

DEPARTMENT OF TREASURY**BUREAU OF STATE LOTTERY****LOTTERY RULES**

(By authority conferred on the commissioner of state lottery by section 11 of 1972 PA 239, as amended, MCL 432.11)

R 432.1 Definitions.

Rule 1. (1) As used in these rules:

- (a) "Act" means 1972 PA 239, MCL 432.1 et seq.
 - (b) "Agent" means a person who has been licensed to sell lottery tickets under the act.
 - (c) "Terminal" means an on-line lottery game terminal.
 - (d) "Ticket" means a lottery ticket, share, or interest issued by the bureau for sale to the general public.
- (2) The terms defined in the act have the same meanings when used in these rules.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1986 MR 5, Eff. June 3, 1986; 1998 MR 11, Eff. Nov. 30, 1998; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.2 Employees and contractors.

Rule 2. (1) None of the individuals referred to in section 31 of the act may have any interest, direct or indirect, in dealing in the lottery or in the ownership or leasing of any property or premises used by or for the lottery.

(2) An individual or organization or employees of an organization under contract with the bureau is not eligible to win any prize in any lottery operated by the bureau during the period of the contract if the individual, organization or employee has access to any of the following which is not open to the general public:

- (a) Bureau data.
- (b) Books and records.
- (c) Electronic data processing programs.
- (d) Systems designs.
- (e) Other information.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1998 MR 11, Eff. Nov. 30, 1998.

R 432.3 License eligibility; application.

Rule 3. (1) In addition to the requirements of section 23 of the act, the commissioner shall consider the following additional factors in determining the eligibility of any prospective licensee or renewal of a license as an agent:

- (a) The honesty and integrity of the applicant.
- (b) The veracity of the information supplied in the application for lottery sales agent's license.
- (c) The applicant's indebtedness to the state or any local government.
- (d) The business experience and general fitness of the applicant.

(2) Licenses shall be issued only to:

- (a) Residents of this state.
- (b) Corporations incorporated in this state or authorized to do business in this state.
- (c) Partnerships in which at least 1 of the partners resides in this state.
- (d) Unincorporated businesses or other entities which are authorized to do business in this state.

(3) A person interested in obtaining a license as an agent shall file an application for lottery sales agent's license with the bureau on application forms which may be obtained from the bureau.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC.

R 432.4 License revocation.

Rule 4. (1) A license is evidence of an agency that is revocable at will by either the bureau or the agent.

Revocation of the agency is effective 30 days after notice of the revocation has been mailed by the revoking party. On or before the thirtieth day following notice of revocation, an agent shall surrender the license to the bureau.

(2) The bureau may immediately suspend, revoke, or not renew an agent's license for any of the following reasons:

- (a) The agent's application for a license contains false or misleading information.
- (b) The agent violates any of the provisions of the act, these rules, or instructions and directives of the commissioner or bureau.
- (c) The agent's business location is changed.
- (d) The agent commits any act that seriously impairs his or her reputation for honesty and integrity.
- (e) The agent does not display lottery point of sale material in a manner that can be readily seen by the public or fails to make handout materials readily available to the public.
- (f) The agent is delinquent in making required accounting or fails to pay promptly all moneys owed the state.
- (g) The agent has been convicted of a crime other than a traffic offense.
- (h) The agent has been arrested for bookmaking or other forms of illegal gambling, whether or not convicted of bookmaking or other form of illegal gambling in a court of law.
- (i) The agent has been found guilty of any fraud or misrepresentation.
- (j) There is reasonable cause to believe that the agent is engaged in fraud, misrepresentation, or illegal gaming.
- (k) The agent fails to take reasonable security precautions with regard to the handling of lottery tickets and other materials.

(1) The commissioner finds that the agent's experience, character, and general fitness are such that his or her participation as an agent is inconsistent with the public interest, convenience, and necessity.

(m) Any other reason within the permissible discretion of the commissioner.

(3) The agent shall surrender immediately to the appropriate bureau official his or her agent's license and other lottery materials supplied to him or her by the bureau.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1998 MR 11, Eff. Nov. 30, 1998; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.5 License fee.

Rule 5. (1) The commissioner shall determine the fee for a license as an agent. The fee is payable at the time of license issuance.

(2) A license renewal fee may be charged annually in an amount determined by the commissioner.

(3) These fees in subrules (2) and (3) of this rule shall not exceed the actual cost to the bureau.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999; 2001 MR 16, Eff. Aug. 28, 2001.

R 432.6 Conditions of licensing.

Rule 6. Upon issuance of a license, the agent agrees that he or she shall do all of the following:

(a) Be bound by and comply with the act, these rules, or instructions and directives of the commissioner or bureau.

(b) Make tickets available for sale to the public during normal business hours.

(c) Refrain from purchasing any winning ticket from its original purchaser or from subsequent purchasers.

(d) Maintain authorized displays, notions, drop boxes, and other material used in conjunction with sales in accordance with instructions issued by the bureau.

(e) Act in a fiduciary capacity with respect to all tickets accepted from the bureau or its authorized distributors until payment has been made.

(f) Maintain current and accurate records of all operations in conjunction with sales in conformity with rules, instructions, and directives of the bureau. The agent shall make the records available to representatives of the bureau upon request for inspection and audit.

(g) Ensure that a person under 18 years of age does not sell tickets or pay winning tickets.

(h) Ensure that tickets will not be sold at any price greater than the price stated on the ticket.

(i) Hold the bureau and the state harmless from any liability arising in connection with sales.

(j) Remit funds due for lottery sales and other amounts owing to the bureau at the time and in the manner specified by the bureau.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999; 2001 MR 16, Eff. Aug. 28, 2001.

R 432.7 Nontransferability of license.

Rule 7. A license is not assignable or transferable. The commissioner shall be notified, in writing, not less than 20 days before any proposed business change or substantial change in ownership of the business. A substantial change in ownership under this rule means a transfer of 50% or more of the equity of any business licensed under these rules. If the business to which a license is issued changes its business location, then the owner shall submit an application for a license. An owner shall report every change of business location, in writing, to the commissioner not less than 20 days before the change.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.8 Bonding of agents.

Rule 8. The bureau may require a bond as specified by the commissioner from any agent in an amount the bureau determines will prevent any monetary loss to the state because of an agent's activities in the sale of tickets. The bond is a condition of becoming or continuing as an agent. The bureau may require a financial statement revealing the financial condition of any person or organization seeking to become or continue as an agent.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.9 License expiration and renewal.

Rule 9. An agent's license remains in full force and effect until the termination date indicated upon the license, but in no case more than 1 year from the date of issuance of the license. The license may be terminated before the expiration date by the commissioner in accordance with these rules.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC.

R 432.10 Special licenses.

Rule 10. (1) A special license may be issued subject to such special conditions or limitations as the commissioner deems prudent and determines to be consonant with the dignity of the state, the general welfare of the people, and the dignity and integrity of the bureau. These limitations or conditions include, but are not limited to:

- (a) License period.
 - (b) Hours or days of sale.
 - (c) Location of sale.
 - (d) Specific business or organization which may sell tickets.
 - (e) Specific sporting, charitable, social, or other special events where lottery tickets may be sold.
 - (f) Special selling or dispensing methods.
- (2) Agents holding special licenses are subject to all rules promulgated by the bureau.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC.

R 432.11 Sales by bureau directly.

Rule 11. The bureau may sell tickets at any central or branch office or selling point it establishes in the state.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC.

R 432.12 Stolen tickets.

Rule 12. An agent is responsible for all tickets consigned to him or her. If tickets are stolen, then the agent shall report the theft to the bureau and to local or state police authorities. The agent shall pay for the stolen tickets on the settlement date. The agent shall subsequently file a statement swearing to or affirming, under the penalty of perjury, the facts of the case and ask for a refund in the amount he or she has paid to the bureau for the stolen tickets. He or she shall furnish to the bureau a copy of the police report covering the theft. Following an investigation by the bureau and police authorities, the bureau shall issue a refund to the agent, if his or her claim is verified. The commissioner shall determine the manner of refund.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.13 Sale; inspection; commission; bonus programs; depositories; tickets held in trust for the benefit of the bureau; disqualification of agent representative; direct ticket distribution to agents.

Rule 13. (1) An agent shall sell tickets only on the premises at the specific location named in the license or attachments to the license.

(2) An agent shall allow inspections of his or her premises at any time upon the reasonable request of authorized inspectors of the bureau. A bureau inspector may make an inspection without prior notice to the agent.

(3) An agent is entitled to a commission for tickets sold by him or her in an amount to be determined by the commissioner. The commissioner shall announce changes in the commission amount not less than 60 days before the effective date and shall include the changes in a written communication issued to all agents.

(4) The commissioner shall provide details of any bonus program for agents in a written communication issued to all agents.

(5) An agent shall deposit, in a manner specified by the commissioner for collection by the state, all moneys received by the agent from the sale of tickets, less the amount retained as compensation. The agent shall file with the bureau, or its designated agents, reports of ticket sale receipts and transactions. The bureau shall specify the form of the reports and the information required. In preparing a report, an agent shall refer to directives and instructions to authorized agents made available by the bureau.

(6) Until such time as payment has been received by the bureau, all lottery tickets made available to an agent and any net ticket proceeds shall be deemed to be held in trust for the benefit of the bureau.

(7) The bureau may disqualify any person authorized by the licensed agent as the agent's representative.

(8) The bureau may distribute tickets directly to agents if, in the commissioner's opinion, it is necessary to maintain continued sales activity.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Dec. 8, 1999; 2001 MR 16, Eff. Aug. 28, 2001.

R 432.14 Rescinded.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; rescinded, 1998 MR 11, Eff. Nov. 30, 1998.

R 432.15 Lottery tickets.

Rule 15. (1) The bureau shall prepare tickets for sale to the public. The commissioner shall determine the price of a ticket and shall announce the price by directives, advertising, and other means calculated to give reasonable notice to the public.

(2) When a lottery ticket is purchased, the purchaser accepts the terms of the lottery ticket contract. Each lottery ticket provides that all ticket transaction and claims are subject to the laws of the state of Michigan, the rules, regulations, all directives of the Michigan lottery, and any subsequent changes. In questions involving ticket validation, the commissioner's determination is final. In cases of dispute for any reason, the commissioner may at his or her sole discretion, replace the disputed ticket with an unplayed ticket of equal value or refund the retail sales price. The commissioner's decision to replace or refund the ticket is the purchaser's exclusive remedy. The rules governing a particular lottery game are set forth in bureau of state lottery directives. The directives govern the terms and conditions of play.

(3) The sale of a valid lottery ticket is final and an agent shall not accept ticket returns.

(4) The agent will be responsible for remitting the balance owed for tickets that are not accounted for by an agent in a manner as directed by the commissioner.

(5) The commissioner shall establish a schedule and procedure for the disposition of unsold tickets.

(6) An agent shall return tickets printed in error or damaged in any way by the bureau to the bureau for credit.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1998 MR 11, Eff. Nov. 30, 1998; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.16 Claiming of prizes.

Rule 16. (1) The commissioner shall designate claim centers for the lottery program and advertise their locations.

(2) The processing of winning tickets shall be in accordance with directives and instructions issued by the commissioner. If a special drawoff is required to determine the exact amount won, then the bureau shall notify the claimant when and where to appear for the drawoff and where to present his or her winning ticket for validation.

(3) A claimant shall enter a claim in the name of a single legal entity as claimant, either 1 individual or 1 organization. A claimant may enter a claim in the name of an organization only if the organization possesses a federal employer's identification number (FEIN) issued by the internal revenue service and the number is shown on the claim form. Groups, family units, organizations or clubs that do not possess a federal employer's identification number shall designate 1 individual in whose name the claim is to be entered.

(4) Mutilated tickets shall be validated only if adequate portions of the ticket remain reasonably intact to ensure the authenticity of the ticket.

(5) A claimant shall fill out a claim form, present the form with the winning ticket, and receive a copy of the claim form as his or her receipt.

(6) Upon validation of a winning ticket, payment of the amount due shall be forwarded to the claimant in accordance with bureau procedures. If a claim is not validated as proper, then the bureau shall deny the claim and promptly notify the claimant.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.17 Ownership of lottery tickets.

Rule 17. (1) The owner of a valid lottery ticket that has been sold by a licensed agent is presumed to be owned by the person or entity whose name is entered on the claim form, notwithstanding that the name of another person or entity may appear on the ticket face or reverse side. Except as provided in subrule (2) of this rule, the bureau shall pay a prize to the person whose name is entered on the claim form or present the prize to a third party who is authorized, in writing, as the claimant's representative. All liability of the bureau, the state, their employees and agents terminates upon payment.

(2) Upon receipt of information supported by proper evidence that another person is entitled to payment, or upon assertion that the ticket was not legally issued initially, the commissioner may withhold payment pending an investigation. If the ownership of a winning lottery ticket is disputed and the results of the commissioner's investigation are inconclusive, then the commissioner may initiate an appropriate judicial proceeding to determine ownership.

(3) The claimant of a lottery prize may not assign or sell his or her right to any prize except as provided for by law. The commissioner shall develop policies, procedures, and fee schedules for the disposition of a claimant's rights to future payments.

(4) The prize for a winning ticket must be claimed by the expiration date printed, or as defined, on the ticket.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999; 2001 MR 16, Eff. Aug. 28, 2001.

R 432.18 Payment of prizes.

Rule 18. (1) The bureau shall make payment of prizes as soon as reasonably possible after the claim has been filed, verified, and the claimant identified to the satisfaction of the commissioner.

(2) The commissioner shall establish a schedule for payment of certain major prizes in installments rather than a lump sum.

(3) The bureau shall make payment of prizes by mail, when applicable, to the claimant at the address that the claimant entered on the claim form.

(4) When a drawing or ceremony is conducted, winners shall receive payment in full, or if applicable, the first installment of a prize, at the drawing or ceremony. The bureau shall make payment by state treasurer's warrant, special check, or in any other manner determined by the commissioner in advance of the drawing.

(5) The bureau shall make payment of prizes only to the single claimant in whose name the claim was originally entered. Multiple payees are not permitted. If a claim is erroneously entered with multiple claimants, then the claimants shall designate 1 of them as the individual recipient of the prize. If the claimants fail to designate an individual recipient, then the bureau may designate any 1 of the claimants as the sole recipient. In either case, the claim shall then be considered as originally entered in the name of the designated individual, and the bureau shall make payment of any prize won only to the designated single individual.

(6) The agents, officers and employees of the state and the bureau are discharged of all liability upon payment of a prize to a claimant.

(7) Upon the death of a prize winner who has not yet collected the full amount of his or her minimum guaranteed prize, the bureau shall continue payment in the manner specified by law. Unless specifically provided for by law, the bureau shall not accelerate payment of prize money before its normal date of payment because of the death of the prize winner. The amount paid will not exceed the minimum prize guarantee as indicated in the game directive.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.19 Disposition of funds from sale of tickets.

Rule 19. The commissioner shall specify the frequency of the transfer of net revenue to the beneficiaries specified by law.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.20 Drawings.

Rule 20. (1) The commissioner shall detail the types of drawings and drawing procedures in a directive. All drawings shall be conducted in a public place and the selection of winners shall be based on chance. The commissioner shall include any new drawings or changes in drawing procedures in the directives or directive amendments. The commissioner shall make every attempt to keep the public informed of drawing procedures and changes in the procedures.

(2) The bureau shall provide that all drawings to determine the awarding of prizes are open to the public. The bureau shall make the time and place of drawings known to the public in advance to the extent practicable.

(3) The bureau shall disseminate information regarding the time and place of future drawings, the winning numbers in previous drawings, and other information of public interest, including descriptive information regarding current games, to agents, interested parties, and the public through brochures, pamphlets, newsletters, reports, and other means to the extent practicable.

(4) If the number of contestants in a drawing is variable, then the commissioner may limit the number of contestants in any particular drawing for administrative or practical reasons.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.21 Prize structure.

Rule 21. (1) The prize structure shall be determined by the commissioner from time to time and shall be consistent with the act. Every attempt shall be made to inform the public, agents, and interested parties of the existing prize structure of any lottery game, and reasonable notice shall be given in advance of any changes in the prize structure. When possible, the current prize structure shall be listed on the ticket itself or in informational materials available at sales locations.

(2) Periodic bonus promotions offering special prizes shall be detailed in special directives. Information regarding bonuses shall be disseminated to the extent possible through the news media, advertising, point of sale materials, and other practicable means. The time of announcement of promotions shall be determined by the commissioner.

(3) The commissioner may award prizes of cash or merchandise as door prizes at drawings or special events. Numbers shall be drawn at random to determine door prize winners according to procedures determined by the commissioner from time to time and announced in appropriate directives.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC.

R 432.22 Rescinded.

History: 1954 ACS 79, Eff. Apr. 2, 1974; 1979 AC; rescinded, 1998 MR 11, Eff. Nov. 30, 1998.

R 432.31 Rescinded.

History: 1986 MR 5, Eff. June 3, 1986; rescinded, 1998 MR 11, Eff. No 30, 1998.

R 432.32 Rescinded.

History: 1986 MR 5, Eff. June 3, 1986; rescinded, 1998 MR 11, Eff. No 30, 1998.

R 432.33 Rescinded.

History: 1986 MR 5, Eff. June 3, 1986; rescinded, 1998 MR 11, Eff. No 30, 1998.

R 432.34 Rescinded.

History: 1986 MR 5, Eff. June 3, 1986; rescinded, 1998 MR 11, Eff. No 30, 1998.

R 432.35 Rescinded.

History: 1986 MR 5, Eff. June 3, 1986; rescinded, 1998 MR 11, Eff. No 30, 1998.

R 432.36 Agent performance requirements and terms and conditions; disciplinary action; conference.

Rule 36. (1) A licensee does not have a property interest in the license granted or the on-line lottery terminal.

(2) The commissioner shall establish and provide advance written notice of agent performance requirements and specific terms and conditions to assure the efficient and effective functioning of the bureau, maintain the bureau's security and integrity, and assure compliance with the act, these rules, contracts with agents, directives, and other written communications with agents. The performance requirements and terms and conditions include all of the following:

- (a) Sales performance requirements, including all of the following:
- (i) Excluding changes of ownership, there shall be no sales performance requirements during the agent's first 2 months of operation.
 - (ii) The minimum period of time over which an agent's sales performance is evaluated to determine compliance with sales performance requirements shall be not less than 3 months.
 - (iii) The weekly minimum sales performance requirement for total game sales shall not be more than a \$4,000.00 weekly average.
- (b) Reporting changes in ownership and location.
 - (c) Continued terminal operation.
 - (d) In-store location, installation, and operation of a terminal.
 - (e) Promotion and marketing requirements, including the use of promotional materials.
 - (f) Requirements for the prompt settlement of funds due the bureau for lottery sales or other fees.
 - (g) Hours of operation, customer service requirements, claims processing, and redemption of winning tickets.
 - (h) Attendance at training sessions.
 - (i) Compliance with federal, state, and local laws, rules, and regulations.
 - (j) Prohibiting participation as an agent for other lotteries.
 - (k) Requirements necessary to assure compliance with the act and these rules and to assure the security, integrity, and efficient and effective operation of the bureau.
- (3) Violation of the performance requirements or terms and conditions shall result in disciplinary action depending on the nature and severity of the violation. Disciplinary action may include any, or a combination of any, of the following:
- (a) Counseling.
 - (b) Suspension of selling privileges.
 - (c) Probation.
 - (d) On-line terminal deactivation.
 - (e) License revocation.
- (4) If the severity of a violation warrants license revocation, then the agent may request a conference with the commissioner or his or her designee. At the informal conference, the commissioner shall review the alleged violation with the agent. The agent shall have the opportunity to refute the alleged violation or to explain the reasons for the violation. After the conference, the commissioner may decide to do any of the following:
- (a) Continue the disciplinary action.
 - (b) Modify or suspend the disciplinary action.
 - (c) Revoke the agent's license without benefit of further consideration.

History: 1986 MR 5, Eff. June 3, 1986; 1999 MR 11, Eff. Dec. 8, 1999.

R 432.37 Fees.

Rule 37. (1) The commissioner shall establish fees for all of the following:

- (a) The processing of applications.
 - (b) Communications system installation or relocation.
 - (c) Failure of an agent to promptly settle for any game as required by bureau rules, contracts, directives, or written communications.
 - (d) Inactive license status.
- (2) The fees in subrule (1) of this rule shall not exceed the actual cost to the bureau for the action.
- (3) Agents whose average weekly game sales fall below the minimum sales performance requirements established under R 432.36 may be assessed a weekly low sales performance fee. The commissioner shall determine the amount of the fee assessed for failure to meet minimum sales performance requirements under R 432.36.

History: 1986 MR 5, Eff. June 3, 1986; 1999 MR 11, Eff. Dec. 8, 1999; 2001 MR 16, Eff. Aug. 28, 2001.

R 432.38 Result of invalid rule.

Rule 38. If any rule or part of a rule is found to be invalid, only that rule or part thereof shall be considered to be invalid.

History: 1986 MR 5, Eff. June 3, 1986.