



## MEMORANDUM

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**Date:** September 25, 2014

**To:** California State Lottery Commission

**From:** Paula D. LaBrie  
Acting Director 

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Deputy Director, Security and Law Enforcement Division

**Subject:** Item 9(b) - Amended Lottery Regulations-Disqualified Persons

### ISSUE

Should the California State Lottery Commission (Commission) adopt the proposed amendment to the definition of "Disqualified Persons" for purposes of California State Lottery (Lottery) play?

### RECOMMENDATION

Lottery staff recommends that the Commission adopt the proposed amendment to provide the Lottery discretion in determining when Lottery contractors' family members should be disqualified from Lottery play.

### BACKGROUND

The California State Lottery Act (Act) disqualifies Lottery employees and certain State Controller's Office personnel from purchasing Lottery tickets or claiming prizes. (California Government Code section 8880.321) The Act also prohibits from Lottery play any spouse, child, brother, sister, or parent of those disqualified persons if they reside in the same household.

The Act does not require disqualification of contractors or subcontractors from Lottery play. However, the Lottery does disqualify through the terms of their contracts certain contractors, their employees, and in some cases their family members from play. While staff is satisfied that due to the extensive and redundant security measures employed by the Lottery and the vigilance with which they are enforced, no contractor, however

close to Lottery operations, could undermine the security or compromise the fairness of any game. The Lottery in an abundance of caution does disqualify certain contractors from play based on the sensitivity of the contract in question and the potential effect on the public's perception of the integrity of Lottery games should one of those individuals win a Lottery prize.

The determination of whether a contractor and its employees should be disqualified from play is made on a contract-by-contract basis. Staff believes that the same discretion should be available when determining whether the family members of those disqualified contractors should be prohibited from play. However, the Lottery Regulations as currently written would require that whenever contractors and their employees are disqualified from Lottery play, their family members must also be disqualified.

**DISCUSSION**

Given that there is no requirement in the Act for disqualification of contractor or subcontractor family members, and that staff believes the Lottery should be afforded the opportunity to exercise discretion in the determination of who should be excluded from Lottery play, staff recommends that the Commission adopt the proposed amendment to provide the Lottery discretion in determining when Lottery contractors' family members should be disqualified.

**The proposed Amended Regulation is attached.**

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**PROPOSED AMENDMENT**

**Section 1.0**

**1.0 DEFINITIONS<sup>1</sup>**

“Advance Play”<sup>2</sup> or “Consecutive Draws” means the option, where available, that allows a Player to play the same wager (that is the same boards or spot selection(s)) for successive Draws.

“Assignment” means the transfer by any means, including but not limited to gift, trade, sale or conveyance, of the right to a Prize by the owner to another person or entity, regardless of the reason for the transfer. Except as expressly authorized by the Lottery Act,<sup>3</sup> all Assignments of Lottery Prizes are prohibited and void.

“Cancellation Authorization Receipt” means the paper stock issued by a Lottery Terminal indicating that a ticket has been cancelled. Fuel Pump Terminal purchases, Fantasy 5 Match Two free tickets, Mega Millions tickets, and Powerball tickets cannot be cancelled.

“Cash Authorization Receipt” means the paper stock issued by a Lottery Terminal that provides preliminary approval upon which the Retailer may rely in paying a Prize or Promotional Award of \$599 or less. However, the receipt does not in itself entitle a Claimant to a Prize.

“Cash Option” means a Winner’s option to receive the Cash Value of a Prize in lieu of annuity payments. Cash Option is not available for all games.

“Cash Value” means a single cash equivalent value of an annuitized prize. The Cash Value is determined based on the rules of the specific game.

“Certificate of Authority” means that document issued by the Lottery to Retailers that authorizes them to sell Lottery Tickets. Without the Certificate, no Lottery Tickets may be sold.

“Claim” or “Claiming a Prize” means submission of a signed, valid winning ticket or Winner Verification Terminal Claim Receipt and a completed Claim Form to the Lottery or Lottery Retailer, as applicable, within the required Claim Period.

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<sup>1</sup> These definitions control, unless they conflict with more specific definitions elsewhere in these regulations.

<sup>2</sup>“Advance Play,” “California Lottery,” “Daily Derby,” “Hot Spot,” “Quick Pick,” “Scratchers,” and “SuperLotto Plus” are registered trademarks of the California Lottery. “Mega Millions” is a registered trademark of the Illinois Lottery. “Powerball” is a registered trademark of the Multi-State Lottery Association.

<sup>3</sup> The California State Lottery Act of 1984, California Government Code section 8880 *et seq.*

“Claim Authorization Receipt” means the paper stock issued by a Lottery Terminal indicating that a ticket for a Prize or Promotional Award of \$600 or more is validated and authorized for payment upon submission of a claim to the Lottery. However, a Claim Authorization Receipt has no pecuniary or prize value and is not proof of purchase or play selections. It is not a substitute for the original winning ticket.

“Claim Form” means the printed form authorized by the Lottery that a Player must complete and submit to the Lottery to be eligible to collect a Prize or Promotional Award pursuant to these regulations.

“Claim Period” means the limited time period after a Draw or after an announced end-of-game date during which Winners may Claim a Prize.

“Claimant” means a person who has submitted a claim for payment of a Prize. “Multiple Claimants” means more than one individual claiming co-ownership of a ticket and any Prize resulting from that ticket. All references to “Claimant” throughout these regulations include the plural.

“Commission” means the California State Lottery Commission.

“Contractor” or “Lottery Contractor” means a person or organization with whom the Lottery has contracted for the purposes of providing goods and services required by the Lottery.

“Core Game Profile Template” or “Game Profile” means a written document that authorizes and describes each Scratchers game, including ticket quantity, number and value of Prizes and price point.

“Designated Group Representative” means a group Winner who shares ownership of a winning ticket with other Winners and who has been identified on a Multiple Ownership Claim Form as the authorized representative of an entire group of Winners. A Designated Group Representative has authority to make decisions on behalf of the group and to receive, on behalf of the group, all cash and/or merchandise Prizes.

“Director” means the Director of the California Lottery who is appointed by the Governor as the chief administrator of the Lottery.

“Disqualified Persons” means persons/Players prohibited by statute, regulation, or contract with the Lottery from purchasing a Lottery Ticket or Registered Play and/or winning a Lottery Prize or participating in a Promotion and/or receiving a Promotional Award and includes:(1) persons under the age of 18 years; (2) members of the Commission; (3) any officer or employee of the Lottery or the Commission; (4) any officer or employee of the California State Controller’s Office who is designated in writing by the Controller as possibly having access to

confidential Lottery information, programs, or systems; (5) any Contractor or subcontractor prohibited by the terms of a contract with the Lottery from playing Lottery games; and (6) any spouse, child, brother, sister, or parent who resides in the same household as any person described in numbers (2), (3), or (4) ~~or (5)~~ herein. Further, prize Claims resulting from winning California Lottery Tickets or Registered Plays purchased by Disqualified Persons are invalid, regardless of the identity of the Claimant.

“Draw” means the process of randomly choosing the winning selections as specified for each game or Promotion. All Draws are open to the public.

“Draw Procedures” means the detailed instructions, approved by the Director, governing all game Draws conducted by the Lottery. Draw Procedures are confidential to preserve the security, integrity, honesty, and fairness of the Draws.

“Draw Test Game” means a Lottery game of limited duration implemented to test Player reaction to proposed Lottery games and Lottery game features.

“Exchange Ticket” means the replacement ticket issued by a Lottery Terminal when an Advance Play or Consecutive Draw ticket is redeemed for a Prize while the ticket has remaining eligibility for one or more future Draws.

“Fuel Pump Sales Program” means the program that allows the sale of certain specified Lottery products via Fuel Pump Terminals at participating Lottery retail locations.

“Fuel Pump Terminal” means a fuel pump authorized by the Lottery to sell certain specified Lottery products.

“Jackpot” or “Jackpot Prize” means the value of annuitized Prizes in the SuperLotto Plus, Mega Millions, and Powerball games. Jackpot Prizes may be referred to as “Grand Prizes,” “Grand/Jackpot Prizes,” or “annual payments.”

“Jackpot Residual” means the positive or negative difference between the jackpot Prize Pool and the cost of the Jackpot or the Cash Value of the Jackpot.

“Lottery” as used herein means the California State Lottery.

“Lottery Retailer” or “Retailer” means a person, organization or business entity with whom the Lottery has contracted to sell Lottery products to the public.

“Lottery Ticket” means the physical evidence of the right of a legal purchaser or ticket holder to the chance to win a Prize or Promotional Award in a Lottery game.

“Mega Millions” means a specific multi-state lottery game administered and operated pursuant to an agreement among Mega Millions party-lottery participants.

“Multiple Ownership Claim” or “Multiple Ownership Claim Form” means a claim submitted using a Lottery-authorized form that allows a limited number of Winners to Claim a Prize in certain circumstances.

“Offset” means, generally, a reduction in prize payments required or authorized by law and made by the California State Controller’s Office to recover money owed by a Winner to others, including governmental entities and judgment creditors.

“Pari-mutuel,” as used in these regulations, means a system of gaming in which wagered funds are pooled and then paid, in equal shares, as Prizes to Winners.

“Payee” means the person to whom the Lottery makes annuitized prize payments in accordance with the Lottery Act, these regulations and other applicable laws. The Payee may be a Winner, an assignee pursuant to a statutorily-authorized Assignment, a beneficiary/heir of a Winner or other legally-authorized recipient of the Prize.

“Player” is a natural person who legally acquires a ticket, Registered Play, or entry to participate in a Lottery game or Promotion. Player, as used in these regulations, includes the plural form.

“Playslip” means a Lottery-provided paper stock used for marking a Player’s selection(s) and choosing game features such as Quick Pick, Advance Play or Consecutive Draws.

“Playstyle” means the method of play that determines Winners for individual games.

“Powerball” means a specific multi-state lottery game administered and operated pursuant to agreements between the Multi-State Lottery Association and the members of the Mega Millions Consortium.

“Prize” means the compensation, either cash or merchandise, provided to a Winner for a winning selection or winning ticket.

“Prize Breakage” or “Breakage” means money remaining in a Prize Pool after paying prize amounts rounded down in accordance with game-specific regulations.

“Prize Pool” means those portions of wagers for a given Draw that accumulate in a pool, that may include other money as described in these regulations, from which Prizes are paid to Winners of that Draw.

“Prize Reserve” means a portion of the Prize Pool and Prize Breakage that is not allocated to a specific prize level. The reserve accumulates from draw games with Prize Pools that are structured to have a reserve and may be used to augment Prizes and fund Promotions.

“Prize Structure” means the detailed enumeration of the number and value of Prizes and odds of winning Prizes in each Lottery game.

“Promotion” means an added-value offer to Players or an introductory offer to members of the public through a marketing campaign. Promotions must be conducted in accordance with these regulations and published rules established by the Lottery.

“Promotional Award” means the award provided for a valid winning promotional ticket or entry.

“Qualifying Trust” means a revocable living trust, established by a Winner/Payee for the benefit of the Winner/Payee as a beneficiary and governed by the laws of the State of California, to which a Winner/Payee may assign his or her rights to all or a portion of a Prize as authorized by the Lottery Act. Such trust may become irrevocable upon the death of the Winner/Payee or any co-grantor as provided by the trust provisions.

“Quick Pick” means a ticket or Registered Play with play selections that are automatically and randomly selected and registered in the Lottery’s gaming system.

“Registered Play(s)” means ticketless Lottery plays that are recorded in the Lottery’s gaming system and may be verified electronically.

“Retailer Clerk Terminal” means a Lottery Terminal that requires action by a Retailer to initiate a wager and dispense a ticket.

“Scratchers” means the instant winner Lottery game that is played by removing the covering from a ticket to reveal Ticket Symbols. Scratchers may also be referred to as “instant games” or “instant tickets.”

“Self-Service Terminal” (“SST”) means a Lottery Terminal, including a “GamePoint Terminal,” that allows a Player to initiate either a manual or Playslip wager for draw games. In the case of the GamePoint Terminal, Players may also select and purchase Scratchers tickets.

“Terminal” or “Lottery Terminal” means a device authorized by the Lottery to function in an interactive mode with the Lottery’s gaming system to issue Lottery Tickets and enter, receive, and process the full range of routine Lottery transactions, including selecting and purchasing tickets, voiding or cancelling purchases (when allowed), validating draw and Scratchers tickets, issuing Cash Authorization Receipts, and Claim Authorization Receipts, transmitting reports, and verifying the winning status of a Lottery Ticket.

“Ticket Symbol” means the printed data in the play area on the front of a Scratchers ticket that is used, among other things, to determine eligibility for Prizes or Promotional Awards pursuant to the Working Papers/Game Specifications for each game.

“Tradestyle” means a Lottery Retailer category based on similarities in operation, organization, or business model, as determined by the Director.

“Validation Number” means a unique set of numbers on draw and Scratchers tickets that is matched with internal databases in order to determine the winning or non-winning status of a ticket as well as prize amount.

“Winner” is a Player who is not a Disqualified Person, who legally acquires a winning ticket or purchases a Registered Play and owns it at the time it is determined to be a winner either by a Draw or by scratching the play area. Except as otherwise provided in these regulations, the Winner need not have purchased the ticket; however, the Winner must Claim the Prize. A 2nd Chance Winner is a person whose eligible entry is drawn in a 2nd Chance Draw and who is identified on the Lottery website as the Winner of that Draw.

“Winner Verification Terminal” (WVT) means a device that is authorized by the Lottery to provide verification of a winning Registered Play worth \$600 or more.

“Winner Verification Terminal Claim Receipt” or “WVT Claim Receipt” means the receipt issued from a WVT that must be submitted by a Registered Play Winner to claim a prize of \$600 or more.

“Working Papers/Game Specifications” means documentation developed for each Scratchers game which includes a detailed description of artwork, Ticket Symbols, Prize Structure, Playstyle and security specifications. Working Papers are confidential.

**Sections 2.0 – 9.13**

***were approved by the Commission on June 26, 2014.***

***No changes to these sections are being requested under this action item.***