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Governor

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Pursuant to A.R.S. § 41-1022, the Arizona Lottery is publishing the following proposed rules regarding the authorization of lottery courier services in Arizona. If approved by the Governor's Regulatory Review Council (GRRC), these proposed rules will establish a comprehensive regulatory framework for lottery courier services in the state. Specifically, the proposed rules modify A.A.C. R19-3-204 by adding a new ground for retailer violation and create a new Article 11 (Lottery Courier Service) to detail the regulatory framework.

If you have additional questions, please contact Kome Akpolo, Chief Legal Officer, at 480.952.0298 or at [kakpolo@azlottery.gov](mailto:kakpolo@azlottery.gov)

## **ARTICLE 2. RETAILERS**

### **R19-3-204(B)**

31. A retailer violates the rules set forth in R19-3-1102.

## **ARTICLE 11. LOTTERY COURIER SERVICE**

### **R19-3-1101. Definitions**

- A. "Affiliated Courier Retailer" means a licensed retailer who has received written authorization from the Arizona Lottery to affiliate with, partner with, participate in, and/or assist an authorized Lottery Courier Service in the acquisition of Arizona Lottery tickets and products.
- B. "Geofencing" or "Geolocation" means the use of technology, including but not limited to Global Positioning System (GPS), Radio Frequency Identification (RFID), Wi-Fi, cellular data, or other similar location detection technology as approved by the Arizona Lottery, to establish a virtual boundary around a defined geographic area.
- C. "Lottery Courier Service" means any person who, for a fee or other benefit, operates a business, enterprise, or activity that purchases Arizona Lottery tickets or products on behalf of another person and delivers, or arranges for the delivery of, the purchased Arizona Lottery tickets or products, or copies thereof, either digitally or physically, to such other person. Any fee charged by an authorized Lottery Courier Service is for the service of purchasing and delivering a lottery ticket on behalf of another person and shall not constitute an increase in the price of the lottery ticket as prohibited by A.R.S. § 5-564(A).
- D. "Operating Agreement" means a written agreement between the Arizona Lottery and a Lottery Courier Service that authorizes the Lottery Courier Service to operate within the State of Arizona, subject to the terms and conditions prescribed by the Arizona Lottery.

### **R19-3-1102. Unauthorized Affiliation and Operation**

- A. Except as expressly authorized in writing pursuant to R19-3-1103, a licensed retailer shall not affiliate with, partner with, participate in, collude with, work in concert with, or

assist any Lottery Courier Service or other entity in the acquisition, sale, resale, or transfer of Arizona Lottery tickets. Any licensed retailer who violates this rule shall be subject to disciplinary action by the Arizona Lottery, including, but not limited to, suspension or revocation of the retailer's license, or any other sanction available to the Director of the Arizona Lottery.

- B. No Lottery Courier Service shall operate within the State of Arizona without express written authorization from the Arizona Lottery. Pursuant to this Article (A.A.C. R19-3-1101 et seq.), the Director of the Arizona Lottery retains the sole discretion to grant or deny such authorization.
- C. The operation of any Lottery Courier Service within the State of Arizona must be conducted pursuant to a valid, fully executed Operating Agreement with the Arizona Lottery and in strict compliance with all applicable rules and regulations of the Arizona Lottery.
- D. No Lottery Courier Service shall operate as an Arizona Lottery licensed retailer.

**R19-3-1103. Operation of Lottery Courier Service**

- A. The Arizona Lottery shall have the exclusive right to operate a Lottery Courier Service within the State of Arizona. In furtherance of its operation of a Lottery Courier Service, the Arizona Lottery may enter into a written Operating Agreement with another Lottery Courier Service, authorizing it to operate within the State of Arizona. Any Operating Agreement executed by the Arizona Lottery shall be in writing and shall, at the discretion of the Director of the Arizona Lottery, include terms and conditions deemed necessary to protect the integrity, efficiency, and economical operation of the Arizona Lottery, and to promote public convenience. The Director possesses the sole discretion to suspend or terminate the Arizona Lottery's lottery courier services program and revoke any issued operating agreement. Such a decision shall be predicated, including but not limited to, on a determination that the continuation of the program is inconsistent with the Arizona Lottery's statutory mandate to produce the maximum amount of net revenue consonant with the dignity of the state pursuant to A.R.S. § 5-554, or is otherwise unviable due to changes in applicable law. Any such suspension or termination shall be effective only after providing a minimum of sixty (60) days' written notice to all authorized Lottery Courier Services then operating within the state.
- B. The Arizona Lottery may, by written instrument, grant a revocable authorization to a licensed lottery retailer, thereby permitting the retailer to operate as an Affiliated Courier Retailer, subject to such conditions and restrictions as the Arizona Lottery may deem appropriate.
- C. Any Lottery Courier Service authorized to operate pursuant to these rules shall acquire its entire inventory of Arizona Lottery tickets and products exclusively from either: (i) the Arizona Lottery; or (ii) at the sole discretion of the Director of the Arizona Lottery, from a designated Affiliated Courier Retailer.
- D. All Lottery Courier Services shall employ geofencing or geolocation technology to verify that any person, group, or entity utilizing its services is located within the boundaries of the State of Arizona and not within the boundaries of any federally recognized Indian reservation or Tribal lands unless express written consent is obtained from the governing body of the respective Tribe, as applicable.
- E. Upon the Arizona Lottery's written demand, a Lottery Courier Service shall furnish and attest, under penalty of perjury, a certification of compliance with subsection (D) of this rule. The Director of the Arizona Lottery retains the sole discretion to terminate, without

prior notice, any authorization or contractual agreement with a Lottery Courier Service that fails to comply with this provision.

- F. A Lottery Courier Service operating within the State of Arizona shall, consistent with the terms and conditions of the Operating Agreement, relinquish any and all rights and claims of right to any Arizona Lottery ticket or product purchased on behalf of an Arizona Lottery player. Prior to the completion of any transaction, a Lottery Courier Service shall notify all purchasers utilizing its service that the purchased Arizona Lottery ticket or product is held by the Lottery Courier Service in trust for the benefit of the purchaser.
- G. The Arizona Lottery shall, on its official website or by any other reasonable means of public notice, publish the name, physical address, telephone number, electronic mail address, and website address (if any) of each Lottery Courier Service authorized to operate within the State of Arizona.

**R19-3-1104. Application Review Criteria; Lottery Courier Service**

- A. The Director of the Arizona Lottery shall evaluate each application for an Operating Agreement to ensure compliance with the requirements set forth in these rules. The Director retains the sole discretion to deny any application for an Operating Agreement that does not fully satisfy all specified requirements.
  - 1. A Lottery Courier Service shall certify that:
    - a. Any individual claiming an ownership 5% or more interest in the Lottery Courier Service is at least twenty-one (21) years of age;
    - b. All employees of the Lottery Courier Service who handle lottery tickets or interact with lottery customers are at least twenty-one (21) years of age.
  - 2. A Lottery Courier Service shall certify that the Lottery Courier Service is domiciled in a jurisdiction within the United States.
  - 3. A Lottery Courier Service shall furnish comprehensive documentation detailing the standards and practices utilized by the Lottery Courier Service for geofencing and geolocation. Such documentation shall demonstrate compliance with recognized industry best practices and standards.
  - 4. A Lottery Courier Service shall furnish documentation demonstrating that its premises comply with recognized industry best practices for security, including but not limited to safeguards against theft and fire. Additionally, the Lottery Courier Service shall furnish documentation verifying that a safe meeting recognized industry standards for securing assets, such as lottery tickets and products, against threats including, but not limited to, theft and fire, is maintained on the premises.
  - 5. A Lottery Courier Service shall furnish documentation demonstrating compliance with recognized industry best practices for cybersecurity, including measures designed to protect against unauthorized access, data breaches, and other cyber threats. Additionally, the Lottery Courier Service shall certify the implementation of robust systems and protocols designed to ensure the security and confidentiality of all customer information.
  - 6. A Lottery Courier Service shall demonstrate that it is in good standing in all jurisdictions where it is licensed or otherwise expressly authorized to operate as a lottery courier, with no history of violations of any applicable laws or regulations in those jurisdictions.

- B.** A Lottery Courier Service applying for an Operating Agreement must provide, in writing, the physical address of its premises as well as any relevant contact information. Furthermore, the Lottery Courier Service must notify the Director, in writing, of its intent to obtain lottery tickets and/or products either directly from the Arizona Lottery or through an Affiliated Courier Retailer. If the Lottery Courier Service intends to obtain lottery tickets and/or products from an Affiliated Courier Retailer, the Lottery Courier Service must also provide the Director, in writing, with the following details about the Affiliated Courier Retailer:
1. Name of the entity,
  2. Telephone number,
  3. Email address, and
  4. Physical address.
- C.** In addition to the requirements set forth in subsection (A), the Director retains authority to deny an application for an Operating Agreement if it is determined that the Lottery Courier Service, or any owner with an interest of 10% or more thereof, has been convicted of a felony or any crime involving dishonesty, fraud, or theft.

**R19-3-1105. Application Process; Lottery Courier Service**

- A.** As part of the application process for an Operating Agreement, the Lottery Courier Service applicant will undergo a financial background check, and all individuals with an ownership interest of 10% or more will undergo both a financial and criminal background check.
- B.** Every application for an Operating Agreement must be filed in the manner and form prescribed by the Director and contain all the information necessary to enable the Director to make a determination to grant or deny the application. The Director may require the Lottery Courier Service to furnish further information or further plans or specifications before acting on the application.
- C.** The Director shall have thirty (30) days from the date of receipt of a complete application for an Operating Agreement to evaluate and issue a determination to either approve or reject the application. If the Director approves the application, an Operating Agreement shall be sent to the Lottery Courier Service for execution. The Lottery Courier Service must formally acknowledge and accept the terms and conditions specified within the Operating Agreement by providing a signed copy to the Director. In the event the Director rejects the application, the Lottery Courier Service shall receive written notification detailing the specific reason(s) for the rejection.

**R19-3-1106. Transition Period for Existing Lottery Courier Services at Effective Date**

- A.** Any Lottery Courier Service operating within the State of Arizona prior to the effective date of this Article (R19-3-1101 et seq.) shall have a period of six (6) months from such effective date to apply for and enter into a fully executed Operating Agreement with the Arizona Lottery. Failure to comply with this requirement within the specified six-month period shall result in the Lottery Courier Service being deemed to be in violation of these rules and subject to all applicable enforcement actions, penalties, and sanctions as provided by law and these rules.
- B.** During this six (6) month period, any licensed retailer who provides lottery tickets and/or products to a Lottery Courier Service operating prior to the effective date of this Article shall not be deemed in violation of R19-3-1102, provided that the Lottery Courier Service applies for and enters into a fully executed Operating Agreement within the same six-

month period. At the end of the six-month period, continuing provision of lottery tickets and/or products by a retailer to such Lottery Courier Service as stated in subsection A of R19-3-1106 will be deemed a violation of R19-3-1102 and shall subject the retailer to disciplinary actions consistent with R19-3-204.