



MEMORANDUM

To: California State Lottery Commission **Date:** October 15, 2008

From: Joan M. Borucki
Director

Prepared By: Susan Kossack, Deputy Director, Marketing

Subject: Item 9(c) - Regulations for New TV Game Show

ISSUE

Should the California State Lottery Commission (Commission) approve necessary amendments to the California Lottery Omnibus Regulations to accommodate the Lottery's new TV game show and authorize the Director to approve the prize structure and selection method for determining winners for the new TV game show?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve the necessary amendments to the California Lottery Omnibus Regulations and authorize the Lottery Director to approve the prize structure and selection method for determining winners for the new TV game show.

BACKGROUND

In 2006, an awareness and image study completed among key player groups revealed that the current Big Spin® TV show lacked excitement and entertainment value. However, the prospect of being on TV is very appealing and relevant to today's consumer. This information indicates great potential to use the show to create a positive image for the Lottery brand and to appeal to new players. As a result of this study, The Big Spin is being replaced with a new contemporary TV show, "Make Me a Millionaire.™"

The new TV show is faster-paced and initially uses four different game segments to create excitement, drama, and entertainment. The minimum prize on the show is \$2,000, and the annuitized grand prize starts at \$1,000,000 and increases by \$250,000 each week that it is not won. The odds of winning the grand prize are 1:14.

Historically, the TV show prizes have been linked solely to The Big Spin Scratchers® games. Beginning with Scratchers game #570 and then with all subsequent TV show Scratchers, the Lottery will designate \$14 million a year of the Scratchers® prize allocation to fund prizes awarded on the TV show (which may include prizes won via promotional programs.) This prize money will be designated from the overall Scratchers prize fund allocation, including administrative savings that currently fund the increased Scratchers payouts, and will not exceed the 58.1% Scratchers prize allocation as outlined in the FY 2008/09 budget.

Currently, The Big Spin TV show has a specific Fantasy 5 segment called “The Dream Machine.” Contestants for the Dream Machine are chosen from players who submitted valid Fantasy 5 entry form coupons. Players receive a coupon when they make a Fantasy 5 purchase of \$5 or more. Players then complete the coupon and mail it to the Lottery where it is placed in a pool containing other valid coupons. An independent draw is conducted. The number of coupons drawn is determined by the Director based upon Fantasy 5 sales. The Dream Machine is funded using eight percent of the Fantasy 5 prize pool allocation.

The Dream Machine will no longer be a segment on the new TV show and its eight percent of the Fantasy 5 prize pool allocation will be placed in the Reserve Prize Fund. Fantasy 5 coupons will still be issued for valid Fantasy 5 purchases and entered into a pool for a drawing. The coupons drawn will win a prize which may include participation in any segment of the new TV show.

The Lottery will now have greater flexibility for participation on the TV show. Specifically, the Lottery will be able to offer participation on the TV show through multiple avenues including, but not limited to, promotional program(s) in which players win a spot on the TV show via a second chance drawing.

The Lottery’s Business Plan objectives are to create more winners and more winning opportunities. The TV game show will create additional channels of advertising with additional entry methods, increase brand awareness, and support the message that the Lottery offers fun and entertaining products.

The primary purpose for the changes to the Lottery Regulations is to replace Big Spin language with the new Lottery TV game show language and to authorize the Director to approve the prize structure and selection method for determining winners for the new TV game show.

DISCUSSION

The primary purpose for amendment of the Omnibus Regulations is to accommodate the new TV game show “Make Me a Millionaire™” and allow the Director to approve the TV show prize structure and selection method for determining winners.

The addition of language concerning the new TV game show allows the Commission to outline the parameters that will guide TV show game rules, terminology, and payment of prizes.

The TV show prize structure is currently being evaluated by UCLA statistician Don Ylvisaker. Staff recommends that the Commission delegate authority to Director Joan Borucki to approve the TV show prize structure and the selection method for determining winners once the statistical analysis is complete so that the new TV show may begin taping. In order to maintain the relevancy of the new TV show, it must remain flexible regarding future segment prize structures and winner selection methods. This flexibility will help to retain viewership of the TV show and continue to promote the fun and relevant California Lottery brand.