

HOUSE BILL NO. 920

Introduced: 03/24/83

Referred to Committee on State Administration: 03/24/83

Hearing: 3/26/83

Report: 03/26/83, Do Pass, As Amended

Rereferred to Committee on Appropriations: 03/26/83

Report: 03/28/83, Do Pass

2nd Reading: 03/28/83, Do Pass

3rd Reading: 03/28/83, Do Pass

On Motion, 4/14/83, That The Joint Rules Be Temporarily  
Suspended In Order For The Senate To Consider The Bill.

Motion Failed

Bill Killed

BILL NO. 920

INTRODUCED BY

A BILL FOR AN ACT ENTITLED, "AN ACT - ESTABLISHING A STATE LOTTERY AND PROVIDING FOR AN OFFICE OF DIRECTOR OF THE STATE LOTTERY AND FOR PERSONNEL TO OPERATE THE STATE LOTTERY, PROVIDING AN APPROPRIATION; PROVIDING FOR THE APPROPRIATION

TO BE REPAID; AMENDING SECTIONS 2-8-103 AND 23-5-202, MCA;

AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION.** Section 1. Short title. [This act] may be cited as the "Montana State Lottery Act of 1983".

**NEW SECTION.** Section 2. Definitions. As used in [this act], the following definitions apply:

(1) "Director" means the director of the office established in [section 3].

(2) "Lottery game" means any procedure by which one or more prizes are distributed by chance among persons who have paid for a chance to win a prize and includes but is not limited to weekly (or other, longer time period) winner games, instant winner games, daily numbers games, and sports pool games, except sports pools governed by Title 23, chapter 5, part 5.

(3) "Lottery" or "state lottery" means the Montana

state lottery created and operated pursuant to [this act].

**NEW SECTION.** Section 3. Office of director of the state lottery -- appointment of director -- qualifications.

(1) There is an office of director of the state lottery. The director is appointed by the governor with the consent of the senate. The governor may remove him for good cause.

(2) The director must be qualified by training and experience to direct the state lottery. He shall be a full-time employee and may not engage in any other occupation.

(3) The office of director of the state lottery is allocated to the department of revenue for administrative purposes only, except that only subsections (1)(a), (1)(c), (2)(e), (3)(a), and (3)(b) of 2-15-121 apply to the office.

**NEW SECTION.** Section 4. Powers and duties of director. (1) The director shall:

(a) establish a state lottery;

(b) adopt rules necessary to carry out [this act];

(c) administer the operation of the state lottery in accordance with [this act] and the rules adopted under [this act];

(d) employ and direct personnel necessary to the operation of the state lottery;

(e) license lottery ticket sales agents and suspend or revoke licenses pursuant to [this act] and the rules adopted

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1 under [this act];

2 (f) maintain the security of the state lottery;

3 (g) determine the types and forms of lottery games to  
4 be operated by the state lottery;

5 (h) determine ticket prices and the number and size of  
6 prizes; and

7 (i) provide for the conduct of drawings of winners of  
8 lottery games. All drawings must be held in public. The  
9 selection of winning tickets may not be performed by an  
10 employee of the lottery. All drawings must be witnessed by  
11 a professional staff employee of the legislative auditor's  
12 office, and all lottery drawing equipment used in public  
13 drawings to select winning prizes or participants for prizes  
14 must be examined by the director's staff and a professional  
15 staff employee of the legislative auditor's office prior to  
16 and after each public drawing.

17 (2) The director may enter into contracts of no longer  
18 than 6 months for materials, equipment, and supplies to be  
19 used in the operation of the state lottery, for the design  
20 and installation of games, and for promotion of the lottery.  
21 No contract is legal or enforceable that provides for the  
22 management of the state lottery or for the entire operation  
23 of its games by any private person or firm. When a contract  
24 is awarded, a performance bond satisfactory to the director  
25 and executed by a surety company authorized to do business

1 in this state or otherwise secured in a manner satisfactory  
2 to the director, in an amount equal to the price of the  
3 contract, must be delivered to the director.

4 NEW SECTION. Section 5. Studies -- investigations --  
5 reports. (1) The director shall make a continuous study and  
6 investigation of the lottery to:

7 (a) ascertain any defects in [this act] or in the  
8 rules adopted under [this act] by which abuses in the  
9 administration and operation of the lottery or any evasion  
10 of [this act] or the rules may occur;

11 (b) formulate recommendations for changes in [this  
12 act] and the rules adopted under [this act];

13 (c) guard against the use of [this act] and the rules  
14 adopted under [this act] as a cloak for the carrying on of  
15 organized gambling and crime; and

16 (d) insure that [this act] and the rules adopted under  
17 [this act] are in a form and are administered as to serve  
18 the true purposes of [this act].

19 (2) The director shall make a continuous study and  
20 investigation of the operation and the administration of  
21 similar laws in effect in other states or countries, any  
22 available literature on the subject, federal laws that may  
23 affect the operation of the lottery, and the reaction of  
24 citizens to existing and potential features of the lottery  
25 with a view to recommending or effecting changes that will

1 serve the purposes of [this act].

2 (3) The director shall prepare quarterly and annual  
3 reports on all aspects of the operation of the state  
4 lottery, including but not limited to types of games, gross  
5 revenue, prize money paid, operating expenses, net revenue  
6 to the state and counties, contracts with gaming suppliers,  
7 and recommendations for changes to [this act], and deliver a  
8 copy of each report to the governor, the state treasurer,  
9 the president of the senate, the speaker of the house of  
10 representatives, and each member of the appropriate  
11 committee of each house of the legislature as determined by  
12 the president of the senate and the speaker of the house.

13 NEW SECTION. Section 6. Ticket sales agents --  
14 licenses. (1) Lottery tickets or chances may be sold only by  
15 ticket sales agents licensed by the director in accordance  
16 with this section.

17 (2) The director shall by rule determine the places at  
18 which state lottery game tickets or chances may be sold.

19 (3) (a) Before issuing a license, the director shall  
20 consider:

21 (i) the financial responsibility and security of the  
22 person and his business or activity;

23 (ii) the accessibility of his place of business or  
24 activity to the public; and

25 (iii) the sufficiency of existing licenses to serve the

1 public convenience and the volume of the expected sales.

2 (b) No person under 18 years of age may sell lottery  
3 tickets.

4 (c) A license as an agent to sell lottery tickets or  
5 chances may not be issued to any person to engage in  
6 business exclusively as a lottery ticket sales agent.

7 (4) The director may issue temporary licenses upon  
8 conditions he considers necessary.

9 (5) License applicants must be charged a \$50 fee to  
10 cover the cost of investigating and processing the  
11 application.

12 (6) The director may require a bond from any licensed  
13 agent in an amount provided in the director's rules and may  
14 purchase a blanket bond covering the activities of licensed  
15 agents.

16 (7) A licensed agent shall display his license or a  
17 copy thereof conspicuously in accordance with the director's  
18 rules.

19 (8) A license is not assignable or transferable.

20 (9) No employee of a ticket sales agent may be  
21 required to sell lottery game tickets or chances if the sale  
22 is against his religious or moral beliefs.

23 (10) Sales agents are entitled to no more than a 5%  
24 commission on tickets and chances sold.

25 (11) Each sales agent shall keep a complete and

up-to-date set of records and accounts fully showing his sales and provide them for inspection upon request of the director, the department of revenue, or the office of the attorney general.

(12) A license may be suspended or revoked for failure to maintain the license qualifications provided in subsection (3) or for violation of any provision of [this act] or a rule adopted under [this act]. Prior to suspension or revocation, the licensee must be given notice and an opportunity for a hearing.

**NEW SECTION.** Section 7. Sales restrictions. (1) The price of each lottery game ticket must be clearly stated thereon. The price of a lottery game chance vended by a machine or electronic device must be clearly stated on the machine or device.

(2) Tickets and chances may not be sold to or purchased by persons under 18 years of age.

(3) Tickets and chances must be paid for in cash.

(4) Tickets and chances may not be sold to or purchased by the director, his staff, gaming suppliers doing business with the state lottery, suppliers' officers and employees, any person auditing or investigating the state lottery, or members of their families living with them.

**NEW SECTION.** Section 8. Disclosure of odds. The director shall make adequate disclosure of the odds with

respect to each state lottery game by stating the odds in lottery game advertisements and by posting the odds at each place in which tickets or chances are sold.

**NEW SECTION.** Section 9. State lottery account. There is an account within the earmarked revenue fund to be known as the state lottery account. The gross revenue from the state lottery, consisting of money from the sale of lottery tickets and chances, ticket sales agent license fees, unclaimed prizes, or any other source, must be deposited in the account.

**NEW SECTION.** Section 10. Disposition of revenue. (1) Forty-five percent of the money paid for tickets or chances in each separate state lottery game must be paid out of the state lottery account as prize money for the game.

(2) Up to 20% of the gross revenue from the state lottery may be used by the director to pay the operating expenses of the state lottery. Commissions paid to lottery ticket sales agents are a state lottery operating expense.

(3) That part of all gross revenue not used for the payment of prizes and operating expenses is net revenue and must be paid quarterly as follows:

(a) Fifty percent of the net revenue must be annually paid out of the state lottery account into the state general fund.

(b) Fifty percent of the net revenue generated in each

1 county must be paid into the general fund of that county.

2 (c) Fifty percent of the net revenue paid into the  
3 general fund of each county must be paid by that county into  
4 the general funds of the incorporated cities and towns and  
5 consolidated local governments in that county in the ratio  
6 which the population within the corporate limits of each  
7 city, town, or consolidated local government bears to the  
8 total population of the county. The population of each city,  
9 town, and consolidated local government shall be determined  
10 by the last preceding official federal census.

11 NEW SECTION. Section 11. Convictions -- Ineligibility  
12 for lottery positions. No person who has been convicted  
13 under federal or any state law of a gambling-related offense  
14 or of any felony in which an element of the offense involves  
15 misrepresentation or the misuse or misappropriation of  
16 property may be the director or an employee of the state  
17 lottery or a licensed ticket sales agent.

18 NEW SECTION. Section 12. Conflict of interest. No  
19 state lottery employee or licensed ticket sales agent, or a  
20 member of his family living with him, may have a financial  
21 interest in any gaming supplier or any contract between the  
22 state lottery and a gaming supplier or accept any gift or  
23 thing of value from a gaming supplier.

24 NEW SECTION. Section 13. Payment of prizes --  
25 unclaimed prizes. (1) The director may provide for the

1 immediate payment of prizes by the ticket sales agent who  
2 sold the winning ticket or chance whenever the amount of the  
3 prize is less than an amount set by rule of the director.

4 (2) Prizes over \$100,000 may in the discretion of the  
5 director be paid either in one lump sum or in equal yearly  
6 installments without interest over a period of not more than  
7 10 years, except that each installment payment must be at  
8 least \$20,000.

9 (3) Prizes not claimed within 6 months are forfeited  
10 and must be paid into the state lottery fund. No interest is  
11 due on a prize when a claim is delayed but made within 6  
12 months.

13 NEW SECTION. Section 14. Disclosures by gaming  
14 suppliers. (1) Any person, firm, association, or corporation  
15 that submits a bid or proposal for a contract to supply  
16 lottery equipment, tickets, or other material for use in the  
17 operation of the state lottery shall disclose at the time of  
18 such bid or proposal:

19 (a) the supplier's business name and address and the  
20 names and addresses of the following:

21 (i) if the supplier is a partnership, all of the  
22 general and limited partners;

23 (ii) if the supplier is a trust, the trustee and all  
24 persons entitled to receive income or benefit from the  
25 trust;

(iii) if the supplier is an association, the members, officers, and directors;

(iv) if the supplier is a corporation, the officers, directors, and each owner or holder, directly or indirectly, of any equity security or other evidence of ownership of any interest in the corporation; except that, in the case of owners or holders of publicly held equity securities of a publicly traded corporation, only the names and addresses of those owning or holding 5% or more of the publicly held securities must be disclosed;

(v) if the supplier is a subsidiary company, each intermediary company, holding company, or parent company involved therewith and the officers, directors, and stockholders of each; except that, in the case of owners or holders of publicly held securities of an intermediary company, holding company, or parent company which is a publicly traded corporation, only the names and addresses of those owning or holding 5% or more of the publicly held securities must be disclosed;

(b) if the supplier is a corporation, all the states in which the supplier is authorized to do business and the nature of that business;

(c) other jurisdictions in which the supplier has contracts to supply gaming materials or equipment;

(d) the details of any conviction, state or federal,

of the supplier or any person whose name and address are required by subsection (1)(a) of a criminal offense punishable by imprisonment for more than 1 year;

(e) the details of any disciplinary action taken by any state against the supplier or any person whose name and address are required by subsection (1)(a) regarding any matter related to the selling, leasing, offering for sale or lease, buying, or servicing of gaming materials or equipment;

(f) audited annual financial statements for the preceding 5 years;

(g) a statement of the gross receipts realized in the preceding year from the sale, lease, or distribution of gaming materials or equipment to states operating lotteries and to private persons licensed to conduct gambling, differentiating that portion of the gross receipts attributable to transactions with states operating lotteries from that portion of the gross receipts attributable to transactions with private persons licensed to conduct gambling;

(h) the name and address of any source of gaming materials or equipment for the supplier;

(i) the number of years the supplier has been in the business of supplying gaming materials or equipment; and

(j) any other information, accompanied by any

1 documents, the director by rule may reasonably require as  
2 being necessary or appropriate in the public interest to  
3 accomplish the purposes of [this act].

4 (2) No person, firm, association, or corporation  
5 contracting to supply gaming equipment or materials to the  
6 state for use in the operation of the state lottery may have  
7 any financial interest or connection with any person, firm,  
8 association, or corporation licensed as a ticket sales  
9 agent.

10 (3) No contract for supplying gaming materials or  
11 equipment for use in the operation of the state lottery is  
12 enforceable against the state unless the requirements of  
13 this section have been fulfilled.

14 NEW SECTION. Section 15. Annual audit. The  
15 legislative auditor shall conduct an annual audit of the  
16 state lottery. The costs of the audit must be paid by the  
17 office of the director of the state lottery. A copy of the  
18 audit report must be delivered to the director, the  
19 governor, the president of the senate, the speaker of the  
20 house of representatives, and each member of the appropriate  
21 committee of each house of the legislature as determined by  
22 the president of the senate and the speaker of the house.

23 NEW SECTION. Section 16. Investigations and legal  
24 services and proceedings. (1) The attorney general shall  
25 provide legal services for the state lottery at the request

1 of the director. The attorney general shall make reasonable  
2 efforts to ensure that there is continuity in the legal  
3 services provided and that the attorneys providing legal  
4 services have expertise in the field.

5 (2) The attorney general shall make investigations and  
6 prosecute or defend, on behalf of the director, suits and  
7 other proceedings involving the state lottery or necessary  
8 to carry out the purposes of [this act].

9 (3) The director may also carry out investigations.  
10 The attorney general must be informed of each such  
11 investigation before it begins and must be informed of the  
12 results of the investigation.

13 NEW SECTION. Section 17. Penalties. It is a  
14 misdemeanor, punishable by a fine not to exceed \$500 or  
15 imprisonment in the county jail for a term not to exceed 6  
16 months, or both, to knowingly or purposely:

17 (1) require an employee to sell lottery tickets or  
18 chances in violation of [section 6(9)];

19 (2) violate [section 6(11)];

20 (3) sell a lottery ticket or chance to a person under  
21 18 years of age;

22 (4) violate [subsection (3) or (4) of section 7];

23 (5) serve as the director, an employee, or a licensed  
24 agent of the state lottery in violation of [section 11];

25 (6) violate [section 12];



(7) violate [section 14]; or

(3) influence the winning of a prize through the use of coercion, fraud, deception, or tampering with lottery equipment or materials.

Section 18. Section 2-8-103, MCA, is amended to read:

"2-8-103. Agencies to terminate. (1) The following agencies shall terminate on July 1, 1979:

(a) board of abstracters, department of professional and occupational licensing, created by 2-15-1643;

(b) board of real estate, department of professional and occupational licensing, created by 2-15-1642;

(c) state board of warm air heating, ventilation, and air conditioning, department of professional and occupational licensing, created by 2-15-1656;

(d) board of institutions, department of institutions, created by 2-15-2303.

(2) The following agencies shall terminate on July 1, 1981:

(a) board of athletics, department of professional and occupational licensing, created by 2-15-1661;

(b) board of massage therapists, department of professional and occupational licensing, created by 2-15-1627;

(c) board of osteopathic physicians, department of professional and occupational licensing, created by

2-15-1607;

(d) board of podiatry examiners, department of professional and occupational licensing, created by 2-15-1608;

(3) The following units of state government shall terminate on July 1, 1983:

(a) board of aeronautics, department of commerce, created by 2-15-1812;

(b) state board of hail insurance, department of agriculture, created by 2-15-3003;

(c) board of horseracing, department of commerce, created by 2-15-1881;

(d) board of livestock, department of livestock, created by 2-15-3102;

(e) board of milk control, department of commerce, created by 2-15-1802;

(f) board of oil and gas conservation, department of natural resources and conservation, created by 2-15-3303;

(g) Montana outfitters' council, department of fish, wildlife, and parks, created by 2-15-3403;

(h) public service commission, department of public service regulation, created by 69-1-102;

(i) board of water and wastewater operators, department of health and environmental sciences, created by 2-15-2105;

1 (j) board of water well contractors, department of  
2 commerce, created by 2-15-1862.

3 (4) The following agencies terminate on July 1, 1985:

4 (a) the board of public accountants, department of  
5 commerce, created by 2-15-1866;

6 (b) the board of architects, department of commerce,  
7 created by 2-15-1871;

8 (c) state banking board, department of commerce,  
9 created by 2-15-1803;

10 (d) the state electrical board, department of  
11 commerce, created by 2-15-1874;

12 (e) the board of professional engineers and land  
13 surveyors, department of commerce, created by 2-15-1873;

14 (f) office of commissioner of insurance and the  
15 insurance department, state auditor's office, created by  
16 2-15-1902 and 2-15-1903;

17 (g) office of the securities commissioner, state  
18 auditor's office, created by 2-15-1901;

19 (h) the board of landscape architects, department of  
20 commerce, created by 2-15-1872;

21 (i) the board of county printing, department of  
22 commerce, created by 2-15-1811;

23 (j) the board of plumbers, department of commerce,  
24 created by 2-15-1875;

25 (k) board of physical therapy examiners, department of

1 commerce, created by 2-15-1858.

2 (5) The following agencies terminate on July 1, 1987:

3 (a) commission for human rights, department of labor  
4 and industry, created by 2-15-1706;

5 (b) Montana state board of medical examiners,  
6 department of commerce, created by 2-15-1841;

7 (c) board of dentistry, department of commerce,  
8 created by 2-15-1842;

9 (d) board of pharmacists, department of commerce,  
10 created by 2-15-1843;

11 (e) board of nursing, department of commerce, created  
12 by 2-15-1844;

13 (f) board of nursing home administrators, department  
14 of commerce, created by 2-15-1845;

15 (g) board of optometrists, department of commerce,  
16 created by 2-15-1846;

17 (h) board of chiropractors, department of commerce,  
18 created by 2-15-1847;

19 (i) board of radiologic technologists, department of  
20 commerce, created by 2-15-1848;

21 (j) board of speech pathologists and audiologists,  
22 department of commerce, created by 2-15-1849;

23 (k) board of hearing aid dispensers, department of  
24 commerce, created by 2-15-1850;

25 (l) board of psychologists, department of commerce,

1 created by 2-15-1851;  
 2 (m) board of veterinarians, department of commerce,  
 3 created by 2-15-1852;  
 4 (n) board of morticians, department of commerce,  
 5 created by 2-15-1853;  
 6 (o) board of barbers, department of commerce, created  
 7 by 2-15-1856;  
 8 (p) board of cosmetologists, department of commerce,  
 9 created by 2-15-1857;  
 10 (q) board of sanitarians, department of commerce,  
 11 created by 2-15-1861;  
 12 (r) board of veterans' affairs, department of social  
 13 and rehabilitation services, created by 2-15-2202;  
 14 (s) office of director of the state lottery, created  
 15 by [section 3]."  
 16 Section 19. Section 23-5-202, MCA, is amended to read:  
 17 "23-5-202. Application. This part shall not apply to  
 18 the provisions of part 4 of this chapter, to [sections 1  
 19 through 11], or to the giving away of cash or merchandise  
 20 attendance prizes or premiums by public drawings at  
 21 agricultural fairs or rodeo associations in this state, and  
 22 the county fair commissioners of agricultural fairs or rodeo  
 23 associations in this state may give away at such fairs cash  
 24 or merchandise attendance prizes or premiums by public  
 25 drawings."

1 NEW SECTION. Section 20. Appropriation -- repayment.  
 2 (1) There is appropriated from the general fund to the state  
 3 lottery account created in section 9 \$750,000 for the fiscal  
 4 year ending June 30, 1984.  
 5 (2) The office of the director of the state lottery  
 6 must repay to the general fund on or before June 30, 1984,  
 7 the appropriation provided in subsection (1).  
 8 NEW SECTION. Section 21. Severability. If a part of  
 9 this act is invalid, all valid parts that are severable from  
 10 the invalid part remain in effect. If a part of this act is  
 11 invalid in one or more of its applications, the part remains  
 12 in effect in all valid applications that are severable from  
 13 the invalid applications.  
 14 NEW SECTION. Section 22. Effective date. This act is  
 15 effective on passage and approval.

-End-

## STATE OF MONTANA

REQUEST NO. 530-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received March 28, 1983, there is hereby submitted a Fiscal Note for House Bill 920 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 920 establishes a state lottery; provides for a director and personnel to operate the lottery; appropriates \$750,000 of general fund money to be repaid by June 30, 1984; and provides an immediate effective date.

ASSUMPTIONS:

- 1) Ten million dollars may be received in gross revenues from the lottery ticket sales. This is based on statistics from the state of Washington where sales averaged \$12.70 per capita. For comparison purposes, Maine, Vermont, and New Hampshire have experienced per capita sales of about \$8.00.
- 2) The Department of Justice will be required to provide legal services, make investigations, prosecute or defend on behalf of the director, suits and other proceedings involving the state lottery.
- 3) Regional offices with appropriate staff and operating expenses will be necessary to carry out the requirements of the act will be under the administration of the Department of Revenue.
- 4) In regards to the Office of the Legislative Auditor, the OLA will have to observe the drawings. There will be 12 drawings, all held in Helena, at \$80 per observation.
- 5) The audits by the OLA must insure that good internal controls are established centrally over the system with accountability for the money and tickets for each lottery drawing.

Continued

*Daniel M. Lewis*  
 BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-28-83

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FISCAL IMPACT:

<u>EXPENDITURES:</u>	<u>FY 84</u>	<u>FY 85</u>	<u>Biennium Total</u>
Department of Revenue:			
Personal Services:			
Director (\$30,000 x 20%)	\$ 36,000	\$ 37,440	\$ 73,440
3 Assistants (G16-2 + 20% benefits)	85,903	89,339	175,242
1 auditor (G12-2 + 20%)	20,418	0	20,418
1 yr. only to review initial applications			
6 admin. asst. (GD-11 + 20%)	113,364	117,899	231,263
TOTAL	\$ 255,685	\$ 244,678	\$ 500,363
Operating:			
Contracted Services -			
Delivery of Tickets	25,000	25,000	50,000
Misc.	10,000	10,000	20,000
Supplies			
Printing Tickets	100,000	100,000	200,000
Remaining Supplies	22,000	20,000	42,000
Communications	14,700	15,300	30,000
Travel			
Rent	8,400	8,736	17,136
Repairs & Maint.	9,450	9,828	19,278
TOTAL	\$ 209,550	\$ 208,864	\$ 418,414
Equipment:			
Desks	5,100	-	5,100
Chairs	3,850	-	3,850
Vehicles 2 @ \$8,700	17,400	-	17,400
Typewriters	4,800	-	4,800
Lottery Equipment	100,000	-	100,000
Total	\$ 131,150	-	131,150
Total Expenditures	\$ 596,385	453,542	1,049,927
Office of The Legislative Auditor:			
Observations	960	960	1,920
Audits	21,000	12,000	33,000
Total Expenditures	21,960	12,960	34,920
Department of Revenue	596,385	453,542	1,049,927
Office of the Legislative Auditor	21,960	12,960	34,920
Grand Total of Operating Expenditures	\$ 618,345	\$ 466,502	\$ 1,084,847

Continued

REVENUE:

Gross Revenue From Lottery	\$10,000,000	\$10,000,000
Lottery Prize Payments	4,500,000	4,500,000
Payments To General Fund	2,440,827	2,516,749
Distribution to Incorporated Cities and Towns	1,220,414	1,258,374
Distribution For County Purposes	1,220,414	1,258,374

Approved by Committee  
on State Administration

HOUSE BILL NO. 920

INTRODUCED BY PAVLOVICH, KEENAN, DOZIER,

KOEHNKE, DRISCOLL, HARRINGTON, ZABROCKI, NILSON,  
MCCORMICK, J. JENSEN, ROUSH, MENAHAN, DAILY, BENGTSON,  
PISTORIA, SHONTZ, ELLISON, JONES, KENNERLY, NORMAN,  
BRAND, NISBET, D. BROWN, HOLLIDAY, SCHYE, NEUMAN,  
J. HAMMOND, HEMSTAD, HOME, HAND, FABREGA, BACHINI,  
REAM, PECK, HART, KEYSER, IVERSON, LORY, SPAETH,  
VELEBER, O'CONNELL, CHRISTIAENS, EUDAILY, STIMATZ,  
DANIELS, HAFEEY, JACOBSON, C. SMITH, QUILICI,

LYNCH, VAN VALKENBURG

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A STATE  
LOTTERY AND PROVIDING FOR ~~A STATE LOTTERY BOARD~~ AN OFFICE  
OF DIRECTOR OF THE STATE LOTTERY, AND FOR PERSONNEL TO  
OPERATE THE STATE LOTTERY; PROVIDING AN APPROPRIATION;  
PROVIDING FOR THE APPROPRIATION TO BE REPAID; AMENDING  
~~SECTION 45-2-8-183-AND~~ ~~SECTION~~ 23-5-202, MCA; AND PROVIDING AN  
IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Short title. [This act] may  
be cited as the "Montana State Lottery Act of 1983".

NEW SECTION. Section 2. Definitions. As used in [this  
act], the following definitions apply:

(1) "BOARD" MEANS THE STATE LOTTERY BOARD CREATED BY  
[SECTION 3].

~~++(2)~~ (2) "Director" means the director of the office  
established in [section 3 ~~4~~].

~~(2)(3)~~ (3) "Lottery game" means any procedure by which one  
or more prizes are distributed by chance among persons who  
have paid for a chance to win a prize and includes but is  
not limited to weekly (or other, longer time period) winner  
games, instant winner games, daily numbers games, and sports  
pool games, except sports pools governed by Title 23,  
chapter 5, part 5.

~~(3)(4)~~ (4) "Lottery" or "state lottery" means the Montana  
state lottery created and operated pursuant to [this act].

THERE IS A NEW MCA SECTION WHICH READS:

Section 3. State lottery board -- allocation --  
composition -- compensation -- quorum. (1) There is a state  
lottery board.

(2) The board consists of five members, who must  
reside in Montana. The members are appointed by the governor  
and confirmed by the senate.

(3) At least one member of the board must be an  
attorney admitted to the practice of law in Montana. At  
least one member of the board must be a certified public  
accountant licensed in Montana. At least one member of the  
board must have at least 5 years of experience as a law

1 enforcement officer.

2 (4) After initial appointments, each board member  
3 shall be appointed to a 4-year term of office, and the terms  
4 must be staggered.

5 (5) The governor may remove a board member for good  
6 cause. The governor must fill any position on the board that  
7 becomes vacant for any reason within 30 days of the  
8 occurrence of the vacancy. The term of the member appointed  
9 to fill a vacancy runs to the end of the term of the member  
10 whose absence created the vacancy.

11 (6) The board shall choose one of its members as  
12 chairman.

13 (7) Three or more members constitute a quorum to do  
14 business, and action may be taken by a majority of a quorum.

15 (8) Board members are entitled to compensation, to be  
16 paid out of the state lottery fund, at the rate of \$100 for  
17 each day in which they are engaged in the performance of  
18 their duties and are entitled to travel, meals, and lodging  
19 expenses, to be paid out of the state lottery fund, as  
20 provided in Title 2, chapter 18, part 5.

21 (9) The board is allocated to the department of  
22 revenue for administrative purposes only, except that only  
23 subsections (1)(a), (2)(e), (3)(a), and (3)(b) of 2-15-121  
24 apply to the board.

25 NEW SECTION. Section 4. Office of director of the

1 state lottery -- appointment of director -- qualifications.

2 (1) There is an office of director of the state lottery. The  
3 director is appointed by the governor-with-the-consent-of  
4 the-senate BOARD. The governor BOARD may remove him for good  
5 cause.

6 (2) The director must be qualified by training and  
7 experience to direct the state lottery. He shall be a  
8 full-time employee and may not engage in any other  
9 occupation.

10 (3) The office of director of the state lottery is  
11 allocated to the department of revenue for administrative  
12 purposes only, except that only subsections (1)(a), (1)(c),  
13 (2)(e), (3)(a), and (3)(b) of 2-15-121 apply to the office.

14 NEW SECTION. Section 5. Powers and duties of  
15 director. (1) The director shall:

16 (a) establish a state lottery AEIER A STUDY OF OTHER  
17 STATE LOTTERIES AND BEGIN OPERATION OF GAMES WITHIN 150 DAYS  
18 AEIER [THE EFFECTIVE DATE OF THIS ACT];

19 (b) adopt rules necessary to carry out [this act];

20 (c) administer the operation of the state lottery in  
21 accordance with [this act] and the rules adopted under [this  
22 act];

23 (d) employ and direct personnel necessary to the  
24 operation of the state lottery;

25 (e) license lottery ticket sales agents and suspend or

1 revoke licenses pursuant to [this act] and the rules adopted  
2 under [this act];

3 (f) maintain the security of the state lottery;

4 (g) determine the types and forms of lottery games to  
5 be operated by the state lottery;

6 (h) determine ticket prices and the number and size of  
7 prizes; and

8 (i) provide for the conduct of drawings of winners of  
9 lottery games. All drawings must be held in public. The  
10 selection of winning tickets may not be performed by an  
11 employee of the lottery. All drawings must be witnessed by  
12 a professional staff employee of the legislative auditor's  
13 office, and all lottery drawing equipment used in public  
14 drawings to select winning prizes or participants for prizes  
15 must be examined by the director's staff and a professional  
16 staff employee of the legislative auditor's office prior to  
17 and after each public drawing.

18 (2) The director may enter into contracts of no longer  
19 than 6 months for materials, equipment, and supplies to be  
20 used in the operation of the state lottery, for the design  
21 and installation of games, and for promotion of the lottery.  
22 No contract is legal or enforceable that provides for the  
23 management of the state lottery or for the entire operation  
24 of its games by any private person or firm. When a contract  
25 is awarded, a performance bond satisfactory to the director

1 and executed by a surety company authorized to do business  
2 in this state or otherwise secured in a manner satisfactory  
3 to the director, in an amount equal to the price of the  
4 contract, must be delivered to the director.

5 ~~NEW SECTION.~~ Section 6. Studies -- investigations --  
6 reports. (1) The director shall make a continuous study and  
7 investigation of the lottery to:

8 (a) ascertain any defects in [this act] or in the  
9 rules adopted under [this act] by which abuses in the  
10 administration and operation of the lottery or any evasion  
11 of [this act] or the rules may occur;

12 (b) formulate recommendations for changes in [this  
13 act] and the rules adopted under [this act];

14 (c) guard against the use of [this act] and the rules  
15 adopted under [this act] as a cloak for the carrying on of  
16 organized gambling and crime; and

17 (d) insure that [this act] and the rules adopted under  
18 [this act] are in a form and are administered as to serve  
19 the true purposes of [this act].

20 (2) The director shall make a continuous study and  
21 investigation of the operation and the administration of  
22 similar laws in effect in other states or countries, any  
23 available literature on the subject, federal laws that may  
24 affect the operation of the lottery, and the reaction of  
25 citizens to existing and potential features of the lottery



with a view to recommending or effecting changes that will serve the purposes of [this act].

(3) The director shall prepare quarterly and annual reports on all aspects of the operation of the state lottery, including but not limited to types of games, gross revenue, prize money paid, operating expenses, net revenue to the state and counties, contracts with gaming suppliers, and recommendations for changes to [this act], and deliver a copy of each report to the governor, the state treasurer, the president of the senate, the speaker of the house of representatives, and each member of the appropriate committee of each house of the legislature as determined by the president of the senate and the speaker of the house.

~~NEW SECTION~~ Section 7. Ticket sales agents -- licenses. (1) Lottery tickets or chances may be sold only by ticket sales agents licensed by the director in accordance with this section.

(2) The director shall by rule determine the places at which state lottery game tickets or chances may be sold.

(3) (a) Before issuing a license, the director shall consider:

(i) the financial responsibility and security of the person and his business or activity;

(ii) the accessibility of his place of business or activity to the public; and

(iii) the sufficiency of existing licenses to serve the public convenience and the volume of the expected sales.

(b) No person under 18 years of age may sell lottery tickets.

(c) A license as an agent to sell lottery tickets or chances may not be issued to any person to engage in business exclusively as a lottery ticket sales agent.

(4) The director may issue temporary licenses upon conditions he considers necessary.

(5) License applicants must be charged a \$50 fee to cover the cost of investigating and processing the application.

(6) The director may require a bond from any licensed agent in an amount provided in the director's rules and may purchase a blanket bond covering the activities of licensed agents.

(7) A licensed agent shall display his license or a copy thereof conspicuously in accordance with the director's rules.

(8) A license is not assignable or transferable.

(9) No employee of a ticket sales agent may be required to sell lottery game tickets or chances if the sale is against his religious or moral beliefs.

(10) Sales agents are entitled to no more than a 5% commission on tickets and chances sold.

(11) Each sales agent shall keep a complete and up-to-date set of records and accounts fully showing his sales and provide them for inspection upon request of the director, the department of revenue, or the office of the attorney general.

(12) A license may be suspended or revoked for failure to maintain the license qualifications provided in subsection (3) or for violation of any provision of [this act] or a rule adopted under [this act]. Prior to suspension or revocation, the licensee must be given notice and an opportunity for a hearing.

**NEW SECTION.** Section 8. Sales restrictions. (1) The price of each lottery game ticket must be clearly stated thereon. ~~The price of a lottery game chance vendd by a machine or electronic device must be clearly stated on the machine or device.~~

(2) Tickets and chances may not be sold to or purchased by persons under 18 years of age.

(3) Tickets and chances must be paid for in cash.

(4) Tickets and chances may not be sold to or purchased by the director, his staff, gaming suppliers doing business with the state lottery, suppliers' officers and employees, any person auditing or investigating the state lottery, or members of their families living with them.

**NEW SECTION.** Section 9. Disclosure of odds. The

director shall make adequate disclosure of the odds with respect to each state lottery game by stating the odds in lottery game advertisements and by posting the odds at each place in which tickets or chances are sold.

**NEW SECTION.** Section 10. State lottery account. There is an account within the earmarked revenue fund to be known as the state lottery account. The gross revenue from the state lottery, consisting of money from the sale of lottery tickets and chances, ticket sales agent license fees, unclaimed prizes, or any other source, must be deposited in the account.

**NEW SECTION.** Section 11. Disposition of revenue. (1) Forty-five percent of the money paid for tickets or chances in each separate state lottery game must be paid out of the state lottery account as prize money for the game.

(2) Up to 20% of the gross revenue from the state lottery may be used by the director to pay the operating expenses of the state lottery. Commissions paid to lottery ticket sales agents are a state lottery operating expense.

(3) That part of all gross revenue not used for the payment of prizes and operating expenses is net revenue and must be paid quarterly as follows:

(a) Fifty percent of the net revenue must be annually paid out of the state lottery account into the state general fund.

(b) Fifty percent of the net revenue generated in each county must be paid into the general fund of that county.

(c) Fifty percent of the net revenue paid into the general fund of each county must be paid by that county into the general funds of the incorporated cities and towns and consolidated local governments in that county in the ratio which the population within the corporate limits of each city, town, or consolidated local government bears to the total population of the county. The population of each city, town, and consolidated local government shall be determined by the last preceding official federal census.

**NEW SECTION.** Section 12. Convictions -- Ineligibility for lottery positions. No person who has been convicted under federal or any state law of a gambling-related offense or of any felony in which an element of the offense involves misrepresentation or the misuse or misappropriation of property may be the director or an employee of the state lottery or a licensed ticket sales agent.

**NEW SECTION.** Section 13. Conflict of interest. No state lottery employee or licensed ticket sales agent, or a member of his family living with him, may have a financial interest in any gaming supplier or any contract between the state lottery and a gaming supplier or accept any gift or thing of value from a gaming supplier.

**NEW SECTION.** Section 14. Payment of prizes --

unclaimed prizes. (1) The director may provide for the immediate payment of prizes by the ticket sales agent who sold the winning ticket or chance whenever the amount of the prize is less than an amount set by rule of the director.

(2) Prizes over \$100,000 may in the discretion of the director be paid either in one lump sum or in equal yearly installments without interest over a period of not more than 10 years, except that each installment payment must be at least \$20,000.

(3) Prizes not claimed within 6 months are forfeited and must be paid into the state lottery fund. No interest is due on a prize when a claim is delayed but made within 6 months.

**NEW SECTION.** Section 15. Disclosures by gaming suppliers. (1) Any person, firm, association, or corporation that submits a bid or proposal for a contract to supply lottery equipment, tickets, or other material for use in the operation of the state lottery shall disclose at the time of such bid or proposal:

(a) the supplier's business name and address and the names and addresses of the following:

(i) if the supplier is a partnership, all of the general and limited partners;

(ii) if the supplier is a trust, the trustee and all persons entitled to receive income or benefit from the

1 trust;

2 (iii) if the supplier is an association, the members,

3 officers, and directors;

4 (iv) if the supplier is a corporation, the officers,

5 directors, and each owner or holder, directly or indirectly,

6 of any equity security or other evidence of ownership of any

7 interest in the corporation; except that, in the case of

8 owners or holders of publicly held equity securities of a

9 publicly traded corporation, only the names and addresses of

10 those owning or holding 5% or more of the publicly held

11 securities must be disclosed;

12 (v) if the supplier is a subsidiary company, each

13 intermediary company, holding company, or parent company

14 involved therewith and the officers, directors, and

15 stockholders of each; except that, in the case of owners or

16 holders of publicly held securities of an intermediary

17 company, holding company, or parent company which is a

18 publicly traded corporation, only the names and addresses of

19 those owning or holding 5% or more of the publicly held

20 securities must be disclosed;

21 (b) if the supplier is a corporation, all the states

22 in which the supplier is authorized to do business and the

23 nature of that business;

24 (c) other jurisdictions in which the supplier has

25 contracts to supply gaming materials or equipment;

1 (d) the details of any conviction, state or federal,

2 of the supplier or any person whose name and address are

3 required by subsection (1)(a) of a criminal offense

4 punishable by imprisonment for more than 1 year;

5 (e) the details of any disciplinary action taken by

6 any state against the supplier or any person whose name and

7 address are required by subsection (1)(a) regarding any

8 matter related to the selling, leasing, offering for sale or

9 lease, buying, or servicing of gaming materials or

10 equipment;

11 (f) audited annual financial statements for the

12 preceding 5 years;

13 (g) a statement of the gross receipts realized in the

14 preceding year from the sale, lease, or distribution of

15 gaming materials or equipment to states operating lotteries

16 and to private persons licensed to conduct gambling,

17 differentiating that portion of the gross receipts

18 attributable to transactions with states operating lotteries

19 from that portion of the gross receipts attributable to

20 transactions with private persons licensed to conduct

21 gambling;

22 (h) the name and address of any source of gaming

23 materials or equipment for the supplier;

24 (i) the number of years the supplier has been in the

25 business of supplying gaming materials or equipment; and

(j) any other information, accompanied by any documents, the director by rule may reasonably require as being necessary or appropriate in the public interest to accomplish the purposes of [this act].

(2) No person, firm, association, or corporation contracting to supply gaming equipment or materials to the state for use in the operation of the state lottery may have any financial interest or connection with any person, firm, association, or corporation licensed as a ticket sales agent.

(3) No contract for supplying gaming materials or equipment for use in the operation of the state lottery is enforceable against the state unless the requirements of this section have been fulfilled.

~~NEW SECTION.~~ Section 16. Annual audit. The legislative auditor shall conduct an annual audit of the state lottery. The costs of the audit must be paid by the office of the director of the state lottery. A copy of the audit report must be delivered to the director, the governor, the president of the senate, the speaker of the house of representatives, and each member of the appropriate committee of each house of the legislature as determined by the president of the senate and the speaker of the house.

~~NEW SECTION.~~ Section 17. Investigations and legal services and proceedings. (1) The attorney general shall

provide legal services for the state lottery at the request of the director. The attorney general shall make reasonable efforts to ensure that there is continuity in the legal services provided and that the attorneys providing legal services have expertise in the field.

(2) The attorney general shall make investigations and prosecute or defend, on behalf of the director, suits and other proceedings involving the state lottery or necessary to carry out the purposes of [this act].

(3) The director may also carry out investigations. The attorney general must be informed of each such investigation before it begins and must be informed of the results of the investigation.

~~NEW SECTION.~~ Section 18. Penalties. It is a misdemeanor, punishable by a fine not to exceed \$500 or imprisonment in the county jail for a term not to exceed 6 months, or both, to knowingly or purposely:

(1) require an employee to sell lottery tickets or chances in violation of [section 6(9) 1121];

(2) violate [section 6(11) 1111];

(3) sell a lottery ticket or chance to a person under 18 years of age;

(4) violate [subsection (3) or (4) of section 7 2];

(5) serve as the director, an employee, or a licensed agent of the state lottery in violation of [section 12];

1 (6) violate [section 12 13];  
 2 (7) violate [section 14 15]; or  
 3 (8) influence the winning of a prize through the use  
 4 of coercion, fraud, deception, or tampering with lottery  
 5 equipment or materials.

6 Section 10, Section 2-8-103, HCA, is amended to read:  
 7 "2-8-103--Agencies to terminate--(1)--The following  
 8 agencies shall terminate on duty in 1979:

9 (a)--board of--abstracters--department of--professional  
 10 and--occupational--licensing--created by 2-15-1643;

11 (b)--board of--real-estate--department of--professional  
 12 and--occupational--licensing--created by 2-15-1642;

13 (c)--state--board of--warm-air--heating--ventilation--and  
 14 air--conditioning--department of--professional--and  
 15 occupational--licensing--created by 2-15-1656;

16 (d)--board of--institutions--department of--institutions  
 17 created by 2-15-2303;

18 (2)--The following agencies shall terminate on duty in  
 19 1981:

20 (a)--board of--athletics--department of--professional and  
 21 occupational--licensing--created by 2-15-1661;

22 (b)--board of--massage--therapists--department of  
 23 professional--and--occupational--licensing--created by  
 24 2-15-1627;

25 (c)--board of--osteopathic--physicians--department of

1 professional--and--occupational--licensing--created by  
 2 2-15-1607;

3 (d)--board of--podiatry--examiners--department of  
 4 professional--and--occupational--licensing--created by  
 5 2-15-1608;

6 (3)--The following units of state government shall  
 7 terminate on duty in 1983:

8 (a)--board of--aeronautics--department of--commerce  
 9 created by 2-15-1812;

10 (b)--state--board of--hair--insurance--department of  
 11 agriculture--created by 2-15-3003;

12 (c)--board of--horseracing--department of--commerce  
 13 created by 2-15-1801;

14 (d)--board of--livestock--department of--livestock  
 15 created by 2-15-3102;

16 (e)--board of--milk--control--department of--commerce  
 17 created by 2-15-1802;

18 (f)--board of--oil--and--gas--conservation--department of  
 19 natural--resources--and--conservation--created by 2-15-3303;

20 (g)--Montana--outfitters--council--department of--fish  
 21 and--wildlife--and--parks--created by 2-15-3403;

22 (h)--public--service--commission--department of--public  
 23 service--regulation--created by 69-1-102;

24 (i)--board of--water--and--wastewater--operators  
 25 department of--health--and--environmental--sciences--created by

1 2-15-2105†  
2 {j}-board-of-water-well-contractors-department-of  
3 commerce-created-by-2-15-1862†  
4 {k}-the-following-agencies-terminate-on-duty-1-1985†  
5 {a}-the-board-of-public-accountants-department-of  
6 commerce-created-by-2-15-1866†  
7 {b}-the-board-of-architects-department-of-commerce  
8 created-by-2-15-1871†  
9 {c}-state-banking-board-department-of-commerce  
10 created-by-2-15-1883†  
11 {d}-the-state-electrical-board-department-of  
12 commerce-created-by-2-15-1874†  
13 {e}-the-board-of-professional-engineers-and-land  
14 surveyors-department-of-commerce-created-by-2-15-1873†  
15 {f}-office-of-commissioner-of-insurance-and-the  
16 insurance-department-state-auditors-office-created-by  
17 2-15-1902-and-2-15-1903†  
18 {g}-office-of-the-securities-commissioner-state  
19 auditors-office-created-by-2-15-1901†  
20 {h}-the-board-of-landscape-architects-department-of  
21 commerce-created-by-2-15-1872†  
22 {i}-the-board-of-county-printing-department-of  
23 commerce-created-by-2-15-1811†  
24 {j}-the-board-of-plumbers-department-of-commerce  
25 created-by-2-15-1875†

1 {k}-board-of-physical-therapy-examiners-department-of  
2 commerce-created-by-2-15-1858†  
3 {l}-the-following-agencies-terminate-on-duty-1-1987†  
4 {a}-commission-for-human-rights-department-of-labor  
5 and-industry-created-by-2-15-1786†  
6 {b}-Montana-state-board-of-medical-examiners  
7 department-of-commerce-created-by-2-15-1841†  
8 {c}-board-of-dentistry-department-of-commerce  
9 created-by-2-15-1842†  
10 {d}-board-of-pharmacists-department-of-commerce  
11 created-by-2-15-1843†  
12 {e}-board-of-nursing-department-of-commerce-created  
13 by-2-15-1844†  
14 {f}-board-of-nursing-home-administrators-department  
15 of-commerce-created-by-2-15-1845†  
16 {g}-board-of-optometrists-department-of-commerce  
17 created-by-2-15-1846†  
18 {h}-board-of-chiropractors-department-of-commerce  
19 created-by-2-15-1847†  
20 {i}-board-of-radiologic-technologists-department-of  
21 commerce-created-by-2-15-1848†  
22 {j}-board-of-speech-pathologists-and-audiologists  
23 department-of-commerce-created-by-2-15-1849†  
24 {k}-board-of-hearing-aid-dispensers-department-of  
25 commerce-created-by-2-15-1850†

~~(k)--board-of-psychologists--department--of--commerce--  
created-by-2-15-1851~~

~~(m)--board--of--veterinarians--department-of-commerce--  
created-by-2-15-1852~~

~~(n)--board--of--morticians--department--of--commerce--  
created-by-2-15-1853~~

~~(o)--board--of--barbers--department-of-commerce--created  
by-2-15-1856~~

~~(p)--board-of-cosmetologists--department--of--commerce--  
created-by-2-15-1857~~

~~(q)--board--of--sanitarians--department--of--commerce--  
created-by-2-15-1861~~

~~(r)--board-of-veterans'-affairs--department--of--social  
and-rehabilitation-services--created-by-2-15-2202~~

~~1st--office--of--director-of-the-state-lottery--created  
by--section--23--~~

SECTION 19. SUNSET REVIEW. (1) THE STATE LOTTERY  
BOARD, CREATED BY [SECTION 3] AND THE OFFICE OF THE DIRECTOR  
OF THE STATE LOTTERY CREATED BY [SECTION 4], TERMINATE JULY  
1, 1987.

(2) THE LEGISLATIVE AUDITOR SHALL CONDUCT A  
PERFORMANCE AUDIT OF THE BOARD AND THE OFFICE OF DIRECTOR OF  
THE STATE LOTTERY UNDER THE PROVISIONS OF TITLE 2, CHAPTER  
1, PART 1, AND REPORT THE RESULTS OF THE AUDIT PRIOR TO THE  
COMMENCEMENT OF THE LEGISLATIVE SESSION OF 1987.

Section 20. Section 23-5-202, MCA, is amended to read:

"23-5-202. Application. This part shall not apply to  
the provisions of part 4 of this chapter, to [sections 1  
through 11 18], or to the giving away of cash or merchandise  
attendance prizes or premiums by public drawings at  
agricultural fairs or rodeo associations in this state, and  
the county fair commissioners of agricultural fairs or rodeo  
associations in this state may give away at such fairs cash  
or merchandise attendance prizes or premiums by public  
drawings."

NEW SECTION. Section 21. Appropriation -- repayment.  
(1) There is appropriated from the general fund to the state  
lottery account created in section 9 10 \$750,000 for the  
fiscal year ending June 30, 1984.

(2) The office of the director of the state lottery  
must repay to the general fund on or before June 30, 1984,  
the appropriation provided in subsection (1).

NEW SECTION. Section 22. Severability. If a part of  
this act is invalid, all valid parts that are severable from  
the invalid part remain in effect. If a part of this act is  
invalid in one or more of its applications, the part remains  
in effect in all valid applications that are severable from  
the invalid applications.

NEW SECTION. Section 23. Effective date. This act is  
effective on passage and approval.

-End-

-22-



## HOUSE BILL NO. 920

INTRODUCED BY PAVLOVICH, KEENAN, DOZIER,

KOEHNKE, DRISCOLL, HARRINGTON, ZABROCKI, NILSON,

MCCORMICK, J. JENSEN, ROUSH, MENAHAN, DAILY, BENGTSOON,

PISTORIA, SHONTZ, ELLISON, JONES, KENNERLY, NORMAN,

BRAND, NISBET, D. BROWN, HOLLIDAY, SCHYE, NEUMAN,

J. HAMMOND, HEMSTAD, HOWE, HAND, FABREGA, BACHINI,

REAN, PECK, HART, KEYSER, IVERSON, LORY, SPAETH,

VELEBER, O'CONNELL, CHRISTIAENS, EUDAILY, STIMATZ,

DANIELS, HAFEEY, JACOBSON, C. SMITH, QUILICI,

LYNCH, VAN VALKENBURG

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A STATE LOTTERY AND PROVIDING FOR A STATE LOTTERY BOARD; AN OFFICE OF DIRECTOR OF THE STATE LOTTERY; AND FOR PERSONNEL TO OPERATE THE STATE LOTTERY; PROVIDING AN APPROPRIATION; PROVIDING FOR THE APPROPRIATION TO BE REPAID; AMENDING SECTIONS 2-8-103 AND SECTION 23-5-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Short title. [This act] may be cited as the "Montana State Lottery Act of 1983".

NEW SECTION. Section 2. Definitions. As used in [this act], the following definitions apply:

~~(1) "BOARD" MEANS THE STATE LOTTERY BOARD CREATED BY [SECTION 3].~~

~~(1)(2) "Director" means the director of the office established in [section 3 1].~~

~~(2)(3) "Lottery game" means any procedure by which one or more prizes are distributed by chance among persons who have paid for a chance to win a prize and includes but is not limited to weekly (or other, longer time period) winner games, instant winner games, daily numbers games, and sports pool games, except sports pools governed by Title 23, chapter 5, part 5.~~

~~(3)(4) "Lottery" or "state lottery" means the Montana state lottery created and operated pursuant to [this act].~~

THERE IS A NEW MCA SECTION WHICH READS:

Section 3. State lottery board -- allocation -- composition -- compensation -- quorum. (1) There is a state lottery board.

(2) The board consists of five members, who must reside in Montana. The members are appointed by the governor and confirmed by the senate.

(3) At least one member of the board must be an attorney admitted to the practice of law in Montana. At least one member of the board must be a certified public accountant licensed in Montana. At least one member of the board must have at least 5 years of experience as a law

1 enforcement officer.

2 (4) After initial appointments, each board member  
3 shall be appointed to a 4-year term of office, and the terms  
4 must be staggered.

5 (5) The governor may remove a board member for good  
6 cause. The governor must fill any position on the board that  
7 becomes vacant for any reason within 30 days of the  
8 occurrence of the vacancy. The term of the member appointed  
9 to fill a vacancy runs to the end of the term of the member  
10 whose absence created the vacancy.

11 (6) The board shall choose one of its members as  
12 chairman.

13 (7) Three or more members constitute a quorum to do  
14 business, and action may be taken by a majority of a quorum.

15 (8) Board members are entitled to compensation, to be  
16 paid out of the state lottery fund, at the rate of \$100 for  
17 each day in which they are engaged in the performance of  
18 their duties and are entitled to travel, meals, and lodging  
19 expenses, to be paid out of the state lottery fund, as  
20 provided in Title 2, chapter 18, part 5.

21 (9) The board is allocated to the department of  
22 revenue for administrative purposes only, except that only  
23 subsections (1)(a), (2)(a), (3)(a), and (3)(b) of 2-15-121  
24 apply to the board.

25 ~~NEW SECTION.~~ Section 4. Office of director of the

1 state lottery -- appointment of director -- qualifications.

2 (1) There is an office of director of the state lottery. The  
3 director is appointed by the governor-with-the-consent-of  
4 the-senate BOARD. The governor BOARD may remove him for good  
5 cause.

6 (2) The director must be qualified by training and  
7 experience to direct the state lottery. He shall be a  
8 full-time employee and may not engage in any other  
9 occupation.

10 (3) The office of director of the state lottery is  
11 allocated to the department of revenue for administrative  
12 purposes only, except that only subsections (1)(a), (1)(c),  
13 (2)(e), (3)(a), and (3)(b) of 2-15-121 apply to the office.

14 ~~NEW SECTION.~~ Section 5. Powers and duties of  
15 director. (1) The director shall:

16 (a) establish a state lottery ~~AFTER A STUDY OF OTHER~~  
17 ~~STATE LOTTERIES AND BEGIN OPERATION OF GAMES WITHIN 150 DAYS~~  
18 ~~AFTER [THE EFFECTIVE DATE OF THIS ACT];~~

19 (b) adopt rules necessary to carry out [this act];

20 (c) administer the operation of the state lottery in  
21 accordance with [this act] and the rules adopted under [this  
22 act];

23 (d) employ and direct personnel necessary to the  
24 operation of the state lottery;

25 (e) license lottery ticket sales agents and suspend or

1 revoke licenses pursuant to [this act] and the rules adopted  
2 under [this act];

3 (f) maintain the security of the state lottery;

4 (g) determine the types and forms of lottery games to  
5 be operated by the state lottery;

6 (h) determine ticket prices and the number and size of  
7 prizes; and

8 (i) provide for the conduct of drawings of winners of  
9 lottery games. All drawings must be held in public. The  
10 selection of winning tickets may not be performed by an  
11 employee of the lottery. All drawings must be witnessed by  
12 a professional staff employee of the legislative auditor's  
13 office, and all lottery drawing equipment used in public  
14 drawings to select winning prizes or participants for prizes  
15 must be examined by the director's staff and a professional  
16 staff employee of the legislative auditor's office prior to  
17 and after each public drawing.

18 (2) The director may enter into contracts of no longer  
19 than 6 months for materials, equipment, and supplies to be  
20 used in the operation of the state lottery, for the design  
21 and installation of games, and for promotion of the lottery.  
22 No contract is legal or enforceable that provides for the  
23 management of the state lottery or for the entire operation  
24 of its games by any private person or firm. When a contract  
25 is awarded, a performance bond satisfactory to the director

1 and executed by a surety company authorized to do business  
2 in this state or otherwise secured in a manner satisfactory  
3 to the director, in an amount equal to the price of the  
4 contract, must be delivered to the director.

5 NEW SECTION. Section 6. Studies -- investigations --  
6 reports. (1) The director shall make a continuous study and  
7 investigation of the lottery to:

8 (a) ascertain any defects in [this act] or in the  
9 rules adopted under [this act] by which abuses in the  
10 administration and operation of the lottery or any evasion  
11 of [this act] or the rules may occur;

12 (b) formulate recommendations for changes in [this  
13 act] and the rules adopted under [this act];

14 (c) guard against the use of [this act] and the rules  
15 adopted under [this act] as a cloak for the carrying on of  
16 organized gambling and crime; and

17 (d) insure that [this act] and the rules adopted under  
18 [this act] are in a form and are administered as to serve  
19 the true purposes of [this act].

20 (2) The director shall make a continuous study and  
21 investigation of the operation and the administration of  
22 similar laws in effect in other states or countries, any  
23 available literature on the subject, federal laws that may  
24 affect the operation of the lottery, and the reaction of  
25 citizens to existing and potential features of the lottery

1 with a view to recommending or effecting changes that will  
2 serve the purposes of [this act].

3 (3) The director shall prepare quarterly and annual  
4 reports on all aspects of the operation of the state  
5 lottery, including but not limited to types of games, gross  
6 revenue, prize money paid, operating expenses, net revenue  
7 to the state and counties, contracts with gaming suppliers,  
8 and recommendations for changes to [this act], and deliver a  
9 copy of each report to the governor, the state treasurer,  
10 the president of the senate, the speaker of the house of  
11 representatives, and each member of the appropriate  
12 committee of each house of the legislature as determined by  
13 the president of the senate and the speaker of the house.

14 NEW SECTION. Section 7. Ticket sales agents --  
15 licenses. (1) Lottery tickets or chances may be sold only by  
16 ticket sales agents licensed by the director in accordance  
17 with this section.

18 (2) The director shall by rule determine the places at  
19 which state lottery game tickets or chances may be sold.

20 (3) (a) Before issuing a license, the director shall  
21 consider:

22 (i) the financial responsibility and security of the  
23 person and his business or activity;

24 (ii) the accessibility of his place of business or  
25 activity to the public; and

1 (iii) the sufficiency of existing licenses to serve the  
2 public convenience and the volume of the expected sales.

3 (b) No person under 18 years of age may sell lottery  
4 tickets.

5 (c) A license as an agent to sell lottery tickets or  
6 chances may not be issued to any person to engage in  
7 business exclusively as a lottery ticket sales agent.

8 (4) The director may issue temporary licenses upon  
9 conditions he considers necessary.

10 (5) License applicants must be charged a \$50 fee to  
11 cover the cost of investigating and processing the  
12 application.

13 (6) The director may require a bond from any licensed  
14 agent in an amount provided in the director's rules and may  
15 purchase a blanket bond covering the activities of licensed  
16 agents.

17 (7) A licensed agent shall display his license or a  
18 copy thereof conspicuously in accordance with the director's  
19 rules.

20 (8) A license is not assignable or transferable.

21 (9) No employee of a ticket sales agent may be  
22 required to sell lottery game tickets or chances if the sale  
23 is against his religious or moral beliefs.

24 (10) Sales agents are entitled to no more than a 5%  
25 commission on tickets and chances sold.

(11) Each sales agent shall keep a complete and up-to-date set of records and accounts fully showing his sales and provide them for inspection upon request of the director, the department of revenue, or the office of the attorney general.

(12) A license may be suspended or revoked for failure to maintain the license qualifications provided in subsection (3) or for violation of any provision of [this act] or a rule adopted under [this act]. Prior to suspension or revocation, the licensee must be given notice and an opportunity for a hearing.

**NEW SECTION.** Section 8. Sales restrictions. (1) The price of each lottery game ticket must be clearly stated thereon. ~~The price of a lottery game chance vended by a machine or electronic device must be clearly stated on the machine or device.~~

(2) Tickets and chances may not be sold to or purchased by persons under 18 years of age.

(3) Tickets and chances must be paid for in cash.

(4) Tickets and chances may not be sold to or purchased by the director, his staff, gaming suppliers doing business with the state lottery, suppliers' officers and employees, any person auditing or investigating the state lottery, or members of their families living with them.

**NEW SECTION.** Section 9. Disclosure of odds. The

director shall make adequate disclosure of the odds with respect to each state lottery game by stating the odds in lottery game advertisements and by posting the odds at each place in which tickets or chances are sold.

**NEW SECTION.** Section 10. State lottery account. There is an account within the earmarked revenue fund to be known as the state lottery account. The gross revenue from the state lottery, consisting of money from the sale of lottery tickets and chances, ticket sales agent license fees, unclaimed prizes, or any other source, must be deposited in the account.

**NEW SECTION.** Section 11. Disposition of revenue. (1) Forty-five percent of the money paid for tickets or chances in each separate state lottery game must be paid out of the state lottery account as prize money for the game.

(2) Up to 20% of the gross revenue from the state lottery may be used by the director to pay the operating expenses of the state lottery. Commissions paid to lottery ticket sales agents are a state lottery operating expense.

(3) That part of all gross revenue not used for the payment of prizes and operating expenses is net revenue and must be paid quarterly as follows:

(a) Fifty percent of the net revenue must be annually paid out of the state lottery account into the state general fund.

(b) Fifty percent of the net revenue generated in each county must be paid into the general fund of that county.

(c) Fifty percent of the net revenue paid into the general fund of each county must be paid by that county into the general funds of the incorporated cities and towns and consolidated local governments in that county in the ratio which the population within the corporate limits of each city, town, or consolidated local government bears to the total population of the county. The population of each city, town, and consolidated local government shall be determined by the last preceding official federal census.

**NEW SECTION.** Section 12. Convictions -- Ineligibility for lottery positions. No person who has been convicted under federal or any state law of a gambling-related offense or of any felony in which an element of the offense involves misrepresentation or the misuse or misappropriation of property may be the director or an employee of the state lottery or a licensed ticket sales agent.

**NEW SECTION.** Section 13. Conflict of interest. No state lottery employee or licensed ticket sales agent, or a member of his family living with him, may have a financial interest in any gaming supplier or any contract between the state lottery and a gaming supplier or accept any gift or thing of value from a gaming supplier.

**NEW SECTION.** Section 14. Payment of prizes --

unclaimed prizes. (1) The director may provide for the immediate payment of prizes by the ticket sales agent who sold the winning ticket or chance whenever the amount of the prize is less than an amount set by rule of the director.

(2) Prizes over \$100,000 may in the discretion of the director be paid either in one lump sum or in equal yearly installments without interest over a period of not more than 10 years, except that each installment payment must be at least \$20,000.

(3) Prizes not claimed within 6 months are forfeited and must be paid into the state lottery fund. No interest is due on a prize when a claim is delayed but made within 6 months.

**NEW SECTION.** Section 15. Disclosures by gaming suppliers. (1) Any person, firm, association, or corporation that submits a bid or proposal for a contract to supply lottery equipment, tickets, or other material for use in the operation of the state lottery shall disclose at the time of such bid or proposal:

(a) the supplier's business name and address and the names and addresses of the following:

(i) if the supplier is a partnership, all of the general and limited partners;

(ii) if the supplier is a trust, the trustee and all persons entitled to receive income or benefit from the

1 trust;

2 (iii) if the supplier is an association, the members,  
3 officers, and directors;

4 (iv) if the supplier is a corporation, the officers,  
5 directors, and each owner or holder, directly or indirectly,  
6 of any equity security or other evidence of ownership of any  
7 interest in the corporation; except that, in the case of  
8 owners or holders of publicly held equity securities of a  
9 publicly traded corporation, only the names and addresses of  
10 those owning or holding 5% or more of the publicly held  
11 securities must be disclosed;

12 (v) if the supplier is a subsidiary company, each  
13 intermediary company, holding company, or parent company  
14 involved therewith and the officers, directors, and  
15 stockholders of each; except that, in the case of owners or  
16 holders of publicly held securities of an intermediary  
17 company, holding company, or parent company which is a  
18 publicly traded corporation, only the names and addresses of  
19 those owning or holding 5% or more of the publicly held  
20 securities must be disclosed;

21 (b) if the supplier is a corporation, all the states  
22 in which the supplier is authorized to do business and the  
23 nature of that business;

24 (c) other jurisdictions in which the supplier has  
25 contracts to supply gaming materials or equipment;

1 (d) the details of any conviction, state or federal,  
2 of the supplier or any person whose name and address are  
3 required by subsection (1)(a) of a criminal offense  
4 punishable by imprisonment for more than 1 year;

5 (e) the details of any disciplinary action taken by  
6 any state against the supplier or any person whose name and  
7 address are required by subsection (1)(a) regarding any  
8 matter related to the selling, leasing, offering for sale or  
9 lease, buying, or servicing of gaming materials or  
10 equipment;

11 (f) audited annual financial statements for the  
12 preceding 5 years;

13 (g) a statement of the gross receipts realized in the  
14 preceding year from the sale, lease, or distribution of  
15 gaming materials or equipment to states operating lotteries  
16 and to private persons licensed to conduct gambling,  
17 differentiating that portion of the gross receipts  
18 attributable to transactions with states operating lotteries  
19 from that portion of the gross receipts attributable to  
20 transactions with private persons licensed to conduct  
21 gambling;

22 (h) the name and address of any source of gaming  
23 materials or equipment for the supplier;

24 (i) the number of years the supplier has been in the  
25 business of supplying gaming materials or equipment; and

(j) any other information, accompanied by any documents, the director by rule may reasonably require as being necessary or appropriate in the public interest to accomplish the purposes of [this act].

(2) No person, firm, association, or corporation contracting to supply gaming equipment or materials to the state for use in the operation of the state lottery may have any financial interest or connection with any person, firm, association, or corporation licensed as a ticket sales agent.

(3) No contract for supplying gaming materials or equipment for use in the operation of the state lottery is enforceable against the state unless the requirements of this section have been fulfilled.

**NEW SECTION.** Section 16. Annual audit. The legislative auditor shall conduct an annual audit of the state lottery. The costs of the audit must be paid by the office of the director of the state lottery. A copy of the audit report must be delivered to the director, the governor, the president of the senate, the speaker of the house of representatives, and each member of the appropriate committee of each house of the legislature as determined by the president of the senate and the speaker of the house.

**NEW SECTION.** Section 17. Investigations and legal services and proceedings. (1) The attorney general shall

provide legal services for the state lottery at the request of the director. The attorney general shall make reasonable efforts to ensure that there is continuity in the legal services provided and that the attorneys providing legal services have expertise in the field.

(2) The attorney general shall make investigations and prosecute or defend, on behalf of the director, suits and other proceedings involving the state lottery or necessary to carry out the purposes of [this act].

(3) The director may also carry out investigations. The attorney general must be informed of each such investigation before it begins and must be informed of the results of the investigation.

**NEW SECTION.** Section 18. Penalties. It is a misdemeanor, punishable by a fine not to exceed \$500 or imprisonment in the county jail for a term not to exceed 6 months, or both, to knowingly or purposely:

(1) require an employee to sell lottery tickets or chances in violation of [section 6(9) 7(9)];

(2) violate [section 6(11) 7(11)];

(3) sell a lottery ticket or chance to a person under 18 years of age;

(4) violate [subsection (3) or (4) of section 7 B];

(5) serve as the director, an employee, or a licensed agent of the state lottery in violation of [section 11 12];



1 (6) violate [section 12 13];  
 2 (7) violate [section 14 15]; or  
 3 (8) influence the winning of a prize through the use  
 4 of coercion, fraud, deception, or tampering with lottery  
 5 equipment or materials.

6 Section 18--Section 2-8-183v-MCA-is amended-to-read  
 7 "2-8-183v--Agencies-to-terminate---(1)--The--following  
 8 agencies-shall-terminate-on-july-1v-1979:  
 9 (a)--board-of--abstractersv-department-of-professional  
 10 and-occupational--licensingv-created-by-2-15-1643;  
 11 (b)--board-of-real-estatev-department--of--professional  
 12 and-occupational--licensingv-created-by-2-15-1642;  
 13 (c)--state--board-of-warm-air-heatingv-ventilationv-and  
 14 air--conditioningv---department---of---professional---and  
 15 occupational--licensingv-created-by-2-15-1656;  
 16 (d)--board-of-institutionsv-department-of-institutionsv  
 17 created-by-2-15-2383v  
 18 (2)--The--following-agencies-shall-terminate-on-july-1v  
 19 1981:  
 20 (a)--board-of-athleticsv-department-of-professional-and  
 21 occupational--licensingv-created-by-2-15-1661;  
 22 (b)--board--of--massage---therapistsv---department---of  
 23 professional---and---occupational---licensingv---created--by  
 24 2-15-1627;  
 25 (c)--board-of--osteopathic--physiciansv--department--of

1 professional---and---occupational---licensingv---created--by  
 2 2-15-1687;  
 3 (d)--board--of--podiatry---examinersv---department---of  
 4 professional---and---occupational---licensingv---created--by  
 5 2-15-1688;  
 6 (3)--The-following-units-of--state--government--shall  
 7 terminate-on-july-1v-1983:  
 8 (e)--board--of--aeronauticsv--department--of--commercev  
 9 created-by-2-15-1812;  
 10 (f)--state--board--of--hair--insurancev--department--of  
 11 agriculturev-created-by-2-15-3803;  
 12 (g)--board--of--horseracingv--department--of--commercev  
 13 created-by-2-15-1881;  
 14 (d)--board--of--livestockv--department--of--livestockv  
 15 created-by-2-15-3182;  
 16 (e)--board--of--milk--controlv--department--of--commercev  
 17 created-by-2-15-1882;  
 18 (f)--board-of--oil-and-gas-conservationv--department--of  
 19 natural-resources-and-conservationv-created-by-2-15-3383;  
 20 (g)--Montana--outfitters--councilv--department-of-fishv  
 21 wildlifev-and-parksv-created-by-2-15-3403;  
 22 (h)--public-service-commissionv--department--of--public  
 23 service-regulationv-created-by-69-1-182;  
 24 (i)--board--of--water---and---wastewater---operatorsv  
 25 department-of-health-and-environmental-sciencesv-created--by

1 2-15-1851  
 2 {j}-board-of-water-well-contractors-department-of  
 3 commerce-created-by-2-15-1862  
 4 {k}-The-following-agencies-terminate-on-duty-1-1985  
 5 {a}-the-board-of-public-accountants-department-of  
 6 commerce-created-by-2-15-1866  
 7 {b}-the-board-of-architects-department-of-commerce  
 8 created-by-2-15-1871  
 9 {c}-state-banking-boards-department-of-commerce  
 10 created-by-2-15-1883  
 11 {d}-the-state-electric-boards-department-of  
 12 commerce-created-by-2-15-1874  
 13 {e}-the-board-of-professional-engineers-and-land  
 14 surveyors-department-of-commerce-created-by-2-15-1873  
 15 {f}-office-of-commissioner-of-insurance-and-the  
 16 insurance-department-state-auditors-office-created-by  
 17 2-15-1902-and-2-15-1903  
 18 {g}-office-of-the-securities-commissioner-state  
 19 auditors-office-created-by-2-15-1901  
 20 {h}-the-board-of-landscape-architects-department-of  
 21 commerce-created-by-2-15-1872  
 22 {i}-the-board-of-county-printing-department-of  
 23 commerce-created-by-2-15-1811  
 24 {j}-the-board-of-plumbers-department-of-commerce  
 25 created-by-2-15-1875

1 {k}-board-of-physical-therapy-examiners-department-of  
 2 commerce-created-by-2-15-1958  
 3 {5}-The-following-agencies-terminate-on-duty-1-1985  
 4 {a}-commission-for-human-rights-department-of-labor  
 5 and-industry-created-by-2-15-1786  
 6 {b}-Montana-state-board-of-medical-examiners  
 7 department-of-commerce-created-by-2-15-1841  
 8 {c}-board-of-dentistry-department-of-commerce  
 9 created-by-2-15-1842  
 10 {d}-board-of-pharmacists-department-of-commerce  
 11 created-by-2-15-1843  
 12 {e}-board-of-nursing-department-of-commerce-created  
 13 by-2-15-1844  
 14 {f}-board-of-nursing-home-administrators-department  
 15 of-commerce-created-by-2-15-1845  
 16 {g}-board-of-optometrists-department-of-commerce  
 17 created-by-2-15-1846  
 18 {h}-board-of-chiropractors-department-of-commerce  
 19 created-by-2-15-1847  
 20 {i}-board-of-radiologic-technologists-department-of  
 21 commerce-created-by-2-15-1848  
 22 {j}-board-of-speech-pathologists-and-audiologists  
 23 department-of-commerce-created-by-2-15-1849  
 24 {k}-board-of-hearing-aid-dispensers-department-of  
 25 commerce-created-by-2-15-1850

1       ~~{i}--board-of-psychologists--department--of--commerce~~  
 2       ~~created-by-2-15-1851;~~  
 3       ~~{n}--board-of--veterinarians--department-of-commerce~~  
 4       ~~created-by-2-15-1852;~~  
 5       ~~{n}--board-of--morticians--department--of--commerce~~  
 6       ~~created-by-2-15-1853;~~  
 7       ~~{o}--board-of-barbers--department-of-commerce--created~~  
 8       ~~by-2-15-1856;~~  
 9       ~~{p}--board-of-cosmetologists--department--of--commerce~~  
 10       ~~created-by-2-15-1857;~~  
 11       ~~{q}--board-of--sanitarians--department--of--commerce~~  
 12       ~~created-by-2-15-1861;~~  
 13       ~~{r}--board-of-veterans'-affairs--department--of--social~~  
 14       ~~and-rehabilitation-services--created-by-2-15-2202;~~  
 15       ~~{s}--office--of--director-of-the-state-lottery--created~~  
 16       ~~by--[section-3]."~~  
 17       SECTION 19. SUNSET REVIEW. (1) THE STATE LOTTERY  
 18       BOARD CREATED BY [SECTION 3] AND THE OFFICE OF THE DIRECTOR  
 19       OF THE STATE LOTTERY CREATED BY [SECTION 4] TERMINATE JULY  
 20       1, 1987.  
 21       (2) THE LEGISLATIVE AUDITOR SHALL CONDUCT A  
 22       PERFORMANCE AUDIT OF THE BOARD AND THE OFFICE OF DIRECTOR OF  
 23       THE STATE LOTTERY UNDER THE PROVISIONS OF TITLE 2, CHAPTER  
 24       8, PART 1, AND REPORT THE RESULTS OF THE AUDIT PRIOR TO THE  
 25       COMMENCEMENT OF THE LEGISLATIVE SESSION OF 1987.

1       Section 20. Section 23-5-202, MCA, is amended to read:  
 2       "23-5-202. Application. This part shall not apply to  
 3       the provisions of part 4 of this chapter, to [sections 1  
 4       through 17 18], or to the giving away of cash or merchandise  
 5       attendance prizes or premiums by public drawings at  
 6       agricultural fairs or rodeo associations in this state, and  
 7       the county fair commissioners of agricultural fairs or rodeo  
 8       associations in this state may give away at such fairs cash  
 9       or merchandise attendance prizes or premiums by public  
 10       drawings."

11       NEW SECTION. Section 21. Appropriation -- repayment.  
 12       (1) There is appropriated from the general fund to the state  
 13       lottery account created in section 9 10 \$750,000 for the  
 14       fiscal year ending June 30, 1984.

15       (2) The office of the director of the state lottery  
 16       must repay to the general fund on or before June 30, 1984,  
 17       the appropriation provided in subsection (1).

18       NEW SECTION. Section 22. Severability. If a part of  
 19       this act is invalid, all valid parts that are severable from  
 20       the invalid part remain in effect. If a part of this act is  
 21       invalid in one or more of its applications, the part remains  
 22       in effect in all valid applications that are severable from  
 23       the invalid applications.

24       NEW SECTION. Section 23. Effective date. This act is  
 25       effective on passage and approval.