

# DEPARTMENT OF REVENUE

## Lottery Commission

### 1 CCR 206-1 RULES AND REGULATIONS

#### AMENDED RULE 14.A COLORADO LOTTERY MULTI-STATE JACKPOT GAME, "POWERBALL®"

##### **BASIS AND PURPOSE FOR AMENDED RULE 14.A**

The purpose of Amended Rule 14.A is to provide specific game details and requirements for the Colorado Lottery Multi-State Jackpot Game "POWERBALL®" such as type of play, prizes, method of selecting winning numbers, drawings, and the allocation of revenues. The statutory basis for Rule 14.A is found in C.R.S. 24-35-201, 24-35-208 (1) (a) and (2), and 24-35-212 and 24-35-212.5.

##### **14.A.1 General Provisions**

**Amended Rule 14.A becomes effective with sales on October 4, 2015, with the first draw October 7, 2015.**

- A. A Colorado Lottery multi-state Jackpot game to be known as "POWERBALL®" is authorized to be conducted by the Director under the following Rules and Regulations and under such further instructions and directives as the Director may issue in furtherance thereof. If a conflict arises between Rule 14 and this Rule 14.A, Rule 14.A shall apply.
- B. All MUSL (Multi-State Lottery Association) guidelines and MUSL Board decisions must be approved by the Colorado Lottery (hereafter referred to as Lottery) and the Lottery Commission, prior to implementation.
- C. The Director will be a voting member of the MUSL Board during the timeframe in which the Lottery shall be a member of MUSL. The Director will also be a voting member of any MUSL Specific Product Group the Lottery joins.
- D. At any time the Lottery Director determines that any provisions of MUSL or of MUSL's Specific Game Playing Rules do not sufficiently provide for the security and integrity necessary to protect the Colorado Lottery, he/she shall recommend to the Lottery Commission that the Lottery end its membership with MUSL or with the specific Product Group. Upon concurrence by the Lottery Commission, membership can end at any time.

##### **14.A.2 Definitions**

In addition to the definitions provided in Paragraph 1.2 of Rule 1 and Rule 14, and unless the context in this Rule 14.A otherwise requires:

- A. "Advance Play" means the ability to purchase tickets for more than one drawing.
- B. "Breakage" means the results of rounding prize amounts down to the nearest whole dollar.

- C. "Drawing" means the event that occurs wherein the official "POWERBALL®" numbers are drawn.
- D. "Game Board(s)" or "Board(s)" means that area of the play slip that contains a set of two (2) grids. The first grid containing sixty-nine (69) squares numbered one (1) through sixty-nine (69) and the second grid containing twenty-six (26) squares, numbered one (1) through twenty-six (26).
- E. "Grand Prize" means a pari-mutuel prize that is advertised to be paid with per-winner annuities or as a lump sum cash payment, unless otherwise specified by the Lottery.
- F. "Grid" means the area of a play slip that contains a set of numbered squares to be marked by the player.
- G. "Matching Combinations" means the numbers on a play that coincide with the numbers randomly selected at a drawing for which that play was purchased.
- H. "MUSL" means the Multi-State Lottery Association, a government-benefit association wholly owned and operated by the Party Lotteries.
- I. "MUSL Board" means the governing body of MUSL, which is comprised of the chief executive officer of each Party Lottery.
- J. "Number" means any play integer from one (1) through sixty-nine (69) inclusive.
- K. "Play" means the six (6) numbers selected on each Board and printed on the ticket.
- L. "Play slip" means a mark-sense game card used by players of "POWERBALL®" to select plays. A play slip has no pecuniary value and shall not constitute evidence of ticket purchase or of numbers selected.
- M. "Prize Amount" means the pari-mutuel and/or set prize values established for a game.
- N. "Prize Category" means and refers to a specific prize within the prize pool.
- O. "Prize Pool" means a defined percentage of sales as specified in this rule.
- P. "Quick Pick" or "Partial Quick Pick" means a number or numbers that are randomly generated by the computer when all or a portion of the player's selections have been left blank.
- Q. "Roll-over" means the amount from the direct prize category contribution from previous drawing(s) in the Grand Prize category, that is not won, that is carried forward to the Grand Prize category for the next drawing.
- R. "Set Prize" means all other prizes except the Grand Prize that are advertised to be paid by a single cash payment and, except in instances outlined in these rules, will be equal to the prize amount established within the Specific Game Playing Rules.
- S. "Set Prize Payout Variance" means an account held by MUSL that holds the temporary balances, transferred to MUSL from party lotteries, which results from having fewer-than-expected winners in the set prize categories. This money is paid out to party lotteries in subsequent drawings that have more winners than are statistically expected in the set prize categories.

- T. "Share(s)" means the total number of matching combinations within each prize category as determined for each drawing.
- U. "Winning Numbers" means the six (6) numbers, the first five (5) from a field of sixty-nine (69) numbers and the last one (1) from a separate field of twenty-six (26) numbers, randomly selected at each drawing, which shall be used to determine winning plays contained on a multi-state Jackpot Game ticket.

#### **14.A.3 Price of "POWERBALL®" Play/Board**

The price of each "POWERBALL®" play/board shall be \$2.00.

#### **14.A.4 Ticket Purchases**

- A. "POWERBALL®" tickets may be purchased only from a Lottery licensee authorized by the Director to sell multi-state Jackpot Game tickets.
- B. "POWERBALL®" tickets shall show, at a minimum, the player's selection of numbers, the boards played, drawing date and validation and reference numbers. The Lottery shall not directly and knowingly sell a combination of tickets to any person or entity that would guarantee such purchaser a winning ticket.
- C. Plays may be entered manually using the Jackpot Game terminal by a ticket generation option or by means of a play slip provided by the Lottery. Facsimiles of play slips, copies of play slips, or other materials which are inserted into the terminal's play slip reader and which are not printed or approved by the Lottery shall not be used to enter a play. No device shall be connected to a Jackpot Game terminal to enter plays, except as may be approved by the Lottery. Unapproved play slips or other devices may be seized by the Lottery.
- D. All plays made in the game shall be marked on the play slip by hand. No machine-printed play slips shall be used to enter plays. Machine-printed play slips may be seized by the Lottery. Nothing in this regulation shall be deemed to prevent a person with a physical handicap who would otherwise be unable to mark a play slip manually from using any device intended to permit such person to make such a mark (for his/her sole personal use or benefit).

#### **14.A.5 Play for "POWERBALL®"**

- A. A "POWERBALL®" player must select six numbers in each play, five (5) numbers out of sixty-nine (69) plus one (1) out of twenty-six (26). A winning play is achieved only when the following combinations of numbers selected by the player match, in any order, the five plus one winning numbers drawn by the Lottery. Those combinations are 5+1, 5+0, 4+1, 4+0, 3+1, 3+0, 2+1, 1+1 and 0+1.
- B. The player will use play slips, as provided in Paragraph 14.A.4 of this Rule 14.A, to make number selections. The Jackpot Game terminal will read the play slip and issue a ticket with corresponding play(s). If a play slip is not available, the Jackpot Game licensee may enter the selected numbers via the keyboard. If offered by the Lottery, a player may leave all or a portion of his/her play selections to a random number generator operated by the computer, commonly referred to as "QUICK PICK" or "PARTIAL QUICK PICK."

#### 14.A.6 Prizes For "POWERBALL®"

A. Odds of winning a prize are displayed in the table below:

MATCHING COMBINATIONS	PRIZECATEGORY	ODDS OF WINNING (ONE PLAY)
All five (5) of first set plus one (1) of second set	Grand Prize	1:292,201,338.0000
All five (5) of first set plus none of second set	Second Prize	1:11,668,053.5200
Any four (4) of first set, but not five, plus one (1) of second set	Third Prize	1:913,129.1813
Any four (4) of first set, but not five, plus none of second set	Fourth Prize	1:36,525.1673
Any three (3) of first set, but not four or five, plus one (1) of second set	Fifth Prize	1:14,494.1140
Any three (3) of first set, but not four or five, plus none of second set	Sixth Prize	1:579.7646
Any two (2) of first set, but not three, four or five, plus one (1) of second set	Seventh Prize	1:701.3281
Any one (1) of first set, but not two, three, four or five, plus one (1) of second set	Eighth Prize	1:91,9775
None of first set plus one (1) of second set	Ninth Prize	1:38.2339
Overall odds of winning any prize		1:24.8671

B. The prize pool contribution for all prize categories shall consist of fifty percent (50%) of each drawing period's sales unless, as described in Paragraph 14.A.7.C of this Rule 14.A, the prize reserve accounts are not funded at the balances set by the "POWERBALL®" Product Group.

Any amount remaining in the prize pool at the end of this game shall be carried forward to a replacement game or expended in a manner as directed by the Product Group in accordance with state law.

**PRIZE POOL**

Prize Category	Prize Amounts	Allocation of Prize Pool	Prize Pool Percentage of Sales
Grand Prize	Announced Jackpot	68.0132%	34.0066%
Second Prize	\$1,000,000	8.4558%	4.2279%
Third Prize	\$50,000	5.4756%	2.7378%
Fourth Prize	\$100	0.2738%	0.1369%
Fifth Prize	\$100	0.6900%	0.3450%
Sixth Prize	\$7	1.2074%	0.6037%
Seventh Prize	\$7	0.9982%	0.4991%
Eighth Prize	\$4	4.3488%	2.1744%
Ninth Prize	\$4	10.4374%	5.2187%
TOTAL		100.00%	50.00%

- C. Prize Categories - The Grand Prize shall be determined on a pari-mutuel basis. Except as provided in c. below, all other prizes awarded shall be paid as set prizes with the foregoing expected prize payout percentages:
1. The prize money allocated to the Grand Prize category shall be divided equally by the number of game boards matching all five (5) of the first set plus one (1) of the second set.
  2. The prize pool percentage allocated to the set prizes 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 all party lotteries' 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 available in the set prize payout variance account.
    - b. If the set prize payout variance account is not sufficient to pay the set prizes awarded, an amount from the set prize reserve account is used, if available, not to exceed an amount established by MUSL.
- c. If after these sources are depleted, sufficient funds do not exist to pay the set prizes awarded, then the highest set prize shall become a pari-mutuel prize. If the amount of the highest set prize,

when paid on a pari-mutuel 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-mutuel prize. This procedure shall continue down through all set prize levels, if necessary, until all set prize levels become pari-mutuel prize levels.

#### **14.A.7 Prize Reserve Accounts**

- A. The MUSL Board manages three (3) prize reserve accounts (pools) associated with "POWERBALL®". The MUSL Board holds these reserves in trust on behalf of the Lottery, and interest is earned by the Lottery. All deposits will be reported on Lottery records as "Cash Held by MUSL".
1. Set-Aside Pool (Grand Prize Base Reserve) is used to guarantee payment of the minimum or starting grand prize as established by the Product Group.
  2. Prize Reserve Trust (Grand Prize Reserve) is used to guarantee payment of valid, but unanticipated, grand prize claims that may result from a system error or for any other reason the normal contributions from sales are not adequate.
  3. Set-Prize Reserve Pool is used to guarantee the payment of the set cash prizes.
- B. When a lottery becomes a member of the POWERBALL® product group, the MUSL Board determines an initial contribution to be made by the lottery to the foregoing reserves. In accordance with the payment plan established between the lottery and MUSL, the lottery must deposit with the MUSL board the specified amounts.
- C. In the event any reserve balance(s), specified above, falls below the balance established by the MUSL Board, a portion of the prize pool contribution shall be used to replenish the reserve(s). Should any reserve(s) require replenishment, the contribution from sales to the Grand Prize shall be reduced from 34.0066% of sales to no less than 32.0066% of sales (up to two percent (2%) of sales). Replenishment of the Grand Prize Base Reserve (Set-Aside Pool) shall have priority over the Prize Reserve Trust and the Set-Prize Reserve Pool.
- D. In the event the Lottery decides to withdraw from the Product Group, the remaining balances of the Lottery's contribution will be refunded to the Lottery.

#### **14.A.8 Prize Payment**

- A. The Grand Prize is paid by the Lottery upon receipt of funds from MUSL no earlier than fifteen (15) calendar days of validation of the Grand Prize ticket; and when the player makes their final selection of cash or annuity no later than sixty (60) days after validation of the Grand Prize ticket.
1. Grand Prizes shall be paid, at the election of the ticket bearer by a single cash payment or in a series of annuity payments. The ticket bearer becomes entitled to the prize at the time the prize is validated as a winner. The election to take the cash payment or annuity payments may be made at the time the prize is validated or within 60 days after the ticket bearer becomes entitled to the prize. An election made after the ticket bearer becomes entitled to the prize is final and cannot be revoked, withdrawn or otherwise changed. If the ticket bearer does not make the election at the time the prize is validated and requests the 60-day election period, the Lottery will cancel the prize warrant that was generated during validation. The validation record will be kept secured and on file at the Lottery office until the ticket bearer makes an election. If the ticket bearer does not make the payment election within 60 days after validation, then the prize shall be paid as an annuity prize.

2. Shares of the Grand Prize shall be determined by dividing the cash available in the Grand Prize pool equally among all boards matching all five (5) of the first set plus one (1) of the second set of drawn numbers. Winner(s) who elect a cash payment shall be paid their share(s) in a single cash payment. The annuitized option prize shall be determined by multiplying a winner's share of the Grand Prize pool by the MUSL annuity factor. Neither MUSL nor the party lotteries shall be responsible or liable for changes in the advertised or estimated annuity prize amount and the actual amount purchased after the prize payment method is actually known to MUSL. In certain instances announced by the Product Group, the Grand Prize shall be a guaranteed amount and shall be determined pursuant to Paragraph 14.A.8.E. of this Rule 14.A. If individual shares of the cash held to fund an annuity are less than \$250,000, the Product Group, in its sole discretion, may elect to pay the winners their share of the cash held in the Grand Prize pool.
  3. All annuitized prizes shall be paid annually in thirty (30) graduated payments with the initial payment being made in cash, to be followed by twenty-nine (29) payments funded by the annuity.
  4. Funds for the initial payment of an annuitized prize or the lump sum cash prize shall be made available by MUSL for payment by the Lottery no earlier than the fifteenth calendar day (or the next banking day if the fifteenth day is a holiday) following the drawing. If necessary, when the due date for the payment of a prize occurs before the receipt of funds in the prize pool trust sufficient to pay the prize, the transfer of funds for the payment of the full lump sum cash amount may be delayed pending receipt of funds from the party lotteries. The Lottery may elect to make the initial payment from its own funds after validation, with notice to MUSL.
  5. The Grand Prize amount held by MUSL for subsequent payment to an annuity winner shall be transferred to the Lottery and the Lottery shall have payment to the annuity winner on the anniversary date, or if such date falls on a non-business day the first day following the anniversary date, of the selection of the jackpot winning numbers.
  6. In the event of the death of a lottery winner during the annuity payment period, the "POWERBALL®" Product Group, in its sole discretion, upon the petition of the estate of the lottery winner (the "Estate") to the Lottery, and subject to federal, state, or district applicable laws, may accelerate the payment of all of the remaining lottery proceeds to the Estate. If the Product Group makes such a determination, then securities and/or cash held to fund the deceased lottery winner's annuitized prize may be distributed to the Estate. The identification of the securities to fund the annuitized prize shall be at the sole discretion of the Product Group.
- B. The Director's decision with respect to the validation and payment of set prizes, whether during a "POWERBALL®" game or any drawing related thereto, shall be final and binding upon all participants in the Lottery.
  - C. All set prizes (all prizes except the Grand Prize) shall be paid by the Lottery. The Lottery may begin paying set prizes after receiving authorization to pay from the MUSL central office.
  - D. Annuitized payments of the Grand Prize or a share of the Grand Prize may be rounded to facilitate the purchase of an appropriate funding mechanism. Breakage on an annuitized Grand Prize win shall be added to the first cash payment to the winner or winners.
  - E. Set Prizes, which, under these rules, may become pari-mutuel prizes, may be rounded down so that prizes can be paid in multiples of whole dollars. Breakage resulting from rounding these prizes shall be carried forward to the prize pool for the next drawing.

- F. If the Grand Prize is not won in a drawing, the prize money allocated for the Grand Prize shall rollover and be added to the Grand Prize pool for the following drawing.
- G. The "POWERBALL®" Product Group may offer guaranteed minimum Grand Prize amounts or minimum increases in the Grand Prize amount between drawings or make other changes in the allocation of prize money where the "POWERBALL®" Product Group finds that it would be in the best interest of the game. If a minimum Grand Prize amount or a minimum increase in the Grand Prize amount between drawings is offered by the "POWERBALL®" Product Group, then the Grand Prize shares shall be determined as follows:
1. If there are multiple Grand Prize winners during a single drawing, each selecting the annuitized option prize, then a winner's share of the guaranteed annuitized Grand Prize shall be determined by dividing the guaranteed annuitized Grand Prize by the number of winners.
  2. If there are multiple Grand Prize winners during a single drawing and at least one of the Grand Prize winners has elected the annuitized option prize, then the best bid submitted by MUSL's pre-approved qualified brokers shall determine the cash pool needed to fund the guaranteed annuitized Grand Prize.
  3. If no winner of the Grand Prize during a single drawing has elected the annuitized option prize, then the amount of cash in the Grand Prize pool shall be an amount equal to the guaranteed annuitized amount divided by the average annuity factor of the most recent three best quotes provided by MUSL's pre-approved qualified brokers submitting quotes.
  4. In no case shall quotes be used which are more than two weeks old and if less than three quotes are submitted, then MUSL shall use the average of all quotes submitted. Changes in the allocation of prize money shall be designed to retain approximately the same prize allocation percentages, over a year's time, set out in these rules.

#### **14.A.9 Prize Accounts**

- A. The Lottery shall transfer to the MUSL in trust an amount as determined to be its total proportionate share of the prize account less actual set prize liability. If this results in a negative amount, the MUSL central office shall transfer funds to the Lottery.
- B. Grand Prize amounts held by MUSL shall be transferred to the Lottery immediately after the Lottery validates the Grand Prize claim and after MUSL has collected the prize pool shares from all member lotteries.
- C. All funds to pay a grand prize that go unclaimed shall be returned to the Lottery by MUSL in proportion to sales by the Lottery for the grand prize in question after the claiming period set by the Lottery selling the winning ticket expires.

#### **14.A.10 Funds Transfer**

- A. Funds shall be collected by MUSL from each Party Lottery weekly by wire transfer or other means acceptable to the "POWERBALL®" Product Group. The "POWERBALL®" Product Group shall determine collection days. The amount to be transferred shall be calculated in accordance with game rules. The draw reports determine whether the member lotteries owe funds to MUSL or MUSL needs to transfer money to the member lotteries. Each Party Lottery shall transfer to MUSL an amount as determined by MUSL and the Product Group to be its total proportionate share of the prize account less actual set prize liability. If this results in a negative amount, the MUSL central office shall transfer funds to the Party Lottery.

- B. The Grand Prize amount held by MUSL shall be transferred to the Lottery after the Lottery validates the Grand Prize claim and after MUSL has collected the prize pool shares from all member lotteries.
- C. The Grand Prize amount held by MUSL for subsequent payment to annuity winners shall be transferred to the Lottery within seven days preceding the anniversary date of the selection of the jackpot winning numbers. The Lottery will then make payment to the annuity winner.

#### **14.A.11 Drawings**

- A. The "POWERBALL®" drawings shall be held twice each week on Wednesday and Saturday evenings, except that the drawing schedule may be changed by the MUSL Board. In the event of and act of Force Majeure the drawing shall be rescheduled at the discretion of the MUSL Board.
- B. Each drawing shall determine, at random, six winning numbers in accordance with drawing guidelines. The Lottery Commission shall review and approve drawing guidelines. Any numbers drawn are not declared winning numbers until the drawing is certified by MUSL in accordance with the "POWERBALL®" drawing guidelines. The winning numbers shall be used in determining all "POWERBALL®" winners for that drawing. If a drawing is not certified, another drawing will be conducted to determine actual winners.
- C. Each drawing shall be witnessed by an auditor as required in C.R.S. 24-35-208 (2)(d). All drawing equipment used shall be examined by the auditor immediately prior to, but no sooner than thirty (30) minutes before, a drawing and immediately after, but no later than thirty (30) minutes following the drawing. All drawings, inspections and tests shall be recorded on videotape.
- D. The drawing shall not be invalidated due to the numbers drawn creating an excessive prize liability for the Lottery.
- E. The drawing procedures shall provide that a minimum of fifty-nine (59) minutes elapse between the close of the game ticket sales and the time of the drawing for those tickets sold. All drawings shall be open to the public.

#### **14.A.12 Advance Play**

Advance play provides the opportunity to purchase "POWERBALL®" tickets for more than one drawing. Advance play tickets shall be available for purchase in variable increments. The Advance Play feature shall be available at the discretion of the Lottery Director.

#### **14.A.13 MUSL Accounting and Finance**

- A. At the time a Lottery joins the "POWERBALL®" Product Group, MUSL revises the existing budget and assesses the Lottery for the additional costs. Each July, thereafter, MUSL sets the budget for the impending year and assesses each Lottery their proportionate share. The Lottery receives a copy of these costs and an election form.
- B. Each September and March, MUSL re-evaluates the amounts that each Lottery must contribute to any Prize Reserves. Any additional contributions to the Prize Reserves are funded by reducing the contribution from sales to the Grand Prize by up to 2% as referred to in 14.A.7.
- C. The draw reports determine whether the Lottery owes and needs to transfer funds to MUSL, or MUSL owes and needs to transfer funds to the Lottery. (The procedures and corresponding time lines documenting the timely and effective transfer of funds between the Lottery and MUSL can be found in the Lottery's financial procedures.) Three different transfers are made on a continual basis:

1. Draw receivables transferred from the Lottery to MUSL,
2. Set prize payments and initial Grand Prize payments transferred from MUSL to the Lottery, and
3. Subsequent Grand Prize annuity payments from MUSL to the Lottery.

**14.A.14 Jackpot Game Licensee Commission, Cashing Bonus, Selling Bonus, and Marketing Performance Bonus**

- A. In addition to the Six Percent (6%) Commission set forth in Rule 14.19, retailers can earn a Cashing Bonus, Selling Bonus and Marketing Performance Bonus.
1. Each retailer will receive a cashing bonus of one percent (1%) of each prize paid by the licensee up to and including \$599.
  2. In order to receive a Selling Bonus, the following criteria must be met:
    - a. A licensee must have sold a grand-prize or second-prize winning multi-state Jackpot game ticket for a drawing for which the announced jackpot prize is at least forty million dollars (\$40,000,000) or more;
    - b. Payment of the jackpot-selling bonus will occur once Lottery security has confirmed the selling licensee.
    - c. A licensee must be selling multi-state Jackpot Game tickets up to and including the day that the ticket is validated by the Lottery and must be the same licensed licensee who sold the winning ticket.
    - d. The Director or designee shall determine the amount of the jackpot-selling bonus for each qualified-prize-winning ticket sold.
  3. In order to receive a five-tenths of one percent (.5%) Marketing Performance Bonus the following criteria must be met:
    - a. A licensee must be licensed on the date the marketing performance bonus is declared;
    - b. A licensee must sell Lottery products up to and including on the final sales day in which the marketing performance bonus is declared;
    - c. A licensee must meet or exceed the requirements of the marketing performance bonus plan for the period for which the marketing performance bonus is declared.
- B. In the event there is a residual resulting from the accrual of the one percent (1%) cashing bonus (14.A.14.A.1) and/or the five-tenths of one percent (.5%) marketing bonus (14.A.14.A.3) have been expensed, the Lottery Director may provide additional compensation to licensees as described in 14.A.14.A.2 or may revert the excess amount thereby decreasing the bonus expense.