

**NOTICES OF FINAL RULEMAKING**

The Administrative Procedure Act requires the publication of the final rules of the state's agencies. Final rules are those which have appeared in the *Register* 1st as proposed rules and have been through the formal rulemaking process including approval by the Governor's Regulatory Review Council. The Secretary of State shall publish the notice along with the Preamble and the full text in the next available issue of the *Arizona Administrative Register* after the final rules have been submitted for filing and publication.

**NOTICE OF FINAL RULEMAKING**

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

**CHAPTER 3: ARIZONA STATE LOTTERY COMMISSION**

**PREAMBLE**

1. **Sections Affected:** **Rulemaking Action**  
R19-3-403 New Section
2. **The specific authority for the 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 effective date of the rules:**  
April 30, 1998
4. **A list of all previous notices appearing in the Register addressing the rule:**  
Notice of Rulemaking Docket Opening: 4 A.A.R. 476, February 13, 1998.  
Notice of Proposed Rulemaking: 4 A.A.R. 403, February 13, 1998.
5. **The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**  
Name: Mr. Geoffrey Gonsler, Executive Director  
Address: Arizona State Lottery  
4740 East University  
Phoenix, Arizona 85034  
Telephone: (602) 921-4400  
Fax: (602) 921-4488
6. **An explanation of the rules, including the agency's reasons for initiating the rules:**  
R19-3-403 sets forth provisions unique to the conduct of the Arizona Lottery's on-line 3-digit game. The provisions of this rule are necessary to implement the requirements of A.R.S. § 5-504(B). The unique provisions described in these rules are how to play PICK 3™, ticket characteristics, drawings, game play styles, matrix/prize structure, how to identify a winning ticket, ticket ownership and responsibilities, ticket validation requirements, procedures for claiming prizes, claim period, and disputes concerning a ticket.
7. **A showing of good cause why the rules are necessary to promote a statewide interest if the rules will diminish a previous grant of authority of a political subdivision of this state:**  
Not applicable.
8. **The summary of the economic, small business, and consumer impact:**
  - A. The Arizona State Lottery.  
Additional operating costs to the Lottery are minimal and are included in the agency's appropriated budget. PICK 3™ game launch costs include \$880,000 in advertising and \$18,000 in personnel and other operating expenses. The advertising costs are included in the Lottery's annual budget of 3.7% of sales. Personnel and other operating expenses are included in fiscal year 1998 budget.
  - B. Political Subdivisions.  
Political subdivisions of this state are not directly affected by the adoption of this rule.
  - C. Businesses Directly Affected by the Rulemaking.  
Lottery retailers are affected by this rule. The only impact this rule has upon Lottery retailers is to provide an additional game to players and to specify how they determine if a ticket is a winning ticket, and if so, the prize amount. Currently, for

Notices of Final Rulemaking

each \$1 on-line transaction, retailers receive \$.065. An increase of approximately \$15 million per year in sales is expected from the on-line 3-digit game. As a result, retailers could earn an additional \$1 million in sales commission annually.

The Lottery's on-line vendor currently earns 3.7% of on-line sales. With the implementation of PICK 3™, the on-line vendor will earn 3.54% of on-line sales. Projected PICK 3™ sales could result in an additional \$531,000 revenue annually. The on-line vendor's additional expenses include programming costs, selection slips, ticket stock, and keyboard inserts printing and distribution, retailer training and materials, and a PICK 3™ promotional event.

The Lottery is in direct competition for the discretionary dollar with Indian casinos, horse and dog racing, and charitable bingo. The Lottery is in indirect competition from the year-round professional sporting events, the increase in theater, concert and movie venues, as well as the proximity of Laughlin and Las Vegas. Aggressive marketing by these other entertainment opportunities has been a factor in the decline of lottery sales. PICK 3™ provides the Lottery with the most promising opportunity to increase revenue. This may have an effect on the revenue of the Lottery's direct and indirect competition. Due to other variable factors that also effect the Lottery's competition, such as a new professional sports team, it is impossible to quantify the impact of a new Lottery on-line game.

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. This game will provide players with an additional on-line game from which to choose.

F. State Revenues.

The on-line 3-digit game revenue is expected to amount to approximately \$15 million per year. This would result in an additional \$4.5 million in distributed funds. It is expected that PICK 3™ will attract a new player base, therefore impact on the Lottery's existing games should be minimal.

9. **A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):**

The text of R19-3-403, as adopted, is substantially the same as the text of the proposed rule; however, grammatical, style, format, spelling, capitalization, punctuation and typographical errors have been corrected as recommended by the Secretary of State's Office and the Office of the Attorney General. Specific changes for clarity are as follows:

A. Changes in subsection (A).

1. Definitions contained in R19-3-401(A)(3), (A)(5), (A)(9), (A)(12), (A)(13), (A)(15) and (A)(16) were added and definitions for "drawing," "multiple winners," and "terminal" were deleted.
2. Subsection (A)(2) was renumbered.
3. Subsection (A)(3) was renumbered and changed to include "matrix/prize structure including approximate odds and amount of prizes, prize fund percentage, game play styles, the frequency of drawings, play symbols, retail sales price, and special game features."
4. Subsections (A)(5), (A)(6), and (A)(7) were renumbered.
5. Subsection (A)(9) was renumbered and the term "medium" was changed to "paper stock."
6. Subsection(A)(10) was renumbered and changed to read: "Winning play symbols" or "winning numbers" means the 3 numbers between 0 and 9 that are randomly selected at each drawing which determine winning game plays contained on a ticket."

B. Subsection (B) was deleted.

C. Changes in subsection(C).

1. Subsection was relabeled (B).
2. Subsection (1) was changed to read "To play the on-line PICK 3™ game, a player shall select 1 or more game plays of 3 numbers and a game play style for each game play for input into a terminal. A player may select each game play by:"
3. "The price for each game play shall be no more than \$1." was added as subsection (2).
4. Subsection (2) was relabeled (3). The term "R19-3-907" was changed to "(G)."
5. Subsection (3) was relabeled (4).
6. Subsection (4) was relabeled (5). The word "play" was changed to "plays" and the word "areas" was deleted.
7. Subsection (5) was relabeled (6) and was changed to read: "A ticket holder may not have a PICK 3™ ticket voided or canceled."

**Arizona Administrative Register**  
**Notices of Final Rulemaking**

8. Subsection (6) was deleted.
  9. Subsection (7) the last sentence "In the event of an error, the player's sole remedy is the voiding of the ticket, pursuant to subsection (C)(5)." was deleted.
- D. Changes in subsection (D).
1. Subsection (D) was relabeled (C).
  2. Subsection (1) the term "1 3 digit winning number" was changed to "3 single digit numbers" and the word "may" in the 2nd sentence was changed to "shall." The words "1 3 digit number" was changed to "3 single digit numbers" and the word "will be" was changed to "shall" in the last sentence.
- E. A new subsection "Game Play Styles" was added and labeled D.
1. Subsection (E)(2) was relabeled (D)(1)(a). The last sentence in parenthesis was deleted.
  2. Subsection (E)(3) was relabeled (D)(1)(b). The number "3" was added before the word "numbers." The last sentence in parenthesis was deleted.
  3. Subsection (E)(4) was relabeled (D)(1)(c). The last sentence in parenthesis was deleted.
  4. Subsection (E)(5) was relabeled (D)(1)(d). The phrase "in the exact order or" was added and the number "3" was added before the word "numbers."
  5. Subsection (E)(6) was relabeled (D)(1)(e). The phrase "in the exact order or" was added after the word "numbers."
  6. Subsection (E)(7) was relabeled (D)(1)(f).
  7. Subsection (E)(8) was relabeled (D)(1)(g).
  8. Subsection (E)(9) was relabeled (D)(1)(h).
  9. "More than 1 game play style may appear on a ticket." was added as subsection (D)(2).
- F. Changes in subsection (E).
1. Subsection (E)(1) the phrase "patterns (prize category)" was changed to "game play styles." The words "Play style &" were added to the 1st heading in the text box and the play styles for "3-way straight box," "6-way straight box," and "lead digit" were added to the text box. The prize amount explanation for "3-way straight box" and "6-way straight box" was added at the bottom of the table. The column labeled "Division" was deleted.
  2. Subsection (E)(10) was relabeled (E)(2).
  3. Subsection (E)(11) was relabeled (E)(3).
- G. Changes in subsection (F).
1. Subsection (F)(5) the 1st word of the sentence "When" was changed to "If."
- H. Changes in subsection (G).
1. Subsection (G)(2)(b)(ii) the words "contractor's central" was added before the word "computer" and the word "system" was added after the word "computer."
  2. Subsection (G)(3) the word "paragraph" was changed to "subsection."
- I. Changes in subsection (H).
1. Subsection (1) the number "\$599" was changed to "\$500."
  2. Subsection (2) the phrase "or is not authorizes to pay, including all prizes \$600 or more," was deleted. The words "the Lottery" was added after the word "from" and the phrase "available from the Lottery or any retailer" was put in parenthesis.
- J. Changes in subsection (I).
1. Subsection (1) the phrase "or on the 180th calendar day following the announced end of the game in the case of a prize determined in any manner other than by means of a drawing" was deleted.
  2. Subsection (4) was deleted.

**10. A summary of the principal comments and the agency response to them:**

No comments were received by the agency.

**11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**

Not applicable.

**Arizona Administrative Register**  
**Notices of Final Rulemaking**

12. Incorporations by reference and their location in the rules:  
None.
13. Was this rule previously adopted in an emergency rule?  
No.
14. The full text of the rules follows:

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

**CHAPTER 3: ARIZONA STATE LOTTERY COMMISSION**

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

Section

R19-3-403 "PICK 3™"

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

**R19-3-403. "PICK 3™"**

**A. Definitions.** The following definitions and the definitions in R19-3-401(A)(3), (A)(5), (A)(9), (A)(12), (A)(13), (A)(15) and (A)(16) apply to PICK 3™.

1. "Game play" or "play" means the selected numbers which appear on a ticket as a single wager. More than 1 game play may appear on a ticket.
2. "Game Profile" means a written document that contains non-confidential game information including the game name, matrix/prize structure, prize fund percentage, game play styles, the frequency of drawings, play symbols, retail sales price, and special game features.
3. "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. 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.
4. "PICK 3™" means an on-line game in which 3 play numbers between 0 and 9 are selected as a game play.
5. "Play symbols" means the numbers, letters, or characters printed on each game play of a ticket that determine if a player is entitled to a prize.
6. "Ticket" means paper stock issued from a terminal by a licensed Lottery retailer containing 1 or more game plays 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.
7. "Winning play symbols" or "winning numbers" means the 3 numbers between 0 and 9 that are randomly selected at each drawing which determine winning game plays contained on a ticket.

**B. Ticket Purchase and Characteristics**

1. To play the on-line PICK 3™ game, a player shall select 1 or more game plays of 3 numbers and a game play style for each game play for input into a terminal. A player may select each game play by:
  - a. Verbally communicating the numbers to a retailer;
  - b. Marking the numbered squares required in any 1 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. The price for each game play shall be no more than \$1.

3. A PICK 3™ 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 value and does not constitute evidence of any ticket purchased.
4. A unique serial number shall be printed on the front of the ticket and will distinguish it from every other ticket.
5. A retailer shall issue, from an authorized Lottery terminal, a ticket containing 1 or more game play areas as specified in the Game Profile, each of which shall contain 3 selected play symbols from 0 through 9.
6. A ticket holder may not have a PICK 3™ ticket voided or canceled.
7. The Lottery shall not be liable for ticket errors. The ticket holder is responsible for the accuracy of ticket data.

**C. Drawings**

1. The objective of a PICK 3™ drawing is to randomly select 3 single digit winning numbers as defined in the Game Profile. Mechanical, electrical or computerized drawing equipment shall be used to make the random selection. The 3 single digit numbers shall be used to determine PICK 3™ winning game plays.
2. The drawings shall be held at the times and places established by the Director and subsequently announced to the public.

**D. Game Play Styles**

1. The PICK 3™ game play styles shall be listed in the Game Profile and shall be 1 or more of the following:
  - a. "Straight" means a play in which the player matches all 3 selected winning numbers in the exact order drawn.
  - b. "3-way box" means a play in which the player matches all 3 selected winning numbers in any order drawn and 2 of the 3 numbers are identical.
  - c. "6-way box" means a play in which the player matches all 3 selected winning numbers in any order drawn.
  - d. "3-way straight box" means a play in which the player matches all 3 selected numbers in the exact order drawn or in any order drawn, and 2 of the 3 numbers are identical.
  - e. "6-way straight box" means a play in which the player matches all 3 selected winning numbers in the exact order drawn or any order drawn.
  - f. "Front pair" means a play in which the player matches the 1st 2 selected winning numbers in the exact order drawn.
  - g. "Back pair" means a play in which the player matches the last 2 selected winning numbers in the exact order drawn.
  - h. "Lead digit" means a play in which the player matches the 1st selected winning number.

**Arizona Administrative Register**  
**Notices of Final Rulemaking**

2. More than 1 game play style may appear on a ticket.
- E. Determination of a Winning PICK 3™ Game Play**
1. A player shall win the prize amount indicated in the matrix/prize structure described in the Game Profile by matching the winning play symbols selected at the drawing to the play symbols that appear in 1 or more of the following game play styles on each game play. Prizes shall be determined and awarded on the following basis:

Game Play style & Prize Category	Odds of Winning	Prize Amount
Straight	1:1000	\$500
3-Way Box	1:333.33	\$160
3-Way Straight Box (Combo)*	1:333.33	\$330
6-Way Box	1:166.66	\$80
6-Way Straight Box (Combo)**	1:100	\$290
Front Pair	1:100	\$50
Back Pair	1:100	\$50
Lead Digit	1:10	\$5

\* "3-way straight box" pays \$330 if numbers match in exact order drawn and pays \$80 if numbers match in any other order drawn.

\*\* "6-way straight box" pays \$290 if numbers match in exact order drawn and \$40 if numbers match in any other order drawn.

2. Players can win on each game play on a ticket.
3. No more than the highest prize amount established shall be paid on a winning game play.
- F. Ticket Ownership and Responsibility: Prize Payment**
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, subject to section F(5) below.
3. If more than 1 signature appears on the ticket, the Director shall require that 1 or more of those claimants be designated to receive 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.
4. 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.
5. If a 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 a claim form to receive the claimant's portion of the prize. In the case of a dispute concerning ownership of a ticket, the claimant whose signature appears on the ticket is entitled to the corresponding prize.
6. The Lottery shall only make payment to the claimant, less any authorized debt set-off amounts, who is also the holder of the ticket.
7. Prizes shall be paid by cash or check, according to the provisions in subsection (H) of this rule.
8. All prize levels are fixed amounts, and are specified in the Game Profile. Each play winning any prize entitles the winner to the prize amount specified in the Game Profile.
9. The Lottery is not responsible for lost or stolen tickets.

**G. Ticket Validation Requirements**

1. Each ticket shall be valid and validated prior to the payment of a prize.
2. For a ticket to be eligible for 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, reprinted stating "Not for Sale" on the ticket, or produced in error;
- iv. Not counterfeit, stolen, or voided;
- v. Able to pass all other confidential validation requirements determined by the Director;
- vi. Validated in accordance with the provisions of subsections (F) and (H).
- 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 contractor's central computer system 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 or numbered and consists of a selected set of numbers from the defined game matrix.
3. If a ticket fails to pass any of the requirements in subsection (2), the ticket is void and ineligible for any prize payment.

**H. Procedure for Claiming Prizes**

1. To claim a prize of up to and including \$500, 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 (G) 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, the claimant shall submit a claim form (available from the Lottery or any retailer) and the ticket to the Lottery.
3. If the claim is:
- a. Verified and validated by the Lottery, the Lottery shall make payment of the amount due to the claimant, less any authorized debt set-off amounts.
- b. Denied by the Lottery, the Lottery shall notify the claimant within 15 days from the day the claim is received in the Lottery office.
4. The Lottery is discharged of all liability upon payment of the prize.

**I. Claim Period**

1. 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 p.m., Mountain Standard Time on the 180th calendar day following the on-line game drawing in which the prize was won.
2. 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 p.m. (Phoenix time) on the following business day.
3. The end of an on-line game shall be designated by the Director and on file at the Lottery.

**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 from any current on-line game.

2. 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 game.

3. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.