

COMMISSION AGENDA ITEM

Item 9(f) – Palo Alto Networks Enterprise Agreement



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(f) – Palo Alto Networks Enterprise Agreement

ISSUE

The California State Lottery (Lottery) seeks Commission approval to enter into an agreement with Palo Alto Networks Enterprise for a three-year term. The total agreement amount is \$1,999,990.53, with a term date of May 22, 2026, through May 21, 2029.

BACKGROUND

Palo Alto Networks (PAN) firewalls are the most important component of the Lottery's security architecture. They are utilized to protect the Lottery's technology infrastructure, environments, and systems from external and internal threats. This includes protecting all nine Lottery district offices, both distribution centers, Lottery headquarters, and the Brightstar Rhode Island data center. The PAN firewalls prevent intrusion by hackers and other threats to Lottery data by identifying digital threats and eliminating or isolating them before they can infect or otherwise disable the Lottery's technical infrastructure, environments, and systems.

Since critical Lottery business functions rely on the PAN firewalls, it is imperative that there is always a maintenance and support agreement in place for all active devices. The Lottery currently has multiple maintenance and support agreements in place for its current inventory of PAN firewalls. These agreements include hardware warranties, software licenses, and specialized support services. All PAN firewall support and maintenance agreements expire in 2026.

DISCUSSION

The terms of the current PAN firewall maintenance and support agreements will expire in May 2026, and the firewall hardware will reach end-of life (EOL) in 2028, which will require a hardware refresh in Q1 of fiscal year 2027/28.

Instead of renewing the maintenance and support agreement for existing PAN firewall hardware through the hardware EOL and initiating a separate procurement to purchase new hardware in 2027, the Lottery seeks to purchase a Palo Alto Networks Enterprise Agreement (EA) for a three-year-term. The EA will synchronize the end term dates of the maintenance and support of all current PAN firewalls that are currently utilized by the Lottery. The EA includes 24/7 global support

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and warranties for all PAN hardware used by the Lottery, as well as software licensing for essential network security services. In addition, it includes replacement hardware for all PAN firewall hardware reaching EOL over the next three years. Lastly, it includes professional services to install and configure replacement hardware, and training credits for Lottery staff.

By not procuring the PAN EA, the Lottery would risk paying significantly more over three years for support, software licensing, and replacing EOL hardware. Lottery staff estimate that it would cost more than \$2.6 million to purchase the support and replacement hardware separately. This is approximately \$600,000 more expensive than the EA's total cost of \$1,999,990.53 over the same three-year period. In addition, procuring the EA for a three-year term reduces the administrative overhead of processing separate support renewals and hardware refresh procurements over the same three-year period. The EA represents substantial cost savings to the Lottery.

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

“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, requesting offers from multiple resellers that participate in the Enterprise Technology Statewide Contract administered by the State of California, Department of General Services (1-24-70-19-22). The lowest offer was submitted by NWN Corporation.

RECOMMENDATION

The Lottery recommends the Commission approval to enter into a Palo Alto Networks Enterprise Agreement for a three-year term. The total agreement amount is \$1,999,990.53, with a term date of May 22, 2026, through May 21, 2029.