

## COMMISSION AGENDA ITEM

### Item 9(a) – Corrected Scratchers Core Game Profile Templates



**Date:** June 27, 2024

**To:** California State Lottery Commission

**From:** Harjinder K. Shergill Chima *HKC*  
Director

**Prepared By:** Sharon Allen, Deputy Director  
Sales & Marketing Division

**Subject:** Item 9(a) – Corrected Scratchers®  
Core Game Profile Templates

### ISSUE

The California State Lottery (Lottery) utilizes templates approved by the California State Lottery Commission (Commission) to create prize structures for Scratchers® games. Commission approval is required to create new Core Game Profile Templates (Core Templates) and provide greater variety in game design and price categories. The Lottery has identified errors in templates approved in the May Commission meeting and requires approval to replace those templates with corrected templates.

### BACKGROUND

The Lottery currently utilizes Core Templates in the creation of Scratchers games. These templates define the overall financial structure for each Scratchers game, including information like potential revenue, prize tiers, odds, and prize payout. Pursuant to Lottery Regulation 3.10.3, new Core Templates require Commission approval.

In October 2010, the Commission modified the Lottery's Regulations to streamline the new game approval process through Commission review and approval of Core Templates instead of review and approval of individual game profiles for each Scratchers game. These Core Templates form the key structure for new games. As part of its ongoing game development, the Lottery continues to assess new opportunities and review different prize structures to create novelty and variety in the Scratchers portfolio, which helps ensure that the Lottery reaches more Californians with more types of games.

The Lottery works closely with its Scratchers printing vendors to develop these prize structures and relies on the expertise of its vendors in the fundamental structure and programming of these templates. Eighteen new templates created by Scientific Games were approved by the Commission on May 23, 2024, including templates for two new price categories: \$25 and \$40.

Following Commission approval of the new \$25 and \$40 templates, Scientific Games notified the Lottery on June 13, 2024, that it had identified errors in eight of the 18 templates they had created. The template errors would not have been visible to the Lottery during its review process. The errors were due to a mistake in the vendor's formula which calculates the potential revenue for each game template, which in turn informs each template's prize amounts and odds.

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The errors were caught before the templates were fully utilized by the Lottery and no games were created or printed with these flawed templates. Scientific Games corrected the errors and resubmitted new templates to the Lottery on June 16, 2024. The flawed templates approved in the May Commission Meeting will be removed from the Lottery's portfolio of active templates. As part of its review process, Scientific Games also confirmed there were no errors in any of the other templates approved in the May 2024 meeting.

The Lottery is requesting approval for eight corrected Scratchers Core Game Templates to replace the flawed templates.

### **DISCUSSION**

The Lottery is requesting approval for eight corrected Scratchers Core Templates. These corrections fix the vendor's formula error, which calculates the potential revenue for each game template, which in turn informs each template's prize amounts and odds. The corrected templates remain within the scope of the original payout range.

#### Corrected Templates Detail:

TEMPLATE	PAYOUT	TOP PRIZE	OVERALL ODDS 1 IN:
25A.1	76.42%	\$7,500,000	2.93
25B.1	76.47%	\$7,500,000	3.19
25C.1	76.43%	\$7,500,000	3.28
25D.1	76.48%	\$7,500,000	3.40
40A.1	78.00%	\$15,000,000	2.85
40A.3	78.06%	\$20,000,000	3.33
40C.1`	78.15%	\$15,000,000	2.43
40H.1	78.05%	\$1,000,000	2.32

### **RECOMMENDATION**

Lottery staff recommends that the Commission approve the eight corrected Core Game Profile Templates.