



CA Lottery Draft Strategic Plan and Draft FY 2026-27 Business Plan

Informational Item 6a
California State Lottery Commission
May 21, 2026

Agenda for Today's Presentation

- Combining both the Draft Strategic Plan and the Draft FY 2026-27 Business Plan as an informational item
 - Both will appear as separate voting items for the June meeting
 - Strategic Plan provides the broad direction for the next 3-5 years
 - Annual Business Plan includes specific strategies and tactics for FY
- Each of the 5 Strategic Objectives will have a section
 - Rationale on why it is strategically important for the Lottery's success
 - Examples of tactics in FY 2026-27 Plan to help achieve this objective



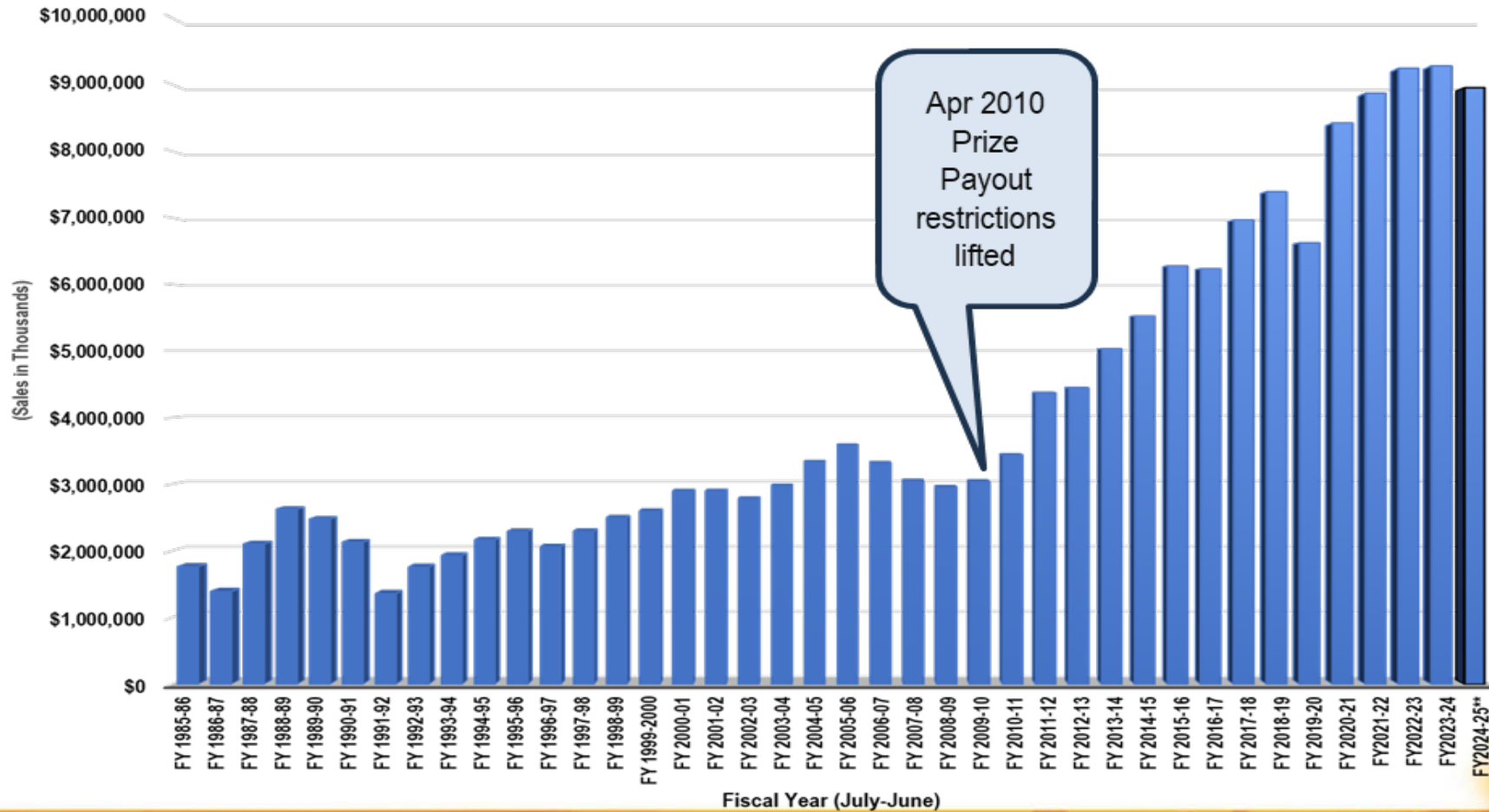
Development of the Strategic Plan

- Within Business Planning, it began a little over a year ago
- Work with the Directorate and Deputy Directors started during summer 2025 – sharing data and insights from business review and external trends
- By late fall 2025, preliminary objectives and key issues were developed and discussed among the Executive Management Team
- In late February/early March, individual briefings with Commissioners to provide a progress report on strategic objectives



History of Lottery Sales: After years of tremendous growth, sales have been flat in recent years

Total Lottery Sales - History Since Inception



Apr 2010
Prize
Payout
restrictions
lifted



Source: All Industry Sales data is from LaFleur's Magazine Sept/Oct 2025 edition; Traditional Sales excludes VLT's

Note: CA Lottery sales provided to LaFleur's were very preliminary, unaudited figures for FY 2024-25

Data Classification:

Financial Objective for Next Strategic Plan

- Surpass Florida Lottery in sales and beneficiary contributions so that CA becomes #1 in sales and #2 in contributions
 - New York is #1 in total contributions (\$3.58 billion) due to VLT's
 - Florida's provided \$2.16 billion to their beneficiary in FY 2024-25 – running about \$230 million higher than the contributions provided by the CA Lottery



calottery

Proposed Objective:

Reduce reliance on big jackpots to meet financial goals by growing Draw Game sales outside of \$1 billion+ jackpots

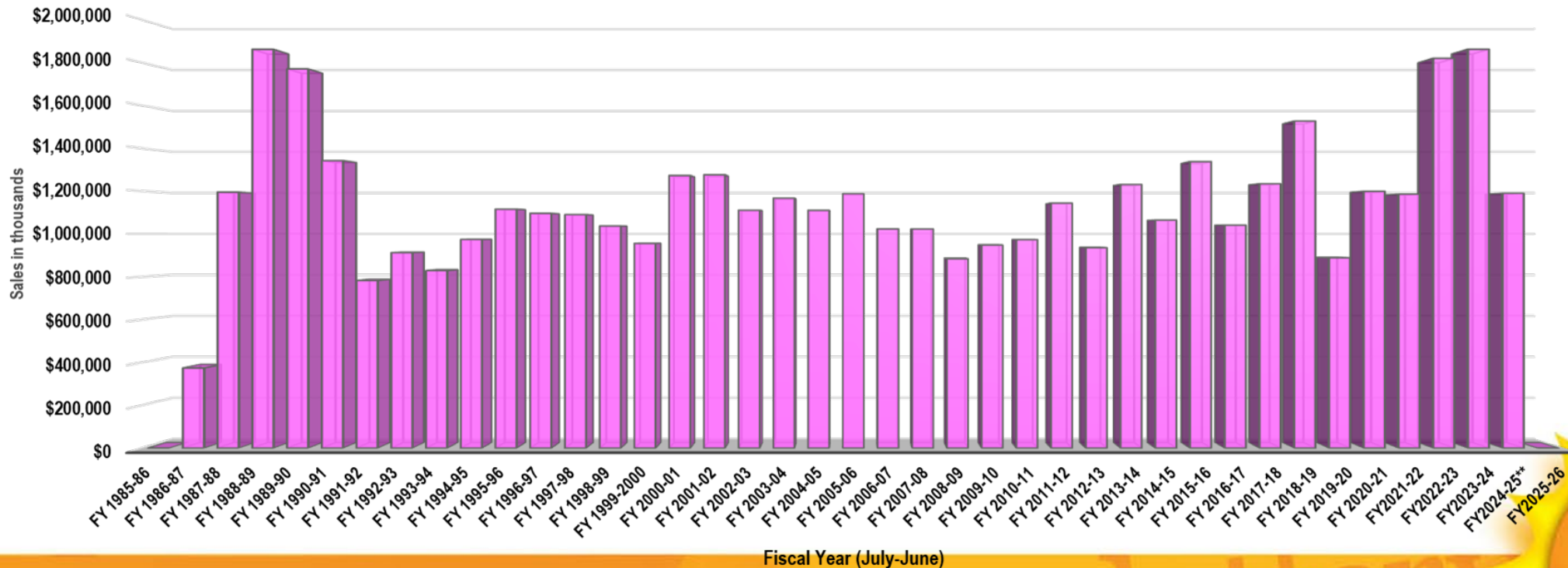


calottery

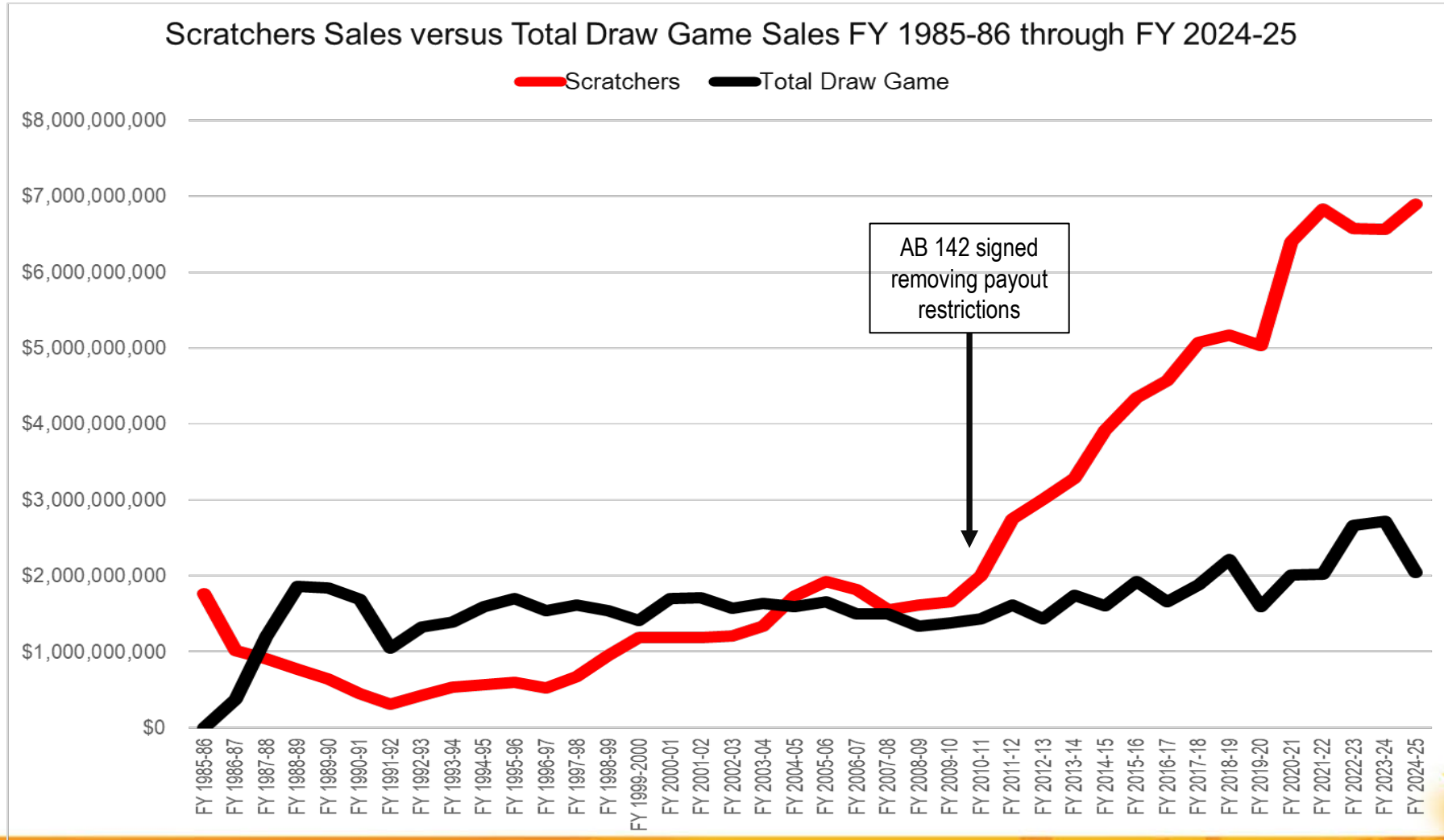
Recent years have seen big swings in Jackpot Game Sales

In FY 2024-25, combined sales from Mega Millions, Powerball, and SLP declined by more than \$670 million compared to sales in the prior fiscal year

Jackpot Game Sales (All Combined)



Growth over the past dozen years have been fueled by gains in Scratchers sales



calottery



CA relies on sales from Multi-State Jackpot Games more than other top selling states

- While Mega Millions and Powerball combined comprised 17% of total CA Lottery sales in FY 2023-24, other top lottery states had between 6% and 13% of sales coming from these two games
 - For example: FL is at 13% and TX at 11% of total sales from MM & PB
- Sales in CA increase more dramatically than in other states when the MM and Powerball jackpots get over \$1 billion
 - Share of U. S. sales from CA is 12-13% when jackpot is \$50 million or lower, but CA sales comprise 15% of U. S. total when there is a jackpot of \$1 billion or more



calottery

Insights on Draw Game Player Spending in CA

- Player spending on Draw Games much lower than for Scratchers
 - All (except Hot Spot) below \$1/wk
 - Playing infrequently and/or spending little when playing
- Among Jackpot Game Players, more are Casual than Core
 - Even among Core Jackpot Game players, average spending is below \$4 per week

| | FY 2025 | | | | |
|-------------------------|-----------------------------|---------------------------------------|--------------------|-------------------------|----------------|
| | Past Year Play ¹ | Est. Number of CA Adults ² | Sales ³ | Annual Sales per Player | Weekly Average |
| Any Lottery Game | 70% | 21,283,188 | \$8,949,096,123 | \$420 | \$8.09 |
| Scratchers | 54% | 16,443,181 | \$6,908,775,897 | \$420 | \$8.08 |
| MEGA Millions | 49% | 14,880,804 | \$551,017,293 | \$37 | \$0.71 |
| SuperLotto Plus | 43% | 13,281,737 | \$230,724,285 | \$17 | \$0.33 |
| Powerball | 44% | 13,477,416 | \$408,083,638 | \$30 | \$0.58 |
| Hot Spot | 14% | 4,194,876 | \$424,355,620 | \$101 | \$1.95 |
| Fantasy 5 | 21% | 6,301,487 | \$176,228,766 | \$28 | \$0.54 |
| Daily 3 | 16% | 4,797,202 | \$177,928,331 | \$37 | \$0.71 |
| Daily 4 | 13% | 4,118,439 | \$35,915,331 | \$9 | \$0.17 |
| Daily Derby | 13% | 3,864,667 | \$36,066,962 | \$9 | \$0.18 |



calottery

What this Strategic Objective is not about

- Does not mean to ignore Mega Millions and Powerball
- Those games can still be priorities. However, building sales outside of the very big jackpots is needed – such as generating more play at lower jackpot levels or more consistent play.
 - This will make CA more like many other jurisdictions



calottery

The year ahead: efforts to boost awareness and excitement

- Enhancements to SuperLotto Plus
- Implementing pilot to sell and claim jackpot games in checkout aisle at grocery/supermarkets
- Boost jackpot awareness through continued jackpot alerts and new permanent jackpot billboards



Proposed Objective:

Continue eliminating barriers to play among infrequent Scratchers players



calottery

Background

- Eliminating barriers to play has been part of the Lottery's Strategic Plan since 2020
- Efforts to tackle a perceptual barrier started in Fall 2021
- Shift how players view Scratchers from a transactional prize-driven product to a fun, casual entertainment experience



calottery

The Scratchers Category Repositioning Effort (SCRE) is improving overall perceptions of Scratchers and the Lottery

SCRE started Sept. 2021

| Percent of CA Adults who agreed (8,9,10) to the statement | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|--|------------|------------|------------|------------|------------|------------|------------|
| It's fun to play Lottery games. | 36% | 35% | 40% | 38% | 43% | 39% | 44% |
| Playing Lottery games is worth the money just for the entertainment. | 27% | 26% | 30% | 30% | 33% | 29% | 33% |
| Playing [Scratchers] is worth the money, just for the entertainment. | 39% | 39% | 46% | 44% | 41% | 40% | 45% |
| I feel guilty about spending money on Scratchers. | | | | 30% | 29% | 26% | 27% |
| Scratchers help show how easy it can be to add fun in your life. | | | | 31% | 33% | 32% | 36% |
| Scratchers are fun, even if I don't win. | | | | 33% | 34% | 33% | 37% |

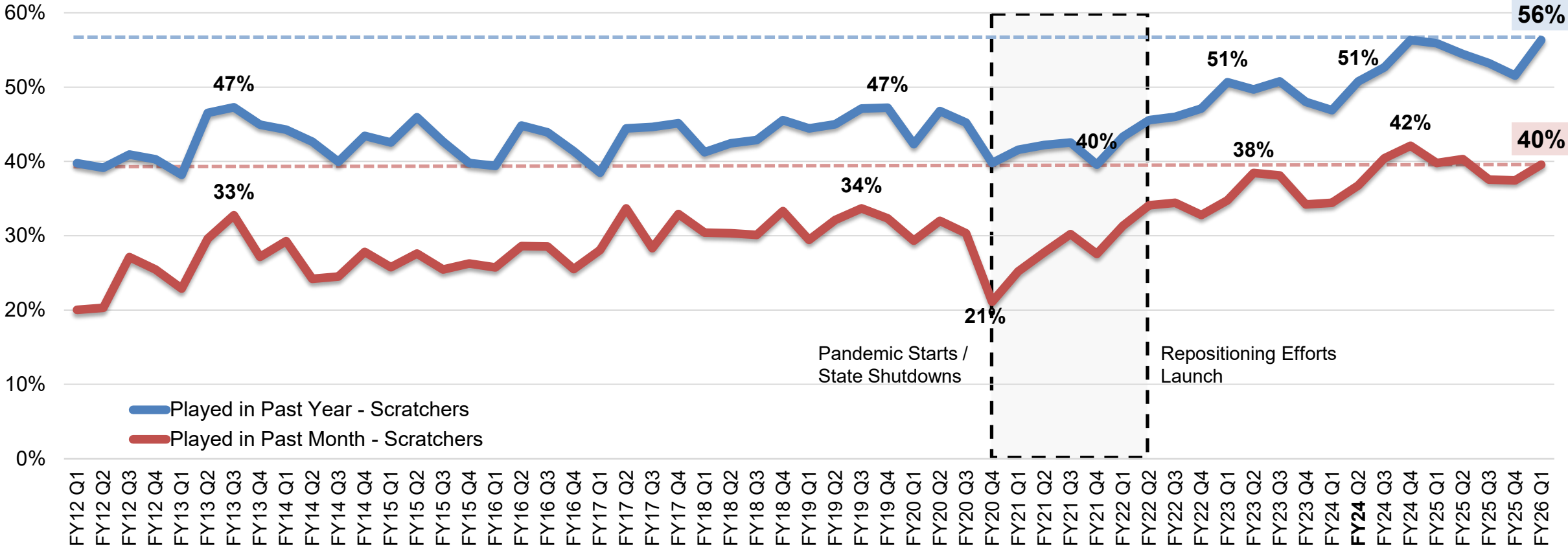


calottery

Source: CA Lottery as reported in the Communications Effectiveness Tracking Study, FY 2024-25
 Blue box – SCRE started Sept 2021.
 Red font/orange box indicate statistically significant higher/lower to FY2025 at 90% confidence level.
 Data Classification:

Scratchers past year playership holding above 50% after a few years of the SCRE.

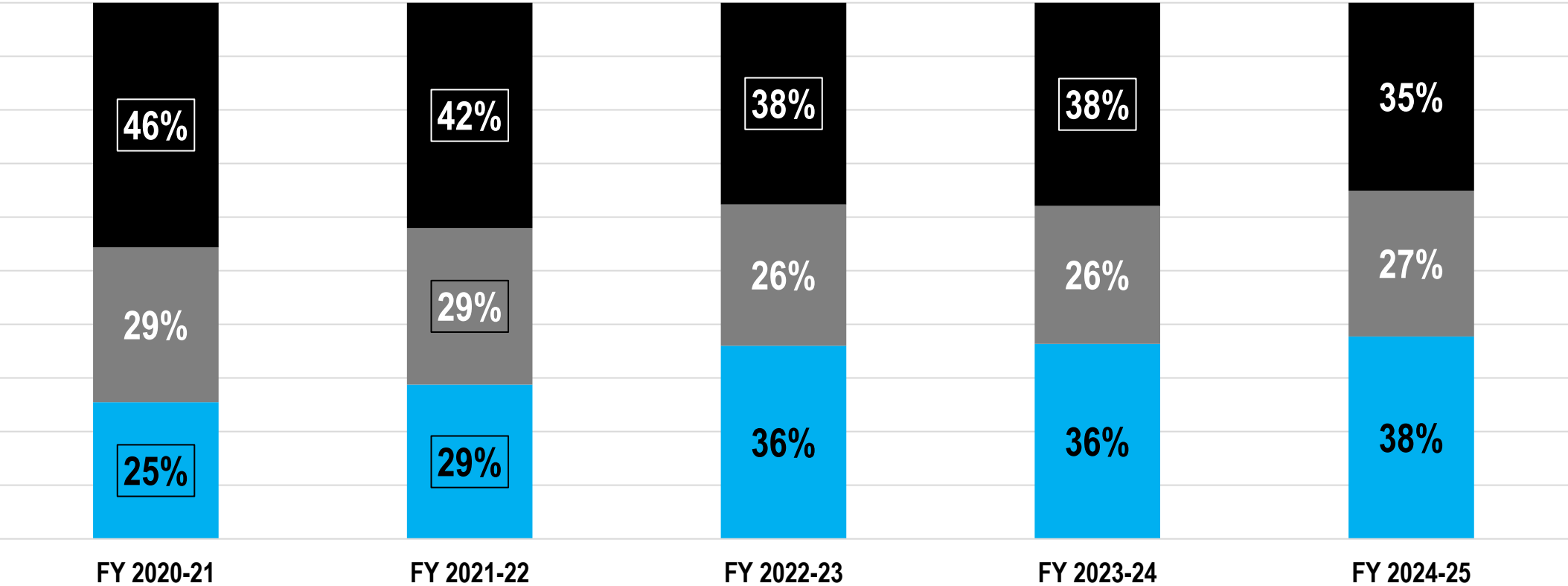
Looking at long term trends – Scratchers past year playership is holding above 50%.



Beneficiary Awareness up to 38% of California adults

Lottery Beneficiary Awareness Over Time

■ Knows & Correctly Identified Education As Beneficiary ■ Believed They Knew, But Incorrectly Identified Beneficiary ■ Doesn't Know CA Lottery Beneficiary



Source: CA Lottery Communications Effectiveness Tracking Study
% Of CA Adults

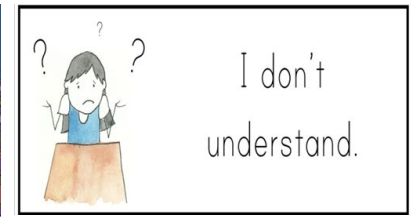


Other barriers such as the need to have cash on hand and how to decide which ticket to purchase need to be tackled

Rank (out of 29)

| | CASUAL | LAPSED | NON-PLAYERS |
|--|--------|--------|-------------|
| If I have cash on hand, it is for other purposes | 1 | 1 | 1 |
| I tend not to have cash on me to purchase Scratchers tickets | 2 | 2 | 5 |
| It's too hard to make a quick decision on which game to buy when I'm in line | 11 | 12 | 13 |
| I get overwhelmed by how many Scratchers games there are to choose from | 14 | 14 | 17 |
| Scratchers games tend to all look the same to me | 18 | 18 | 20 |
| The Scratchers games change too often | 19 | 23 | 25 |

Pictures that respondents in focus groups chose to depict how they feel about selecting a Scratchers ticket



Source: CA Lottery as reported in the Scratchers Barriers Refresh Report- June 2025

Base: Total Gen Pop Sample (Casual Players N=250, Lapsed Players N=250, Non-Players N=200)

Q11. We want you to identify the item that is (or would be) most limiting and least limiting for you when it comes to playing Scratchers. We then want to know if the "most limiting" item were eliminated, fixed, or overcome if you would then <IF CASUAL/INFREQUENT PLAYER INSERT "purchase Scratchers more frequently." / FOR ALL OTHERS INSERT "begin to purchase Scratchers."

The year ahead: retail, games, and advertising efforts



Not Final Art

- Cashless Payments at Vending Machines Pilot
 - Vending machines can accept debit card purchases
 - Pilot of 450 supermarkets, convenience, and drug stores
- Godzilla stomping into stores in the spring
- Continued launch of fun, easy to play Scratchers
- Advertising campaigns will continue to break down emotional barriers and build awareness



- Continue ads showing how schools use Lottery funds



Proposed Objective:

Expand efforts against Core Scratchers players to battle growing competition for the entertainment and gaming dollar

Need an objective that can deliver more sales in short-term

- Mitigating the remaining barriers to play Scratchers could take a few years, so another avenue to boost Scratchers sales is needed
- Draw Game alternatives may also take significant time
- Core Scratchers players in CA reduced their spending recently possibly due to inflationary pressures and/or other ways to spend their entertainment or gaming dollars



calottery

Stronger Competitive Threats

- Competition in the gaming space continues to grow
 - Although sports wagering is not legal in CA, player prop betting is strong
 - 28% of Core Scratchers players have placed a bet involving sports
 - Newer prediction market includes bets on sports via loophole (with companies such as Polymarket, Kalshi, and Draft Kings in this space)
- Competition for the fun/entertainment dollar is fierce particularly with rising prices and the economic concerns seen in our surveys.



calottery

Scratchers Player spending has softened in recent years; However, it is still higher than pre-pandemic levels

- Scratchers players decreased their estimated spending in FY 2024-25 compared to the prior year
 - Average Core Scratchers player spending declined by 5%
 - For Casual Scratchers players, the decline was between 25-30%
- Some of the decline could be attributed to growth in playership.
- However, other sources such as inflation, consumer concerns about the economy, and increased competition are likely sources for the drop in spending



calottery

FY 2024-25 Scratchers per capita sales among top sellers

| | California | Florida | Texas | New York | Mass | Georgia |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SCR Sales Rank | #1 | #2 | #3 | #4 | #5 | #6 |
| Annual Per Capita | \$175 | \$292 | \$206 | \$218 | \$554 | \$302 |
| PC Rank | #18 | #3 | #12 | #9 | #1 | #2 |

- In FY 2024-25, CA was the top seller for Scratchers in the U. S. with \$6.9 billion in sales – narrowly in front of Florida by \$73 million.
- However, CA population is much bigger
- FL has a much higher per capita sales figure as do most of the top selling states



calottery

Source of higher per capita sales in other states

- Higher per capita sales can be from having a higher percentage of adults playing Scratchers, higher per player spending on Scratchers, or a combination of both.
- A study across many states was conducted to answer this question.
- Our rate of Past Year Scratchers play is higher than TX and comparable to the rates in FL, NY, MA, GA, and other Top 10 Sellers. This means higher player spending is the source for their higher per capita sales
- The study also showed that Core Scratchers players in these states tend to spend more than CA Core Scratchers players.
- Of the top 10 states, only CA and NY do not offer a \$50 ticket



The year ahead: games and 2nd Chance

- FY 2026-27 Scratchers Product Plan with additional \$30 & \$40 games and introducing themes with strong Core appeal
- Analysis and planning for potential \$50 ticket in the future
- 2nd Chance Program improvements for deeper engagement and excitement



Proposed Objective:

*Elevate the customer experience
for players, retailers, and internal customers*



calottery

Prioritizing the Customer Experience (CX) is proven to lead to growth due to increased retention and loyalty

Companies that are CX leaders are **3X** more likely to meet financial targets and be viewed as a great place to work

-Medallia 2022

When companies improve brand reputation and CX together there is a compounding effect: up to a **3.5x** higher revenue impact.

-Forrester 2025

- CX is the entire customer journey a person has with a business: “Every interaction” with the brand
- Customer Service is just one moment within the entire experience



Great CX → Loyalty → Growth

- Companies that lead in CX **grow revenue 80% faster**¹ than their competitors.
- Why? Because great experiences turn first-time buyers into loyal customers, loyal customers into advocates, and advocates into your lowest-cost marketing channel.
- The Customer Experience has been part of some prior Strategic Plans leading to many enhancements and new programs to support players, retailers, and internal customers

1. Kate Williams, "Why Customer Experience Benefits Drive Business Success in 2025", *Survey Sparrow*, September 19, 2025, accessed November 12, 2025, <https://surveysparrow.com/blog/customer-experience-benefits/>

Lottery Customers: Players, Retailers, and Employees

- According to the American Customer Satisfaction Index (ACSI), the U.S. average satisfaction is 76%.
- On average, **68% of Lottery players** are satisfied with the various Lottery touchpoints they've interact with
- Last year, **75% of retailers** are at least 'fairly satisfied' with their overall Lottery relationship
- Average scores for **employee engagement improved by 4%** between 2023 and 2020 – biggest improvement since 2011.



The year ahead: CX Framework and Roadmap Development

To ensure long-term success of this objective need to establish a unified enterprise strategy for improving the customer experience.

- Committee of members from each division to help develop this
- Will be reviewing prior research, conducting additional Lottery research, researching best practices and benchmarks
- Determine what customer experience touchpoints or perceptions should be prioritized in the next 3-5 years that will provide the most value to the Lottery
- Determine success metrics for the strategies
- Document and share the priority framework to ensure future initiatives align



calottery

The year ahead: other efforts underway

Players

- Lottery Office Digital Signage Upgrades
- Improvements to the prize submission and payments process
- Pilot to allow players to use their prizes from winning tickets for purchases (of the same value) at self-service vending machines

Retailers

- Digital Retailer Application
- Equipment Upgrades

Employees

- Data system enhancements
- Facility improvements
- Continued Mission, Vision, Value efforts
- Internal communications enhancements



Proposed Objective:

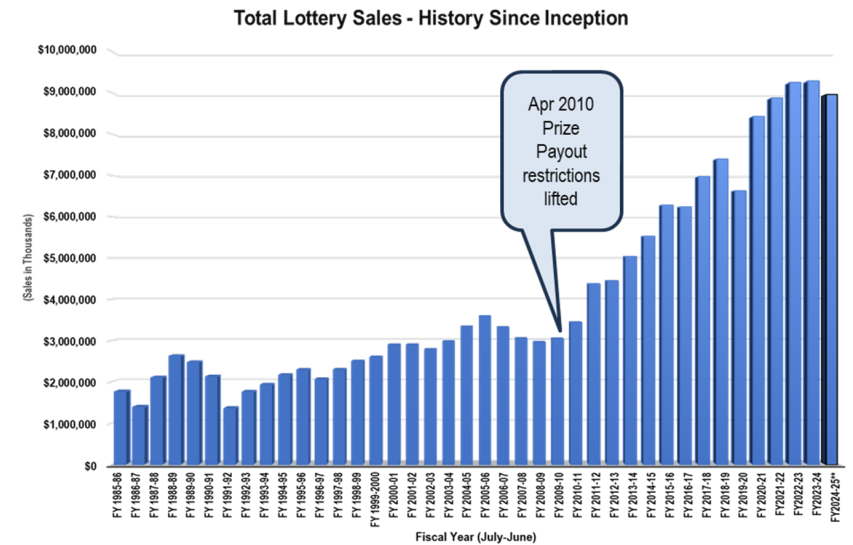
Transform and modernize Lottery programs and processes to reduce costs and/or allow staff more time for revenue generating initiatives



calottery

In recent years, costs grew at higher rates than sales

- Sales have been relatively flat
 - Example: sales grew 5% between FY 2023-24 and FY 2021-22
- Operating Costs grew by 18% over same period
 - Includes administrative expenses excluding game costs and retailer comp
- Consequence of budget constraints is reduction in marketing; impacting Lottery sales
 - Could eventually lead to downward spiral



Maximizing Contributions to Education means

- With our mission, the Lottery needs to look not only at ways to boost sales but also options to minimize expenditures
- Some programs and processes were created or last modified when sales were significantly smaller



calottery

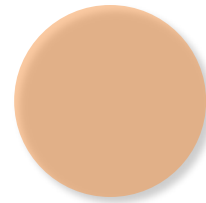
What this strategic objective is not about

- Modernizing is not about moving to online wagering; this is still not permissible legally.
- Modernizing does not mean spending money just to upgrade technology; it needs to have a benefit of lowering costs and/or to free-up staff time to focus on revenue generating projects

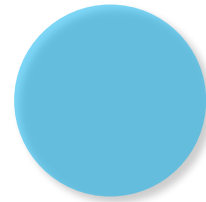


calottery

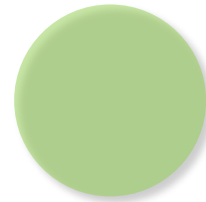
The year ahead: retail, website, and developing a plan



Public Website Content Management System Research



Digital Retailer Application Form



Develop Framework and Roadmap for this objective



Questions and Discussion



calottery