
AGENCY: Division of Procurement Services

SUBJECT: South Carolina Education Lottery (SCEL) – Approval of Contract Duration,
Central Gaming System

Section 11-35-2030(5), of the SC Consolidated Procurement Code limits the maximum potential duration for any contract to seven years unless the Authority approves a longer maximum potential duration. South Carolina Education Lottery (SCEL) seeks Authority approval to solicit and award a contract with a performance term after installation of equipment and conversion to the new system of up to fifteen years for a central gaming system and related software that facilitates the sale of all SCEL products. SCEL officials believe the resulting contract will encourage effective competition by allowing vendors to amortize initial equipment and initial implementation costs (conversion costs) over a longer period of time thereby reducing the fixed monthly payments that SCEL must pay the vendor.

AUTHORITY ACTION REQUESTED:

Under authority of SC Consolidated Procurement Code Section 11-35-2030(5), authorize the South Carolina Education Lottery (SCEL) to solicit and award a contract with a performance term of up to fifteen years for a new central gaming system and related software that facilitates the sale of all SCEL products, as recommended by the Division of Procurement Services.

ATTACHMENTS:

Agenda item worksheet and attachment

**STATE FISCAL ACCOUNTABILITY AUTHORITY
AGENDA ITEM WORKSHEET**

Meeting Scheduled for: 3/31/2026

Regular Agenda

1. Submitted by:

- (a) Agency: Division of Procurement Services
(b) Authorized Official Signature:



John St. C. White, Materials Management Officer

2. Subject: Other-Specify

South Carolina Education Lottery (SCEL) – Approval of Contract Duration, Central Gaming System.

3. Summary and Background Information:

Section 11-35-2030(5), of the SC Consolidated Procurement Code limits the maximum potential duration for any contract to seven years unless the Authority approves a longer maximum potential duration. SCEL seeks Authority approval to solicit and award a contract with a performance term after installation of equipment and conversion to the new system of up to fifteen years for a central gaming system and related software that facilitates the sale of all SCEL products. SCEL officials believe the resulting contract will encourage effective competition by allowing vendors to amortize initial equipment and initial implementation costs (conversion costs) over a longer period of time thereby reducing the fixed monthly payments that SCEL must pay the vendor.

4. What is the Authority asked to do?

Under authority of SC Consolidated Procurement Code Section 11-35-2030(5), authorize SCEL to solicit and award a contract with a performance term of up to fifteen years for a new central gaming system and related software that facilitates the sale of all SCEL products.

5. What is recommendation of the submitting agency involved? Grant SCEL's requests as set forth in Section four above.

6. Private Participant Disclosure – Check one:

- No private participants will be known at the time the Authority considers this agenda item.
 A Private Participant Disclosure form has been attached for each private participant.
As referenced on the Disclosure forms, a private participant is a natural person or non-governmental legal entity which may directly benefit from, and is participating in or directly associated with, the requested approval.

7. Recommendation of other office (as required)? Grant the requests as set forth in Section four above.

- (a) Authorized Signature: _____
(b) Office Name: _____

8. List of Supporting Documents:

- A- Section 11-35-2030(5) of the SC Consolidated Procurement Code
B- SCEL's Request
C- Extended terms previously approved by the Authority

9. Upload Agenda Item Worksheet and supporting documentation in PDF and native format to the SFAA Authority File Drop.

SECTION 11-35-2030. Multiterm contracts.

(1) Specified Period. Unless otherwise provided by law, a contract for supplies, services, or information technology must not be entered into for any a period of more than one year unless approved in a manner prescribed by regulation of the board. The term of the contract and conditions of renewal or extension must be included in the solicitation and funds must be available for the first fiscal period at the time of contracting. Payment and performance obligations for succeeding fiscal periods must be subject to the availability and appropriation of funds for them.

(2) Determination Prior to Use. Before the utilization of a multiterm contract, it must be determined in writing by the appropriate governmental body that:

(a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and

(b) such a contract serves the interest of the State by encouraging effective competition or otherwise promoting economies in state procurement.

(3) Cancellation Due to Unavailability of Funds in Succeeding Fiscal Periods. When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal period, the contract must be canceled.

(4) Maximum Duration. The maximum potential duration for a contract is five years. A maximum potential duration of up to seven years may be approved by the appropriate chief procurement officer.

(5) Authority Approval. Every type of contract with a maximum potential duration exceeding seven years must be approved by the board. For competitive procurements, approval of the maximum potential duration must be granted before solicitation.



March 12, 2026

John St. C. White, PE
Chief Procurement Officer and State Engineer
1333 Main Street, Suite 700
Columbia, SC 29201

RE: Further Consideration of Fifteen-Year Performance Term

Dear Mr. White:

The South Carolina Education Lottery (SCEL) respectfully requests your support for a performance term of up to fifteen years for the Lottery's Central Gaming System and Other Related Services contract. South Carolina is unique among lotteries in that state law prohibits SCEL from contracting with a vendor whose compensation is contingent, in whole or in part, on lottery sales or other profitability measures (South Carolina Code of Laws §59-150-130(J)). As a result, SCEL cannot leverage sales-based incentives to offset vendor costs. A fifteen-year performance term would therefore provide an essential mechanism to stabilize long-term pricing, ensure predictable budgeting, and secure the most favorable cost structure available.¹

The scale and complexity of this procurement cannot be overstated. Transitioning to a new vendor typically requires up to a full year and places significant demands on every SCEL department. Millions of data points across years of electronic records must be migrated carefully between proprietary systems to preserve accuracy and integrity. At the same time, SCEL personnel and more than 3,900 retailers statewide must be retrained as the new system is designed, configured, tested, and implemented.

On the vendor side, a successful conversion requires substantial up-front investment. The new vendor must build both primary and backup data centers, secure real estate for these facilities, deploy conversion personnel, and hire permanent field staff across the state. These costs are unavoidable and substantial.

A longer contract term enables vendors to amortize these investments more efficiently, directly lowering annual costs to the State. This effect is evident in other jurisdictions. The Missouri Lottery

¹ It is important to note that many lotteries are not subject to a state procurement code and routinely negotiate contract renewals with their respective vendors to secure cost savings.

(ML), for example, recently transitioned from a ten-year to a fifteen-year contract after its competitive procurement for the same type of system. ML estimates annual cost savings of approximately six million dollars as a result.

A fifteen-year performance term also helps protect SCEL from market fluctuations, including rising labor costs and technology infrastructure expenses. Longer continuity allows the vendor to build institutional knowledge that improves service quality, reduces operational disruptions, and minimizes transition-related risks such as data-migration challenges, security vulnerabilities, downtime, personnel attrition, and contract-related disputes. When accompanied by appropriate oversight mechanisms, a longer-term contract offers both stability and accountability, allowing SCEL to optimize value over the full life of the system.

In summary, a fifteen-year performance term—beginning upon completion of system conversion—will lower monthly payments by spreading millions of dollars in unavoidable conversion and infrastructure costs across a longer period. This approach is fiscally prudent, operationally beneficial, and fully aligned with SCEL’s statutory constraints.

Please let me know if you have any questions or would like additional information. Thank you for your assistance and for your careful consideration of this request.

Sincerely,



Dolly J. Garfield

Chief Executive Officer



SCEL PROJECT SCOPE STATEMENT

BACKGROUND AND PURPOSE

The Lottery's partnership with its gaming Contractor is of utmost importance to ensure public confidence in SCEL's products and overall operations. The Contractor is responsible for the design, development, delivery, full implementation, maintenance and operation of a comprehensive central gaming system environment and provision of services in accordance with the requirements set forth in the RFP. SCEL seeks to extend the maximum duration of its new contract to a performance term of fifteen (15) years. Extending the performance term will result in a more robust, secure, agile, and modern gaming system designed to support future growth and innovation, enhance operational efficiency, and improve the player and retailer experience. Most importantly, the growth in revenue will result in greater returns and net proceeds transferred to the State Treasurer for the Education Lottery Account (ELA).

SCOPE OF PROJECT

Procuring a new gaming system is a major operational change. The process is expensive, time consuming, disruptive to business operations, and carries a potential risk of lost revenue during conversion which can take up to nine months. Conversion costs incurred by the Contractor is a multimillion-dollar investment regardless of whether the contract performance term is seven, ten, fifteen years. To fully understand the costs, it is helpful to understand the scope of this project.

The Contractor must remain compliant with gaming industry standards and regulations to protect against fraud and ensure the integrity of the gaming process. The System must accommodate future technological advancements and changes in the gaming landscape. The System must be securely integrated with new and existing infrastructure and related software and include a back-office application system and interface, retailer sales terminals and Point-of-Sale (POS) equipment (i.e. ticket checkers, digital signage, etc.), and a primary and secondary communication network (wiring, routers, firewalls, etc.) connected through VSAT, satellite, cellular, and other communication methods. The System must accurately monitor and report lottery ticket sales, detect unusual claims activity, assist with retailer accounting, and ensure retailers remain compliant with proper inventory controls, security background checks, and ownership requirements for licensure.

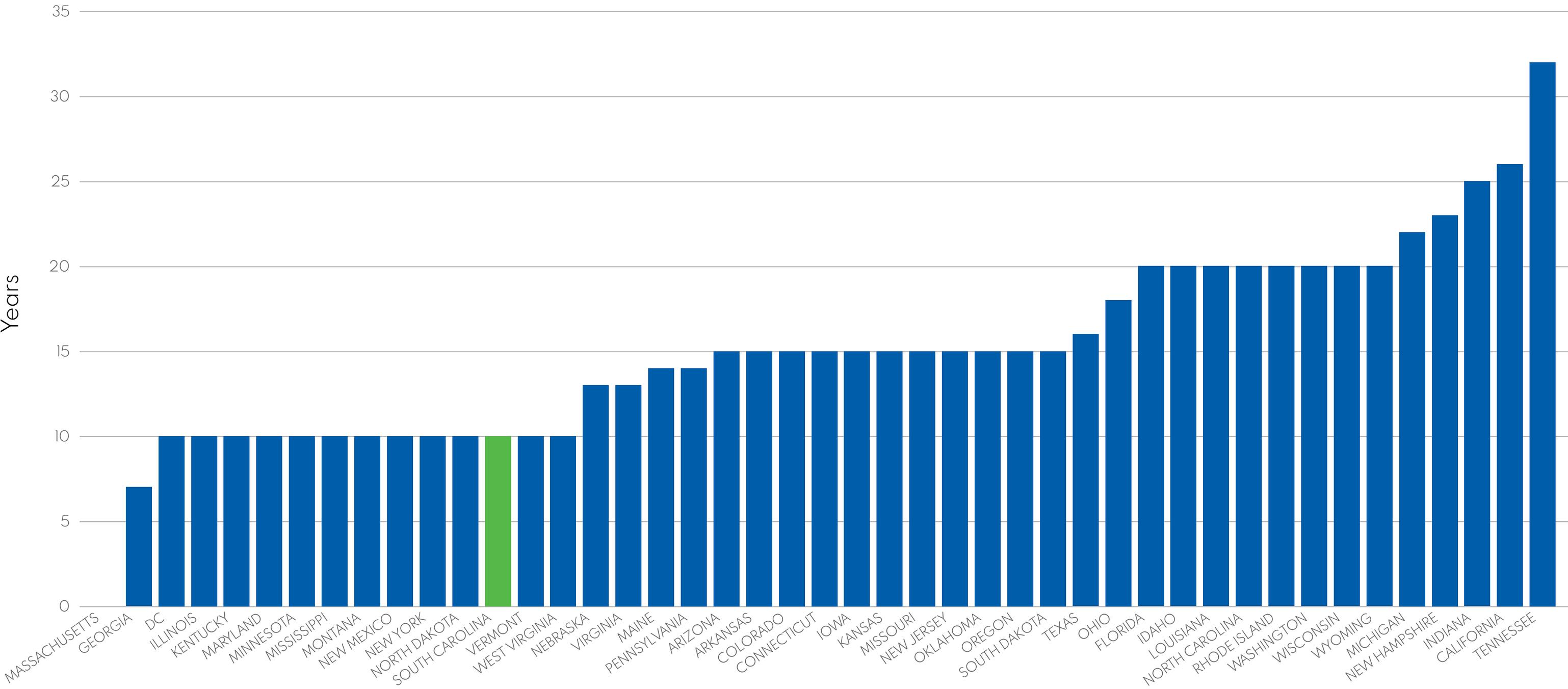
Electronic records of historical data must be matched and migrated from the current vendor's propriety system to the new vendor's propriety system so that the integrity and accuracy of the records prior to

conversion are maintained in the new system. Transactional records for instant and draw games must be transferred seamlessly to players and retailers to facilitate the processing of financial and claims activity associated with the millions of sales transactions these games generate each week. Each retailer's transactional records (e.g., sales, retailer commissions, and claims) generate weekly invoices and year-end tax records. Inventory management records (location of each ticket pack and its status, "in transit" - "received" - "activated for sale" - "stolen", etc.) are essential for product security and retailer accounting and must be accurately transferred to the new system for all instant games.

Field operations for both SCEL and the retailer are significantly impacted during a conversion. New retail terminal equipment must be installed and configured at sales counters in approximately 4,000 retail outlets across the state. The new terminals must be "turned on" for software updates and testing while current terminals remain operational. Training for all owners and/or clerks is required to operate the new terminals and generate sales reports. In addition to these costs, the new Contractor must lease real estate property to accommodate (1) new primary data center with a call center and warehouse space (centrally located to SCEL's main office) and (1) new back-up data center (at a remote location within the U.S.); and employ data center and call center personnel, warehouse staff, and field technicians to service SCEL's statewide retailer network. Although there will be a period of dual process testing, all of the aforementioned operations will be transferred immediately from one vendor's system to another vendor's system (i.e. one day the old system and its equipment is disconnected and the next day SCEL and its retailers will be operating from the new system and with new retail sales equipment).

All the costs described herein are incurred upfront by the Contractor and passed on to SCEL upon completion of conversion (standard practice in the lottery industry). The new Contractor will not be paid for any contractually related services until sales are successfully processed into the new system. Additionally, SCEL will not pay the existing Contractor and new Contractor simultaneously while one is generating revenue for the State and the other is not. A fifteen-year performance term ensures lower monthly payments by SCEL because millions of dollars of upfront costs can be spread over fifteen years rather than a shorter term of seven to ten years. The Contractor bears all costs associated with every aspect of the operation that is owned or performed by the Contractor and extending the interval between potential business disruptions is prudent as the average term of a US lottery contract for these services is 15 years (see attached chart - "Support C").

US Lotteries Maximum Contract Length (Years)



*The Massachusetts Lottery performs all Central Gaming Service operations internally and does not outsource these services.
 **The Georgia Lottery has the ability to negotiate contract extensions and recently signed a 7-year extension.

State Fiscal Accountability Authority

Approved Contract Durations Greater Than Seven Years Since 2015

Date of Approval	Agency	Item	Maximum Potential Duration
4/28/2015	University of South Carolina	Sports Marketing & Media Rights	10 years
3/8/2016	SC Educational Lottery	Central Gaming System	10 year performance term
9/20/2016	University of South Carolina	Food Service	15 years
9/20/2016	Department of Mental Health	Operation of Sexually Violent Predator Treatment Program	40 years
12/13/2016	University of South Carolina	Concessions, catering, and non-athletic event merchandise sales for all athletic venues	10 years
8/31/2017	SC Forestry Commission	Operation of Neiderhof Forestry Center	10 Years
9/1/2017	SC Forestry Commission	Operation of Taylor Nursery	10 Years
12/12/2017	Winthrop University	Food Service	10 Years
12/12/2017	SFAA Division of Procurement Svcs	Electronic Procurement System	10 year performance term
12/11/2018	Medical University of South Carolina	Enterprise Resource Planning System	11 year performance term
5/14/2019	University of South Carolina	Trademark and Licensing including apparel	10 years
6/18/2019	Department of Transportation	Enterprise Asset Management System	17 years
12/17/2020	University of South Carolina	Rental Management, premium catering, and operation of dining facility at Williams Brice Stadium	10 years
5/18/2021	Trident Technical College	Enterprise Resource Planning System	11 year performance term
10/12/2021	Medical University of South Carolina	Student Information System	11 years
5/31/2022	Clemson University	Enterprise Resource Planning System	11 year performance term
1/31/2023	Department of Mental Health	Psychiatric Residential Treatment Facility for juveniles	7 years after substantial completion of construction
3/28/2023	Clemson University	Licensing Agent contract	10 years
3/28/2023	Clemson University	Licensing and Campus Apparel Retail contract	10 years
3/28/2023	Department of Social Services	Economic Services System Application Modernization (ESSAM) System	12 years
10/17/2023	Department of Administration	SCEIS Modernization	10 year performance term
3/26/2024	University of South Carolina	Health Sciences Campus Operations and Maintenance	10 years
6/18/2024	University of South Carolina	River District Development	Greater than 7 years with final duration to be approved with submittal of proposed contract to SFAA
8/27/2024	Department of Transportation	Specific Service (Logo) Signing Program	12 years
10/15/2024	Department of Corrections	Bio Waste Gasification	20 years after substantial completion of construction
10/15/2024	USC Aiken	Food Service	10 years
10/15/2024	USC Upstate	Food Service	10 years
12/10/2024	USC	Rutledge Bldg Development	50 years
12/10/2024	USC	Henderson St. Houses Dev.	40 years
12/10/2024	USC	Carolina Gardens Dev.	50 years
4/1/2025	Department of Motor Vehicles	Business Application System	14 years after implementation
6/10/2025	Clemson University	MUSC-Physicians	30 years
2/10/2026	PRT Sanctuary Point Development	Sanctuary Point Development, operation & Maintenance	50 years
2/10/2026	USC	Food and beverage sales in athletic venues	15 years
2/10/2026	USC	Athletic multimedia/sponsorship rights	15 years