



INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

	Approved	Denied
To: J. Winston Krause, Chairman Carmen Arrieta-Candelaria, Commissioner Peggy A. Heeg, Commissioner Doug Lowe, Commissioner Robert Rivera, Commissioner		
From: Deanne Rienstra, Assistant General Counsel	RBB for DGR	
Date: October 13, 2016		
Re: Consideration of and possible discussion and/or action, including proposal, on amendments to 16 TAC §401.317 "Powerball®" On-Line Game Rule		

Attached for your consideration are proposed amendments to 16 TAC §401.317 "Powerball®" On-Line Game Rule. The purpose of the proposed amendments is to conform the Commission's rule to recent changes adopted by the Multi-State Lottery Association (MUSL) to clarify prize pool and reserve accounts, to update rule definitions, to clarify MUSL's use of the "MUSL Annuity Factor", and to clarify player remedies in the event of litigation arising out of a Powerball Play.

The submission prepared for the *Texas Register* includes a notice of public comment hearing to be held on the proposed amendments is at 10:00 a.m. on Wednesday, November 16, 2016.

Recommendation: Staff recommends the Commission initiate the rulemaking process by publishing the attached proposed rule amendments in the *Texas Register* in order to receive public comments for a period of 30 days.

1 The Texas Lottery Commission (Commission) proposes amendments to 16 TAC
2 §401.317 “Powerball®” On-Line Game Rule. The purpose of the proposed amendments is to
3 conform the Commission’s rule to recent changes adopted by the Multi-State Lottery Association
4 (MUSL) to clarify prize pool and reserve accounts, to update rule definitions, to clarify MUSL’s
5 use of the “MUSL Annuity Factor”, and to clarify player remedies in the event of litigation
6 arising out of a Powerball Play.

7 Kathy Pyka, Controller, has determined that for each year of the first five years the
8 amendments will be in effect, there will be no significant fiscal impact for state or local
9 governments as a result of the proposed amendments. There will be no adverse effect on small
10 businesses, micro businesses, or local or state employment. There will be no additional
11 economic cost to persons required to comply with the amendments, as proposed. Furthermore,
12 an Economic Impact Statement and Regulatory Flexibility Analysis is not required because the
13 amendments will not have an economic effect on small businesses as defined in Texas
14 Government Code §2006.001(2).

15 Michael Anger, Director of Lottery Operations, has determined that for each year of the
16 first five years the proposed amendments will be in effect, the public benefits anticipated are to
17 enhance defined terms for the public related to the “Powerball®” On-Line Game Rule and to
18 clarify recent prize pool and reserve account changes adopted by the Multi-State Lottery
19 Association (MUSL).

20 The Commission requests comments on the proposed amendments from any interested
21 person. Comments on the proposed amendments may be submitted to Deanne Rienstra,
22 Assistant General Counsel, by mail at Texas Lottery Commission, P.O. Box 16630, Austin,
23 Texas 78761-6630; by facsimile at (512) 344-5189; or by email at

1 *legal.input@lottery.state.tx.us*. The Commission will hold a public hearing on this proposal on
2 November 16, 2016 at 10:00 a.m., at 611 E. 6th Street, Austin, Texas 78701. Comments must be
3 received within 30 days after publication of this proposal in order to be considered.

4 These amendments are proposed under Texas Government Code §466.015(c), which
5 authorizes the Commission to adopt rules governing the operation of the lottery, §466.451, which
6 authorizes the Commission to adopt rules relating to a multi-jurisdiction lottery game, and
7 §467.102, which authorizes the Commission to adopt rules for the enforcement and
8 administration of the laws under the Commission's jurisdiction.

9 This proposal is intended to implement Texas Government Code Chapter 466.
10 §401.317. "Powerball®" On-Line Game Rule.

11 (a) Powerball. Powerball is a Multi-State Lottery Association (MUSL) on-line game offered by
12 all Lotteries that have agreed to MUSL's Powerball Group Rules. "Powerball" is authorized to be
13 conducted by the executive director under the conditions of the MUSL rules, the laws of the
14 State of Texas, this section, and under such further instructions, directives, and procedures as the
15 executive director may issue in furtherance thereof. In this regard, the executive director is
16 authorized to issue such further instructions and directives as may be necessary to conform the
17 conduct and play of Powerball to the requirements of the MUSL rules if, in the opinion of the
18 executive director, such instructions, directives, and procedures are in conformance with state
19 law. If a conflict arises between this section and §401.304 of this chapter (relating to On-Line
20 Game Rules (General)), this section shall have precedence. The purpose of the Powerball game
21 is the generation of revenue for MUSL Party Lottery members and Mega Millions Party
22 Lotteries participating under the Reciprocal Game Agreement, through the operation of a
23 specially designed multi-jurisdiction lottery game that will award prizes to ticket holders

1 matching specified combinations of numbers randomly selected in regularly scheduled drawings.
2 In addition to other applicable rules contained in Chapter 401, this section and definitions apply
3 unless the context requires a different meaning or is otherwise inconsistent with the intention of
4 the rules adopted by the MUSL or the MUSL Powerball Group. To be clear, the authority to
5 participate in the MUSL Powerball game is provided to the Texas Lottery by MUSL. The
6 conduct and play of Powerball must conform to the MUSL Powerball game.

7 (b) Definitions.

8 (1) "Agent" or "retailer" means a person or entity authorized by the Texas Lottery
9 Commission (TLC) to sell lottery Plays.

10 (2) A "Drawing" refers collectively to the formal draw event for randomly selecting the
11 winning numbers which determine the number of winners for each prize level of the Powerball
12 game and the Power Play multiplier.

13 (3) "Game board", "board", "panel", or "playboard" means that area of the playslip which
14 contains two sets of numbered squares to be marked by the player.

15 (4) "Game ticket" or "ticket" means an acceptable evidence of Play, which is a ticket
16 produced in a manner that meets the specifications defined in the MUSL rules or the rules of
17 each member or participating Selling Lottery (Ticket Validation), and is a physical
18 representation of the Play or Plays sold to the player.

19 (5) "MUSL" means the Multi-State Lottery Association, a government-benefit
20 association wholly owned and operated by the MUSL Party Lotteries.

21 (6) "MUSL Board" means the governing body of the MUSL, which is comprised of the
22 chief executive officer of each Party Lottery. "MUSL Finance and Audit Committee" shall mean
23 the committee of that name established by the MUSL Board.

1 (7) "MUSL Annuity Factor" shall mean the annuity factor as determined by the MUSL
2 central office through a method approved by the MUSL Finance and & Audit Committee and
3 which is used as described in this rule.

4 (8) "Party Lottery" means a state lottery or lottery of a political subdivision or entity that
5 has joined MUSL and is authorized to sell the Powerball game. "Licensee Lottery" shall mean a
6 state lottery or lottery of a governmental unit, political subdivision, or entity thereof that is not a
7 Party Lottery but has agreed to comply with all applicable MUSL and Product Group
8 requirements and has been authorized by the MUSL and by the Powerball Product Group to sell
9 the Powerball game. "Selling Lottery" or "Participating Lottery" shall mean a lottery authorized
10 by the Product Group to sell Powerball Plays, including Party Lotteries and Licensee Lotteries.

11 (9) "Play" means the six (6) numbers, the first five (5) from a field of sixty-nine (69)
12 numbers and the last one (1) from a field of twenty-six (26) numbers, that appear on a ticket as a
13 single lettered selection and are to be played by a player in the Powerball game.

14 (10) "Playslip" means an optically readable card issued by the Texas Lottery used by
15 players of Powerball to select Plays and to elect all features. There shall be five playboards on
16 each playslip. A playslip has no pecuniary value and shall not constitute evidence of ticket
17 purchase or of numbers selected.

18 (11) "Powerball Group" or "Product Group" means the MUSL member group of lotteries
19 which have joined together to offer the Powerball product pursuant to the terms of the Multi-
20 State Lottery Agreement and the Powerball Group's rules, including the MUSL Powerball
21 Drawing Procedures. In this rule, wherever either term is used it is referring to the MUSL
22 Powerball Group.

1 (12) "Prize" means an amount paid to a person or entity holding a winning ticket. "Grand
2 Prize" shall refer to the top prize in the Powerball game. "Advertised Grand Prize" shall mean
3 the estimated annuitized Grand Prize amount as determined by the MUSL Central Office by use
4 of the MUSL Annuity Factor and communicated through the Selling Lotteries prior to the Grand
5 Prize Drawing. The "Advertised Grand Prize" is not a guaranteed prize amount and the actual
6 Grand Prize amount may vary from the advertised amount.

7 (13) "Set Prize" or "low-tier prize" means all other prizes, except the Grand Prize, and,
8 except in instances outlined in this section, will be equal to the prize amount established by the
9 Product Group MUSL Board for the prize level.

10 (14) "Terminal" means a device authorized by a Selling Lottery to function in an on-line,
11 interactive mode with the gaming computer system for the purpose of issuing lottery tickets and
12 entering, receiving, and processing lottery transactions, including purchases, validating tickets,
13 and transmitting reports.

14 (15) "Winning Numbers" means the numbers randomly selected during a Drawing event
15 which shall be used to determine the winning Plays for the Powerball game contained on a game
16 ticket.

17 (c) Game Description.

18 (1) Powerball is a five (5) out of sixty-nine (69) plus one (1) out of twenty-six (26)
19 numbers (26) lottery game drawn every Wednesday and Saturday, as part of the Powerball
20 Drawing event, which pays the Grand Prize, at the election of the player made in accordance
21 with this rule, or by a default election made in accordance with this rule, either on an annuitized
22 pari-mutuel basis or as a single cash lump sum payment of the total funding cash held in the
23 Grand Prize Pool ~~for this prize pool~~ for the winning drawing on a pari-mutuel basis. Except as

1 provided in this section, all other prizes are paid on a single payment set cash basis. Powerball
2 Winning Numbers applicable to determine Powerball prizes will be determined in the Powerball
3 Drawing event. To play Powerball, a player shall select five (5) different numbers, from one (1)
4 through sixty-nine (69); and one (1) additional number from one (1) through twenty-six (26), or
5 request the retailer to generate a Quick Pick selection of numbers from the lottery terminal. The
6 additional number may be the same as one of the first five numbers selected by the player. Plays
7 can be purchased for two dollars (U.S. \$2.00), including any specific statutorily-mandated tax of
8 a Selling Lottery to be included in the price of a Play. Plays may be purchased from a Selling
9 Lottery approved sales outlet in a manner as approved by the Selling Lottery and in accordance
10 with MUSL Rules. The Drawing Procedures adopted by MUSL shall include procedures for
11 randomly selecting the Powerball game Winning Numbers and the Power Play multiplier.

12 (2) Claims. A ticket shall be the only proof of a game Play or Plays and is subject to the
13 validation requirements set forth in subsection (g) of this section. The submission of a winning
14 ticket to the issuing Selling Lottery or its authorized agent shall be the sole method of claiming a
15 prize or prizes. A playslip has no pecuniary or prize value and shall not constitute evidence of
16 Play purchase or of numbers selected. A terminal-produced paper receipt has no pecuniary or
17 prize value and shall not constitute evidence of Play purchase or of numbers selected.

18 (3) Cancellations Prohibited. A Play may not be voided or canceled by returning the
19 ticket to the selling agent or to the lottery, including tickets that are printed in error. A Selling
20 Lottery may develop an approved method of compensating retailers for Plays that are not
21 transferred to a player for a reason acceptable to the Selling Lottery. No Play that is eligible for a
22 prize can be returned to the lottery for credit. Plays accepted by retailers as returned Plays and
23 which cannot be re-sold shall be deemed owned by the bearer thereof.

1 (4) Player Responsibility. It shall be the sole responsibility of the player to verify the
2 accuracy of the game Play or Plays and other data printed on the ticket. The placing of Plays is
3 done at the player's own risk through the licensed sales agent who is acting on behalf of the
4 player in entering the Play or Plays.

5 (5) Entry of Plays. Plays may only be entered manually using the lottery retailer terminal
6 touch screen or by means of a playslip provided by the Texas Lottery and hand-marked by the
7 player or by such other means approved by the Texas Lottery. Retailers shall not permit the use
8 of facsimiles of playslips, copies of playslips, or other materials that are inserted into the
9 terminal's playslip reader that are not printed or approved by the Texas Lottery. Retailers shall
10 not permit any device to be connected to a lottery terminal to enter Plays, except as approved by
11 the Texas Lottery. A ticket generated using a selection method that is not approved by the Texas
12 Lottery is not valid. A selection of numbers for a Play may be made only if the request is made
13 in person. Acceptable methods of Play selection include:

14 (A) using a self-service terminal;

15 (B) using a playslip;

16 (C) using a previously-generated "Powerball" ticket provided by the player;

17 (D) requesting a retailer to use a Quick Pick to select numbers;

18 (E) requesting a retailer to manually enter numbers; or

19 (F) using a QR code generated through a Texas Lottery Mobile Application
20 offered and approved by the Texas Lottery.

21 (6) Subscription sales. A subscription sales program may be offered, at the discretion of
22 the executive director.

23 (d) Powerball Prize Pool.

1 (1) Powerball Prize Pool.

2 (A) The prize pool for all prize categories shall consist of fifty percent (50%) of
3 each Drawing period's sales, inclusive of any specific statutorily-mandated tax of a Selling
4 Lottery to be included in the price of a Play, and including contributions to the prize pool
5 accounts and prize reserve accounts.

6 (B) Powerball Prize Pool Accounts and Prize Reserve Accounts. The Product
7 Group shall set the contribution rates to the prize pool and to one or more prize reserve or pool
8 accounts established by the MUSL Powerball Group Rules.

9 (i) Prize Reserve Accounts. The Product Group has established the
10 following prize reserve accounts for the Powerball game: the Powerball Prize Reserve Account
11 (PRA), which is used to guarantee the payment of valid, but unanticipated, Grand Prize claims
12 that may result from a system error or other reason; and the Powerball Set Prize Reserve Account
13 (SPRA), which is used to fund deficiencies in low-tier Powerball prize payments, subject to the
14 limitations of the MUSL rules.

15 (ii) Prize Pool Accounts. The Product Group has established the following
16 prize pool accounts for the Powerball game: the Grand Prize Pool, which is used to fund the
17 current Grand Prize; the Powerball Set Prize Pool, which is used to fund the Powerball Set
18 Prizes; the Powerball Set-Aside Pool, which is used to fund the payment of the awarded
19 minimum starting annuity Grand Prizes and minimum annuity Grand Prize increase, if necessary
20 (subject to the limitations in the MUSL Powerball Group Rules), as may be set by the Product
21 Group; and the Grand Prize Carry Forward Pool (GPCFP), which is used to fund the starting
22 minimum annuity Grand Prize, as may be set by the Product Group, if such funds are available,
23 and if sales do not fund the Grand Prize. The Power Play Prize Pool ~~is and Power Play Pool~~

1 ~~Account~~ are described in subsection (k)(4) of this section. The Powerball Set Prize Pool shall
2 hold the temporary balances that may result from having fewer than expected winners in the
3 Powerball Set Prize (aka low-tier prize) categories and the source of the Powerball Set Prize Pool
4 is the Party Lottery's weekly prize contributions less actual Powerball Set Prize liability.

5 (iii) The above prize reserve accounts, the GPCFP and the Set-Aside Pool
6 shall have maximum balance amounts or balance limiter triggers that are set by the Product
7 Group and are detailed in the *Comments* to the MUSL Rule. The maximum balance amounts and
8 balance limiter triggers are subject to review by the MUSL Board Finance and Audit Committee.
9 The Finance and Audit Committee shall have two weeks to state objections, if any, to the
10 approved maximum balance amounts or balance limiter triggers. Approved maximum balance
11 amounts or balance limiter triggers shall become effective no sooner than two weeks after notice
12 is given to the Finance and Audit Committee and no objection is stated or sooner if the
13 Committee affirmatively approves the maximum balance amounts or balance limiter triggers.
14 The Group may appeal the Committee's objections to the full Board. Group approved changes in
15 the maximum balance amounts or balance limiter triggers set by the Product Group shall be
16 effective only after the next Grand Prize win.

17 (iv) The maximum contribution rate to the Grand Prize Pool shall be
18 68.0131% of the prize pool (34.0066% of sales). An amount up to five percent (5%) of a Party
19 Lottery's sales shall be deducted from a Party Lottery's Grand Prize Pool contribution and placed
20 in trust in one or more prize pool accounts and prize reserve accounts held by the Product Group
21 (hereinafter the "prize pool and reserve deduction") at any time that the prize pool accounts and
22 Party Lottery's share of the prize reserve accounts is below the amounts designated by the
23 Product Group. An additional amount up to twenty percent (20%) of a Party Lottery's sales shall

1 be deducted from a Party Lottery's Grand Prize Pool contribution and placed in trust in the
2 GPCFP to be held by the Product Group at a time as determined by the Product Group.
3 ~~Contributions to the GPCFP will terminate after the drawing on August 2, 2017, unless the~~
4 ~~Group votes to continue contributions to the GPCFP; such vote to continue contributions to the~~
5 ~~GPCFP shall take place no later than January 31, 2017.~~

6 (v) The Product Group may determine to expend all or a portion of the
7 funds in the Powerball prize pool accounts (except the Powerball Grand Prize Pool account and
8 the GPCFP) and the prize reserve accounts: (1) for the purpose of indemnifying the Selling
9 Lotteries for the payment of prizes to be made by the Selling Lottery; and, (2) for the payment of
10 prizes or special prizes in the game, limited to prize pool and prize reserve contributions from
11 lotteries participating in the special prize promotion, subject to the approval of the Board's
12 Finance and Audit Committee or that Committee's failure to object after given two weeks' notice
13 of the planned action, which actions may be appealed to the full MUSL Board by the Product
14 Group. The GPCFP may only be expended to fund the starting minimum annuity Grand Prize.

15 (vi) The prize reserve shares of a Party Lottery may be adjusted with
16 refunds to the Party Lottery from the prize reserve account(s) as may be needed to maintain the
17 approved maximum balance and sales percentage shares of the Party Lotteries.

18 (vii)(vi) A Party Lottery may contribute to its sales percentage share of
19 prize reserve accounts over time, but in the event of a draw down from a prize the reserve
20 account, a Party Lottery is responsible for its full sales percentage share of the prize reserve
21 account, whether or not it has been paid in full.

22 (viii)(vii) Any amount remaining in the Powerball prize pool accounts or
23 prize reserve accounts when the Product Group declares the end of this game shall be returned to

1 the lotteries participating in the accounts after the end of all claim periods of all Selling Lotteries,
 2 carried forward to a replacement game or otherwise expended in a manner at the election of the
 3 individual Members of the Product Group in accordance with jurisdiction statute.

4 (2) Expected Powerball Prize Payout Percentages. The Grand Prize payout shall be
 5 determined on a pari-mutuel basis. Except as otherwise provided in this section, all other prizes
 6 awarded shall be paid as single payment set cash prizes. All prize payouts are made with the
 7 following expected prize payout percentages, although the prize payout percentage per draw may
 8 vary:

Figure: 16 TAC §401.317(d)(2)

Number of Matches Per Play	Prize Payment	Prize Pool Percentage Allocated to Prize
All five (5) of first set plus one (1) of second set.	Grand Prize	68.0131%*
All five (5) of first set and none of second set.	\$1,000,000	8.5558%
Any four (4) of first set plus one (1) of second set.	\$50,000	5.4757%
Any four (4) of first set and none of second set.	\$100	0.2738%
Any three (3) of first set plus one (1) of second set.	\$100	0.6899%
Any three (3) of first set and none of second set.	\$7	1.2074%
Any two (2) of first set plus one (1) of second set.	\$7	0.9981%
Any one (1) of first set plus one (1) of second set.	\$4	4.3489%
None of first set plus one (1) of second set.	\$4	10.4373%

**The maximum contribution rate may include contributions to reserves and pools as described in this rule and the MUSL Powerball Group Rules.*

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1 (A) The prize money allocated to the Powerball Grand Prize category shall be
2 divided equally by the number of Plays winning the Powerball Grand Prize.

3 (B) Powerball Set Prize Pool Carried Forward. For Party Lotteries, the Powerball
4 Set Prize Pool (for single payment cash prizes of \$1,000,000 or less) shall be carried forward to
5 subsequent draws if all or a portion of it is not needed to pay the Powerball Set Prizes awarded in
6 the current draw.

7 (C) Pari-Mutuel Powerball Prize Determinations. Except as otherwise provided, if
8 the total of the Powerball Set Prizes (as multiplied by the respective Power Play multiplier, if
9 applicable) awarded in a Drawing exceeds the percentage of the prize pool allocated to the
10 Powerball Set Prizes, then the amount needed to fund the Powerball Set Prizes, including Power
11 Play prizes, awarded shall be drawn first from the amount available in the Powerball Set Prize
12 Pool and the Power Play Prize Pool, if any; second from the SPRA, if available, not to exceed
13 forty million dollars (\$40,000,000.00) per Drawing; and, third from other amounts as agreed to
14 by the Product Group in their sole discretion.

15 (D) If, after these sources are depleted, there are not sufficient funds to pay the Set
16 Prizes awarded, including Power Play Prizes, then the highest Set Prize shall become a pari-
17 mutuel prize. If the amount of the highest Set Prize, when paid on a pari-mutuel basis, drops to
18 or below the next highest Set Prize and there are still not sufficient funds to pay the remaining
19 Set Prizes awarded, then the next highest Set Prize, including Power Play prizes, shall become a
20 pari-mutuel prize. This procedure shall continue down through all Set Prize levels, if necessary,
21 until all Set Prize levels become pari-mutuel prize levels. In that instance, the money available
22 from the funding sources listed in this rule shall be divided among the winning Plays in

1 proportion to their respective prize percentages. Powerball Set Prizes and Power Play Prizes will
2 be reduced by the same percentage.

3 (E) By agreement, the Licensee Lotteries shall independently calculate their Set
4 Prize pari-mutuel prize amounts. The Party Lotteries and the Licensee Lotteries shall then agree
5 to set the pari-mutuel prize amounts for all lotteries selling the game at the lesser of the
6 independently-calculated prize amounts.

7 (e) Probability of Powerball Winning Plays. The following table sets forth the probability of
8 winning Plays and the probable distribution of winning Plays in and among each prize category,
9 based upon the total number of possible combinations in Powerball. The Set Prize Amount shall
10 be the prizes set for all Selling Lotteries unless prohibited or limited by a jurisdiction's statute or
11 judicial requirements.

Figure: 16 TAC §401.317(e)

Number of Matches Per Ticket	Probability Distribution		Probable/Set Prize Amount
	Winners	Probability	
All five (5) of first set plus one (1) of second set	1	1:292,201,338.0000	Grand Prize
All five (5) of first set and none of second set	25	1:11,688,053.5200	\$1,000,000
Any four (4) of first set plus one (1) of second set	320	1:913,129.1813	\$50,000

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Any four (4) of first set and none of second set	8,000	1:36,525.1673	\$100
Any three (3) of first set plus one (1) of second set	20,160	1:14,494.1140	\$100
Any three (3) of first set and none of second set	504,000	1:579.7646	\$7
Any two (2) of the first set plus one (1) of second set	416,640	1:701.3281	\$7
Any one (1) of the first set plus one (1) of the second set	3,176,880	1:91.9775	\$4
None of the first set plus one (1) of second set	7,624,512	1:38.3239	\$4
Overall	11,750,538	1:24.8671	

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2 (f) Powerball Prize Payment.

3 (1) Powerball Grand Prizes. The advertised Grand Prize in a Powerball game is not a
4 guaranteed amount; it is an estimated amount, and all advertised prizes, even advertised Set
5 Prizes, are estimated amounts. At the time of ticket purchase, a player must select a payment
6 option of either a single cash value payment or annuitized payments of a share of the Grand Prize
7 if the Play is a winning Play. If no selection is made, payment option will be as described in the
8 chart below:

Figure: 16 TAC §401.317(f)(1)

Terminal Type	Manual Entry	Playslip with No Payment Option Selected
GT1200 (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
GT1200C (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
GT Mini (Retailer Terminal)	Default to CVO; retailer toggles to choose Annuity.	Not Applicable.

Gemini (Self-service Terminal)	CVO only - designated on on- line game Quick Pick buttons.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
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(A) A player's selection of the payment option at the time of purchase from the Texas Lottery is final and cannot be revoked, withdrawn, or otherwise changed.

(B) Shares of the Grand Prize shall be determined by dividing the cash available in the Grand Prize Pool equally among all winning Plays of the Grand Prize. A player(s) who elects a cash value option payment shall be paid his/her share(s) in a single cash payment. The annuitized option prize shall be determined by multiplying the winning Play's share of the Grand Prize Pool by the annuity factor established in accordance with Texas law and the rules of the Texas Comptroller of Public Accounts. The MUSL Annuity Factor will not be used for Texas Lottery players. Neither MUSL nor any Selling Party Lottery shall be responsible or liable for changes in the advertised or estimated annuity prize amount and the actual amount purchased after the prize payment method is actually known to MUSL.

(C) In certain instances announced by the Powerball Group, the Grand Prize shall be a guaranteed amount and shall be determined pursuant to paragraph (6) of this subsection.

(D) If individual shares of the Grand Prize Pool funds ~~cash~~ held to fund an annuity is less than \$250,000.00, ~~\$250,000~~, the Powerball Group, in its sole discretion, may elect to pay the winners their share of the funds held in the Grand Prize Pool. All annuitized prizes shall be paid annually in thirty (30) payments with the initial payment being made in a single payment, ~~cash~~, to be followed by twenty-nine (29) payments funded by the annuity.

(E) All annuitized prizes shall be paid annually in thirty (30) graduated payments, as provided by the MUSL rules, (increasing each year) at a rate as determined by the MUSL

1 Product Group. Prize payments may be rounded down to the nearest one thousand dollars
2 (\$1,000).

3 (F) Funds for the initial payment of an annuitized prize or the lump sum cash
4 value option payment prize shall be made available by MUSL for payment by the Selling Lottery
5 no earlier than the fifteenth calendar day (or the next banking day if the fifteenth day is a
6 holiday) following the Drawing. If necessary, when the due date for the payment of a prize
7 occurs before the receipt of funds in the prize pool trust sufficient to pay the prize, the transfer of
8 funds for the payment of the full lump sum cash value option payment amount may be delayed
9 pending receipt of funds from the Selling Lotteries. ~~lotteries~~. The identification of the securities
10 to fund the annuitized prize shall be at the sole discretion of the State of Texas. If the State of
11 Texas purchases the securities, or holds the prize payment annuity for a Powerball prize won in
12 this state, the prize winner will have no recourse on the MUSL or any other Party Lottery for
13 payment of that prize.

14 (2) Payment of Prize Payments upon the Death of a Prize Winner. In the event of the
15 death of a prize winner, payments may be made in accordance with §401.310 of this chapter
16 (relating to Payment of Prize Payments Upon Death of Prize Winner), otherwise, payment of
17 prize payments will be made to the estate of a deceased prize winner in accordance with Texas
18 Government Code §466.406.

19 (3) Powerball Prize Payments. All prizes shall be paid through the Selling Lottery that
20 sold the winning Play(s). All low-tier cash prizes (all prizes except the Grand Prize) shall be paid
21 in cash or warrants in accordance with Texas statutes and these rules. A Selling Lottery may
22 begin paying low-tier cash prizes after receiving authorization to pay from the MUSL central
23 office.

1 (4) Powerball Prizes Rounded. Annuitized payments of the Grand Prize or a share of the
2 Grand Prize may be rounded to facilitate the purchase of an appropriate funding mechanism.
3 Breakage on an annuitized Grand Prize win shall be added to the first cash payment to the
4 winner or winners. Prizes other than the Grand Prize, which, under this section, may become
5 single-payment, pari-mutuel prizes, may be rounded down so that prizes can be paid in multiples
6 of whole dollars. Breakage resulting from rounding these prizes shall be carried forward to the
7 prize pool for the next Drawing.

8 (5) Powerball Prize Rollover. If the Grand Prize is not won in a Drawing, the prize
9 money allocated for the Grand Prize shall roll over and be added to the Grand Prize Pool for the
10 following Drawing.

11 (6) Funding of Guaranteed Powerball Prizes. The Powerball Group may offer guaranteed
12 minimum Grand Prize amounts or minimum increases in the Grand Prize amount between
13 Drawings or make other changes in the allocation of prize money where the Powerball Group
14 finds that it would be in the best interest of the game. If a minimum Grand Prize amount or a
15 minimum increase in the Grand Prize amount between Drawings is offered by the Powerball
16 Group, then the Grand Prize shares shall be determined as follows:

17 (A) If there are multiple Grand Prize winning Plays during a single Drawing, each
18 selecting the annuitized option prize, then a winning Play's share of the guaranteed annuitized
19 Grand Prize shall be determined by dividing the guaranteed annuitized Grand Prize by the
20 number of winning Plays.

21 (B) If there are multiple Grand Prize winning Plays during a single Drawing and
22 at least one of the Grand Prize ticket holders has elected the annuitized option prize, then the
23 MUSL Annuity Factor may be utilized to determine the cash pool. The cost of the annuitized

1 prize(s) will be determined at the time the annuity is purchased through a process as approved by
2 the MUSL Board. the best bid submitted by MUSL's pre-approved qualified brokers shall
3 determine the cash pool needed to fund the guaranteed annuitized Grand Prize. If the annuitized
4 option prize is selected by a Texas Lottery player, the amount shall be determined by multiplying
5 the winning Play's share of the Grand Prize Pool by the annuity factor established in accordance
6 with Texas law and the rules of the Texas Comptroller of Public Accounts. The MUSL Annuity
7 Factor will not be used for Texas Lottery players.

8 (C) If there are multiple Grand Prize winning Plays during a single Drawing, and
9 no claimant of the Grand Prize has elected the annuitized option prize, then the amount of cash in
10 the Grand Prize Pool shall be an amount equal to the guaranteed annuitized amount divided by
11 the MUSL Annuity Factor. ~~Changes in the allocation of prize money shall be designed to retain~~
12 ~~approximately the same prize allocation percentages, over a year's time, set out in the Powerball~~
13 ~~Group Rules.~~ Minimum guaranteed prizes or increases may be waived if the alternate funding
14 mechanism set out in subsection (d)(2)(D) of this section becomes necessary.

15 (7) Limited to Highest Powerball Prize Won. The holder of a winning Play may win only
16 one (1) prize per Play in connection with the Winning Numbers drawn, and shall be entitled only
17 to the prize won by those numbers in the highest matching prize category. All liabilities for a
18 Powerball prize are discharged upon payment of a prize claim.

19 (8) Powerball Prize Claim Period. Prizes must be claimed no later than 180 days after the
20 draw date.

21 (g) Ticket Validation. To be a valid Play and eligible to receive a prize, a Play's ticket shall
22 satisfy all the requirements established by the Texas Lottery for validation of winning tickets
23 sold through its computer gaming system and any other validation requirements adopted by the

1 Powerball Group, the MUSL Board, and published as the Confidential MUSL Minimum Game
2 Security Standards. The MUSL and the Selling Lotteries shall not be responsible for tickets
3 which are altered in any manner.

4 (h) Ticket Responsibility.

5 (1) Signature. Until such time as a signature is placed upon a ticket in the area designated
6 for signature, a ticket shall be owned by the bearer of the ticket. When a signature is placed on
7 the ticket in the place designated, the person whose signature appears in such area shall be the
8 owner of the ticket and shall be entitled (subject to the validation requirements in subsection (g)
9 of this section (Ticket Validation) and state or district law) to any prize attributable thereto.

10 (2) Multiple Claimants. The issue of multiple claimants shall be handled in accordance
11 with Texas Government Code Chapter 466 and §401.304 of this chapter.

12 (3) Stolen Tickets. The Powerball Group, the MUSL and the Party Lotteries shall not be
13 responsible for lost or stolen tickets.

14 (4) Prize Claims. Prize claim procedures shall be governed by the rules of the
15 Commission as set out in §401.304 of this subchapter and any internal procedures used by the
16 Texas Lottery. The MUSL and the Party Lotteries shall not be responsible for prizes that are not
17 claimed following the proper procedures as determined by the Selling Lottery. ~~lottery~~.

18 (i) Ineligible Players.

19 (1) A Play or share for a MUSL game issued by the MUSL or any of its Selling Lotteries
20 shall not be purchased by, and a prize won by any such Play or share shall not be paid to:

21 (A) a MUSL employee, officer, or director;

22 (B) a contractor or consultant under agreement with the MUSL to review the
23 MUSL audit and security procedures;

1 (C) an employee of an independent accounting firm under contract with MUSL to
2 observe drawings or site operations and actually assigned to the MUSL account and all partners,
3 shareholders, or owners in the local office of the firm; or

4 (D) an immediate family member (parent, stepparent, child, stepchild, spouse, or
5 sibling) of an individual described in subparagraphs (A), (B), and (C) of this paragraph and
6 residing in the same household.

7 (2) Those persons designated by a Selling Lottery's law as ineligible to play its games
8 shall also be ineligible to Play the Powerball MUSL game in that Selling Lottery's jurisdiction.

9 (j) Applicable Law.

10 (1) In purchasing a Play, as evidenced by a ticket, or attempting to claim a prize, the
11 purchasers and prize claimants agree purchaser agrees to comply with and abide by all applicable
12 laws, rules, regulations, procedures, and decisions of the Selling Lottery where the ticket was
13 purchased, and by directives and determinations of the director of that Party Lottery.

14 (2) A prize claimant agrees, as its sole and exclusive remedy, that claims arising out of a
15 Powerball Play can only be pursued against the Selling Lottery which issued the Play. Litigation,
16 if any, shall only be maintained within the jurisdiction in which the Powerball Play was
17 purchased and only against the Selling Lottery that issued the Play. No claim shall be made
18 against any other Participating Lottery or against the MUSL.

19 (3) Nothing in these Rules shall be construed as a waiver of any defense or claim the
20 Selling Lottery which issued the Play, any other Participating Lottery or MUSL may have in any
21 litigation, including in the event a player or prize claimant pursues litigation against the Selling
22 Lottery, any other Participating Lottery or MUSL, or their respective officers, directors or
23 employees.

1 (4) All decisions made by a Selling Lottery, including the declaration of prizes and the
2 payment thereof and the interpretation of Powerball Rules, shall be final and binding on all Play
3 purchasers and on every person making a prize claim in respect thereof, but only in the
4 jurisdiction where the Powerball Play was issued.

5 (5) Unless the laws, rules, regulations, procedures, and decisions of the Lottery which
6 issued the Play provide otherwise, no prize shall be paid upon a Play purchased, claimed or sold
7 in violation of the MUSL Powerball Rules or the laws, rules, regulations, procedures, and
8 decisions of that Selling Lottery; any such prize claimed but unpaid shall constitute an unclaimed
9 prize under these Rules and the laws, rules, regulations, procedures, and decisions of that Selling
10 Lottery.

11 (k) Powerball Special Game Rules: Powerball Power Play.

12 (1) Power Play Description. The Powerball Power Play is a limited extension of the
13 Powerball game and is conducted in accordance with the Powerball game rules and other lottery
14 rules applicable to the Powerball game except as may be amended herein. Power Play will begin
15 at a time announced by the Selling Lottery and will continue until discontinued by the lottery.
16 Power Play will offer to the owners of a qualifying Play a chance to increase the amount of any
17 of the eight Low-Tier Set Prizes (the Low-Tier prizes normally paying \$4 to \$1,000,000) won in
18 a Power Play Drawing. The Grand Prize is not a Set Prize and will not be increased.

19 (2) Qualifying Play. A qualifying Play is any single Powerball Play for which the player
20 pays an extra dollar for the Power Play option Play and which is recorded at the Selling Lottery's
21 computer gaming system as a qualifying Play.

22 (3) Prizes to be Increased. Except as provided in the MUSL Powerball game rules and
23 this section, these rules, a qualifying Play which wins one of the seven lowest Set Prizes

1 (excluding the Match 5 + 0) will be multiplied by the number drawn, either two (2), three (3),
 2 four (4), five (5), or sometimes ten (10), in a separate random Power Play Drawing announced
 3 during the official Powerball Drawing drawing show. The ten (10X) multiplier will be available
 4 for Drawings in which the initially advertised annuitized Grand Prize amount is one hundred
 5 fifty million dollars (\$150,000,000.00) or less. The announced Match 5+0 prize, for players
 6 selecting the Power Play option, shall be paid two million dollars (\$2,000,000.00) unless a higher
 7 limited promotional dollar amount is announced by the Powerball Group.

Figure: 16 TAC §401.317(k)(3)

Prize Amount	Regardless of Power Play number selected:					
Match 5+0	\$1,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00	\$2,000,000.00
	Prize Amount	10X	5X	4X	3X	2X
Match 4+1	\$50,000.00	\$500,000.00	\$250,000.00	\$200,000.00	\$150,000.00	\$100,000.00
Match 4+0	\$100.00	\$1,000.00	\$500.00	\$400.00	\$300.00	\$200.00
Match 3+1	\$100.00	\$1,000.00	\$500.00	\$400.00	\$300.00	\$200.00
Match 3+0	\$7.00	\$70.00	\$35.00	\$28.00	\$21.00	\$14.00
Match 2+1	\$7.00	\$70.00	\$35.00	\$28.00	\$21.00	\$14.00
Match 1+1	\$4.00	\$40.00	\$20.00	\$16.00	\$12.00	\$8.00
Match 0+1	\$4.00	\$40.00	\$20.00	\$16.00	\$12.00	\$8.00

8
 9 (4) Prize Pool.

10 (A) Power Play Prize Pool. The Power Play Prize Pool is created to be used to
 11 fund Power Play Prizes and shall hold the temporary balances that may result from having fewer
 12 than expected winners in the Power Play. The source of the Power Play Prize Pool is the Party
 13 Lottery's weekly prize contributions less actual Power Play Prize liability. In total, fifty percent
 14 (50%) of each draw's sales shall be collected and placed in the Power Play Prize Pool for the
 15 payment of prizes. combination with subsection (k)(4)(B) of this rule.

1 (i) In ~~in~~ Drawings where the ten (10X) multiplier is available, the
2 expected payout for all prize categories shall consist of up to forty-nine and nine hundred sixty-
3 nine thousandths percent (49.969%) of each Drawing period's sales, including any specific
4 statutorily mandated tax of a Selling Lottery to be included in the price of a lottery Play. In
5 drawings where the ten (10X) multiplier is not available, the expected payout for all prize
6 categories shall consist of up to forty-five and nine hundred thirty-four thousandths percent
7 (45.934%) of each Drawing period's sales, including any specific statutorily mandated tax of a
8 Selling Lottery to be included in the price of a lottery Play. ~~ticket.~~

9 (ii) In drawings where the ten (10X) multiplier is available, an
10 additional thirty-one thousandths percent (0.031%) of each drawing period's sales, including any
11 specific statutorily mandated tax of a Selling Lottery to be included in the price of a lottery
12 ticket, may be collected and placed in trust in the Power Play Prize Pool, for the purpose of
13 paying Power Play prizes. In drawings where the ten (10X) multiplier is not available, an
14 additional four and sixty-six thousandths percent (4.066%) of each drawing period's sales,
15 including any specific statutorily mandated tax of a Selling Lottery to be included in the price of
16 a lottery ticket, may be collected and placed in trust in the Power Play Prize Pool, for the purpose
17 of paying Power Play prizes.

18 (iii) The prize payout percentage per draw may vary. The Power
19 Play Prize Pool shall be carried forward to subsequent draws if all or a portion of it is not needed
20 to pay the Power Play Prizes ~~prizes~~ awarded in the current draw and held in the Power Play Prize
21 Pool. ~~Power Pool Account.~~

22 ~~(B) Power Play Pool Account. In Drawings when the ten (10X) multiplier is~~
23 ~~available, an additional thirty one thousandths of a percent (0.31%) of sales, including any~~

1 ~~specific statutorily mandated tax of a Selling Lottery to be included in the price of a lottery Play,~~
2 ~~may be collected and placed in trust in the Power Play Pool account, for the purpose of paying~~
3 ~~Power Play prizes. In drawing when the ten (10X) multiplier is not available, for and sixty-six~~
4 ~~hundredths percent (4.0066%) of sales, including any specific statutorily mandated tax of a~~
5 ~~Selling Lottery to be included in the price of a lottery Play, may be collected and placed in trust~~
6 ~~in the Power Play Pool account, for the purpose of paying Power Play prizes.~~

7 (B) End of Game. Any amount remaining in the Power Play Prize Pool ~~account~~
8 when the Powerball Group declares the end of this game shall be returned to the lotteries
9 participating in the account after the end of all claim periods of all Selling Lotteries, carried
10 forward to a replacement game, or otherwise expended in a manner at the election of the
11 individual Members of the Product Group in accordance with jurisdiction statute.

12 (C) Expected Prize Payout. Except as provided in this section, all prizes awarded
13 shall be paid as single payment cash prizes. Instead of the Powerball Set Prize amounts,
14 qualifying winning Plays of Power Play will pay the amounts shown in paragraph (3) of this
15 subsection, above. In certain rare instances, the Powerball Set Prize amount may be less than the
16 amount shown in Figure: 16 TAC §401.317(k)(3) ~~Figure: 16 TAC §401.317(d)(2)~~. In such case,
17 the eight lowest Power Play Prizes ~~prizes~~ will be changed to an amount announced after the
18 draw. For example, if the Match 4+1 Powerball Set Prize amount of \$50,000 becomes \$25,000
19 under the rules of the Powerball game, and a 5X Power Play Multiplier is drawn, then a Power
20 Play winning Play prize amount would win \$125,000.

21 (D) Probability of Power Play Numbers Being Drawn. The following table sets
22 forth the probability of the various Power Play numbers being drawn during a single Powerball
23 Power Play Drawing. The Powerball Group may elect to run limited promotions that may modify

1 the multiplier features. Power Play does not apply to the Powerball Grand Prize. Except as
 2 provided in subparagraph (C) of this paragraph, a Power Play Match 5 + 0 prize is set at two
 3 million dollars (\$2,000,000.00), regardless of the multiplier selected.

4 Figure: 16 TAC §401.317(k)(4)(D)

5 **When the 10x multiplier is available:**

Power Play	Probability of Prize Increase	Chance of Occurrence
10X (Prize Won Times 10)	1 in 43	2.3255%
5X (Prize Won Times 5)	2 in 43	4.6512%
4X (Prize Won Times 4)	3 in 43	6.9767%
3X (Prize Won Times 3)	13 in 43	30.2326%
2X (Prize Won Times 2)	24 in 43	55.8140%

6

7 **When the 10x multiplier is not available:**

Power Play	Probability of Prize Increase	Chance of Occurrence
10X (Prize Won Times 10)	0 in 42	0.0000%
5X (Prize Won Times 5)	2 in 42	4.7619%
4X (Prize Won Times 4)	3 in 42	7.1429%
3X (Prize Won Times 3)	13 in 42	30.9523%
2X (Prize Won Times 2)	24 in 42	57.1429%

8

Power Play does not apply to the Grand Prize. Except as provided in subparagraph (C), a Power Play Match 5 prize is set at two million dollars (\$2 million), regardless of the multiplier selected.

9

10 (5) Limitations on Payment of Power Play Prizes.

1 (A) Prize Pool Carried Forward. The prize pool percentage allocated to the Power
2 Play Set Prizes shall be carried forward to subsequent draws if all or a portion of it is not needed
3 to pay the Set Prizes awarded in the current draw.

4 (B) Pari-Mutuel Prizes--All Prize Amounts. If the total of the original Powerball
5 Set Prizes and the Power Play Prizes awarded in a drawing exceeds the percentage of the prize
6 pools allocated to the Set Prizes, then the amount needed to fund the Set Prizes (including the
7 Power Play prize amounts) awarded shall first come from the amount available in the Set Prize
8 Pool allocated to the Set Prizes and carried forward from previous draws, if any, second from the
9 Powerball Group's Set Prizes Reserve Account, if available, not to exceed forty million dollars
10 (\$40,000,000.00) per drawing, and third from other amounts as agreed to by the Powerball
11 Group in their sole discretion.

12 (C) If, after these sources are depleted, there are not sufficient funds to pay the Set
13 Prizes awarded (including Power Play prize amounts), then the highest Set Prize (including the
14 Power Play prize amounts) shall become a pari-mutuel prize. If the amount of the highest Set
15 Prize, when paid on a pari-mutuel basis, drops to or below the next highest Set Prize and there
16 are still not sufficient funds to pay the remaining Set Prizes awarded, then the next highest Set
17 Prize, including the Power Play prize amount, shall become a pari-mutuel prize. This procedure
18 shall continue down through all Set Prizes levels, if necessary, until all Set Prize levels become
19 pari-mutuel prize levels. In that instance, the money available from the funding sources listed in
20 this section shall be divided among the winning Plays in proportion to their respective prize
21 percentages. Powerball and Power Play prizes will be reduced by the same percentage. By
22 agreement, the Licensee Lotteries shall independently calculate their set pari-mutuel prize
23 amounts, including the Power Play prize amounts. The Party Lotteries and the Licensee Lotteries

1 shall then agree to set the pari-mutuel prize amounts for all lotteries selling the game at the lesser
2 of the independently-calculated prize amounts.

3 (6) Prize Payment.

4 (A) Prize Payments. All Power Play prizes shall be paid in a single payment
5 through the Selling Lottery that sold the winning Play(s). A Selling Lottery may begin paying
6 Power Play prizes after receiving authorization to pay from the MUSL central office.

7 (B) Prizes Rounded. Prizes, which, under these rules, may become pari-mutuel
8 prizes, may be rounded down so that prizes can be paid in multiples of whole dollars. Breakage
9 resulting from rounding these prizes shall be carried forward to the prize pool for the next
10 Drawing.

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