California State Lottery Commission
Minutes – June 16, 2026
Sacramento, California

1. **Call to Order**
   Commissioner Chair Anthony Garrison-Engbrecht called the meeting of the California State Lottery Commission to order at 10:03 a.m.

2. **Pledge of Allegiance**
   Chairman Garrison-Engbrecht led the Pledge of Allegiance.

3. **Roll Call**
   Chairman Garrison-Engbrecht asked Farida Osman to call the roll.

   Commission Members Present:
   Chairman Anthony Garrison-Engbrecht
   Vice Chair Keetha Mills
   Commissioner Tiffani Alvidrez
   Commissioner Ukau Dungca

   California State Lottery Staff and Presenters:
   Harjinder K. Shergill-Chima, Director
   Fernando Aceves, Chief Counsel
   Derick Brickner, Manager Facilities & Fleet Management Branch
   Nicholas Buchen, Deputy Director, Finance
   Jim Hasegawa, Deputy Director of Business Planning
   Kayla Kassis, Assistant Deputy Director for Business Planning
   Paula Negrete, Deputy Director of Legislation and External Affairs
   Farida Osman, Assistant to the Commission
   Rebecca Estrella, Recording Secretary

   Members of the public who addressed the Commission:
   None

4. **Election of Chair and Vice Chair of the California State Lottery Commission 2026-2027**
   Moved to September 1, 2026, Commission meeting.

5. **Consider Approval of the Agenda**
   Chair Garrison-Engbrecht announced that the election of the California State Lottery Commission's Chair and Vice Chair for the 2026–2027 term will be held at the September 1, 2026, Commission meeting. Nominees will be announced, and Commissioners will vote during that meeting. The elected officers will serve a

shortened term from September 2026 through June 2027 to restore the Commission's regular annual election cycle in June.

The Chair then presented the agenda for the current meeting, asked Commissioners if there were any proposed changes, and, hearing none, requested a motion to approve the agenda. Commissioner Alvidrez made a motion to approve the agenda, and Commissioner Mills seconded the motion.

6. **Approval of Minutes**
Chairman Garrison-Engbrecht asked if there were any corrections to the minutes of the May 21, 2026, Commission meeting. Hearing none, Commissioner Mills made a motion to approve the agenda, and Commissioner Dungca seconded the motion.

7. **Informational Items**

   a. Director's Comments

Director Chima reported that California Lottery sales exceeded $8.7 billion as of early June, tracking 4% ahead of the previous fiscal year despite remaining slightly below the annual sales goal due to economic uncertainty. Scratcher sales approached $6.5 billion, with strong performance from $5 games such as Jaws and Red, White, and Blue Sevens driving year-over-year growth.

Multistate games generated more than $1.2 billion in sales. While Mega Millions sales remained below projections because of fewer large jackpot rollovers, Powerball benefited from multiple billion-dollar jackpots. SuperLotto Plus continued to outperform the previous year, and Hot Spot exceeded expectations following its first promotional campaign since 2016, producing a 25% increase in sales during the promotion.

Director Chima highlighted accomplishments from the 2025–26 Business Plan, including:

- Successful marketing campaigns and partnerships with three California NFL teams to increase Scratcher engagement.
- Progress toward reducing transactional barriers through pilot programs.
- Expansion of the Lottery's retail network, including new retailers and growth at Walmart.
- Security improvements for Scratchers inventory and installation of additional touchscreen vending machines.
- Migration of the Second Chance program to a more secure and modern platform.

- Operational improvements, including increased prize payment thresholds, facility upgrades, HR process automation, leadership development initiatives, and the launch of California's first Women in Lottery Leadership mentorship program.
- Completion of the Lottery's 40th anniversary celebration involving employees statewide.

Director Chima reported several key organizational achievements:

- Projected more than $9 billion in annual sales for the third consecutive year.
- More than $6 billion awarded in player prizes.
- Approximately $630 million paid to retailers through commissions and bonuses.
- Expansion to 23,296 retail partners, including 540 new retailers.
- Growth in Scratcher participation to 56% of California adults.
- Increased public awareness of the Lottery's education mission.
- Improved employee engagement, with 82% of employees reporting they were somewhat or fully engaged.
- A 94% completion rate for supervisor leadership training.

Director Chima announced that the Lottery expects to contribute approximately $2.1 billion to California public schools and universities for the fiscal year, marking the fourth time in five years that education funding has exceeded $2 billion. Since its inception in 1985, the California Lottery has contributed more than $50 billion to public education.

Commissioner Alvidrez commended the Lottery's achievements and its significant contributions to public education. In response, Director Chima emphasized that the accomplishments were the result of the collective efforts of Lottery employees statewide and credited the organization's success to strong teamwork and continuity of leadership.

8. <u>Consent Calendar</u>

There were no items on the consent calendar.

9. <u>Action Items</u>

a. <u>FY 2026-2027 Fleet Vehicle Procurement Plan</u>

Operations Division Facilities & Fleet Management Branch Manager, Derick Brickner, presented the Fiscal Year 2026–27 Fleet Vehicle Procurement Plan, requesting Commission approval to procure 98 vehicles and associated upfitting equipment with a maximum expenditure of $5,809,425.

He explained that the Lottery's fleet consists of 422 owned and leased vehicles that support Sales, Security and Law Enforcement Division (SLED), and Operations staff statewide. The Fleet Services Unit (FSU) evaluates vehicles annually for replacement based on factors such as age, mileage, safety, maintenance costs, and reliability. Additional vehicles are also procured to support newly approved positions requiring field transportation.

For Fiscal Year 2026–27, FSU proposes replacing 66 Lottery-owned vehicles and 20 Enterprise leased vehicles, while adding three sedans and nine cargo vans to support the Sales Business Development Unit and additional staff responsible for onboarding Walgreens as a new retail partner.

Mr. Brickner noted that vehicle selections were made using the Department of General Services' statewide fleet contract to ensure competitive pricing. Sales stakeholders selected the Ford T150 Transit Van as the primary vehicle based on its pricing, reliability, operational suitability, and overall value.

He also highlighted the Lottery's continued commitment to California's zero-emission vehicle goals under Executive Order N-79-20. Of the proposed purchases, 39 vehicles will be hybrid, plug-in hybrid, or battery electric models. The remaining 59 vehicles qualify for an exemption due to operational requirements, including statewide travel, home-storage assignments, and limited charging infrastructure in remote service areas where current electric cargo vans cannot reliably meet daily range requirements.

Mr. Brickner concluded that approval of the procurement plan would improve operational efficiency, enhance employee safety, reduce long-term maintenance and rental costs, modernize the Lottery's fleet, and support emissions reduction efforts. Staff recommended approval of the Fiscal Year 2026–27 Fleet Vehicle Procurement Plan.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(a). Hearing none, Vice Chair Mills moved to approve the item and Commissioner Alvidrez seconded the motion. The motion passed unanimously after a roll-call vote.

b. <u>Regulation Changes to the Powerball® Game</u>

Deputy Director Allen presented proposed amendments to the Powerball game regulations to allow the California Lottery to continue offering Powerball as the game expands into the United Kingdom.

Deputy Director Allen explained that California has offered Powerball since 2013 through a cross-sell agreement between the Mega Millions Consortium and the Multi-State Lottery Association (MUSL). Although California sells

Powerball, it is not a voting member of MUSL. Powerball is currently offered in 48 U.S. jurisdictions and is projected to generate approximately $833 million in sales during the current fiscal year.

Deputy Director Allen stated that Powerball remains an important part of the Lottery's product portfolio and a key contributor to funding public education. She noted that while multiple billion-dollar jackpots have driven record sales, player interest has declined at lower jackpot levels due to "jackpot fatigue." Expanding the game internationally is intended to grow jackpots more quickly, maintain player interest, and strengthen long-term sales.

She explained that the expansion will not change the Powerball game for California players. The game's price, odds, draw schedule, and California's pari-mutuel prize structure will remain unchanged. However, the Lottery's regulations require minor revisions, including changing references from a "multi-state" lottery game to a "multi-jurisdictional" lottery game.

Deputy Director Allen advised that retaining Powerball is important because draw games generate higher profit margins, resulting in greater contributions to public education. She added that the Lottery's upcoming fiscal year budget projects approximately $565 million in Powerball sales revenue, which would be lost if California could no longer offer the game.

During Commissioner discussion, Vice Chair Mills asked why California is not a voting member of MUSL. Ms. Allen explained that California is a member of the Mega Millions Consortium and cannot be a voting member of both organizations. She noted that a cross-sell agreement now allows jurisdictions to offer both Mega Millions and Powerball. Deputy Director Allen also announced that Lottery Director Chima had recently been named the lead director of the Mega Millions Consortium.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(b). Hearing none, Commissioner Dungca moved to approve the item and Vice Chair Mills seconded the motion. The motion passed unanimously after a roll-call vote.

c. <u>Silver Star Movers, Inc. Contract Extension</u>

Deputy Director Allen presented a request to approve the second one-year extension of the Lottery's contract with Silver Star Movers for bulk delivery services. The contractor provides transportation of Scratchers tickets and point-of-sale materials between the Lottery's Southern Distribution Center and five Southern California District Offices, which serve more than 8,900 retailers.

Deputy Director Allen reported that the Commission approved the original three-year contract in 2022 with expenditure authority of $422,000 and two optional one-year extensions. The first extension was exercised in 2025, and the current contract is scheduled to expire in September 2026. She stated that Silver Star Movers has provided reliable and timely service, completing more than 600 shipments during the contract term.

Deputy Director Allen explained that extending the existing contract would ensure continued delivery of Scratchers tickets and point-of-sale materials to Southern California District Offices, helping maintain adequate inventory to support retailer demand. She noted that approximately $156,000 of the current expenditure authority will remain at the end of the contract term, and an additional $72,000 is needed to fund the proposed one-year extension.

Lottery staff recommended that the Commission approve the second one-year contract extension through September 14, 2027, and increase the maximum contract expenditure authority by $72,000, bringing the total authorized amount to $494,000.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(c). Hearing none, Vice Chair Mills moved to approve the motion and Commissioner Dungca seconded. The motion passed unanimously after a roll-call vote.

d. Lead Marketing and Advertising Agency Contract Award

Deputy Director Sharon Allen presented a request for Commission approval to enter into a new contract with Butler, Shine, Stern & Partners (BSSP) to provide lead marketing and advertising agency services. She explained that the Lottery's lead agency is responsible for developing integrated marketing strategies, creative campaigns, media planning and buying, and supporting the Lottery's strategic objectives across general market, in-language, public affairs, and corporate initiatives.

Deputy Director Allen summarized the competitive Request for Proposal (RFP) process conducted in anticipation of the expiration of the current contract. The procurement consisted of three evaluation phases: agency qualifications and capabilities, chemistry and culture, and a Lottery-specific work assignment. Twenty agencies submitted proposals, with the field narrowed to ten semifinalists, six finalists, and ultimately three agencies participating in a competitive range process. Following a best value analysis evaluating competence, experience, qualifications, performance, security, and price, the evaluation team determined that BSSP offered the best overall value to the Lottery.

Deputy Director Allen noted that BSSP demonstrated exceptional strategic leadership, creativity, and a strong understanding of player insights and market dynamics. Based on projected expenditures, anticipated future initiatives, and inflation during the initial contract term, staff recommended a maximum authorized contract expenditure of $550 million. She also recognized the contributions of the evaluation team and thanked the Lottery's current marketing agency, David & Goliath, for its longstanding partnership and service. Staff recommended approval of a five-year contract with BSSP, with options to extend the agreement for up to two additional one-year terms.

Chairman Garrison-Engbrecht invited public comment; none was offered. Vice Chair Mills thanked Deputy Director Allen and the evaluation team for the thorough procurement process and asked about the transition from the Lottery's longstanding agency to the new contractor, as well as how the Marketing Division planned to manage the transition alongside anticipated budget reductions.

Deputy Director Allen explained that transition planning was a required component of the RFP process and that BSSP had submitted a comprehensive transition plan. She stated that the Lottery would implement a phased transition, including overlapping work, project cutover schedules, knowledge transfer, operational onboarding, information security, billing, and responsible gaming requirements. A dedicated internal transition team would oversee the process to minimize disruption. Regarding budget reductions, she acknowledged the challenges but stated that staff would prioritize high-return marketing initiatives, focus resources on the Lottery's highest priorities, and continue working closely with Finance to manage expenditures while minimizing operational impacts.

Chair Garrison-Engbrecht commended Lottery staff for their work throughout the procurement process, recognizing the time, effort, and collaboration required to complete it successfully. He also thanked the Lottery's current advertising agency, David & Goliath, for its partnership and expressed enthusiasm about working with the newly selected agency, BSSP.

Deputy Director Allen thanked the Commission and acknowledged both Lottery staff and the participating vendors. She noted that the procurement process successfully balances the requirements of a state agency with the operational needs of a $9 billion consumer products business. She added that the Lottery has received valuable feedback from participating vendors and will continue refining the process as preparations begin for future procurements.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(d). Hearing none, Commissioner Alvidrez moved to approve the motion and Vice Chair Mills seconded. The motion passed unanimously after a roll-call vote.

e. Strategic Plan

Deputy Director Hasegawa presented the Lottery's proposed Strategic Plan, which establishes five strategic objectives and provides the overall direction for the Lottery's business over the next three to five years. He explained that the specific initiatives and tactics supporting these objectives will be included in the Annual Business Plan presented under Action Item 9f.

Deputy Director Hasegawa explained that development of the Strategic Plan involved extensive collaboration among the Lottery's executive team, division managers, and business planning staff. The process began more than a year ago with a comprehensive business review analyzing sales trends, player behavior, product perceptions, competitive factors, and external economic conditions. The draft plan was previously presented to Commissioners for feedback and was brought forward for formal approval.

Deputy Director Hasegawa provided background on the Lottery's past growth following the passage of AB 142 in 2010, which removed prize payout restrictions and allowed the Lottery to introduce higher-priced Scratchers tickets. While these strategies resulted in significant growth, sales have remained relatively flat at approximately $9 billion annually since fiscal year 2022–23, indicating the need for new strategies to continue increasing contributions to education.

He identified several external challenges affecting the Lottery's future, including increased competition from sports wagering and prediction market platforms, as well as economic uncertainty impacting consumer discretionary spending. Deputy Director Hasegawa noted that consumers are becoming more cautious with spending due to inflation concerns and uncertainty about the future economy, which may affect Lottery sales.

The Strategic Plan's financial objective is to surpass Florida in sales and, more importantly, increase contributions to beneficiaries. Deputy Director Hasegawa explained that achieving this goal would position California as the nation's top lottery in sales and second in contributions to beneficiaries.

The five strategic objectives presented were:

1. **Reduce reliance on large jackpots by growing draw game sales beyond $1 billion-plus jackpots.**
   Deputy Director Hasegawa explained that draw games provide higher profit margins and represent an opportunity to increase contributions to education. He noted that California is more reliant on Powerball and Mega Millions sales than many other top-performing lotteries and experiences greater sales fluctuations due to jackpot cycles. Strategies

will focus on increasing consistent draw game participation.

2. **Continue eliminating barriers to play among infrequent Scratcher players.**
Deputy Director Hasegawa highlighted the success of prior efforts to reposition Scratchers as an entertainment experience and improve public awareness of the Lottery's education mission. Future efforts will focus on reducing barriers such as the need for cash purchases and helping casual players select from the large variety of available Scratchers games. A debit card payment pilot was discussed as a potential solution.

3. **Expand efforts with core Scratcher players to address increased competition for entertainment spending.**
Deputy Director Hasegawa explained that while California remains the nation's largest Scratchers market by volume, it ranks lower in per capita sales because players spend less compared to other leading states. This objective focuses on strengthening engagement with existing players while other longer-term initiatives are developed.

4. **Elevate the customer experience for players, retailers, and internal customers.**
Deputy Director Hasegawa explained that customer experience involves the entire customer journey, including every interaction with the Lottery brand, rather than only individual customer service encounters. He emphasized that stronger customer experiences can increase loyalty, advocacy, and revenue. This objective is intended to involve all Lottery employees and become part of the organization's culture.

5. **Modernize operations and improve efficiency to maximize contributions to education.**
Deputy Director Hasegawa explained that while sales have grown modestly in recent years, operating costs have increased at a faster rate. This objective focuses on reviewing and improving processes, reducing unnecessary costs, and creating efficiencies that allow staff to focus more resources on revenue-generating activities. He clarified that modernization refers to improving internal processes and does not involve online wagering, which remains prohibited by law.

During Commissioner discussion, Vice Chair Mills thanked Deputy Director Hasegawa for providing ongoing updates throughout the planning process. She emphasized the importance of monitoring emerging competitors, including prediction markets, and encouraged the Lottery to continue leveraging its mission of supporting public education as a key differentiator. She also highlighted the importance of maintaining funding for the public awareness campaign and asked about opportunities to overcome cash payment barriers, including the debit card pilot.

Deputy Director Hasegawa and Assistant Deputy Director Kassis explained that the debit card pilot will evaluate whether electronic payments generate new purchases or simply replace existing cash transactions, while also considering transaction fees and their impact on profits. Vice Chair Mills also asked about the potential for a $50 Scratcher ticket, and Deputy Director Hasegawa noted that research is underway to evaluate profitability and feasibility.

Vice Chair Mills further encouraged the Lottery to explore technology improvements and responsible use of artificial intelligence as part of efforts to improve efficiency. Deputy Director Hasegawa responded that the Lottery's security, game integrity, and education mission provide important distinctions from emerging competitors such as prediction markets.

Chair Garrison-Engbrecht thanked Deputy Director Hasegawa for the extensive work and refinement of the Strategic Plan. He highlighted the customer experience objective as an important opportunity to connect employee engagement, vendor relationships, public perception, and the Lottery's mission of maximizing supplemental funding for education.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(e). Hearing none, Commissioner Alvidrez moved to approve the motion and Vice Chair Mills seconded. The motion passed unanimously after a roll-call vote.

f. Fiscal Year 2026-2027 Business Plan

Assistant Deputy Director Kassis presented the proposed Annual Business Plan for Fiscal Year 2026–2027, which outlines the Lottery's tactical priorities and initiatives to support the newly approved Strategic Plan. Ms. Kassis explained that the Business Plan serves as both an internal guide and a transparency tool, demonstrating the deliberate steps the Lottery will take to achieve its mission and financial goals.

Ms. Kassis noted that development of the plan began in August in conjunction with the Strategic Plan process. More than 200 Lottery employees participated in developing and evaluating proposed initiatives based on timing, dependencies, risks, resources, costs, and alignment with the Lottery's mission. The proposed initiatives were organized around the five strategic objectives approved under Action Item 9e.

The Business Plan initiatives include:

1. Reduce reliance on large jackpots by growing draw game sales beyond billion-dollar jackpots.
The Lottery plans to enhance SuperLotto Plus by considering the addition of a third weekly drawing, which would be the first major enhancement since 2000. Staff also plans to pilot the placement of jackpot games in grocery and supermarket checkout lanes, making purchases more convenient and increasing visibility. Additional Hot Spot promotions will continue based on the success of previous efforts. The Lottery will also launch a new crossover Scratchers game, SuperLotto Plus Multiplier, and continue jackpot awareness efforts through advertising and billboard campaigns.

2. Continue eliminating barriers to play among infrequent Scratcher players.
Ms. Kassis reported that the Lottery will continue repositioning Scratchers as an entertainment experience and will introduce new games and promotions, including the upcoming Godzilla Scratchers game. Additional efforts will focus on improving trust and awareness of the Lottery's education mission, enhancing retail displays, and conducting research to simplify the ticket selection process for casual players.

A major initiative under this objective is the launch of a debit card payment pilot at Lottery vending machines. The pilot will include up to 450 locations at CVS, Vons, Safeway, and independent retailers, allowing players to purchase Scratchers and draw games using debit cards. Staff will evaluate sales impact, player adoption, retailer satisfaction, operational efficiencies, and profitability before considering broader implementation.

3. Expand efforts with core Scratcher players to compete for entertainment spending.
To generate more immediate sales growth, the Lottery will focus on its core Scratcher players through expanded product offerings and Second Chance enhancements. The Scratchers product plan will include three $30 games and two $40 games, representing additional launches compared to the prior year. The Second Chance program will receive security improvements, including multifactor authentication and easier enrollment for direct communications.

Ms. Kassis also discussed ongoing research regarding a potential $50 Scratchers ticket. The Lottery is evaluating market demand, prize structures, profitability, and potential impacts on existing price points before determining whether a future launch is appropriate.

4. Elevate the customer experience for players, retailers, and internal customers.
The Lottery will establish a cross-divisional team to evaluate the current customer experience across all three stakeholder groups. The review will

incorporate research, industry best practices, and performance measurements to develop a long-term customer experience strategy.

Planned initiatives include:

- Implementing electronic prize claim submissions and payments.
- Increasing same-day district office prize payments from $1,000 to $5,000.
- Upgrading district office digital signage.
- Launching a winner awareness map on the Lottery website to promote transparency.
- Piloting a feature allowing players to use winnings from winning tickets to purchase additional tickets through vending machines.
- Expanding retailer equipment upgrades and developing a digital retailer application process.
- Expanding Smart Count security tools to allow retailers to deactivate Scratchers inventory overnight.
- Enhancing employee tools, data systems, internal communications, workplace safety efforts, and facility improvements.

5. Transform and modernize Lottery programs and processes to reduce costs and support revenue-generating initiatives.
Ms. Kassis explained that the Lottery will evaluate processes and programs to improve efficiency, reduce costs, and allow employees to focus more time on revenue-generating activities. Planned efforts include evaluating alternatives for maintaining the public website, transitioning retailer applications from paper to digital submissions, expanding Human Resources digital services, and developing an enterprise-wide modernization roadmap.

Ms. Kassis concluded that the initiatives outlined in the Business Plan are designed to support the Lottery's mission, maximize contributions to education, and provide more than $2 billion in supplemental funding to California schools and universities.

During Commissioner discussion, Commissioner Alvidrez asked about the duration and evaluation criteria for the cashless payment and checkout-lane pilots. Ms. Kassis explained that both pilots will run for a minimum of six months to allow sufficient time to measure adoption, sales impact, and profitability. She noted that the cashless pilot would include higher-traffic periods, such as the holiday season, to better evaluate performance.

Commissioner Alvidrez also asked about the safety and facility tours included in the plan. Ms. Kassis clarified that the tours are internal efforts led by Human Resources to review safety compliance and identify facility improvements. Vice Chair Mills added that SLED continues to oversee physical security at Lottery locations.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(f). Hearing none, Commissioner Alvidrez moved to approve the motion and Commissioner Dungca seconded. The motion passed unanimously after a roll-call vote.

g. Fiscal Year 2026-2027 Budget

Deputy Director Buchen presented the Lottery's Fiscal Year 2026-2027 Budget for Commission approval. He explained that the Lottery is fully funded through ticket sales and does not receive funding from state, local, or federal governments. The budget development process included a zero-based review of operational expenses to ensure costs were necessary, aligned with the strategic plan, and supported the Annual Business Plan.

Deputy Director Buchen provided an overview of projected revenues and expenditures, explaining that the Lottery's budget is based on ticket sales revenue, prize expenses, administrative expenses, and the resulting contribution to education.

The proposed budget projects $9.36 billion in total sales revenue for Fiscal Year 2026-2027, representing a slight increase from the current fiscal year projection. Scratchers sales are projected at $7.04 billion, supported by additional $30 and $40 ticket launches and continued product initiatives. Powerball sales are projected at $565 million, Mega Millions at $640 million, Super Lotto Plus at $240 million, Hot Spot at $455 million, and daily games at $420 million.

Deputy Director Buchen discussed sales trends across Lottery products, noting continued strength in Scratchers sales compared to pre-pandemic levels, stable Super Lotto Plus performance, increased Hot Spot sales following promotions, and variability in multistate jackpot games due to jackpot rollover patterns.

Prize expenses are projected at $6.2 billion, representing approximately 66.7% of total sales, which falls within the recommended optimal payout range. The Director determined that prize payout levels for all games have been optimized for the coming fiscal year.

Administrative expenses were projected at nearly $1.217 billion, representing the maximum allowable 13% of sales under the Lottery Act. Deputy Director Buchen explained that actual spending is projected at 12.1% of sales, with the remaining funds held in reserves. Administrative expenses include retailer compensation, gaming costs, operating expenses, and reserves.

The proposed budget includes funding for 23 new permanent positions and the conversion of two limited-term positions to permanent status. The new positions will support areas including Scratchers inventory management, retailer support, information technology, cybersecurity, security and law enforcement, human resources, and enterprise project management.

Deputy Director Buchen also highlighted planned adjustments to marketing, contractual services, and operating expenses to maintain a prudent administrative spending reserve. The budget includes a $5 million insurable risk reserve and a $78.6 million administrative spending reserve to address unforeseen operational needs.

The projected contribution to education for Fiscal Year 2026-2027 is $2.062 billion, assuming reserves remain unspent. Deputy Director Buchen explained that this amount is among the highest projected contributions in Lottery history but does not meet the Lottery Act's five-year average contribution requirement. He noted that this shortfall is largely due to unusually high contributions in prior years resulting from historically large Powerball and Mega Millions jackpots and pandemic-related sales increases.

Deputy Director Buchen explained that meeting the five-year average requirement would require unrealistic assumptions, such as significantly increasing Scratchers or draw game sales or substantially reducing administrative expenses. He stated that the Lottery's strategic plan and business plan initiatives are designed to increase future revenues, reduce costs, and strengthen future contributions to education.

Following the presentation, Vice Chair Mills thanked staff for the additional charts and historical context provided in the presentation. She asked about the administrative spending reserve and whether eliminating the reserve would make the budget compliant with the five-year average requirement. Deputy Director Buchen clarified that the contribution projection already assumes the administrative spending reserve remains unspent and that reserve funds are effectively excluded from the contribution calculation.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(g). Hearing none, Vice Chair Mills moved to approve the motion and Alvidrez seconded. The motion passed unanimously after a roll-call vote.

h. <u>Interagency Agreement with the California Department of Public Health</u>

Deputy Director Negrete presented a request for Commission approval of a three-year Interagency Agreement with the California Department of Public Health (CDPH) for maintenance of the California Problem Gambling Helpline, administered by the Office of Problem Gambling (OPG), in the amount of $540,000.

Deputy Director Negrete explained that the Lottery has maintained a long-standing commitment to responsible gaming since its inception and established the state's first problem gambling helpline in 1998. In 2003, the Office of Problem Gambling was created within CDPH to develop and provide prevention and treatment programs addressing gambling disorders. Following a 2007 Senate Governmental Organization Committee hearing, the California Problem Gambling Helpline (1-800-GAMBLER) was established under OPG to centralize statewide responsible gaming efforts. The Lottery Commission approved transitioning the Lottery's helpline to OPG in 2007, and the Lottery has maintained a collaborative partnership with OPG through ongoing interagency agreements.

Deputy Director Negrete noted that the current three-year agreement, approved in 2023, totaled $510,000**,** including an annual increase to account for inflation and support approximately 50 percent of helpline costs. The proposed agreement includes an additional $30,000 increase due to rising helpline costs and inflation since 2023.

She highlighted the Lottery's comprehensive responsible gaming program, which has received the highest certification level from the World Lottery Association. Promotion of the Problem Gambling Helpline remains a key component of the Lottery's responsible gaming efforts, with helpline information and responsible gaming messages included on Lottery products, advertising, social media platforms, and at retail locations.

Under the proposed agreement, OPG would provide customized helpline reports to support the Lottery's responsible gaming campaigns, responsible gambling brochures for statewide retail distribution, and access to educational materials. The agreement would also provide Lottery staff membership on OPG's advisory board, which includes representatives from regulatory agencies, the gambling industry, educators, and researchers working on problem gambling prevention and treatment efforts. Participation on the advisory board allows Lottery staff to remain informed about research, treatment services, and statewide awareness initiatives that support the Lottery's responsible gaming program.

Deputy Director Negrete recommended approval of the three-year agreement with CDPH for the maintenance of the California Problem Gambling Helpline, effective July 1, 2026, through June 30, 2029, in the amount of $540,000.

Chairman Garrison-Engbrecht asked if any member of the public had questions or comments regarding Action Item 9h. Hearing none, he asked if any Commissioners had questions or comments. There were none.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 9(h). Hearing none, Commissioner Dungca moved to approve the motion and Commissioner Alvidrez seconded. The motion passed unanimously after a roll-call vote.

10. Public Discussion

There was no public discussion.

11. Commissioner General Discussion

There was no Commissioner General Discussion.

12. Scheduling Next Meetings

The next Commission Meeting dates are tentatively scheduled for September 1, and November 19, 2026. All meetings will be held in Sacramento.

13. Adjournment

Chairman Garrison-Engbrecht adjourned the meeting at 12:44 p.m.