

Commission Order No.: \_\_\_\_\_

Date: \_\_\_\_\_

## TEXAS LOTTERY COMMISSION

### ORDER ADOPTING RULE

It is the Order of the Texas Lottery Commission (Commission) that new rule 16 TAC §401.305 relating to the Lotto Texas online game is adopted with changes to the proposed text as published in the December 9, 2005, issue of the Texas Register (30TexReg8247). The rule as adopted changes the proposed text of subsection (c)(3) to clarify the distinction between completing a playboard and purchasing a play. The rule as adopted adds subsection (f)(8) to clarify that there will be no further allocations to a Lotto Texas prize reserve fund. The rule as adopted changes the proposed text of subsection (f)(4)(B) to clarify that funds allocated to the Lotto Texas prize reserve fund will be depleted before other funds will be used to pay the fourth prize in a situation in which the total amount of the fourth prize for a drawing exceeds the amount of Lotto Texas ticket sales allocated for the fourth prize. In response to public comment, the rule as adopted changes the proposed text of subsections (f)(2)(C) and (f)(3)(C), to provide that second and third prize payments will be rounded to the nearest whole dollar, rather than being rounded down to the nearest whole dollar amount. The new rule is adopted concurrently with the adoption of the repeal of the existing 16 TAC § 401.305. The Commission is adopting a new rule, rather than adopting amendments to the existing rule, to change the structure of the rule so that the rule is easier to understand. Hereinafter, the term “new Lotto Texas rule” refers to the rule adopted by this action and made effective on April 23, 2006. The term “current Lotto Texas rule” refers to the rule in effect until April 23, 2006.

## **BACKGROUND AND PURPOSE**

In May 2003 the Commission changed the Lotto Texas game from a game with a 6-of-54 matrix to a game with a 5-of-44 matrix and a separate 1-of-44 bonus ball matrix. After that change, there was a decline in sales of Lotto Texas tickets.

In May 2005 the Commission conducted studies regarding the Lotto Texas game in McAllen, Dallas and Houston. Participants responded to specific questions on a questionnaire and also participated in moderated discussions about participants' likes and dislikes in connection with the current Lotto Texas game and in connection with possible changes to the game. The Commission posted a link to the questionnaire on its website to provide an opportunity for players throughout the state to participate in the studies. The studies indicated that players generally disliked the bonus ball and preferred a game in which they selected six numbers from a single matrix. Although the studies indicated that players would prefer a game without a bonus ball, the studies were inconclusive as to whether eliminating the bonus ball would lead to higher sales of Lotto Texas tickets. Participants also expressed the view that the 1-in-47,784,352 odds of winning the jackpot were too high.

The new Lotto Texas rule changes the current Lotto Texas rule by eliminating the separate bonus ball matrix. Subsections (b)(1) and (d)(2) of the new rule provide for a single 6-of-54 matrix. Under the new rule there will be a 1-in-25,827,165 chance that a play will match the six numbers drawn in a drawing. A return to a 6-of-54 matrix will allow Commission staff to respond to player dissatisfaction with the bonus ball and to carefully monitor sales to determine if sales improve with the elimination of the bonus ball. Staff will evaluate sales to determine what changes may need to be made to the game in the future.

The new Lotto Texas rule changes the current Lotto Texas rule by setting out a prize structure that corresponds to the new matrix. See section (f). The current Lotto Texas rule sets

out a prize structure that provides for prizes for the following matches: five of 44 and the bonus ball; five of 44 and not the bonus ball; four of 44 and the bonus ball; four of 44 and not the bonus ball; three of 44 and the bonus ball; three of 44 and not the bonus ball; two of 44 and the bonus ball; and one of 44 and the bonus ball. The new rule sets out a prize structure that provides prizes for matching three, four, five or six of the six numbers drawn. In connection with each draw, 40.47 percent of the proceeds from Lotto Texas ticket sales will be allocated to the 6-of-6 (jackpot) prize. The jackpot amount is to be divided evenly among all jackpot winners. If there is no winner, the amount allocated for the jackpot prize will become part of the jackpot prize for the next draw. The jackpot prize will be the greater of the total allocations from Lotto Texas ticket sales or the amount advertised. If the total allocations from Lotto Texas ticket sales are insufficient to pay an advertised jackpot, the Commission will first use the Lotto Texas prize reserve fund and then any other available source of funds. In connection with each draw, 2.23 percent of the proceeds from Lotto Texas ticket sales will be allocated to the 5-of-6 (second) prize. The allocation is to be divided evenly among all winners at that level. Prizes will be rounded to the nearest dollar. Any part of the second prize for a drawing that is not paid in prizes will be carried forward and will become part of the second prize for the next drawing. In connection with each draw, 3.28 percent of the percentage of the proceeds from Lotto Texas ticket sales will be allocated to the 4-of-6 (third) prize. The allocation is to be divided evenly among all winners at that level. Prizes will be rounded to the nearest dollar. Any part of the third prize for a drawing that is not paid in prizes will be carried forward and will become part of the third prize for the next drawing. The 3-of-6 (fourth) prize is \$3, and 4.02 percent of Lotto Texas ticket sales is allocated for the fourth prize. If that allocation is insufficient in connection with a particular draw, the Commission will first use the Lotto Texas prize reserve fund and then any other available source of funds.

The new Lotto Texas rule will change the current Lotto Texas rule by eliminating the concept of “prize pool.” The current Lotto Texas rule allocates a percentage of Lotto Texas ticket sales to a “prize pool” and then allocates a percentage of the “prize pool” to each prize level. The new rule eliminates the concept of “prize pool” and simply allocates a percentage of Lotto Texas tickets sales to each prize level. Commission rules define the term “prize pool” as the percentage of ticket sales that is allocated to prizes for a particular draw period. 16 T.A.C. § 401.301(43). The concept is not applicable in a game in which the amount of sales devoted to prizes in connection with a drawing varies over time because of guaranteed prizes. Also, the new Lotto Texas rule allows the Commission to draw on sources other than Lotto Texas ticket sales to fund prizes. For those reasons, the concept of “prize pool” as a percentage of sales is inapplicable to the new Lotto Texas rule.

The new Lotto Texas rule will change the current Lotto Texas rule by not allocating a percentage of proceeds from Lotto Texas ticket sales to a prize reserve fund. Previous versions of the Lotto Texas rule have allocated a portion of sales to a Lotto Texas prize reserve fund. The Commission has determined that this is an unnecessary accounting mechanism because the State Lottery Account is available for the payment of prizes for any game and there is therefore no need to segregate proceeds by game.

The new Lotto Texas rule will change the current Lotto Texas rule by providing for rounding to the nearest whole dollar amount, rather than rounding down to the nearest whole dollar amount.

As published in the Texas Register on December 9, 2005, paragraph (c)(3) of the proposed rule provided, “A player may use a single playslip to purchase up to five plays.” As adopted, paragraph (c)(3) provides, “A player may complete up to five playboards on a single

playslip.” The change was made to make the use of the term “play” consistent with the definition of the term in the new rule.

## **PUBLIC COMMENT**

The Texas Lottery Commission held a public comment hearing at 10 a.m. on Monday, December 19, in the Commission auditorium at 611 E. Sixth Street, Austin, Texas, to receive comment on the proposed Lotto Texas rule published on December 9, 2005, and the proposed repeal of 16 TAC § 401.305, as well as on other proposed rules, rule repeals, and rule amendments not adopted by this action. One person, Dawn Nettles, appeared to provide comments in opposition to the rule as published in the Texas Register on December 9, 2005. Ms. Nettles stated that the proposed game was certain to fail, particularly because the allocations to lower-tier prizes were too low. She noted that she had opposed two previous versions of Lotto Texas with a 6-of-54 matrix and that the lower-tier prize allocations in that version of the game were better than the lower-tier prize allocations in the proposed rule. Ms. Nettles restated her objections to the proposed rule in a poll posted on her website. She later forwarded to the Commission by fax more than 950 of the responses she had received to the poll.

In addition to the written comments forwarded by fax by Ms. Nettles, the Commission received more than 450 written comments through the Commission website and through the mail. One group, Lottery Dynamics, Inc., generally supported the new Lotto Texas rule, but made suggestions for language that would give the Commission more flexibility in making future enhancements to the game.

Many comments were the same as or similar to other comments. The following descriptions of comments and responses to comments may apply to a number of separate but similar comments, including the comments Ms. Nettles made at the public comment hearing and the comments from her website poll.

The comments included general support for the elimination of the bonus ball feature of the Lotto Texas game.

Some people opposed any change to the game. The Commission disagrees. Commission research has shown that the bonus ball is unpopular with players. No change was made in response to these comments.

Many people suggested that the game should have a matrix other than 6 of 54, with odds more favorable to players. People suggested various matrices, but many people suggested the matrix should be 6 of 50. The Commission does not agree. The Commission must take many factors into consideration when developing a game matrix. It is important for the Commission to balance overall odds, jackpot odds, prize structure and payout, and potential jackpot growth in order to have a financially successful game and to maintain player interest. After evaluating different options, the Commission has concluded that a 6-of-54 matrix is the most appropriate matrix at this time. No change was made in response to these comments.

Many people commented that the prizes other than jackpot prizes (“lower-tier prizes”) are too low. Some people said the game should have the same lower-tier prizes as the previous 6-of-54 Lotto Texas game. A number of people specifically said that the fourth prize should be \$5 rather than \$3. The Commission does not agree. Players expressed a preference for better odds of winning the jackpot prize. In order to maintain a game with attractively high jackpots, the proposed 6-of-54 matrix allocates a larger percentage of the sales to the jackpot prize category than did the previous 6-of-54 game, which existed from July 2000 through May 2003. In order to increase prize allocations for lower-tier prizes, a larger percentage of sales would have to be allocated to these prize tiers with less allocated to the jackpot tier. The Commission has concluded that allocating a sufficient percentage of sales to the jackpot prize tier to ensure

jackpot growth and eliminating the bonus ball are the changes most likely to keep and attract players. No change was made in response to these comments.

Many people made suggestions for changing the prize structure by, for example, including a prize for matching two of the six winning numbers; eliminating the prizes for matching three or four of the six winning numbers; capping the jackpot; awarding the jackpot allocation to lower-level winners if there is no jackpot winner for a particular draw; establishing a fixed jackpot; spreading out the jackpot; continuing a draw until there is a jackpot winner; allocating more money to the jackpot; allocating less money to the jackpot; setting a minimum jackpot; increasing starting jackpots; structuring the game to have lower jackpots and more winners; having a weekly jackpot winner; setting out a fixed rate of jackpot increases; or concentrating less on the jackpot amount. Some people opposed the fact that overall odds for winning a prize under the new Lotto Texas rule were less favorable to the players than the odds under previous versions of Lotto Texas. The Commission agrees that there are a number of possible prize structures and that it is important for the Commission to consider many different possibilities. Based on its research, however, the Commission has concluded that a prize structure with improved odds of winning a large jackpot is the appropriate prize structure at this time. The Commission will continue to research and evaluate various ideas for structuring prizes. No change was made in response to these comments.

Many people stated that the Commission should reinstate the original Lotto Texas rule. The Commission disagrees. The Commission has concluded that, at this time, the game set out in the new Lotto Texas rule has the appropriate combination of features. No change was made in response to these comments.

Some people commented that there should be no guaranteed prizes and that all prizes should be pari-mutuel. There are a number of ways to structure prizes for lottery games. The

new Lotto Texas rule provides for a guaranteed \$3 prize at the fourth-prize level. Retailers frequently pay this prize, and it places less burden on retailers to know that this frequent prize will always be a certain amount. Also, the guaranteed fourth prize establishes a base level prize amount so that players know the minimum prize. At the jackpot level, the rule guarantees that the jackpot prize will be no less than the advertised amount. Advertising jackpots is important to generating interest in and sales for the game, and the new Lotto Texas rule guarantees that players can be assured that the jackpot prize will be no less than the advertised amount. No change was made in response to these comments.

Some people opposed pari-mutuel prizes or said that prizes other than the fourth prize should be for a guaranteed amount. The Commission disagrees. The new Lotto Texas rule provides for guaranteed prizes in some circumstances, but the Commission has concluded that guaranteeing prizes at all levels in the Lotto Texas game creates an unacceptable level of uncertainty about prize liability. No change was made in response to these comments.

Some people stated that the “prize pool” should be set out in the rule. Commission rules define the term “prize pool” as the percentage of ticket sales that is allocated to prizes for a particular draw period. 16 T.A.C. § 401.301(43). The concept is not applicable in a game in which the amount of sales devoted to prizes varies over time because of guaranteed prizes. Under the new Lotto Texas rule the Commission may draw on sources other than ticket sales to fund prizes. For that reason the concept of “prize pool” as a percentage of sales is inapplicable. Although the rule does not allocate a percentage of ticket sales for prize payments in connection with each individual drawing, the agency’s independent statistician has determined that over the course of a year the payout for Lotto Texas should be at least 50 percent. No change was made in response to these comments.



Some people commented that there should be a guarantee that in connection with each draw that 50 percent of ticket sales will be allocated to prizes and that no money allocated to lower-tier prizes should be carried forward to the next draw. The Commission disagrees. Because the fourth prize is a fixed prize, the percentage of sales allocated to prizes in connection with each draw will vary. The agency's independent statistician has determined, however, that over the course of a year, the payout for Lotto Texas should be at least 50 percent. No change was made in response to these comments.

Some people suggested that more than 50 percent of sales should be allocated to prizes. Over the course of a year, the payout for Lotto Texas should be at least 50 percent. The Commission has concluded that the projected prize payout strikes the appropriate balance between making the game appealing to players and generating funds for the Foundation School Fund. No change was made in response to these comments.

Some people stated that prize payments should be not rounded down to the nearest whole dollar, and that either there should be no rounding, or prizes should be rounded up or down to the nearest dollar, not down to the nearest dollar. The Commission agrees with this comment. The rule as adopted provides for rounding to the nearest whole dollar amount.

One comment was that the time of Lotto Texas drawings should be changed. The new Lotto Texas rule does not change the substance of the provision in the current rule regarding time of drawings. Time of drawings was not a focus of this rulemaking process. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. No change was made in response to these comments.

Some people stated that players should not be required to select a payment option at the time of ticket purchase. The new Lotto Texas rule does not change the substance of the provisions in the current rule regarding jackpot payment options. Selection of jackpot payment

options was not a focus of the current rulemaking process. The Commission is researching this issue, however, and may address this issue in a future rulemaking process. No change was made in response to these comments.

One comment was that the ticket price should be 50 cents. The new Lotto Texas rule does not change the price of a Lotto Texas ticket. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. There is a 50-cent ticket available in the Pick 3 game. No change was made in response to these comments.

One comment was that multi-draw purchases for a full year should be allowed. The new Lotto Texas rule does not change the number of draws for which multi-draw purchase is available. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. No change was made in response to these comments.

One comment was that the Commission should add a multiplier feature to Lotto Texas. The addition of a multiplier feature was not a focus of this rulemaking process. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. No change was made in response to these comments.

One comment was that there should be a prize for selecting the bonus ball. The Commission does not agree. Players expressed a strong preference for eliminating the bonus ball altogether. No change was made in response to this comment.

Lottery Dynamics, Inc., commented that the jackpot should be defined in terms of a “base game jackpot prize” to give the Commission flexibility in adding future enhancements to the game. This concept was not a focus of this rulemaking process. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. No change was made in response to these comments.

Some people said that the Lotto Texas rule should include details on how the Commission calculates the amount a jackpot winner actually receives. In section (f), the rule sets out the basis on which the Commission calculates the amount a jackpot winner actually receives. Apparently the people who made this comment were expressing a desire that the rule include detail about how the Commission obtains information regarding investment of proceeds from ticket sales to fund 25 annual payments. This concept was not a focus of this rulemaking process. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. No change was made in response to these comments.

Some people said that the Commission changed games too frequently. Some people stated that changes were too costly to the state. The Commission disagrees. The Commission has changed the Lotto Texas matrix only three times since its inception in November 1992. The Commission believes it is important to make game changes when appropriate to maintain or develop player interest and ticket sales. The Commission attributes the continued success of the instant ticket games to changes that keep the games fresh and help maintain player interest. No change was made in response to these comments.

One comment was that the Commission should post the number of tickets sold for each drawing. This concept was not a focus of this rulemaking process. The Commission will continue to examine features of Lotto Texas that were not addressed in the current rulemaking process. No change was made in response to these comments.

One comment was that the overall odds of winning a prize cannot be better than the odds of winning any particular prize. The Commission disagrees. The overall odds of winning any prize are smaller than the odds of winning a particular prize. For example, in a 6-of-54 lottery, the odds of matching at least 3 of 54 numbers (overall odds) are smaller than the odds of

matching exactly 3 out of 54 (odds of winning a fourth prize). No change was made in response to these comments.

Some people interpreted the new Lotto Texas rule to mean that the third prize would be greater than the second prize. This is a misunderstanding of the rule. The percentage of ticket sales allocated to the third-prize level is greater than the percentage of ticket sales allocated the second-prize level because there are likely to be significantly more winners at the third-prize level. No change was made in response to these comments.

The comments also included comments about lottery games other than Lotto Texas; comments about Commission advertising; comments about drawing procedures and equipment, computerized drawings, holiday bonus drawings, and televising drawings; a comment recommending an independent players advocate; a comment recommending paying a larger percentage of sales to retailers; comments praising or criticizing lottery games in other states or countries; comments about legalizing casino gambling; negative comments about Commission personnel; negative comments about and suggestions for improving the quality of Commission management; assertions that the Commission is deceitful or dishonest and should avoid further scandal; comments that the Commission does not make adequate information available to the public; comments recommending thorough background checks of all people running lottery games; negative comments about other state agencies, specific politicians, specific political parties, or politicians in general; comments expressing a belief that the Commission should contract with Texas businesses; comments suggesting that ticket security should be improved; recommendations regarding a new executive director for the Commission; concerns that lottery revenue is not supporting schools or otherwise being used as expected; comments expressing a desire for better information about lottery sales and about how lottery revenue is being used; preferences for how lottery revenue should be used; a suggestion that Lotto Texas should be

eliminated entirely; comments expressing a preference that state-run lottery games be eliminated altogether; comments expressing concerns that winners were unfairly concentrated in certain parts of the state; complaints that in the past the Commission has not listened to what players want; complaints about previous rule changes; reminders about comments opposing previous rule changes; complaints that the lottery is no longer fun; complaints that lottery games are not fair; comments speculating that lottery games are rigged; comments indicating a preference for simplicity or transparency in rules; complaints about taxes on lottery winnings; comments expressing dissatisfaction with the fact that a payment of the present cash value jackpot is less than the total amount paid out in annual installments; comments expressing concern that Texas schools still have problems despite the existence of the lottery; comments advocating maximizing the amount of money that goes to education; comments expressing a desire for procedures under which players vote or otherwise establish game rules; complaints about the slow rate of jackpot growth in the recent past; complaints that games are not fair; complaints that there are too many lottery games; comments that only Texans or U.S. citizens should be allowed to play Texas lottery games; a comment expressing a desire for a longer period of time in which to claim a prize; a comment that employees of stores that sell lottery tickets should not be allowed to purchase lottery tickets; and other comments that did not address provisions of the Lotto Texas rule. These matters were not the focus of this rulemaking process. The Commission will continue to evaluate its performance in all areas in which it has authority to act. No change was made in response to these comments.

At a Commission meeting on February 27, 2006, the Commission solicited additional public comments from Ms. Nettles as well as from Ramon Rivera of GTECH Corporation. Both of them addressed matters that had been previously raised in public comment. In addition, Ms. Nettles suggested the possibility of lower starting jackpots or rolling the jackpot in smaller

increments. The new Lotto Texas rule does not address either of these issues. No change was made in response to these comments.

### **LEGAL CERTIFICATION**

The new section is adopted under Government Code, § 466.015, which authorizes the Commission to adopt all rules necessary to administer the State Lottery Act and to adopt rules governing the establishment and operation of the lottery, and under Government Code § 467.012, which authorizes the Commission to adopt rules for the enforcement and administration of the laws under the Commission's jurisdiction.

### **STATUTORY AUTHORITY**

The new rule implements Government Code, Chapter 466.

### **EFFECTIVE DATE**

Effective Date: April 23, 2006.

§ 401.305. "Lotto Texas" 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 On-Line Game Rules (General)).

(b) Definitions. When used in this rule, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise.

(1) Play--The selection of six different numbers from 1 through 54 for one opportunity to win in Lotto Texas and the purchase of a ticket evidencing that selection.

(2) Playboard--A field of 54 numbers on a playslip for use in selecting numbers for a Lotto Texas play.

(3) Playslip--An optically readable card issued by the commission for use in selecting numbers for one or more Lotto Texas 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 drawing. A new roll cycle begins with the next drawing after a drawing for which one or more jackpot tickets are sold that match the six numbers drawn in the drawing.

(c) Plays and tickets

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

(2) The price of a play is \$1.

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

(4) A player may use a single playslip to purchase the same play(s) for up to 10 consecutive drawings, to begin with the next drawing after the purchase.

(5) A person may select numbers for a play either:

(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; or

(D) by requesting a retailer to manually enter numbers.

(6) Playslips must be completed manually. A ticket generated from a playslip that was not completed manually is not valid.

(7) An on-line retailer may accept a request to manually enter selections or to make quick-pick selections only if the request is made in person.

(8) At the time of making a play, a person may select the option for payment of the cash value of a share of the jackpot if the play is a winning play.

(9) 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 jackpot payment option, and the security and transaction serial numbers. Tickets must be printed on official Texas Lottery paper stock.

(10) A playslip has no monetary value and is not evidence of a play.

(11) The purchaser is responsible for verifying the accuracy of the numbers and other selections shown on a ticket.

(12) The commission shall establish a time period before each drawing during which tickets may not be sold.

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

(d) Drawings

(1) Lotto Texas drawings shall be held each week on Wednesday and Saturday at 10:12 p.m., central time. The executive director may change the drawing schedule, if 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 drawing procedures.

(4) The numbers selected in a drawing shall be used to determine all 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) Advertised jackpots. For each drawing, the commission shall approve a jackpot amount to be advertised. The advertised amount shall be an amount payable in 25 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.

(f) Prizes

(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 25 annual installments; or

(ii) The amount advertised in accordance with subsection (e) of this section as the estimated jackpot for the drawing, paid in 25 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 did not opt to receive the cash value of the jackpot prize shall receive payment in 25 annual installments.

(D) The first installment payment shall be made upon completion of commission validation procedures. The subsequent 24 installment payments shall be made annually on the 15th day of the month in which the applicable drawing occurred.

(E) The second through 24th 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 shall receive the greater of the following two amounts:

(i) a share of 40.47 percent of total sales for the roll cycle; 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 sales proceeds and the Lotto Texas prize reserve fund are 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 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 of proceeds from Lotto Texas ticket sales and the Lotto Texas prize reserve fund are 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 of 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.

(8) There will be no allocations from Lotto Texas ticket sales to the Lotto Texas prize reserve fund.

(g) Jackpot information on Commission website

(1) After the commission has approved an advertised estimated 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 jackpot prize.

This agency hereby certifies that the adoption has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

---

C. TOM CLOWE, JR., CHAIRMAN

---

JAMES A. COX, JR., COMMISSIONER