COMMISSION AGENDA ITEM

Item 8(b) – Verliance, Inc. Contract Authority Increase

Date: November 19, 2026

To: California State Lottery Commission

From: Harjinder K. Shergill Chima, Director - HKC

Prepared by: Nicholas Buchen, Deputy Director, Finance

Subject: **Item 8(b) – Verliance, Inc. Contract Authority Increase**

ISSUE

The California State Lottery (Lottery) seeks to amend its agreement with Verliance, Inc. (Verliance) for collection activities on aged account receivables under Agreement #101501. The contract term is May 1, 2024, through April 30, 2029, with a current maximum expenditure of $200,000. The Lottery requests to amend the contract to add $120,000 in expenditure authority, increasing the contract authorized maximum expenditure authority to $320,000.

BACKGROUND

The Lottery currently contracts with Verliance for collection activities on aged account receivables. Verliance uses robocalls, emails, and regular mail to collect from delinquent debtors. The contract term runs from May 1, 2024, through April 30, 2029, and includes two optional one-year extensions. The maximum expenditure included in the contract for the five-year base term is $200,000.

DISCUSSION

As a result of a formal solicitation conducted in 2023, the Lottery contracts with Verliance as its outside collection agency in accordance with State Administrative Manual Section 8293.1. The contract established an initial five-year base term with the amount not to exceed $200,000 and includes two optional one-year extensions. Verliance earns commissions based on successful collections. Pursuant to the contract terms, commission rates range from 9 percent to 48 percent, depending on the debt amount and account status.

The Lottery originally projected annual commission payments of $40,000, totaling $200,000 by the end of the base contract term. However, during the first two years, Verliance outperformed expectations, resulting in actual commission payouts averaging $64,000 per year. In the 30 months since the contract became effective (from May 2024 through October 2026), Verliance successfully collected a total of over $900,000 in aged account receivables for the Lottery.

Based on this two-year performance evaluation, the Lottery forecasts that the original $200,000

in expenditure authority will be exhausted by April 30, 2027, rather than the base-term's expiration date of April 30, 2029. To prevent a disruption in services and enable funding

for education to be maximized, an additional $120,000 in expenditure authority is needed to cover projected commission payouts through the end of the base contract term.

RECOMMENDATION

Lottery staff recommends the California State Lottery Commission approve an increase of $120,000 in the expenditure authority for Agreement #101501 with Verliance. This increase will ensure sufficient funding through the end of the base contract term to collect aged account receivables in support of the Lottery's mission to maximize supplemental funding for education.