

COMMISSION AGENDA ITEM

Item 9(d) Scratchers Products and Related Services Contracts



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To: California State Lottery Commission

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Director

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Subject: **Item 9(d)–Scratchers® Products and Related Services Contracts**

ISSUE

The California State Lottery's (Lottery) Scratchers printing contracts are expiring on November 30, 2025. The Lottery is requesting approval to enter into one primary contract with Pollard Banknote Limited (Pollard) and two secondary contracts with Scientific Games International (Scientific Games) and Brightstar Lottery (Brightstar), respectively, for instant lottery tickets (Scratchers) products and related services.

BACKGROUND

Scratchers play a critical role in the Lottery's product portfolio, representing approximately 76% of sales and providing more than \$6.8 billion in sales (unaudited) during FY 24-25. The Lottery prints about one billion Scratchers tickets per year, distributed to a retail network of approximately 23,000 locations.

The massive scale and complexity of the Lottery's Scratchers operations require experienced vendor partners that are focused on long-term objectives to expand the reach of the Lottery brand within the state to grow playership and strengthen brand affinities to drive sales, profits and brand loyalty. The Lottery requires vendor partners that share the Lottery's focus on innovation and continued relevance to Californians in an increasingly complex marketplace, and that are capable of developing breakthrough products and delivering related services that will successfully elevate its brand, motivate customer engagement, and increase product purchases.

The Lottery's current Scratchers printing services contracts, which began in 2013, will expire on November 30, 2025. In anticipation of the contract expiration, the Lottery released a Request for Proposal (RFP) #R002746 on May 23, 2025, to solicit bids for new Scratchers Products and Related Services Contracts. The RFP provided a detailed description of the solicitation process, minimum contractor qualifications, projected timetable, evaluation criteria, and draft contract terms and conditions.

As part of the RFP, the Lottery defined its contracts as an initial six-year term, with the option to extend for up to an additional three years; thereafter, the Lottery may unilaterally extend the contracts up to three additional times for up to one year each.

COMMISSION AGENDA ITEM

Item 9(d) Scratchers Products and Related Services Contracts

The RFP was open to all bidders and was posted on the Lottery's public website and the California State Contracts Register. Additionally, a notification of the RFP was sent to all vendors in the Lottery's database.

DISCUSSION

Three companies submitted bids for both primary and secondary contractors: Brightstar, Pollard and Scientific Games.

The evaluation process consisted of four stages, each focused on specific categories: Rated Submittals and Other Offers, Ticket Samples and Packaging, Pricing and Best Value Analysis. Each stage was conducted with a diverse Lottery evaluation team comprised of members from the Sales & Marketing, Business Planning & Research and Finance Divisions, subject matter experts from Security and Law Enforcement, Information Technology Services, the Information Security Office, and representatives from Procurement Services and Support.

The Rated Submittals team evaluated and rated bidder experience, capabilities and account personnel to identify vendors that displayed extensive experience throughout the global lottery industry, complex capabilities and features and the ability to support the Lottery's business.

The Ticket Samples and Packaging team focused on evaluating and rating printing capabilities and quality with ticket samples, press sheets and packaging, as well as performing tests on scratching, dispensing and code reading.

The Pricing team evaluated the bidders by comparing each bidder's proposed pricing by creating a hypothetical representative Scratchers product mix, modelled on the FY 24-25 Scratchers Plan. The hypothetical product portfolio included games with the most typical and common special features as well as potential future variations. The Pricing team considered both Primary and Secondary proposals to determine the optimal proposal for the Lottery's needs.

The Best Value team performed a best-value analysis, reviewing the results of the rated panels and pricing assessment, to determine which proposal would provide the Lottery with the maximum benefits in the areas of competence, experience, qualifications, performance, resources, services and tools, and price.

As part of its best value analysis, the Best Value team also established a competitive range and held discussions with each bidder to identify weaknesses in proposals and allow each bidder to offer greater value in the specific areas identified by the team. All three bidders were given the opportunity to strengthen their proposals in certain areas to provide better value for the Lottery, and all three submitted timely revisions to the team for review.

As a result of this analysis, the Best Value team determined that Pollard would provide the Lottery with the best value in all the desired areas as the primary vendor. It also provided the most improved pricing throughout the competitive range process.

Pollard is a global leader in instant ticket printing with an emphasis on cutting-edge technology and innovation. It demonstrated the ability to support the Lottery's existing capacity, while also

COMMISSION AGENDA ITEM

Item 9(d) Scratchers Products and Related Services Contracts

showcasing its strategic thinking and creativity to continue to support the Lottery's mission and maximize contributions to public education, exemplified by its high ratings in all aspects of the evaluation process.

Pollard demonstrated a high level of detailed security procedures that met the Lottery's strict standards, while also providing exceptional ticket designs and packaging capabilities with its vast portfolio of unique and proprietary printing techniques. Pollard's dedicated Lottery team rated the highest overall, in terms of the total number of account personnel, the percentage of time dedicated to the Lottery and in the quality and level of relevant experience. Additionally, Pollard expanded its manufacturing capability and can accommodate the Lottery's production needs now and in the future. Pollard also offers proprietary innovations to create and enhance games, and will provide multiple unique retail solutions to support the games at retailers. Its expertise, capabilities, and pricing combined to provide the best value for the Lottery.

The evaluation panel also determined that having multiple secondary vendors would provide a benefit to the Lottery and add value by increasing the diversity of the Scratchers product portfolio. These vendors met the Lottery's requirements and provided deep strategic knowledge, critical analytics and creative designs that provide value to the Lottery by maximizing its sales potential by utilizing their unique offerings and specialized capabilities. Scientific Games and Brightstar are global leaders in the instant ticket industry with a track record of successful games.

The Lottery developed maximum authorized contract expenditures for each contract based on an analysis of historical expenditures, anticipated future initiatives and projected sales growth during the initial term of the contract.

For the primary contract with Pollard, Staff recommends a contract expenditure authority of \$358 million for the initial six-year term. This expenditure amount is based on the pricing model developed in the pricing assessment and allows for product innovations, potential new price points, and estimated annual sales growth to reach more Californians and support the Lottery's mission.

Staff recommends a contract expenditure authority of \$164 million for the secondary contract with Scientific Games for the initial six-year term based on the pricing model and potential new games. Scientific Games prints the Lottery's popular *Loteria* games and has a vast library of licensed properties, which accounts for the size of its expenditure amount, as compared to that of the other secondary vendor.

For the secondary contract with Brightstar, staff recommends a contract expenditure authority of \$44 million for the initial six-year term, based on the same model.

RECOMMENDATION

The Lottery recommends the Commission approve the award of the following three contracts, each with an initial term of six years, for Scratchers Products and Related Services: 1. A primary contract with an expenditure authority of \$358 million to Pollard Banknote; 2. A secondary contract with an expenditure authority of \$164 million to Scientific Games International; and 3. A secondary contract with a \$44 million expenditure authority to Brightstar Lottery.