

## NOTICES OF PROPOSED RULEMAKING

Unless exempted by A.R.S. § 41-1005, each agency shall begin the rulemaking process by 1st submitting to the Secretary of State's Office a Notice of Rulemaking Docket Opening followed by a Notice of Proposed Rulemaking that contains the preamble and the full text of the rules. The Secretary of State's Office publishes each Notice in the next available issue of the *Register* according to the schedule of deadlines for *Register* publication.

Under the Administrative Procedure Act (A.R.S. § 41-1001 et seq.), an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for adoption, amendment, or repeal of any rule. A.R.S. §§ 41-1013 and 41-1022.

### NOTICE OF PROPOSED RULEMAKING

#### TITLE 18. ENVIRONMENTAL QUALITY

#### CHAPTER 7. DEPARTMENT OF ENVIRONMENTAL QUALITY

#### REMEDIAL ACTION

#### PREAMBLE

1. **Section Affected**  
Article 4  
R18-7-401
- Rulemaking Action**  
New Article  
New Section
2. **The statutory authority for the rulemaking, including both the authorizing statute (general and the statutes the rules are implementing (specific)):**  
Authorizing statute: A.R.S. §§ 49-104(A)(17), 49-104(B)(17), and 49-104(C), and Laws 1997, Ch. 296  
Implementing statute: Laws 1997, Ch. 296, §§ 3(E) and (G), 10, and 11
3. **The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**  
Name: George Tsiolis or Martha Seaman  
Address: Arizona Department of Environmental Quality  
3033 North Central Avenue  
Phoenix, Arizona 85012  
Telephone: (602) 207-2222  
Fax Number: (602) 207-2251
4. **An explanation of the rule, including the agency's reasons for initiating the rule:**

The purpose of this proposed rulemaking is to implement Laws 1997, Ch. 296, which requires the Department to establish on an expedited basis a fee to support the processing and reviewing of submittals pertaining to remedial actions performed under the Greenfields Pilot Program. This proposed rulemaking is exempt from the requirements of A.R.S. Title 41, Ch. 6; however, Laws 1997, Ch. 296 requires this proposed rulemaking to include a preamble with a preliminary summary of economic, small business, and consumer impacts, and one public hearing on the proposed rulemaking preceded by two weeks' advance notice.

A. Background for this Proposed Expedited Fee Rule

In recent years, the Arizona Legislature has made efforts to encourage the redevelopment of underutilized properties located in urban or industrialized areas (so-called "brownfields" sites). These efforts include the authorization of risk-based soil remediation standards using nonresidential exposure assumptions (Laws 1995, Ch. 232), the qualified exemption of lenders and fiduciaries from liability for WQARF and LUST sites (Laws 1996, Ch. 177), and the authorization of the Department to enter into qualified agreements with prospective purchasers of brownfields sites which provide the purchaser with a written release, covenant not to sue, and immunity from contribution claims for any potential liability for existing contamination (Laws 1996, Ch. 177).

Laws 1997, Ch. 296 establishes the Greenfields Pilot Program, which is intended to encourage the voluntary remediation of up to 100 soil-contaminated brownfields sites. The pilot program provides this encouragement by removing direct departmental involvement in the voluntary remediation in favor of a delegated approach with limited departmental oversight. Under the program, a remediation specialist certified by the Arizona Board of Technical Registration performs the remediation, ensures that applicable remedial action criteria are met, and certifies that no further remediation work is necessary at the site through the submittal to the Department of a "no further action" letter. The Department, in turn, supervises the program by ensuring the specialist is eligible for participation in the program, by ascertaining that the site is eligible for remediation under the program, and by auditing a percentage of the Greenfield's sites to determine whether the remediations are consistent with appli-

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cable remedial action criteria.

Laws 1997, Ch. 296 requires the Department to finance its involvement in the program through the collection of a fee. Based on the effective date of Laws 197, Ch. 296, the Department anticipates that it will begin receiving Greenfields "no further action" letters requiring processing and review as early as August 15, 1997. The Department intends, therefore, to file a final expedited fee rule by that date. The final expedited fee rule will be based in part on comments regarding this proposal received in writing or orally at a public hearing (see Question #8 below). According to Laws 1997, Ch. 296, the final expedited fee rule will be effective until a permanent fee rule is filed in accordance with A.R.S. Title 41, Ch. 6.

The Department intends to formally propose the Greenfields permanent fee rule by mid-September 1997. The Department does not intend at present to propose additional rules relating specifically to the Greenfields Pilot Program, as the Department believes that the Greenfields session law is largely self-executing. However, the Department currently is examining the possibility of a single voluntary remediation program to address Greenfields remediations as well as voluntary remediations conducted pursuant to A.R.S. §§ 49-282.05 and 49-285(B). The Department may propose rules governing all voluntary remediations, as well as addressing the balance of the WQARF program amendments enacted in Laws 1997, Ch. 287, by late 1997 or early 1998.

**B. Specific Explanation of This Proposal**

Laws 1997, Chapter 296, § 10(A) establishes a Greenfields program fund that is to be financed through legislative appropriations and from the fee that is the subject of this proposed rulemaking. Section 10(B) identifies the legislative appropriations as being \$170,000 from the general fund into the Greenfields fund through fiscal year 1999. Section 10(E) requires the fee to be sufficient to finance the cost of implementing and administering the Greenfields Pilot Program. Based on the language of these provisions, the Department has determined that the initial \$170,000 are for start-up development of the Greenfields program, whereas the fee must cover the cost of implementing the program site-by-site.

Development of the program will include formulating procedures for ensuring the specialists and sites are eligible for participation in the Greenfields program, and for selecting remedial actions for auditing by the Department based upon the type of site and the level of contamination. Development also includes devising standard specialist certification forms, reporting forms, and notification forms to be used during a Greenfields remediation. Finally, development includes the rulemaking necessary to implement the Greenfields program.

Implementing the program site-by-site consists largely of departmental reaction to actions taken by the property owner and certified remediation specialist. At least 15 days prior to the performance of the voluntary remediation, the property owner and remediation specialist must submit an application to the Department which shows that the specialist is properly certified by the Board of Technical Registration and has adequate financial assurance based on the proposed scope of work. The application must also certify that the site in question has soil contamination that has not impacted groundwater and is one of the first 100 Greenfields sites. The property owner or specialist also must notify the public of the proposed remediation and submit a copy of the notice to the Department. The Department must process and review these submittals. If the Department determines that the specialist is qualified to perform the remediation and that the site is eligible for remediation under the Greenfields program, then the Department must notify the property owner or specialist not less than fifteen days after receiving the copy of the public notice that the specialist may begin the remediation. The Department must also identify which state environmental permits or approvals the property owner is not required to obtain during the performance of the remediation.

Following the performance of the remediation, the specialist must submit a "no further action" letter to the Department, a copy of the remediation report, and corresponding laboratory data packages. The Department must process and review this submittal. The specialist also must submit the Greenfields fee at this time, which the Department must process into the Greenfields program fund. Based on its review of the submittals, the Department must determine whether to conduct an audit of the remediation and, if necessary, must perform the audit within 180 days. The audit may include field inspection and soil sampling. The purpose of the audit is to determine whether the remediation was consistent with applicable remedial action criteria, as well as gather information generally to determine the efficacy of the pilot program. Based on the results of the audit, the Department may have to record a notice of revocation of the specialist's "no further action" letter and, if so, notify the Board of Technical Registration of the deficiencies in the remediation.

The Department has determined the fee for participating in the Greenfields Pilot Program will be \$2,200 per site. This fee is near the lower end of the range of fees charged by other states for participation in programs similar to the Greenfields program. The Department's assumptions behind the calculation of this fee and the reason for selecting one flat fee are presented in the preliminary summary of economic, small business, and consumer impacts below.

**5. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable.

**6. The preliminary summary of the economic, small business, and consumer impact:**

Summary

Laws 1997, Ch. 296 requires the Department to finance its involvement in the Greenfields Pilot Program through the collection of a fee. The Department has determined that the tasks involved in reviewing and processing Greenfields submittals and in performing an audit on a portion of the Greenfields sites is \$2,200 per site. The Department proposes to recover this cost by charging an equivalent fee of \$2,200 per Greenfields site, because charging one flat fee that spreads the cost of the site audits among all the sites will provide predictability which is necessary to encourage voluntary remediations of soil-contaminated

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brownfields sites. The alternative, which involves recovering the costs of performing a site audit only from those sites being audited, up to six months after the specialist's submission of the "no further action" letter, would result in an unplanned-for additional, significant financial burden on those persons who eventually are audited. The financial unpredictability in such an approach could discourage persons and small businesses in particular from performing a voluntary remediation under the Greenfields program.

The economic impact of this proposed rulemaking is positive. The benefits of the program's facilitation through the charging of the fee outweigh the cost of the fee, because the program provides an avenue to redevelopment and economic revitalization of a property that is expected to be faster and less costly than already-existing routes to remediation which involve more extensive departmental oversight and review.

- a. Identification of persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rule-making
1. Owners of the brownfields site -- These persons include individuals, private businesses, municipalities, and other political subdivisions of the state who desire to remediate a brownfields soil-contaminated site using a certified remediation specialist under the Greenfields Pilot Program. These persons will benefit from the proposed rulemaking, because it provides an avenue toward obtaining a "no further action" letter that is potentially faster, involves less departmental oversight, and therefore involves less departmental review cost as compared to performing the remediation under A.R.S. §§ 49-282.05(B) or 49-285(B).
  2. State agencies that are involved in the implementation of the program -- The Department will assign staff to react to actions taken and submittals received from the certified remediation specialist, as described in Question 4 above. The Office of Administrative Hearings and the Attorney General's Office may be involved in challenges to actions taken by the Department pursuant to the Greenfields program, such as a challenge to the Department's auditing of a Greenfields site or its revocation of a "no further action" letter based on the audit.
  3. Responsible parties as defined under A.R.S. § 49-283 -- These parties are persons who are responsible for the existing soil contamination at the brownfields site that is being remediated under the Greenfields Pilot Program. The extent of these persons' liability will be determined in part based on the remediation costs incurred by the property owner.
  4. Newspapers of general circulation in the county where the brownfields site being remediated under the Greenfields Pilot Program is located -- These entities will benefit from the requirement that the remediation specialist publish a notice of the planned remediation in their newspapers.
  5. General public -- Members of the general public will receive a substantial benefit from this rulemaking's facilitation of the redevelopment of soil-contaminated brownfields sites that are currently vacant, abandoned, or otherwise not realizing their full economic potential. Members of the public residing or working in the area of such sites will particularly benefit from the economic revitalization of the sites, from economic and quality-of-life standpoints. Taxpayers will benefit because facilitating private remediations under the Greenfields program will diminish the taxpayers' burden associated with public-financed remediations.
- b. Cost-benefit analysis

This cost-benefit analysis necessarily examines the costs and benefits of the program being financed by the fee that is the subject of this rulemaking, in addition to the costs and benefits of the fee itself.

1. Implementing agency -- The costs to the Department, the implementing agency, will be the costs of reacting and responding to submittals from the property owner and certified remediation specialist, the performance of audits on a portion of the sites remediated under the Greenfields program, and interaction with the Board of Technical Registration. The costs for implementing the Greenfields program are estimated as follows:

TABLE 1 - ESTIMATED TOTAL COSTS TO IMPLEMENT THE PROGRAM

	<u>Cost per Site</u>	<u>Extension</u>
100 Sites - Review and Processing	\$509 (see Table 2)	\$50,900
15 Audits by ADEQ, no Samples	\$2,461 (see Table 3)	\$36,915
10 Audits w/Contractor CRS, no Samples	\$3,363 (see Table 3)	\$33,360
10 Audits by ADEQ, w/Samples	\$6,552 (see Table 4)	\$65,520
5 Audits w/Contractor CRS, w/Samples	\$8,356 (see Table 4)	<u>\$41,780</u>
	ESTIMATED TOTAL	\$228,745
	ESTIMATED TOTAL AVERAGED PER SITE	<u>\$2,200</u>

CRS = certified remediation specialist

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TABLE 2 - ESTIMATED COST TO REVIEW AND PROCESS SUBMITTALS PER SITE  
 (NOT INCLUDING A SITE AUDIT)

Staff	Rate	Hours	Extension
Section Manager	\$59	0.25	\$15
Unit Manager	\$54	1.0	\$54
Project Manager	\$45	8.0	\$360
Clerk Typist III	\$20	4.0	\$80
ESTIMATED TOTALS		13.25	<b>\$509</b>

Hourly Rates are based on 66% utilization for manager/technical personnel and 72% for clerical as Laws 1997, Ch. 296 requires implementation of the program to be self-financed.

TABLE 3 - ESTIMATED COST TO PERFORM A FIELD AUDIT WITHOUT FIELD VERIFICATION (SAMPLES)

Staff	Rate	Hours	Extension
Section Manager	\$59	1.5	\$89
Unit Manager	\$54	6.0	\$324
Hydrologist IV(CRS)	\$56	8.0	\$448
Hydrologist III	\$50	8.0	\$400
Project Manager	\$45	24.0	\$1,080
Clerk Typist III	\$20	6.0	\$120
ESTIMATED TOTALS		53.5	<b>\$2,461</b>
(Substituting Contractor CRS)		(57.5)	<b>(\$3,363)</b>

CRS = certified remediation specialist

Hourly Rates are based on 66% utilization for manager/technical personnel and 72% for clerical as Laws 1997, Ch. 296 requires implementation of the program to be self-financed.

TABLE 4 - ESTIMATED COST TO PERFORM A FIELD AUDIT WITH FIELD VERIFICATION (SAMPLES)

Staff	Rate	Hours	Extension
Section Manager	\$59	2.0	\$118
Unit Manager	\$54	8.0	\$432
Hydrologist IV(CRS)	\$56	16.0	\$896
Hydrologist III	\$50	24.0	\$1,200
Project Manager	\$45	32.0	\$1,440
Clerk Typist III	\$20	8.0	\$160
ESTIMATED LABOR TOTALS		90.0	\$4,246
Analytical: 4 samples for metals, PCBs, VOCs			\$2,180
Travel & Per Diem			\$126
		ESTIMATED TOTAL	<b>\$6,552</b>
(Substituting Contractor CRS)		(98.0)	<b>(\$8,356)</b>

CRS = certified remediation specialist

Hourly Rates are based on 66% utilization for manager/technical personnel and 72% for clerical as Laws 1997, Ch. 296 requires implementation of the program to be self-financed.

The Department has elected to recover the estimated per-site cost of \$2,200 through an equivalent flat review fee of \$2,200 for each Greenfields site remediation. The one-flat-fee approach was selected over approaches that involve site-specific billing based on unit rates, because those approaches do not provide the predictability that is necessary to encourage voluntary remediations of soil-contaminated brownfields sites.

For instance, the Department examined the possibility of charging (1) a flat fee for the administrative work associated with reviewing an initial Greenfields submittal to determine the eligibility of the site and the specialist, reviewing the public notice of planned remediation, notifying the specialist that it may begin the remediation, identifying which other approvals or permits the property owner will not be required to obtain, and reviewing and processing the "no further action" letter and supportive documentation; and (2) charging only those sites audited for the actual costs of the audit using unit rates for staff time, sampling equipment, and laboratory analyses. Using this approach to financing the program would have meant charging a flat fee to all participating property owners, and then, up to six months later, surprising some of the owners with a notice that the Department has decided to audit their site and will be requiring the owner to pay an additional \$3,000 or more for an audit without field verification, or an additional \$7,000 or more for an audit with field verification. Such an approach is not only unpredictable, in that it would result in an unplanned-for additional, significant financial burden on the property owner but also may give rise to the appearance of unfairness to the owner of the site selected for the audit. The property owner likely would challenge the audit based on a feeling of unfair surprise and a desire to avoid the additional cost. In general, any approach that does not inform the property owner of its liability to the Department up-front may discourage smaller businesses from performing a voluntary remediation under the Greenfields program. For these reasons, the Department proposes an up-front, predictable, flat review fee of \$2,200 which spreads the projected cost of audits over all of the property owners participating in the Greenfields program.

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There are no incremental benefits to the Department as a result of this rule. Fees to be paid by the certified remediation specialist or its employer are merely to reimburse the Department for the above costs; no profit margins are contemplated.

2. Other agencies directly affected by the proposed rulemaking -- An administrative appeal by the participating property owner concerning an action taken by the Department pursuant to the Greenfields program, including a decision to perform an audit or revoke a "no further action" letter, would result in costs to the Office of Administrative Hearings for convening the formal adjudication on the procedural or substantive validity of the appeal, and costs to the Attorney General's Office for representing the Department in the matter. These costs would, as usual, be covered by the respective budgets of those offices. These costs do not result from the charging of the fee itself.

There are no incremental benefits to the Office of Administrative Hearings and the Attorney General's Office as a result of this rule.

3. Political subdivision of this state directly affected by the proposed rulemaking -- If a political subdivision of this state desires to perform a remediation under this program, then its costs and benefits deriving from this rulemaking will be those costs and benefits discussed for private persons who are directly affected by the proposed rulemaking.
4. Businesses directly affected by the proposed rulemaking -- If a business desires to perform a remediation under this program, then its costs and benefits deriving from this rulemaking will be those costs and benefits discussed for private persons who are directly affected by the proposed rulemaking.

Newspapers will not be impacted by this rule; rather, newspapers will be impacted by the requirement in Laws 1997, Ch. 296 to publish the notice of planned remediation in the county where the brownfields site in question is located. There are no costs to these newspapers resulting from this rulemaking. Newspapers will derive the benefit from charging a fee for publishing the notice.

5. Private persons and consumers who are directly affected by the proposed rulemaking -- The cost to persons who are directly affected by the fee will be the cost of the fee itself. This fee should be outweighed by the benefit of being able to elect to perform a voluntary remediation through the use of a certified remediation specialist with minimal departmental oversight and less departmental review cost as compared to performing the remediation under A.R.S. §§ 49-282.05(B) or 49-285(B).

Consumers probably will not be directly affected by the charging of the fee. Such consumers may be indirectly affected, as businesses performing a Greenfields remediation likely will pass the cost of the remediation, including the cost of the fee, onto persons consuming the business' products and utilizing the business' services. The indirect benefit to consumers, which is a cleaner environment and improved quality of life, will outweigh the disbursed impact felt as a result of the fee.

c. Probable impact on private and public employment

1. Businesses directly affected by the proposed rulemaking -- There is little impact on private employment at businesses directly affected by the proposed rulemaking. Presumably, a business would have to divert \$2,200 of its revenues to finance its involvement in the Greenfields program; however, such a business would already have made the decision to expend substantial amounts of money, which might otherwise be used to compensate its employees, in the remediation of a brownfields site, so that the additional cost of the Greenfields fee would be relatively minimal.
2. Agencies directly affected by the proposed rulemaking -- There is no impact on public employment in the agencies affected by this proposed rulemaking. As previously indicated, the Department is required to finance its involvement through the collection of the fee; therefore, there are no additional costs to the Department that would divert revenues used to compensate its employees. Any impact of the Greenfields program on the Office of Administrative Hearings or the Attorney General's Office, discussed above, is the result of Laws 1997, Ch. 296, and not the fee used to finance implementation of the program established by that law.
3. Political subdivisions directly affected by the proposed rulemaking -- There is little impact on political subdivisions directly affected by the proposed rulemaking. Presumably, a political subdivision that desires to perform a remediation under the Greenfields program would have to divert \$2,200 of its revenues to finance its involvement in the Greenfields program; however, such an entity would already have made the decision to expend substantial amounts of money, which might otherwise be used to compensate its employees, in the remediation of a brownfields site, so that the additional cost of the Greenfields fee would be relatively minimal.

d. Probable impact on small businesses

1. Identification of small businesses subject to the proposed rulemaking -- Small businesses subject to the proposed fee would be those that elect to undertake a voluntary remediation under the Greenfields program. Having made the decision to engage in a possibly costly voluntary remediation, it is likely that such a small business will benefit from the proposed rulemaking, because the rulemaking enables the business to perform the remediation through the use of a certified specialist with minimal departmental oversight and with less review cost as compared to performing the remediation under A.R.S. §§ 49-282.05(B) or 49-285(B).

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2. Administrative and other costs required for compliance with the proposed rulemaking -- The only cost required for compliance with this proposed rulemaking is the paying of the fee which is necessary to finance the sought-after program.
  3. Description of methods the agency may use to reduce the impact on small businesses -- Laws 1997, Ch. 296 requires the Department to recoup all of its costs of implementing the Greenfields Pilot Program through the collection of the fee. The Department, therefore, does not have the discretion to exempt small business who wish to participate in the program from having to pay a fee. In order to lessen the impact to small business, however, the Department has elected to charge one flat fee for every Greenfields site, which spreads the cost of performing audits on a portion of those sites over all of the sites. This approach, as indicated above, will eliminate the possibility of an unexpected additional, significant financial burden on small businesses whose sites have been selected for an audit.
- e. Statement of the probable effect on state revenues
- There may be a positive effect on the general fund, as any money received through collection of the fee that is not utilized in the implementation of the Greenfields program must be returned to the general fund on an annual basis. The Department, however, does not forecast any surplus in the near future, based on the projected demand for participation in the program.
- f. Description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking
- The purpose of the proposed rulemaking is to finance the implementation of the Greenfields Pilot Program through the collection of a reasonable fee, as required under Laws 1997, Ch. 296. For reasons discussed above, the Department believes that the least costly alternative of achieving this purpose is to average the cost of implementing the program, including performing the required audits on a percentage of the sites, over all of the sites that may be remediated under the program. This approach will eliminate the possibility of an unexpected additional, significant financial burden on persons whose sites are selected for an audit.

**7. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**

Name: George Tsiolis  
Address: Department of Environmental Quality  
3033 North Central Avenue  
Phoenix, Arizona 85012  
Telephone: (602)207-2222  
Fax: (602)207-2251

**8. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

Persons interested in submitting written comments on this proposed expedited fee rule should mail them or fax them to George Tsiolis, at the address shown above, no later than 5 p.m. on Tuesday, August 5, 1997.

The Department will hold a public hearing to receive public comments as required in Laws 1997, Ch. 296, § 11. The time, place, and location of the hearing is listed below:

Date: August 1, 1997  
Time: 1 p.m.  
Location: ADEQ Public Meeting Room  
3033 North Central Avenue  
Phoenix, Arizona

The Department is committed to complying with the Americans with Disabilities Act. If any individual with a disability needs special accommodation, please call (602)207-4795. Persons interested in presenting verbal comments, submitting written comments, or obtaining more information on the proposed rule may do so at the meeting. The Department will respond to these comments in the preamble accompanying the final expedited fee rule.

**9. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**  
Not applicable.

**10. Incorporations by reference and their location in the rules:**  
None.

**11. The full text of the rule follows:**

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**TITLE 18. ENVIRONMENTAL QUALITY**  
**CHAPTER 7. DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**REMEDIAL ACTION**

**ARTICLE 4. VOLUNTARY REMEDIATION PROGRAM**

R18-7-401 Greenfields Pilot Program Fee

**ARTICLE 4. VOLUNTARY REMEDIATION PROGRAM**

**R18-7-401. Greenfields Pilot Program Fee**

**A. A certified remediation specialist who participates in the Greenfields Pilot Program pursuant to Laws 1997, Ch. 296,**

and who submits the documentation that states that no further action is required to remediate the known releases on the site shall remit the review fee required under subsection B together with the documentation.

**B. The Department shall charge a flat fee of \$2,200 per accepted site participating in the Greenfields Pilot Program.**

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**TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING**

**CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION**

**1. Sections Affected**

R19-3-401  
Article 9.  
R19-3-901  
R19-3-902  
R19-3-903  
R19-3-904  
R19-3-905  
R19-3-906  
R19-3-907  
R19-3-908  
R19-3-909  
R19-3-910  
R19-3-911  
R19-3-912

**Rulemaking Action**

Repeal  
New Article  
New Section  
New Section

**2. The specific authority for rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

Authorizing statute: A.R.S. §5-504(B).

**3. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name: Mr. Jody Spicola, Executive Director  
Address: Arizona State Lottery Commission  
4740 East University  
Phoenix, AZ 85034  
Telephone: (602) 921-4514  
FAX: (602) 921-4488

**4. An explanation of the rule, including the agency's reason for initiating the rule:**

A.A.C. R19-3-901 through R19-3-912 sets forth provisions unique to the conduct of the Arizona Lottery's on-line games. These rules explain the common components of on-line games: game profiles, how to play an on-line game, ticket characteristics and restrictions, drawings, ticket ownership and responsibilities, how to identify a winning ticket, the procedures required to claim prizes and the claim period, ticket validation requirements, prize payments, and disputes concerning a ticket. This rule replaces R19-3-401.

**5. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable.

**6. The preliminary summary of the economic, small business, and consumer impact:**

A. The Arizona State Lottery

These rules allow the Lottery to introduce new on-line games and modify existing on-line games in a more timely manner, thus providing the state and retailers with a potential increase in sales revenue.

B. Political Subdivisions.

Political subdivisions of this state are not directly affected by this rule.

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C. **Businesses Directly Affected by this Rulemaking.**

Lottery retailers are the only businesses affected by this rule. The only impact this rule has upon Lottery retailers is to specify how they determine if a ticket is a winning ticket, and, if so, the prize amount. These rules allow the Lottery to introduce new on-line games and modify existing on-line games in a more timely manner, thus providing retailers with a potential increase in sales revenue. Retailers currently receive \$.06 for each \$1 on-line transaction. This will increase to \$.065 in July 1997.

D. **Private and Public Employment.**

Private and public employees are not directly affected by the adoption of this rule.

E. **Consumers and the Public.**

There are no costs to the public associated with the adoption of this rule. These rules will provide players with additional or enhanced on-line games from which to choose.

F. **State Revenues.**

These rules allow the Lottery to introduce new on-line games and modify existing on-line games in a more timely manner, thus providing the state with a potential increase in sales revenue.

**7. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**

Name: Mr. Jody Spicola, Executive Director  
Address: Arizona State Lottery Commission  
4740 East University  
Phoenix, AZ 85034  
Telephone: (602) 921-4514  
Fax: (602) 921-4488

**8. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

Date: August 22, 1997  
Time: 10:00 a.m.  
Location: Arizona State Lottery  
4740 E. University  
Phoenix, AZ 85034  
Nature: Oral Proceeding (Close of the record is 5:00 p.m., M.S.T., Thursday, August 21, 1997, for written comments and at the end of the oral proceeding for verbal comments.)

**9. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**  
Not applicable.

**10. Incorporation by reference and their location in the rules:**

Multi-State Lottery Association Game Rules located in subsection R19-3-912(D).

**11. The full text of the rules follows:**

**TITLE 19: ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING**

**CHAPTER 3: ARIZONA STATE LOTTERY COMMISSION**

R19-3-906 Ticket Validation Requirements  
R19-3-907 Procedure for Claiming Prizes  
R19-3-908 Claim Period  
R19-3-909 Prize Payments  
R19-3-910 Disputes Concerning a Ticket  
R19-3-911 Prize Fund

**ARTICLE 4. ON-LINE LOTTERY GAMES**

R19-3-401. Arizona On-line Games - General Provisions

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**ARTICLE 4. ON-LINE LOTTERY GAMES**

**R19-3-401. Arizona On-line Games - General Provisions**  
**A. Definitions.** In this Chapter, unless the context otherwise requires:  
1. "Breakage" means a situation in which the shares in each prize category are rounded down to the nearest ten cents.  
2. "Cash value" means payment of the Division 1 prize pool share amount paid in one lump sum.

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3. "Drawing" means the process used to randomly select the winning numbers from the defined game matrix.
  4. "Fantasy 5" means a game in which five numbers of a 35-number matrix are selected as a game play.
  5. "Game board" or "board" means the areas of the selection slip which contains numbered squares. Each game board is identified with one letter from A through E, corresponding to the numbers selected and printed on the purchased ticket.
  6. "Game play" or "play" means the selected numbers which appear on a ticket as single lettered selection.
  7. "Game ticket" or "ticket" means a ticket produced by a terminal which contains the caption designating the game name, from one to five lettered game plays each having the numbers selected, the beginning and ending drawing dates, a four-digit security code, the price of the ticket, the number of draws, a retailer number, and a 12-digit serial number.
  8. "LOTTO" means a game in which six numbers of a 42-number matrix are selected as a game play.
  9. "Multiple winners" means a situation in which more than one claimant redeems an individual share.
  10. "Original Annuity" means an annuitized value of the Division 1 prize pool share amount paid in 20 equal annual payments.
  11. "POWERBALL" means a game in which five numbers of a 45-number matrix plus one number of a second 45-number matrix are selected as a game play.
  12. "Quick pick" means the random selection by a terminal of numbers from the defined game matrix, which appear on a ticket as a single lettered selection.
  13. "Selection slip" means a card used in marking a player's game plays. Each selection slip has five game boards.
  14. "Set Prize" means a prize that is advertised to be paid by a single cash payment.
  15. "Share" means any single winning game play, which is equal to any other share in the same prize category.
  16. "Terminal" means a device which is authorized by the Lottery to function in an on-line, interactive mode with the Lottery's computer system. The terminal is functional for the purpose of issuing Lottery tickets and entering, receiving, and processing Lottery transactions. These transactions include producing and voiding ticket purchases, validating winning tickets, and transmitting reports.
  17. "Winning numbers" means the numbers from the defined game matrix randomly selected at each drawing which determine winning game plays contained on a ticket.
- B.** Price of game plays. Each game play shall sell for no more than \$1.00.
- C.** Ticket purchase, characteristics, and restrictions. The retailer shall issue a ticket from the terminal containing any selected set of numbers from the defined game matrix.
1. To play an on-line game, a player may select one or more sets of different numbers from the defined game matrix for input into a terminal. A play may select each set by:
    - a. Verbally communicating the numbers to a retailer,
    - b. Marking the numbered squares required in any one game board on a selection slip and submitting the selection slip to a retailer,
    - c. Requesting a "quick pick" from the retailer, or
    - d. Marking "quick pick" on a selection slip.
  2. A ticket, subject to the validation requirements of subsection (G), is the only proof of any game play and the only valid receipt for claiming any prize. A selection slip has

- no pecuniary or prize value and does not constitute evidence of any ticket purchased.
3. A ticket holder may have a Lotto or Fantasy 5 ticket voided by returning the ticket to the retailer who sold it on the date of purchase before the terminal is closed for that day. Powerball tickets may not be voided or canceled by returning the ticket to the retailer who sold it or to the lottery, including tickets that are printed in error. No ticket shall be returned to the Lottery for credit. Tickets accepted by retailers as returned tickets and which cannot be resold shall be deemed owned by the bearer thereof.
  4. If a ticket is voided as prescribed in paragraph (3), the retailer shall refund the ticket price to the ticket holder.
  5. The Lottery shall not be liable for tickets printed in error. The ticket purchaser is responsible for the accuracy of any game play and other data printed on the ticket. In the event of an error, the player's sole remedy is the voiding of the ticket, pursuant to paragraph (3).
  6. Retailer shall not sell a ticket or combination of tickets to any person or entity which would guarantee such purchaser a win.
  7. Plays may only be entered manually using the lottery terminal keypad or touch screen or by means of a selection slip provided by the Lottery and hand-marked by the player. Retailers shall not permit the use of facsimiles of selection slips, copies of selection slips, or other materials that are inserted into the terminal's selection slip reader that are not printed or approved by the Lottery.
- D.** Drawings.
1. The drawings shall be held at the times and places established by the Director and subsequently announced to the public.
  2. The objective of a LOTTO drawing is to select the six random winning numbers with the aid of mechanical drawing equipment.
  3. The objective of a "Fantasy 5" drawing is to randomly select five winning numbers with the aid of mechanical drawing equipment.
  4. The objective of a "POWERBALL" drawing is to randomly select five winning numbers from a 45-number matrix, plus the Powerball winning number from a second 45-number matrix, with the aid of mechanical drawing equipment.
- E.** Determination of "LOTTO" prize game plays.
1. Prizes shall be determined and awarded on the following basis:
 

Game Plays Containing	Prize Category	Share of Prize Fund
All Six Winning Numbers	Division 1 (Jackpot)	69% after Division 4 Allotment
Any Five Winning Numbers	Division 2 (Second Place)	10% after Division 4 allotment
Any Four Winning Numbers	Division 3 (Third Place)	21% after Division 4 Allotment
Any Three Winning Numbers	Division 4 (Fourth Place)	\$2.00
  2. Each winning game play shall be paid an equal share of a prize category. No more than the highest division prize amount established shall be paid on a winning game play.
  3. Any money left in a prize category after breakage shall be included in the Division 1 prize pool.
- E.** Determination of "Fantasy 5" prize game plays.

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1. Prizes shall be determined and awarded on the following basis:

Game Plays Containing	Prize Category	Prize
All Five Winning Numbers	Division 1 (Top Prize)	\$50,000
Any Four Winning Numbers	Division 2 (Second Place)	\$500
Any Three Winning Numbers	Division 3 (Third Place)	\$5

2. No more than the highest division prize amount established shall be paid on a winning game play.  
 3. If there are more than ten Division 1 winning game plays in a single drawing, each will receive an equal proportionate share of a maximum \$500,000.

**G. Determination of POWERBALL prize game plays.**

1. Prizes shall be determined and awarded on the following basis:

Game plays Matching Lottery Draws of:	Prize Category	Prize or Share Of Prize Pool
All 5 of 1st matrix plus 1 of 2nd	Jackpot	60.56 of Prize Pool
All 5 of 1st matrix and 0 of 2nd	Division 2	\$100,000
Any 4 of 1st matrix plus 1 of 2nd	Division 3	\$5000
Any 4 of 1st matrix plus 0 of 2nd	Division 4	\$100
Any 3 of 1st matrix plus 1 of 2nd	Division 5	\$100
Any 3 of 1st matrix plus 0 of 2nd	Division 6	\$5
Any 2 of 1st matrix plus 1 of 2nd	Division 7	\$5
Any 1 of 1st matrix plus 1 of 2nd	Division 8	\$2
0 of 1st matrix plus 1 of 2nd	Division 9	\$1

2. Each Jackpot winning game play shall be paid an equal share of the prize category. No more than the highest division prize amount established shall be paid on a winning game play.  
 3. The prize pool percentage allocated to the set prizes (the cash prizes of \$100,000 or less) shall be carried forward to subsequent draws if all or a portion of it is not needed to pay the set prizes awarded in the current draw. If the total of the set prizes awarded in a drawing exceeds the percentage of the prize pool allocated to the set prizes, then the amount needed to fund the set prizes awarded shall be drawn from the following sources, in the following order:  
 a. The amount allocated to the set prizes and carried forward from previous draws, if any;  
 b. An amount from the set prize reserve account, if available, not to exceed \$20 million per drawing.  
 4. If, after these sources are depleted, there are not sufficient funds to pay the set prizes awarded, then the highest set prize shall become a pari-mutual prize. If the amount of the highest set prize, when paid on a pari-mutual basis, drops to or below the next highest set prize and there are still not sufficient funds to pay the remaining set prizes awarded, then the next highest set prize shall become a pari-mutual prize. This procedure shall continue down

through all set prizes levels, if necessary, until all set prize levels become pari-mutual prize levels. In that instance, the money available from the funding sources listed in this rule shall be divided among the winning plays in proportion to their respective prize percentages.

**H. Ticket ownership and responsibility.**

1. Until a ticket is signed, the ticket is owned by its physical possessor.
2. When signed, the claimant whose signature appears on the ticket is entitled to the corresponding prize.
3. If more than one signature appears on the ticket, the Director is authorized to require that one or more of those claimants be designated to receive payment.
4. A claim form shall be submitted by each claimant who is designated by the Director to receive a portion of the prize claimed from the winning ticket.
5. Any claim forms submitted shall be signed by all other claimants whose signatures appear on the ticket and who are relinquishing their individual claims to the winning ticket.
6. Payment shall be made to any claimants designated on the claim form.
7. The Lottery is not responsible for lost or stolen tickets.

**I. Ticket validation requirements.**

1. To be a ticket eligible to receive a prize, all of the following requirements shall be satisfied.
  - a. The ticket is:
    - i. Issued by the Lottery through a retailer, from a terminal, in an authorized manner;
    - ii. Intact and is not mutilated or tampered with in any manner;
    - iii. Not defectively printed or produced in error;
    - iv. Not counterfeit, stolen, or voided; and
    - v. Able to pass all other confidential validation tests determined by the Director;
    - vi. Validated in accordance with the provisions of subsections (K) and (L).
  - b. The ticket data is:
    - i. Recorded in the on-line contractor's central computer system prior to the drawing;
    - ii. In agreement with the computer record;
    - iii. In the Lottery's official file of winning tickets and has not been previously paid.
  - c. Any winning game play on the ticket is separately lettered and consists of a selected set of numbers from the defined game matrix.
2. If a ticket fails to pass any of the requirements in paragraph (1), the ticket is void and ineligible for any prize payment.

**J. Disputes concerning a ticket.**

1. If a dispute between the Lottery and a claimant occurs concerning a ticket, the Director is authorized to replace the disputed ticket with a ticket of equivalent sales price from any subsequent drawing of the same game.
2. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.

**K. Procedure for claiming prizes.**

1. To claim a prize up to \$600, the claimant shall present the signed ticket to any participating on-line retailer. The retailer shall pay the claimant provided that:
  - a. All of the ticket validation criteria in subsection (H) have been satisfied; and
  - b. A proper validation ticket, which is an authorization to pay, has been issued by the terminal.
2. To claim a prize that the retailer does not validate or is not authorized to pay, including all prizes over \$600, the

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claimant shall submit a claim form, available from any retailer, and the ticket to the Lottery.

3. If the claim is:
  - a. Validated by the Lottery, a check shall be forwarded to the claimant;
  - b. Denied by the Lottery, the claimant shall be notified within 15 days from the day the claim is received in the Lottery office.

**L. Prize payments.**

1. If a ticket contains more than one winning game play, any prize amounts shall be combined and paid in accordance with the prize payments limits specified in subsection (J).
2. Prizes shall be paid by cash or check at the discretion of the Director.
3. "LOTTO" Division 1 prize cash value (prize pool share amount) may be paid in one lump sum at the winners' discretion when purchasing the ticket.
4. "LOTTO" Division 1 prizes of \$400,000 or more, regardless of the number of shares, may be paid in 20 equal annual payments at the winners' discretion when purchasing the ticket. These payments shall commence with the time of validation and thereafter be paid on the anniversary date of the winning prize drawing.
  - a. If the death of a "LOTTO" prize winner occurs, the Lottery shall pay all remaining prize payments to the prize winner's beneficiary or to any person designated by an appropriate judicial order.
  - b. The Lottery shall provide the prize amount in the form of an annuity.
5. POWERBALL Division One Jackpot prizes of \$250,000 or more, regardless of the number of shares, shall be paid in 20 equal annual payments. The payments shall commence with the time of validation or after the 15th calendar day following the drawing, whichever is later, and thereafter be paid on the anniversary date of the winning prize drawing.
  - a. If the death of a POWERBALL prize winner occurs, the Lottery shall pay all remaining prize money to the prize winner's estate, to the beneficiary designated to the Lottery by the prize winner, or to any person designated to the Lottery by the prize winners, or to any person designated by an appropriate judicial order.
  - b. The Lottery shall provide the prize amount in the form of an annuity.

**M. Prize Fund.**

1. 50% of the gross sales revenue from the "LOTTO" game, less any voids, is reserved for prizes and is allocated to the prize categories specified in subsection (E).
2. If it is determined that there are no winning for a specific prize category in any "LOTTO" drawing, all monies allocated for that prize category shall be combined with the monies allocated for the Division 1 prize category. This rollover process continues until there is a winning ticket for the Division 1 prize category.
3. 50% of the gross sales revenue from the "Fantasy 5" game, less any voids, is reserved for prizes and is allocated to the prize categories specified in subsection (E).
4. 50% of the gross sales revenue from the POWERBALL game is reserved for prizes and is allocated to the prize categories specified in subsection (G).
5. If an on-line game is terminated for any reason, any remaining prize monies shall be held by the Lottery for a period of 180 days from the date of the last drawing and then used for additional prizes in any other lottery game.

**ARTICLE 9. DESIGN AND OPERATION OF ON-LINE GAMES**

**R19-3-901. Definitions**

**A. Definitions.** In this Chapter unless the context otherwise requires:

1. "Breakage" means a situation in which the shares in each prize category are rounded down to the nearest 10¢.
2. "Cash value" means payment of the jackpot prize share amount paid in 1 lump sum.
3. "Drawing" means the process used to randomly select the winning numbers from the defined game matrix.
4. "Game board" or "board" means the areas of the selection slip which contain numbered or lettered squares. Each game board is identified with 1 number or letter, corresponding to the numbers or letters selected and printed on the purchased ticket. More than 1 game board may appear on the selection slip.
5. "Game card" means the area on the ticket which contains the grid in which randomly selected play symbols are printed. There may be more than 1 game card on a ticket.
6. "Game play" or "play" means the selected numbers, letters, or symbols which appear on a ticket as a single wager. More than 1 game play may appear on a ticket.
7. "Game Profile" means the written document that includes non-confidential game information including, but not limited to, the game name, game prize structure, winning game play style or styles, and special game features.
8. "Game ticket" or "ticket" means a ticket produced by a terminal which contains the caption designating the game name, numbered or lettered game plays each having the play symbols selected, the beginning and ending drawing dates, a security code, the price of the ticket, the number of draws, a retailer number, and a serial number.
9. "High tier" means any on-line game ticket prize of \$600 or more.
10. "Low tier" means any on-line game ticket prize of less than \$100.
11. "Mid tier" means any on-line game ticket prize of \$100 up to and including \$599.
12. "Matrix" means the number of selections a player may choose from a predetermined pool of numbers, letters, or symbols.
13. "Multiple winners" means a situation in which 1 or more claimant redeems an individual share.
14. "MUSL" means the Multi-State Lottery Association, a government-benefit association wholly owned and operated by the Party Lotteries.
15. "On-line game" means a game that is played by entering a player's game play or plays into a lottery-authorized terminal to produce a ticket containing the player's game play or plays. The game play or plays on the ticket are compared to winning numbers selected during the drawing process to determine if a ticket holder is entitled to a prize or prizes.
16. "Original annuity" means an annuitized value of the jackpot prize share amount paid in equal annual payments.
17. "Play symbols" means the numbers, letters, or characters printed on each game card or game board of a ticket that determine if a player is entitled to a prize.
18. "Prize structure" means the estimated value and the odds of winning each of the prizes for an individual game.
19. "Quick pick" means the random selection by a terminal of 1 or more numbers, letters, or symbols from the defined game matrix which appear on a ticket as a single game play.

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20. "Selection slip" means a preprinted document provided by the Lottery that is used in marking a player's game plays unless the game is played exclusively by the "quick pick" method. Each selection slip has 1 or more game cards or game boards.
21. "Share" means any single winning game play which is equal to any other share in the same prize category.
22. "Terminal" means a device which is authorized by the Lottery to communicate with the Lottery's computer system. The terminal is functional for the purposes of issuing Lottery tickets and entering, receiving, and processing Lottery transactions. These transactions include, but are not limited to, producing, voiding, and validating tickets, and transmitting and printing reports.
23. "Ticket" means medium produced by a terminal from a licensed Lottery retailer containing 1 or more game boards or game cards with the game play data for an individual game. The game play data includes at least the caption designating the game name; individual game plays which display the selected numbers, letters, or symbols; the dates of the drawings; the price of the ticket; the number of draws; retailer number; and a unique serial number.
24. "Winning play symbols" or "winning numbers" means the numbers, letters, or symbols from the defined game matrix randomly selected at each drawing which determine winning game plays contained on a ticket.

**R19-3-902 Game Profile**

- A. The Commission shall approve the individual Game Profile prior to the game being sold to the public.
- B. At a minimum, the Game Profile for each game shall contain the following information:
  1. Game name;
  2. Definitions;
  3. Prize structure, including the approximate odds and amount of prizes available, and the prize pool percentage;
  4. Prize fund amount;
  5. Matrix;
  6. Winning play styles;
  7. Special features, if any;
  8. Retail sales price;
  9. Prize draw eligibility requirements, including filing period for eligibility in a winners drawing, if applicable; and
  10. Voiding of tickets, if applicable.
- C. Each on-line game may include a specific variant such as "automatic win feature", "doubler feature", "wild card", or "free space" that provides added or alternative methods of winning. The variant will be described in the Game Profile.

**R19-3-903. Ticket Purchases, Characteristics, and Restrictions**

- A. To play an on-line game, a player shall select 1 or more sets of numbers, letters, or symbols from the defined game matrix for input into a terminal. A player shall select each set using the methods described in the Game Profile. Methods include:
  1. Verbally communicating the numbers to a retailer, or
  2. Marking the numbered or lettered square required in any 1 play on a selection slip and submitting the selection slip to a retailer, or
  3. Requesting a "quick pick", or
  4. Marking a "quick pick" box on a selection slip.
- B. Game plays may only be entered manually using the lottery-authorized terminal keypad or touch screen, or by means of a selection slip provided by the Lottery and hand-marked by the

player. Retailers shall not use facsimiles of selection slips, copies of selection slips, or other materials to be inserted into the terminal's selection slip reader that are not printed or approved by the Lottery.

- C. A ticket, subject to the validation requirements of R19-3-907 is the only proof of any game play and the only valid receipt for claiming any prize. A selection slip has no pecuniary or prize value and does not constitute evidence of any ticket purchased.
- D. A ticket holder may have an on-line ticket voided if permitted in the Game Profile by returning the ticket to the retailer who sold it on the date of purchase and before the terminal is closed for that day, or prior to the drawing, whichever comes first.
- E. If a ticket is voided as prescribed in subsection (D), the retailer shall refund the purchase price to the ticket holder.
- F. The Lottery shall not be liable for ticket errors. The ticket holder is responsible for the accuracy of ticket data. In the event of an error, the player's sole remedy is the voiding of the ticket, pursuant to subsection (D).

**R19-3-904 Drawings**

- A. The drawings shall be held at the times and places established by the Director and subsequently announced to the public.
- B. The objective of an on-line game drawing is to randomly select the winning numbers, letters, or symbols as defined in the Game Profile. Mechanical, electrical, or computerized drawing equipment may be used to make the random selection.

**R19-3-905 Determination of a Winning Game Play or Winning Game Card**

- A. A player shall win the prize or prizes indicated in the prize structure described in the Game Profile for each game by matching the winning play symbols selected at the drawing to the play symbols that appear in 1 or more of the patterns.
- B. Players can win on each game card or game play on a ticket.
- C. There may be multiple winning patterns on a single game card in on-line games that match winning numbers, letters, or symbols to patterns described in the Game Profile.
- D. No more than the highest single prize amount established in the Game Profile for any game shall be paid on a single winning game play or game card for that game.
- E. Each winning game play shall be paid an equal share of a prize category pool amount when the prize category, as described in the Game Profile, is pari-mutuel.
- F. Each winning game play shall be paid the same amount in a prize category when the prize category, as described in the Game Profile, is a fixed payout.

**R19-3-906 Ticket Ownership and Responsibility; Prize Payment**

- A. Until a ticket is signed, the ticket is owned by its physical possessor.
- B. When signed, the claimant whose signature appears on the ticket is entitled to the corresponding winning prize.
- C. If more than 1 signature appears on the ticket, the Director is authorized to require that 1 or more of those claimants be designated to receive the payment. A claim form shall be submitted by each claimant who is designated by the Director to receive a portion of the prize claimed from the winning ticket.
- D. When the winning ticket was purchased by a group of players, the group shall designate 1 of the claimants to sign the ticket. Each claimant shall complete an individual claim form to receive the claimant's portion of the prize.
- E. The Lottery shall only make payment to the claimant, less any authorized debt set-off amounts, who is also the ticket holder.

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- E. Prior to payment of a prize, a claimant who has signed the ticket may designate another claimant to receive the prize by signing a relinquishment of claim statement.
- G. If a ticket contains more than 1 winning game play or game card, any prize amounts shall be combined and paid in accordance with the prize payment limits specified in R19-3-908.
- H. Prizes shall be paid by cash or check, at the discretion of the Director.
- I. All prize levels for each on-line game are specified in the Game Profile. Each winning game play or game card winning any prize entitles the winner to the prize amount specified in the Game Profile.
- J. The Lottery is not responsible for lost or stolen tickets.

**R19-3-907 Ticket Validation Requirements**

- A. Each on-line game ticket shall be valid and validated prior to the payment of a prize.
- B. To be a ticket eligible for a prize, a ticket holder must present a ticket meeting all of the following requirements:
  - 1. Issued by the Lottery through a retailer, from a terminal, in an authorized manner;
  - 2. Intact and is not mutilated or tampered with in any manner;
  - 3. Not defectively printed or reprinted tickets stating "Not for Sale" on the ticket;
  - 4. Not counterfeit, stolen, or voided;
  - 5. Able to pass all other confidential validation tests determined by the Director; and
  - 6. Validated in accordance with the provisions of R19-3-906 and R19-3-908.
- 7. The ticket data is:
  - a. Recorded in the designated central computer system prior to the drawing.
  - b. In agreement with the computer record.
  - c. In the Lottery's official file of winning tickets;
- 8. Any winning game play on the ticket is separately lettered or numbered and consists of a selected set of numbers from the defined game matrix.
- 9. Has not been previously paid.
- C. If the ticket fails to pass any of the requirements in subsection (B), the ticket is void and ineligible for any prize payout.

**R19-3-908 Procedure for Claiming Prizes**

- A. To claim a prize of up to and including \$599, the claimant shall present the signed ticket to any participating on-line retailer. The retailer shall pay the claimant provided that:
  - 1. All of the ticket validation criteria in R19-3-907 have been satisfied; and
  - 2. A proper validation ticket, which is an authorization to pay, has been issued by the terminal.
- B. To claim a prize that the retailer does not validate or is not authorized to pay, including all prizes \$600 or more, the claimant shall submit a claim form, available from any retailer, and the ticket to the Lottery. If the claim is:
  - 1. Verified and validated by the Lottery as a winning ticket, the Lottery shall make payment of the amount due to the claimant, less any authorized debt set-off amounts.
  - 2. Denied by the Lottery, the claimant shall be notified within 15 days from the day the claim is received in the Lottery office.
- C. If a prize winner dies prior to receiving full payment, the Lottery shall pay all remaining prize money to the prize winner's

beneficiary or to any person designated by an appropriate judicial order.

- D. The Lottery is discharged of all liability upon payment of the prize money.
- E. Payment of prize money shall not be accelerated ahead of its normal date of payment.

**R19-3-909 Claim Period**

- A. In order for the claimant to receive payment, a winning on-line game ticket shall be received by the Lottery or a retailer no later than 5:00 p.m. (Phoenix time) on the 180th calendar day following the on-line game drawing in which the prize was won or on the 180th calendar following the announced end of game in the case of a prize determined in any manner other than by means of a drawing.
- B. If a claimant presents a valid winning ticket to a retailer for payment on the 180th calendar day following the announced end of game or on-line game drawing and is not paid the prize, the Director is authorized to pay the prize if the claimant presents the valid winning ticket to the Lottery no later than 5:00 p.m. (Phoenix time) on the following business day.
- C. The end of an on-line game shall be designated by the Director and on file at the Lottery.
- D. The Director is authorized to place any person's eligible entry that was not entered in a Grand Prize Drawing into a subsequent Grand Prize Drawing or drawings which have an equal or greater grand prize value.

**R19-3-910 Disputes Concerning a Ticket**

- A. If a dispute between the Lottery and a claimant occurs concerning a ticket, the Director is authorized to replace the disputed ticket with a ticket of equivalent sales price from any subsequent drawing from any current on-line game.
- B. If a defective ticket is purchased, the Lottery shall replace the defective ticket with a ticket or tickets of equivalent sales price from any current on-line game.
- C. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.

**R19-3-911 Prize Fund**

- A. Not less than 50% of the total annual revenue accruing from the sale of on-line game tickets shall be deposited in the state lottery prize fund for payment of prizes to the holders of winning tickets.
- B. The amount of money deposited in the state lottery prize fund for each game shall be described in the Game Profile.
- C. If an on-line game is terminated for any reason, any remaining prize monies shall be held by the Lottery for a period of 180 days from the date of the last drawing and then used for additional prizes in any other Lottery game.

**R19-2-912 Multi-State Lottery Association Game Rules**

- A. The Arizona Lottery is a participating member of the Multi-State Lottery Association referred to as "party lottery" in the MUSL game rules.
- B. MUSL game rules shall be complied with and abided by for all MUSL on-line games approved for play in Arizona by the Lottery Executive Director.
- C. A game profile approved by the Commission shall be on file at the Arizona State Lottery for all MUSL games played in Arizona.
- D. The MUSL GAME RULES are incorporated by reference and are on file in the offices of the Arizona State Lottery.