

CEA ACTION PROPOSAL

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Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

2025-09-08

2. Department

California State Lottery

3. Organizational Placement (Division/Branch/Office Name)

Sales Division

4. CEA Position Title

Deputy Director, Sales

5. Summary of proposed position description and how it relates to the program's mission or purpose.
(2-3 sentences)

As a member of the executive management team and under the direction of the California Lottery Directorate, the Deputy Director, Sales (DDS) leads and manages the Lottery's sales program. The incumbent is responsible for driving sales growth and revenue, developing and implementing sales strategies and goals, and managing the sales budget. Through subordinate managers, the CEA oversees all aspects of sales operations: field sales, inside sales, key accounts management, new business development, inventory management, product distribution, and sales support activities to ensure the successful operation of the Lottery's sales program.

6. Reports to: (*Class Title/Level*)

Chief Deputy Director, California State Lottery/Exempt

7. Relationship with Department Director (*Select one*)

- ☒ Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- ☐ Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (*Select one*)

- ☐ 1st ☒ 2nd ☐ 3rd ☐ 4th ☐ 5th (mega departments only - 17,001+ allocated positions)

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B. SUMMARY OF REQUEST**9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.**

The Deputy Director, Sales (DDS) is responsible for leading and managing the Lottery's Sales Division. This includes responsibility for driving sales growth and revenue, developing and implementing sales strategies and goals, and managing the sales budget and expenditures. Through subordinate management, the incumbent oversees field sales, inside sales, inventory management, product distribution, new business development, key accounts, retailer recruitment, and sales support activities to ensure the successful operation of the Lottery's sales program. The DDS also reviews performance against sales goals/targets and reports sales performance, identifies opportunities for growth, and other key metrics to the Chief Deputy Director, Director, and Lottery Commission.

The DDS establishes the program's strategic sales goals, aligning them with the Lottery's overall objectives, and ensures the sales team is both equipped and motivated to meet or exceed these targets.

The DDS provides leadership, motivation, and training to the sales team, supporting their professional development. The DDS develops and, through subordinate management, implements sales operational policies to implement and uphold the high standards of professionalism and service excellence needed to execute the sales strategic plan. This includes the development of performance objectives for more than 500 full-time staff engaged in sales, business development, key accounts, inventory management, distribution, retailer recruitment, and retailer network management activities.

The DDS works collaboratively with Marketing and functions to align objectives, strategies, campaigns, and plans that effectively support the Lottery brand, products, and services in order to grow revenue. The Deputy Director leads and directs the Sales Division through the annual business planning process and in the development of the strategic plans for the Sales Division. The DDS will adjust sales strategy as needed to ensure the Lottery remains competitive amid changing lottery/gaming industry conditions. They will also collaborate with the Finance Division on revenue collection and prize payments at the district offices.

The DDS oversees administrative management within the Division including but not limited to managing the Sales Division's combined personnel services, operating expense, and capitalized expense budgets exceeding \$56 million. The DDS oversees a statewide sales operation with staff operating from the department's Sacramento Headquarters, nine (9) district offices, and two (2) distribution centers. The incumbent is responsible for approximately 300 staff in the field and works collaboratively with key personnel within the Operations and Information Technology Services Divisions to identify, secure and implement equipment and technology to support sales operation activities. Through subordinate management and staff, the incumbent is responsible for the procurement of goods and services necessary to support and facilitate sales activities.

The DDS is responsible for providing input to the Director and Chief Deputy Director of the Lottery in the development and recommendation of strategies to educate and build relationships with the Legislature, various committees, education entities, the public, and other critical stakeholders. The incumbent establishes and maintains relationships with executive management within key corporate accounts, other state lotteries, industry influencers, and various strategic partners.

The DDS has ongoing contact with the Lottery Director and Chief Deputy Director, members of the Executive Management Team (EMT), as well as key staff within the Lottery's Marketing, Public Affairs and Communication, Information Technology, Business Planning, Security and Law Enforcement Division, Finance, Human Resources, and Operations Division teams, contracted agency staff, and all levels of staff performing sales functions.

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B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- ☒ Program is directly related to department's primary mission and is critical to achieving the department's goals.
- ☐ Program is indirectly related to department's primary mission.
- ☐ Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The Sales Division is vitally important to the department's primary mission. The Lottery is a sales and marketing organization that receives no funding from State and/or federal sources. In accordance with the California Lottery Act (GC § 8880 et seq.), the mission of the Lottery is to provide supplemental funding for public education to California's public schools and colleges. The Sales Division is central to the Lottery's ability to generate revenue through the sale and merchandising of Lottery products, the service and support of key corporate accounts, product inventory and distribution activities, as well as retailer recruitment and support functions.

In terms of sales, the California Lottery is the nation's second largest lottery, generating revenues exceeding \$9.2 billion for fiscal year 2023-24. Since the department's inception in 1984, California has become a leader in the industry and donated more than \$46 billion to California's public schools. In fiscal year 2023-24, California retained its status as number one in both Mega Millions and Powerball sales; number two for In-State Lotto (Super-Lotto Plus) sales, and third in the nation in the sale of instants/Scratchers sales. Most importantly, in fiscal year 2023-24, the California Lottery's contributions to public education exceeded \$2.2 billion.

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B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

For more than 20 years, the Lottery's sales and marketing functions have been combined under the leadership of a single executive with responsibility for both areas. This structure has served the Lottery well for decades; however, given the growth of the Lottery and seismic shifts within the consumer and retail landscape, reorganization is needed to ensure the Lottery is positioned to continue to flourish. Lottery industry sales for 2024 were reported in LaFleur's Magazine (a lottery industry publication) with the California Lottery (Lottery) being ranked #2 for total sales among all U.S. lotteries. That year, California Lottery sales totaled \$9.285 billion compared to the Florida Lottery's sales of \$9.138 billion.

In 2010, AB 142 changed the Lottery Act to allow flexibility to pay out more money in prizes. This led to significant organizational growth within the Sales & Marketing Division (SMD) which currently constitutes the majority of the Lottery's staff and is comprised of the department's most critical programs including marketing, distribution, and field sales. These activities are central to the Lottery mission and are essential to the organization's continued success. As of July 1, 2025, the SMD's 566 budgeted positions represented approximately 50% of the Lottery's 1,144 budgeted positions. This staffing is necessary to support the Lottery's more than 23,000 retailers and demonstrated growth in sales. AB 142 set the stage for substantial growth in terms of revenue as evidenced by a dramatic increase from \$4.4 billion in 2013 to the more than \$9.2 billion today.

Both sales and marketing activities are central to the Lottery mission and are essential to the organization's continued success. However, due to the size and complexity of both functions, the current SMD is being separated into two standalone divisions – one for each program area to allow for more targeted strategies and enable the Lottery to better align its business goals for the future. The current structure is unsustainable in the long term, so this change is needed to ensure the Lottery's effective operation in the future. Separating the two program areas will require the creation of a Deputy Director, Sales, Career Executive Appointment (CEA) position at the C level to provide leadership to the newly restructured sales organization. The marketing program will continue to be led by the current Deputy Director of Sales & Marketing, that would be redirected to Deputy Director of Marketing focusing solely on the continued modernization and development of the marketing organization.

The separation will allow each of these critical areas to focus on their respective core functions. Although the current structure has been effective in the past, our revenues and position in the Lottery industry require a new structure that lets leadership focus on a critical business function, enhancing organizational agility. For Marketing that is building brand equity, driving consumer demand and propelling revenue growth through strategic planning, product development, advertising and promotion, and customer engagement while continuously adapting to a rapidly changing consumer and retail landscape. The Sales organization will continue to identify and leverage new sales opportunities, concentrate on training and employee development at all levels, strengthen customer focus, and improve delivery of services to Lottery retailers, thereby driving sales and meeting Lottery's legislative mandate to provide supplemental funding to public schools.

The separation of program area executive responsibility will be helpful in future executive searches, as finding executive talent with significant executive experience in both sales and marketing is challenging. The separation would enable the department to add additional sales expertise and aid in succession planning.

As SMD is restructured it will be critical to develop processes that facilitate cross-functional communication as well as understanding of the needs and challenges of each functional area to prevent negatively impacting other areas. Developing a shared vision for success with clearly defined goals and metrics to evaluate both sales and marketing performance.

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C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The DDS will be a key member of the Lottery's Executive Management Team with policy development and decision-making responsibility for the Lottery's sales program, which generated more than \$9.2 billion in Fiscal Year 2023-24.

District Office and Field Sales - The DDS will be responsible for developing policies that govern the activities of almost 300 Lottery staff working in one of the nine (9) district offices spread throughout the state, working in the field to service the more than 23,000 Lottery retailers. Developing and implementing policies to direct the activities of these employees who have daily interaction with Lottery retailers and/or the general public is critical to the continued success of the Lottery. These staff are public facing and have the potential to negatively impact the perception of the Lottery and by extension, state government, as they are highly visible within the community.

Sales Support & Distribution - The DDS is also responsible for developing and implementing policies that direct the activities of Retailer Network Services that includes Sales Inventory Management and Distribution, Retailer Network Management and Customer Service. The DDS will provide policy guidance for the more than 70 staff working in one of the two (2) Lottery distribution facilities. These employees handle lottery product inventory that is shipped throughout the state at an annual cost of approximately \$7 million. Distribution center staff are charged with ensuring the timely packaging and shipping of Lottery products to ensure retailers have adequate stock on hand to maximize sales. Also impacted will be the staff who support the Lottery's network of over 23,000 retailers with applications, policies, training, equipment and record management, monitor retailer performance, administer the sales bonus program, as well as customer service staff who engage with the general public.

Business Development – Lottery Business Development Units are responsible for recruiting new retailers of varying sizes as well as managing relationships with chains and larger corporate accounts. With respect to corporate accounts, these staff are responsible for uncovering new leads, new trade styles, and selling retailers the value of carrying Lottery products. Approximately 30% of total sales are attributed to the Lottery's key account sales. Sales staff engaged in key accounts management provide services to the Lottery's corporate accounts such as Safeway, Walmart, CVS, Chevron, and 7-Eleven. These accounts are statewide and are highly visible Lottery retailers. The DDS is responsible for negotiating with the Lottery's corporate partners to develop and implement policies and procedures that facilitate the responsible sale of Lottery products and games. The DDS is also responsible for the policies governing the activities of the approximately 60 Lottery route sales staff service who service these accounts.

The DDS will also be responsible for providing sound program and policy guidance to the Director, Chief Deputy Director, Lottery Commission, and division Deputy Directors, and all members of the Executive Management Team as it relates to all Lottery sales activities. The DDS will work closely with other executive team members to create a unified strategy for the Lottery's continued growth.

Successful implementation and coordination of Lottery's initiatives have far reaching in impact, are highly visible, and sometimes involving sensitive issues regarding responsible gaming and financial management. These issues have statewide impact on various stakeholder groups. Such responsibilities may elicit scrutiny from the Legislature, other state agencies, the media, and the public.

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C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The DDS serves as the principal policy maker and top advisor to executive leadership on policy issues and activities related to successful and responsible sales of lottery gaming products. The DDS has broad decision-making authority for all Lottery sales and service activities occurring within Lottery facilities and in the field at retail locations. Through subordinates, the DDS is responsible for building and managing strong client relationships with corporate accounts that sell lottery products. The DDS is responsible for ensuring that all sales functional areas are operating effectively, and that Lottery policies and procedures are implemented efficiently and with the utmost integrity.

The DDS has overall responsibility in managing the sales staff at Headquarters, throughout the nine (9) Lottery District Offices and in two (2) distribution centers. The Sales Support team is comprised of managers and analysts providing the coordination of essential statewide programs. Examples of high-level programs are the program's budget, personnel processes, the Sales Bonus Program, Sales Wizard (CRM), and the Lottery Branded Attire Program.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The Deputy Director, Sales will be responsible for the oversight of the development, interpretation, and implementation of new policies, as well as revising, interpreting, and implementing existing policies based on current business needs. The incumbent will review existing policies related to sales to assess the effectiveness and identify areas for improvement and sales strategies to support the growth of Lottery's retailer and player base, thereby driving revenues. The incumbent will consult with stakeholders to gather feedback and input on existing policies and to identify areas where new policies may be needed. The incumbent will conduct research and analysis to inform the Directorate of the need for the development of new policies and/or procedures as well as the analysis of data and information related to the delivery of sales and services to stakeholders. The incumbent will develop new policies based on the findings from the review of existing policies, stakeholder consultation, research, and analysis. The incumbent will implement new policies and interpret and implement existing policies, working closely with staff, vendors, retailers, and stakeholders to ensure that policies are followed.