

INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To: J. Winston Krause, Chairman
Carmen Arrieta-Candelaria, Commissioner
Doug Lowe, Commissioner
Robert Rivera, Commissioner

From: Deanne Rienstra, Special Counsel *DR*

Date: February 8, 2018

Re: Consideration of and possible discussion and/or action, including adoption, on amendments to 16 TAC §401.305 ("Lotto Texas" On-Line Game Rule)

Attached is a draft rule prepared for submission to the *Texas Register* to adopt amendments to 16 TAC §401.305 "Lotto Texas[®]" Draw Game Rule, with changes to the proposed text as published in the October 20, 2017, issue of the *Texas Register* (42 TexReg 5773) (also attached). In addition to extending the proposed implementation date for the new Lotto Texas[®] Winner Take All[®] (LTWTA) promotion to on or after September 7, 2018, the adopted version of the rule makes several clarification changes explicitly noted in the preamble, including changing the number of drawings for the LTWTA promotion from two weekly drawings (as proposed) to an optional one or two weekly drawings, which mirrors corresponding rule changes to implement the Powerball[®] Winner Take All[®] promotion that are also being presented to the Commission for adoption at the February 8 open meeting.

As in the proposed version, the amendments include language to facilitate the potential future sale of lottery tickets using Commission-approved third-party point-of-sale systems and updating how tickets are printed on such systems. Finally, the proposed amendments make conforming changes that match rule language to current Commission (and industry) practice and terminology, including changing the reference to the Lotto Texas game from "on-line" to "draw" and other clarifications of meanings and terms.

A public comment hearing was held on Wednesday, November 8, 2017. No individuals commented at the hearing. However, the Commission did receive written comments on the proposed amendments during the public comment period from a representative of the Kickapoo Traditional Tribe of Texas. These comments are summarized and addressed in the preamble to the attached draft rule amendments. No changes were made to the rule amendments in this proceeding based on the comments received.

Recommendation: Staff recommends the Commission adopt the attached rule amendments to 16 TAC §401.305 ("Lotto Texas" On-Line Game Rule).

1 The Texas Lottery Commission (Commission) adopts amendments to 16 TAC §401.305
2 “Lotto Texas[®]” Draw Game Rule, with changes to the proposed text as published in the October
3 20, 2017, issue of the *Texas Register* (42 TexReg 5773). In addition to extending the proposed
4 implementation date for the Lotto Texas[®] Winner Take All[®] (LTWTA) promotion to on or after
5 September 7, 2018, the adopted version of the rule makes the following changes: (1) clarifies that
6 Lotto Texas[®] and Lotto Texas With Extra![®] Play purchases are required to purchase a LTWTA
7 Play in subsection (i), paragraph (3); (2) clarifies that the LTWTA Play will be printed on a
8 separate ticket from the Lotto Texas[®] and Lotto Texas With Extra![®] Plays and allows flexibility
9 for the Commission to hold either one or two weekly Lotto Texas[®] Winner Take All[®] Drawings
10 in subsection (i), paragraph (4); (3) clarifies that advanced purchases are not available for the
11 LTWTA promotion in subsection (c), paragraph (4) and subsection (i), paragraph (6); (4) revises
12 language regarding proposed scheduling of the times and days for the drawings in subsection (i),
13 paragraph (6); (5) clarifies and provides examples of winning and non-winning LTWTA Play(s)
14 in subsection (i), paragraph (7); and (6) clarifies that the odds of winning the LTWTA Prize
15 depend on the highest prize level at which the LTWTA Prize is won in subsection (i), paragraph
16 (11).

17 The amendments also include language to facilitate the potential future sale of lottery
18 tickets using Commission-approved third-party point-of-sale systems, including updating how
19 tickets are printed on such systems. Finally, the proposed amendments make conforming changes
20 that match rule language to current Commission (and industry) practice and terminology, including
21 changing the reference to the Lotto Texas game from “on-line” to “draw” and other clarifications
22 of meanings and terms.

1 A public comment hearing was held on Wednesday, November 8, 2017, at 9:30 a.m., at
2 611 E. 6th Street, Austin, Texas 78701. No individuals were present at the hearing. However, the
3 Commission did receive written comments on the proposed amendments during the public
4 comment period from a representative of the Kickapoo Traditional Tribe of Texas.

5 COMMENT SUMMARY: None of the proposed amendments define the phrase
6 “Commission-approved third-party point-of-sale systems.” Nor do they define “third party point
7 of sales system” or “point of sale system” or any other part of this phrase that would tell the reader
8 what the term entails and what exact devices would be captured under it. Third-party point-of-
9 sale systems must be defined so the public understands the implications of the
10 regulations. Furthermore, the phrase “otherwise issued in a manner approved by the commission”
11 (used in reference to tickets issued by “Commission-approved third-party point-of-sale systems”)
12 provides no specificity at all about how a ticket may be issued by a third-party point-of-sale
13 system. The Commission should be precise and specifically set forth the manner in which a third-
14 party point-of-sale system will issue a ticket under these proposed regulations and clarify exactly
15 how that ticket will be used.

16 COMMISSION RESPONSE: As noted in the preamble to the rule proposal, one of the
17 purposes of the proposed amendments is to facilitate the potential future sale of lottery tickets on
18 Commission-approved third-party point-of-sale systems. These sales would occur in-lane at
19 traditional brick and mortar retail locations, such as grocery stores and chain retail stores, after
20 those retailers obtained a Texas Lottery sales agent license. Third-party point-of-sale systems
21 refers to the industry terminology used by these retailers to describe their self-contained equipment
22 that performs sales-related tasks at the in-lane check-out counter. These third-party point-of-sale

1 systems are basically cash registers at the checkout counter strictly utilized by the retailers' sales
2 clerks, and will not include any gambling device.

3 The proposed amendments differentiate the third-party point-of-sale systems from the
4 Texas Lottery dedicated lottery terminals currently used to sell draw game tickets. However, the
5 third-party point-of-sale systems will only perform lottery-related tasks currently performed on
6 Texas Lottery dedicated lottery terminals; in other words, the third-party systems will never do
7 more than what a dedicated lottery terminal can do. The proposed amendments also differentiate
8 the draw game ticket printing process used by the dedicated lottery terminals from the process that
9 may be used on a third-party system. Each retailer may have its own proprietary point-of-sale
10 system, so the Commission cannot define with specificity the exact hardware or software on which
11 these draw game tickets may be sold or printed. The proposed amendments therefore provide that
12 any third-party system and its method of issuing tickets must have Commission approval before
13 being used to print and sell Texas Lottery draw game tickets to ensure compliance with the
14 Commission's lottery security and integrity requirements.

15 To make the proposed amendments more clear on these points, on December 7, 2017, in a
16 separate rulemaking proceeding to amend other lottery rules, the Commission adopted the
17 following definition in §401.301(50) ("General Definitions" rule): Third-party point-of-sale
18 systems--Self-contained computerized equipment (not owned or operated by the commission or
19 lottery operator) that performs sales-related tasks at a licensed lottery ticket retailer's checkout
20 counter. Third-party point-of-sale systems do not include any gambling device. *See* 42 TexReg
21 7385, at 7388. Therefore, the Commission declines to make changes to the proposed amendments
22 in this proceeding in response to this comment.

1 These amendments are adopted under Texas Government Code §466.015(c), which
2 authorizes the Commission to adopt rules governing the operation of the lottery and §467.102,
3 which authorizes the Commission to adopt rules for the enforcement and administration of the
4 laws under the Commission's jurisdiction.

5 This adoption is intended to implement Texas Government Code Chapter 466.
6 §401.305. "Lotto Texas[®]" Draw Game Rule.

7 (a) Lotto Texas[®]. The executive director is authorized to conduct a game known as "Lotto Texas."
8 The executive director may issue further directives for the conduct of Lotto Texas that are
9 consistent with this rule. In the case of conflict, this rule takes precedence over §401.304 of this
10 title (relating to Draw Game Rules (General)). Lotto Texas consists of a base game for which
11 plays may be purchased for the opportunity to win prizes during drawings in accordance with this
12 section. Lotto Texas With Extra! [®] is an add-on feature that allows players who purchase this
13 feature to increase non-jackpot prize amounts. Lotto Texas[®] Winner Take All[®] (LTWTA) is a
14 promotional play option which offers the players who purchase this option the opportunity to win
15 the Lotto Texas Winner Take All Prize (LTWTA Prize) in a promotional drawing conducted in
16 accordance with this section.

17 (b) Definitions. In addition to the definitions provided in §401.301 of this title (relating to General
18 Definitions), and unless the context in this rule otherwise requires, the following definitions apply:

19 (1) Lotto Texas Play--A Lotto Texas Play refers to the selection of six different numbers
20 from 1 through 54 for one opportunity to win a prize in the Lotto Texas base game and the purchase
21 of a ticket evidencing that selection. A Lotto Texas With Extra! Play refers to a play purchased as
22 part of the Extra! feature fully described in subsection (g) of this section. A Lotto Texas Winner

1 Take All Play (LTWTA Play) refers to a play purchased as part of the LTWTA promotion fully
2 described in subsection (i) of this section.

3 (2) Playboard--A panel on a Playslip containing a field of 54 numbers for use in selecting
4 numbers for a Lotto Texas Play.

5 (3) Playslip--An optically readable card issued by the commission for use in selecting
6 numbers for one or more Lotto Texas Plays.

7 (4) Roll cycle--A series of drawings that ends when there is a drawing for which one or
8 more tickets are sold that match the six numbers drawn in the Lotto Texas base game drawing. A
9 new roll cycle begins with the next Lotto Texas base game drawing after one or more tickets are
10 sold that match the six numbers drawn in the drawing. The LTWTA promotion does not contribute
11 to increases in the Lotto Texas base game jackpot roll cycle.

12 (5) Lotto Texas Winner Take All Drawing (LTWTA Drawing)--The LTWTA Drawing
13 refers to the drawing event separate from the Lotto Texas base game drawing which determines
14 the winning combination of numbers for the LTWTA promotion. The numbers selected during the
15 Lotto Texas base game drawing will not be used to determine the winning combination of numbers
16 for the LTWTA Prize.

17 (6) Lotto Texas Winner Take All Prize (LTWTA Prize) – The LTWTA Prize refers to the
18 prize for the LTWTA promotion set forth in subsection (i) of this section. The LTWTA Prize is
19 determined by the sales of LTWTA Plays.

20 (c) Lotto Texas Plays and tickets.

21 (1) A Lotto Texas base game ticket may be sold only by a retailer and only at the location
22 listed on the retailer's license. A ticket sold by a person other than a retailer is not valid.

23 (2) The price of a single play for the Lotto Texas base game is \$1.

1 (3) A player may complete up to five playboards on a single playslip.

2 (4) A player may use a single playslip or other commission-approved method of play to
3 purchase the same Lotto Texas or Lotto Texas With Extra! play(s) for up to 10 consecutive
4 drawings, to begin with the next drawing after the purchase. Advanced purchases are prohibited
5 for the LTWTA promotion described in subsection (i).

6 (5) Acceptable methods to select numbers for a play may include:

7 (A) using a self-service terminal;

8 (B) using a playslip;

9 (C) requesting a retailer to use Quick Pick;

10 (D) requesting a retailer to manually enter numbers;

11 (E) using a previously-generated "Lotto Texas" ticket provided by the player; or

12 (F) using a QR code generated through a Texas Lottery Mobile Application offered
13 and approved by the commission.

14 (6) Playslips must be completed manually. A ticket generated from a playslip that was not
15 completed manually, or using a selection method that is not approved by the commission, is not
16 valid.

17 (7) A retailer may only accept a request for play using a commission-approved method of
18 play, and if the request is made in person.

19 (8) At the time of making a play, a player may select the option for payment of the cash
20 value or annuitized payments of a share of the jackpot if the play is a winning play. If no selection
21 is made, payment option will be as described in the chart below:

22

1 Figure: 16 TAC §401.305(c)(8)

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."
Gemini (Self-service Terminal)	CVO only - designated on draw game Quick Pick buttons.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
Third-party POS systems	CVO only-Quick Pick selections through authorized third-party systems.	N/A

2

3 (9) A retailer shall issue a ticket as evidence of one or more plays. A ticket must show the
 4 numbers selected for each play, the number of plays, the draw date(s) for which the plays were
 5 purchased, the cost of the ticket, the jackpot payment option, and the security and transaction serial
 6 numbers. Tickets must be printed on official Texas Lottery paper stock, or, for third-party point-
 7 of-sale systems approved by the commission, printed on paper stock or otherwise issued in a
 8 manner approved by the commission to provide tangible evidence of participation in a lottery
 9 game.

10 (10) A playslip, or any document other than a ticket issued as described in paragraph (9)
 11 of this subsection, has no monetary value and is not evidence of a play.

12 (11) It shall be the exclusive responsibility of the player to verify the accuracy of the
 13 player's selection(s) and other data printed on the ticket.

14 (12) An unsigned winning ticket is payable to the holder or bearer of the ticket if the ticket
 15 meets all applicable validation requirements.

16 (13) The executive director may authorize promotions in connection with Lotto Texas.

1 (d) Drawings.

2 (1) Lotto Texas base game drawings shall be held each week on Wednesday and Saturday
3 at 10:12 p.m. Central Time. The executive director may change the drawing schedule, if it is
4 deemed necessary.

5 (2) Six different numbers from 1 through 54 shall be drawn at each drawing.

6 (3) Numbers drawn must be certified by the commission in accordance with the
7 commission's draw procedures.

8 (4) The numbers selected in each drawing shall be used to determine all winning plays for
9 that drawing.

10 (5) Each drawing shall be witnessed by an independent certified public accountant. All
11 drawing equipment used shall be examined by a commission drawings representative and the
12 independent certified public accountant immediately before each drawing and immediately after
13 each drawing.

14 (e) Lotto Texas Advertised Jackpots. For the Lotto Texas base game drawing, the commission
15 shall approve a jackpot amount to be advertised in a manner prescribed by written procedure. The
16 advertised amount shall be an amount payable in 30 annual installments. To the extent that
17 advertised amount is based on projected sales, the projections shall be fair and reasonable. The
18 commission may approve an increase in the amount of the jackpot originally advertised for a
19 drawing if the increase is supported by reasonable sales projections and is prescribed by written
20 procedure.

21 (f) Lotto Texas Prizes. The following prizes are intended for the Lotto Texas base game drawing
22 only. These prizes do not apply to LTWTA promotional drawings.

23 (1) Jackpot prize (first prize).

1 (A) A person who holds a valid ticket for a play matching (in any order) the six
2 numbers drawn in a drawing is entitled to a share of the jackpot prize (first prize) for the drawing.

3 (B) The jackpot prize for a drawing is the greater of:

4 (i) 40.47 percent of the proceeds from Lotto Texas ticket sales for all
5 drawings in the roll cycle and any earnings on an investment of all or part of the proceeds from
6 ticket sales, paid in 30 annual installments; or

7 (ii) The amount advertised in accordance with subsection (e) of this section
8 as the estimated jackpot for the drawing, paid in 30 annual installments.

9 (C) Except as provided by subparagraph (F) of this paragraph, a person who is
10 entitled to a share of a jackpot prize and who opted for annualized installment payments, shall
11 receive payment in 30 annual installments.

12 (D) The first installment payment shall be made upon completion of commission
13 validation procedures. The subsequent 29 installment payments shall be made annually on the 15th
14 day of the month in which the applicable drawing occurred.

15 (E) The second through 29th installment payments shall be in equal amounts. The
16 first installment payment may be equal to or higher than the subsequent installment payments.

17 (F) If a person would otherwise receive total installment payments of \$2 million or
18 less, the commission shall pay the person, upon completion of all validation procedures, a single
19 payment in the amount of the cash value of those total installment payments. The cash value is the
20 cost on the first business day after the applicable drawing of funding those installment payments.

21 (G) A person who is entitled to a share of the jackpot and who selected the cash
22 value option, or for whom the cash value option was automatically selected shall receive the greater
23 of the following two amounts:

1 (i) a share of 40.47 percent of the proceeds from Lotto Texas ticket sales;

2 or

3 (ii) the cost on the day after the drawing of funding a share of installment
4 payments under subparagraph (B)(ii) of this paragraph.

5 (H) A payment under subparagraph (G) of this paragraph shall be made upon
6 completion of commission validation procedures.

7 (I) Any investment necessary to fund a jackpot prize shall be made on the first
8 business day after a drawing for which one or more tickets were sold that match the six numbers
9 drawn in the drawing.

10 (J) A claim for a jackpot prize must be presented at the Austin claim center.

11 (K) If 40.47 percent of the proceeds from Lotto Texas ticket sales is not sufficient
12 to pay a jackpot prize, the commission shall use funds from other authorized sources, including
13 the State Lottery Account as identified in Government Code, §466.355.

14 (2) Second prize.

15 (A) A person who holds a valid ticket for a play matching (in any order) five of the
16 six numbers drawn in a drawing is entitled to a share of the second prize for that drawing.

17 (B) The second prize consists of 2.23 percent of the proceeds from Lotto Texas
18 ticket sales for the drawing and any amounts carried forward under subparagraph (D) of this
19 paragraph.

20 (C) A payment made to a person for a share of the second prize for a drawing shall
21 be rounded to the closest whole dollar amount. An amount of exactly fifty cents shall be rounded
22 up to the nearest whole dollar amount.

1 (D) Any part of the second prize for a drawing that is not paid in prizes shall be
2 carried forward and shall become part of the second prize for the next drawing.

3 (3) Third prize.

4 (A) A person who holds a valid ticket for a play matching (in any order) four of the
5 six numbers drawn in a drawing is entitled to a share of the third prize for that drawing.

6 (B) The third prize consists of 3.28 percent of the proceeds from Lotto Texas ticket
7 sales for the drawing and any amounts carried forward under subparagraphs (C) and (D) of this
8 paragraph.

9 (C) A payment made to a person for a share of the third prize for a drawing shall
10 be rounded to the closest whole dollar amount. An amount of exactly fifty cents shall be rounded
11 up to the nearest whole dollar amount.

12 (D) Any part of the third prize for a drawing that is not paid in prizes shall be carried
13 forward and shall become part of the third prize for the next drawing.

14 (4) Fourth prize.

15 (A) A person who holds a valid ticket for a play matching (in any order) three of
16 the six numbers drawn in a drawing is entitled to a guaranteed prize of \$3.

17 (B) If 4.02 percent of the proceeds from Lotto Texas ticket sales is not sufficient to
18 pay all fourth prizes for a draw, the commission shall use funds from other authorized sources,
19 including the State Lottery Account as identified in Government Code, §466.355.

20 (C) To the extent that the total amount of fourth prizes for a drawing is less than
21 4.02 percent of the proceeds from ticket sales for the drawing, the difference shall be carried
22 forward to fund future fourth prize payments.

1 (5) A person may win only one prize per play per drawing. A player who holds a valid
2 ticket for a winning play is entitled to the highest prize for that play.

3 (6) A share of a prize is determined by dividing the prize by the number of winning plays
4 for that prize.

5 (7) Jackpot payment amounts are calculated on the first business day after the applicable
6 drawing. A claimant is not entitled to interest or other earnings on those amounts, regardless of
7 when the claim is actually presented and regardless of the dates on which payments are made.

8 (g) Lotto Texas With Extra!®.

9 (1) A Lotto Texas player may purchase the Extra! feature by paying an additional \$1 per
10 play at the time of his/her Lotto Texas base game ticket purchase.

11 (2) Extra! offers players a chance to increase the amount of any of the non-jackpot prizes
12 won in a Lotto Texas base game drawing, and to win a prize for matching two of the six numbers
13 drawn. The Extra! feature does not apply to a Lotto Texas base game jackpot prize (match six-of-
14 six) or the LTWTA Prize.

15 (3) A Lotto Texas Play that wins one of the non-jackpot prizes or matches two of the six
16 numbers drawn, and for which the player paid an additional \$1 for Extra!, shall be paid as follows:

17 Figure 16 TAC §401.305(g)(3)

18

Lotto Texas® Prizes	Extra! Guaranteed Prize Amount
Jackpot Prize or Match 6-of-6	Not applicable
Second Prize or Match 5-of-6	Second Prize Amount Plus \$10,000
Third Prize or Match 4-of-6	Third Prize Amount Plus \$100
Fourth Prize or Match 3-of-6	Fourth Prize Amount Plus \$10
Match 2-of-6	\$2

19
20 (h) Lotto Texas Jackpot information on commission website.

1 (1) After the commission has approved an advertised estimated annuitized jackpot under
2 subsection (e) of this section, the commission shall post the following information on the agency
3 website:

4 (A) the amount of ticket sales, if any, for previous drawings in the roll cycle;

5 (B) the amount of projected ticket sales for the upcoming drawing;

6 (C) investment information used to determine the advertised estimated jackpot; and

7 (D) other information used to determine the advertised estimated jackpot.

8 (2) After the commission determines that one or more tickets have been sold that match
9 the six numbers drawn in a drawing, the commission shall post on the agency website information
10 used to calculate the Lotto Texas base game jackpot prize.

11 (i) Lotto Texas[®] Winner Take All[®]. LTWTA is a promotional play option for the Lotto Texas
12 base game and is conducted in accordance with this Lotto Texas draw game rule.

13 (1) The promotion will begin at a time announced by the commission and will continue
14 until discontinued by the commission.

15 (2) This promotion will offer to the holders of a qualifying LTWTA Play a chance to win
16 the LTWTA Prize as a result of the selection of the winning combination of numbers in the
17 LTWTA Drawing.

18 (3) To participate in the LTWTA promotion, a player must first purchase a Lotto Texas
19 Play, as well as a Lotto Texas With Extra! Play, and then must pay an additional one dollar (\$1.00)
20 per LTWTA Play for each Lotto Texas Play and Lotto Texas With Extra! Play purchased.

21 (4) LTWTA is a six (6) out of fifty-four (54) play option promotion, to be drawn weekly
22 on Mondays and/or Thursdays, as determined by the executive director, and which pays a single
23 LTWTA Prize paid as a pari-mutuel single lump sum payment. The Lotto Texas base game

1 numbers selected by the player (or randomly generated as a Quick Pick selection) in the qualifying
2 purchase shall be used as the LTWTA Play numbers if the LTWTA promotion has been purchased.
3 The ticket evidencing the LTWTA Play shall conspicuously indicate the LTWTA Play numbers
4 and shall indicate the date of drawing(s) for which the LTWTA Play is applicable. This
5 information shall be on a separate ticket from the Lotto Texas Play and Lotto Texas With Extra!
6 Play.

7 (5) A LTWTA Drawing shall determine the winning combination of numbers for this
8 promotion. During the drawing, six (6) numbers shall be drawn from a set of fifty-four (54)
9 numbers, which shall constitute the winning combination of numbers.

10 (6) All LTWTA Play purchases shall qualify for the Drawing as indicated to the Player on
11 the ticket as recorded on the commission's lottery gaming system. LTWTA Play(s) shall qualify
12 for the next scheduled LTWTA Drawing, regardless of the date of the Drawing(s) for the
13 qualifying purchased Lotto Texas Plays. A LTWTA Play purchased before the close of sales on
14 the day of the scheduled LTWTA Drawing will be eligible for that day's Drawing, otherwise, the
15 LTWTA Play is eligible only for the next scheduled LTWTA Drawing. Advanced purchase for
16 consecutive LTWTA Drawings is not available for the LTWTA promotion. Examples: (a) If a
17 Player purchases one (1) Lotto Texas and Lotto Texas With Extra! Play applicable for the next
18 five (5) consecutive Lotto Texas Drawings, and selects the LTWTA option, the Player will receive
19 one (1) LTWTA Play for the next scheduled LTWTA Drawing in addition to the one (1) Lotto
20 Texas and Lotto Texas With Extra! Play for the next five (5) Lotto Texas Drawings. The purchase
21 price for this selection would be eleven dollars (\$11.00), reflecting ten dollars (\$10.00) for the five
22 (5) advanced purchased Lotto Texas and Lotto Texas With Extra! Plays, and one dollar (\$1.00)
23 for the LTWTA Play; (b) If a Player purchases two (2) Lotto Texas and Lotto Texas With Extra!

1 Plays applicable for the next five (5) consecutive Lotto Texas Drawings, and selects the LTWTA
2 option, the Player will receive two (2) LTWTA Plays for the next scheduled LTWTA drawing in
3 addition to the two (2) Lotto Texas and Lotto Texas With Extra! Plays for the next five (5) Lotto
4 Texas Drawings. The purchase price for this selection would be twenty-two dollars (\$22.00),
5 reflecting twenty dollars (\$20.00) for the five (5) advanced purchased Lotto Texas and Lotto Texas
6 With Extra! Plays, and two dollars (\$2.00) for the LTWTA Plays.

7 (7) The winning LTWTA Play(s) are determined as the play(s) matching the highest
8 LTWTA winning combination of numbers drawn in the applicable LTWTA Drawing (see
9 paragraph (10) of this subsection). There is only one LTWTA Prize for each LTWTA Drawing
10 and the LTWTA Prize will be divided on a pari-mutuel basis among all winning LTWTA Plays.
11 For instance, if a LTWTA Play matching five (5) of six (6) numbers is the highest level of matching
12 combination of numbers, then all Plays of that level will divide the entire LTWTA Prize, and all
13 remaining LTWTA Plays matching any combination of numbers will not qualify for a prize.

14 (8) The Lotto Texas With Extra! add-on feature is not applicable to the LTWTA
15 promotional drawings and prize.

16 (9) LTWTA Prize Pool. The prize pool for the LTWTA Prize shall consist of fifty percent
17 (50%) of each LTWTA Drawing period's sales of LTWTA Plays.

18 (10) LTWTA Expected Prize Payout Percentage and Winning Numbers Match
19 Determination.

20 (A) Pari-Mutuel Determination. The LTWTA Prize payout shall be determined on
21 a pari-mutuel basis. The LTWTA Prize awarded will consist of 100% of the allocated prize pool
22 and shall be paid as a single lump sum payment to the LTWTA Play(s) matching the most winning
23 numbers in a LTWTA Drawing as indicated below:

1 (i) The LTWTA Prize will be paid to the holder(s) of the LTWTA Play(s)
2 that matches all six (6) of the numbers selected in the LTWTA Drawing.

3 (ii) If the LTWTA Prize has not been awarded under clause (i), then the
4 LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches five (5) of the
5 six (6) numbers selected in the LTWTA Drawing.

6 (iii) If the LTWTA Prize has not been awarded under clauses (i) or (ii),
7 then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches four
8 (4) of the six (6) numbers selected in the LTWTA Drawing.

9 (iv) If the LTWTA Prize has not been awarded under clauses (i) through
10 (iii), then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches
11 three (3) of the six (6) numbers selected in the LTWTA Drawing.

12 (v) If the LTWTA Prize has not been awarded under clauses (i) through (iv),
13 then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches two
14 (2) of the six (6) numbers selected in the LTWTA Drawing.

15 (vi) If the LTWTA Prize has not been awarded under clauses (i) through
16 (v), then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches
17 one (1) of the six (6) numbers selected in the LTWTA Drawing.

18 (vii) If all or a portion of the LTWTA Prize pool has not been awarded under
19 clauses (i) through (vi), then the prize pool shall be carried forward to the subsequent LTWTA
20 Drawing.

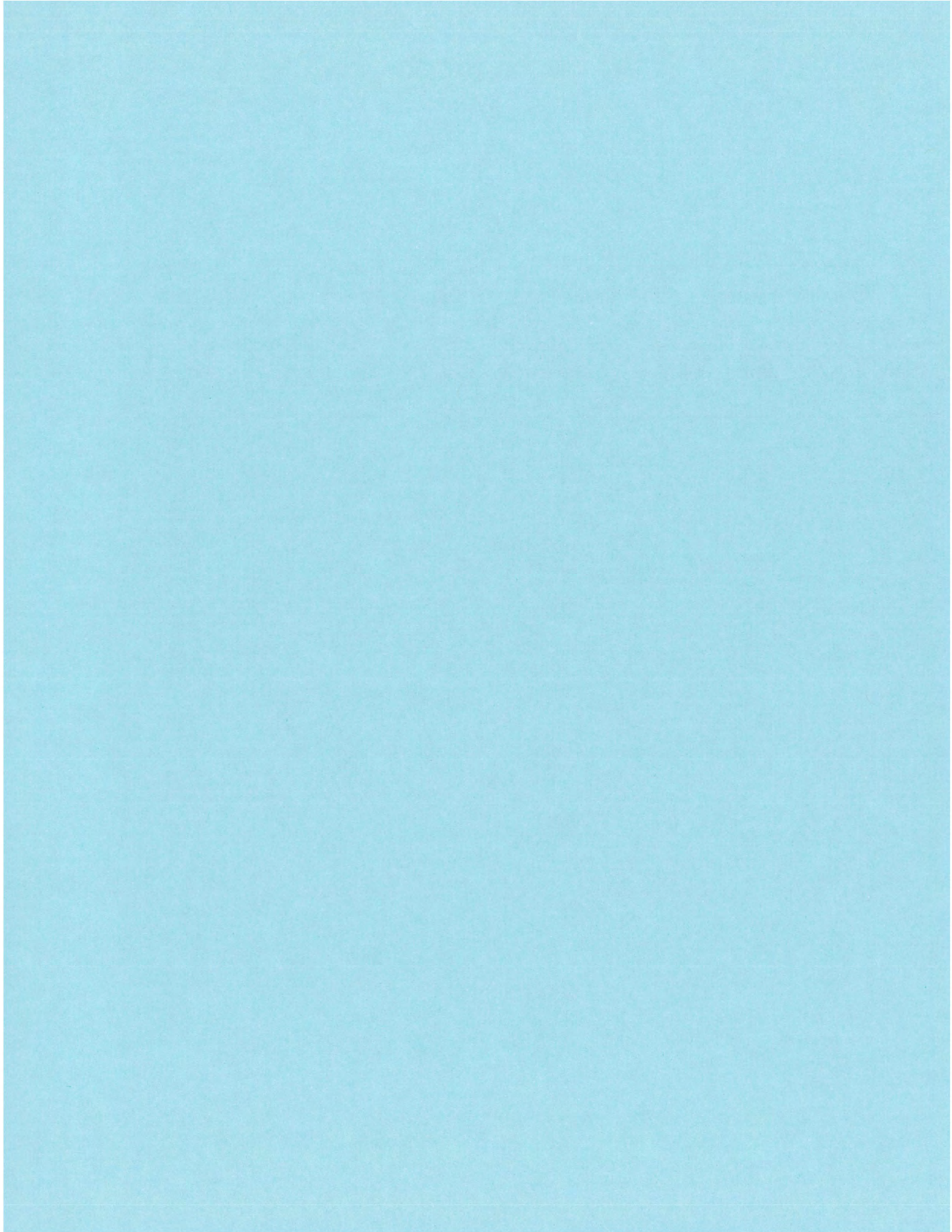
21 (B) LTWTA Prize Pool Allocation. The LTWTA Prize Pool money allocated to
22 the LTWTA Prize shall be divided on a pari-mutuel basis by the number of winning LTWTA
23 Plays.

1 (C) LTWTA Prize Rounded; Breakage Carried Forward. The LTWTA Prize is a
2 single prize that will be divided on a pari-mutuel basis among all holders of winning LTWTA
3 Plays and shall be rounded to the closest whole dollar amount. An amount of exactly fifty cents
4 shall be rounded up to the nearest whole dollar amount. A LTWTA Prize will never be less than
5 one dollar (\$1.00). Breakage resulting from rounding these prizes shall be carried forward to the
6 prize pool for the next LTWTA Drawing.

7 (11) LTWTA Probabilities. The odds of winning a prize in the LTWTA promotion depend
8 on the highest prize level at which the LTWTA Prize is won. As fully described in subparagraph
9 (10) above, the winning LTWTA Play(s) are determined as the LTWTA Play(s) matching the
10 highest LTWTA Winning Numbers drawn in the applicable Drawing. The following table sets
11 forth the probability of a LTWTA Play matching the winning numbers from the LTWTA Drawing.

Number of Matches Per LTWTA Play	Probability of Matching (Not a Probability of Winning)
6 of 6	1:25,827,165
5 of 6	1:89,678
4 of 6	1:1,526
3 of 6	1:75
2 of 6	1:9
1 of 6	1:3

12



(b) [Each retailer shall offer for sale to the public at all times at least two instant games, provided that the commission makes available at least two games.] The executive director may prohibit a retailer from using a method of marketing lottery games other than those methods provided by the commission.

(c) - (d) (No change.)

§401.364. Training.

Retailers shall be required to send at least one person to lottery training to be conducted by the commission and/or the lottery operator. All expenses or costs of attendance by employees of a retailer shall be paid by such retailer, including, but not limited to, costs of salaries, travel, lodging, meals, and materials. If employees of a retailer have previously attended lottery training, the commission may not require attendance of such employees. In this event, the retailer shall certify to the commission that at least one employee at the retailer's location has previously attended lottery training. Additionally, the commission may require a retailer to participate in [attend] lottery training as determined by the commission. [at any time if the executive]

§401.370. Retailer's Financial Responsibility for Lottery Tickets Received and Subsequently Stolen or Lost.

(a) (No change.)

(1) Available--The status in the lottery management system for a pack of scratch [instant] tickets that is stored in the scratch [instant] ticket distribution warehouse and is available to be assigned to a retailer's account. Scratch [Instant] tickets in a pack in this status shall not be sold to the public and prizes contained in scratch [instant] tickets in the pack cannot be validated.

(2) Issued--The status in the lottery management system for a pack of scratch [instant] tickets that has been assigned to a retailer's account and is pending confirmation of delivery to the retailer's location. Scratch [Instant] tickets in a pack in this status shall not be sold to the public and prizes contained in scratch [instant] tickets in the pack cannot be validated.

(3) Confirmed--The status in the lottery management system for a pack of scratch [instant] tickets that has been physically received at the retailer's location. A retailer is required to "confirm" receipt of a pack of scratch [instant] tickets upon delivery to the retailer's location. Scratch [Instant] tickets are confirmed using the lottery terminal located in the retailer's business location and the status is recorded in [on] the lottery management system. Scratch [Instant] tickets in a pack in this status shall not be sold to the public and prizes contained in scratch [instant] tickets in the pack cannot be validated.

(4) Active--The status in the lottery management system for a pack of scratch [instant] tickets that has been physically received at the retailer's location and that is being offered for sale to the public. A retailer is required to "activate" a pack of scratch [instant] tickets prior to selling the tickets to the public. A pack of scratch [instant] tickets is activated using the lottery terminal located in the retailer's location and the status is recorded on the lottery management system. A pack of scratch [instant] tickets shall be placed in this status prior to being sold to the public and prizes contained in scratch [instant] tickets in the pack may be validated.

(5) Settled--The status in the lottery management system for a pack of scratch [instant] tickets that has been physically received at the retailer's location, has been activated and the cost of the tickets in the pack has been or is being charged to the retailer's account. Scratch [Instant] tickets "settle" against a retailer's account and the value of the settled packs are swept from the retailer's [retailers'] bank account through an electronic funds transfer. Settled scratch [instant] tickets are recorded in the lottery management system. Scratch [Instant] tickets in

a pack in settled status may be sold to the public and prizes contained in scratch tickets [instant ticket] in the pack may be validated.

(6) Unactivated Scratch [Instant] Tickets--Unactivated scratch [instant] tickets are tickets in Available, Issued or Confirmed status. Unactivated tickets have never been activated or settled and no prizes have been validated. [for unactivated tickets.]

(b) (No change.)

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on October 9, 2017.

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Bob Biard

General Counsel

Texas Lottery Commission

Earliest possible date of adoption: November 19, 2017

For further information, please call: (512) 344-5012



SUBCHAPTER D. LOTTERY GAME RULES

16 TAC §401.305

The Texas Lottery Commission (Commission) proposes amendments to 16 TAC §401.305 "Lotto Texas" On-Line Game Rule. The purpose of the proposed amendments is to add Lotto Texas® Winner Take All®, a promotional play option the player may purchase for an additional one dollar (\$1.00), which will give player a chance to win the Lotto Texas Winner Take All Prize during bonus drawings. The bonus drawings for this promotion will be held on Mondays and Thursdays. The single prize, based upon the sales of the promotional play feature, will be divided equally among all holders of winning plays. The Commission anticipates the new Lotto Texas Winner Take All promotion to be implemented April 15, 2018.

The proposed amendments also include language to facilitate the potential future sale of lottery tickets using Commission-approved third-party point-of-sale systems, including updating how tickets are printed on such systems. Finally, the proposed amendments make conforming changes that match rule language to current Commission (and industry) practice and terminology, including changing the reference to the Lotto Texas game from "on-line" to "draw" and other clarifications of meanings and terms.

Kathy Pyka, Controller, has determined that for each year of the first five years the amendments will be in effect, there will be no significant fiscal impact for state or local governments as a result of the proposed amendments. There will be no adverse effect on small businesses or rural communities, micro businesses, or local or state employment. There will be no additional economic cost to persons required to comply with the amendments, as proposed. Furthermore, an Economic Impact Statement and Regulatory Flexibility Analysis is not required because the proposed amendments will not have an adverse economic effect on small businesses or rural communities as defined in Texas Government Code §2006.001(1-a) and (2).

Michael Anger, Director of Lottery Operations, has determined that for each year of the first five years the proposed amendments will be in effect, the public benefit anticipated is providing Texas Lottery players with notification of the changes to the

Lotto Texas game, specifically the addition of new Lotto Texas bonus drawings called Lotto Texas Winner Take All. The addition of Lotto Texas Winner Take All offers players who chose to participate in these bonus drawings the potential to win prizes in the additional drawings. Also, included in the anticipated public benefit is allowing for increased convenience for lottery ticket purchasers through the use of Commission-approved third-party point-of-sale systems, as well as a more understandable rule aligned with Commission practice.

The Commission requests comments on the proposed amendments from any interested person. Comments on the proposed amendments may be submitted to Deanne Rienstra, Assistant General Counsel, by mail at Texas Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630; by facsimile at (512) 344-5189; or by email at legal.input@lottery.state.tx.us. The Commission will hold a public hearing on this proposal on November 8, 2017, at 9:30 a.m., at 611 E. 6th Street, Austin, Texas 78701. Comments must be received within 30 days after publication of this proposal in the *Texas Register* in order to be considered.

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

This proposal is intended to implement Texas Government Code Chapter 466.

§401.305. "Lotto Texas®" Draw [On-Line] Game Rule.

(a) Lotto Texas®. The executive director is authorized to conduct a game known as "Lotto Texas." The executive director may issue further directives for the conduct of Lotto Texas that are consistent with this rule. In the case of conflict, this rule takes precedence over §401.304 of this title (relating to Draw [On-Line] Game Rules (General)). Lotto Texas consists of a base game for which plays may be purchased for the opportunity to win prizes during drawings in accordance with this section. Lotto Texas With Extra!® is an add-on feature that allows players who purchase this feature to increase non-jackpot prize amounts. Lotto Texas® Winner Take All® (LTWTA) is a promotional play option which offers the players who purchase this option the opportunity to win the Lotto Texas Winner Take All Prize (LTWTA Prize) in a promotional drawing conducted in accordance with this section.

(b) Definitions. In addition to the definitions provided in §401.301 of this title (relating to General Definitions), and unless the context in this rule otherwise requires, the following definitions apply: [When used in this rule, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise.]

(1) Lotto Texas Play--A Lotto Texas Play refers to the [The] selection of six different numbers from 1 through 54 for one opportunity to win a prize in the Lotto Texas base game and the purchase of a ticket evidencing that selection. A Lotto Texas With Extra! Play refers to a play purchased as part of the Extra! feature fully described in subsection (g) of this section. A Lotto Texas Winner Take All Play (LTWTA Play) refers to a play purchased as part of the LTWTA promotion fully described in subsection (i) of this section.

(2) Playboard--A panel on a Playslip containing a [A] field of 54 numbers [en a playslip] for use in selecting numbers for a Lotto Texas Play. [play-]

(3) Playslip--An optically readable card issued by the commission for use in selecting numbers for one or more Lotto Texas Plays. [plays-]

(4) Roll cycle--A series of drawings that ends when there is a drawing for which one or more tickets are sold that match the six numbers drawn in the Lotto Texas base game drawing. A new roll cycle begins with the next Lotto Texas base game drawing after [a drawing for which] one or more [jackpot] tickets are sold that match the six numbers drawn in the drawing. The LTWTA promotion does not contribute to increases in the Lotto Texas base game jackpot roll cycle.

(5) Lotto Texas Winner Take All Drawing (LTWTA Drawing)--The LTWTA Drawing refers to the drawing event separate from the Lotto Texas base game drawing and shall determine the winning combination of numbers for the LTWTA promotion. The numbers selected during the Lotto Texas base game drawing will not be used to determine the winning combination of numbers for the LTWTA Prize.

(6) Lotto Texas Winner Take All Prize (LTWTA Prize)--The LTWTA Prize refers to the prize for the LTWTA promotion set forth in subsection (i) of this section. The LTWTA Prize is determined by the sales of LTWTA Plays.

(c) Lotto Texas Plays and tickets.

(1) A Lotto Texas base game ticket may be sold only by a [an on-line] retailer and only at the location listed on the retailer's license. A ticket sold by a person other than a [an on-line] retailer is not valid.

(2) The price of a single play for the Lotto Texas base game is \$1.

(3) A player may complete up to five playboards on a single playslip.

(4) A player may use a single playslip or other commission-approved [Texas Lottery-approved] method of play to purchase the same play(s) for up to 10 consecutive drawings, to begin with the next drawing after the purchase.

(5) Acceptable methods to [A player may only] select numbers for a play may include:

(A) [by] using a self-service terminal;

(B) [by] using a playslip; [to select numbers;]

(C) [by] requesting a retailer to use Quick Pick; [to select numbers;]

(D) [by] requesting a retailer to manually enter numbers;

(E) [by] using a previously-generated "Lotto Texas" ticket provided by the player; or

(F) [by] using a QR code generated through a Texas Lottery Mobile Application offered and approved by the commission. [Texas Lottery-]

(6) Playslips must be completed manually. A ticket generated from a playslip that was not completed manually, or using a selection method that is not approved by the commission [Texas Lottery], is not valid.

(7) A [An on-line] retailer may only accept a request for play using a commission-approved [Texas Lottery-approved] method of play, and if the request is made in person.

(8) At the time of making a play, a player may select the option for payment of the cash value or annuitized payments of a share

of the jackpot if the play is a winning play. If no selection is made, payment option will be as described in the chart below:

Figure: 16 TAC §401.305(c)(8)

[Figure: 16 TAC §401.305(c)(8)]

(9) A [An on-line] retailer shall issue a ticket as evidence of one or more plays. A ticket must show the numbers selected for each play, the number of plays, the draw date(s) for which the plays were purchased, the cost of the ticket, the jackpot payment option, and the security and transaction serial numbers. Tickets must be printed on official Texas Lottery paper stock, or, for third-party point-of-sale systems approved by the commission, printed on paper stock or otherwise issued in a manner approved by the commission to provide tangible evidence of participation in a lottery game.

(10) A playslip, or any document other than a ticket issued as described in paragraph (9) of this subsection, has no monetary value and is not evidence of a play.

(11) It shall be the exclusive responsibility of the player to verify the accuracy of the player's selection(s) and other data printed on the ticket. [The purchaser is responsible for verifying the accuracy of the numbers and other selections shown on a ticket.]

(12) An unsigned winning ticket is payable to the holder or bearer of the ticket if the ticket meets all applicable validation requirements.

(13) The executive director may authorize promotions in connection with Lotto Texas.

(d) Drawings.

(1) Lotto Texas base game drawings shall be held each week on Wednesday and Saturday at 10:12 p.m. Central Time[; central time]. The executive director may change the drawing schedule, if it is deemed necessary.

(2) Six different numbers from 1 through 54 shall be drawn at each [Lotto Texas] drawing.

(3) Numbers drawn must be certified by the commission in accordance with the commission's draw [drawing] procedures.

(4) The numbers selected in each [a] drawing shall be used to determine all winning plays [winners] for that drawing.

(5) Each drawing shall be witnessed by an independent certified public accountant. All drawing equipment used shall be examined by a commission drawings representative and the independent certified public accountant immediately before each drawing and immediately after each drawing.

(e) Lotto Texas Advertised Jackpots. [jackpots:] For the Lotto Texas base game [each] drawing, the commission shall approve a jackpot amount to be advertised in a manner prescribed by written procedure. The advertised amount shall be an amount payable in 30 annual installments. To the extent that advertised amount is based on projected sales, the projections shall be fair and reasonable. The commission may approve an increase in the amount of the jackpot originally advertised for a drawing if the increase is supported by reasonable sales projections and is prescribed by written procedure.

(f) Lotto Texas Prizes. The following prizes are intended for the Lotto Texas base game drawing only. These prizes do not apply to LTWTA promotional drawings.

(1) Jackpot prize (first prize).

(A) A person who holds a valid ticket for a play matching (in any order) the six numbers drawn in a drawing is entitled to a share of the jackpot prize (first prize) for the drawing.

(B) The jackpot prize for a drawing is the greater of:

(i) 40.47 percent of the proceeds from Lotto Texas ticket sales for all drawings in the roll cycle and any earnings on an investment of all or part of the proceeds from ticket sales, paid in 30 annual installments; or

(ii) The amount advertised in accordance with subsection (e) of this section as the estimated jackpot for the drawing, paid in 30 annual installments.

(C) Except as provided by subparagraph (F) of this paragraph, a person who is entitled to a share of a jackpot prize and who opted for annualized installment payments, shall receive payment in 30 annual installments.

(D) The first installment payment shall be made upon completion of commission validation procedures. The subsequent 29 installment payments shall be made annually on the 15th day of the month in which the applicable drawing occurred.

(E) The second through 29th installment payments shall be in equal amounts. The first installment payment may be equal to or higher than the subsequent installment payments.

(F) If a person would otherwise receive total installment payments of \$2 million or less, the commission shall pay the person, upon completion of all validation procedures, a single payment in the amount of the cash value of those total installment payments. The cash value is the cost on the first business day after the applicable drawing of funding those installment payments.

(G) A person who is entitled to a share of the jackpot and who selected the cash value option, or for whom the cash value option was automatically selected shall receive the greater of the following two amounts:

(i) a share of 40.47 percent of the proceeds from Lotto Texas ticket sales; or

(ii) the cost on the day after the drawing of funding a share of installment payments under subparagraph (B)(ii) of this paragraph.

(H) A payment under subparagraph (G) of this paragraph shall be made upon completion of commission validation procedures.

(I) Any investment necessary to fund a jackpot prize shall be made on the first business day after a drawing for which one or more tickets were sold that match the six numbers drawn in the drawing.

(J) A claim for a jackpot prize must be presented at the Austin claim center.

(K) If 40.47 percent of the proceeds from Lotto Texas ticket sales is not sufficient to pay a jackpot prize, the commission shall use funds from other authorized sources, including the State Lottery Account as identified in Government Code, §466.355.

(2) Second prize.

(A) A person who holds a valid ticket for a play matching (in any order) five of the six numbers drawn in a drawing is entitled to a share of the second prize for that drawing.

(B) The second prize consists of 2.23 percent of the proceeds from Lotto Texas ticket sales for the drawing and any amounts carried forward under subparagraph (D) of this paragraph.

(C) A payment made to a person for a share of the second prize for a drawing shall be rounded to the closest whole dollar

amount. An amount of exactly fifty cents shall be rounded up to the nearest whole dollar amount.

(D) Any part of the second prize for a drawing that is not paid in prizes shall be carried forward and shall become part of the second prize for the next drawing.

(3) Third prize.

(A) A person who holds a valid ticket for a play matching (in any order) four of the six numbers drawn in a drawing is entitled to a share of the third prize for that drawing.

(B) The third prize consists of 3.28 percent of the proceeds from Lotto Texas ticket sales for the drawing and any amounts carried forward under subparagraphs (C) and (D) of this paragraph.

(C) A payment made to a person for a share of the third prize for a drawing shall be rounded to the closest whole dollar amount. An amount of exactly fifty cents shall be rounded up to the nearest whole dollar amount.

(D) Any part of the third prize for a drawing that is not paid in prizes shall be carried forward and shall become part of the third prize for the next drawing.

(4) Fourth prize.

(A) A person who holds a valid ticket for a play matching (in any order) three of the six numbers drawn in a drawing is entitled to a guaranteed prize of \$3.

(B) If 4.02 percent of the proceeds from Lotto Texas ticket sales is not sufficient to pay all fourth prizes for a draw, the commission shall use funds from other authorized sources, including the State Lottery Account as identified in Government Code, §466.355.

(C) To the extent that the total amount of fourth prizes for a drawing is less than 4.02 percent of the proceeds from ticket sales for the drawing, the difference shall be carried forward to fund future fourth prize payments.

(5) A person may win only one prize per play per drawing. A player who holds a valid ticket for a winning play is entitled to the highest prize for that play.

(6) A share of a prize is determined by dividing the prize by the number of winning plays for that prize.

(7) Jackpot payment amounts are calculated on the first business day after the applicable drawing. A claimant is not entitled to interest or other earnings on those amounts, regardless of when the claim is actually presented and regardless of the dates on which payments are made.

(g) Lotto Texas With Extra!®.

(1) A Lotto Texas player may purchase the Extra! feature by paying an additional \$1 per play at the time of his/her Lotto Texas base game ticket purchase.

(2) Extra! offers players a chance to increase the amount of any of the non-jackpot prizes won in a Lotto Texas base game drawing, and to win a prize for matching two of the six numbers drawn. The Extra! feature does not apply to a Lotto Texas base game jackpot prize (match six-of-six) or the LTWTA Prize.

(3) A Lotto Texas Play that wins one of the non-jackpot prizes or matches two of the six numbers drawn, and for which the player paid an additional \$1 for Extra!, shall be paid as follows:

Figure: 16 TAC §401.305(g)(3)

[Figure: 16 TAC §401.305(g)(3)]

(h) Lotto Texas Jackpot information on commission [Commission] website.

(1) After the commission has approved an advertised estimated annuitized jackpot under subsection (e) of this section, the commission shall post the following information on the agency website:

(A) the amount of ticket sales, if any, for previous drawings in the roll cycle;

(B) the amount of projected ticket sales for the upcoming drawing;

(C) investment information used to determine the advertised estimated jackpot; and

(D) other information used to determine the advertised estimated jackpot.

(2) After the commission determines that one or more tickets have been sold that match the six numbers drawn in a drawing, the commission shall post on the agency website information used to calculate the Lotto Texas base game jackpot prize.

(i) Lotto Texas® Winner Take All®. LTWTA is a promotional play option for the Lotto Texas base game and is conducted in accordance with this Lotto Texas draw game rule.

(1) The promotion will begin at a time announced by the commission and will continue until discontinued by the commission.

(2) This promotion will offer to the holders of a qualifying LTWTA Play a chance to win the LTWTA Prize as a result of the selection winning combination of numbers in the LTWTA Drawing.

(3) To participate in the LTWTA promotion, a player must first purchase a Lotto Texas Play, as well as a Lotto Texas With Extra! Play, and then must pay an additional one dollar (\$1.00) per LTWTA Play for each Lotto Texas Play purchased.

(4) LTWTA is a six (6) out of fifty-four (54) play option promotion, drawn every Monday and Thursday, which pays a single LTWTA Prize paid as a pari-mutuel single lump sum payment. The Lotto Texas base game numbers selected by the player (or randomly generated as a Quick Pick selection) in the qualifying purchase, shall be used as the LTWTA Play numbers if the LTWTA promotion has been purchased. The ticket evidencing the LTWTA Play shall conspicuously indicate the LTWTA Play numbers and shall indicate the date of drawing(s) for which the LTWTA Play is applicable. This information may be on the same ticket as the Lotto Texas base game play(s) or on a separate ticket, as determined by the commission.

(5) A LTWTA Drawing shall determine the winning combination of numbers for this promotion. During the drawing, six (6) numbers shall be drawn from a set of fifty-four (54) numbers, which shall constitute the winning combination of numbers.

(6) A purchased LTWTA Play shall qualify for the next scheduled LTWTA Drawing; advance purchases shall qualify for the drawings as indicated to the player on the ticket as recorded on the commission's lottery gaming system. For example, if a player purchases a qualifying LTWTA Play on a Thursday prior to the close of the LTWTA sales for that Thursday LTWTA Drawing, then the LTWTA play will qualify for that night's LTWTA Drawing (10:12 p.m., Central Time) and the Lotto Texas Play and Lotto Texas With Extra! Play will qualify for the next Lotto Texas base game drawing on Saturday; if the LTWTA Play is purchased on Thursday after the close of sales for the Thursday LTWTA Drawing, the Lotto Texas Play and Lotto Texas With Extra! Play will qualify for the next Lotto Texas base game drawing on Saturday and the LTWTA Play shall qualify for the next Monday LTWTA Drawing; if a Player purchases a qualifying LTWTA Play on a Sunday,

then the LTWTA play will qualify for the next LTWTA Drawing on Monday and the Lotto Texas Play and Lotto Texas With Extra! Play will qualify for the next Lotto Texas base game drawing on Wednesday.

(7) The winning LTWTA Play(s) are determined as the play(s) matching the highest LTWTA winning combination of numbers (see paragraph (10) of this subsection). There is only one LTWTA Prize for each LTWTA Drawing and the LTWTA Prize will be divided on a pari-mutuel basis among all winning LTWTA Plays.

(8) The Lotto Texas With Extra! add-on feature is not applicable to the LTWTA promotional drawings and prize.

(9) LTWTA Prize Pool. The prize pool for the LTWTA Prize shall consist of fifty percent (50%) of each LTWTA Drawing period's sales of LTWTA Plays.

(10) LTWTA Expected Prize Payout Percentage and Winning Numbers Match Determination.

(A) Pari-Mutuel Determination. The LTWTA Prize payout shall be determined on a pari-mutuel basis. The LTWTA Prize awarded will consist of 100% of the allocated prize pool and shall be paid as a single lump sum payment to the LTWTA Play(s) matching the most winning numbers in a LTWTA Drawing as indicated below:

(i) The LTWTA Prize will be paid to the holder(s) of the LTWTA Play(s) that matches all six (6) of the numbers selected in the LTWTA Drawing.

(ii) If the LTWTA Prize has not been awarded under clause (i) of this subparagraph, then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches five (5) of the six (6) numbers selected in the LTWTA Drawing.

(iii) If the LTWTA Prize has not been awarded under clause (i) or (ii) of this subparagraph, then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches four (4) of the six (6) numbers selected in the LTWTA Drawing.

(iv) If the LTWTA Prize has not been awarded under clauses (i) - (iii) of this subparagraph, then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches three (3) of the six (6) numbers selected in the LTWTA Drawing.

(v) If the LTWTA Prize has not been awarded under clauses (i) - (iv) of this subparagraph, then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches two (2) of the six (6) numbers selected in the LTWTA Drawing.

(vi) If the LTWTA Prize has not been awarded under clauses (i) - (v) of this subparagraph, then the LTWTA Prize will be awarded to the holder(s) of any LTWTA Play(s) that matches one (1) of the six (6) numbers selected in the LTWTA Drawing.

(vii) If all or a portion of the LTWTA Prize pool has not been awarded under clauses (i) - (vi) of this subparagraph, then the prize pool shall be carried forward to the subsequent LTWTA Drawing.

(B) LTWTA Prize Pool Allocation. The LTWTA Prize Pool money allocated to the LTWTA Prize shall be divided on a pari-mutuel basis by the number of winning LTWTA Plays.

(C) LTWTA Prize Rounded; Breakage Carried Forward. The LTWTA Prize is a single prize that will be divided on a pari-mutuel basis among all holders of winning LTWTA Plays and shall be rounded to the closest whole dollar amount. An amount of exactly fifty cents shall be rounded up to the nearest whole dollar amount. A LTWTA Prize will never be less than one dollar (\$1.00). Breakage resulting from rounding these prizes shall be carried forward to the prize pool for the next LTWTA Drawing.

(11) LTWTA Probabilities. The following table sets forth the probability of a LTWTA Play matching the winning numbers from the LTWTA Drawing.

Figure: 16 TAC §401.305(i)(11)

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on October 6, 2017.

TRD-201704023

Bob Biard

General Counsel

Texas Lottery Commission

Earliest possible date of adoption: November 19, 2017

For further information, please call: (512) 344-5012



16 TAC §401.317

The Texas Lottery Commission (Commission) proposes amendments to 16 TAC §401.317 "Powerball®" On-Line Game Rule. The purpose of the proposed amendments is to conform to the Commission's rule to recent changes adopted by the Multi-State Lottery Association (MUSL). These changes include offering Winner Take All®, a promotional play option the player may purchase for an additional one dollar (\$1.00), which will give the player a chance to win the Winner Take All® Prize during bonus drawings. The bonus drawings for this promotion will be held on Mondays and Thursdays. The single prize, based upon the sales of the promotional play feature, will be divided equally among all holders of winning plays. The proposed amendments also include language to facilitate the potential future sale of lottery tickets using Commission-approved third-party point-of-sale systems, including updating how tickets are printed on such systems. Finally, the proposed amendments make conforming changes that match rule language to current Commission (and industry) practice and terminology, including changing the reference to the Powerball game from "on-line" to "draw" and other clarifications of meanings and terms. The Commission anticipates the new Powerball game changes to be implemented April 15, 2018.

Kathy Pyka, Controller, has determined that for each year of the first five years the amendments will be in effect, there will be no significant fiscal impact for state or local governments as a result of the proposed amendments. There will be no adverse effect on small businesses or rural communities, micro businesses, or local or state employment. There will be no additional economic cost to persons required to comply with the amendments, as proposed. Furthermore, an Economic Impact Statement and Regulatory Flexibility Analysis is not required because the proposed amendments will not have an adverse economic effect on small businesses or rural communities as defined in Texas Government Code §2006.001(1-a) and (2).

Michael Anger, Director of Lottery Operations, has determined that for each year of the first five years the proposed amendments will be in effect, the public benefit anticipated is providing Texas Lottery players with notification of the changes to the Powerball game, specifically the addition of new Powerball bonus drawings called Winner Take All®. The addition of Winner Take All® offers players who chose to participate in these bonus drawings the potential to win prizes in the additional drawings. Also, included in the anticipated public benefit is allowing for

Figure: 16 TAC §401.305(c)(8)

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 <u>drawn</u> -line game Quick Pick buttons.	Playslip Rejected with message "Playslip Rejected. Select Payment Option."
Third-party POS systems	CVO only-Quick Pick selections through <u>authorized third-party systems</u> .	N/A

Figure 16 TAC §401.305(g)(3)

Lotto Texas® Prizes	Extra! Guaranteed Prize Amount
Jackpot Prize or Match 6-of-6	Not applicable
Second Prize or Match 5-of-6	Second Prize Amount Plus \$10,000
Third Prize or Match 4-of-6	Third Prize Amount Plus \$100
Fourth Prize or Match 3-of-6	Fourth Prize Amount Plus \$10
Match 2-of-6	\$2

Figure: 16 TAC 401.305(i)(11)

<u>Number of Matches Per LTWTA Play</u>	<u>Probability of Matching (Not a Probability of Winning)</u>
<u>6 of 6</u>	<u>1:25,827,165</u>
<u>5 of 6</u>	<u>1:89,678</u>
<u>4 of 6</u>	<u>1:1,526</u>
<u>3 of 6</u>	<u>1:75</u>
<u>2 of 6</u>	<u>1:9</u>
<u>1 of 6</u>	<u>1:3</u>