



MEMORANDUM

To: California State Lottery Commission **Date:** January 9, 2008

From: Joan M. Borucki
Director

Prepared By: Susan S. Kossack, Deputy Director
Marketing Division

Subject: Item 9(b) – Approval of Regulations for Daily 4 and Amendments to Lottery Regulations for the Daily 3 Game.

ISSUE

Should the California State Lottery Commission (Commission) adopt regulations to launch a new California numbers game, “Daily 4,” and approve a technical amendment to regulations for its current “Daily 3” game?

RECOMMENDATION

Staff recommends that the Commission adopt the proposed Daily 4 game and its accompanying regulations and approve the amendment to the Daily 3 regulations.

BACKGROUND

Daily number games have been very popular with many eastern lottery states. Most states offer more than one daily numbers game. Of the forty-three states that have lotteries, twenty-seven states (63%) offer more than one daily numbers game with generally fixed prize levels. Of the top ten states that offer numbers games, New Jersey offers a pari-mutuel daily numbers game and has consistently been one of the top ten states in terms of per capita sales since 2002. The District of Columbia leads the nation with \$5.37 in per capita sales for all numbers games, versus the average of \$1.33 in the other top ten states. In 2006, the District of Columbia led the

nation with \$2.83 in Daily 4 (per caps sales) versus an average of just \$.54 among the top ten states.

In March 1990, the California State Lottery (Lottery) launched a version of a Daily 4 numbers game called DECCO™ designed with a card theme as the visual play icons. During the first year after its introduction, annual sales reached \$53 million for this game. When DECCO™ was removed in June 1997, this game was generating about \$300,000 a week or approximately \$18.5 million a year. The Lottery voluntarily removed DECCO™ as one of its product offerings due to the difficulty of constructing a game that could deliver manageable pari-mutuel prize levels.

Based on the experience of other lotteries, staff expects that the introduction of a new numbers game may cause sales to drop, at least temporarily, for the state's existing numbers game, Daily 3. However, most states with two daily numbers games ultimately experience an increase in total daily game sales, which staff anticipates will be the case in California.

DISCUSSION

Daily 4 offers players a daily opportunity to win a desirable top prize. Within the current Lottery game offerings, Daily 4 can establish itself as a game that delivers an excellent chance to win several thousands of dollars daily.

Game play for Daily 4 will be very similar to that of Daily 3, except that players will select four numbers instead of three. As in Daily 3, plays will cost \$1.00 each and players must decide which playstyle they wish to use to play their numbers. The playstyle choices are identical to Daily 3: Straight, Box, or a Straight/Box combination. By selecting a playstyle, players are hoping their number selections are chosen in a specific order or combination. Their playstyle selection also determines how much a player can win based on the odds for each playstyle and the numbers chosen by the player.

Although all prizes will be pari-mutuel, staff anticipates the Daily 4 top prize should be near \$5,000. Unlike Daily 3, there will be only one Daily 4 draw per day. The Daily 4 draw will occur each evening and the winning numbers will be announced along with Daily 3 winning numbers.

The Daily 4 game's top prize of approximately \$5,000 will fall between Daily 3's top prize, generally in the \$500 range, and Fantasy 5's top prize, starting at \$50,000. This game fills a gap in current game offerings and provides California's players with new and exciting winning opportunities.

Additionally, staff would like to update language in the Daily 3 regulations to provide consistency and uniformity across games. Daily 3 regulations currently say "All prize breakage which results from the rounding of prizes will be accumulated and used to supplement subsequent prizes." Staff would like to amend the language to conform with proposed language in the Daily 4 regulations, which says that "All prize breakage which results from the rounding of prizes will be used to supplement Lottery prizes." This amendment provides clarification and accurately reflects Lottery practices regarding prize breakage, which can be accumulated or used immediately and may be used for prizes in any Lottery game. This amendment will provide uniformity of language within the Omnibus Regulations between the Daily 3 and Daily 4 games.