



MEMORANDUM

To: California State Lottery Commission **Date:** August 15 , 2007

From: Joan M. Borucki
Director

Prepared By: Donald J. Currier, Chief Counsel
Legal Office

Subject: Item 9(h1)- Approval of Amendments to Raffle Game Regulations

ISSUE

Should the California State Lottery Commission (Commission) adopt amendments to the California Lottery Raffle Game Regulations for the implementation of future Raffle games?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission adopt the proposed amendment. The primary purpose of the proposed change replaces the game specifics of the Million Dollar Raffle Game with general guidelines which will be applicable to all raffle games. The secondary purpose is to meet the Lottery's statutory obligation of providing the number and value of prizes of Lottery games in the Lottery regulations.

BACKGROUND

The primary purpose for the amendment to the language of the Raffle Game Regulations is to allow for the implementation of new Raffle games without a need to amend the Omnibus Lottery Regulation each time a new game is introduced.

Currently, the language in the Raffle Game Regulations outlines the game specifics for the prior Million Dollar Raffle game. The regulations have now been adjusted to provide general guidance rather than specific implementation rules as they read now.

Under Government Code Section 8880.29, the Lottery regulations are required to contain the number and value of prizes for any Lottery game as long as the tickets or

playslips contain the overall estimated odds and a detailed tabulation of the estimated prizes shall be available at each location where the tickets are offered for sale to the public. The Lottery has been abiding by the intent of the law by providing this information to players in the point of sale publications but has not followed the letter of the law by including the location of that information in its regulations.

DISCUSSION

The current Raffle Game Regulations contain language that is specific to the initial Million Dollar Raffle. In keeping with the goal of an Omnibus Lottery Regulation providing guidance rather than specifying how to implement, the specifics of the Million Dollar Raffle have been removed and replaced with general guidelines which will allow for implementation of future games without needing to amend the Omnibus Lottery Regulation each time a new raffle game is introduced.

Language has been inserted whereby the Game Profile for any new raffle game, which is not materially similar to a past Commission-approved raffle game, will be submitted to the Commission for approval.

Secondly, in order to comply with the requirement of Government Code Section 8880.29 in a reasonable fashion and so as not to be required to submit for Commission approval and republication of the Lottery regulations every time a game prize structure and payout is different, the section "Number and Value of Prizes" has been inserted into the Raffle Game Regulation directing the player to the location of that information. This brings the Lottery into compliance with the letter of the law as well as the intent of the law. This additional section will be included in the Omnibus Lottery Regulation also so that the Lottery remains in compliance with the Government Code.

[Click here for proposed Raffle Game Regulation amendment.](#)



MEMORANDUM

To: California State Lottery Commission **Date:** August 15, 2007

From: Joan M. Borucki
Director

Prepared by: Donald J. Currier, Chief Counsel
Legal Office

Subject: Item 9 (h2) – Approval of Game Profile for the New Year’s Raffle
Million Dollar Game

ISSUE

Should the California State Lottery Commission (Commission) approve the Game Profile for the California State Lottery’s (Lottery) New Year’s Million Dollar Raffle Game?

RECOMMENDATION

Staff recommends that the Commission approve the Game Profile for the New Year’s Million Dollar Raffle Game.

BACKGROUND

The Lottery’s first raffle game, Million Dollar Raffle, ran from February 5, 2007 through March 17, 2007. Although the game did not sell out, approximately 3.9 million of the 5 million available raffle numbers were purchased and the game raised just over \$5.7 million for public education. The Million Dollar Raffle game also generated considerable interest on the part of both our players and our retailers.

The Lottery’s second raffle game, New Year’s Million Dollar Raffle, will be tied to the New Year’s holiday and it will be a key component of the Lottery’s 2007 holiday product offerings. This game is also a part of the Lottery’s 2007-2010 Business Plan that was approved by the Commission on June 27, 2007.

DISCUSSION

In an effort to improve on the first raffle game, staff have conducted a thorough review of our experience with the Million Dollar Raffle game as well as an analysis of industry best practices.

Key Learnings from the Million Dollar Raffle Game

Staff has identified the following key learnings from our first raffle game:

- The \$5 price point was not too high.
- Players want more low tier prizes.
- Preliminary draws were confusing.
- Key game features were not clearly communicated to consumers and retailers; confusion was high.

Industry Best Practices

Staff has also analyzed 16 raffle games that sold out in other states to see what they all had in common. This analysis revealed the following similarities:

- 75% offered a \$20 price point.
- 74% only offered between 500,000 and 900,000 numbers and only one lottery offered over a million numbers.
- 80% offered more than 500 winners.
- 94% offered a \$1 million grand prize.

Internet Survey

Finally, staff analyzed the results of an internet survey conducted by the Business Planning Office immediately after the Million Dollar Raffle game ended in March 2007. This analysis revealed that:

- 59% of players were motivated to buy raffle numbers because they were only offered in limited numbers.
- 81% of players said that their favorite features of the game were the good chance to win \$1 million and multiple chances to win a prize.
- Of the three different prize offering scenarios presented, the one that was overwhelmingly preferred was five \$1 million prizes and five hundred \$10,000 prizes. The other two were: (1) ten \$1 million prizes and no lower level prizes and (2) one \$1 million prize and nine hundred \$10,000 prizes.

- 52% of players were either not aware of the purchase discount or they said that it was not a motivator to play the game.

Based on our key learnings from the Million Dollar Raffle game, as well as an analysis of industry best practices and the results of our internet survey, staff feels strongly that the Lottery should offer a new raffle game that is more similar to those that have sold out in other states.

Proposed Game Profile for the New Year's Million Dollar Raffle

Staff recommends the following Game Profile for the New Year's Million Dollar Raffle Game:

- Tie the game to the New Year's holiday.
- Game sales will begin on November 19, 2007 and end at midnight on New Year's Eve or when the game sells out, whichever occurs first.
- A \$20 price point per ticket. Each ticket will contain five raffle numbers.
- 650,000 total tickets (containing a total of 3.25 million raffle numbers).
- 555 cash prizes as follows:
 - Five prizes of \$1 million
 - Fifty prizes of \$10,000
 - 500 prizes of \$2,008
- One grand prize drawing to give away all of the prizes on New Year's day 2008.

This Game Profile addresses all of the key learnings from our first game and it incorporates all of the industry best practices discussed above.

This Game Profile will also offer players even better odds of winning a million dollar prize or, for that matter, any prize, than the Million Dollar Raffle game did. The odds of winning \$1 million on a single \$20 purchase will be 1 in 130,000 and the odds of winning any prize will be 1 in 1,171.¹ More importantly, if the game sells out it will generate \$13 million in revenue and at least \$4.4 million for public education.

¹ Odds shown assume a sellout.

California State Lottery
New Year's Million Dollar Raffle Game Profile

Quantity of Raffle Numbers	3,250,000
Quantity of Tickets	650,000
Cost Per Ticket	\$20
Cost Per Raffle Number	N/A
Raffle Numbers Per Ticket	5
Number of Draws	1
Prize Structure	Five \$1 million cash prizes Fifty \$10,000 prizes Five Hundred \$2,008 prizes
Retailer Paid Prizes	None
Odds¹	\$1 million (1:130,000) \$10,000 (1:13,000) \$2,008 (1:1,300)

¹ Odds will vary based on the number of tickets sold. Odds shown assume a sellout and no cancellations