

July 12, 2024

Director Steen,

Pursuant to Iowa Administrative Code rule 11-118.16(2), the Iowa Department of Revenue (IDR) hereby requests a waiver for the Lottery Division from the requirements of Iowa Administrative Code rule 11-118.11(3) regarding the maximum duration of service contracts with respect to the following agreement (herein collectively referred to as the Contracts):

- Instant Ticket Printing and Related Services-RFP# IL-18-04, February 7, 2018
- Agreement for Purchase of Instant Tickets and Related Services Between the Iowa Lottery Authority and Pollard Banknote Limited, 1/1/2019
- Agreement for Purchase of Instant Tickets and Related Services Between the Iowa Lottery Authority and Scientific Games International Inc., 1/1/2019
- Agreement for the Purchase of Instant Ticket Printing and Related Services Between the Iowa Lottery Authority and IGT, 1/1/2019

For the reasons outlined below, IDR submits that good cause exists for waiving the six-year requirement in Iowa Administrative Code rule 11-118.11(3) and extending the above contracts for one more year through and to include December 31, 2025.

Background:

In 2018, the Iowa Lottery Authority (prior to becoming part of IDR on July 1, 2023) released the RFP noted above for interested parties to provide proposals for Instant (Scratch) Ticket Printing and Related Services. Three contracts were awarded as a result of this RFP to Pollard Banknote, Scientific Games, and IGT. After the first two years of the contracts, the Iowa Lottery Authority had the sole discretion to extend these contracts for one-year increments up through and including December 31, 2024. All three contracts have been extended through December 31, 2024.

As the Department of Administrative Services is aware, IDR has been developing a new Scratch-Ticket and Loyalty Program RFP with the intent to further evolve vendor relationship for these lottery services in order to create better efficiencies in scratch-ticket development, analysis and performance along with enhancing the Lottery Division's loyalty offering. The ultimate goal for this approach is to generate additional revenue and ultimately increased proceeds for the State. I appreciate the knowledge and support that DAS has provided to this Scratch-Ticket and Loyalty Program RFP, and in particular Craig Trotter's expertise and assistance. IDR is working with the Department of Management (DOM) to review the draft RFP along with a business case to discuss how the Lottery Division's approach to enhance revenue generation through evolve from multiple vendors to more of a primary vendor best fits with the State's focus to reduce costs.

As further discussions with DOM are needed regarding the enhanced Scratch-Ticket Printing and Loyalty Program RFP approach, the Lottery needs to ensure that it can develop scratch-tickets for sale. With scratch-tickets accounting for an estimated 61% of the Lottery Division's

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revenue for FY 2024, this is a critical need to ensure there is no interruption to lowans, nor to the over 2,500 retailers that sell Lottery games across the State. With current contracts expiring at the end of December 31, 2024, IDR is seeking the following:


Request for Waiver:

IDR is requesting that the current scratch-ticket printing contracts with Pollard Banknote, Scientific Games and IGT be extended for one additional year so that the Lottery Division's ability to develop scratch-tickets is not interrupted. Such an approach also allows for IDR and DOM discussions to proceed as needed regarding the next phase of scratch-ticket and related services. It is IDR's intent to issue a new Scratch-Ticket and Related Services RFP as soon as is reasonably possible and to work with DAS regarding how best to coordinate its release.

This waiver request meets the requirements of Iowa Code section 17A.9A(2) because:

- Strict application of the rule will prevent IDR from extending the Contracts. Losing the services and support provided under the Contracts could result in critical failures within IDR's processes, limiting IDR's ability to collect revenue for the State and creating an undue hardship on IDR and its constituents.
- Approval of this waiver would not prejudice the substantial legal rights of any person.
- The term-limit provision of Iowa Administrative Code rule 11-118.11(3) is not specifically mandated by statute or another provision of law.
- Waiver of the rule will provide substantially equal protection of the public health, safety, and welfare as it will ensure proper vendor support to systems, allowing IDR to support the continuance of State of Iowa government by collecting revenue.

Respectfully Submitted by:



Mary Mosiman, Director
Iowa Department of Revenue

July 15, 2024

Date

Waiver Approval: Approved based on the justification provided above.



Adam Steen, Director
Iowa Department of Administrative Services

July 18, 2024

Date