



Virginia
Regulatory
Town Hall

Proposed Regulation Agency Background Document

Agency Name:	State Lottery Department
VAC Chapter Number:	11 VAC 5-40-10 et seq.
Regulation Title:	On-Line Game Regulations
Action Title:	Repeal
Date:	09/27/2002

This information is required pursuant to the Administrative Process Act (§ 9-6.14:9.1 *et seq.* of the *Code of Virginia*), Executive Order Twenty-Five (98), Executive Order Fifty-Eight (99), and the *Virginia Register Form, Style and Procedure Manual*. Please refer to these sources for more information and other materials required to be submitted in the regulatory review package.

Summary

Please provide a brief summary of the proposed new regulation, proposed amendments to an existing regulation, or the regulation proposed to be repealed. There is no need to state each provision or amendment or restate the purpose and intent of the regulation; instead give a summary of the regulatory action and alert the reader to all substantive matters or changes. If applicable, generally describe the existing regulation.

The State Lottery Department is proposing to repeal this regulation. This regulation and the department's Instant Game Regulations (11 VAC 5-30-10 et seq.) are being reorganized and replaced by two new proposed regulations: Licensing Regulations (11 VAC 5-31-10 et seq.) and Game Regulations (11 VAC 5-41-10 et seq.). Because the current two regulations contain similar provisions for different types of games, there is a significant amount of redundant language regarding licensing and gaming. The new regulations will revise, consolidate and reduce the language into two more meaningful categories: licensing and games.

Basis

Please identify the state and/or federal source of legal authority to promulgate the regulation. The discussion of this statutory authority should: 1) describe its scope and the extent to which it is mandatory

or discretionary; and 2) include a brief statement relating the content of the statutory authority to the specific regulation. In addition, where applicable, please describe the extent to which proposed changes exceed federal minimum requirements. Full citations of legal authority and, if available, web site addresses for locating the text of the cited authority must be provided. Please state that the Office of the Attorney General has certified that the agency has the statutory authority to promulgate the proposed regulation and that it comports with applicable state and/or federal law.

Section 58.1-4007 of the Code of Virginia authorizes the State Lottery Board to adopt regulations governing the operation of a lottery, and to amend, repeal or supplement the regulations as necessary.

The Office of the Attorney General has certified that the agency has the statutory authority to repeal the regulation and it comports with applicable state law and/or federal law.

Purpose

Please provide a statement explaining the need for the new or amended regulation. This statement must include the rationale or justification of the proposed regulatory action and detail the specific reasons it is essential to protect the health, safety or welfare of citizens. A statement of a general nature is not acceptable, particular rationales must be explicitly discussed. Please include a discussion of the goals of the proposal and the problems the proposal is intended to solve.

To reduce and simplify the regulatory language, current department regulations (Instant Game and On-Line Game) will be reorganized into two new categories: Licensing and Lottery Game Regulations. Duplicative language will be eliminated and revisions will be made in the new chapters to update the regulations to reflect changes in operational procedures since 1996, when the current regulations were last amended.

Substance

Please identify and explain the new substantive provisions, the substantive changes to existing sections, or both where appropriate. Please note that a more detailed discussion is required under the statement providing detail of the regulatory action's changes.

The current regulation is being repealed and its provisions are being revised and consolidated into two new regulations.

Issues

Please provide a statement identifying the issues associated with the proposed regulatory action. The term "issues" means: 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 include a sentence to that effect.

The repeal of this regulation and its revision and consolidation with other existing regulations will simplify and clarify lottery retailer licensing and game requirements. Some provisions will be removed entirely because they are already contained in the Code of Virginia and will continue to be enforced. Others are redundant or unnecessary and will be eliminated from the new categories.

There are no disadvantages to the public, the Commonwealth or the department by this action.

Fiscal Impact

Please identify the anticipated fiscal impacts and at a minimum include: (a) the projected cost to the state to implement and enforce the proposed regulation, including (i) fund source / fund detail, (ii) budget activity with a cross-reference to program and subprogram, and (iii) a delineation of one-time versus on-going expenditures; (b) the projected cost of the regulation on localities; (c) a description of the individuals, businesses or other entities that are likely to be affected by the regulation; (d) the agency's best estimate of the number of such entities that will be affected; and e) the projected cost of the regulation for affected individuals, businesses, or other entities.

Approximately 3,700 lottery retailers who sell on-line games and 3.5 million players who purchase the games are subject to these regulations.

There is no anticipated economic impact on the Commonwealth, localities, the public or the agency.

Detail of Changes

Please detail any changes, other than strictly editorial changes, that are being proposed. Please detail new substantive provisions, all substantive changes to existing sections, or both where appropriate. This statement should provide a section-by-section description - or cross-walk - of changes implemented by the proposed regulatory action. Where applicable, include citations to the specific sections of an existing regulation being amended and explain the consequences of the proposed changes.

Language that is being revised and incorporated in the new Licensing or Lottery Game regulations will be discussed in those respective background documents.

The following provisions that are currently contained in the On-Line Game regulations, proposed for repeal, will not appear in the new and revised regulations because the provisions are contained in the Code of Virginia and do not need to be repeated in regulations: (i) the requirement that lottery prizes must be paid by cash, check, cashier's check, travelers check, or money order, but not by credit cards, food stamps, or food coupons (§ 58.1-4007.A.2); (ii) the penalty for counterfeit, forged or altered tickets (§ 58.1-4017); and (iii) language allowing prizes to be claimed by a legal entity, which is now prohibited by Code (§ 58.1-4019.B).

Some provisions will be repealed because they are redundant or no longer necessary, including (i) board approval of certain details of a prize structure; (ii) the definition of life of a claim on behalf of a group, company, corporation because only natural persons can claim prizes; and (iii) the prize amount limit that can be claimed at lottery regional offices versus lottery headquarters.

Several provisions being repealed will not be included in the new regulations because the requirements are operational in nature and are included in the lottery retailer manual, which each retailer receives upon licensing, or in the retailer contract, signed by each retailer. These provisions include the requirement for prompt service; fees for terminal telecommunications installation, service and line charges; the policy for ticket cancellation; and specific details regarding the general licensing standards. The standards will continue to be contained in the proposed Licensing regulations.

Alternatives

Please describe the specific alternatives to the proposal considered and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the action.

No alternatives were considered.

Public Comment

Please summarize all public comment received during the NOIRA comment period and provide the agency response.

No public comment was received in response to the Notice of Intended Regulatory Action.

Clarity of the Regulation

Please provide a statement indicating that the agency, through examination of the regulation and relevant public comments, has determined that the regulation is clearly written and easily understandable by the individuals and entities affected.

The chapter is being repealed.

Periodic Review

Please supply a schedule setting forth when the agency will initiate a review and re-evaluation to determine if the regulation should be continued, amended, or terminated. The specific and measurable regulatory goals should be outlined with this schedule. The review shall take place no later than three years after the proposed regulation is expected to be effective.

N/A

Family Impact Statement

Please provide an analysis of the proposed regulatory action that assesses the potential impact on the institution of the family and family stability including the extent to which the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one's spouse, and one's children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.

The repeal of this regulation has no impact upon families.