

# CALIFORNIA STATE LOTTERY COMMISSION

Minutes – June 29, 2011

Sacramento, California

## **1. Call to Order**

Chairperson John Mass called the public meeting of the California State Lottery Commission to order at 9:30 a.m. at the California State Lottery Headquarters, 600 North 10<sup>th</sup> Street, Sacramento, CA 95811

## **2. Pledge of Allegiance**

John Mass led the Pledge of Allegiance.

## **3. Roll Call**

Mass asked Elisa Topete to call the roll.

### Commission Members Present:

Commissioner John Menchaca  
Commissioner Alex Fortunati  
Chairman John Mass

### CSL Staff and presenters:

Linh Nguyen, Acting Director  
Lisa Hightower, Chief Legal Counsel  
Jim Hasegawa, Deputy Director of Business Planning  
Everest Robillard, Deputy Director of Security/Law Enforcement  
Terry Murphy, Deputy Director of Operations  
Michele Tong, Deputy Director of Sales  
Michael Ota, Deputy Director of Finance  
Elisa Topete, Assistant to the Commission  
Mary Montelongo, Recording Secretary

## **4. Consider Approval of the Agenda**

Mass asked if any of the Commissioners wanted to make changes to the June 29, 2011 agenda as proposed. Menchaca moved to approve the agenda. Seconded by Fortunati. The motion passed unanimously (3-0).

## **5. Approval of Minutes**

Mass asked if there were any additions or corrections to the May 26, 2011 minutes. Menchaca moved to approve the May 26, 2011 minutes. Seconded by Fortunati. The motion passed unanimously (3-0).

## **6. Commission Liaison Reports**

### **Commissioner Menchaca:**

Menchaca provided the Audit Liaison Report. The following is a status of the State Controller's Office (SCO) audits: A report was issued in May 2011 on the 3 Ball

Production contract with five findings. A report was issued in June 2011 on the Implementation of past State Controller's Office (SCO) audit recommendations with five findings. A report was issued in June 2011 on the First Quarter Transfer Report Fiscal Year (FY) 2011 with no findings. The Second Quarter Transfer FY 2011 had no findings and the Samuel Ramirez & Co. contract had no findings.

Field work has been completed and is under review of the Otto Construction contract. Six findings will be noted once the draft report is issued. Field work is complete and is under review of the LPA Sacramento Inc. contract. One finding will be noted once the draft is issued. Field work is complete on the Risk Assessment and is under review with no preliminary findings. Field work is expected to last through the end of the June 2011 on the Budget Process and there are six preliminary findings. Field work is expected to last through July 2011 on the Retailer Network with no preliminary findings. Field work is expected to last through July 2011 on the Casanova Pendrill Publicada Inc. Marketing Contract with no preliminary findings. Field work began on June 1, 2011 on the Third Quarter Transfer report FY 2011 and is expected to last through July 2011. Field work began in June 2011 on Personnel and Payroll and is expected to last through August 2011. KPMG continues to observe and report on the Lottery's daily draws. No significant issues were noted. Field work is expected to last through October 2011 on the Financial Statement Audit with no preliminary findings.

For the Lottery's internal audits: The final report of the Camelot Contract was issued in June 2011 and there were two findings and one observation. Field work is complete and is under review on Asset Management. Eight findings will be noted once the draft report is issued. Field work is complete and is under review on the Travel Program and there are no preliminary findings. Field work began in June 2011 on the Confidential Fund Account Audit and is expected to last through August 2011. Field work began in June 2011 on the FISMA Audit and is expected to last through September 2011. Field work began in June 2011 on the Investigative Claims Process Audit and is expected to last through September 2011. The Audit Committee met yesterday and discussed the status of current audits.

As part of the Security Liaison report, Menchaca stated that the move into the new Lottery building is scheduled for the weekend of July 8, 9, and 10. Three private contractors with over 70 movers are moving property from the old building to the new building. To assure the integrity and security of the Lottery, a team of SLED investigators will be working throughout the weekend to monitor the movers. During May and June 2011, five armed robberies occurred at retailer stores in Antioch, Pittsburg, Concord, and the unincorporated areas of Contra Costa County. All the armed robberies were believed to be committed by the same suspects and involved the theft of cash and Lottery tickets. The armed robberies were extremely violent in nature.

Local law enforcement does not have SLED's ability to identify where suspects are cashing the stolen tickets at other retailer stores. A SLED investigator responded to a "Cashing" location, only to unexpectedly find a vehicle matching the description of the

robbery vehicle. The investigator followed the vehicle to the suspect's residence, copied the license plate and shared the information with Antioch Police. During the following weekend, three more armed robberies occurred at retailer stores in Brentwood, Pleasant Hill, and Alamo. Based on the investigator's information, local undercover police began a mobile surveillance of the suspect vehicle. The suspects committed another armed robbery in front of the undercover officers. Three suspects were arrested, the firearm was seized, and stolen Lottery tickets were found in the suspect's vehicle. The suspects have been charged with all nine armed robberies. The credit for identifying the suspect vehicle went to the SLED investigator.

The Audit Committee will be meeting following today's Commission Meeting.

**Commissioner Fortunati:**

As Education and Community Relations Liaison, Fortunati reported that the Imagination in Education Program, which highlights outstanding student artwork from high schools throughout the State, will be displayed in the lobby of the new headquarters building. Artists from Elk Grove High School will be the first to have their artwork displayed and the winning artists have received a certificate. In a few months, their work will be replaced by outstanding art from students at another high school.

**Chairman Mass:**

As Marketing Liaison, Mass was updated on the following: The Lottery re-launched advertising for the "Set for Life" Scratchers at the \$5 price point offering 16 chances to win. The ticket featured an advertising campaign that included separate commercials for General Market television and Spanish language television. The advertising began on June 13 and ran through June 27. Marketing is not on the air at this time with advertising. Staff is planning the next round for August and will focus on Set for Life and then follow that with the introduction of the \$10 Scratchers game. Advertising for that game will air at the end of October. The introduction of the new Hot Spot® with ten spots will launch in August, as will the Lottery's new Public Website.

As Procurement Liaison, Mass was briefed by staff and requested approval of the following: The purchase of AVAYA Voice-over IP equipment for the Lottery's District Offices and the Lottery's Secondary Site. The new equipment will eliminate the need for traditional phone lines by utilizing the data network. The purchase of Juniper Ethernet switches for wiring access closets and the data center. The new headquarters building will utilize a redesigned network to connect and manage the computers, servers, and systems within the headquarters building and in the Lottery district offices.

As Budget Liaison, staff updated Mass on the 2010-11 Budget. Staff continues to monitor expenses against sales goals. The analysis of actual sales and expenses through the end of May confirms the Lottery is on track to meet the budget goal of \$1.1 billion to public education this fiscal year. It will mark the 11<sup>th</sup> consecutive year that the Lottery will surpass the one-billion dollar mark in contributions to public education. Staff will be presenting the Lottery's proposed 2011-12 budget at today's meeting.

Staff provided an overview of the budget development process to Commissioners Menchaca and Fortunati earlier this month. The overview included the timeline for building the budget and the key components that drive the evolution of the budget.

Mass presented the Legislative/Legal Liaison Report. The Lottery is following a Legislative bill that would amend the Lottery Act. Assembly Bill (AB) 363 changes the reporting dates for the State Controller to make specified reports to the Legislature from September 1 and December 31 of one year to January 1 and April 1 of the following year, respectively, for each of five specified full fiscal years, regarding the Lottery's efforts under AB 142 to boost contributions. AB 363 extends operation of AB 142 and restoration of the prior law from December 31 of one year to April 1 of the following year, if the Controller notifies the Legislature and the Governor that specified events relating to the total net revenues allocated to the benefit of public education have occurred. The bill was enrolled and presented to the Governor for signature. The Lottery had been following Senate Bill 939, which would have made several technical and non-substantive corrections to the Lottery Act. The bill has been amended and no longer pertains to the Lottery.

## **7. Director's Report**

Acting Director Linh Nguyen congratulated the Finance Division on the Certificate of Achievement for Excellence in Financial Reporting that was awarded to the Lottery for its comprehensive annual financial report for the fiscal year that ended June 30, 2010. The certificate is awarded by the Government Finance Officer's Association of the United States and Canada and is the 8<sup>th</sup> consecutive year that the Lottery has achieved this prestigious award.

### **a. Lottery Report Card**

Jim Hasegawa, Deputy Director of Business Planning, presented the sales report. The year-end sales for this fiscal year will be up nearly \$400 million, 13 percent over last fiscal year. The projection of \$3.432 billion is based on the most recent data.

Scratchers have the largest percentage growth, coming in slightly below \$2 billion, which is a 20 percent increase over last year. The Lottery has large gains in MEGA Millions, with sales at \$537 million through the fiscal year, which is above the original goal set for this year. SuperLOTTO Plus has a decline of 6 percent, but is smaller than anticipated and sales are above the goal numbers. The Daily games show an increase of about 6 percent, primarily due to Fantasy 5 with sales at approximately \$333 million. Hot Spot is at \$130 million to \$118 million, showing a 10 percent gain.

The sales growth, specifically in Scratchers, is attributed to AB 142 with the increased payout. By allowing staff to increase the payout, the Lottery has seen a tremendous growth in the \$5 game category. There has been changes to the games in the Scratchers plan as well as Ex\$ell, due to the RENEW initiatives. The marketing plan and marketing budget is devoting more dollars to Scratchers this year; and those advertising campaigns have been paying off. There has been an increase of \$40 million in sales due to the advertising campaigns from February through May. MEGA

Millions has also seen an increase in sales because of the advertising at all jackpot levels and there have been two jackpots over \$300 million this year. The total contribution to education is \$1.103 billion.

Acting Director Nguyen stated that 2010-2011 has been a transformational year for the Lottery. The Lottery's business practices have changed significantly and a lot more structure has been given to the sales force through the Ex\$ell project. Staff is proactive as a result of the Weekly Scratchers Action meetings and are more data driven because of the Lottery's Business Intelligence system. Staff has become laser-focused on decisions based on a return-on-investment formula for education. The Lottery has implemented succession planning efforts, including the Leadership Academy and New Employee Orientation. The new building is almost complete, under budget, ahead of schedule, and will save the Lottery \$100,000 a year. Staff has begun implementing communication as a key part of the Lottery's success which includes braking down walls between headquarters and field operations, as well as between divisions. The Lottery is communicating and working better with its partners and stakeholders and has learned that teamwork is paramount to success. The Commission is much more involved and knowledgeable about the Lottery's operations and these accomplishments give the Lottery a tremendous momentum heading into the next fiscal year.

Nguyen provided a status report on the various projects that are vided into two parts: One is the key successes for FY 2010/11 and the second are next steps for FY 2011/12. The key projects are retailer and sales support, Scratchers end-to-end, draw and jackpot games, marketing, digital communications and the Public website, and business optimization, also known as "econometrics." The key successes under retailer and support is the completion of the make-over project and the development and implementation of the retailer incentive program surrounding the MEGA Crossword game, which the Lottery's first \$5 crossword game. Under the Ex\$ell program, staff has introduced four basic components; full facings, activating new games, ensuring the ideal game mix was displayed, and increasing the visibility from the street at the retailer locations.

The Scratchers inventory and distribution project is a high priority for next year due to the large gains that can be made with efficiencies and effectiveness. Staff has developed efficiencies in getting Lottery tickets distributed. Implementing key findings involves a pilot project to determine if aligning retailers, ticket specialists and District Sales Representatives will help better coordinate and get the correct tickets distributed to the correct retailers. Under Retailer Network Optimization and Communications, staff is evaluating the distribution base and addressing equipment placement to maximize sales performance.

In 2011-12, staff will be completing a break-even analysis and determining a sales performance range that will help determine which retailers should be in the Lottery's network. Staff is working on communications to take a one-voice approach to messaging the retailers to avoid inconsistencies and drive a singular message. Under

Scratchers end-to-end, staff has reduced the number of games in order to focus on the best selling games. Staff also increased the availability and assortment of \$3 and \$5 games in the market and has refined the Scratchers product plan, the timing of the launches, and when to end games. The Lottery decided to launch games on Friday instead of Monday to obtain a weekend of sales for new games.

The next steps for 2011-12 include the launch of the \$10 Scratchers game, the first in the Lottery's history. Staff has evaluated SuperLOTTO Plus and will be implementing strategies to broaden playership through value-added programs that include second-chance draws for SuperLOTTO Plus. Staff also completed a situation analysis for Hot Spot which led to the implementation of the tens spots for next year. Under marketing communications, staff is continuing to do process maps to help with effectiveness, redundancy, and communication within the marketing program. Also in progress is the Hispanic advertising Request for Proposal (RFP) to identify the successful bidder for the Hispanic advertising services contract.

The Lottery's existing website has improved player communications and has become a much-improved marketing tool for the Lottery. Staff has developed protocols and identified tactical changes to the current website that provide a more engaging experience for players, including second-chance draws for draw games, and a simplified process to enter Scratchers tickets into the second-chance draw program. The new website will launch in the summer of 2011. Staff will be developing longer-term value-added projects to build sales, including integrating the social media channel with all of the Lottery's activities. Finally under business optimization, staff has completed the marketing response analytics or econometric modeling that will help determine how to more effectively make media buys. A presentation will be scheduled to present the findings to senior management. Staff will continue to refine the model with updated additional sales data one or two times a year.

#### **b. Security/Law Enforcement Division Status Report**

Everest Robillard, Deputy Director of Security/Law Enforcement (SLED), provided the status report and began with the physical security. SLED converted to the new Pro Watch system which now incorporates all the district offices throughout the State. The California Highway Patrol (CHP) has offered to do a security assessment of the new headquarters building, with the report being completed in September. Their assessments are recommendations only and have already done a preliminary inspection of the new building and have come up with some suggestions.

Robillard stated that background investigations have significantly changed. There are four types: The standard background, sensitive, peace officer, and contractor disclosures. Sensitive backgrounds are for Lottery employees who have moved into what is defined as a sensitive position. Because it was not well received due to the fact that those employees had already passed a previous background, SLED has discontinued the sensitive background investigations. The standard background is for everyone who enters the California Lottery and those processes have improved.

Because the standard background is more comprehensive than what the sensitive background was a year ago, there has been no compromise in integrity or security; staff has streamlined the process.

Staff performed some internal audits within the division which included the inventory of the physical evidence to come into compliance with California Commission on Peace Officer Standards and Training (POST). Staff completed inspections of every office throughout the State and SLED's Information Security Officer completed an audit of the SLED's headquarters office and found that improvement was needed in how background files were stored. Robillard requested that Roberto Zavala, Chief of Internal Audits at the Lottery, perform an independent audit of the division. In October of 2010, staff completely rewrote SLED's Policy and Procedure Manual. Every policy and procedure, both in the Lottery's Operating Manual (LOM) and SLED's internal policies were completely revised which included the Law Enforcement Code of Ethics. Staff incorporated a mission statement and "Use of Force." SLED now has a contract with CHP to do independent investigations when necessary. SLED also has an Internal Affairs policy.

Robillard stated that the Lottery agents have been reclassified as State Investigators. The old classification had no educational requirements and would take three years of criminal law enforcement experience of burglaries and robberies therefore to become a Lottery agent an employee had to work for a local law enforcement agency. SLED has an aged workforce that does not reflect the demographics of today's California. The minimum qualification to become a State investigator is either based on experience, education, and/or a combination of both. In the past, SLED was not in full compliance with POST mandated perishable skills training. It is a biennial training process that includes racial profiling, code of ethics, first-aid, CPR, and many other specialized topics. SLED is now in compliance with the mandated training.

SLED is going through a reorganization process because Field Operations was considerably understaffed and even though headquarters staff is now reduced by 10 percent, Robillard is enhancing the field operations by moving the resources where they need to be. The Special Investigations Unit in Security now has three headquarter investigators that carry field assignments. The priorities for Field Operations are to prevent the redemption of stolen tickets. SLED investigators work 24/7, 365 days a year so that when the Lottery's retailers experience a burglary and Lottery products are stolen, agents are ready to enter the stolen tickets into the database, flagging them so they cannot be redeemed. Previously, the Lottery would reimburse retailers for stolen tickets that they unknowingly cashed coming to a total of approximately \$500,000 a year. However this fiscal year, it is down \$250,000 which means SLED is being more responsive and is more timely in getting the stolen tickets entered into the database. SLED is improving its investigations on tickets that have been altered, forged, counterfeited, or stolen. SLED is providing customer service to Lottery players via the 1-800 line.

Previously, bulletins in black and white were faxed to law enforcement agencies and many of the faxes were blurred and would sit on the fax machine. Thanks to the Lottery's Information Technology Services, color bulletins in almost real-time are being sent using the Critical Reach System. Because of the significant increase in sales, 46 percent more claims are being referred to SLED for investigation therefore, SLED can no longer complete claims investigations within 45 days. Robillard stated that a reorganization and development plan is being forwarded to the Acting Director. The Lottery is doing better at identifying suspicious claims and referring them to SLED. Retailers and some of their employees are buying winning tickets at a discounted price so players avoid the State's offsets: back taxes or child support. Another challenge is developing a leadership team and Robillard has reached out to the California Commission on Peace Officer Standards Training (POST) for a team building workshop.

### **8. Consent Calendar**

There were no items on the consent calendar.

### **9. Action Items**

#### **a. Second Phase of Headquarters Campus Plan**

Terry Murphy, Deputy Director of Operations, presented the proposed next phase for the headquarters campus plan. Murphy provided some history beginning with the January 2009 Commission approval of a phased headquarters campus development plan. The first phase of the plan was the new headquarters; and the second phase included developing two additional office buildings and parking structures to support them, with the idea of leasing them out to others for additional income. With the new headquarters nearly complete, staff is coming to the Commission to move forward with the second phase.

Staff looked at the campus plan that was developed in 2008-09 and also analyzed other alternatives. The original plan for the other office building made sense financially if the Lottery had a committed tenant. Given the current market conditions, it would be too risky to proceed with development without such an agreement in place. Reutilizing the existing headquarters building brings with it risk of major repairs with the aging facility.

Staff looked at subdividing and selling the property; isolate the new headquarters with the parking and sell off the excess property. In consulting with both State and private real estate firms, it was discussed that trying to sell anything in the present market, would not be recommended. The property would be more valuable without any buildings on it then it would with the existing building. Staff recommends proceeding with the demolition of the existing building and continuing to investigate campus alternatives in the future.

Mass asked if anyone from the audience had any questions on Action Item 9(a). No one came forward so he proceeded to the motion of approval. Mass proceeded to the motion of approval.

Menchaca made the motion to approve Action Item 9(a). Seconded by Fortunati. The motion passed unanimously (3-0).

b. Scratchers® Ticket Delivery Courier Service

Michele Tong, Deputy Director of Sales, presented the contract for Scratchers Ticket delivery to the Lottery retailers. The Lottery has utilized a contracted Scratchers ticket delivery service since ticket sales began in 1985. Over the past 26 years, Scratchers sales have grown to the point where the Lottery currently ships approximately 60,000 deliveries per month, accounting for \$2.1 billion in sales last fiscal year. All deliveries must be made within 48 hours of pick-up from the Lottery Distribution Centers. The contract requires that the vendor provide additional services such as assigning two full-time staff to each Lottery Distribution Center to assist with shipping Scratchers orders and producing bar coded shipping labels for each delivery. The term of the existing contract with United Parcel Service (UPS) is August 20, 2006 through August 19, 2011 with a current cost of \$4.77 per delivery address.

On April 7, 2011, the Invitation for Bid (IFB) was posted on the Lottery's website and a Letter of Notification was mailed to 25 vendors. In addition, the IFB was advertised in the Small Business Exchange, Challenge News, and Bidsync. An intent to Bid was received from 7 companies by the April 27, 2011 deadline and a total of 3 bidders submitted proposals. They included: Accurate Courier Services, Golden State Overnight, and UPS. Accurate Courier Services' bid was rejected due to the inability to provide services without subcontractors, which was part of the Lottery's scope. The evaluation team determined that the bid submitted by Golden State Overnight was the overall "best value" for the Lottery and will save approximately \$3.3 million over the course of the five-year contract.

Mass asked if anyone from the audience had any questions on Action Item 9(b). No one came forward so he proceeded to the motion of approval.

Menchaca made the motion to approve Action Item 9(b). Seconded by Fortunati. The motion passed unanimously (3-0).

c. Fiscal Year 2011-12 Budget

Michael Ota, Deputy Director of Finance, presented the Lottery's Fiscal Year (FY) 2011-12 budget that contains sales goals of over \$4 billion, an all-time high for the Lottery. The budget forecasts \$1.2 billion in profits to public education in the upcoming year, \$100 million greater than the expected contribution level for this fiscal year. The proposed budget reflects the second full year of Lottery operations since the passage of AB 142, the Lottery modernization legislation

that provided the Commission with flexibility for execution of the Lottery's 2010-13 Business Plan.

Total sales for all Lottery products are projected to be \$4.090 billion for FY 2011-12 which represents a \$667 million increase over estimated year-end sales levels for FY 2010-11.

The largest increase in projected sales for FY 2011-12 in the Scratchers product line with a sales goal of \$2.700 billion which represents a \$705 million increase over estimated sales of \$1.995 billion for FY 2010-11. Sales growth is fueled by a series of business plan initiatives, specifically a Scratchers product plan that incorporates higher prize payouts and the introduction of the \$10 Scratchers ticket. The Lottery worked with its vendor partners who provided independent estimates of potential Scratchers sales, ranging from \$2.9 billion to \$2.6 billion.

Sales for SuperLOTTO Plus® are projected to continue the downward trend that started with the introduction of MEGA Millions® to California. Sales have averaged a year-over-year decline of 11 percent since that time. Staff will be introducing a second-chance draw to lessen the downward sales trend.

Sales for MEGA Millions are projected to decrease \$21 million from expected FY 2011-12 levels. The decline is not reflective of any issues with the health of that game. Sales for MEGA Millions and SuperLOTTO Plus are heavily influenced by jackpot levels. Sales for MEGA Millions were greatly boosted in FY 2010-11 by the fact that there were two jackpots exceeding \$300 million. The MEGA Millions sales goal of \$519 million for FY 2011-12 is conservative because staff is assuming that there would not be any jackpots at the \$300 million level in the upcoming fiscal year. The sales goal for MEGA Millions does include expectations that advertising initiatives in the business plan that were begun this fiscal year will continue to result in year-over-year increases in sales at comparable jackpot levels.

Sales of \$328 million for the Daily Games are slightly below projected year-end sales for this fiscal year. There are currently no business plan initiatives targeting Daily Games therefore the sales forecast is based on the trends for each of the Daily Games.

The sales goal for Hot Spot is \$140 million, an increase of \$10 million over expected FY 2010-11 levels. This increase is noteworthy because it will be the first time in five years that Hot Spot sales have increased over the prior year. The turnaround is attributable to higher prize payouts and promotions that were introduced this year. Continued sales growth is expected from changes to the game that include increasing the maximum number of spots that can be picked, from eight to ten.

Expenses in the budget are broken down into two major categories: Prize expenses and administrative expenses. The growth in sales for Scratchers and Hot Spot games are partially attributable to the increase in prize payouts. As a result, prize expenses are budgeted to increase from \$1.9 billion to \$2.4 billion.

AB 142 reduced the cap on administrative expenses to 13 percent of sales. The total administrative budget is \$532 million and retailer compensation costs account for more than half of the administrative expense budget. At \$281 million, retailer compensation represents 53 percent of the total administrative expense budget. This reflects a \$48 million increase above expected FY 2010-11 levels.

The remaining administrative expense budget increases \$38 million and nearly half of it is in game operations. Game operations includes the Lottery's gaming contracts, contract costs that are directly tied to the increase in sales plus acquisition and installation of new gaming equipment and associated equipment maintenance costs. Also included in the game operations are the costs to produce and distribute the Lottery's Scratchers tickets. An increase of \$10 million is budgeted for the marketing plan to fund the advertising and marketing initiatives contained in the business plan.

The general administration category includes Lottery personnel costs and other base operating costs; it essentially covers the Lottery's basic costs for doing business. Staff completed a comprehensive review of the base operating cost and reduced the budget approximately \$500,000. General administration also includes facilities, security, audits, and information technology products in the business plan. The information technology projects include the Business Intelligence and Public Website projects.

The budget continues the long-standing practice of providing an administrative reserve as a safeguard against future uncertainties. The administrative reserve is set at \$16 million and is an element of the 13 percent of total revenues specified for administrative expenses.

Consideration was given to committing a portion of the administrative reserve for other sales-generating initiatives but after assessing potential uses for the reserve, staff is recommending that the Lottery retain the \$16 million reserve as part of the budget approval. The reasons are that sales goals in the budget are dependent on a wide range of business plan initiatives. The reserve give an opportunity to monitor the progress on those initiatives and provides the Commission with the flexibility to take advantage of anything that emerges during the year as an opportunity to grow sales, and to take action on those. Any portion of the administrative reserve that is unspent at the end of the fiscal year will go directly to education.

The proposed budget is expected to provide \$1.2 billion to California public schools and would be the 12<sup>th</sup> consecutive year that the Lottery surpasses the \$1 billion mark.

Mass asked if anyone from the audience had any questions on Action Item 9(c). No one came forward so he proceeded to the motion of approval.

Menchaca made the motion to approve Action Item 9(c). Seconded by Fortunati. The motion passed unanimously (3-0).

### **10. Commissioner General Discussion**

Commissioner Fortunati commended staff on their achievements. Chairman Mass also congratulated staff on their accomplishments.

### **11. Scheduling Next Meetings**

The next Commission Meetings are tentatively scheduled for October 6, and December 8, 2011 in Sacramento.

### **12. Public Discussion**

Mass asked if anyone from the public had anything to discuss. No one had signed up prior to the meeting and no one came forward, so he proceeded to the next item on the agenda.

### **13. Adjournment**

Meeting adjourned at 10:55 a.m.