

MEMORANDUM

Date: December 3, 2008

To: California State Lottery Commission

From: Joan M. Borucki

Director

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Legal Office

Subject: Item 9(b) – Lottery Regulation Amendments

ISSUE

Should the California State Lottery Commission (Commission) adopt proposed amendments to the California State Lottery Regulations (Regulations)?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission adopt the proposed amendments.

BACKGROUND

The proposed updates to the Regulations remove or revise unnecessarily restrictive language, allowing the Lottery to be more responsive to the marketplace and the needs of its customers.

DISCUSSION

The proposed updates to the Regulations address certain substantive issues. The corresponding substantive changes are shown below with citations from the Regulations that were approved October 15, 2008. Regulation language is italicized and deletions are shown as strikethrough and additions are underlined. The changes are:

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General Regulations

Summary- Procedures for handling technical interruptions for all Lottery draw games would be added.

Section I.2. at pg.23 (Interruption of Game):

- 2. If a draw is interrupted or disrupted due to system problems:
 - <u>a. The Director shall determine the appropriate corrective action to take. All tickets which were originally eligible for the draw shall remain eligible.</u>

Game Specific Regulations

Summary- The time period for investments that support annuitized prizes would be revised to more accurately reflect the reality of the investment process.

Section A.4.c. at pg. 30 (Lottery TV Show):

c. Investment of prize funds for annuity prizes won on the California Lottery television show will be made on the first business day following the draw that resulted in the prize award or as soon as feasible. Investment will be made pursuant to Lottery established policies and procedures.

Section G.4.a.(4)(b) at pg. 62 (SuperLOTTO Plus):

(b) Payment of Jackpot Prizes

Investment of prize funds in order to pay the SuperLOTTO Plus® jackpot shall be made on the first business day following the draw or as soon as feasible. Investments shall be made pursuant to Lottery established policies and procedures. Annuities shall be competitively bid but in no case shall the sum of the annuity payments be less than each winner's share of the jackpot.

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Operational Regulations

Summary- Deletions would be made to more accurately reflect California State Lottery Act language concerning the Lottery as a retailer.

Section C.10.a. at pg. 101 (Retailer):

- 10. LOTTERY SALES DIRECTLY TO THE PUBLICAS A RETAILER
 - a. The Lottery is authorized to distribute, disseminate, and sell Lottery tickets or shares directly to the public as part of promotions, promotional events, fairs, sponsorships, and similar activities conducted or participated in by the Lottery. The Lottery is not authorized to conduct on-going sales activities in direct competition with retailers.

Summary- Revisions would be made to increase the field of pre-approved vendors with which the Lottery may contract.

Section S.2.b.(3) at pg. 110 (Competitive Bidding Procedures):

(3) The goods or services are being acquired using a standard US General Services Administration Agreement or a State of California, Department of General Services Master Services Agreement, Multiple Award Schedule, Master Rental Agreement, or other such agreement, as authorized by law from time to time, which establishes a list of pre-qualified bidders who have agreed to contract terms and prices with a state, county, local or federal oversight agency.

The proposed amendments are attached in their entirety.