to adjust its licensing quantities over time to align with evolving business requirements. The M365 agreement includes an annual “true-up” process to address any increases in added licenses. Based on projected growth and historical usage, the Lottery has determined that allocating 15 percent of the renewal cost is sufficient to cover anticipated true-up expenses over the five-year term of the agreement for subscription-related software licensing costs. This 15 percent allocation is based on an analysis of our previous usage under the M365 agreement with CDT.

Maintaining the M365 agreement with CDT continues to offer the Lottery cost-saving benefits while ensuring operational continuity and growth within a reliable and extensible platform. The detailed cost to procure M365, associated productivity software, and the true-up contingency funds are outlined below:

<b>Product Category</b>	<b>Total Cost</b>
Microsoft 365 G5	\$3,070,314.00
Planner and Project Plan	\$212,017.20
Visio Plan	\$192,472.80
Power BI Premium	\$225,735.48
Copilot 365	\$186,528.00
15% Contingency Allocation	\$583,060.12
<b>TOTAL COST</b>	<b>\$4,470,127.60</b>

Renewing the M365 agreement is essential for Lottery staff to continue their work on Lottery-issued computers using M365 applications and related-services. All Lottery-issued workstations require a Microsoft Windows operating system license to function. In addition, day-to-day work activities for nearly all Lottery staff require the use of M365 productivity software, such as Microsoft Word, Excel, PowerPoint, Outlook, Teams, OneDrive, SharePoint, and Copilot. These tools are integral to business operations. Failure to renew the M365 agreement would severely disrupt Lottery operations.

The Lottery’s formal competitive procedures do not apply to this procurement, according to the exception set forth in Lottery Regulations Section 8.1.2.C as follows:

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“The goods or services will be acquired using a standard United States General Services Administration Agreement or a State of California, Department of General Services Master Services Agreement, Multiple Award Schedule, Master Rental Agreement, or other such agreement which establishes a list of pre-qualified bidders who have agreed to contract terms and prices.”

The Lottery utilized a leveraged procurement agreement administered by the State of California, Department of Technology (SCA-24-70-0003U). The lowest offer was submitted by SHI International Corp.

### **RECOMMENDATION**

The Lottery recommends that the Commission approve renewing the Microsoft 365 agreement for a five-year term. The total contract amount is \$4,470,127.60, with a term date of April 1, 2026, through March 31, 2031.