



# MEMORANDUM

**To:** California State Lottery Commission    **Date:** October 16, 2007

**From:** Joan M. Borucki  
Director

**Prepared By:** Linh Nguyen  
Chief Deputy Director

**Subject:** Item 9(e): Approval to Add Funds to Research Contract

## **ISSUE**

Should the California State Lottery Commission (Commission) approve a contract expenditure augmentation for the Synovate Research Contract in the amount of \$300,000 to provide funding for the balance of the current fiscal year? With approval, Contract No. 7387 would be amended for the sole purpose of adding funds.

## **RECOMMENDATION**

California State Lottery (Lottery) staff recommends that the Commission approve the requested augmentation.

## **BACKGROUND**

Lottery Act Section 8880.40 requires the Director to “make an ongoing study” of “the reaction of citizens of the State to existing or proposed features in Lottery Games.”

Lottery Act Section 8880.44 requires the Director to “engage an independent firm experienced in demographic analysis to conduct a special study which shall ascertain the demographic characteristics of the players of each Lottery Game.” This Section also requires that “similar studies shall be conducted from time to time as determined by the Director.”

The Lottery satisfies these legal requirements through a contract with Synovate, Inc. Synovate is a full service research firm, and much of the work they do for the Lottery relates to public and player surveys which are performed on an ongoing basis.

The Synovate Contract became effective on June 1, 2002, and this contract expires on June 30, 2008 (no contract extensions are possible). The current contract

expenditure limit is \$2.1 million and with approval of this amendment, this amount would be increased to \$2.4 million (a 14% increase). The approved budget for the 2007-08 fiscal year is \$485,000, and no increase is being requested to this amount.

The primary reason why the current contract allotment of \$2.1 million is not sufficient to cover the remaining contract term is because Lottery staff have over the years, made a larger than expected number of requests for supplemental survey information not included in the core contract scope. For example, when the Lottery began MEGA Millions® in June 2005, special consumer surveys were requested to capture a variety of statistics related to MEGA Millions® players and new game awareness by the general public. Similar augmentation requests have been made for promotions, raffle games, and special advertising programs.

At the present time, Lottery staff is reassessing their research needs and anticipate beginning a new research procurement effort within a few months.