



M E M O R A N D U M

Date: November 9, 2023

To: California State Lottery Commission

From: Alva V. Johnson, Director *A*

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Sales & Marketing Division

Subject: 8(a) – Scientific Games LLC Instant Ticket Printing Contract
Extension

ISSUE

The California State Lottery (Lottery) contracts with Scientific Games LLC (SG) as the primary vendor for instant tickets (Scratchers®) production. A contract extension and additional funds are requested to extend the contract to November 30, 2024, as the current contract is set to expire on November 30, 2023.

BACKGROUND

The Lottery currently contracts with SG as one of its three Scratchers printing vendors. The original contract term was December 1, 2013, through November 30, 2019, with an initial expenditure authority of \$100 million and included options to extend the contract for a period of three years followed by up to three one-year periods.

In 2019, the California State Lottery Commission (Commission) exercised the option to extend the contract by a term of three years to November 30, 2022, and added \$76 million to the authorized contract expenditure. In 2022, the Commission exercised the first one-year extension option to November 30, 2023, and added \$48 million to the authorized contract expenditure, bringing the maximum authorized contract expenditure to \$224 million.

DISCUSSION

As the primary vendor, SG is responsible for printing the majority of Scratchers for the Lottery, as well as additional responsibilities such as providing Lottery-dedicated staff and extended marketing support. In addition, SG plays an important part in the Lottery's overall success with Scratchers sales and in turn, its contribution to

education. It is a reliable business partner, providing a unique product and industrywide insights into the Lottery's business. During the term of this contract, SG has helped the Lottery increase Scratchers sales from approximately \$3.3 billion in fiscal year (FY) 2013-14, to over \$6.5 billion in FY 2022-23.

The Lottery is aware of only three instant ticket printing vendors within the industry that can meet the Lottery's needs, volume, and security requirements, and the Lottery has contracts with each of them. The Lottery seeks to exercise the second one-year contract extension option to ensure uninterrupted product sales.

As of October 2023, the SG contract is projected to use \$42.9 million of funding through the end of the proposed contract term in November 2024. Lottery staff recommends increasing the contract authority by \$22.6 million to ensure sufficient funding for the remainder of the proposed contract term, which will end in November 2024.

RECOMMENDATION

Lottery staff recommends that the Commission approve a one-year extension of SG's instant ticket printing contract and a \$22.6 million increase in expenditure authority. The end of the proposed contract extension will be November 30, 2024, and the additional funds will increase the expenditure authority to a maximum amount of \$246.6 million.