

**Department of Shared Administrative Services**

Governor Sarah Huckabee Sanders

Secretary Leslie Fiskens

October 14, 2025

The Honorable Ben Gilmore, Co-Chairperson
The Honorable Les D. Eaves, Co-Chairperson
Arkansas Legislative Council
State Capitol Building, Room 315
Little Rock, Arkansas 72201

Dear Senator Gilmore and Representative Eaves,

This letter serves to confirm the statutory authority governing the procurement process for two major procurement contracts submitted by the Office of the Arkansas Lottery (OAL) for review this month—Scientific Gaming and Intralot.

The OAL is not subject to the general requirements of Arkansas Procurement Law (Ark. Code Ann. § 19-61-101 *et seq.*) for procuring its major procurement contracts. Ark. Code Ann. § 23-115-701(b). Instead, the OAL operates under the authority granted within the Arkansas Scholarship Lottery Act, which provides that it "shall adopt rules concerning the procurement process for major procurement contracts." Ark. Code Ann. § 23-115-701(c). Major contracts are defined under the Act as "a contract for a gaming product or service costing more than seventy-five thousand dollars (\$75,000), including without limitation ... lottery equipment, tickets; and any other product and service unique to lotteries." Ark. Code Ann. § 23-115-103(16)(A).

In accordance with this statutory authorization, the OAL rules govern its procurement process for its major procurement contracts. Therefore, the OAL is not required to follow the Arkansas Procurement Law for these contracts, and instead, the procurement rules it has promulgated govern.

Sincerely,

Jessica Patterson
State Procurement Director

SUMMARY SCHEDULE OF STATE AGENCY CONTRACTS
FOR ARKANSAS LEGISLATIVE COUNCIL REVIEW
Out-of-State Contracts

1. Agency:	Department of Finance and Administration - Office of Arkansas Lottery	Contractor:	INTRALOT INC	
		Location:	DULUTH	State: GA
Service Type:	Technical & General Services (TGS)			
Total Authorized:	\$0.00	Org. Term:	08/15/2026 08/15/2036	Procurement: SP
Total After Review:	\$138,250,000.00	Funding:	Other - 100% - [Lottery Revenue]	
Total Projected:	\$138,250,000.00	MOF:		Contract Number: 4600057220
<u>Org/Amt:</u>	<u>Amount</u>	<u>Paid To Date</u>	<u>Objective:</u>	<u>New Exp Date</u>
	138,250,000.00		This contractual agreement is for the implementation, operation, and maintenance of a lottery gaming system including a communications network, associated gaming products, and support services. For more detail, see attached contract and amendments.	

2. Agency:	Department of Finance and Administration - Office of Arkansas Lottery	Contractor:	SCIENTIFIC GAMES US PARENT LP	
		Location:	NEW YORK	State: NY
Service Type:	Technical & General Services (TGS)			
Total Authorized:	\$0.00	Org. Term:	08/19/2026 06/30/2034	Procurement: SP
Total After Review:	\$142,000,000.00	Funding:	Other - 100% - [Office of Arkansas Lottery]	
Total Projected:	\$142,000,000.00	MOF:		Contract Number: 4600057221
<u>Org/Amt:</u>	<u>Amount</u>	<u>Paid To Date</u>	<u>Objective:</u>	<u>New Exp Date</u>
	142,000,000.00		This contractual agreement is for the implementation, operation and maintenance of an Instant ticket gaming system. This includes providing a comprehensive solution to instant ticket operations, to include the manufacture of instant tickets, warehousing, ordering and distribution of instant tickets and marketing support services. For more detail, see attached contract and amendments.	



**DEPARTMENT OF SHARED ADMINISTRATIVE SERVICES
OFFICE OF STATE PROCUREMENT
Solicitation for Review Memo**

Requisition #: 1001034904

To: Governor's Office

From: 0613 - DFA - Management Services Division - Office of Arkansas Lottery

Date: 9/24/2025

Date approval needed by Agency: 9/25/2025

Overview (brief 2 sentence summary only): Special procurement contract with Scientific Games, LLC for the lottery's instant ticket services contract.

Length of contract:

Initial contract term: 8 Years

Optional renewal: 4 Years

Estimated cost for initial contract term: \$142,000,000

Anticipated Total Projected Cost including all optional renewals and extensions: TBD/\$142,000,000 for now. All costs for this contract are based off future sales' revenue. Total projected sales revenue is likely to change before any executed optional extensions. Those costs will be submitted when and if the optional extensions are executed.

Funding: OAL Revenue

Are fund balances sufficient to support the request: Yes, funding for this contract is based off future sales' revenue. The OAL is a self-supporting office and does not receive appropriated funds.

Detailed Project description: This contract is for instant ticket services for the Office of the Arkansas Lottery. Scientific Games provides software and products for operating the lottery's instant ticket production, distribution, and sales such as sales account management software, loyalty program software, sales training, related research, and instant ticket design, creation, and distribution. (Please see attached letter for more information.)

Agency contact information:

Name: Sharon Strong, Executive Director of the Office of the Arkansas Lottery

Phone: 501.353.8998

Email: sharon.r.strong@arkansas.gov

Note: A Cabinet Department Secretary's signature is required for requests with a total projected cost of \$1,000,000 or greater.

For Non-Cabinet Agencies, the Director's signature is required for requests with a total projected cost of \$1,000,000 or greater.

A handwritten signature in black ink, consisting of a stylized 'A' followed by a horizontal line and then a 'K'.

Signature (Department Secretary or Director for Non-Cabinet)

9-24-25

Date



**DEPARTMENT OF SHARED ADMINISTRATIVE SERVICES
OFFICE OF STATE PROCUREMENT
Solicitation for Review Memo**

Requisition #: 1001034625

To: Governor's Office

From: 0613 - DFA - Management Services Division - Office of Arkansas Lottery

Date: 9/24/2025

Date approval needed by Agency: 9/25/2025

Overview (brief 2 sentence summary only): Special procurement contract with Intralot, Inc. for the lottery's gaming services contract.

Length of contract:

Initial contract term: 10 Years

Optional renewal: 5 Years

Estimated cost for initial contract term: \$138,250,000

Anticipated Total Projected Cost including all optional renewals and extensions: TBD/\$138,250,000 for now. All costs for this contract are based off future sales' revenue. Total projected sales revenue is likely to change before any executed optional extensions. Those costs will be submitted when and if the optional extensions are executed.

Funding: OAL Revenue

Are fund balances sufficient to support the request: Yes, funding for this contract is based off future sales' revenue. The OAL is a self-supporting office and does not receive appropriated funds.

Detailed Project description: This contract is for all gaming operations for the Office of the Arkansas Lottery. Intralot provides all the software and equipment for running the lottery such as systems for the back office, central gaming, retailer portal and management, data management, and inventory management, along with retailer terminals, displays, signage, and self-service machines. (Please see attached letter for more information.)

Agency contact information:

Name: Sharon Strong, Executive Director of the Office of the Arkansas Lottery

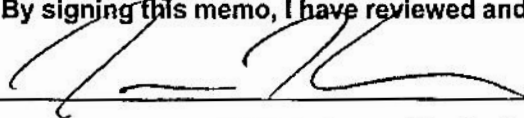
Phone: 501.353.8998

Email: sharon.r.strong@arkansas.gov

Note: A Cabinet Department Secretary's signature is required for requests with a total projected cost of \$1,000,000 or greater.

For Non-Cabinet Agencies, the Director's signature is required for requests with a total projected cost of \$1,000,000 or greater.

By signing this memo, I have reviewed and approve the bid solicitation request.



Signature (Department Secretary or Director for Non-Cabinet)

9/24/25
Date



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2000
Fax: (501) 683-1878
<http://myarkansaslottery.com>

September 19, 2025

The Honorable Ricky Hill, Co-Chair
The Honorable Justin Gonzales, Co-Chair
Arkansas Legislative Council
Lottery Oversight Subcommittee
One Capitol Mall, Room R-501
Little Rock, AR 72201

Dear Senator Hill and Representative Gonzales:

Attached are two new Office of the Arkansas Lottery (OAL) contracts for review by the Lottery Oversight Subcommittee of the Arkansas Legislative Council. These contracts are with OAL's existing primary vendor partners who provide the Central Gaming System and Instant Ticket Printing services for the OAL. Both the existing OAL Central Gaming System contract and the Instant Ticket Printing contract expire in August 2026.

Under A.C.A. §23-115-701, the OAL is authorized to adopt its own "rules concerning the procurement process for major procurement contracts" rather than state procurement law and further states, *"the office is not required to accept the lowest responsible bid for major procurement contracts but shall select a bid that provides the greatest long-term benefit to the state, the greatest integrity for the office, and the best service and products for the public."* Rule 4.5 of the OAL Procurement Contract and Vendor Rules states as follows:

- A. The [OAL] reserves the right to use an Alternative Procurement Method if that method will be more likely to: (a) maximize the [OAL's] net revenue; (b) achieve the specific business objective or business objectives of the procurement; or (c) aid the Director in fulfilling the statutory mandate to operate and administer the [OAL].
- B. Alternative procurement methods may include, but are not limited to, specialized vendor pre-qualifications, multistep bids or proposals, single proposer negotiations, competitive negotiations between two or more proposers, brand name solicitations, and cooperative procurements.

Several factors indicated an advantage to the lottery in utilizing the Alternative Procurement Method in negotiating new contracts with our existing central gaming system and instant ticket printing services vendors. Some of these factors include:

- Market Conditions: The available pool of vendors operating in the lottery space is very limited. Only three companies operate central gaming systems and only three companies operate ticket printing services. Arkansas currently contracts with two of those companies, Intralot and Scientific Games.

- Cost Savings: Comparable data shows that states that have published an RFP for bid has resulted in a higher cost to the lottery than those states that have chosen to renegotiate with existing vendors.
- Continuity of Operations: If the OAL were to change vendors, the resulting disruption and associated costs could significantly impact the lottery's financial performance.
- Customization and Integration: Over time our systems have been customized specifically to our operations and our data, which would be costly to replicate with a new vendor.
- Favorable Negotiating Leverage: Vendors may offer better financial or service terms to avoid the risk and cost of competing in an RFP. They may also be willing to invest in upgrades, revenue-share models or joint innovation efforts.

The OAL engaged an industry expert to consult with us throughout the negotiation process. His knowledge and experience with other states' lotteries helped the OAL achieve the best possible result in rate, length of time, cost savings, upgrades and investment. His expert opinion confirms that this strategy resulted in more favorable terms than would have been secured through a traditional RFP process. In fact, comparable data from similarly situated state lotteries illustrates that the states that have procured major vendor contracts through an RFP process have resulted in higher rates than those states that have strategically renegotiated their current vendor contracts directly with the vendors.

Summary of Vendor Proposals

The final proposals from both vendors provide significant price *decreases* to the OAL and firm commitments in immediate and future capital investment.

Central Gaming System (Intralot)

- The rate of compensation on total net sales has been reduced from 2.11% to 2.05%
- Term of contract savings are estimated at \$3,500,000¹
- Additional \$2,000,000 investment will be committed over the contract term for mutually agreeable revenue increasing initiatives

Instant Ticket Printing Services (Scientific Games)

- The rate of compensation for base net instant sales rate and the bonus sales incentive rate have been restructured
- The loyalty program funding rate has been reduced
- Per annum savings = \$1,390,630
- Term of contract savings = \$11,125,040²

Equipment and Technology Upgrades

The technology and equipment upgrades provided with the new contracts will modernize the Arkansas Scholarship Lottery to remain competitive, maintain consistent growth, and provide additional funding for scholarships.

¹ Savings based on FY25 total net retail cash sales.

² Savings based on FY25 instant net retail cash sales and loyalty fees.

Intralot

- Technology and equipment investments for central gaming system, replacement of point-of-sale terminals and peripherals, replacement and upgrades to vending machines, additional vending machines, and upgraded communications equipment.
- The estimated investment is over \$40m for the term of contract
- An additional \$2m capital investment will be committed over the contract term
- Current vending estate will double under new contract terms (215 machines vs. 444 machines). While there are many variables that must be considered to fully forecast the projected revenue benefit of increased vending machines, a conservative estimate would be \$5 million annually.
- Capital investment by Intralot for the new vending machines is approximately \$9 million.

Scientific Games

- Technology updates and enhancements for instant ticket distribution system, loyalty platform, mobile app, and sales force automation tools
- The estimated technology and equipment investment is over \$10m for the term of contract

The above concessions were successfully negotiated with the vendors through the alternative procurement method, resulting in combined annual savings of over \$1.7 million and \$15 million cumulative savings over the terms of the new contracts. These savings will directly benefit net proceeds for the OAL generating more dollars for scholarships. Additionally, the cumulative value of the technology and equipment investment is estimated to \$52 million over the terms of the contracts.

I look forward to discussing these new contracts with you and the committee at the earliest opportunity. In the meantime, if you have any questions, please do not hesitate to contact me.

Sincerely,



Sharon Strong
Executive Director



Delehanty Consulting LLC
Security, Integrity, and Performance

August 25, 2025

Sharon Strong
Executive Director
124 W. Capitol Ave
Suite 1400
Little Rock, AR 72201

Subject: Assessment of Intralot Final Proposal for the Lottery Gaming System

Dear Executive Director Strong:

At your request, I completed an independent review of Intralot's final proposal to provide the Lottery's gaming system and related services. Based on my analysis of the proposal's pricing, service levels, products and technology, implementation timing, and risk profile—benchmarked against recent public procurements and prevailing market rates for ten comparable U.S. lotteries—it is my professional opinion that Intralot's proposal is at least as favorable as, and in several respects superior to, what the Lottery could reasonably expect to obtain through a new competitive procurement at this time.

This opinion is based on materials provided by the Lottery, publicly available industry information, proprietary information developed by Delehanty Consulting, and my experience with lottery gaming system procurements.

Delehanty Consulting LLC is one hundred percent independent of all lottery contractors and has provided consulting services to the lottery industry since 2005. Our consultants have evaluated and consulted with over fifty government-sponsored lotteries on five continents since 1985.

Sincerely,

Herb Delehanty
Principal, Delehanty Consulting LLC
+1 608 575-2866 herb@delehantyconsulting.com



Delehanty Consulting LLC
Security, Integrity, and Performance

August 25, 2025

Sharon Strong
Executive Director
124 W. Capitol Ave
Suite 1400
Little Rock, AR 72201

Subject: Assessment of Scientific Games Final Proposal for the Lottery Gaming System

Dear Executive Director Strong:

At your request, I completed an independent review of Scientific Games, LLC's final proposal to provide enhanced partnership services and a loyalty program. Based on my analysis of the proposal's pricing, bonus structure, service offerings, and products and technology—benchmarked against recent contract extensions and prevailing market rates for four comparable U.S. lotteries—it is my professional opinion that Scientific Games LLC's proposal is at least as favorable as, and in several respects superior to, what the Lottery could reasonably expect to obtain through a new competitive procurement at this time.

This opinion is based on materials provided by the Lottery, publicly available industry information, proprietary information developed by Delehanty Consulting, and my experience with lottery gaming system procurements.

Delehanty Consulting LLC is one hundred percent independent of all lottery contractors and has provided consulting services to the lottery industry since 2005. Our consultants have evaluated and consulted with over fifty government-sponsored lotteries on five continents since 1985.

Sincerely,

Herb Delehanty
Principal, Delehanty Consulting LLC
+1 608 575-2866 herb@delehantyconsulting.com