

SENATE BILL NO. 223

Introduced: 01/19/83

Referred to Committee on Business & Industry: 01/19/83

Hearing: 2/16/83

Report: 02/19/83, Do Pass, As Amended

2nd Reading: 2/22/83, Be Indefinitely Postponed
Bill Killed.

1 *J. Jensen* *Senate Bill No. 123* *Richard McKinney*
 2 INTRODUCED BY *Thomas P. Haffey* *Ernie J. Martin*
 3 *J. Jackson* *Lynd* *Daily* *McKeehan* *Do*
 4 *Keenan* *Harrison* *Driscoll* *Mc*
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A STATE
 6 LOTTERY AND PROVIDE FOR A COMMISSION, DIRECTOR, AND
 7 PERSONNEL TO OPERATE THE STATE LOTTERY; AMENDING SECTION
 8 23-5-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 NEW SECTION. Section 1. Short title. [This act] may
 11 be cited as the "Montana State Lottery Act of 1983".
 12 NEW SECTION. Section 2. Definitions. As used in [this
 13 act], the following definitions apply:
 14 (1) "Commission" means the state lottery commission
 15 created by [section 3].
 16 (2) "Director" means the director appointed by the
 17 commission under [section 4] to administer and manage the
 18 state lottery.
 19 (3) "Lottery game" means any procedure, including any
 20 procedure using a machine or electronic device, by which one
 21 or more prizes are distributed by chance among persons who
 22 have paid for a chance to win a prize and includes but is
 23 not limited to weekly (or other, longer time period) winner
 24 games, instant winner games, daily numbers games, and sports
 25 pool games, except sports pools governed by Title 23,

1 chapter 5, part 5.

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

4 NEW SECTION. Section 3. State lottery commission --
 5 allocation -- composition -- compensation -- quorum. (1)
 6 There is a state lottery commission.

7 (2) The commission consists of seven members, who
 8 shall reside in Montana. Two are appointed by the senate,
 9 two are appointed by the house of representatives, and three
 10 are appointed by the governor.

11 (3) At least one commissioner must have 5 years of
 12 experience as a law enforcement officer. At least one
 13 commissioner must be an attorney admitted to the practice of
 14 law in Montana. At least one commissioner must be a
 15 certified public accountant licensed in Montana.

16 (4) After initial appointments, each commissioner
 17 shall be appointed to a 4-year term of office, and the terms
 18 shall be staggered.

19 (5) A commissioner may be removed for good cause by
 20 the authority that appointed him. An office that for any
 21 reason becomes vacant must be filled within 30 days by the
 22 authority which appointed the commissioner who vacated the
 23 office, and the commissioner filling the vacancy shall serve
 24 for the rest of the unexpired term.

25 (6) The senate and house of representatives shall each

1 provide, by rule or otherwise, a method by which their
2 powers of appointment and removal for cause under this
3 section are to be exercised while the legislature is not in
4 session as well as when it is in session.

5 (7) The commission shall appoint one of its members as
6 chairman.

7 (8) Five or more commissioners constitute a quorum to
8 do business, and action may be taken by a majority of a
9 quorum.

10 (9) Commissioners are entitled to compensation, to be
11 paid out of the state lottery fund, at the rate of \$100 for
12 each day in which they are engaged in the performance of
13 their duties and are entitled to travel, meals, and lodging
14 expenses, to be paid out of the state lottery fund, as
15 provided for in Title 2, chapter 18, part 5.

16 (10) The commission is allocated to the department of
17 revenue for administrative purposes only, except that only
18 subsections (1)(a), (1)(c), (2)(e), (3)(a), and (3)(b) of
19 2-15-121 apply to the commission.

20 NEW SECTION. Section 4. Powers and duties of
21 commission. The commission shall:

22 (1) establish and operate a state lottery;

23 (2) appoint, and may remove for good cause, a director
24 of the state lottery as provided in [section 5];

25 (3) determine policies for the operation of the state

1 lottery, supervise the director and his staff, and meet with
2 the director at least once every 3 months to make and
3 consider recommendations, set policies, determine types and
4 forms of lottery games to be operated by the state lottery,
5 and transact other necessary business;

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

8 (5) 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 or by a member of the commission.
12 All drawings must be witnessed by a professional staff
13 employee of the legislative auditor's office, and all
14 lottery drawing equipment used in public drawings to select
15 winning prizes or participants for prizes must be examined
16 by the director's staff and a professional staff employee of
17 the legislative auditor's office prior to and after each
18 public drawing.

19 (6) carry out, with the director, a continuing study
20 of the state lotteries of Montana and other states to make
21 the state lottery more efficient, profitable, and secure
22 from violations of the law;

23 (7) prepare quarterly and annual reports on all
24 aspects of the operation of the state lottery, including but
25 not limited to types of games, gross revenue, prize money

1 paid, operating expenses, net revenue to the state and
 2 counties, contracts with gaming suppliers, and
 3 recommendations for changes to [this act], and deliver a
 4 copy of each report to the governor, the department of
 5 administration, the president of the senate, the speaker of
 6 the house of representatives, and each member of the
 7 appropriate committee of each house of the legislature as
 8 determined by the president of the senate and the speaker of
 9 the house; and

10 (8) adopt rules necessary to carry out [this act].

11 NEW SECTION. Section 5. Director -- appointment --
 12 qualifications. (1) The director is appointed by the
 13 commission, which may remove him for good cause.

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

18 NEW SECTION. Section 6. Powers and duties of
 19 director. (1) The director shall:

20 (a) administer the operation of the state lottery in
 21 accordance with [this act] and the rules and other
 22 directives of the commission;

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

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

1 revoke licenses pursuant to [this act] and commission rules;
 2 and

3 (d) maintain the security of the state lottery.

4 (2) With the concurrence of the commission or pursuant
 5 to commission direction or rules, the director may enter
 6 into contracts of no longer than 6 months for materials,
 7 equipment, and supplies to be used in the operation of the
 8 state lottery, for the design and installation of games, and
 9 for promotion of the lottery. No contract is legal or
 10 enforceable that provides for the management of the state
 11 lottery or for the entire operation of its games by any
 12 private person or firm. When a contract is awarded, a
 13 performance bond satisfactory to the commission and executed
 14 by a surety company authorized to do business in this state
 15 or otherwise secured in a manner satisfactory to the
 16 commission, in an amount equal to the price of the contract,
 17 must be delivered to the commission.

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

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

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

1 (i) the financial responsibility and security of the
2 person and his business or activity;
3 (ii) the accessibility of his place of business or
4 activity to the public; and
5 (iii) the sufficiency of existing licenses to serve the
6 public convenience and the volume of the expected sales.
7 (b) No person under 18 years of age may sell lottery
8 tickets.
9 (c) A license as an agent to sell lottery tickets or
10 chances may not be issued to any person to engage in
11 business exclusively as a lottery ticket sales agent.
12 (4) The director may issue temporary licenses upon
13 conditions he considers necessary.
14 (5) License applicants must be charged a \$50 fee to
15 cover the cost of investigating and processing the
16 application.
17 (6) The director may require a bond from any licensed
18 agent in an amount provided in the commission's rules and
19 may purchase a blanket bond covering the activities of
20 licensed agents.
21 (7) A licensed agent shall display his license or a
22 copy thereof conspicuously in accordance with the
23 commission's rules.
24 (8) A license is not assignable or transferable.
25 (9) No employee of a ticket sales agent may be

1 required to sell lottery game tickets or chances if the sale
2 is against his religious or moral beliefs.
3 (10) Sales agents are entitled to no more than a 5%
4 commission on tickets and chances sold.
5 (11) Each sales agent shall keep a complete and
6 up-to-date set of records and accounts fully showing his
7 sales and provide them for inspection upon request of the
8 commission, the director, the department of administration,
9 or the office of the attorney general.
10 (12) A license may be suspended or revoked for failure
11 to maintain the license qualifications provided in
12 subsection (3) or for violation of any provision of [this
13 act] or a commission rule. Prior to suspension or
14 revocation, the licensee must be given notice and an
15 opportunity for a hearing.
16 ~~NEW SECTION.~~ Section 8. Sales restrictions. (1) The
17 price of each lottery game ticket must be clearly stated
18 thereon. The price of a lottery game chance vended by a
19 machine or electronic device must be clearly stated on the
20 machine or device.
21 (2) Tickets and chances may not be sold to or
22 purchased by persons under 18 years of age.
23 (3) Tickets and chances must be paid for in cash.
24 (4) Tickets and chances may not be sold to or
25 purchased by commissioners, the director, his staff, gaming

1 suppliers doing business with the state lottery, suppliers'
2 officers and employees, any person auditing or investigating
3 the state lottery, or members of their families living with
4 them.

5 NEW SECTION. Section 9. Disclosure of odds. The
6 director shall make adequate disclosure of the odds with
7 respect to each state lottery game by stating the odds in
8 lottery game advertisements and by posting the odds at each
9 place in which tickets or chances are sold.

10 NEW SECTION. Section 10. State lottery fund. There is
11 a special revenue fund within the office of the director of
12 the state lottery to be known as the state lottery fund. The
13 gross revenue from the state lottery, consisting of money
14 from the sale of lottery tickets and chances, ticket sales
15 agent license fees, unclaimed prizes, or any other source,
16 must be deposited in the fund.

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

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

25 (3) That part of all gross revenue not used for the

1 payment of prizes and operating expenses is net revenue and
2 must be paid quarterly as follows:

3 (a) Fifty percent of the net revenue generated in each
4 county must be annually paid out of the state lottery fund
5 on a pro rata basis to Montana residents age 62 or over who
6 own or rent property in Montana and reside on the property,
7 reside in Montana with friends or relatives owning or
8 renting property, or reside in Montana in a hospital, rest
9 home, or similar establishment. A person may apply for his
10 pro rata share on a form prescribed by the director. The
11 form must provide for inclusion of pertinent information
12 regarding the applicant, including name, age, place and date
13 of birth, mailing address, and the geographical location of
14 the applicant's residence. The form must contain a statement
15 that the signing applicant affirms the truth of the
16 information on the form. The commission shall adopt rules
17 implementing this subsection (3)(a), including rules
18 relating to the content and distribution of forms and the
19 determination and payment of pro rata shares.

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

22 (c) Fifty percent of the net revenue paid into the
23 general fund of each county must be paid by that county to
24 the general funds of the incorporated cities and towns and
25 consolidated local governments in that county in the ratio

1 which the population within the corporate limits of each
2 city, town, or consolidated local government bears to the
3 total population of the county. The population of each city,
4 town, and consolidated local government shall be determined
5 by the last preceding official federal census.

6 **NEW SECTION.** Section 12. Felony and gambling-related
7 convictions -- ineligibility for lottery positions. No
8 person who has been convicted of a felony or a
9 gambling-related offense under federal law or the law of any
10 state may be a commissioner, director, employee of the state
11 lottery, or licensed ticket sales agent.

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

18 **NEW SECTION.** Section 14. Payment of prizes --
19 unclaimed prizes. (1) The commission may provide for the
20 immediate payment of prizes by the ticket sales agent who
21 sold the winning ticket or chance whenever the amount of the
22 prize is less than an amount set by commission rule.

23 (2) Prizes over \$100,000 may in the discretion of the
24 director be paid either in one lump sum or in equal yearly
25 installments without interest over a period of not more than

1 10 years, except that each installment payment must be at
2 least \$20,000.

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

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

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

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

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

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

22 (iv) if the supplier is a corporation, the officers,
23 directors, and each owner or holder, directly or indirectly,
24 of any equity security or other evidence of ownership of any
25 interest in the corporation; except that, in the case of

1 owners or holders of publicly held equity securities of a
2 publicly traded corporation, only the names and addresses of
3 those owning or holding 5% or more of the publicly held
4 securities must be disclosed;

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

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

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

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

23 (e) the details of any disciplinary action taken by
24 any state against the supplier or any person whose name and
25 address are required by subsection (1)(a) regarding any

1 matter related to the selling, leasing, offering for sale or
2 lease, buying, or servicing of gaming materials or
3 equipment;

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

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

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

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

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

23 (2) No person, firm, association, or corporation
24 contracting to supply gaming equipment or materials to the
25 state for use in the operation of the state lottery may have

1 any financial interest or connection with any person, firm,
2 association, or corporation licensed as a ticket sales
3 agent.

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

8 **NEW SECTION.** Section 16. Annual audit. The department
9 of administration shall conduct an annual audit of the state
10 lottery. A copy of the audit report must be delivered to the
11 commission, the director, the governor, the president of the
12 senate, the speaker of the house of representatives, and
13 each member of the appropriate committee of each house of
14 the legislature as determined by the president of the senate
15 and the speaker of the house.

16 **NEW SECTION.** Section 17. Investigations and legal
17 services and proceedings. (1) The attorney general shall
18 provide legal services for the state lottery at the request
19 of the director or the commission. The attorney general
20 shall make reasonable efforts to ensure that there is
21 continuity in the legal services provided and that the
22 attorneys providing legal services have expertise in the
23 field.

24 (2) The attorney general shall make investigations and
25 prosecute or defend, on behalf of the director and

1 commission, suits and other proceedings involving the state
2 lottery or necessary to carry out the purposes of [this
3 act].

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

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

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

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

15 (3) sell a lottery ticket or chance to a person under
16 18 years of age;

17 (4) violate [subsection (3) or (4) of section 8];

18 (5) serve as a commissioner, director, employee, or
19 licensed agent of the state lottery in violation of [section
20 12];

21 (6) violate [section 13];

22 (7) violate [section 15]; or

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

1 Section 19. 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 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 20. Initial appointment and
 12 terms of commissioners. Initial appointments to the
 13 commission must be made within 30 days after [the effective
 14 date of this act]. One senate appointee, one house
 15 appointee, and one gubernatorial appointee shall serve for 2
 16 years; one senate appointee, one house appointee, and one
 17 gubernatorial appointee shall serve for 3 years; and one
 18 gubernatorial appointee shall serve for 4 years.

19 ~~NEW SECTION.~~ Section 21. Initial duties of commission
 20 -- lottery study -- first game. (1) The commission shall
 21 conduct an initial study of other state lotteries.

22 (2) The commission shall begin the operation of state
 23 lottery games at the earliest practicable time and in any
 24 event within 150 days after [the effective date of this
 25 act].

1 ~~NEW SECTION.~~ Section 22. Severability. If a part of
 2 this act is invalid, all valid parts that are severable from
 3 the invalid part remain in effect. If a part of this act is
 4 invalid in one or more of its applications, the part remains
 5 in effect in all valid applications that are severable from
 6 the invalid applications.
 7 ~~NEW SECTION.~~ Section 23. Effective date. This act is
 8 effective on passage and approval.

-End-

FISCAL NOTE

Form BD-15

In compliance with a written request received January 22, , 19 83 , there is hereby submitted a Fiscal Note for Senate Bill 223 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

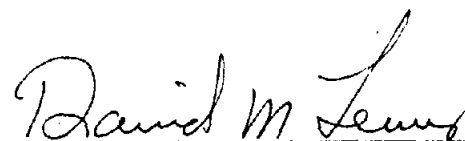
Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 223 establishes a state lottery; provides for a commission, director, and personnel to operate the lottery; 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 and commission, suits and other proceedings involving the state lottery. The regional offices with appropriate staff and operating expenses will be necessary to carry out the requirements of the act.
- 3) A four per cent increase in expenditures is projected for FY 85.
- 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

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-28-83

FISCAL IMPACT:

<u>EXPENDITURES:</u>	<u>FY 84</u>	<u>FY 85</u>	<u>Biennium Total</u>
Department of Justice:			
Personal Services:			
Commissioners - (48 meeting days in 84 & 24 in 85 at \$100/day)	\$ 33,600	\$ 16,800	\$ 50,400
Director (\$30,000 x 20%)	36,000	37,440	73,440
5 attorneys (G17-2 + 20% benefits)	156,110	162,354	318,464
5 investigators (G15-2 + 20%)	131,230	136,479	267,709
2 auditors (G12-2 + 20%)	40,836	42,469	83,305
6 secretaries (G9-2 + 20%)	97,548	101,450	198,998
TOTAL	<u>\$ 495,324</u>	<u>\$ 496,992</u>	<u>\$ 992,316</u>
Operating:			
Contracted Services	\$ 10,625	\$ 11,250	\$ 21,875
Supplies			
Printing Tickets	\$ 100,000	\$ 100,000	\$ 200,000
Remaining Supplies	44,100	45,864	89,964
Communications	14,700	15,288	29,988
Travel			
Commission per diem (\$90/day)	\$ 32,240	\$ 15,120	\$ 45,360
Remaining Travel	36,400	37,856	74,256
Rent	8,400	8,736	17,136
Repairs & Maint.	9,450	9,828	19,278
TOTAL	<u>\$ 253,915</u>	<u>\$ 243,942</u>	<u>\$ 497,857</u>
Equipment:			
Desks	\$ 8,400	\$ -	\$ 8,400
Chairs	6,300	-	6,300
Vehicles 6 @ \$8,700	60,900	-	60,900
Typewriters	4,800	-	4,800
Lottery Equipment	100,000	-	100,000
Total	<u>\$ 180,400</u>	<u>\$ -</u>	<u>\$ 180,400</u>
Total Expenditures	<u>\$ 929,639</u>	<u>\$ 740,934</u>	<u>\$1,670,573</u>
Office of The Legislative Auditor:			
Observations	\$ 960	\$ 960	\$ 1,920
Audits	21,000	12,000	33,000
Total Expenditures	<u>\$ 21,960</u>	<u>\$ 12,960</u>	<u>\$ 34,920</u>
Department of Justice	\$ 29,639	\$ 740,933	\$1,670,572
Office of the Legislative Auditor	21,960	12,960	34,920
Grand Total of Operating Expenditures	<u>\$ 951,599</u>	<u>\$ 753,893</u>	<u>\$1,705,492</u>

REVENUE:

Gross Revenue From Lottery	\$10,000,000	\$10,000,000
Lottery Prize Payments	4,500,000	4,500,000
Payments To Elderly Residents	2,274,201	2,373,054
Distribution to Incorporated		
Cities and Towns	1,137,102	1,186,527
Distribution For County Purposes	1,137,102	1,186,527

TECHNICAL NOTE:

Section 16 of the bill states that the Department of Administration (D of A) shall perform an annual audit of the state lottery. The Department of Administration has no existing audit functions to handle this responsibility. The Local Government Services Division, (under Department of Administration), only performs post audits of local government entities.

The Office of the Legislative Auditor is responsible for auditing the financial affairs and transactions of all state agencies per Title 5, Chapter 13, MCA.

STATE OF MONTANA

REQUEST NO. 179-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 22, 19 83, there is hereby submitted a Fiscal Note for Senate Bill 223 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.

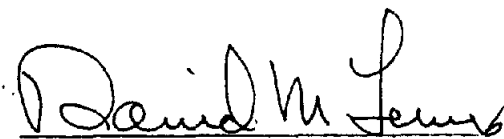
DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 223 establishes a state lottery; provides for a commission, director, and personnel to operate the lottery; 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 and commission, 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) A four per cent increase in expenditures is projected for FY 85.
- 5) 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.
- 6) 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



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-21-83

SECOND PRINTING

FISCAL IMPACT:

<u>EXPENDITURES:</u>	<u>FY 84</u>	<u>FY 85</u>	<u>Biennium Total</u>
Department of Revenue:			
Personal Services:			
Commissioners - (48 meeting days in 84 & 24 in 85 at \$100/day)	\$ 33,600	\$ 16,800	\$ 50,400
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. (GV-2 + 20%)	113,364	117,899	231,263
TOTAL	<u>\$ 289,285</u>	<u>\$ 261,478</u>	<u>\$ 550,763</u>
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			
Commission per diem (\$90/day)	32,240	15,120	47,360
Remaining Travel	20,000	20,000	40,000
Rent	8,400	8,736	17,136
Repairs & Maint.	9,450	9,828	19,278
TOTAL	<u>\$ 241,790</u>	<u>\$ 223,984</u>	<u>\$ 465,774</u>
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	<u>\$ 131,150</u>	<u>-</u>	<u>131,150</u>
Total Expenditures	<u>\$ 662,225</u>	<u>485,462</u>	<u>1,147,687</u>
Office of The Legislative Auditor:			
Observations	960	960	1,920
Audits	21,000	12,000	33,000
Total Expenditures	<u>21,960</u>	<u>12,960</u>	<u>34,920</u>
Department of Revenue	662,225	485,462	1,147,687
Office of the Legislative Auditor	21,960	12,960	34,920
Grand Total of Operating Expenditures	<u>\$ 684,185</u>	<u>\$ 498,422</u>	<u>\$1,182,607</u>

REVENUE:

Gross Revenue From Lottery	\$10,000,000	\$10,000,000
Lottery Prize Payments	4,500,000	4,500,000
Payments To General Fund	2,407,908	2,500,789
Distribution to Incorporated		
Cities and Towns	1,203,954	1,250,395
Distribution For County Purposes	1,203,954	1,250,395

TECHNICAL NOTE:

Section 16 of the bill states that the Department of Administration (D of A) shall perform an annual audit of the state lottery. The Department of Administration has no existing audit functions to handle this responsibility. The Local Government Services Division, (under Department of Administration), only performs post audits of local government entities.

The Office of the Legislative Auditor is responsible for auditing the financial affairs and transactions of all state agencies per Title 5, Chapter 13, MCA.

FISCAL NOTE 6:EE/3

SB 223

1 STATEMENT OF INTENT

2 SENATE BILL 223

3
4 Under section 4 the State Lottery Commission must
5 establish and operate a state lottery and adopt policies and
6 rules regarding:

7 (1) the operations of the lottery director and his
8 staff;

9 (2) the price, number, and size of tickets;

10 (3) the drawing of lottery winners;

11 (4) lottery tickets or chance sales and ticket sales
12 agents;

13 (5) the immediate payment of small prizes; and

14 (6) other matters relating to the successful operation
15 of the lottery.

16 A State lottery is primarily a business operation and
17 has as a purpose the earning of net revenue. The successful
18 operation of a state lottery, as shown by the experience of
19 other state lotteries, depends to a large degree upon the
20 ability of a lottery staff well-versed in business matters
21 to operate the lottery as a business and without undue
22 constraint by statute or administrative rule. The success of
23 a lottery also depends upon the operation of the lottery
24 within a statutory framework ensuring the integrity of the
25 staff and all phases of the operation of the lottery and the

1 avoidance of even the appearance of any illegalities or
2 conflicts of interest.

3 To these ends, it is contemplated that the state
4 lottery commission will be composed of persons conversant
5 with the types of administrative rules necessary to the
6 successful operation of the lottery and will be adopting
7 rules ensuring the integrity and success of the lottery.

8 In accord with the theory that a lottery is primarily a
9 business, it is contemplated that the rules will change, or
10 allow changes in the operation of the lottery, consistent
11 with statutes as new business techniques and ideas, new
12 games and prizes, better outlets for ticket sales, and
13 better management techniques are discovered. The lottery
14 should include a large number of small prizes.

Approved by Committee
on Business and Industry

SENATE BILL NO. 223

INTRODUCED BY STIMATZ, PAVLOVICH, HAFLEY,

DANIELS, QUILICI, R. MANNING, J. JENSEN,

JACOBSON, LYNCH, MENAHAN, DOZIER,

KEENAN, HARRINGTON, DAILY, DRISCOLL,

MCCORMICK, O'CONNELL, KEYSER, CHRISTIAENS,

D. BROWN, PISTORIA, HAND, BERG,

FULLER, HOLLIDAY, D. MANNING

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A STATE
LOTTERY AND PROVIDE FOR A COMMISSION, DIRECTOR, AND
PERSONNEL TO OPERATE THE STATE LOTTERY; AMENDING 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) "Commission" means the state lottery commission
created by [section 3].

(2) "Director" means the director appointed by the
commission under [section 4] to administer and manage the
state lottery.

(3) "Lottery game" means any procedure, including any

procedure using a machine or electronic device, 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.

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

~~NEW SECTION.~~ Section 3. State lottery commission --
allocation -- composition -- compensation -- quorum. (1)
There is a state lottery commission.

(2) The commission consists of seven members, who
shall reside in Montana. Two are appointed by the senate,
two are appointed by the house of representatives, and three
are appointed by the governor.

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

(4) After initial appointments, each commissioner
shall be appointed to a 4-year term of office, and the terms
shall be staggered.

(5) A commissioner may be removed for good cause by

1 the authority that appointed him. An office that for any
2 reason becomes vacant must be filled within 30 days by the
3 authority which appointed the commissioner who vacated the
4 office, and the commissioner filling the vacancy shall serve
5 for the rest of the unexpired term.

6 (6) The senate and house of representatives shall each
7 provide, by rule or otherwise, a method by which their
8 powers of appointment and removal for cause under this
9 section are to be exercised while the legislature is not in
10 session as well as when it is in session.

11 (7) The commission shall appoint one of its members as
12 chairman.

13 (8) Five or more commissioners constitute a quorum to
14 do business, and action may be taken by a majority of a
15 quorum.

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

22 (10) The commission is allocated to the department of
23 revenue for administrative purposes only, except that only
24 subsections (1)(a), (1)(c), (2)(e), (3)(a), and (3)(b) of
25 2-15-121 apply to the commission.

1 ~~NEW SECTION.~~ Section 4. Powers and duties of
2 commission. The commission shall:

3 (1) establish and operate a state lottery;

4 (2) appoint, and may remove for good cause, a director
5 of the state lottery as provided in [section 5];

6 (3) determine policies for the operation of the state
7 lottery, supervise the director and his staff, and meet with
8 the director at least once every 3 months to make and
9 consider recommendations, set policies, determine types and
10 forms of lottery games to be operated by the state lottery,
11 and transact other necessary business;

12 (4) determine ticket prices and the number and size of
13 prizes;

14 (5) provide for the conduct of drawings of winners of
15 lottery games. All drawings must be held in public. The
16 selection of winning tickets may not be performed by an
17 employee of the lottery or by a member of the commission.
18 All drawings must be witnessed by a professional staff
19 employee of the legislative auditor's office, and all
20 lottery drawing equipment used in public drawings to select
21 winning prizes or participants for prizes must be examined
22 by the director's staff and a professional staff employee of
23 the legislative auditor's office prior to and after each
24 public drawing.

25 (6) carry out, with the director, a continuing study

1 of the state lotteries of Montana and other states to make
2 the state lottery more efficient, profitable, and secure
3 from violations of the law;

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

16 (d) adopt rules necessary to carry out [this act].

17 NEW SECTION. Section 5. Director -- appointment --
18 qualifications. (1) The director is appointed by the
19 commission, which may remove him for good cause.

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

24 NEW SECTION. Section 6. Powers and duties of
25 director. (1) The director shall:

1 (a) administer the operation of the state lottery in
2 accordance with [this act] and the rules and other
3 directives of the commission;

4 (b) employ and direct personnel necessary to the
5 operation of the state lottery;

6 (c) license lottery ticket sales agents and suspend or
7 revoke licenses pursuant to [this act] and commission rules;
8 and

9 (d) maintain the security of the state lottery.

10 (2) With the concurrence of the commission or pursuant
11 to commission direction or rules, the director may enter
12 into contracts of no longer than 6 months for materials,
13 equipment, and supplies to be used in the operation of the
14 state lottery, for the design and installation of games, and
15 for promotion of the lottery. No contract is legal or
16 enforceable that provides for the management of the state
17 lottery or for the entire operation of its games by any
18 private person or firm. When a contract is awarded, a
19 performance bond satisfactory to the commission and executed
20 by a surety company authorized to do business in this state
21 or otherwise secured in a manner satisfactory to the
22 commission, in an amount equal to the price of the contract,
23 must be delivered to the commission.

24 NEW SECTION. Section 7. Ticket sales agents --
25 licenses. (1) Lottery tickets or chances may be sold only by

1 ticket sales agents licensed by the director in accordance
2 with this section.

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

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

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

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

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

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

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

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

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

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

1 licensed agents.

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

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

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

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

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

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

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

1 machine or device.

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

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

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

11 NEW SECTION. Section 9. Disclosure of odds. The
12 director shall make adequate disclosure of the odds with
13 respect to each state lottery game by stating the odds in
14 lottery game advertisements and by posting the odds at each
15 place in which tickets or chances are sold.

16 NEW SECTION. Section 10. State lottery fund. There is
17 a special revenue fund within the office of the director of
18 the state lottery to be known as the state lottery fund. The
19 gross revenue from the state lottery, consisting of money
20 from the sale of lottery tickets and chances, ticket sales
21 agent license fees, unclaimed prizes, or any other source,
22 must be deposited in the fund.

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

1 prize money for the game.

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

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

9 (a) Fifty percent of the net revenue generated in each
10 county must be annually paid out of the state lottery fund
11 on a pro-rata basis to Montana residents age 62 or over who
12 own or rent property in Montana and reside on the property
13 reside in Montana with friends or relatives owning or
14 renting property or reside in Montana in a hospitality rest
15 home or similar establishments. A person may apply for his
16 pro-rata share on a form prescribed by the director. The
17 form must provide for inclusion of pertinent information
18 regarding the applicant, including name, age, place and date
19 of birth, mailing address, and the geographic location of
20 the applicant's residence. The form must contain a statement
21 that the signing applicant affirms the truth of the
22 information on the form. The commission shall adopt rules
23 implementing this subsection. (3)(a) including rules
24 relating to the content and distribution of forms and the
25 determination and payment of pro-rata shares. IN 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 to 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. Felony and gambling-related convictions -- ineligibility for lottery positions. No person who has been convicted of a felony or a gambling-related offense under federal law or the law of any state may be a commissioner, director, employee of the state lottery, or licensed ticket sales agent.

NEW SECTION. Section 13. Conflict of interest. No commissioner, state lottery employee, licensed ticket sales agent, or 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 commission 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 commission rule.

(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; and

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

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

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

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

15 ~~NEW SECTION.~~ Section 16. Annual audit. The department
16 of--administration LEGISLATIVE AUDITOR shall conduct an
17 annual audit of the state lottery. ~~THE COSTS OF THE AUDIT~~
18 ~~MUST BE PAID BY THE STATE LOTTERY COMMISSION.~~ A copy of the
19 audit report must be delivered to the commission, the
20 director, the governor, the president of the senate, the
21 speaker of the house of representatives, and each member of
22 the appropriate committee of each house of the legislature
23 as determined by the president of the senate and the speaker
24 of the house.

25 NEW SECTION. Section 17. Investigations and legal

1 services and proceedings. (1) The attorney general shall
2 provide legal services for the state lottery at the request
3 of the director or the commission. The attorney general
4 shall make reasonable efforts to ensure that there is
5 continuity in the legal services provided and that the
6 attorneys providing legal services have expertise in the
7 field.

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

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

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

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

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

24 (3) sell a lottery ticket or chance to a person under
25 18 years of age;

1 (4) violate [subsection (3) or (4) of section 8];
 2 (5) serve as a commissioner, director, employee, or
 3 licensed agent of the state lottery in violation of [section
 4 12];
 5 (6) violate [section 13];
 6 (7) violate [section 15]; or
 7 (8) influence the winning of a prize through the use
 8 of coercion, fraud, deception, or tampering with lottery
 9 equipment or materials.

10 Section 19. Section 23-5-202, MCA, is amended to read:
 11 "23-5-202. Application. This part shall not apply to
 12 the provisions of part 4 of this chapter, ~~to [sections 1~~
 13 ~~through 18]~~, or to the giving away of cash or merchandise
 14 attendance prizes or premiums by public drawings at
 15 agricultural fairs or rodeo associations in this state, and
 16 the county fair commissioners of agricultural fairs or rodeo
 17 associations in this state may give away at such fairs cash
 18 or merchandise attendance prizes or premiums by public
 19 drawings."

20 ~~NEW SECTION.~~ Section 20. Initial appointment and
 21 terms of commissioners. Initial appointments to the
 22 commission must be made within 30 days after [the effective
 23 date of this act]. One senate appointee, one house
 24 appointee, and one gubernatorial appointee shall serve for 2
 25 years; one senate appointee, one house appointee, and one

1 gubernatorial appointee shall serve for 3 years; and one
 2 gubernatorial appointee shall serve for 4 years.

3 ~~NEW SECTION.~~ Section 21. Initial duties of commission
 4 -- lottery study -- first game. (1) The commission shall
 5 conduct an initial study of other state lotteries.

6 (2) The commission shall begin the operation of state
 7 lottery games at the earliest practicable time and in any
 8 event within 150 days after [the effective date of this
 9 act].

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

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

-End-