



**Montana Legislative Services Division**  
**Legal Services Office**

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**TO:** State Administration and Veterans' Affairs Interim Committee  
**FROM:** K. Virginia Aldrich  
**DATE:** January 24, 2014  
**RE:** Legislative Administrative Rule Review Report

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Pursuant to 5-5-228, MCA, the State Administration and Veterans' Affairs Interim Committee is responsible for reviewing administrative rules within its jurisdiction. Staff for the State Administration and Veterans' Affairs Interim Committee has prepared this report for informational purposes only. This report does not represent any action or opinion of the State Administration and Veterans' Affairs Interim Committee and does not preclude additional action that may be taken by the State Administration and Veterans' Affairs Interim Committee pursuant to its authority under the Montana Administrative Procedure Act (Title 2, chapter 4, MCA).

**MAR NOTICE NUMBER:** 2-63-503

**AGENCY/BOARD:** State Lottery Commission

**RULE CLASSIFICATION:** (e.g. substantive/interpretative/emergency/temporary):  
Substantive

**SUBJECT:** Procedural Rules - Definitions - Retailer Commissions - Business Changes - Prizes - License Requirements and Endorsements - Sale of Scratch Tickets.

**NOTICE DESCRIPTION:** (e.g. proposal notice/adoption notice):  
Notice of proposed amendment and repeal

**SUMMARY OF RULE(S):**

The State Lottery Commission (Commission) proposes to amend five rules and repeal five rules. Please note that although the repeal of a sixth rule (rule 2.63.603 concerning the display of a license) is noticed in the proposal, the Commission will not repeal the rule at this time.

The Commission has adopted the Attorney General's model procedural rules by reference. The first proposed rule amendment updates the adopted Attorney General model procedural rules to reflect recent amendments by the Attorney General and adopts further model rules promulgated by the Secretary of State. Although the notice specifies that those rules will be effective on the date of the amendment, for purposes of public notice, the Commission has agreed to adopt the model rules as of the date of the notice, rather than the amendment of the rules.

The Commission proposes to delete an obsolete definition of "endorsement" that is no longer

required, and it proposes to amend the definition of "ticket" due to changes in procedures adopted for the sale of lottery products. In addition, although the Commission initially proposed to delete the defined term "terminal issued ticket," in response to comments, it proposes to amend that term to "terminal issued game" for consistency with other parts of the Commission's rules.

The Commission proposes to clarify a rule concerning retailer commissions to state that a lottery sales agent is entitled to receive a base commission of five percent, giving the Commission the leeway to adopt further rules to provide for additional commissions to sales agents based on incremental sales (up to ten percent, as authorized by statute). In addition, the proposed changes will delete unnecessarily redundant statutory language.

The Commission proposes to amend a rule requiring licensees to notify the Commission of certain business changes. The Commission proposes to add an additional notification requirement concerning a change, move, or removal of lottery terminals, equipment, and peripherals as required by contract between all licensees and the Commission.

The Commission proposes to amend a rule concerning lottery prizes for consistency with the revised definition section. As a result of a 2012 Montana Lottery Security Audit, the Commission further proposes to amend this rule to require owners or employees of licensed lottery retailers to identify themselves to lottery officials when claiming a prize, a security practice used in other states.

The Commission proposes to repeal five rules. Due to duplicative statutory language contained in the rules, the Commission proposes to repeal three rules concerning a license application fee, a provisional license, and the prohibition of the assignment or transfer of a license. The Commission proposes repealing one rule concerning endorsements due to changes in procedures adopted for the sale of lottery products. The Commission also proposes to repeal one rule concerning scratch ticket sales because the lottery no longer has "scratch only" retailers, making the rule superfluous.

**NOTES:** (e.g. hearing dates)

No public hearing is contemplated. The public comment period ends on February 13, 2014.

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