

COMMISSION AGENDA ITEM

Item 8(b) – Scientific Games LLC Instant Ticket Printing Contract Extension



Date: September 26, 2024

To: California State Lottery Commission

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Director

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Subject: **Item 8(b) – 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, 2025, as the current contract is set to expire on November 30, 2024.

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.

In 2019, the 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. In 2023, the Commission exercised the second one-year extension option to November 30, 2024, and added \$22.6 million to the authorized contract expenditure, bringing the maximum authorized contract expenditure to \$246.6 million.

DISCUSSION

As the primary vendor, SG plays a key role in the Lottery's overall success with Scratchers sales and in turn, its contribution to education. 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. 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 \$6.65 billion in FY 2023-24.

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The Lottery has contracts with each of the only three instant ticket printing vendors within the industry that can meet the Lottery's needs, volume, and security requirements. The Lottery seeks to exercise the third and final one-year contract extension option to ensure uninterrupted product sales and update the price sheet to include pricing for new vendor innovations and price points. In 2025, the Lottery will release a Request for Proposal for new printing contracts.

As of August 2024, there is approximately \$29 million remaining in the expenditure authority. Lottery staff recommends increasing the contract authority by \$19.6 million to ensure sufficient funding for the remainder of the proposed contract term, which will end in November 2025.

RECOMMENDATION

Lottery staff recommends that the Commission approve a one-year extension of SG's instant ticket printing contract, updated price sheet and a \$19.6 million increase in expenditure authority. The end of the proposed contract extension will be November 30, 2025, and the additional funds will increase the expenditure authority to a maximum amount of \$266.2 million.