MEMORANDUM

Date: October 28, 2010

To: California State Lottery Commission

From: Joan M. Borucki
Director

Prepared By: Michael Brennan, Deputy Director
Sales and Marketing Division

Subject: Item 9(c) – Amendments to Scratchers® Regulations to Establish Core Scratchers Game Profile Templates & Approval of Templates

ISSUE

Should the California State Lottery Commission (Commission) amend Scratchers Regulations to improve the efficiency of the game development process by establishing Core Scratchers Game Profile Templates (templates) and approve the attached templates?

RECOMMENDATION

Staff recommends amending Scratchers Regulations to provide a more efficient process for the development of new games by establishing Core Scratchers Game Profile Templates. Staff also recommends that the Commission approve the attached templates.

BACKGROUND

In February 1990, the Commission modified regulations related to the approval of new Scratchers games that exceed the requirements of the Lottery Act by requiring the Commission to approve "game profiles" for each new game comprised of the game's: (1) prize structure (2) play style (3) special features (4) order quantity (5) price point and (6) dollar value of mid and low-tier prizes to be paid by retailers and prize draw eligibility requirements. The Commission has reviewed and approved almost 700 Scratchers

game profiles since the California State Lottery (Lottery) started in 1985. This has been a time consuming and labor intensive process.

DISCUSSION

As a part of the Lottery's ongoing Renew Project efforts, staff conducted an end-to-end evaluation of the Scratchers games development process in an effort to facilitate our desire to launch games more efficiently to meet constantly changing market conditions and demands. Accordingly, staff recommends streamlining the new game approval process by having the Commission review and approve Core Scratchers Game Profile Templates instead of approving individual game profiles for each Scratchers game.

Core Scratchers Game Profile Templates are comprised of the number and value of prizes and the price point of Scratchers games. Once these templates are approved by the Commission, they will provide the ideal framework for staff to build various versions of games based on these profiles. The Lottery's Director can apply these templates to the development of future "materially similar" Scratchers games without having to routinely seek approval for every game profile at every Commission meeting. That having been said, any game that does not meet the "materially similar" requirements of these core templates will require approval by the Commission.

The recommended revisions to Scratchers Regulations will provide staff with flexibility to make subtle changes within prize structures in a very efficient and timely manner. The proposed regulation changes also comply with the provisions of the Lottery Act, provide staff with flexibility to create a subtle uniqueness for each game, maintain the overall integrity of the prize structure for a game, and still provide the ultimate approval authority to the Commission.

The recommended changes to the Scratchers Regulations are attached in their entirety. Also attached for the Commission's approval are the first set of templates that will be used to develop new games upon approval of the recommended changes to Scratchers Regulations.

Core Scratchers Game Profile Templates
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Scratchers Core Game Profile Template 1A
Staff recommends this $1 game with a $1,000 top prize and overall odds of winning are 1 in 4.68.

Scratchers Core Game Profile Template 1B
Staff recommends this $1 game with a $777 top prize. Overall odds of winning are 1 in 4.70.

Scratchers Core Game Profile Template 1C
Staff recommends this $1 game with a top prize of $1,000. Overall odds of winning are 1 in 4.71.

Scratchers Core Game Profile Template 1D
Staff recommends this $1 game with an $888 top prize. Overall odds of winning are 1 in 4.73.

Scratchers Core Game Profile Template 1H
Staff recommends this $1 game with a $999 top prize. Overall odds of winning any prize of 1 in 4.81.

Scratchers Core Game Profile Template 1K
Staff recommends this $1 game with a top prize of $700. Overall odds of winning are 1 in 4.77.

Scratchers Core Game Profile Template 1L
Staff recommends this $1 game with a $500 top prize. Overall odds of winning any prize of 1 in 4.78.

Scratchers Core Game Profile Template 1Q
Staff recommends this $1 game with a top prize of $500. Overall odds of winning are 1 in 4.67.

Scratchers Core Game Profile Template 1T50
Staff recommends this $1 game with a top prize of $50. Overall odds of winning are 1 in 4.75.

Scratchers Core Game Profile Template 1T100
Staff recommends this $1 game with a top prize of $100. Overall odds of winning are 1 in 4.78.

Scratchers Core Game Profile Template 1V
Staff recommends this $1 game with a top prize of $800. Overall odds of winning are 1 in 4.78.

Scratchers Core Game Profile Template 2B
Staff recommends this $2 game with a top prize of $17,000. Overall odds of winning are 1 in 4.34.

Scratchers Core Game Profile Template 2C
Staff recommends this $2 game with a top prize of $15,000. Overall odds of winning are 1 in 4.20.

Scratchers Core Game Profile Template 2E
Staff recommends this $2 game with a top prize of $10,000. Overall odds of winning are 1 in 4.54.

Scratchers Core Game Profile Template 2I
Staff recommends this $2 game with a top prize of $17,000. Overall odds of winning are 1 in 4.40.

Scratchers Core Game Profile Template 2J
Staff recommends this $2 game with a top prize of $10,000. Overall odds of winning are 1 in 4.30.

Scratchers Core Game Profile Template 2M
Staff recommends this $2 game with a top prize of $15,000. Overall odds of winning are 1 in 4.33.

Scratchers Core Game Profile Template 2N
Staff recommends this $2 game with a top prize of $10,000. Overall odds of winning are 1 in 4.33.

Scratchers Core Game Profile Template 2P
Staff recommends this $2 game with a top prize of $15,000. Overall odds of winning are 1 in 4.03.

Scratchers Core Game Profile Template 2Q
Staff recommends this $2 game with a top prize of $20,000. Overall odds of winning are 1 in 4.33.

Scratchers Core Game Profile Template 2T200
Staff recommends this $2 game with a top prize of $200. Overall odds of winning are 1 in 4.30.

Scratchers Core Game Profile Template 2T500
Staff recommends this $2 game with a top prize of $500. Overall odds of winning are 1 in 4.32.

Scratchers Core Game Profile Template 2U
Staff recommends this $2 game with a top prize of $20,000. Overall odds of winning are 1 in 4.77.

Scratchers Core Game Profile Template 3E
Staff recommends this $3 game with a top prize of $20,000. Overall odds of winning are 1 in 3.36.

Scratchers Core Game Profile Template 3 Et
Staff recommends this $3 game with a top prize of $20,000. Overall odds of winning are 1 in 3.34.

Scratchers Core Game Profile Template 3F
Staff recommends this $3 game with a top prize of $20,000. Overall odds of winning are 1 in 3.61.

Scratchers Core Game Profile Template 3G
Staff recommends this $3 game with a top prize of $25,000. Overall odds of winning are 1 in 3.57.

Scratchers Core Game Profile Template 3O
Staff recommends this $3 game with a top prize of $20,000. Overall odds of winning are 1 in 3.73.

Scratchers Core Game Profile Template 3P
Staff recommends this $3 game with a top prize of $20,000. Overall odds of winning are 1 in 3.60.

Scratchers Core Game Profile Template 3Q
Staff recommends this $3 game with a top prize of $25,000. Overall odds of winning are 1 in 3.60.

Scratchers Core Game Profile Template 5A
Staff recommends this $5 game with a top prize of $100,000. Overall odds of winning are 1 in 3.67.

Scratchers Core Game Profile Template 5Q
Staff recommends this $5 game with a top prize of $100,000. Overall odds of winning are 1 in 3.45.

Scratchers Core Game Profile Template 5R20
Staff recommends this $5 game with a top prize of $2,000,000 and overall odds of winning are 1 in 3.68.

Scratchers Core Game Profile Template 5R25
Staff recommends this $5 game with a top prize of $2,000,000. Overall odds of winning are 1 in 3.51.

Scratchers Core Game Profile Template 5E
Staff recommends this $5 game with a top prize of $75,000. Overall odds of winning are 1 in 3.40.

Scratchers Core Game Profile Template 5S
Staff recommends this $5 game with a top prize of $100,000. Overall odds of winning are 1 in 3.48.

Scratchers Core Game Profile Template 10A
Staff recommends this $10 game with a top prize of $1,000,000. Overall odds of winning are 1 in 3.57.

Scratchers Core Game Profile Template 10A2
Staff recommends this $10 game with a top prize of $1,000,000. Overall odds of winning are 1 in 3.66.