

COMMISSION AGENDA ITEM

Item 8(a) – Regulation Changes to the Mega Millions® Game and to Retailer Incentive Bonuses for Sale of Winning Tickets



Date: January 23, 2025

To: California State Lottery Commission

From: Harjinder K. Shergill Chima *HKC*
Director

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Subject: **Item 8(a) – Regulation Changes to the Mega Millions® Game and to Retailer Incentive Bonuses for Sale of Winning Tickets**

ISSUE

Regulation changes are needed to reflect game enhancements adopted by the Mega Millions Consortium, the group that oversees the Mega Millions game.

BACKGROUND

In June 2005, the California State Lottery (Lottery) launched the sale of Mega Millions in California, a multi-state lottery jackpot game jointly offered by numerous lotteries. Mega Millions is currently sold in many states, Washington D.C. and the U.S. Virgin Islands.

To refresh the game, increase sales, combat jackpot fatigue and renew player interest, the Mega Millions Consortium, which includes California, voted for enhancements to the game in May 2024. Game enhancements were adopted by the Consortium on May 31, 2024, with further minor amendments in December 2024. This enhanced game will replace the existing game and launch in April 2025.

If the Lottery does not adopt these regulation changes, it will no longer be able to offer Mega Millions. Mega Millions represented approximately \$705M in sales (unaudited) for the Lottery in FY 2023-24.

DISCUSSION

Growing sales in highly profitable jackpot games remains a key strategic priority for the Lottery. As a multi-state lottery game, Mega Millions is able to offer larger jackpots, which is the primary appeal of these types of games. These larger jackpots have helped fuel sales in California and other jurisdictions to record levels, driven by multiple billion-dollar jackpots in recent years, however, like other jurisdictions, the Lottery has seen its sales softening across all jackpot levels in recent years. Players have reached “jackpot fatigue,” where even substantial jackpots no longer drive the same sales, player excitement and public awareness that they once did, creating the need for larger jackpots to maintain player and media interest.

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In 2021, the Mega Millions Consortium began to explore new concepts and features to maintain sales growth, counter “jackpot fatigue” and create renewed interest for new and existing players. The Mega Millions Consortium approved these game enhancements to begin on April 5, 2025. In order to enhance Mega Millions’ performance, the Mega Millions Consortium adopted the following enhancements:

1. Mega number selection was changed from a field selecting one number out of 25 to one out of 24.
2. The typical starting jackpot was raised from \$20 million to \$50 million.
3. Addition of a new built-in feature that automatically includes a prize multiplier to every play, increasing every non-jackpot win by 2X, 3X, 4X, 5X or 10X.
4. There will typically be no breakeven prizes, which means when a player wins, they will likely always win more than the cost of the ticket.
5. The ticket price was increased from \$2 to \$5 per play. This is only the second price change since the game was launched over 20 years ago.

In California, the game would remain pari-mutuel, like the current game, and prize amounts will vary depending on ticket sales and number of winners which means that players will share in prizes at all levels. Prize amounts will vary for each prize level, dependent on ticket sales, the number of winners, and, for non-jackpot wins, the amount of the multiplier.

The proposed amended Mega Millions regulations implement the game enhancements and amended rules adopted and approved by the Mega Millions Consortium in 2024. The Mega Millions enhancements that were adopted and approved by the Consortium become effective on April 5, 2025.

In order to continue offering the Mega Millions game in California, the Lottery’s Regulations must be amended to reflect these game enhancements. The attached Regulations include these enhancements and some minor changes to clarify the intent of retailer bonus payments.

Retaining Mega Millions in the game portfolio is a key component of delivering on the Lottery’s mission to provide supplemental dollars to education. In Fiscal Year 2023-24, Mega Millions generated approximately \$705M in sales (unaudited), or approximately 7.6% of total sales, boosted by large billion-dollar jackpots. In Fiscal Year 2024-25, the game is projected to bring \$595M in sales revenue, contributing 6.5% of sales. With higher profit margins, draw games create greater opportunities to grow the Lottery’s profits and contributions to education. Additionally, providing multiple types of games within the portfolio balances player preference for variety as well as offering additional opportunities to create player and media excitement with large jackpots.

In addition to providing portfolio diversity, the new game enhances player experience by eliminating breakeven prizes, enhancing prizes at non-jackpot prize levels and boosting player excitement with new features such as the prize multiplier. If the Commission does not adopt these amended game regulations, the Mega Millions game would no longer be available for purchase in the State of California. The Lottery would therefore lose the sales revenue from Mega Millions and the associated contributions to education.

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RECOMMENDATION

Staff recommends that the Commission adopt the attached regulation changes to Mega Millions game and to retailer incentive bonuses for sale of winning tickets effective April 5, 2025, to allow the Lottery to continue sales of the Mega Millions game in California.