



Final Regulation Agency Background Document

Agency name	State Lottery Department
Virginia Administrative Code (VAC) citation	11VAC5-41
Regulation title	Lottery Game Regulations
Action title	Promulgate review and update of Lottery Game Regulations
Date this document prepared	8-8-12

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Orders 14 (2010) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

Brief summary

Please provide a brief summary (no more than 2 short paragraphs) of the proposed new regulation, proposed amendments to the existing regulation, or the regulation proposed to be repealed. Alert the reader to all substantive matters or changes. If applicable, generally describe the existing regulation. Also, please include a brief description of changes to the regulation from publication of the proposed regulation to the final regulation.

The existing regulation will be amended to reflect a general review by the State Lottery Department of this chapter. All sections were reviewed for content, accuracy and clarity.

Statement of final agency action

Please provide a statement of the final action taken by the agency including (1) the date the action was taken, (2) the name of the agency or board taking the action, and (3) the title of the regulation.

The Board adopted as final the Virginia Lottery's proposed regulations pertaining to Licensing of Lottery Games (11 VAC 5-41), with the non-substantive amendment(s) noted herein, made on August 8, 2012.

Legal basis

Please identify the state and/or federal legal authority to promulgate this proposed regulation, including (1) the most relevant citations to the Code of Virginia or General Assembly chapter number(s), if applicable, and (2) promulgating entity, i.e., agency, board, or person. Your citation should include a specific provision authorizing the promulgating entity to regulate this specific subject or program, as well as a reference to the agency/board/person's overall regulatory authority.

The State Lottery Department is adopting amended administration regulations pursuant to Chapters 575 and 321, 2008 Acts of Assembly (<http://leg1.state.va.us/cgi-bin/legp504.exe?081+ful+CHAP0575> and <http://leg1.state.va.us/cgi-bin/legp504.exe?081+ful+CHAP0321>).

Section 58.1-4007 states The Board shall have the power to adopt regulations governing the establishment and operation of a lottery. The regulations governing the establishment and operation of the lottery shall be promulgated by the Board after consultation with the Director. Such regulations shall be in accordance with the Administrative Process Act (§ [2.2-4000](#) et seq.).

Purpose

Please explain the need for the new or amended regulation. Describe the rationale or justification of the proposed regulatory action. Detail the specific reasons it is essential to protect the health, safety or welfare of citizens. Discuss the goals of the proposal and the problems the proposal is intended to solve.

It has been over nine (9) years since this chapter has been reviewed for changes and/or updates. In an effort to become more transparent to our consumers, we are focused on updating and clarifying our games offered to our citizens.

Substance

Please identify and explain the new substantive provisions, the substantive changes to existing sections, or both where appropriate. A more detailed discussion is required under the "All changes made in this regulatory action" section.

Many definitions were amended; added or deleted that refers to the Department's games. The objective was to avoid potential confusion to our citizens. Further clarified how and where claims can be validated. Added language that will allow flexibility as to how taxes will be calculated based on the IRS requirements at the time of payment. Amended language to extend redemption period for a "free ticket" to 180 days.

Issues

Please identify the issues associated with the proposed regulatory action, including:

- 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions;*
- 2) the primary advantages and disadvantages to the agency or the Commonwealth; and*

3) other pertinent matters of interest to the regulated community, government officials, and the public. If there are no disadvantages to the public or the Commonwealth, please indicate.

Advantages: The proposed amendments to this chapter will further enhance our transparency to our citizens and add additional clarification to our games.

Disadvantages: The agency does not foresee any disadvantages to the citizens and businesses of the Commonwealth.

Other: No other impact is anticipated.

Changes made since the proposed stage

Please describe all changes made to the text of the proposed regulation since the publication of the proposed stage. For the Registrar’s office, please put an asterisk next to any substantive changes.

Section number	Requirement at proposed stage	What has changed	Rationale for change
	11VAC5-41-250	Last sentence was changed. Last 2 words were replaced with “these purposes”	Needed to make plural

Public comment

Please summarize all comments received during the public comment period following the publication of the proposed stage, and provide the agency response. If no comment was received, please so indicate.

Commenter	Comment	Agency response
None		

Enter any other statement here

All changes made in this regulatory action

Please list all changes that are being proposed and the consequences of the proposed changes. Describe new provisions and/or all changes to existing sections.

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change, and rationale
	11VAC5-41-10		<p>Deleted definition for “Barcode”.</p> <p>Deleted definition for “Certified drawing”.</p> <p>Added a definition for “Cashing retailer”.</p> <p>Added a definition for “Computer gaming system”.</p> <p>Added a definition for “Coupon”.</p> <p>Amended definition for “Instant game”.</p> <p>Amended definition for “Misprinted ticket”.</p> <p>Deleted definition for “On-line system”.</p> <p>Deleted definition for “On-line terminal” or “terminal”.</p> <p>Deleted definition for “On-line ticket”.</p> <p>Deleted definition for “Pack”.</p> <p>Amended definition for “Prize”</p> <p>Amended definition for “Prize structure”</p> <p>Amended definition for “Probability game”.</p> <p>Added definition for “Promotion”.</p> <p>Amended definition for “Roll stock” or “ticket stock”.</p> <p>Amended definition for “Scratch ticket”.</p> <p>Amended definition for “Share”.</p> <p>Added definition for “Terminal”.</p> <p>Added definition for “Terminal ticket”.</p> <p>Amended definition for “Ticket number”.</p> <p>Deleted definition for “Validation number”.</p> <p>Added definition for “Validation Barcode”.</p>

			Amended definition for “Winning ticket, winning wager or wining”.
	11VAC5-41-30		Deleted language that refers to cash or noncash prizes.
	11VAC5-41-40		Amended this section to include chances of winning may be in electronic or printed form.
	11VAC5-41-50		Amended section to remove retailers’ ability to offer free tickets for merchandise. Further clarification that retailers shall sell tickets at fixed prices by the board.
	11VAC5-41-60		Amended item C. for use of the new definition of “Terminal” added in 11VAC5-41-10.
	11VAC5-41-70		Amended section title to refer to the new definition of “Terminal ticket” added in 11VAC5-41-10.
	11VAC5-41-80		Amended section title to refer to the new definition of “Scratch ticket” added in 11VAC5-41-10. Updated language to require departmental authorization for credit of unsold tickets. Added clarification that the retailer is responsible for all tickets once accepted, unless authorized by department.
	11VAC5-41-100		Amended requirements for validation of tickets or plays. Added item (1) to define the process of validation if a physical ticket is required by the game rules. Added item (2) for validation of tickets or plays generated from a terminal that do not require a physical ticket as defined by the game rules. Added item (3) to include other

		<p>requirements that may be necessary for winners to collect prizes.</p> <p>Deleted "B". The Lottery cannot validate a ticket that has been sold to someone ineligible to play; therefore, the issue of a cash prize or free ticket would be moot.</p>
	11VAC5-41-110	Amended the use of play slips to allow for electronically printed material if authorized by the department.
	11VAC5-41-130	Amended title of this section to include the new definition of "Terminal" added in section VAC5-41-10.
	11VAC5-41-140	Added specific locations or venues where a winner may claim prizes.
	11VAC5-41-150	<p>Amended item (3) to specify retailers with operational validation equipment can pay a prize \$600.00 or less. This was amended to align with the added definition of "Cashing retailer" in VAC5-41-10.</p> <p>Deleted language that refers to the IRS Code. This is a Federal Government requirement not the Departments. This should allow for flexibility in the future.</p>
	11VAC5-41-160	Added language to further clarify the department's procedures to minimize retailer payments for prize claims made in error.
	11VAC5-41-170	<p>Added validation of a claim can be performed at the department's headquarters.</p> <p>Amended item (3) to define where and how prize amounts more than \$600 will be paid.</p> <p>Added item (4), an electronic entry or record is permitted to claim a prize.</p>
	11VAC5-41-180	Added language to include merchandise and experiential prizes in item "C" and "D".

	11VAC5-41-190		<p>Added clarification when defining threshold for notification to the IRS and Virginia Department of Taxation (Item "A").</p> <p>Added reference to state and federal taxes will be calculated based on the tax regulations in effect at that time (Item "A", 2).</p>
	11VAC5-41-200		<p>Added capability for a person to enter a validation code through an electronic process considering them the owner of the ticket.</p>
	11VAC5-41-210		<p>Amended payment process to clarify requirements as determined in game rules.</p>
	11VAC5-41-230		<p>Added reference to the Virginia Code (§ 58.1-4013 (D), which contains the Director's procedures for payment of a claim where ownership is challenged.</p> <p>Added verbiage to further define dispute.</p>
	11VAC5-41-250		<p>Deleted entire section and completely reworded to include the use of technology.</p>
	11VAC5-41-260		<p>Deleted entire section. The agency no longer follows these procedures which were developed when we televised our drawings.</p>
	11VAC5-41-280		<p>Added text to refer to a cash option exception for payment of prizes based on the rules of a specific game.</p>
	11VAC5-41-310		<p>Deleted reference to redemption period in number (2).</p> <p>Added redemption period in number (4).</p>
	11VAC5-41-320		<p>Amend item (C) to extend redemption period for prizes that are "free tickets" to 180 days to stay consistent with item (A).</p> <p>Modified item (F) to reference the updated ACT that is referenced.</p>

	FORMS (11VAC5-41)		Deleted all forms with the exception of "Agreement to Share Ownership and Proceeds of Lottery Ticket". This is the only form referenced in our regulations.
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