

STATE OF CALIFORNIA
TRANSCRIPT OF PROCEEDINGS

CALIFORNIA STATE LOTTERY COMMISSION
COMMISSION MEETING

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Sacramento, California 95811

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A P P E A R A N C E S

California State Lottery Commission

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Commissioner

Keetha Mills
Vice Chair of the Commission
Commissioner

Tiffani Alvidrez
Commissioner

Alexandre Rasouli
Commissioner

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1 **Thursday, May 21, 2026**

2 **Sacramento, California**

3 **--oOo--**

4 **CHAIRMAN GARRISON-ENGBRECHT:** Good morning. Hi,
5 good morning.

6 **AUDIENCE:** *(In Unison)* Good morning.

7 **CHAIRMAN GARRISON-ENGBRECHT:** There we go. The
8 meeting of the California Lottery Commission is now called
9 to order.

10 Please rise and join me in the Pledge of
11 Allegiance.

12 *(Recitation of the Pledge of Allegiance.)*

13 **CHAIRMAN GARRISON-ENGBRECHT:** Item number three is
14 roll call of the Commissioners.

15 Will the secretary please call the roll?

16 **MS. OSMAN:** Good morning.

17 Commissioner Mills?

18 **VICE CHAIR MILLS:** Here.

19 **MS. OSMAN:** Commissioner Alvidrez?

20 **COMMISSIONER ALVIDREZ:** Here.

21 **MS. OSMAN:** Commissioner Rasouli?

22 **COMMISSIONER RASOULI:** Here.

23 **MS. OSMAN:** Commission Dungca?

24 Chairman Garrison-Engbrecht.

25 **CHAIRMAN GARRISON-ENGBRECHT:** Here.

1 Commissioners, does anyone want to suggest any
2 changes to today's agenda in any respect?

3 Do I hear a motion to adopt the agenda?

4 **VICE CHAIR MILLS:** I'll move to adopt the agenda.

5 **COMMISSIONER ALVIDREZ:** Second.

6 **CHAIRMAN GARRISON-ENGBRECHT:** Will the secretary
7 please call the roll?

8 **MS. OSMAN:** Commissioner Mills?

9 **VICE CHAIR MILLS:** Yes.

10 **MS. OSMAN:** Commissioner Alvidrez?

11 **COMMISSIONER ALVIDREZ:** Yes.

12 **MS. OSMAN:** Commissioner Rasouli?

13 **COMMISSIONER RASOULI:** Yes.

14 **MS. OSMAN:** Chairman Garrison-Engbrecht.

15 **CHAIRMAN GARRISON-ENGBRECHT:** Yes.

16 The next agenda item is item number five, Approval
17 of the Minutes, from our last meeting, our March 26th, 2026.
18 Are there any corrections to the minutes? Do I hear a
19 motion to approve the minutes of the March 26th, 2026,
20 Commission Meeting?

21 **VICE CHAIR MILLS:** Move to approve.

22 **COMMISSIONER ALVIDREZ:** Second.

23 **CHAIRMAN GARRISON-ENGBRECHT:** Will the secretary
24 please call the roll?

25 **MS. OSMAN:** Commissioner Mills?

1 **VICE CHAIR MILLS:** Yes.

2 **MS. OSMAN:** Commissioner Alvidrez?

3 **COMMISSIONER ALVIDREZ:** Yes.

4 **MS. OSMAN:** Commissioner Rasouli?

5 **COMMISSIONER RASOULI:** Yes.

6 **MS. OSMAN:** Chairman Garrison-Engbrecht?

7 **CHAIRMAN GARRISON-ENGBRECHT:** Yes.

8 Thank you all. Very efficient. The next item on
9 the agenda are the informational items with our first
10 presentation from Harj, the Director's Comments.

11 **DIRECTOR SHERGILL-CHIMA:** Good morning,
12 Commissioners.

13 **CHAIRMAN GARRISON-ENGBRECHT:** Good morning.

14 **DIRECTOR SHERGILL-CHIMA:** All right. I'm pleased
15 to share that our fiscal year sales through May 9th have
16 reached an impressive \$8 billion. That puts us at 99
17 percent of our annual goal with a 5 percent growth compared
18 to this time last year, and that's really a strong
19 position for us as we head into the final weeks of our
20 fiscal year.

21 Scratchers, which have been our largest product
22 line, have generated almost \$6 billion in sales so far this
23 year, and we've reached about 98 percent of goal. While we
24 haven't seen the growth that we did last year, this level of
25 consistency at such a large scale really does underscore the

1 strength and stability of the games that we're offering,
2 especially considering the economically tight conditions
3 that are going on right now.

4 The multi-state games are over \$1.1 billion
5 putting that category at 101 percent of goal and showing a
6 39 percent growth over last year, and we can attribute that
7 to Powerball seeing 10 jackpots of a billion dollars or more
8 this fiscal year, which has really helped us keeping the
9 category sales exceeding goal.

10 For Super Lotto Plus, it's performing steadily at
11 more than \$200 million, and the daily games category is
12 pacing a little bit below goal and last year's sales. And
13 this is largely from Fantasy Five and Daily Derby, having
14 weaker rollover luck this year, and so that's produced some
15 smaller than expected top prizes.

16 Now a winner is Hot Spot. It really has picked up
17 a lot of steam over this past couple of months, and that's
18 really due to an exciting promotion that we offered, where
19 we offer bullseye prizes that were 50 percent higher than
20 normal, and it's the first promotion we've been able to run
21 for Hot Spots since 2016 and players have really taken to it
22 and responded positively. Weekly sales consistently set new
23 records leading to fiscal year sales above goal and 8
24 percent higher than last year. And overall, we remain well
25 positioned to finish the fiscal year strong and continue

1 delivering meaningful contributions to California's public
2 schools.

3 Which brings me to our profit update. Through the
4 end of April, our estimated contributions to education stand
5 at \$1.76 billion and our contributions do continue to exceed
6 our goal. Through the first 10 months of the fiscal year,
7 we are surpassing our goal by \$66 million. In addition, our
8 contributions are \$150 million higher than last year's
9 amount through the same time period.

10 To keep you all updated on our Lottery programs
11 and efforts, last month we launched a new licensed
12 Scratchers game based on the classic 1975 movie Jaws, and it
13 is making a big splash with players. I will share with you,
14 I was out at a retailer just before it launched, and we had
15 someone who was literally going store to store asking if
16 they were selling the tickets yet. This \$5 game features
17 specialty paper that simulates shimmery water, and it offers
18 a top prize of \$500,000. And the signage and specific
19 marketing materials on our website, app, and at retail
20 highlight the iconic Jaws visuals, like you see here, and it
21 really draws the eye, and the ticket itself has killer
22 excitement.

23 **CHAIRMAN GARRISON-ENGBRECHT:** I love the puns.

24 **DIRECTOR SHERGILL-CHIMA:** It also has a
25 corresponding second chance bonus promotion that offers

1 registered players a chance at winning themed prizes and a
2 VI trip to Martha's Vineyard, where Jaws was filmed. Sales
3 from just its first three weeks were over \$16 million. Now,
4 not only is that 50 percent greater than our average \$5
5 game, but it's also the best launch that we've had for a \$5
6 game since 2021.

7 Additionally, last week we kicked off a new
8 existing wave of consumer marketing to support our
9 Scratchers category repositioning effort. This long-term
10 category effort is all about breaking down the barriers to
11 play and showcasing that Scratchers are a fun, quick moment
12 of entertainment that helps California adults add a little
13 play to their day. This new wave launched on May 13th,
14 and will run through the end of June, and it brings fresh
15 energy with the updated headline, "Say Hello to a Little
16 Play."

17 It joins our anchor tagline "A Little Play Can
18 Make Your Day," and we're also rolling out brand new TV and
19 radio spots designed to spark interest and amplify the fun.
20 This campaign is going to extend across all of our major
21 media channels, TV, radio, digital, social, and out of home,
22 which are billboards, our public website, and our mobile
23 app, as well as ongoing point of sale support at Lottery
24 retailers, ensuring that we can reach players wherever they
25 may be.

And, as usual, we've developed tailored, culturally relevant marketing to connect with California's diverse communities and with communications available in English, Spanish, Korean, Chinese, and Vietnamese. And I'm going to do something different this time. I'd like to share some of our commercials, and I'll start with our general advertising commercial.

(Video Played.)

DIRECTOR SHERGILL-CHIMA: So that just highlights a little bit of fun that you can have when you play Scratchers, and I will point out with that particular ad, I'm sure you saw the images, none of that is digitally recreated, those are all actually shot while they were filming the commercial, and I think that's great.

The next commercial that I'd like to share with you comes from our Hispanic marketing agency, and it was created to authentically connect with Hispanic audiences. You'll notice that it taps into the excitement building around the upcoming World Cup action in LA this year, and it leads into important Latin segment idiom to highlight the playful boost Scratchers can bring to your day.

(Video Played.)

DIRECTOR SHERGILL-CHIMA: And to round out our new TV commercials, I'm going to highlight the next one, which is from our Asian Consumer Marketing Agency.

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(Video Played.)

DIRECTOR SHERGILL-CHIMA: So with these commercials and the full campaign behind them, we're continuing to build awareness, strengthen our brand, and reinforce the fun and excitement that Scratchers bring, and this wave is going to keep the momentum going and builds on the strong results that we've already seen over the past few years.

Now I'd like to switch gears a little bit and talk about our mission. As you all know, our mission is to generate supplemental funding for public education, but when I started here as Chief Deputy Director in 2019, one of the things that we consistently heard was that people were really not aware about our mission, and so we worked with our public affairs team at the time and the rest of our executive management team to try to come up with a way to resolve that issue.

And so our Public Affairs and Communications Division came up with an idea, which was to run paid media advertising commercials, but instead of hiring actors, we wanted to go out into the community and hear directly from the people that were benefiting from these Lottery dollars. And so we reached out to schools and said, hey, tell us how you spend your Lottery dollars. And I will tell you, the amount of stories that we've gotten has been fantastic. We

1 just simply do not have time to get to all of them, but
2 we're trying to highlight as many as possible.

3 And so this most recent one that we went to go
4 watch is we filmed with Glendale Community College, and
5 actually Glendale Community College, Lottery dollars help do
6 a lot of stuff there. We support their football program,
7 their culinary program, their VR learning, and both their
8 men's and women's soccer team.

9 Chief Deputy Director Florence Bernal and I, and
10 along with our PAC team, Daniel Kelly, Yvonne Vasquez, and
11 Yasmin Rosas (phonetic), went out with our media partner on
12 this education front, Consensus, and we were able to meet
13 with students and staff. You can see us here having a great
14 time. And our partner, Consensus, pitched a great idea to
15 Good Day LA. They said, hey, we filmed these commercials
16 with these students at Glendale Community College, and
17 they're going to run during the World Cup, tying into the
18 theme with the soccer. We'd love for you to come out and
19 highlight when we do the premiere of the commercial for the
20 students, and we'd love to have you film this and run a
21 piece. And thankfully, Good Day LA said absolutely, we'd
22 love to do it, and so we had them come out.

23 Now I do want to share that thanks to Lottery
24 dollars, both the men's and women's soccer teams were able
25 to purchase new uniforms, nets, balls, and other essential

1 equipment. And when speaking to them, the students were so
2 grateful to the California Lottery, as well as the athletic
3 director, the coaches, and even the president of the
4 university, who all came out to greet us.

5 All three of them emphasize the same message that
6 our Lottery dollars have a meaningful and positive impact on
7 their students' lives, and Glendale Community College, in
8 particular, really wanted to show how thankful they were,
9 because, as I said, they use Lottery dollars in a number of
10 different ways.

11 So, I'd like to share with you, it's a little bit
12 long, but I think it's really important, the segment that
13 ran on Good Day LA.

14 **(Video Played.)**

15 **(Audience Applause.)**

16 **DIRECTOR SHERGILL-CHIMA:** That's fantastic. And
17 to be there with the students and hear them talking
18 about how much of an impact it had on them, it was really
19 great. And I will share that this Good Day LA piece
20 provided valuable earned media exposure for the California
21 Lottery, and it helped broaden public awareness for our
22 educational partnerships, and it encourages people to
23 continue to support the Lottery. And as you'll hear a
24 little bit later, we're seeing that this campaign is
25 actually making a difference in the awareness of people

1 realizing that we do provide supplemental funding for public
2 education.

3 That is my report for today. I'm happy to take
4 any questions that you might have.

5 **VICE CHAIR MILLS:** Thank you, Director Chima.
6 That was amazing. I mean, this is why -- that's why we're
7 here for the students. So, thank you, thank you, thank you
8 for sharing both the marketing campaign and the more PR
9 campaign. To me, they both bundled together to market for
10 the great work of the Lottery, and I feel inspired and am
11 proud to be sitting here at this dais with my fellow
12 colleagues knowing the impact that we're making. So, thank
13 you.

14 I did have one question about -- I was curious
15 about the Hot Spot promotion. It looked like it was super
16 successful, but I was curious about the fact she said we
17 hadn't done it for a number of years, or we hadn't been able
18 to do it for a number of years. I just wonder if you could
19 just talk a little bit more about that, and how that works,
20 and how we decide when or when not to do it.

21 **DIRECTOR SHERGILL-CHIMA:** Sure. I can start a
22 little bit, and then I'll ask Sharon Allen to come up here.
23 I'm not sure where Sharon is, but I do know that anytime we
24 do any kind of a promotion, it does require changes to our
25 gaming system, which then means that they will have to put

1 off other things that we've got going on. So that may be
2 one of the reasons, but I'll let Sharon more fully address
3 that.

4 **VICE CHAIR MILLS:** Great. Thanks.

5 **DEPUTY DIRECTOR ALLEN:** Part of it is logistics,
6 but also we made some changes now two, three years ago to
7 the Hot Spot funding to allow additional monies to be geared
8 towards promotion. So previously, there was an available
9 funds in what we call the wager prize fund to fund those
10 promotions, and by adjusting some of the spots, and it
11 allowed us to fund the promotions, and we'll be doing it on
12 a regular basis.

13 **VICE CHAIR MILLS:** That was going to be my next
14 question. Due to the success of this one, do we see that
15 happening more regularly?

16 **DEPUTY DIRECTOR ALLEN:** Yes. So we're building a
17 program because operationally it was something that hadn't
18 been done. So a lot of logistics behind the scenes, but in
19 the go forward year, we will have it on a more regular
20 cadence.

21 **VICE CHAIR MILLS:** Is there opportunity to run
22 similar type promotions with other games or?

23 **DEPUTY DIRECTOR ALLEN:** Absolutely. We look at
24 that all the time. It's just a matter. We look at the cost
25 versus the expected return, and so we want to make sure on

1 all of these promotions that we're getting the ROI out of
2 them.

3 **VICE CHAIR MILLS:** Yeah. It's interesting,
4 because I assume the promotions do kind of increases our
5 cost, eats into the net contribution to education, but it's
6 just another form of marketing and game player acquisition
7 cost, and that sort of thing. If you can get somebody in
8 with a promotion --

9 **DEPUTY DIRECTOR ALLEN:** It helps them, right?
10 They all serve different purposes, whether that's like, you
11 know, buy X, get Y, buy something and get something
12 additional, maybe it improves trial, it gives urgency, it
13 gives like fresh buzz, because, oh, something new news is
14 going on. So it can work on multiple levels, and we are
15 looking at doing more.

16 **VICE CHAIR MILLS:** Wonderful. Thank you.

17 **DIRECTOR SHERGILL-CHIMA:** Any other questions?

18 Okay. I'll leave with one last thing, and that is
19 I highly encourage all of you to attend the September
20 meeting, because I'll be focusing on another educational
21 campaign, and it's one I think you won't want to miss.

22 **CHAIRMAN GARRISON-ENGBRECHT:** I just want to echo
23 what Commissioner Mills said, and thank you to the entire
24 team. I know it's a team effort. I appreciate being able
25 to see the commercials and the Good Day LA or the News

1 spotlight. I'm biased. I live in Los Angeles, so I've got
2 to see some of the billboards go up around SoFi Stadium, and
3 the ones that go over the freeways there, but having the
4 opportunity to put not only the state of California on the
5 nation/international stage but also highlighting the great
6 work that we're able to do through a supplemental education
7 funding to our students.

8 As a former student athlete, I remember having to
9 fundraise for uniforms and equipment, water bottles, and so
10 I think that even hearing from the student testimonials, the
11 impact that our players can have on players is pretty
12 incredible.

13 I was trying to think of a pun about the Jaws. I
14 really love the Jaws. It blew me out of the water. I think
15 that one works. But thank you. And I know that it is a
16 coordinated effort across all the multiple departments and
17 divisions, and just major kudos to everyone. I think this
18 is like Keetha said, it's why we do the work we do, and
19 hearing those stories directly are pretty incredible. Thank
20 you for taking the time to do that.

21 Now we're getting to the real fun stuff. I like
22 to invite Jim and Kayla to come up and share the draft sheet
23 plan of Fiscal Year 2026-2027 Business Plan.

24 Kayla, do you need some water? Okay. That's a
25 hard act to follow.

1 **DEPUTY DIRECTOR HASEGAWA:** Good morning --

2 **CHAIRMAN GARRISON-ENGBRECHT:** Good morning.

3 **DEPUTY DIRECTOR HASEGAWA:** -- Mr. Chairman,
4 Commissioners, Director Chima. Today you see both the Draft
5 Strategic Plan and the Draft Fiscal Year '26-'27 Business
6 Plan in one combined informational item. However, at the
7 June Commission Meeting, there will be separate agenda items
8 for each of those plans, and that will be where staff will
9 be requesting or seeking your approval, so there's not a
10 vote today.

11 So for today's presentation, I have the pleasure
12 of sharing the Draft Strategic Plan with you, and that
13 provides the general direction for the Lottery business over
14 the next three to five years. This is the path that will
15 enable us to generate additional contributions to our
16 beneficiary, California Public Education.

17 A section will be devoted -- in this presentation,
18 a section will be devoted for each of the five strategic
19 objectives that first outline the origins and why it is a
20 key driver for our success in the future. And this will be
21 followed by information from our Draft Fiscal Year '26-'27
22 Business Plan, presented by Kayla, the Assistant Deputy
23 Director in Business Planning, and she will highlight some
24 of the projects and initiatives that will be undertaken this
25 coming fiscal year supporting that specific strategic

1 objective.

2 So I covered all of that. All right. So to give
3 you a little about the process and all, it is a long
4 process. It involves the entire executive team here at the
5 Lottery, as well as many of the deputy directors, managers
6 in their own respective divisions.

7 Now for my team, it really started well over a
8 year ago, and that's because we begin by looking at a review
9 of the Lottery's business, as well as look at external
10 trends and other business and consumer trends that are
11 happening in the marketplace. Then starting in the summer
12 of 2025, we began working with the directorate and the
13 various members of the executive management team, sharing
14 the data and insights from this review, and start discussing
15 what's going on, what's been some of the factors in the
16 business to date, and looking forward, what are things that
17 might impact us.

18 By the late fall of 2025, preliminary objectives
19 and key issues were being discussed and developed amongst
20 the executive management team. And by late February, early
21 March, we had kind of some draft objectives, which we shared
22 with the commissioners in individual briefings, and that
23 kind of allowed you to see the progress that we're making
24 towards our strategic plan.

25 So in terms of the context for all of this, the

1 one chart in this section really deals with the history of
2 Lottery sales, and as you can see, I kind of highlighted one
3 specific point in time. And that's because after years and
4 years of efforts, legislation to remove the price payout
5 restrictions in the Lottery Act was passed and signed by the
6 Governor in April of 2010. So previously, price payout was
7 limited to 50 percent of sales, and the Lottery's
8 administrative expenditures were capped at 16 percent, and
9 that left contributions to public education was required to
10 be at least 34 percent of sales.

11 Now by removing that payout restriction at 50
12 percent, we were able to boost the price payout in many of
13 our games such as Hot Spot and Scratchers, in particular.
14 And with that, the Lottery enjoyed tremendous growth in
15 sales and contributions to education over the next 12 years
16 or so.

17 Now a key driver was our ability now to pursue
18 kind of proven strategies that had been successfully done in
19 other jurisdictions because pretty much most of the other
20 jurisdictions in the United States didn't have the same type
21 of price pay out restrictions that we did through the early
22 stages of the Lottery.

23 Now one of the key strategies of that was higher
24 price point games, and we've talked about over time
25 launching different price points. So, for example, in 2011

1 is when we launched our first \$10 game, and continually went
2 with more higher price point games. As you recall, we just
3 recently launched the \$40 game in conjunction with our 40th
4 anniversary.

5 Now if you look at the slide, though, after those
6 12 years or so, starting around fiscal year '22-'23, sales
7 have been fairly flat, you know, at around the \$9 billion
8 mark. This year, sales are projected to be about \$9.28
9 billion, which is an increase over last year's sales, which
10 were at \$8.95 billion. So one thing I just kind of wanted
11 to say is that, you know, essentially that as we kind of
12 confronted this, developing this new strategic plan, the
13 kind of the chapter of tremendous growth that we saw after
14 the removal of price pay out restrictions seems to be coming
15 to a close, and so sales growth will continue to be at a
16 much more moderate level at this time we see.

17 Now before we get into the objectives, the
18 overarching objective is obviously the financial objective.
19 And as has been discussed in prior Commission Meetings, the
20 last few fiscal years have seen California sales gaining
21 ground against the leader, Florida. So our financial goal
22 for the new strategic plan is to overtake Florida, both in
23 terms of contributions to education, in our case, and sales.
24 So while Florida last fiscal year provided \$2.16 billion to
25 their beneficiary, and that's about 230 million more than

1 the contributions provided by us in that same year.

2 Now I do want to point out when passing Florida,
3 that would make us number two in contributions and number
4 one in sales. The reason why we wouldn't be number one is
5 New York has is very unique for lotteries is that under
6 their jurisdiction are video Lottery terminals in their
7 state and those are essentially like slot machines and so
8 forth, and that's why they're able to provide the \$3.58
9 billion to their beneficiary, which is also education, in
10 that same fiscal year.

11 All right. So, here's the list of the five
12 strategic objectives that lay the path for the Lottery to
13 increase contributions to our beneficiary and pass Florida.
14 This is the five of them, so a section will be devoted to
15 each of these objectives to explain their origins, why
16 they're important, and also how they compare with the last
17 strategic plan.

18 So the first objective is to reduce reliance on
19 big jackpots to meet financial goals by going draw game
20 sales outside of the billion-dollar jackpots. So this
21 strategic objective has evolved from the prior plan's
22 objective of growing draw game sales, particularly jackpot
23 games and Hot Spot. So over the past three years, game
24 enhances have been implemented for the multistate game Mega
25 Millions, as well as for our own Hot Spot product that kind

1 of Sharon's talked about. We made modifications to the
2 price structure, allowing for the ongoing of promotions on a
3 yearly basis. So that's why it's now evolved, and we'll
4 explain why it needed to be evolved.

5 So jackpot games includes Mega Millions,
6 Powerball, which are multi-state games, as well as our in-
7 state Lotto game, Super Lotto Plus. So, with the current
8 game designs, particularly in Mega Millions and in
9 Powerball, they're designed to have the ability to generate
10 big jackpots by having many months of draws with rollovers
11 instead of a winner, and with this type of game design,
12 there can be wide swings in sales from year to year based on
13 the luck of the draw. If there's winners or rollovers. So
14 for example, as you can see in this chart, sales in '24-'25
15 were \$670 million lower than the prior fiscal year, and
16 that's solely due to the differences in the number of big
17 jackpots in these games.

18 Another element that we wanted to share as to why
19 this strategic objective is really important for us is this
20 chart illustrates how Scratchers has really been the
21 dominant force behind our sales growth over the 12 years
22 after the passage of AB 142, which relieved us from the
23 price pay out limitations. So big efforts against
24 Scratchers, part of it's because Scratchers, because of the
25 instantaneous win situation, is much more -- generates a

1 good ROI by investing in additional price pay outs, where
2 like jackpot games, if you add the price pay out, we really
3 don't see that type of ROI, so it really isn't beneficial
4 for education.

5 Now while the black line, which represents the
6 draw game total, while the sales are higher now than they
7 were in the earlier stages of the Lottery, there really
8 hasn't been that much growth, particularly when you compare
9 it to Scratchers. But draw games have much higher profit
10 margins because the price payout is so much lower compared
11 to Scratchers, and so as we increase sales in draw games,
12 many more dollars will go to the bottom line to our
13 beneficiary. So that's one additional reason why it's so
14 important.

15 Another one looks at why this objective evolved
16 and became important is really how we compare our Mega
17 Millions and Powerball sales across our total portfolio
18 compared to what other states experience. So when you
19 compare sales in California to other top-selling lotteries
20 in the US, you can see how much more reliant we are on sales
21 during jackpots of a billion or more in a couple of ways.

22 The first way is with the share of a state like
23 California total Lottery sales, what shares coming from Mega
24 Millions in Powerball. So in our case, 17 percent of our
25 total fiscal year sales in '23-'24 came from Mega Millions

1 and Powerball. If you compare that to other lotteries in
2 the US, they're also big lotteries that share of sales
3 coming from Mega Millions and Powerball is just in the 6 to
4 13 percent range. So, for example, like Florida is at 13
5 percent of their total sales coming from these two games and
6 Texas at just 11 percent. So we rely on those games, and
7 again, those sales and Mega Millions and Powerball kind of
8 fluctuate because of rollover luck, and that's why we don't
9 be reliant to meet our financial goals solely -- so much
10 reliant on those two games.

11 Another way that we become really reliant on the
12 big jackpots is, in California, our share of sales of the
13 national sales for any particular draw really goes up when
14 there is the jackpots get over a billion dollars. Now
15 across every state, the jackpot is the same, but yet when
16 jackpots are kind of at their starting levels, the very low
17 levels, California represents about 12 to 13 percent of all
18 US sales for one of those multi-state games. But when the
19 jackpot gets to a billion or more, we represent about 15
20 percent of total US sales. So what happens is we have a lot
21 more of what we call kind of the casual, infrequent kind of
22 the jackpot player who only comes in at that time, versus
23 some other jurisdictions probably have a little more
24 consistent player or people playing at lower jackpot levels

25 Now looking at our data about player spending, and

1 that's just taking the sales of the games and dividing it by
2 the estimated number of California adults who are playing
3 the game based on data from our tracking study, so when you
4 look at that, for every draw game except Hot Spot, the
5 average player spends less than \$1 a week, and even for our
6 core or more loyal jackpot game players, for example, a
7 typical consumer spends on average just less than \$4 per
8 week. So there's definitely opportunity to still grow sales
9 in the draw game category while still doing so in a very
10 responsible manner.

11 So one thing I wanted to stress, we've talked
12 about what the strategic objective is about, about being
13 less reliant on those big jackpot scenarios. But I also
14 want to describe what it's not about. It doesn't mean that
15 we would ignore Mega Millions or Powerball, but we want to
16 try and include initiatives that concentrate efforts outside
17 of the billion dollar plus jackpots. We have many other
18 games, of course, in our draw game portfolio that efforts
19 can be played against. So, if we can build play at lower
20 jackpot levels, that would make our sales pattern in these
21 games kind of more in line with what's going on in the other
22 top selling lotteries.

23 Now, obviously, there are many things that will
24 happen over the next three to five years. We really just,
25 at this stage, because it's a new change in objective. Now

1 Kayla's going to talk about what's in the works for this
2 upcoming fiscal year in our business plan for next year.

3 **ASSISTANT DEPUTY DIRECTOR KASSIS:** All right. So
4 to help put this in perspective, where I'm going to provide
5 those examples in how we're going to achieve these long-term
6 objectives this coming fiscal year as part of our '26-'27
7 business plan. So I'm going to go over some highlights, and
8 then in June. I will share more detail about the
9 initiatives, as well as potentially even some more projects
10 slated in each of these objectives.

11 So our first year for this strategic objective
12 will focus on efforts to boost awareness and excitement at
13 all jackpot levels, not just the billion dollar plus ones.
14 To bring excitement to the Super Lotto Plus game, we have
15 plans to make our first enhancements since 2000. This game
16 currently draws twice a week on Wednesdays and Saturdays,
17 and the plan is to add a third draw day on Monday to
18 coincide with Powerball. Adding draw days has been
19 successful for us in the past. The latest time was for
20 Powerball when it added its Monday draws in 2021, and that
21 led to sales increasing by 20 percent for jackpots below 250
22 million. Currently, the launch date may be as late as June,
23 so unfortunately we won't see the sales gains next year, but
24 it does set us up for the future.

25 Also, as we've mentioned in prior years business

1 plans, we will be implementing a pilot to sell and claim
2 jackpot games in the checkout aisle at grocery and
3 supermarkets. This effort will allow players the
4 opportunity to buy a quick Lottery purchase, chance to win
5 millions, even more conveniently than before. And then this
6 one, there was significant work this year done to finalize
7 the implementation details, so we do expect this pilot to
8 begin in 2027.

9 And probably our most straightforward method for
10 boosting sales for our draw games is to continue advertising
11 the jackpots and boosting awareness at those lower levels.
12 So this will be through our effective jackpot alert
13 communication strategy and the acquisition of new permanent
14 jackpot billboards like the one you see here on the slide.
15 So both of those will increase awareness of the jackpots,
16 act as reminders for that chance to win millions, even when
17 it isn't over a billion dollars.

18 **DEPUTY DIRECTOR HASEGAWA:** So now we'll move to
19 the second objective, and that's to continue eliminating
20 barriers to play among our infrequent Scratchers play.

21 **VICE CHAIR MILLS:** May I ask a question?

22 **DEPUTY DIRECTOR HASEGAWA:** Sure.

23 **VICE CHAIR MILLS:** I'm sorry. I was a little
24 confused. So, the objective was to reduce reliance on
25 jackpot games.

1 **DEPUTY DIRECTOR HASEGAWA:** No. It's to reduced
2 reliance on the occurrences when it's our sales are only at
3 the billion dollar plus level. See, because right now a lot
4 of our -- the swings that you see in our sales --

5 **VICE CHAIR MILLS:** So not reduce reliance on
6 jackpot, reduce reliance on the mega jackpots.

7 **DEPUTY DIRECTOR HASEGAWA:** Just on the, yeah, so
8 we've got to boost our draw game sales outside of the
9 billion-dollar jackpots draws.

10 **VICE CHAIR MILLS:** Thank you. Sorry, I did not
11 understand that. Thank you.

12 **DEPUTY DIRECTOR HASEGAWA:** Okay. So moving on to
13 this second object. This objective, which is our second
14 one, on continuing eliminating barriers. Obviously, by the
15 word continue, it implies that this objective should sound
16 familiar to all of you because it has been part of our
17 strategic plan since 2020. Similarly, since 2020 a separate
18 strategic objective dealt with improving knowledge and
19 perceptions about the Lottery, and you saw examples of that
20 this morning as well.

21 So as the Lottery's education campaign has been
22 running for several years, those efforts are going to be
23 kind of merged under this objective now, so that both of
24 those types of programs are part of this continuing to
25 eliminate barriers because, again, one of the barriers at

1 play is that people have, you know, wanting to know, like,
2 where does the money go, and this will help further
3 awareness and develop awareness on that.

4 So as a little background, so consumer research
5 found there were many barriers that caused some of our
6 Scratcher players to purchase infrequently. So in order to
7 increase their play, we really needed to tear down those
8 barriers. So many of these infrequent players really had
9 perceptual barriers to playing Scratchers more often, and
10 those were the first ones tackled through both of the
11 campaigns you saw in the Director's report. Now these
12 players didn't play often because they didn't see themselves
13 as gamblers. They felt guilty about buying more often. The
14 problem was that these consumers only saw Scratchers as kind
15 of a win-lose transaction, and didn't view it in the context
16 of the fun and entertainment value playing the game can
17 provide.

18 So efforts to tackle this perception started in
19 the fall of 2021 and have been part of the Lottery's plan
20 since that point in time. So again, this is not just an
21 advertising campaign. It involves changes to the Scratchers
22 product mix, retail efforts, as well as marketing support,
23 like the advertising that you've seen.

24 So, in terms of some of the results, so changing
25 the perceptions of Scratchers so that more consumers,

1 including our infrequent players, now see the entertainment
2 value of the product, and that's really important. That was
3 the barrier before. You can see from this slide what this
4 does show is that the boxes that are in kind of the tan
5 color, that represents a statistically significant
6 difference from the most recent year, which is fiscal
7 '24-'25. So you can see that it's fun to play Lottery
8 games, that 44 percent is higher, irrespective of sampling,
9 it's just statistically higher than almost all the years
10 prior.

11 And you can see that the increase only started
12 when once we launched the campaign in fiscal year '21-'22.
13 Similarly, playing Scratchers is worth the money for the
14 entertainment. All of those types of attributes have
15 improved, and so really people are getting the message
16 that's intended from the advertising and the whole marketing
17 campaign efforts

18 And it's not just about perceptions because we
19 want to do more than just that. It actually changed
20 behavior. So, in this important slide, playership of
21 Scratchers has significantly increased as a result of the
22 Scratchers category repositioning effort. The most recent
23 data point on this chart is from this past summer, and you
24 can see that 56 percent of all California adults have played
25 a Scratchers game in the past year, and 40 percent have done

1 so in the past months, and both of those numbers are
2 dramatically higher than prior to the campaign launching and
3 prior to the pandemic. So again, it's these efforts have
4 impacted not just, you know, people's attitudes or
5 perceptions about the product, but it's translated into
6 actual increases into playership.

7 A slightly different perceptual barrier dealt with
8 the individuals not knowing where the Lottery proceeds go,
9 and so that campaign unfolded, and we're here to show the
10 results of that. So you can see that today the most recent
11 data, because it is from the last fiscal year, 38 percent of
12 all California adults are aware of and actually can
13 correctly identify that education is our beneficiary.
14 Again, a much larger percentage than back prior to the
15 campaign starting, when it was like 25 percent of California
16 adults.

17 And why I say is they kind of are aware of it and
18 can correctly identify, it's not just people saying like yes
19 I know who the beneficiary is. We kind of test them, so
20 people who say, yes, I know who the beneficiary is, they're
21 given like a list of possible beneficiaries that could be,
22 and they can correctly identify that it's education. So
23 that's really true knowledge that they say they're aware of
24 it, and they can they can say education is our beneficiary,
25 so it's 38 percent now, and it's come up quite a bit from

1 the pre-campaign levels.

2 So while we've been able to tackle these
3 perceptual barriers, there are a few other barriers, though,
4 that still inhibit play that need to be tackled before we
5 can really see significant sales gains. And so the first
6 one that you probably might be able to guess is that not
7 having cash on hand to make a purchase, and that's because,
8 as many of us, you know, fewer and fewer people are carrying
9 cash on hand in their wallets or purses, and therefore they
10 can't have, like, that impulse purchase to buy scratches
11 that they see the Jaws ticket that grabs their attention,
12 they don't have cash on their hands, we lose that
13 opportunity.

14 The other one that's a barrier that players have
15 told us is that making the decision on which specific ticket
16 to purchase because the average retailer carries so many.
17 You know, there's 24, 25, 28, 30 different games, different
18 varieties are offered today, and consumers feel overwhelmed
19 by this idea of trying to figure out which game to play, at
20 least our casual players. Our core players kind of know the
21 games and enjoy looking at all that variety. It actually is
22 very daunting for the person who doesn't play, or doesn't
23 play very much. They get concerned about holding up the
24 line, and so we've got to figure out ways to make which
25 specific ticket that that actual purchase transaction a

1 little smoother for our casual players, while still
2 providing the information that our core players want.

3 So that's a very interesting task that it's going
4 to be our sales and marketing team working on, but that
5 essentially is the issue that that's at hand, and there have
6 been efforts, there's been a lot of testing, there's a lot
7 of research in this area to try and assist in moving this
8 along. So those are the kind of the two bigger barriers
9 that a lot more attention now needs to be paid attention to.

10 And with that, setting up what the objective is to
11 kind of bring it to life a little bit more. I'll have Kayla
12 talk about the fiscal '26-'27 initiatives.

13 **ASSISTANT DEPUTY DIRECTOR KASSIS:** So in this
14 coming fiscal year, we will be addressing casual players'
15 barriers to play with efforts in the retail, in our product
16 plan, and our advertising efforts. So, first in Q1, we're
17 going to be launching our cashless payments pilot, which
18 will offer players the ability to use debit cards at Lottery
19 vending machines. This pilot will include 450 supermarkets,
20 convenience stores, and drugstores. And once launched, the
21 pilot is estimated to last approximately six to eight
22 months, and will conclude with a thorough analysis to
23 determine whether a full-scale rollout will maximize
24 contributions to education given the incremental fees that
25 this payment option incurs. This is an exciting opportunity

1 to eliminate that key barrier to purchase, which is having
2 cash on hand.

3 Additionally, again, get ready for the puns,
4 Godzilla will be stomping into stores in the springtime,
5 just like you saw today earlier from Harj for Jaws, offering
6 this game will give us the opportunity to lean into the
7 iconic imagery and the fun, and hopefully this movie villain
8 will appeal just as much to Californians as Jaws has.

9 The Scratchers category repositioning campaign, or
10 those efforts will continue with advertising and fun and
11 easy to play Scratchers games, and as Jim has shown, this
12 has been an effective strategy for us to break down those
13 emotional and perceptual barriers and really build awareness
14 and playership.

15 And last but certainly not least, we will continue
16 showing how schools use the Lottery funds to build trust,
17 combat skepticism, and promote transparency with the
18 California public.

19 **CHAIRMAN GARRISON-ENGBRECHT:** I love puns.

20 **DEPUTY DIRECTOR HASEGAWA:** So now we turn our
21 attention to the third objective. So, although marketing
22 tactics that core Scratchers players would find interesting
23 and appealing have always been present, it's really now time
24 to expand those efforts over the next couple of years for
25 more immediate sales gains, and also in response to consumer

1 concerns about the economy, as well as strong competitive
2 pressures that are in the marketplace. So that's why this
3 objective has not been formally like in the strategic plan,
4 but it has been part of the marketing plan tactics
5 throughout these periods, but it just needs additional focus
6 and attention during these upcoming years.

7 So, first off, it's kind of dealing with some
8 immediate needs because the first two objectives that I
9 described, they won't be fully achieved like immediately.
10 It's going to take a couple of years still. You know, for
11 draw games, as you heard earlier in the Director's report,
12 you know, with software batches, and so forth, and all the
13 different things that are needed in the gaming system. It's
14 not like we can make changes to games like every week or
15 something, so it will take a couple of years to kind of
16 fully implement different changes to the draw game portfolio
17 that are being anticipated, as well as to reduce those
18 barriers on the Scratchers front. So, as such, we really
19 need a stronger effort that will be able to boost sales and
20 contributions in more the immediate term, the short term,
21 and that's why the attention to some of our core players are
22 important.

23 The other reason, and we'll share some data on it
24 in just a bit, is that core Scratcher players in California,
25 in the most recent completed fiscal year, they've actually

1 reduced their spending on the product line. Probably, you
2 know, we see it as probably do things like inflation, other
3 ways to spend their entertainment and gaming dollars, and a
4 consumer survey that we do every year to kind of take a
5 pulse on how players feel -- or not players, consumers in
6 California feel on a variety of topics, including future
7 outlook on their personal economic situations, and there
8 definitely shows that there's people are a little uneasy,
9 there's a lot of uncertainty, a little concern about what
10 the upcoming year might hold for them in terms of their own
11 economic situations, and so all these things combined have
12 shown that, you know, Scratchers players, both core and
13 casual, have kind of pulled back a little bit as they pull
14 back on lots of different types of spending

15 And what's important is the reason why core
16 players are really important is in any business and any
17 product, your most loyal customers are ones that you want to
18 make sure and defend and hold on to, and they're more apt to
19 be able to respond to some of the efforts that we'll be able
20 to do in the upcoming years. And that's why it needs
21 additional focus right now to really make sure that we can
22 kind of get back some of the sales we might have lost from
23 our core Scratchers players.

24 So talking a little more detailed on some of these
25 things, I wanted to go a little bit about the competitive

1 threats. Now although sports wagering is not legal in
2 California, I think I've talked about in the past with
3 something called player proposition betting or prop betting,
4 and that is something that has really been becoming more and
5 more active. I assume you might have seen some of their
6 advertising, particularly if you watch any sport, a national
7 sporting event, and so forth, because net player prop
8 betting, the consumer bets not on the outcome of a game but
9 on the performance of a particular player or sets of players
10 that are playing that evening. So it could be like in the
11 playoffs last night, Victor Wembanyama played for the Spurs,
12 it might be that they'll have a points number, like say 25
13 points. You would bet whether it's higher or lower than
14 that 25 points, and then they also do parlays, which could
15 string together multiple players and multiple scenarios that
16 you wager on.

17 And I do think that this type of wagering, along
18 with the new prediction markets, which is another form,
19 which I've recently seen a lot of advertising from, like
20 Kalishi, but also other big companies like Polymarket and
21 DraftKings are in this space, prediction markets kind of
22 talk about that, that you can bet on anything, and literally
23 you can, and I think some of their advertising kind of talks
24 about that, something about like aliens landing or something
25 you can bet on

1 But they've also, in California, what's really
2 interesting is the prediction markets they are offering what
3 they call the prediction market, not a wager per se on the
4 actual outcome of games, which is illegal in California, but
5 yet they found some loophole in it. And I know that the
6 Attorney General has started to look into that, because it
7 does seem odd that it's illegal in California, yet people
8 are doing it. But even beyond that, the other types of
9 prediction market wagering is very competitive because it
10 really touches upon kind of the entertainment value. Again,
11 it's not the same type of wagering as saying going to a
12 casino or all, and so it really is competitive with Lottery.

13 So as I mentioned, here's some of the data on the
14 Scratchers player spending. So in '24-'25, the estimates
15 that we place on our average core Scratchier player, that
16 declined by about 5 percent compared to the prior year, and
17 for casual Scratchier players the decline was between 25 and
18 30 percent actually. So, yes, some of the decline can be
19 attributed to growth in playership because, as you saw
20 earlier, we increase the percentage of California deals who
21 are participating in Scratchers, and oftentimes that brings
22 in more occasional or lighter players. But we do see with
23 the numbers that we really feel pretty confident that some
24 of the source of this decline is things like the concern
25 about the economy, the rising prices, and this increased

1 competition from other forms of gaming and entertainment

2 So we wanted to also put numbers in context with
3 other jurisdictions. And so you know we talked about that
4 California, I think in another presentation in a prior
5 meeting, we showed how California was the top seller for
6 Scratchers last fiscal year. And we were in front of
7 actually Florida on that product category, not in total, but
8 for Scratchers we were number one. But California has a
9 much bigger population, so oftentimes with any type of
10 state-to-state comparisons, per capita metrics are used.

11 In the Lottery industry, per capita sales are
12 calculated by taking sales and dividing it by the total
13 population, and that's how those numbers are done here. So,
14 based on this measure, California had an annual per capita
15 Scratcher sales rate of \$175 over the course of the year.
16 And looking at all US jurisdictions, we ranked 18th in that
17 category. Florida, which we're always keeping an eye on,
18 their per capita sales rate was much higher at 292 and they
19 were the third highest in the US.

20 So there's vast differences in our per capita
21 sales, but per capita sales could differ for a variety of
22 reasons. A state could have higher per capita sales than
23 us, either from having a higher percentage of their adults
24 playing Scratchers, or their players spend more on
25 Scratchers than our players do, or a combination of both.

1 And that's really important to provide an understanding of
2 the situation, so that marketing can make proper actions.

3 So we did a study across many states, not just
4 ours. It wasn't quite the same level as the tracking study,
5 but we did a way to compare playership levels in California
6 versus the other jurisdictions, and what we found is our
7 past year Scratchers play rate is higher than it is in
8 Texas, and it's comparable to the rates found in Florida,
9 New York, Massachusetts, Georgia, and the other top 10
10 lotteries.

11 So that means that the higher per capita sales
12 that are generated in this other states is really due not
13 because they have more players, it's because their players
14 are spending more on the product than our players do. And
15 it shows that also that applies not just for the players
16 overall, but even our core players. Core players in these
17 other jurisdictions are spending more on Scratchers than our
18 core players are.

19 So this is a really strategic insight because it
20 means that we don't necessarily need to get more
21 Californians to play Scratchers to get our per capita sales
22 closer to these other states. It's just to get them maybe
23 to buy a little bit more frequently by reducing some of
24 those barriers, or to spend a few more dollars at each
25 purchase occasion.

1 And in the latter factor, one of the things I'll
2 point out is that of the top 10 states, only California and
3 New York do not offer a \$50 gain, so that is something that
4 might be things that we're looking into in the future that
5 Kayla will talk about shortly.

6 **ASSISTANT DEPUTY DIRECTOR KASSIS:** All right. So
7 for our core Scratchers players, we will be primarily
8 focusing within our product plan and our loyalty type
9 program, Second Chance. So the Scratchers product plan will
10 include three \$30 game launches and two \$40 game launches,
11 so that's one additional game per price point compared to
12 this current year. Along with these changes, more games
13 throughout the year will be launched that have themes that
14 have proven to appeal to the core players, and the
15 Scratchers team has developed a launch plan to ensure that
16 there's always games available to appeal to both our light
17 and our loyal players.

18 Additionally, analysis and planning for a
19 potential \$50 ticket will be conducted in anticipation of a
20 launch in a future fiscal year. It has been successful, as
21 Jim alluded to, in many other jurisdictions, but we are
22 still working out the profitability component for us. And
23 our Second Chance program will have further enhancements
24 made to its infrastructure to facilitate more activities
25 that can provide deeper engagement and more excitement for

1 these most active players.

2 **DEPUTY DIRECTOR HASEGAWA:** So now let's turn to
3 the fourth objective, and that's elevate the customer
4 experience for players, retailers, and internal customers,
5 because we have many different forms of customers here at
6 the Lottery. So this objective was not part of the last
7 strategic plan. However, it should sound a little familiar
8 because it was an objective in the current year's business
9 plan. It was a business plan objective.

10 So in the prior strategic plan one of the
11 objectives was devoted to our retail network. And most of
12 the programs under that objective were either really about
13 enhancing services to our retailers or to our Lottery
14 players. And so this new objective is more directly talking
15 about improving the customer experiences because that's
16 really what's going to be vital for the Lottery or any
17 business to be ultimately very successful.

18 And so, again, in our case, our customers, we
19 consider our players, our retailers, as well as our internal
20 customers, our colleagues, our fellow employees. My group
21 is a prime example. We don't directly interact with a
22 player and a retailer in kind of a Lottery setting outside
23 of research, but we have a lot of internal customers. We
24 conduct research on behalf of many departments, and so we
25 have to hold a good customer experience for our people, like

1 in sales and marketing, et cetera, and finance, and all to
2 give them a good experience with helping them make their
3 decisions.

4 All right. So, benefits. So articles written by
5 experts in this field, they've actually quantified the
6 benefits to a company who provides excellent customer
7 experiences in their field. So, for example, companies that
8 are CX leaders, CX being the acronym used for customer
9 experience, are three times more likely to meet their
10 financial targets and also to be viewed as a great place to
11 work. So that's been shown by these other companies that
12 kind of investigate companies' efforts with CX.

13 One thing I wanted to mention also is that
14 customer experience sometimes is kind of misunderstood.
15 It's not just like customer service. Customer experience
16 deals with the entire customer journey from the first time
17 you might see a product in a store or hear an advertisement
18 on TV or radio, through that entire journey. It's every
19 interaction you have with the brand.

20 Customer service is just one moment within that
21 experience that you're dealing with. You know, oftentimes
22 when there's a problem or something, you're trying to solve
23 something. So it's just one specific slice in the whole
24 customer experience journey

25 So, again, kind of the reason why CX we feel is so

1 important is that companies that lead in customer experience
2 really grow their revenue faster. In fact, this expert
3 talked about it being 80 percent faster than their
4 competitors. And the reason why is because when you have
5 great experiences, you then develop more loyalty to that
6 brand or that product. So people who try might become more
7 regular customers or regular customers then become advocates
8 for their brand, and talk to others very favorably about
9 their brand.

10 So customer experience, you know, is really
11 critical in that. It's, again, when a word of mouth that's
12 very positive, it can do so much, you know, for you, because
13 it's not the company kind of touting themselves. It's your
14 friends and family members are telling good things about
15 that brand. And so that only comes across when consumers
16 have a great experience with that product or that brand.

17 Now in many strategic plans longer ago, this whole
18 initiative of customer experience was part of it, and it led
19 to many enhancements, many different new programs for our
20 players, for retailers, and internal customers, but it's
21 something you just can't rest in your laurels on. We did
22 that, but that might have been 5, 10 years ago, and so
23 really it's time for a whole new generation of new
24 initiatives in this area to really enhance the customer
25 experience our players and retailers have.

1 And just to give you some more information or data
2 because you know I like to do that, so our players and
3 retailers have pretty much kind of good satisfaction scores
4 based on the surveys that we conduct with players and
5 retailers and so forth. However, based on the American
6 Customer Satisfaction Index, the rating from our players
7 across a variety of touch points is just slightly below the
8 US average, as you can see with those numbers there. And
9 our retailers are pretty much right on par with the US
10 average.

11 However, the Lottery wants to attain better than
12 just average scores. We feel we really need to provide
13 exemplary experiences, and that's particularly important in
14 a category like Lottery, where one of the aspects of
15 participating in the Lottery is winning or losing when
16 you're playing a game, and so we definitely can't guarantee
17 a win for every time you play the Lottery. So all the other
18 touch points that people have with our products, we have to
19 make very, very positive experiences that overcome the fact
20 that they may not win on that specific ticket or game.

21 Now for the other customer under this objective,
22 fellow Lottery employees, we don't have comparable measures
23 to the American Customer Satisfaction Index, the way theirs
24 is structured. However, we do have data. The 2023 employee
25 engagement survey saw the average score across all the

1 measures improve by 4 percent from the 2020 study, so we've
2 definitely seen gains there, but again we want to
3 continually to improve with how employees feel about the
4 organization and working here.

5 And then with that, I'm going to now turn it back
6 to Kayla, and she's going to tell you a little about what's
7 coming up on the horizon for next year.

8 **ASSISTANT DEPUTY DIRECTOR KASSIS:** And there's a
9 lot, so I get two slides on this objective

10 So first, to best support this objective as it
11 transitions from an annual goal to the long-term strategic
12 objective, a cross-divisional committee is going to be
13 created to take a deeper dive into the Lottery's current
14 state of CX for each of the three core groups, right;
15 players, retailers, and our employees. So this evaluation
16 is going to look at prior research, conduct new research,
17 and then also reviewing industry best practices in the CX
18 space. By October, the goal will be to determine what the
19 lotteries of strategies should be to improve the customer
20 experience for each of these groups. What will bring the
21 most value to the Lottery and improve customer experience
22 the most.

23 So, what touch points, experiences, engagement
24 perceptions, what should be prioritized, and will give us
25 the most opportunity for growth. What areas should we

1 ensure that we improve to improve customer experience, and
2 ultimately contributions to education.

3 So this team is also going to identify and plan
4 how these strategies are going to be measured, so that we
5 can demonstrate its successes and identify challenges over
6 the next three to five years.

7 So, with this thorough study, cross-divisional
8 input, and just the deliberate planning, we will create a
9 priority framework that future efforts will align to,
10 setting the Lottery up for maximum improvements to customer
11 experience.

12 But we are not just planning, we also have several
13 very exciting implementation efforts coming our way. For
14 players, we'll be upgrading the digital signage at the
15 district offices, similar to the nice fancy monitors and
16 signage we have here in our lobby, but the next two bullet
17 points there under players is expected to have an even
18 bigger impact.

19 So several improvements are coming to the prize
20 claim process. Work will begin on implementing a method for
21 players to submit their prize claims and receive prize
22 payments electronically. Finally, entering the modern age
23 to provide a more convenient method for our current paper
24 forms and mail checks.

25 Additionally, while that is underway, we'll

1 continue to enhance the playing claim to the district office
2 program, so players with prizes up to \$5,000 would be able
3 to receive same day payments, an increase from the \$1,000
4 limit we have today

5 Another pilot that we have slated for next year
6 for players who purchase from Lottery vending machines will
7 be the ability to cash in their prizes from winning tickets
8 to purchase new tickets for that full prize value.

9 So currently, players can scan their tickets at a
10 vending machine, see if they've won, and if they did, and
11 it's under \$599 then they have to go to the cashier to cash
12 the check, or, sorry, cash the ticket, and then if they want
13 to use those winnings to buy more tickets, they have to then
14 go back to the vending machine to do so. In this case with
15 this pilot, we will break that down, simplify it, and now
16 they'll be able to scan if they won, and then immediately
17 decide if they want to use the full winnings to then buy
18 additional games. So that is a significant player
19 experience improvement

20 For retailers, many will see upgrades to their
21 Lottery equipment, and for prospective retailers, we have a
22 digital application that is in development. There's also
23 several employee experience improvements coming our way next
24 year. This includes enhancements to our data systems and
25 processes to improve analytics and reporting, several

1 facility improvements to ensure employee wellness and
2 safety, and then, of course, continued focus on the
3 Lottery's mission, vision, and values program, along with
4 internal communications, will set to further improve the
5 employee engagement.

6 **DEPUTY DIRECTOR HASEGAWA:** All right. We're in
7 the home stretch, promise you. All right. So this last
8 proposed objective is to transform and modernize Lottery
9 programs and processes to reduce costs and/or allow staff
10 more time for revenue generating initiatives. So this
11 objective is not related to any objective in recent
12 strategic plans. However, this strategic objective is
13 critical for us to meet our financial objectives that I
14 described earlier, about growing our contributions to
15 education to surpass Florida, and I'll explain why it's so
16 critical.

17 So here's the chart I showed earlier in the
18 presentation that showed dramatic growth in sales, and then
19 now it's kind of, you know, a much more moderate level of
20 growth and very flat sales. So, for example, sales grew by
21 just 5 percent between fiscal '23-'24 and fiscal year
22 '21-'22. Sales grew at 5 percent, but during those same
23 years, our operating costs grew by 18 percent. Now
24 operating costs includes administrative expenses, excluding
25 game costs and retailer compensation. So game costs being

1 like printing of our tickets, the gaming system, and the
2 delivery and shipment of our Scratchers to our retailers.
3 Those are kind of the game costs, and all. So, excluding
4 game costs and retailer comp, are kind of operating expenses
5 that grew by 18 percent while our sales only grew by 5
6 percent in over the same time periods

7 So the consequences of these two lines that
8 eventually go on a collision course is the consequence of
9 this is that our marketing budget has suffered reductions.
10 And obviously, our marketing program is critical for
11 engaging our players, to growing sales, and growing our
12 contributions. So the current fiscal year has seen an 18
13 percent decrease in the marketing budget compared to the
14 average of the four prior fiscal years. And next year the
15 draft budget at this time shows a 28 percent reduction from
16 the level seen in that four-year period.

17 So that's why it's critical that we figure out
18 ways to, you know, because we want to maximize our
19 contributions to education. We're not just going to be in
20 this strategic plan having stuff or programs on boosting the
21 top line sales number. It's looking at ways that we can be
22 minimizing our expenditures, so that way more money can flow
23 down to the bottom line.

24 Now a reason why this is important now is that
25 many of the programs and processes were created or last

1 modified when our sales level was a lot lower, probably like
2 at the \$3 and \$4 billion mark. So our sales have more than
3 doubled. In some cases, we're kind of doing business the
4 same way we were back then, and so it really gives us an
5 opportunity to relook at things because the Lottery has
6 dramatically changed today compared to years ago.

7 I also want to emphasize what this objective is
8 not about because there can be misunderstanding from --
9 that's why, in a way, that the title of this objective is
10 unfortunately a lot longer than it should be for an
11 objective, but because earlier versions of it kind of led to
12 some misinterpretations, to be honest. So I want to make
13 sure that it's clear that modernizing is not about moving to
14 online wagering. That's not in the strategic plan, and
15 that's because it's still not permissible for us to do that.

16 Modernizing is also not just about let's upgrade
17 all of our technology. We're using technology. We want to
18 use technology because it has a benefit of lowering costs or
19 to free up staff time from doing things manually, that's now
20 more digitally, so they can focus their energies on kind of
21 more revenue generating projects rather than kind of, you
22 know, bureaucratic side of it or paper-based things. And so
23 that's what it's not about, just upgrade technology for
24 upgrading sake. We really have to see the value of it, and
25 all. So we're going to be very conscious about that.

1 And so, how this takes place and starts up this
2 coming fiscal year, I'll turn it back over to Kayla.

3 **ASSISTANT DEPUTY DIRECTOR KASSIS:** Last slide.

4 **DEPUTY DIRECTOR HASEGAWA:** Next to last slide.

5 **ASSISTANT DEPUTY DIRECTOR KASSIS:** So despite this
6 being a brand-new objective, we do have a few initiatives
7 slated for next year. First, we'll be investigating ways to
8 reduce staff time and infrastructure costs for maintaining
9 our public website. So, the public website obviously is a
10 very essential tool in communicating with the public.
11 However, there are significant costs and staff time needed
12 for the regular updates and upkeep, and so a thorough cost
13 and benefit of evaluation of the platform options available
14 will occur next year. Modernizing the retailer application
15 form from paper to digital submission, as I mentioned in the
16 CX objective, will also reduce staff time by reducing errors
17 from manual entry on both sides, the retailer side and the
18 Lottery side, and improve retailer data security and
19 integrity.

20 And lastly, similar to the customer experience
21 objective, an enterprise-wide plan and roadmap will be
22 developed. Various programs and processes throughout the
23 Lottery will be reviewed and analyzed, prioritize which ones
24 should be tackled first. And again, this is all an effort
25 to identify which areas we should really prioritize, and

1 that would most reduce time and costs if they were reworked
2 or transformed or improved in some way.

3 **DEPUTY DIRECTOR HASEGAWA:** So, with the strategic
4 plan and annual business plan being presented as an
5 informational item at this meeting, it really gives the
6 Commissioners, all of you, time to think about them before
7 they're presented for a vote at next month's meeting. So we
8 would be happy to answer any questions right now, or
9 similarly, we'd be just as happy to receive any feedback now
10 over the next few weeks as you had time to digest all this
11 material.

12 And that concludes the presentation or the
13 informational item. Excuse me.

14 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you both. I
15 really appreciate the time and effort put into this. Open
16 up for questions for discussion.

17 **COMMISSIONER ALVIDREZ:** Thank you. Thank you so
18 much for the information. It is dense, very dense. I
19 appreciate the switch off because it kept me -- the rhythm
20 of one voice was a bit lulling, but I do appreciate it, and
21 I appreciate the density of the information.

22 Quick question on this \$50 ticket analysis. So
23 I'm clear that we are going to continue to do this \$40 game
24 through fiscal year '27, I think. What's our go-to market
25 strategy for the \$50 ticket? What's that timeline look

1 like, and how does that timeline map to what we're seeing,
2 kind of that ticket price, those higher ticket prices for
3 other games in the country?

4 **DEPUTY DIRECTOR HASEGAWA:** I don't believe the
5 timeline is really set yet. I will let Sharon speak to it,
6 but from having had discussions, we don't have, like, oh,
7 it's going to be target for this month and this month or
8 this year, but --

9 **COMMISSIONER ALVIDREZ:** I don't need a specific
10 month. I'm just thinking in general. We know it's going to
11 be after fiscal year '27. How far after?

12 **ASSISTANT DEPUTY DIRECTOR KASSIS:** We haven't
13 locked in, but probably sooner rather than later. So we'll
14 be using the product plan development actually starts like
15 in just a few months, right? So we'll be locking in some of
16 those decisions, but like I said, you know, we want to
17 probably get it to market sooner rather than later without
18 committing to an actual date, but we can give you an update
19 on that.

20 We think it's something that's more immediate. We
21 have to do some additional studies and research around our
22 optimal prize payout as well, and that's one of the key
23 questions that we have to answer before we can commit to a
24 date, but I would say perhaps in not this coming, but maybe
25 the next one would be the soonest (inaudible).

1 **COMMISSIONER ALVIDREZ:** Perfectly fine. When you
2 provide that information, will you give me the mapping for
3 what other states kind of -- what that clip is that other
4 states are using to set their higher ticket prices because
5 it feels as though we are a bit behind? I mean, the 40 year
6 is perfect, because it's \$40, 40 years, it's beautiful. But
7 when I think about the fact that we're at 40, others are at
8 50, how are they mapping that?

9 **ASSISTANT DEPUTY DIRECTOR KASSIS:** And some of it,
10 they get a quick hit, but not necessarily is it paying off
11 in the long term. So it cannibalizes other price points,
12 there's other dynamics. So, we've been monitoring, and
13 we're benefiting from being not the first to market, as much
14 as we like to be the innovators, but the size of our state,
15 the size of our business, we want to be really smart about
16 it and take into account all the learnings and others. Yes,
17 they get a short-term hit, but it's not necessarily
18 sustainable in the long term, and particularly right now as
19 conditions are changing, and the economy, and things like
20 that. So, I don't know if you have any more detail about
21 the other state's performance.

22 **DEPUTY DIRECTOR HASEGAWA:** Yeah, mine goes back,
23 maybe like the \$10 and \$20 game launches as a prime example
24 because that was kind of built in when we were doing
25 analysis with the price payout restrictions and developing a

1 plan, and how much we could generate for education. So,
2 there are differences.

3 Some states do kind of bigger bang. Yes, in the
4 next fiscal year they have a much bigger gain, but they
5 aren't able to sustain that, and so we were able to use, as
6 you saw, have that huge growth for long, many years of
7 consistently growing, and it was because we didn't like, do
8 the 10 and immediately do the 20, in the same fiscal year.
9 We waited two years for that, and so forth, and it was
10 really in kind of looking at all these other jurisdictions
11 who have been operating with higher price points for a few
12 more years, and we could see that in the long run because
13 that we needed to demonstrate that we -- in the AB 142 we
14 had a five year, we had to show how education benefit from
15 it, otherwise it would sunset away.

16 And so we really consciously made an effort to
17 ensure that sales would keep growing up each year, and that
18 was taking a little bit more deliberate approach, but it's
19 something that doesn't give a big bang, and then players see
20 it all, it's like, oh, they don't respond as well the next
21 year. So we really tried to ensure that one price point we
22 gathered enough people playing that price point, and then
23 move to the next one, so you have a way to jump more people
24 off into the higher one. And I'm sure that's kind of what
25 Sharon's talking about now, when they're looking at the 50

1 and all.

2 And I will want to say it was one thing with the
3 product group and the marketing team is that you know when
4 we started looking at some of the financials and so forth,
5 we really, you know, between say when they started the
6 product plan development and when we started coming down to
7 developing the plans, is we kind of said, we're going to
8 need to work on something a little more accelerated because
9 that's where the additional \$30 game and additional \$40 game
10 came in because of kind of that short term niche. We were
11 seeing the declines in our sales and declines in our core
12 player spending levels.

13 **ASSISTANT DEPUTY DIRECTOR KASSIS:** And one of the
14 core things we have to work through is our optimal prize
15 payout policy, and that takes into account the entire mix of
16 all the games, and we are set to do a refresh on that study
17 that will be more market driven, because more states have
18 higher price points now, and higher price payout. So, if we
19 were to launch it without adjusting that, we would be out of
20 compliance of that policy. And so, that's one of the thing
21 that we --

22 **COMMISSIONER ALVIDREZ:** That's a good point.

23 **ASSISTANT DEPUTY DIRECTOR KASSIS:** -- need to look
24 at as well. And with so many other jurisdictions, Texas has
25 a \$100 game. There might be more than one (inaudible)

1 others, and so the industry as a whole has moved up, and we
2 have to adjust our policy in order to allow us that
3 flexibility as well.

4 **COMMISSIONER ALVIDREZ:** So that leads me to my
5 next question. This adjustments of policies, specifically,
6 you know, we're talking about modernizing, is not about
7 moving to online wagering. It's still not permissible,
8 legally. We have a lot of -- well, more than a fair share
9 of policy discussions that have to happen. How are we
10 navigating those timelines? The interstate politics, the
11 politics administratively, the pressure with modernizing.
12 What's that landscape look like?

13 **DEPUTY DIRECTOR HASEGAWA:** That's why it's not
14 part of our strategic plan, because it's not something that
15 we can do. So everything that we consider for the strategic
16 plan and our business plans are things that we can rely on
17 ourselves to do, not rely on somebody else granting us some
18 type of authority. It doesn't mean that, you know, at
19 higher levels than ours maybe think discussions along those
20 lines aren't maybe happening or wanting to get some exposure
21 to that.

22 So we might create the information that shows what
23 are some of the obstacles and barriers for us to maximize
24 our success, but in some of those cases, it requires like a
25 legislative change or some other types of change in our

1 Lottery Act or other laws even to do. And so that's why it
2 wouldn't necessarily be on the table, but we talk about it
3 as part of our strategic plan because we want to make sure
4 that if we provide you something in our planning, it's
5 something that we can deliver on that is within the control
6 of Lottery staff.

7 **COMMISSIONER ALVIDREZ:** I appreciate that motion,
8 and I appreciate, you know, the planning needs to be
9 anchored in the control aspects. I would be very interested
10 in hearing that scope outside of your planning because the
11 scope outside of that is absolutely affecting the planning.
12 And so it would be helpful to hear what that motion is just
13 so that we have a sense of how that's moving. Is that
14 moving in this way? Is it moving in this way? But at what
15 point are they going to converge, so that we can adjust the
16 planning a little bit to be more competitive?

17 **DEPUTY DIRECTOR HASEGAWA:** Okay. Yeah, we'll
18 definitely have some of those briefings.

19 **COMMISSIONER ALVIDREZ:** But thank you.

20 **DEPUTY DIRECTOR HASEGAWA:** Some of the issues
21 often that are brought up when we do our reviews, I think
22 I've talked about things like Parimutuel in prior
23 presentations, that that is a barrier or a hindrance,
24 however you want to frame it, for Sharon and her team to be
25 able to introduce products that are -- and features that are

1 successful in other jurisdictions, but we can't do it
2 because they rely on fixed prizes and so forth.

3 So we attempt to raise issues and bring topics
4 like I think previously I've talked about at least providing
5 sales data and stuff on things like online wagering. Not to
6 say that it's part of our plan, but just so that, again, the
7 Commission is made aware of what else is going on in the
8 industry and sales levels and all.

9 **DEPUTY DIRECTOR ALLEN:** The other thing would be
10 the technology restrictions.

11 **DEPUTY DIRECTOR HASEGAWA:** That's right, yeah.

12 **DEPUTY DIRECTOR ALLEN:** But some of the other
13 considerations that Jim has brought up are the technology
14 restrictions, and that's obviously for online wagering, but
15 also impacts how we display our games, or being able to
16 offer digital play slip. So those things are beyond what we
17 can do in this current year, but continue to have
18 discussions about how we can move some of those things
19 forward. But the optimal prize policy I talked about,
20 that's something that's in our control and we can do. So we
21 will move on that one.

22 **DEPUTY DIRECTOR HASEGAWA:** Yeah, it's a Lottery
23 policy.

24 **COMMISSIONER ALVIDREZ:** Got it.

25 **DEPUTY DIRECTOR HASEGAWA:** And, yeah, I'm sure the

1 payout rate has changed since the five years ago when we did
2 the study only because many more jurisdictions, as Sharon
3 said, are operating with higher price payouts and obviously
4 generating more contributions to their beneficiary. That's
5 what this analysis and study, from a third party, will show,
6 and that will allow us to then show that we are maximizing
7 our contributions to education.

8 **COMMISSIONER ALVIDREZ:** Understood.

9 **DEPUTY DIRECTOR ALLEN:** Okay. Thank you.

10 **COMMISSIONER ALVIDREZ:** Thank you. Thank you very
11 much.

12 **VICE CHAIR MILLS:** And thank you, Jim and Kayla,
13 for that presentation. It was actually really wonderful. I
14 agree with my colleague. I really appreciated the way you
15 guys went back and forth. It made it much more easier to
16 follow and digest, and it's just such an impressive amount
17 of information. But if you think about we're, you know,
18 multi-billion-dollar organization, so the fact that you are
19 able to kind of summarize it in this way is pretty
20 remarkable, so thank you for that.

21 One of the things that I appreciated, Jim, that
22 you kind of did a little bit throughout the presentation but
23 really helping us understand like how we went from the prior
24 year or the prior set of strategic objectives into this
25 year. And I would just request that maybe in future years

1 that it felt like it was kind of woven in, but it almost
2 kind of got lost, and it would be good practice for us to,
3 when we move into the next year, to really take the time to
4 understand how did we perform against our prior objectives,
5 and then how that rolls in, and just a little bit kind of
6 where it doesn't get lost in the presentation because I
7 think that's a huge part of our planning is to really number
8 one, celebrate our successes, where we've made some really
9 great progress, but also recognize maybe where we're lagging
10 behind and where we need to adjust and just providing a
11 little bit more kind of transparency around how that flows.
12 So that is just a request for us to consider going forward,
13 how we talk about that.

14 And then I just want to say that after hearing the
15 plan, and how reliant this plan is on our advertising and
16 marketing, and continuing to shift perceptions, and the
17 success we've seen from that, the planned cuts that you
18 described to marketing are what other words to use are
19 disturbing. And when I was -- I was really happy to see the
20 goal or the tactic around like other cost cutting, but I
21 mean, I would also say like the things, Kayla, that you
22 talked about, it was like moving from paper to electronic on
23 some things and like what? Like why? Like what's taking us
24 so long. And so I would just encourage us to be maybe a
25 little bit more aspirational, and to maybe dig a little

1 deeper in like why are we still paper reliant, and why is it
2 taking us so long to get here, and how do we accelerate some
3 of those things that it seems like super low hanging fruit.
4 And what are other areas of low hanging fruit that we can
5 move on, you know, more aggressively.

6 And then I know we're not talking about -- well,
7 another couple things. Like you didn't specifically talk
8 about AI, but I'm hopeful that part of this analysis about
9 how to save costs and create efficiency is also thinking
10 about how to utilize AI throughout Lottery operations.

11 The other thing that I was thinking about was, as
12 we've set a big goal to create more efficiencies in the
13 organization, and that's also going to help with morale,
14 because it's going to make jobs more fulfilling if we get
15 away from all the paper pushing and whatever other things
16 are happening that maybe aren't as fulfilling. So, I think
17 that's going to help with morale.

18 But I also hope part of the tactic is thinking
19 about, as we, you know, onboard new people and create new
20 positions to really think about, how the efficiencies that
21 we're putting in place are going to impact that in the
22 future and to really scrutinize, you know, new positions
23 that we're bringing in as we're going through that that
24 efficiency kind of transformation.

25 And then the last thing that I would say is that,

1 when we do talk about the budget and the cuts that were made
2 to marketing, and it sounds like also to this PR campaign,
3 I'd like to really understand kind of how the decision
4 making for why the cuts went there, and if we needed to make
5 cuts on expenses, how that was spread more ratably through
6 divisions, and what other kind of cost-cutting measures that
7 we're seeing throughout the departments.

8 And I think that concludes my comments. Thank
9 you.

10 **DEPUTY DIRECTOR HASEGAWA:** Okay. Thank you.

11 **CHAIRMAN GARRISON-ENGBRECHT:** Jim, I might have
12 two, just very -- and this is more just for my curiosity,
13 and so that's not urgent. First of all, thank you both for
14 the amazing presentation, and thank you, Sharon, for the
15 supplemental information. It is a lot of information, but I
16 appreciate the complexity and the thoroughness.

17 The slide regarding the weekly average of player
18 spend, think it's like 10. I'm curious, and I know that we
19 had our numbers there. I'd be curious to see, and this
20 might be the per capita model of price or spend per
21 individual. I'd be curious of, I know there was a note
22 here, even among core jackpot game players, average spending
23 is below \$4 a week. Just be curious, are other states
24 identifying a target with that? Is there a number that
25 would be responsible? I'm just curious, if Florida or

1 Georgia or Massachusetts, if they've strategized around
2 this, around annual sales per player, the weekly average.

3 **DEPUTY DIRECTOR HASEGAWA:** Yeah. I don't know how
4 they strategize. I only have the data after the fact.

5 **CHAIRMAN GARRISON-ENGBRECHT:** Can we find out? As
6 our (inaudible) line.

7 **DEPUTY DIRECTOR HASEGAWA:** But in terms of the
8 comparable data and so forth, we did look at -- it's not
9 exactly where I can give you the dollar amount because the
10 tracking study is a pretty intensive, so we can't replicate
11 that for a bunch of states. We use a little bit more
12 inexpensive methods of doing it, and we kind of index the
13 differences. But the spending levels in the other
14 jurisdictions, based on the playership levels and all, is
15 definitely higher. And I can get you the actual numbers --

16 **CHAIRMAN GARRISON-ENGBRECHT:** I'm just curious.

17 **DEPUTY DIRECTOR HASEGAWA:** -- because we do have,
18 like, just the percentage increases over ours, and so forth,
19 and we can get that to you.

20 **CHAIRMAN GARRISON-ENGBRECHT:** I'm sure there's a
21 number of factors that weigh into that, about average dollar
22 amount spent on entertainment, expendable income that's
23 spent on outside of bills and life goods. It's more of a
24 curiosity of where do we rank in that. Not to suggest a
25 necessary strategy around that.

1 The other question is, it's regarding the casual
2 players, and it was the study that was done, the Scratchers
3 Barrier Refresh. And I was curious, and because I think
4 anecdotally that I think, for to your point, that players
5 that are really captivated by the new games and probably
6 like to look at all of the -- I'm probably one of those who
7 would like to see all the different images and I love the
8 puns.

9 But I can imagine for someone who just happens to
10 have \$2 in their pocket, it might be a little overwhelming.
11 What are kind of the strategies -- is there like a go to --
12 and this again, is a curiosity -- like a go-to Scratcher
13 game that the vendor might suggest, or like what's like an
14 easy entry point for someone who might be a first-time
15 buyer. I know we can't say buy this one, but is there --

16 **DEPUTY DIRECTOR HASEGAWA:** We could.

17 **CHAIRMAN GARRISON-ENGBRECHT:** Buy the \$40 one.

18 **DEPUTY DIRECTOR HASEGAWA:** It's not so much what
19 we could communicate, it's that what -- different testing of
20 concepts, and so on, it shows that different games or game
21 types or themes appeal to different people. I mean, it's
22 kind of like, well, because we had that conversation
23 yesterday, about ice cream. If you think about ice cream
24 and you had like one flavor, you know, and people have
25 different favorites and all, and so that's part of the

1 problem of this communication is that people have their own
2 favorites, but it's not like we can read their minds and put
3 that up for them to say, like, hey, buy this one, because we
4 know that you like this one.

5 **VICE CHAIR MILLS:** Sharon has an opinion.

6 **DEPUTY DIRECTOR ALLEN:** Well, I just
7 (overlapping) --

8 **CHAIRMAN GARRISON-ENGBRECHT:** And again, it's just
9 a curiosity. I'm just curious, like, are people more
10 attracted to like a blue ticket, or there's like if it's
11 like the size is a bigger one, you know. All of the above.

12 **DEPUTY DIRECTOR ALLEN:** And that's part of the
13 challenge, right? Is that we are a huge state with a lot of
14 different diverse interests and people. And so we start
15 with products, and making sure for Scratchers that we have a
16 selection of products always available that will appeal to
17 different groups. So some want to play extended play, like
18 crosswords. Some like more match and win. Some like, you
19 know, to spend higher price points, some have lower price
20 points. There's a whole kind of variety, you know, making
21 sure that we're meeting the needs.

22 And one of the things since AB 142 and the team
23 has worked on is increasing our shelf space, if you will, so
24 that we can offer more variety. So if our average facing
25 count is now 24-28 -- 32. So that means that on average we

1 have 32 bins, 32 slots, and so we can offer more variety at
2 different price points. And then it's trying to make that
3 display, and so having variety when you look at them all, so
4 how the colors stand out and the titles.

5 But also things like a menu board, so it's very
6 clear because sometimes if you go to, you know, looking at
7 the in counter and you're two, you know, two places back,
8 you might not be able to see it. So we're putting up menu
9 boards, or on the vending machines, highlighting things like
10 this is new. And Jaws is working because it's iconic,
11 people know Jaws, it has one of the most well-known movie
12 iconography, and the title is bold, so if you've seen a
13 vending machine, it stands out, Jaws.

14 So all of these different strategies come to play,
15 and it's not just one. And that's what makes it
16 challenging, because we're not one size fits all, and as the
17 consumer in the world has moved away from a monoculture and
18 looking for personalization, we have to be there to serve
19 them and message them. And also, where you shop. A liquor
20 store versus a drugstore versus a gas station or a grocery
21 store, are all different as well. So these are the things
22 that we talk about all day, all long, with all of our teams
23 and our and our partners and everything on how to do it.

24 **CHAIRMAN GARRISON-ENGBRECHT:** And I'm so grateful
25 that you are experts. And I'll tell you, I like the shiny

1 ones.

2 **DEPUTY DIRECTOR ALLEN:** And if you're at a vending
3 machine, you can't tell it's shiny, per se. So we do some
4 printed, you know, printed point of sale, or that's really
5 where repeat purchase. Oh my god, a shiny. Or the Jaws, if
6 you check out, I know we can't buy, but check out the
7 vending machine, you'll see that it kind of waves and
8 animation. And so lots of different tips and tricks, and
9 ways to message and suggest.

10 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you.

11 **DEPUTY DIRECTOR HASEGAWA:** Actually one of the
12 consumer research studies we're doing now are (inaudible) is
13 trying to understand how do consumers organize the different
14 variety of games. What's kind of their first set of way
15 they organize it? Is it by the theming, by the color, by
16 the shininess, by the price point, by the size? But we
17 don't know that per se, so we're actually going to do some
18 unfiltered type research, so that we can understand kind of
19 what goes into, in a person's mind, is how do they organize
20 it. How do they organize these massive amounts of things
21 into what is common versus what's different from one
22 another, and what they like and what they dislike.

23 So that will help is, ideally, it is to provide
24 information to the sales and marketing team, so they can
25 then take that insight and then develop ways to reach the

1 different types of players.

2 **DEPUTY DIRECTOR ALLEN:** And all of it kind of goes
3 into the path to purchase, right? Like, oh, Scratchers,
4 those are fun to play. Oh, I'm at the store. Okay, I want
5 -- oh, I have some extra money. What should I buy? All of
6 that works. And as you get closer, different mechanisms
7 work, and one of them too, because you mentioned, like,
8 referrals. So our sales team, you know, talks with their
9 retailers, highlights the games. This Jaws game is this a
10 color pop you can scratch and see color, so when somebody
11 comes up, hey, which one should I buy? Oh, this one's
12 really cool. A lot of people like this one.

13 Like all of that power of the word of mouth and
14 recommendation is important, and that's where CX comes in
15 too. Because I had a great experience with the Lottery, I
16 won a prize. I was able to get my winnings. All of it kind
17 of plays together. It's a big orchestra.

18 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you so much.
19 And that was super helpful. Again, it's just curiosity, and
20 I think that I appreciate the dedication to understanding
21 player behavior, but also how it connects then to customer
22 experience and the overall strategies.

23 There aren't any other questions. I think we are
24 just closing in on almost two hours, so we're going to take
25 a five-minute recess. So, if anyone has to do a bio break

1 or maybe just stretch their legs for a second, we will be
2 back at 11:55. Sound all right? Okay. Thank you all.

3 **(Off the Record)**

4 **CHAIRMAN GARRISON-ENGBRECHT:** Welcome back,
5 everyone. Thank you for understanding. I'm going to make a
6 quick change to the order of operation and move to action
7 items off the hook.

8 I would like to make sure that we get to the
9 action items that we need to vote on for today. And so the
10 first action item is action item 8a, Statewide Furniture
11 CMAS Contract. I think, Marissa, good afternoon.

12 **STAFF SERVICES MANAGER FERNANDEZ:** Thank you. Let
13 me adjust this. I'm very short. There we go.

14 Good afternoon, Commissioners. Item 8a is the
15 Statewide Furniture CMAS Contract. The Lottery is seeking
16 approval to enter into a services agreement with
17 PeopleSpace, which is a Department of General Services,
18 California Multiple Award Schedule or CMAS vendor. CMAS
19 vendors are pre-assessed to be fair, reasonable, and
20 competitive through this program.

21 PeopleSpace will provide modular furniture and
22 related services, such as reconfiguration and installation.
23 The Operations Division coordinates these services, and as
24 Lottery continues to grow, we anticipate an ongoing need.

25 The 2025 data shows that reconfigurations were

1 averaging 100,000 at headquarters, 200,000 in the district
2 offices, and 36,000 for miscellaneous items, such as
3 equipment parts and reasonable accommodations, for a total
4 of \$336,000 for the year. As the CMS agreement expires in
5 February of 2031, the Lottery would like to implement a
6 five-year plan in alignment with this expiration. And so
7 the Lottery staff recommends this Commission approved to
8 enter into a five-year services agreement with PeopleSpace
9 for a maximum expenditure of \$1,680,000. And I'll be happy
10 to take any questions you may have.

11 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you, Marissa.
12 Does any member of the public want to address the Commission
13 at this time regarding action item 8a?

14 Do any of the Commissioners have any questions or
15 comments regarding this action item?

16 Seeing none, do I hear a motion to approve Action
17 Item 8a, Statewide Furniture CMAS Contract?

18 **COMMISSIONER ALVIDREZ:** Motion to approve.

19 **VICE CHAIR MILLS:** Second.

20 **CHAIRMAN GARRISON-ENGBRECHT:** Will the secretary
21 please call the roll?

22 **MS. OSMAN:** Commissioner Mills?

23 **VICE CHAIR MILLS:** Yes.

24 **MS. OSMAN:** Commissioner Alvidrez?

25 **COMMISSIONER ALVIDREZ:** Yes.

1 **MS. OSMAN:** Commissioner Rasouli?

2 **COMMISSIONER RASOULI:** Yes.

3 **MS. OSMAN:** Chairman Garrison-Engbrecht?

4 **CHAIRMAN GARRISON-ENGBRECHT:** Yes.

5 **STAFF SERVICES MANAGER FERNANDEZ:** Thank you.

6 **CHAIRMAN GARRISON-ENGBRECHT:** The next action item

7 is Action Item 8b, Mytess Solutions LLC, Bulk Carrier

8 Contract Extension.

9 **DEPUTY DIRECTOR ALLEN:** All right. Good afternoon

10 again. The today I'm requesting your approval for a one-

11 year extension to the contract with Mytess Delivery

12 Solutions for bulk delivery services for Scratchers tickets

13 and point of sale materials between the Lottery's Northern

14 and Southern Distribution Centers. The current contract

15 expires this June.

16 The Commission approved a three-year contract with

17 Mytess in 2022 with an initial expenditure authority of

18 \$400,000, and two optional one-year extensions. Last year

19 the first extension was exercised and the expenditure

20 authority was increased to \$800,000.

21 Mytess provides regular shipments of Scratchers

22 and POS between the two distribution centers, which support

23 nine district offices and over 23,000 retailers across the

24 state. They have consistently met the scope of work and

25 have been timely and responsive in all of our requests for

1 shipments. While the Lottery could go out to bid at this
2 time, it is unnecessary in this case because we have a
3 capable vendor in place and a contract extension is
4 available.

5 Exercising the extension will enable the Lottery
6 to maximize sales opportunities across the state by ensuring
7 adequate inventory of Scratchers and POS items are available
8 at each distribution center to meet the needs of retailers.

9 Staff estimates that approximately \$425,000 of the
10 current contract expenditure authority will be remaining at
11 the end of the contract term. Based on current shipment
12 volume and projected number of shipments needed during the
13 proposed extension, an additional \$90,000 will be needed.

14 Staff recommends the Commission approve the second
15 one-year contract extension to Mytess Delivery Solutions
16 Bulk Delivery Services Contract, extending the term through
17 June 21st, 2027, and an increase in expenditure authority of
18 \$90,000, bringing the maximum expenditure authority to
19 \$890,000.

20 With that, I'd be happy to answer any questions
21 about Mytess.

22 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you, Sharon.
23 Does any member of public want to address the Commission at
24 this time regarding action item 8b?

25 Are there any questions from the Commissioners?

1 Do I hear a motion to approve action item 8b,
2 Mytess Solutions LLC Bulk Carrier Contract Extension?
3 **COMMISSIONER ALVIDREZ:** Move to approve.
4 **COMMISSIONER RASOULI:** Second.
5 **CHAIRMAN GARRISON-ENGBRECHT:** Will the secretary
6 please call the roll?
7 **MS. OSMAN:** Commissioner Mills?
8 **VICE CHAIR MILLS:** Yes.
9 **MS. OSMAN:** Commissioner Alvidrez?
10 **COMMISSIONER ALVIDREZ:** Yes.
11 **MS. OSMAN:** Commissioner Rasouli?
12 **COMMISSIONER RASOULI:** Yes.
13 **MS. OSMAN:** Chairman Garrison-Engbrecht.
14 **CHAIRMAN GARRISON-ENGBRECHT:** Yes.
15 All right, Sharon, home stretch. Action item 8c,
16 Extension and Addition of Funds to Firewood Marketing Inc.
17 dba Monks.
18 **DEPUTY DIRECTOR ALLEN:** Okay. The Lottery
19 currently contracts with Firewood Marketing, known as Monks,
20 for Hispanic Advertising and Marketing Services. With the
21 current term set to expire in October, the Lottery is
22 requesting approval to exercise the emergency extension
23 option in the contract to continue services through July of
24 2027.
25 In 2019, the Commission awarded Monks a five-year

1 contract with an initial contract expenditure authority of
2 \$30 million. The two available one-year options to extend
3 have been exercised, and last year the contract expenditure
4 authority was increased by \$3 million. Under the terms and
5 conditions of the contract, there is an emergency extended
6 services provision that allows the Lottery to extend the
7 contract up to nine months in the event of an urgent and
8 compelling need.

9 Monks plays a crucial role in supporting the
10 Lottery and overall market analysis, strategy development,
11 creative and media planning for the Lottery's marketing and
12 advertising initiatives for the Hispanic consumer market in
13 California. Over the course of the contract, Monks has
14 consistently provided a high level of service and expertise,
15 and you were able to see the fantastic new spot for goal
16 that Harj played earlier today that was produced by Monks.

17 Marketing agency procurements are complex and
18 generally take more than a year to complete the process from
19 initiation to contract award. They are normally staggered
20 to avoid overlap, as they require a significant amount of
21 staff and time and resources. While Lottery staff have
22 begun to work on the RFP, the extension is necessary to
23 allow more time to finish it, and to prevent overlap with
24 the lead agency procurement that's currently in progress.
25 Exercising the extension option will enable the Lottery to

1 continue Hispanic marketing efforts without interruption.

2 Staff estimates there will be approximately
3 \$640,000 remaining of the contract expenditure authority at
4 the end of the current term. To ensure sufficient funding
5 through the proposed emergency extension, an additional \$5.8
6 million will be necessary.

7 Lottery staff recommends the Commission approve a
8 nine-month emergency extension option for Firewood Marketing
9 for Hispanic advertising and marketing services, extending
10 the contract term through July 17, 2027, and an increase in
11 the contract expenditure authority of \$5.8 million, bringing
12 the maximum authorized contract expenditure authority to
13 \$38.8 million.

14 And with that, I'd be happy to answer any
15 questions about Monks.

16 **CHAIRMAN GARRISON-ENGBRECHT:** Does any member of
17 the public want to address the Commission at this time
18 regarding action item 8c?

19 Do any Commissioners have any questions?

20 Do we hear a motion to approve action item 8c,
21 Extension and Addition of Funds to Firewood Marketing Inc.
22 doing business as Monks?

23 **COMMISSIONER ALVIDREZ:** Motion to approve.

24 **COMMISSIONER RASOULI:** Second.

25 **CHAIRMAN GARRISON-ENGBRECHT:** Will the secretary

1 please call the roll?

2 **MS. OSMAN:** Commissioner Mills?

3 **VICE CHAIR MILLS:** Yes.

4 **MS. OSMAN:** Commissioner Alvidrez?

5 **COMMISSIONER ALVIDREZ:** Yes.

6 **MS. OSMAN:** Commissioner Rasouli?

7 **COMMISSIONER RASOULI:** Yeah

8 **MS. OSMAN:** Chairman Garrison-Engbrecht?

9 **CHAIRMAN GARRISON-ENGBRECHT:** Yes. Thank you all.

10 And I appreciate you all being flexible with the change in

11 the agenda items.

12 So now I'll invite Nick back up to the podium to

13 share the Draft Fiscal Year 2026-2027 Budget.

14 **DEPUTY DIRECTOR BUCHEN:** All right. Thank you.

15 So I will present an overview of the Lottery's

16 draft budget for the 2026-27 fiscal year, which begins on

17 July 1st. Although it is still in the process of being

18 finalized, I'm presenting this draft budget as a non-voting

19 informational item to allow you to weigh in on the direction

20 we are headed and to provide you an opportunity to give more

21 consideration and be better informed when I present the

22 Lottery's final proposed fiscal year 2026-27 budget for your

23 approval next month.

24 I'll start with a quick recap of our zero-based

25 budgeting process, which is how we develop the Lottery's

1 operational expense budget. And this entails vetting and
2 justifying each individual element of expense prior to
3 inclusion in the proposed budget, which enables resources to
4 be concentrated where they're most effective and best
5 aligned with the Lottery's strategic objectives.

6 This process began with each division developing
7 their funding needs for the coming fiscal year, which the
8 budgets team then analyzed, considering factors such as
9 alignment with the Lottery strategic plan, the cost compared
10 to the anticipated short term and long-term benefits, and
11 the availability of resources.

12 And this year marked the first in which the budget
13 liaisons in each division entered their zero-based funding
14 requests directly into the Lottery's budgeting system. This
15 streamlined the process as previously divisions submitted
16 their zero-based budgeting data to the budgets unit, and the
17 corresponding budgets team member, in turn, entered the data
18 into the system.

19 The business planning and research team developed
20 a preliminary sales goal by product, which was used to
21 determine the associated price expense, and this allowed us
22 to then develop the retailer compensation and gaming cost
23 estimates, since these are primarily driven by sales.

24 Since funding every request that had merit would
25 result in us having an insufficient administrative spending

1 reserve, we then reduced funding for some of our operating
2 expenses and have earmarked them within the reserve. And
3 I'll cover some of the bigger items later in my
4 presentation.

5 So don't bother trying to make out the detail on
6 this slide. I can tell you the result of this process is
7 that the draft fiscal year 2026-27 budget projects more than
8 \$9.3 billion in sales revenue and a contribution to
9 education of \$2.066 billion. I'll walk through each of the
10 main sections of the budget separately in the coming slides.

11 And the slides I'll go over with you today compare
12 our estimated revenues and expenditures for the 2026-27
13 fiscal year to our estimate of how we will end the current
14 fiscal year on June 30th. As I walk through this draft, keep
15 in mind the Lottery's budget is a basic formula comprised of
16 four major elements: Our projected ticket sales revenue,
17 minus the associated prize expense, minus our administrative
18 expenses equals our contribution to education. And remember
19 that all dollar amounts in these slides are reflected I
20 thousands.

21 So the first major element of our budget is sales,
22 and you can see in the middle column we're projecting total
23 sales goal of \$9.32 billion in the draft 2026-27 budget.
24 The far-right column shows that this is a projected increase
25 of \$6.5 million from the sales level with which we are

1 estimated to end the current fiscal year. Starting with the
2 top row, our Scratchers goal currently sits at \$7.04 billion
3 for the coming fiscal year, which is an increase of \$179
4 million from the level that we are projecting to end the
5 current fiscal year.

6 Through most of the second half of this current
7 fiscal year, we've seen Scratchers sales falling short of
8 our goal. This appears to be a nationwide trend of
9 softening instant ticket sales, which means it is likely due
10 to broader factors like economic conditions and greater
11 competition from other forms of gaming and entertainment
12 that Jim spoke of. To help combat this, our Scratchers plan
13 for the coming fiscal year includes a new game launch in
14 both the \$30 and \$40 price points, as Kayla and Jim also
15 mentioned.

16 The second row of this slide shows that the
17 projected year over year growth in Scratcher sales will
18 largely be offset by projected year over year decline in our
19 multistate game sales. This is primarily due to there being
20 10 draws for which the advertised Powerball jackpot has been
21 \$1 billion or more in this current fiscal year, which has
22 helped to push the estimated rollover luck in this game to
23 the 73rd percentile. And the rollover luck projection is
24 created by considering average California and national
25 Powerball sales at each jackpot level, the corresponding

1 estimated board coverage, and the average growth in jackpot
2 levels between draws. So, what it's this means is 73
3 percent of the scenarios in the simulation would be less
4 favorable in terms of rollovers and high jackpots, while
5 only 27 percent of the scenarios would yield more draw-to-
6 draw rolls leading to higher jackpots.

7 For the coming fiscal year, we are assuming we'll
8 have the same Powerball sales as were originally estimated
9 for this current fiscal year, which is based on the 50th
10 percentile of rollover luck. Similarly, for Mega Millions,
11 we are also assuming the 50th percentile of rollover luck,
12 but we have incorporated our years' worth of sales under the
13 new \$5 game structure at various jackpot levels.

14 Moving to the next row, our \$240 million sales
15 goal for Super Lotto Plus for the coming fiscal year is the
16 same as the goal for this current fiscal year, and this also
17 applies to our goal of \$420 million for the daily games,
18 which are comprised of Fantasy Five, Daily Three, Daily
19 Four, and Daily Derby.

20 So the year over year increases in both of these
21 product lines are a function of performance in this current
22 fiscal year, coming in a little lower than projected, which
23 is not expected to repeat in the coming fiscal year.

24 And lastly, for Hot Spot, the \$450 million sales
25 goal for 2026-27 is \$5 million higher than our projected

1 sales for this current fiscal year, and this is consistent
2 with the positive sales trend we've seen in Hot Spot over
3 the past decade or so as more Californians hear about or
4 become familiar with the game.

5 The next key area of the budget is prize expense.
6 On to the second to last row of this slide, you can see that
7 price expense is projected to total \$6.2 billion in 2026-27,
8 and this is an increase of \$101.5 million from the current
9 year projection. Although this increase is driven by the
10 overall year-over-year increase in sales, it is
11 disproportionately higher than the sales increase, since the
12 product line with the most significant projected growth,
13 Scratchers, has a much higher price expense relative to the
14 product line with a year-over-year decrease to multistate
15 games, and this causes our net sales after price expense,
16 shown on the last row, to be a projected \$65 million year-
17 over-year decrease.

18 You may recall that the Lottery has a policy
19 requiring the director to make an annual determination that
20 price payout levels across all games have been optimized for
21 the coming fiscal year to ensure that funding for education
22 is maximized annually. Although this draft budget is
23 consistent with that policy, the budget I present for your
24 approval next month will officially reflect the director-
25 approved optimal prize payout for the coming year.

1 And the next major category of the budget is
2 administrative expense, which the Lottery Act caps at 13
3 percent of our total annual sales. This slide reflects the
4 first two areas of administrative expense, which are
5 retailer compensation and gaming costs. Combined, these are
6 estimated to total \$811.9 million in 2026-27. This
7 represents an increase of \$43 million from the current year
8 projection. And these items generally have projected year-
9 over-year increases consistent with the total projected
10 increase in sales.

11 However, I would like to highlight the
12 disproportionate increase in the Scratchers ticket delivery
13 and support costs reflected in the last row of gaming costs.
14 The projected year-over-year growth of \$12 million
15 represents a 20 percent increase, and this is primarily due
16 to the increased costs of producing and printing Scratchers
17 tickets. You'll recall that the Commission approved new
18 contracts for all three Scratchers printing vendors last
19 September, which each included significantly higher costs
20 due to the various economic conditions that have driven up
21 prices since the previous contracts went into effect many
22 years ago.

23 And the final area of administrative expense is
24 our operating costs, which I will go through line by line.
25 The first of these items is personal services, which

1 includes the salary and benefit costs of all Lottery
2 employees, including temporary help and overtime. The
3 projected \$7.1 million year-over-year increase is primarily
4 attributable to the Lottery making notable progress in
5 filling its vacancies, as well as increased staff benefit
6 costs, and the cost to fund 23 proposed new positions for
7 the coming fiscal year.

8 Regarding our vacancies, the Lottery adopted a
9 policy last year to either reallocate or abolish vacant
10 positions that have not had substantive recruitment activity
11 over an established period of time. And not surprisingly,
12 this has inspired our supervisors and managers to place a
13 higher priority on filling vacancies, which has decreased
14 our vacancy rate from 14 percent at the beginning of this
15 current fiscal year to approximately 10 percent now. So our
16 personal services cost for 2026-27 assume we will maintain
17 this progress in keeping our positions filled in the coming
18 fiscal year.

19 As for the new positions requested for the coming
20 year, I will go into detail on each when I present the
21 budget for your approval next month, but more than half of
22 these new positions are to enable our field sales staff to
23 maintain a visiting cadence to our route model retailers
24 sufficient to keep the vending machine tickets stocked and
25 prevent the cash bins from getting full. As shown on the

1 first row of this slide, the \$151.9 million included in the
2 draft budget for personal services for fiscal year 2026-27
3 represents just 1.6 percent of our projected revenues. So
4 we continue to run very lean, even with the proposed
5 investment in new positions.

6 And moving to the next line, the marketing
7 program, we're projecting a year over year decrease of \$10
8 million. And this is an area we had to reduce to maintain a
9 prudent administrative spending reserve. We will earmark a
10 portion of the reserve for this purpose and will transfer
11 more funding for the marketing program during the course of
12 the year if we are able to do so.

13 In addition to us not being able to fully fund the
14 marketing program in the coming fiscal year, another reason
15 for the year over year decrease is the shifting of funding
16 from the marketing program to contractual services to
17 continue the Lottery's mission-focused education campaign.
18 In the current and previous fiscal years, this effort was
19 handled through one of the Lottery's existing advertising
20 agencies. We instead will have a dedicated contract for
21 this effort, beginning in the coming fiscal year, to help
22 boost public confidence and support, and ultimately generate
23 more funding for education.

24 It's important to note that we are finalizing the
25 award of a new advertising contract for our general market,

1 for which agency fees are expected to increase
2 significantly, given the price increases that have occurred
3 since the current contract became effective. Since we do
4 not yet have a firm amount for the increased agency fees, we
5 also will earmark a portion of the administrative spending
6 reserved for this purpose.

7 For the next line item, contractual services, we
8 are projecting a year over year increase of \$2.7 million.
9 This projected increase is primarily due to the shift from
10 the marketing program I described to have a dedicated
11 contract for the Lottery's education campaign, as well as
12 increased costs for certain information technology and
13 security contracts. And the education campaign is another
14 area we had to reduce to maintain a prudent reserve. We are
15 earmarking a portion of the reserve for this purpose as
16 well, and will transfer more funding for the education
17 campaign during the course of the year if our sales support
18 such a transfer.

19 And although the marketing program and education
20 campaign are the two largest areas that we reduced to
21 maintain a healthy reserve, we had cuts in almost every
22 division. They just don't add up to anywhere near the
23 dollar magnitude of these two cuts combined, but we
24 certainly are sharing the reduction.

25 A couple of examples of this are things that we've

1 put off in previous years, kind of catching up with us. So,
2 vehicles, I'll talk about on the next line, and depreciation
3 factor into that. It's an example of last year we purposely
4 held back funding for vehicles, and we're kind of coming to
5 the point where we can't put it off any longer. We have to
6 purchase vehicles. You can think of the investment in our
7 new positions similarly, where over the years we've not been
8 able to fully approve all the positions that are being
9 requested, so you know, it kind of catches up with you where
10 you have to approve them at some point. So those are some
11 of the dynamics of the budgets behind the scenes that we
12 grapple with to make these decisions.

13 On the next line, for depreciation, we're
14 projecting a year-over-year decrease of \$968,000, and this
15 is primarily due to various equipment dropping off of our
16 depreciation schedule, and that's partially offset by new
17 items coming on, such as purchases of new vehicles for our
18 fleet that I mentioned.

19 For the operating expense line, this actually has
20 the highest dollar increase as well as percent increase, so
21 it's a significant \$8.1 million year-over-year increase.
22 Approximately \$6 million of that increase is due to a higher
23 assessment by the Department of Finance to pay a pro rata
24 share of indirect costs incurred by central service
25 agencies, such as the Department of General Services and the

1 Legislature. And the reason that keeps growing is primarily
2 as we continue to grow in size, it simply goes off of our
3 fund size, so they see more growth as an opportunity to
4 assess more.

5 Another contributing factor with this increase is
6 we are assuming that some of the IT equipment that we
7 ordered in this current fiscal year will not arrive until
8 the coming fiscal year.

9 And the last two items with an operating cost are
10 the reserves. In the current year, we've (inaudible) out
11 the reserves since anything that we funded from them are
12 already reflected as expenditures in the other operating
13 cost categories. For 2026-27, Pursuant to our most recent
14 insurable risk analysis, we are maintaining a \$5 million
15 reserve for insurable risk to cover fiscal exposures for the
16 areas of our organization that we are self-insuring.

17 And as shown on the next line, the 2026-27 draft
18 budget currently includes \$85 million for the administrative
19 spending reserve. And this amount represents 13 percent of
20 our total sales projection, minus the sum of all the
21 administrative expense items above this line, including the
22 retailer and gaming costs from the previous slide. This
23 administrative spending reserve acts as a safeguard against
24 uncertainties, such as if our sales do not come in as
25 projected. As I mentioned, we've earmarked a portion of

1 this reserve to account for the items within the operating
2 costs for which we reduced funding, as well as for looming
3 cost increases that have not yet been solidified.

4 Looking at the bottom line of this slide, the
5 total administrative expenses, which are the sum of retailer
6 compensation, gaming costs, and operating costs, including
7 both of the reserves, are projected to be \$1.211 billion in
8 2026-27, and this is exactly 13 percent of the \$9.32 billion
9 in projected sales.

10 However, this is really just for display purposes,
11 as we do not anticipate spending this full amount. Any
12 unspent administrative funds below the 13 percent cap,
13 including unspent funds within both reserves, will be
14 transferred in their entirety to education. And the Lottery
15 typically spends well below the cap each year and has
16 transferred more than \$1.7 billion in administrative savings
17 to education to date.

18 So moving on to the last area of the budget, this
19 represents the Lottery's sole purpose, which is to generate
20 supplemental funding for public education. There are a few
21 additional items beyond the major categories I've already
22 gone over that factor into the final contribution amount.
23 Specifically, both unclaimed prizes and interest earnings on
24 our cash sitting within the state treasury are mandated to
25 be transferred directly to education. Assuming both

1 reserves remain unspent, the total projected contribution to
2 education is currently estimated to be \$2.066 billion in
3 fiscal year 2026-27.

4 And although this represents a decrease compared
5 to the current year projection, keep in mind that the sales
6 and the games for which we are better able to influence
7 purchase behavior, Scratchers and Hot Spot, are projected to
8 increase in the coming year, whereas the games for which
9 we're at the mercy of the luck of the draw, the multistate
10 games, are projected to decrease. And since the prize
11 payout in both Scratchers and Hot Spot is higher than in the
12 multistate games, this leaves less funding available to fund
13 our rising administrative costs.

14 This year-over-year decrease in our projected
15 contribution to education should not take anything away from
16 the impressive performance we are projecting for the coming
17 fiscal year. Both the sales goal of \$9.3 billion and the
18 resulting contribution to education of \$2.066 billion
19 projected for fiscal year 2026-27 remain among the highest
20 levels we've included in the Lottery's budget to date.

21 And this final slide is a simple depiction to help
22 dispel the myth of where all the Lottery funding goes. So
23 assuming the reserves remain unspent and excluding the
24 unclaimed prizes and interest earnings, you can see with the
25 green slice that 67 percent of our projected sales for

1 fiscal year 2026-27 is estimated to go toward paying prizes,
2 21 percent is estimated to provide supplemental funding to
3 education, 9 percent is projected to be used to compensate
4 our retailer partners and pay for our gaming costs, and 3
5 percent is estimated to be used for our operating expenses.
6 The 9 percent for retailer and gaming costs combined breaks
7 out as retailer compensation, accounting for approximately 7
8 percent of total sales, and gaming costs accounting for
9 roughly 2 percent.

10 So adding all this up means that approximately 95
11 cents out of every dollar the Lottery brings in is projected
12 to be returned to the public in the form of funding for
13 education, prizes paid to our players, and compensation paid
14 to our retailer partners throughout the state.

15 And lastly, I'll go into much more detail on this
16 when I present the budget for your approved next month, but
17 this draft budget projects that we will fall short of the
18 requirement that the Lottery's net revenues allocated to
19 public schools, as reflected in the Commission-approved
20 budget, be at least as much as we're allocated on average in
21 the prior five fiscal years.

22 When I present the budget for your approval next
23 month, I'll highlight the aggressive sales assumptions we
24 would need to reflect in the budget to meet this five-year
25 average provision. Although we certainly strive for

1 compliance, the fiscal years with anomalous rollover luck in
2 the multistate games skew the average that we must meet or
3 exceed, and we would not be acting responsibly if we
4 purposely inflated our revenue projections to satisfy this
5 provision.

6 With that, I'm happy to answer any questions you
7 may have.

8 **VICE CHAIR MILLS:** Thanks, Nick, for that
9 presentation. Okay. So a couple things for me that I think
10 would be helpful to just provide more perspective and to
11 help continue to tie, you know, kind of the business plan
12 information to the budget, and I did hear you do that in
13 several places. I really appreciate that. I think that's
14 super important. But seeing like there's a couple of graphs
15 in Jim's presentation around like total revenue and then
16 Scratchers revenue and draw gains that shows some historical
17 data. And I think it would just add a little bit more
18 perspective to these numbers to be able to show the revenue
19 trends and how that extrapolates out into the estimate for
20 this year and the budget for next year, so we can just see
21 how you know how those trends play out in in the estimates
22 that are presented here.

23 So, in general, and I know I've said this before,
24 it feels like our budget has, in my opinion, some really
25 conservative estimates kind of throughout it, and it sounds

1 like that's kind of historically how we've approached our
2 budget. But like in this case, the, you know, the things
3 that are suffering, like marketing's taking the hit, and the
4 PR campaign is taking the hit for it, and contributions to
5 education are taking the hit from some of these, you know,
6 conservative estimates.

7 And listening to our plan, it's like, I mean, we
8 know the third one is ultimately important, but it seems
9 like the marketing and PR campaigns are really important to
10 meeting our plans. So it would also be curious to me to --
11 this assumption of the rollover luck percentage at 50
12 percent. It would be really interesting to see the trend of
13 what the actual rollover luck percentage has been over time
14 to just show us. Does it move all over the place or does it
15 -- you know, you said had a couple of years of anomaly. But
16 it would just be good to see that and just kind of prove
17 that out about what that looks like over time, and why we,
18 you know, we just kind of land 50/50 in the middle. Like
19 has that ever been under 50? Not since I've been here.

20 **DEPUTY DIRECTOR BUCHEN:** To that point, so I will
21 have a chart that actually shows each of the years that are
22 in the five-year average that we're, you know, currently
23 testing against, and three of the five years had anomalous
24 jackpot rollover luck, and two of them were on the high
25 side, one of them was on the low side, but to, you know,

1 help put numbers behind that, I'll have those associated
2 percentage for all those three years.

3 **VICE CHAIR MILLS:** That would be super helpful to
4 see. And even maybe going, you know, maybe do five years,
5 or do -- I don't know, just to give more perspective about,
6 like, why we think 50 percent is the right place to be. I
7 mean, you know, I've been here as long. In my tenure it's
8 been above, so I'm like, why do we keep going back to 50?
9 So I just need to, you know, just be helpful to see that, so
10 I understand.

11 And then the other thing is this admin reserve,
12 which is really, it's a plug. It's a plug to get to that,
13 because we're allowed to spend 13 percent on admin, but we
14 don't have to spend 13 percent, and you even say, like, we
15 typically don't spend 13 percent, but we plug the 13 percent
16 and we cut other stuff, and so that it would be interesting
17 for me to also see over time the trends of actual admin as a
18 percentage of sales to show like where historically we've
19 typically come in on that.

20 Does that plug make sense? I mean, I get it that
21 you want to have some kind of reserve and some sort of
22 cushion, but does it need to plug the 13 percent? You know,
23 I don't know. So just I think having that data point and
24 having that conversation would be a healthy conversation to
25 have because I also heard you say like, you know, in the

1 reserve, there's placeholders to restore marketing.

2 But it seems to me that it's super disruptive to
3 start the beginning of the year, you know, expecting this
4 big cut, and you got a plan, and all of a sudden it's like,
5 oh, never mind, you can have your money back. And it's just
6 really disruptive, and I think not helpful to meeting these
7 goals that we set out. So I'm having like a disconnect
8 between the goals that we set out on our annual plan, and
9 then how our budget helps us achieve, you know, those goals.
10 So just a couple of things there. I would love for us to
11 dig a little bit deeper and have more conversation.

12 **DEPUTY DIRECTOR BUCHEN:** Sure. I can actually
13 speak a little bit now. So to your point, we display the
14 full 13 percent of when you add up the actual expenditures
15 that we're projecting to spend, it's roughly 12 percent of
16 our sales. So the reserve is accounting combined between
17 the insurable risk reserve and the administrative spending
18 reserve, it's approximately 1 percent of our sales.

19 Admittedly, there's no magic that like it has to
20 be 1 percent, but in a year like this, with uncertainty
21 looming, it's not, you know, inconceivable that our sales
22 would take a hit. Like one big example is, as we mentioned,
23 we're assuming that the \$30 and \$40 additional game launch
24 in Scratchers will help kind of stabilize the downward trend
25 we've seen. But with uncertainties in the economy, that's

1 certainly not a given that that's going to happen as we're
2 projecting. So, not only can our sales not come in as
3 projected, but then there's always the chance of having
4 unexpected costs during the year as well.

5 So, in total, that's why we generally try to have
6 a roughly 1 percent administrative spending reserve, and
7 like I said, in a year like this, with so much uncertainty
8 looming, I think it's more important to have a healthy
9 reserve. But definitely understand that it's true, in
10 marketing in particular, that you can't turn on a dime with,
11 you know, like suddenly you have money, now go forth and
12 spend.

13 And actually, that is partially influencing what's
14 going on in the current fiscal year. The 90 million that we
15 reflected is they are on pace to spend is below what was
16 fully authorized in this current year, and part of the
17 reason for that is they didn't get the full amount until the
18 November budget was passed.

19 **VICE CHAIR MILLS:** I mean, even -- so, just for
20 example, it's like, you know, a \$10 million -- well, it's a
21 \$10 million reduction to what they spent this year, which
22 isn't even what they wanted to spend because they weren't
23 able to plan. But, you know, if you were to reduce your
24 reserve by that 10 million, you still have a healthy reserve
25 there. So, I don't know, it's just -- there's a

1 philosophical thing to plug. Like, no, wait, you're not
2 going to plug revenue to get to, you know, compliance, but
3 we're plugging admin to get to the total max that we can
4 spend. So, I'm also having kind of a disconnect there, and
5 the impact it's having, right? Real impact that that
6 conservative assumption is having on, you know, the
7 business. So we may just have philosophical differences
8 there, but that's kind of where I am on it.

9 And then the last thing. The thing you said about
10 the filling the vacancies was really interesting about like
11 there were vacancies that were open for a really long period
12 of time, and you're going to take them away, and people
13 started filling vacancies. I'm thinking about my earlier
14 comment around making sure when we are like bringing on
15 additional personnel, that we're thinking about, you know,
16 the efficiency goal that we have set and just wondering if
17 there's also kind of this thing we want to do about, like,
18 especially if something's been left open for a long time,
19 you know, and this may be part of it, but also having to
20 kind of re-justify that the position is actually, you know,
21 needed based on the efficiencies that we're creating as
22 well.

23 And that concludes my comments. Thank you. I was
24 a great presentation. I know so much goes into putting
25 together this budget, and I really appreciate the detail and

1 the prudence and the eagle eye that you bring to these
2 numbers. It's a lot. So, thank you, Nick.

3 **DEPUTY DIRECTOR BUCHEN:** Thank you. And actually,
4 I'll speak to vacancies real quick, because -- so 10 percent
5 still sounds fairly high. Some of our classifications are
6 unique in the scheme of state government classifications.
7 We have a very difficult time filling some of them, so we'll
8 never get, you know, down to like 5 percent. There's always
9 going to be some attrition in any department, no matter how
10 great of a department it is to work at. There's always
11 going to be people that promote, move on, retire, so we'll
12 never be at zero.

13 Five percent is typically kind of the average that
14 you would strive for. Ours is generally going to be a
15 little higher than that for these hard to fill
16 classifications that we have. And to your point, we do, you
17 know, try to be as creative as we can be in the scheme of
18 civil servant rules and classifications. You know, we look
19 for other opportunities that, you know, can a different
20 classification fill those same duties, those kinds of
21 discussions that we have. But you know that's kind of the
22 reality that we're faced with, with the positions.

23 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you, Nick. I
24 think I appreciate the presentation and the work that goes
25 into this. I know it's not easy. Thank you. I heard

1 earlier that people had submitted their budget surveys,
2 budgeting, it sounds like on time, which is great. So thank
3 you for everyone for contributing to this process.

4 I think one of the things that we can continue to
5 talk about, and this is going to relate to a comment that
6 Commissioner Alvidrez just shared earlier, that there are
7 outside contingencies that we have to mitigate, including
8 state compliance and regulation, and there's internal
9 operations that are, I think, Tiffani used the example, is
10 it moving this way or is it moving this way? So I think
11 there's some more conversation that we need to have as
12 Commissioners about what does that look like, both from an
13 internal operations perspective in supporting you all, and
14 the Lottery's mission, and the external complications and
15 aspects, including economic downturn, the cost of printing
16 and shipping, and anyone's bought gas recently. I mean,
17 there's conversations that we need to have regarding what
18 does it look like in relationship to sales and overall
19 operational cost.

20 I think the other thing, and this is more just
21 commentary, I think that the other thing that I want to make
22 sure that we're considering and responsible budgeting is
23 also being able to commit to the state and be able to hold
24 that commitment without putting additional pressure both on
25 the Lottery and our team. And I think that having

1 appropriately measured approaches to sales goals without,
2 for lack of better words, overshooting it, is responsible.
3 I think that there are downward effects that happen if we
4 start to overshoot our projections at every level of the
5 organization, and so I want to be mindful of the of how we
6 support our mission, mission values, and supporting Jim,
7 during your presentation, you talked about the total
8 customer experience, including our vendors and our
9 retailers, and people who print our tickets, and our sales
10 reps, and our field directors, and people do all the
11 groundwork that makes sure that that we're able to make our
12 maximum contribution to education.

13 So I just want to -- we'll continue those
14 conversations, but I think that it's a big picture
15 conversation that we need to have, and just to borrow some
16 of your language, a kind of philosophical approach that I
17 think that there are internal considerations that we have to
18 be really mindful of that also need to take into
19 consideration the external factors that might allow our work
20 to be really successful but also might be a little bit more
21 challenging. And I think that you've noted some of this on
22 your report regarding increase in costs for personnel,
23 increase for cost of operations. I know we've had facility
24 renovations based on environmental health and safety, and so
25 being able to consider those, I think, are really important.

1 I know that you've done that, and so, thank you for that. I
2 know it's not easy work, and I know this is this is a big
3 accomplishment. So, I'm looking forward to reviewing it
4 again next month.

5 **DEPUTY DIRECTOR BUCHEN:** Thank you.

6 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you.

7 **DEPUTY DIRECTOR BUCHEN:** Okay. Thank you very
8 much.

9 **CHAIRMAN GARRISON-ENGBRECHT:** We'll vote next
10 month.

11 **DEPUTY DIRECTOR BUCHEN:** Yeah, I'll be back.

12 **CHAIRMAN GARRISON-ENGBRECHT:** The next item on the
13 agenda is public comment for agenda item 9, Public
14 Discussion. I have two public discussion cards. I'll
15 invite Francis O'Rourke and Shannon Kane up to the
16 microphone.

17 Please note that public comment is limited to
18 three minutes per person, and for routine personnel matters,
19 the Lottery has existing complaint venues that should be
20 utilized by bringing these concerns to our Human Resources
21 or EEO offices.

22 And I have Francis O'Rourke first. Could you
23 please state your name for the record? And the comment here
24 is service animals in the workplace.

25 **MS. O'ROURKE:** Good afternoon, Commissioners. My

1 name is Francis O'Rourke, Lottery Staff and Union Steward.

2 An employee returns from medical leave in February
3 with a medical note explaining she has a disability, which
4 requires a reasonable accommodation. Her assistive medical
5 device is not a wheelchair or a braille display, it's a
6 living being, a service animal. After working for two weeks
7 at the Sacramento District Office with her service animal,
8 the employee was told that she has two options: Continue
9 working without her service animal or take two weeks off
10 while Human Resource investigated a complaint.

11 Did HR visit the work site to determine whether
12 the complaint was even valid? Did anyone review her medical
13 documentation, which clearly stated the service animal had
14 to be present her entire workday. No. HR disregarded the
15 documentation and left the employee with no choice but to
16 take leave. She returns to work with her service animal in
17 early March and is subjected to disinfectants and air
18 fresheners being sprayed in her and her service animal's
19 direction. This is reported to her manager, while seven
20 supervisors in our office ignore what is occurring around
21 them. Management failed to help her, exasperated her
22 medical condition, all the while our inept HR Department
23 continued to drag their feet in approving her reasonable
24 accommodation.

25 Union stewards asked if there is a Lottery policy

1 on service animals in the workplace, and were told none
2 existed. There is clear confusion on the Lottery's part to
3 understand the difference between an ADA protected service
4 dog and an emotional support animal. This shows a serious
5 failure of knowledge, training, and lawful accommodation
6 practices.

7 Stewards are demanding the Lottery take immediate
8 action to end all discriminatory and retaliatory conduct
9 related to disability accommodations. Recognize and
10 properly classify registered service dogs in accordance with
11 applicable laws. Establish and publish a clear workplace
12 policy addressing service animals. Provide mandatory ADA
13 training for managers, supervisors, and HR staff. Enforce
14 workplace safety and environmental policies regarding
15 aerosol and scented products in LEED certified buildings.
16 And ensure that no employee is subjected to harassment,
17 retaliation, or unlawful delays in receiving a reasonable
18 accommodation for a service animal.

19 The Union stands in support of disabled workers
20 and demands a workplace culture rooted in dignity, legal
21 compliance, and respect. The Union calls on the
22 Commissioners to act without delay to correct these
23 failures, protect affected employees, and prevent similar
24 incidents from occurring again. Thank you.

25 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you for your

1 comment.

2 Next card I have here for public discussion,
3 Shannon Kane, please state your name for the record, and the
4 topic of service animal education.

5 **MS. KANE:** Good afternoon, Commissioners. My name
6 is Shannon Kane. I'm the Executive Director of Althea
7 Canines. We are a local California nonprofit that provides
8 training, support, and guidance for those who need
9 psychiatric and mobility service dogs. We also train
10 facility therapy dogs that work with police departments and
11 multiple UC University of California locations and District
12 Attorney's Offices.

13 Service animals are protected under US federal
14 Americans with Disabilities Act. They are defined as a dog
15 or a miniature horse. There is no specifications on breed
16 for those. California recognizes and extends the same rates
17 of service dogs in training as they do what they call fully
18 trained or finished service dogs. A finished service dog
19 would be a dog who is well behaved and performs a minimum of
20 three tasks that help mitigate the person's specified
21 disability.

22 Just as employers are legally required to make
23 reasonable accommodations to somebody in a wheelchair, who
24 is blind or uses oxygen, the employers are required to make
25 reasonable accommodations for someone with a recognized

1 disability who utilizes the help of a service dog. Service
2 dogs are not considered pets. They are considered a medical
3 device.

4 There are caveats to this, such as creating a
5 hardship for the employer or the service animals not under
6 the control of the handler. Althea Canines provides support
7 to those in need of a service dog. We also provide support
8 through education to our community, businesses, and
9 employers, such as California Lottery.

10 I would like to offer our support at this time.
11 We could schedule a time that we would be able to come in
12 and create a presentation and education, answer questions
13 for your employees, your management, HR, and of course for
14 your Board as well.

15 Thank you for your time, and I'd be happy to
16 answer any questions.

17 **CHAIRMAN GARRISON-ENGBRECHT:** Thank you for your
18 comment.

19 Next on the agenda is Commissioner General
20 Discussion. Do any of the Commissioners have anything for
21 discussion at this time?

22 I have one, two quick announcements. Dottie, can
23 you please stand? I would take a moment and briefly to
24 acknowledge that upcoming retirement of longtime Lottery
25 executive management team member, Dottie Wallace. Dottie

1 serves as the Assistant Deputy Director of Human Resources.
2 Dottie is retiring later this year after three decades in
3 state service and 14 years with the Lottery Human Resources
4 Division. This is planned to be her last Commission
5 Meeting. We'll miss you. So please join me in giving her a
6 round of applause. Thank you for your service, Dottie.

7 **(Audience Applause)**

8 **MS. WALLACE:** If you could indulge me. All right.
9 hearing the vacancy rates that were shared, we're at 10
10 percent. The rest of the state is roughly around 18
11 percent. So I think we're doing pretty good.

12 And then I also want to share that it has been a
13 privilege and an honor to be part of the Lottery team, and
14 I'm very proud to be leaving the Lottery at a point where we
15 are at an 82 percent employee engagement rate and let me
16 share what that means.

17 Seventy percent is good. Eighty percent and above
18 is world class according to Gallup, and so it's really a
19 pleasure and an honor. That speaks to a healthy work
20 culture. It speaks to excellent leadership, and it speaks
21 to a commitment from our employees toward our mission.

22 So, thank you all.

23 **CHAIRMAN GARRISON-ENGBRECHT:** Congratulations on
24 your retirement, Dottie.

25 **(Audience Applause)**

1 **COMMISSIONER ALVIDREZ:** Can I just make a comment
2 to that.

3 **VICE CHAIR MILLS:** Yes.

4 **COMMISSIONER ALVIDREZ:** I'm sorry. I know we've
5 gone a little renegade, but I just --

6 **VICE CHAIR MILLS:** It's our public discussion.

7 **COMMISSIONER ALVIDREZ:** Thank you very much. And
8 I feel compelled after Ms. Dottie made those comments. Ms.
9 Dottie, thank you so much for your service. You've heard
10 that. We've given a round of applause. Wonderful. We're
11 all living vicariously through you.

12 But the comments that I wanted to make, I just
13 wanted to say, thank you so much for the context. Because
14 you know, in these meetings that are lengthy, these
15 extensive presentations that are put together with
16 significant hours of work that the executive team produces,
17 along with staff, hearing that context from you, who's been
18 here serving time through a variety of leadership
19 transitions, means a lot. And so, as a Commissioner, I
20 appreciate hearing it. I appreciate your service, and thank
21 you so much. Enjoy retirement.

22 **(Audience Applause)**

23 **CHAIRMAN GARRISON-ENGBRECHT:** The last
24 announcement, and I'm sorry we don't have the marching band
25 ready, but we have a Commissioner birthday today. It is

1 Commissioner Alvidrez's birthday, so just she --
2 **(Audience Applause)**
3 **COMMISSIONER ALVIDREZ:** The Chair is trying to
4 keep it simple because I threatened him.
5 **CHAIRMAN GARRISON-ENGBRECHT:** Yes. And that's
6 what we voted for earlier.
7 **COMMISSIONER ALVIDREZ:** If he made a big deal, I'd
8 run out the building, and he'd be left with no quorum.
9 Thank you so much.
10 **CHAIRMAN GARRISON-ENGBRECHT:** Very Happy Birthday.
11 **VICE CHAIR MILLS:** Happy Birthday.
12 **COMMISSIONER ALVIDREZ:** Thank you.
13 **CHAIRMAN GARRISON-ENGBRECHT:** We have tentatively
14 scheduled the next Commission Meetings for June 16th,
15 September 1st, and November 19th, 2026. All meetings will be
16 held here in Sacramento.
17 Without any further ado, this meeting is
18 adjourned.
19 **(MEETING ADJOURNED)**
20 --oOo--
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23
24
25

[illegible]

I have subscribed this certificate at
Sloughhouse, California, this 4th day of June, 2026.

Foothill Transcription Company