

HOUSE BILL NO. 945

INTRODUCED BY PAVLOVICH, STIMATZ, QUILICI, D. BROWN,  
GARCIA, LYNCH, PATTERSON, JACK MOORE, CHRISTIAENS,  
RANEY, BERGENE, FRITZ, MENAHAN, NISBET, CODY, PISTORIA,  
O'CONNELL, KOEHNKE, SCHYE, HARRINGTON, DRISCOLL,  
KEENAN, HART, DEVLIN, KRUEGER, SPAETH, ZABROCKI, PECK,  
HOWE, HALLIGAN, KEYSER, NATHE, NORMAN, AKLESTAD, KENNERLY,  
ANDERSON, BRADLEY, SHAW, JONES, MONTAYNE, BACHINI,  
HOLLIDAY, VAN VALKENBURG, GOULD, C. SMITH, FARRELL,  
JANET MOORE, DANIELS, HAFFEY, JACOBSON, LORY, MANNING,  
BOYLAN, GOODOVER, PETERSON, CONOVER, THAYER,  
BENGTSON, SWIFT, WEEDING, PHILLIPS, THOMAS,  
CRIPPEN, B. WILLIAMS, LANE, TOWE, JENKINS,  
HIRSCH, COMPTON, STEPHENS, MCCALLUM, GLASER,  
TVEIT, KOLSTAD, GAGE, STORY, CAMPBELL, ELLISON

BY REQUEST OF THE HOUSE STATE ADMINISTRATION COMMITTEE

IN THE HOUSE

March 23, 1985	Introduced and referred to Committee on State Administration.
March 26, 1985	Committee recommend bill do pass as amended. Report adopted.
March 27, 1985	Bill printed and placed on members' desks.  Fiscal Note requested.
March 29, 1985	Fiscal Note returned.
March 30, 1985	Second reading, do pass as amended.  Correctly engrossed.
April 1, 1985	Third reading, passed.  Transmitted to Senate.

IN THE SENATE

April 3, 1985                    Introduced and referred to  
   Committee on Rules.

April 9, 1985                    On motion, rules suspended to  
   accept bill. Motion adopted.  
   Ayes, 32; Noes, 16.

April 15, 1985                   Rereferred to Committee on State  
   Administration.

April 17, 1985                   On motion, rules temporarily  
   suspended for the purpose of  
   allowing all bills passed on  
   second reading on the 85th  
   Legislative Day to be advanced to  
   third reading that same day.

April 18, 1985                   Committee recommend bill be  
   concurred in. Report adopted.

   Statement of Intent attached.

April 19, 1985                   Second reading, concurred in.

   Third reading, concurred in.  
   Ayes, 34; Noes, 15.

   Returned to House with Statement  
   of Intent.

IN THE HOUSE

April 19, 1985                   Received from Senate.

April 20, 1985                   Second reading, pass  
   consideration.

April 23, 1985                   Second reading, Statement of  
   Intent concurred in.

   Third reading, Statement of  
   Intent concurred in.

   Sent to enrolling.

   Reported correctly enrolled.

*Boyer*  
*Christensen*  
*Lehman*  
*McCallister*  
*Anderson*  
*Frank*  
*Scott*  
*Phillips*  
*Johnson*  
*Compton*  
*McBlain*

*John D. Moore*  
*Spencer*  
*Julius*  
*House* BILL NO. 945  
*Carl* *Strom*

1  
2 INTRODUCED BY  
3 BY REQUEST OF THE HOUSE STATE ADMINISTRATION COMMITTEE  
4  
5 BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A STATE  
6 LOTTERY AND PROVIDE FOR ITS ADMINISTRATION; AMENDING  
7 SECTIONS 23-5-101, 23-5-202, 23-5-302, AND 23-5-402, MCA;  
8 PROVIDING EFFECTIVE DATES; AND PROVIDING THAT THE PROPOSED  
9 LOTTERY LAW BE SUBMITTED TO THE ELECTORS OF THE STATE OF  
10 MONTANA."  
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12  
13 NEW SECTION. Section 1. Short title. [Sections 1  
14 through 20] may be cited as the "Montana State Lottery Act  
15 of 1985". *Thomas*

16 NEW SECTION. Section 2. Purpose. (1) The purpose of  
17 [sections 1 through 20] is to allow lottery games in which  
18 the player purchases from the state, through the  
19 administrators of the state lottery, a chance to win a  
20 prize. [Sections 1 through 20] do not allow and may not be  
21 construed to allow any game in which a player competes  
22 against or plays with any other person, including a person  
23 employed by an establishment in which a lottery game may be  
24 played.

25 (2) The administration and construction of [sections 1

1 through 20] must comply with Article III, section 9, of the  
2 Montana constitution, which mandates that all forms of  
3 gambling are prohibited unless authorized by acts of the  
4 legislature or by the people through initiative or  
5 referendum. Therefore, [sections 1 through 20] must be  
6 strictly construed to allow only those games that are within  
7 the scope of this section and within the definition of  
8 "lottery game".

- 9 (3) The state lottery may not:  
10 (a) operate a slot machine or carry on any form of  
11 gambling prohibited by the laws of this state; or  
12 (b) carry on any form of gambling permitted by the  
13 laws of this state but which is not a lottery game within  
14 the scope of this section and within the definition of  
15 "lottery game".

16 NEW SECTION. Section 3. Definitions. As used in  
17 [sections 1 through 20], the following definitions apply:

- 18 (1) "Commission" means the state lottery commission  
19 created by [section 4].  
20 (2) "Director" means the director appointed by the  
21 governor under [section 6] to administer and manage the  
22 state lottery.  
23 (3) "Lottery" or "state lottery" means the Montana  
24 state lottery created and operated pursuant to [sections 1  
25 through 20].



1 (4) "Lottery game" means any procedure, including any  
 2 on-line or other procedure using a machine or electronic  
 3 device, by which one or more prizes are distributed among  
 4 persons who have paid for a chance to win a prize and  
 5 includes but is not limited to weekly (or other, longer time  
 6 period) winner games, instant winner games, daily numbers  
 7 games, electronic video machine games, and sports pool  
 8 games, except games prohibited by Title 23, chapter 5, part  
 9 1; lotteries prohibited by Title 23, chapter 5, part 2; card  
 10 games regulated by Title 23, chapter 5, part 3; raffles and  
 11 bingo games governed by Title 23, chapter 5, part 4; and  
 12 sports pools governed by Title 23, chapter 5, part 5.

13 NEW SECTION. Section 4. State lottery commission --  
 14 allocation -- composition -- compensation -- quorum. (1)  
 15 There is a state lottery commission.

16 (2) The commission consists of five members, who shall  
 17 reside in Montana, appointed by the governor.

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

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

1 (5) A commissioner may be removed by the governor for  
 2 good cause. An office that for any reason becomes vacant  
 3 must be filled within 30 days by the governor, and the  
 4 commissioner filling the vacancy shall serve for the rest of  
 5 the unexpired term.

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

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

11 (8) Commissioners are entitled to compensation, to be  
 12 paid out of the state lottery fund, at the rate of \$50 for  
 13 each day in which they are engaged in the performance of  
 14 their duties and are entitled to travel, meals, and lodging  
 15 expenses, to be paid out of the state lottery fund, as  
 16 provided for in Title 2, chapter 18, part 5.

17 (9) The commission is allocated to the department of  
 18 commerce for administrative purposes only as prescribed in  
 19 2-15-121.

20 NEW SECTION. Section 5. Powers and duties of  
 21 commission. The commission shall:

22 (1) establish and operate a state lottery and may not  
 23 become involved in any other gambling or gaming;

24 (2) determine policies for the operation of the state  
 25 lottery, supervise the director and his staff, and meet with

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

5 (3) determine the price of each ticket or chance and  
 6 the number and size of prizes;

7 (4) provide for the conduct of drawings of winners of  
 8 lottery games;

9 (5) carry out, with the director, a continuing study  
 10 of the state lotteries of Montana and other states to make  
 11 the state lottery more efficient, profitable, and secure  
 12 from violations of the law;

13 (6) study the possibility of working with other  
 14 lottery states to offer regional lottery games;

15 (7) prepare quarterly and annual reports on all  
 16 aspects of the operation of the state lottery, including but  
 17 not limited to types of games, gross revenue, prize money  
 18 paid, operating expenses, net revenue to the state,  
 19 contracts with gaming suppliers, and recommendations for  
 20 changes to [sections 1 through 20], and deliver a copy of  
 21 each report to the governor, the department of  
 22 administration, the legislative auditor, the president of  
 23 the senate, the speaker of the house of representatives, and  
 24 each member of the appropriate committee of each house of  
 25 the legislature as determined by the president of the senate

1 and the speaker of the house; and

2 (8) adopt rules necessary to carry out [sections 1  
 3 through 20].

4 NEW SECTION. Section 6. Director -- appointment --  
 5 compensation -- qualifications. (1) The director must be  
 6 appointed by the governor and shall hold office at the  
 7 pleasure of the governor.

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

12 (3) The director's salary is equal to 90% of the  
 13 salary of the director of the department of commerce.

14 NEW SECTION. Section 7. Powers and duties of  
 15 director. (1) The director shall:

16 (a) administer the operation of the state lottery in  
 17 accordance with [sections 1 through 20] and the rules and  
 18 other directives of the commission;

19 (b) appoint an assistant director for security and  
 20 employ and direct personnel necessary to the operation of  
 21 the state lottery;

22 (c) license lottery ticket or chance sales agents and  
 23 suspend or revoke licenses pursuant to [sections 1 through  
 24 20] and commission rules; and

25 (d) maintain, with the assistant director for

1 security, the security of the state lottery.

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

17 NEW SECTION. Section 8. Assistant director for  
18 security -- qualifications -- duties. (1) The director shall  
19 appoint an assistant director for security.

20 (2) The assistant director for security must be  
21 qualified by training and experience, have at least 5 years  
22 of law enforcement experience, and be knowledgeable and  
23 experienced in computer security.

24 (3) The assistant director for security shall:

25 (a) be responsible for a security division to assure

1 security, honesty, fairness, and integrity in the operation  
2 and administration of the lottery, including but not limited  
3 to an examination of the background of all prospective  
4 employees, ticket or chance sales agents, lottery vendors,  
5 and lottery contractors. The security division is designated  
6 a law enforcement agency for the purpose of administering  
7 [sections 1 through 20].

8 (b) in conjunction with the director, confer with the  
9 attorney general or his designee to promote and ensure  
10 security, honesty, fairness, and integrity of the operation  
11 and administration of the lottery; and

12 (c) in conjunction with the director, report any  
13 alleged violation of law to the attorney general, the  
14 legislative auditor, and any other appropriate law  
15 enforcement authority for further investigation and action.

16 NEW SECTION. Section 9. Ticket or chance sales agents  
17 -- licenses. (1) Lottery tickets or chances may be sold only  
18 by ticket or chance sales agents licensed by the director in  
19 accordance with this section.

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

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

24 (i) the financial responsibility and security of the  
25 applicant and his business or activity;

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

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

5 (b) No person under 18 years of age may sell lottery  
6 tickets or chances.

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

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

13 (5) License applicants shall pay a \$50 fee to cover  
14 the cost of investigating and processing the application.

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

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

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

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

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

3 (11) Each sales agent shall keep a complete and  
4 up-to-date set of records and accounts fully showing his  
5 sales and provide it for inspection upon request of the  
6 commission, the director, the department of commerce, the  
7 office of the legislative auditor, or the office of the  
8 attorney general.

9 (12) Sales agents may pay the state lottery only by  
10 check, bankdraft, electronic fund transfer, or other  
11 recorded, noncash, financial transfer method as determined  
12 by the director.

13 (13) A license may be suspended or revoked for failure  
14 to maintain the license qualifications provided in  
15 subsection (3) or for violation of any provision of  
16 [sections 1 through 20] or a commission rule. Prior to  
17 suspension or revocation, the licensee must be given notice  
18 and an opportunity for a hearing.

19 NEW SECTION. Section 10. Sales restrictions. (1) The  
20 price of each lottery game ticket or chance must be clearly  
21 stated thereon. The price of a lottery game chance vended  
22 by a machine or electronic device must be clearly stated on  
23 the machine or device.

24 (2) Tickets and chances may not be sold to or  
25 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 commissioners, the director, his staff, gaming suppliers doing business with the state lottery, suppliers' officers and employees, employees of any firm or governmental agency auditing or investigating the state lottery, or members of their families living with them.

(5) The names of elected officials may not appear on any ticket or chance.

NEW SECTION. Section 11. 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 12. State lottery fund. There is a fund of the enterprise fund type, as defined in 17-2-102, to be known as the state lottery fund. The gross revenue from the state lottery, consisting of money from the sale of lottery tickets and chances, ticket or chance sales agent license fees, unclaimed prizes, or any other source, must be deposited in the fund, except that, at the discretion of the director, money for prizes paid immediately by a sales agent and money equaling the sales agent's commission may be drawn by a sales agent from his gross revenue before depositing his gross revenue with the state lottery.

NEW SECTION. Section 13. Disposition of revenue. (1)

As near as possible to 45% of the money paid for tickets or chances in each separate state lottery game must be paid out 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 or chance 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 from the enterprise fund established by [section 12] as follows:

(a) 50% into the state general fund;

(b) 50% of the net revenue generated in each county must be paid into the general fund of that county. 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.



1        NEW SECTION. Section 14. Felony and gambling-related  
 2 convictions -- ineligibility for lottery positions. No  
 3 person who has been convicted of a felony or a  
 4 gambling-related offense under federal law or the law of any  
 5 state may be a commissioner, director, assistant director,  
 6 employee of the state lottery, or licensed ticket or chance  
 7 sales agent. Prior to appointment to any such position, a  
 8 person shall submit to the commission a full set of  
 9 fingerprints made at a law enforcement agency by an agent or  
 10 officer of such agency on forms supplied by the agency.

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

18        NEW SECTION. Section 16. Drawings for and payment of  
 19 prizes -- unclaimed prizes. (1) All drawings must be held in  
 20 public. The selection of winning tickets may not be  
 21 performed by an employee of the lottery or by a member of  
 22 the commission. All drawings must be witnessed by a  
 23 professional staff employee of the legislative auditor's  
 24 office, and all lottery drawing equipment used in public  
 25 drawings to select winning prizes or participants for prizes

1 must be examined by the director's staff and a professional  
 2 staff employee of the legislative auditor's office prior to  
 3 and after each public drawing.

4        (2) The commission may provide for the immediate  
 5 payment of prizes by the ticket or chance sales agent who  
 6 sold the winning ticket or chance whenever the amount of the  
 7 prize is less than an amount set by commission rule.  
 8 Payment may not be made directly by an electronic game,  
 9 machine, or device or by a computer terminal.

10        (3) Prizes over \$100,000 may in the discretion of the  
 11 commission be paid either in one lump sum or in equal yearly  
 12 installments without interest over a period of not more than  
 13 10 years, except that each installment payment must be at  
 14 least \$20,000.

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

19        (5) The right to a prize is not assignable, but prizes  
 20 may be paid to a deceased winner's estate or to a person  
 21 designated by judicial order.

22        NEW SECTION. Section 17. Disclosures by gaming  
 23 suppliers. (1) Any person, firm, association, or corporation  
 24 that submits a bid or proposal for a contract to supply  
 25 lottery equipment, tickets, or other material or consultant

1 services for use in the operation of the state lottery shall  
2 disclose at the time of such bid or proposal:

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

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

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

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

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

20 (v) if the supplier is a subsidiary company, each  
21 intermediary company, holding company, or parent company  
22 involved therewith and the officers, directors, and  
23 stockholders of each; except that, in the case of owners or  
24 holders of publicly held securities of an intermediary  
25 company, holding company, or parent company which is a

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

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

7 (c) other jurisdictions in which the supplier has  
8 contracts to supply gaming materials, equipment, or  
9 consultant services;

10 (d) the details of any conviction, state or federal,  
11 of the supplier or any person whose name and address are  
12 required by subsection (1)(a) of a criminal offense  
13 punishable by imprisonment for more than 1 year and shall  
14 submit to the commission a full set of fingerprints of such  
15 person made at a law enforcement agency by an agent or  
16 officer of such agency on forms supplied by the agency;

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

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

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

1 preceding year from gaming consultant services and the sale,  
 2 lease, or distribution of gaming materials or equipment to  
 3 states operating lotteries and to private persons licensed  
 4 to conduct gambling, differentiating that portion of the  
 5 gross receipts attributable to transactions with states  
 6 operating lotteries from that portion of the gross receipts  
 7 attributable to transactions with private persons licensed  
 8 to conduct gambling;

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

11 (i) the number of years the supplier has been in the  
 12 business of supplying gaming consultant services or gaming  
 13 materials or equipment; and

14 (j) any other information, accompanied by any  
 15 documents the commission by rule may reasonably require as  
 16 being necessary or appropriate in the public interest to  
 17 accomplish the purposes of [sections 1 through 20].

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

24 (3) No contract for supplying consultant services or  
 25 gaming materials or equipment for use in the operation of

1 the state lottery is enforceable against the state unless  
 2 the requirements of this section have been fulfilled.

3 NEW SECTION. Section 18. Annual audit. The  
 4 legislative auditor shall conduct an annual audit of the  
 5 state lottery. The costs of the audit must be paid out of  
 6 the state lottery fund. A copy of the audit report must be  
 7 delivered to the commission, the director, the governor, the  
 8 president of the senate, the speaker of the house of  
 9 representatives, and each member of the appropriate  
 10 committee of each house of the legislature as determined by  
 11 the president of the senate and the speaker of the house.

12 NEW SECTION. Section 19. Audit of lottery security.  
 13 (1) After the first 9 months of sales to the public and  
 14 every 2 years after that, the office of the legislative  
 15 auditor shall conduct or have conducted a comprehensive  
 16 audit of all aspects of security in the operation of the  
 17 lottery. The costs of the audit are a state lottery  
 18 operating expense and must be paid out of the state lottery  
 19 fund. The audit must include:

- 20 (a) personnel security;
- 21 (b) lottery sales agent security;
- 22 (c) lottery contractor security;
- 23 (d) security of manufacturing operations of lottery  
 24 contractors;
- 25 (e) security against ticket or chance counterfeiting

1 and alteration and other means of fraudulently winning;

2 (f) security of drawings among entries or finalists;

3 (g) computer security;

4 (h) data communications security;

5 (i) database security;

6 (j) systems security;

7 (k) lottery premises and warehouse security;

8 (l) security in distribution;

9 (m) security involving validation and payment  
10 procedures;

11 (n) security involving unclaimed prizes;

12 (o) security aspects applicable to each particular  
13 lottery game;

14 (p) security of drawings in games whenever winners are  
15 determined by drawings;

16 (q) the completeness of security against locating  
17 winners in lottery games with preprinted winners by persons  
18 involved in their production, storage, distribution,  
19 administration, or sales; and

20 (r) any other aspects of security applicable to any  
21 particular lottery game and to the lottery and its  
22 operations.

23 (2) The security audit report must be presented to the  
24 commission, the director, the governor, the president of the  
25 senate, and the speaker of the house of representatives.

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

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

7 (2) violate [section 9(11)];

8 (3) sell a lottery ticket or chance to a person under  
9 18 years of age;

10 (4) violate [subsection (3) or (4) of section 10];

11 (5) serve as a commissioner, director, assistant  
12 director, employee, or licensed agent of the state lottery  
13 in violation of [section 14];

14 (6) violate [section 15];

15 (7) violate [section 17]; or

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

19 Section 21. Section 23-5-101, MCA, is amended to read:  
20 "23-5-101. Definitions. (1) A slot machine is defined  
21 as a machine operated by inserting a coin, token, chip,  
22 trade check, or paper currency therein by the player and  
23 from the play of which he obtains or may obtain money,  
24 checks, chips, tokens, or paper currency redeemable in  
25 money. Electronic video game machines operated by the state

1 lottery are not slot machines. Merchandise vending machines  
2 where the element of chance does not enter into their  
3 operation are not within the provisions of this part.

4 (2) In addition to their ordinary meaning, the words  
5 "person" or "persons", as used in this part, include both  
6 natural and artificial persons and all partnerships,  
7 corporations, associations, clubs, fraternal orders, and  
8 societies, including religious, fraternal, and charitable  
9 organizations."

10 Section 22. 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 20], 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 Section 23. Section 23-5-302, MCA, is amended to read:

21 "23-5-302. Definitions. As used in this part and  
22 unless the context requires otherwise, the following terms  
23 or phrases have the following meanings:

24 (1) "Authorized card game" means any card game  
25 permitted by this part.

1 (2) "Card game" means any game played with cards for  
2 which the prize is money or any item of value, except games  
3 played on electronic video game machines operated by the  
4 state lottery."

5 Section 24. Section 23-5-402, MCA, is amended to read:

6 "23-5-402. Definitions. As used in this part, unless  
7 the context requires otherwise, the following terms or  
8 phrases shall have the following meanings:

9 (1) "Game of chance" means the specific kind of game  
10 of chance commonly known as:

11 (a) "bingo" or "keno", in which prizes are awarded on  
12 the basis of designated numbers or symbols on a card which  
13 conform to numbers or symbols selected at random, except  
14 games played on electronic video game machines operated by  
15 the state lottery;

16 (b) "raffles", which are conducted by drawing for  
17 prizes.

18 (2) "Equipment" means:

19 (a) with respect to bingo or keno, the receptacle and  
20 numbered objects drawn from it, the master board upon which  
21 such objects are placed as drawn, the cards or sheets  
22 bearing numbers or other designations to be covered and the  
23 objects used to cover them, the boards or signs, however  
24 operated, used to announce or display the numbers or  
25 designations as they are drawn, public address system, and

1 all other articles essential to the operation, conduct, and  
2 playing of bingo or keno; or

3 (b) with respect to raffles, the implements, devices,  
4 and machines designed, intended, or used for the conduct of  
5 raffles and the identification of the winning number or unit  
6 and the ticket or other evidence of right to participate in  
7 raffles."

8 NEW SECTION. Section 25. Initial appointment and  
9 terms of commissioners. Initial appointments to the  
10 commission must be made within 30 days after [the effective  
11 date of sections 1 through 28]. Two of the initial  
12 appointees shall serve for 2 years, two shall serve for 3  
13 years, and one shall serve for 4 years.

14 NEW SECTION. Section 26. Initial duties of commission  
15 -- lottery study -- first game. (1) The commission shall  
16 immediately conduct an initial study of other state  
17 lotteries.

18 (2) The commission shall begin the operation of state  
19 lottery games at the earliest practicable time and in any  
20 event no later than July 1, 1987.

21 NEW SECTION. Section 27. Temporary state treasury  
22 line of credit for expense of starting state lottery. There  
23 is a temporary line of credit that may be drawn by the  
24 director of the state lottery from the state general fund  
25 and deposited in the state lottery fund, in the amount of

1 \$1,500,000. This temporary line of credit may be drawn upon  
2 only during the first 12 months after the effective date of  
3 [sections 1 through 20] and only for the purpose of  
4 financing the initial expenses of starting the state  
5 lottery. The director may draw upon all or part of this  
6 temporary line of credit. Any funds advanced under the  
7 temporary line of credit must be repaid out of the lottery's  
8 net revenue to the general fund within 1 year of the  
9 advance, and no net revenue may be paid out under [section  
10 13(3)(b)] until all advanced funds are repaid. Interest must  
11 be paid at an annual simple interest rate of 10% on funds  
12 advanced, commencing on the day funds are advanced and until  
13 the funds are repaid.

14 NEW SECTION. Section 28. Severability. If a part of  
15 this act is invalid, all valid parts that are severable from  
16 the invalid part remain in effect. If a part of this act is  
17 invalid in one or more of its applications, the part remains  
18 in effect in all valid applications that are severable from  
19 the invalid applications.

20 NEW SECTION. Section 29. Effective date. (1) If  
21 approved by the electorate, sections 1 through 28 of this  
22 act are effective January 1, 1987.

23 (2) This section and section 30 are effective on  
24 passage.

25 NEW SECTION. Section 30. Submission to electorate.

LC 1934/01

1 The question whether sections 1 through 28 of this act will  
2 become effective shall be submitted to the electors of the  
3 State of Montana at the general election to be held in  
4 November 1986 by printing on the ballot the full title of  
5 this act and the following:

- 6  FOR establishing a state lottery.  
7  AGAINST establishing a state lottery.

-End-

## STATE OF MONTANA

## FISCAL NOTE

REQUEST NO. FNN 523-85Form BD-15

In compliance with a written request received March 27, 19 85, there is hereby submitted a Fiscal Note for H.B. 945 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). 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:

An act to establish a state lottery and provide for its administration; providing effective dates; and providing that the proposed lottery law be submitted to the electors of the State of Montana.

ASSUMPTIONS:

- (1) This fiscal note has been prepared based on the amendments placed on the bill in committee.
- (2) This fiscal note assumes that the instant ticket game would be the only lottery game offered in Montana in the foreseeable future.
- (3) No revenue will be derived from a lottery during the 86-87 biennium.
- (4) Revenue estimates are derived from the lottery states of Maine, Vermont and New Hampshire. These states have rural economies and small populations similar to Montana.
- (5) Per capita revenues from each state must be adjusted by non-instant (on-line numbers) games.

State	FY 1983 Total Revenues	(1) % From Instant Tickets	(2) Instant Ticket Revenue	1983 Population	Per Capita Revenue
Maine	\$13,074,000	67%	\$ 8,759,580	1,133,000	\$7.73
New Hampshire	13,819,000	55%	7,600,450	951,000	7.99
Vermont	4,400,000	90%	3,960,000	516,000	7.67
TOTAL			\$20,320,030	2,600,000	\$7.82 avg.

(1) Source: State Legislatures, March, 1984

(2) Source: Public Gaming, January, 1983

*David L. Hunter*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: March 29, 1985

HB 945



ASSUMPTIONS: (continued)

- (6) Costs of administration would be a maximum of 15% of gross sales, including the 5% sales commission.
- (7) Based on data from Arizona, it will take 8 months before the lottery is operational. 6 of the 8 months will impact FY 87 and 25% of "normal" operating expenses will be incurred during FY 87.
- (8) The expenditure projections from the fiscal note prepared for SB 324 are assumed to be relevant estimates and are reduced to conform to the 15% maximum in HB 945 as amended.

FISCAL IMPACT:

	<u>FY 86</u>	<u>FY 87*</u>	<u>Normal Operating Year</u>
<u>Revenues</u>			
Licensing: \$50 x 300 agents/year	\$ -0-	\$ -0-	\$ 15,000
Ticket: \$7.82 x 817,000	-0-	-0-	<u>6,388,940</u>
<b>Total</b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>-0-</u></b>	<b><u>\$6,403,940</u></b>
<u>Expenditures</u>			
Personal Services	\$ -0-	\$ 38,806	\$ 155,223
Operating Expenses	-0-	120,699	482,796
Equipment	-0-	730	2,921
Prizes (Based on Ticket Sales)	-0-	-0-	<u>2,875,022</u>
<b>Total Expenditures</b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>160,235</u></b>	<b><u>\$3,515,962</u></b>
<u>Summary</u>			
Total Revenue	\$ -0-	\$ -0-	\$6,403,940
Total Costs	-0-	<u>160,235</u>	<u>3,515,962</u>
<b>Net Revenue</b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>(160,235)</u></b>	<b><u>\$2,887,978</u></b>
State General Fund	\$ -0-	\$(160,235)	\$1,443,989
Local Governments	-0-	-0-	<u>1,439,989</u>
	<b>\$ <u>-0-</u></b>	<b>\$ <u>(160,235)</u></b>	<b><u>\$2,887,978</u></b>

\* Assumes start-up of organization leading to first game in FY 88 (25% of normal costs will be incurred).

TECHNICAL OR MECHANICAL DEFECTS:

- (1) The limit on administrative expenses of 10% (15% less 5% for seller's commissions) may be insufficient based on actual experience of other small states. The following information has been provided to support this claim.

Comparative Table

<u>State</u>	<u>*Administrative Costs Net of Commissions</u>
Maine	19%
New Hampshire	20%
Vermont	23%
District of Columbia	21%

The effect of setting an administrative expense limit at 20% would be as follows:

Revenues	\$ 6,403,940	(100%)
less:		
Salaries & Operating Costs	1,280,788	(20.0%)
Seller's Commission	319,448	( 5.0%)
Prizes (Based on Ticket Sales)	2,875,022	(44.9%)
Net Revenue	\$ <u>1,928,682</u>	<u>(30.1%)</u>

Revenue Distribution:

State General Fund	\$ 964,341	(50%)
Local Governments	964,341	(50%)
Net Revenue	\$ <u>1,928,682</u>	<u>(100%)</u>

\* Source: Public Gaming, March, 1984, P. 46.

- (2) The constraints placed on license suspension; the requirement to give "notice and opportunity for a hearing" prior to suspension of a license would make it impossible to stop a licensee who was in violation from continuing to violate the act, e.g. selling tickets to minors.
- (3) There is neither provision for payment of proceeds from lottery sales by agents to the lottery nor penalty for failure to do so. The act does not specify whether sales agents must pay for tickets before or after they are sold. There is no requirement to pay weekly, monthly or even annually. No remedy is provided if they fail to pay for tickets to assure collection. Washington had 6% of sales in receivable status at the end of its first 8 months of operation and over half of the receivables were in a delinquent status. In Montana that would equate to over a million dollars in delinquent receivables.

TECHNICAL OR MECHANICAL DEFECTS: (continued)

- (5) Violations which are criminal in nature are not dealt with in a consistent manner. Forgery alteration and counterfeiting, the most common crimes against a lottery are not even mentioned in the act. If prosecuted as acts of fraud under the act, the maximum penalty would be \$500 or 6 months in prison - the same penalty as that for accepting a check or not keeping "up-to-date" records.  
Ref: Pg. 19 and 20 starting at line 20.

APPROVED BY COMMITTEE  
ON STATE ADMINISTRATION

1                   HOUSE BILL NO. 945  
2           INTRODUCED BY PAVLOVICH, STIMATZ, QUILICI, D. BROWN,  
3           GARCIA, LYNCH, PATTERSON, JACK MOORE, CHRISTIAENS,  
4           RANEY, BERGENE, FRITZ, MENAHAN, NISBET, CODY, PISTORIA,  
5           O'CONNELL, KOEHNKE, SCHYE, HARRINGTON, DRISCOLL,  
6           KEENAN, HART, DEVLIN, KRUEGER, SPAETH, ZABROCKI, PECK,  
7           HOWE, HALLIGAN, KEYSER, NATHE, NORMAN, AKLESTAD, KENNERLY,  
8           ANDERSON, BRADLEY, SHAW, JONES, MONTAYNE, BACHINI,  
9           HOLLIDAY, VAN VALKENBURG, GOULD, C. SMITH, FARRELL,  
10          JANET MOORE, DANIELS, HAFPEY, JACOBSON, LORY, MANNING,  
11          BOYLAN, GOODOVER, PETERSON, CONOVER, THAYER,  
12          BENGTSON, SWIFT, WEEDING, PHILLIPS, THOMAS,  
13          CRIPPEN, B. WILLIAMS, LANE, TOWE, JENKINS,  
14          HIRSCH, COMPTON, STEPHENS, MCCALLUM, GLASER,  
15          TVEIT, KOLSTAD, GAGE, STORY, CAMPBELL, ELLISON  
16          BY REQUEST OF THE HOUSE STATE ADMINISTRATION COMMITTEE  
17  
18          A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A STATE  
19          LOTTERY AND PROVIDE FOR ITS ADMINISTRATION; AMENDING  
20          ~~SECTIONS-23-5-1017~~ SECTION 23-5-202, 23-5-3027-AND-23-5-4027  
21          MCA; PROVIDING EFFECTIVE DATES; AND PROVIDING THAT THE  
22          PROPOSED LOTTERY LAW BE SUBMITTED TO THE ELECTORS OF THE  
23          STATE OF MONTANA."  
24  
25          BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

1           NEW SECTION. Section 1. Short title. [Sections 1  
2           through 20] may be cited as the "Montana State Lottery Act  
3           of 1985".  
4           NEW SECTION. Section 2. Purpose. (1) The purpose of  
5           [sections 1 through 20] is to allow lottery games in which  
6           the player purchases from the state, through the  
7           administrators of the state lottery, a chance to win a  
8           prize. [Sections 1 through 20] do not allow and may not be  
9           construed to allow any game in which a player competes  
10          against or plays with any other person, including a person  
11          employed by an establishment in which a lottery game may be  
12          played.  
13          (2) The administration and construction of [sections 1  
14          through 20] must comply with Article III, section 9, of the  
15          Montana constitution, which mandates that all forms of  
16          gambling are prohibited unless authorized by acts of the  
17          legislature or by the people through initiative or  
18          referendum. Therefore, [sections 1 through 20] must be  
19          strictly construed to allow only those games that are within  
20          the scope of this section and within the definition of  
21          "lottery game".  
22          (3) The state lottery may not:  
23          (a) operate a slot machine or carry on any form of  
24          gambling prohibited by the laws of this state; or  
25          (b) carry on any form of gambling permitted by the

1 laws of this state but which is not a lottery game within  
2 the scope of this section and within the definition of  
3 "lottery game".

4 NEW SECTION. Section 3. Definitions. As used in  
5 [sections 1 through 20], the following definitions apply:

6 (1) "Commission" means the state lottery commission  
7 created by [section 4].

8 (2) "Director" means the director appointed by the  
9 governor under [section 6] to administer and manage the  
10 state lottery.

11 (3) "Lottery" or "state lottery" means the Montana  
12 state lottery created and operated pursuant to [sections 1  
13 through 20].

14 (4) "Lottery game" means any procedure, including any  
15 on-line or other procedure using a machine or electronic  
16 device, by which one or more prizes are distributed among  
17 persons who have paid for a chance to win a prize and  
18 includes but is not limited to weekly (or other, longer time  
19 period) winner games, instant winner games, daily numbers  
20 games, ~~electronic--video--machine--games~~, and sports pool  
21 games, except games prohibited by Title 23, chapter 5, part  
22 1; lotteries prohibited by Title 23, chapter 5, part 2; card  
23 games regulated by Title 23, chapter 5, part 3; raffles and  
24 bingo games governed by Title 23, chapter 5, part 4; and  
25 sports pools governed by Title 23, chapter 5, part 5.

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

4 (2) The commission consists of five members, who shall  
5 reside in Montana, appointed by the governor.

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

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

14 (5) A commissioner may be removed by the governor for  
15 good cause. An office that for any reason becomes vacant  
16 must be filled within 30 days by the governor, and the  
17 commissioner filling the vacancy shall serve for the rest of  
18 the unexpired term.

19 (6) The commission shall elect one of its members as  
20 chairman.

21 (7) Three or more commissioners constitute a quorum to  
22 do business, and action may be taken by a majority of a  
23 quorum.

24 (8) Commissioners are entitled to compensation, to be  
25 paid out of the state lottery fund, at the rate of \$50 for

1 each day in which they are engaged in the performance of  
2 their duties and are entitled to travel, meals, and lodging  
3 expenses, to be paid out of the state lottery fund, as  
4 provided for in Title 2, chapter 18, part 5.

5 (9) The commission is allocated to the department of  
6 commerce for administrative purposes only as prescribed in  
7 2-15-121.

8 NEW SECTION. Section 5. Powers and duties of  
9 commission. The commission shall:

10 (1) establish and operate a state lottery and may not  
11 become involved in any other gambling or gaming;

12 (2) determine policies for the operation of the state  
13 lottery, supervise the director and his staff, and meet with  
14 the director at least once every 3 months to make and  
15 consider recommendations, set policies, determine types and  
16 forms of lottery games to be operated by the state lottery,  
17 and transact other necessary business;

18 (3) determine the price of each ticket or chance and  
19 the number and size of prizes;

20 (4) provide for the conduct of drawings of winners of  
21 lottery games;

22 (5) carry out, with the director, a continuing study  
23 of the state lotteries of Montana and other states to make  
24 the state lottery more efficient, profitable, and secure  
25 from violations of the law;

1 (6) study the possibility of working with other  
2 lottery states to offer regional lottery games;

3 (7) prepare quarterly and annual reports on all  
4 aspects of the operation of the state lottery, including but  
5 not limited to types of games, gross revenue, prize money  
6 paid, operating expenses, net revenue to the state,  
7 contracts with gaming suppliers, and recommendations for  
8 changes to [sections 1 through 20], and deliver a copy of  
9 each report to the governor, the department of  
10 administration, the legislative auditor, the president of  
11 the senate, the speaker of the house of representatives, and  
12 each member of the appropriate committee of each house of  
13 the legislature as determined by the president of the senate  
14 and the speaker of the house; and

15 (8) adopt rules necessary to carry out [sections 1  
16 through 20].

17 NEW SECTION. Section 6. Director -- appointment --  
18 compensation -- qualifications. (1) The director must be  
19 appointed by the governor and shall hold office at the  
20 pleasure of the governor.

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

25 (3) The director's salary is equal to 90% of the

1 salary of the director of the department of commerce.

2 NEW SECTION. Section 7. Powers and duties of  
3 director. (1) The director shall:

4 (a) administer the operation of the state lottery in  
5 accordance with [sections 1 through 20] and the rules and  
6 other directives of the commission;

7 (b) appoint an assistant director for security and  
8 employ and direct personnel necessary to the operation of  
9 the state lottery;

10 (c) license lottery ticket or chance sales agents and  
11 suspend or revoke licenses pursuant to [sections 1 through  
12 20] and commission rules; and

13 (d) maintain, with the assistant director for  
14 security, the security of the state lottery.

15 (2) With the concurrence of the commission or pursuant  
16 to commission rules, the director may enter into contracts  
17 for materials, equipment, and supplies to be used in the  
18 operation of the state lottery, for the design and  
19 installation of games, for consultant services, and for  
20 promotion of the lottery. All contracts must be made in  
21 accordance with state law. No contract is legal or  
22 enforceable that provides for the management of the state  
23 lottery or for the entire operation of its games by any  
24 private person or firm. When a contract is awarded, a  
25 performance bond satisfactory to the commission and executed

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

5 NEW SECTION. Section 8. Assistant director for  
6 security -- qualifications -- duties. (1) The director shall  
7 appoint an assistant director for security.

8 (2) The assistant director for security must be  
9 qualified by training and experience, have at least 5 years  
10 of law enforcement experience, and be knowledgeable and  
11 experienced in computer security.

12 (3) The assistant director for security shall:

13 (a) be responsible for a security division to assure  
14 security, honesty, fairness, and integrity in the operation  
15 and administration of the lottery, including but not limited  
16 to an examination of the background of all prospective  
17 employees, ticket or chance sales agents, lottery vendors,  
18 and lottery contractors. The security division is designated  
19 a law enforcement agency for the purpose of administering  
20 [sections 1 through 20].

21 (b) in conjunction with the director, confer with the  
22 attorney general or his designee to promote and ensure  
23 security, honesty, fairness, and integrity of the operation  
24 and administration of the lottery; and

25 (c) in conjunction with the director, report any

1 alleged violation of law to the attorney general, the  
2 legislative auditor, and any other appropriate law  
3 enforcement authority for further investigation and action.

4 NEW SECTION. Section 9. Ticket or chance sales agents  
5 -- licenses. (1) Lottery tickets or chances may be sold only  
6 by ticket or chance sales agents licensed by the director in  
7 accordance with this section.

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

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

12 (i) the financial responsibility and security of the  
13 applicant and his business or activity;

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

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

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

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

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

1 (5) License applicants shall pay a \$50 fee to cover  
2 the cost of investigating and processing the application.

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

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

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

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

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

16 (11) Each sales agent shall keep a complete and  
17 up-to-date set of records and accounts fully showing his  
18 sales and provide it for inspection upon request of the  
19 commission, the director, the department of commerce, the  
20 office of the legislative auditor, or the office of the  
21 attorney general.

22 (12) Sales agents may pay the state lottery only by  
23 check, bankdraft, electronic fund transfer, or other  
24 recorded, noncash, financial transfer method as determined  
25 by the director.



1 (13) A license may be suspended or revoked for failure  
 2 to maintain the license qualifications provided in  
 3 subsection (3) or for violation of any provision of  
 4 [sections 1 through 20] or a commission rule. Prior to  
 5 suspension or revocation, the licensee must be given notice  
 6 and an opportunity for a hearing.

7 NEW SECTION. Section 10. Sales restrictions. (1) The  
 8 price of each lottery game ticket or chance must be clearly  
 9 stated thereon. The price of a lottery game chance vended  
 10 by a machine or electronic device must be clearly stated on  
 11 the machine or device.

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

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

15 (4) Tickets and chances may not be sold to or  
 16 purchased by commissioners, the director, his staff, gaming  
 17 suppliers doing business with the state lottery, suppliers'  
 18 officers and employees, employees of any firm or  
 19 governmental agency auditing or investigating the state  
 20 lottery, or members of their families living with them.

21 (5) The names of elected officials may not appear on  
 22 any ticket or chance.

23 NEW SECTION. Section 11. Disclosure of odds. The  
 24 director shall make adequate disclosure of the odds with  
 25 respect to each state lottery game by stating the odds in

1 lottery game advertisements and by posting the odds at each  
 2 place in which tickets or chances are sold.

3 NEW SECTION. Section 12. State lottery fund. There is  
 4 a fund of the enterprise fund type, as defined in 17-2-102,  
 5 to be known as the state lottery fund. The gross revenue  
 6 from the state lottery, consisting of money from the sale of  
 7 lottery tickets and chances, ticket or chance sales agent  
 8 license fees, unclaimed prizes, or any other source, must be  
 9 deposited in the fund, except that, at the discretion of the  
 10 director, money for prizes paid immediately by a sales agent  
 11 and money equaling the sales agent's commission may be drawn  
 12 by a sales agent from his gross revenue before depositing  
 13 his gross revenue with the state lottery.

14 NEW SECTION. Section 13. Disposition of revenue. (1)  
 15 As near as possible to 45% of the money paid for tickets or  
 16 chances in each separate state lottery game must be paid out  
 17 as prize money for the game.

18 (2) Up to 20% 15% of the gross revenue from the state  
 19 lottery may be used by the director to pay the operating  
 20 expenses of the state lottery. Commissions paid to lottery  
 21 ticket or chance sales agents are a state lottery operating  
 22 expense.

23 (3) That part of all gross revenue not used for the  
 24 payment of prizes and operating expenses is net revenue and  
 25 must be paid quarterly from the enterprise fund established

1 by [section 12] as follows:

2 (a) 50% into the state general fund;

3 (b) 50% of the net revenue generated in each county  
 4 must be paid into the general fund of that county. Fifty  
 5 percent of the net revenue paid into the general fund of  
 6 each county must be paid by that county to the general funds  
 7 of the incorporated cities and towns and consolidated local  
 8 governments in that county in the ratio which the population  
 9 within the corporate limits of each city, town, or  
 10 consolidated local government bears to the total population  
 11 of the county. The population of each city, town, and  
 12 consolidated local government shall be determined by the  
 13 last preceding official federal census.

14 NEW SECTION. Section 14. Felony and gambling-related  
 15 convictions -- ineligibility for lottery positions. No  
 16 person who has been convicted of a felony or a  
 17 gambling-related offense under federal law or the law of any  
 18 state may be a commissioner, director, assistant director,  
 19 employee of the state lottery, or licensed ticket or chance  
 20 sales agent. Prior to appointment to any such position, a  
 21 person shall submit to the commission a full set of  
 22 fingerprints made at a law enforcement agency by an agent or  
 23 officer of such agency on forms supplied by the agency.

24 NEW SECTION. Section 15. Conflict of interest. No  
 25 commissioner, director, assistant director, state lottery

1 employee, licensed ticket or chance sales agent, or member  
 2 of his family living with him may have a financial interest  
 3 in any gaming supplier or any contract between the state  
 4 lottery and a gaming supplier or accept any gift or thing of  
 5 value from a gaming supplier.

6 NEW SECTION. Section 16. Drawings for and payment of  
 7 prizes -- unclaimed prizes. (1) All drawings must be held in  
 8 public. The selection of winning tickets may not be  
 9 performed by an employee of the lottery or by a member of  
 10 the commission. All drawings must be witnessed by a  
 11 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 commission may provide for the immediate  
 18 payment of prizes by the ticket or chance sales agent who  
 19 sold the winning ticket or chance whenever the amount of the  
 20 prize is less than an amount set by commission rule.  
 21 Payment may not be made directly by an electronic game, a  
 22 machine, or device or by a computer terminal.

23 (3) Prizes over \$100,000 may in the discretion of the  
 24 commission 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 (4) 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 (5) The right to a prize is not assignable, but prizes  
8 may be paid to a deceased winner's estate or to a person  
9 designated by judicial order.

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

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

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

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

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

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

1 directors, and each owner or holder, directly or indirectly,  
2 of any equity security or other evidence of ownership of any  
3 interest in the corporation; except that, in the case of  
4 owners or holders of publicly held equity securities of a  
5 publicly traded corporation, only the names and addresses of  
6 those owning or holding 5% or more of the publicly held  
7 securities must be disclosed;

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

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

20 (c) other jurisdictions in which the supplier has  
21 contracts to supply gaming materials, equipment, or  
22 consultant services;

23 (d) the details of any conviction, state or federal,  
24 of the supplier or any person whose name and address are  
25 required by subsection (1)(a) of a criminal offense

1 punishable by imprisonment for more than 1 year and shall  
 2 submit to the commission a full set of fingerprints of such  
 3 person made at a law enforcement agency by an agent or  
 4 officer of such agency on forms supplied by the agency;

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 gaming consultant services or the selling,  
 9 leasing, offering for sale or lease, buying, or servicing of  
 10 gaming materials or 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 gaming consultant services and the sale,  
 15 lease, or distribution of gaming materials or equipment to  
 16 states operating lotteries and to private persons licensed  
 17 to conduct gambling, differentiating that portion of the  
 18 gross receipts attributable to transactions with states  
 19 operating lotteries from that portion of the gross receipts  
 20 attributable to transactions with private persons licensed  
 21 to conduct 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 consultant services or gaming

1 materials or equipment; and

2 (j) any other information, accompanied by any  
 3 documents the commission by rule may reasonably require as  
 4 being necessary or appropriate in the public interest to  
 5 accomplish the purposes of [sections 1 through 20].

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

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

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

25 NEW SECTION. Section 19. Audit of lottery security.

1 (1) After the first 9 months of sales to the public and  
 2 every 2 years after that, the office of the legislative  
 3 auditor shall conduct or have conducted a comprehensive  
 4 audit of all aspects of security in the operation of the  
 5 lottery. The costs of the audit are a state lottery  
 6 operating expense and must be paid out of the state lottery  
 7 fund. The audit must include:

- 8 (a) personnel security;
- 9 (b) lottery sales agent security;
- 10 (c) lottery contractor security;
- 11 (d) security of manufacturing operations of lottery  
 12 contractors;
- 13 (e) security against ticket or chance counterfeiting  
 14 and alteration and other means of fraudulently winning;
- 15 (f) security of drawings among entries or finalists;
- 16 (g) computer security;
- 17 (h) data communications security;
- 18 (i) database security;
- 19 (j) systems security;
- 20 (k) lottery premises and warehouse security;
- 21 (l) security in distribution;
- 22 (m) security involving validation and payment  
 23 procedures;
- 24 (n) security involving unclaimed prizes;
- 25 (o) security aspects applicable to each particular

1 lottery game;

2 (p) security of drawings in games whenever winners are  
 3 determined by drawings;

4 (q) the completeness of security against locating  
 5 winners in lottery games with preprinted winners by persons  
 6 involved in their production, storage, distribution,  
 7 administration, or sales; and

8 (r) any other aspects of security applicable to any  
 9 particular lottery game and to the lottery and its  
 10 operations.

11 (2) The security audit report must be presented to the  
 12 commission, the director, the governor, the president of the  
 13 senate, and the speaker of the house of representatives.

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

- 18 (1) require an employee to sell lottery tickets or  
 19 chances in violation of [section 9(9)];
- 20 (2) violate [section 9(11)];
- 21 (3) sell a lottery ticket or chance to a person under  
 22 18 years of age;
- 23 (4) violate [subsection (3) or (4) of section 10];
- 24 (5) serve as a commissioner, director, assistant  
 25 director, employee, or licensed agent of the state lottery

1 in violation of [section 14];  
 2 (6) violate [section 15];  
 3 (7) violate [section 17]; or  
 4 (8) influence the winning of a prize through the use  
 5 of coercion, fraud, deception, or tampering with lottery  
 6 equipment or materials.

7 ~~Section 21. Section 23-5-101, MCA, is amended to read:~~

8 ~~"23-5-101. Definitions. (1) A slot machine is defined~~  
 9 ~~as a machine operated by inserting a coin, token, chip,~~  
 10 ~~trade check, or paper currency therein by the player and~~  
 11 ~~from the play of which he obtains or may obtain money,~~  
 12 ~~checks, chips, tokens, or paper currency redeemable in~~  
 13 ~~money. Electronic video game machines operated by the state~~  
 14 ~~lottery are not slot machines. Merchandise vending machines~~  
 15 ~~where the element of chance does not enter into their~~  
 16 ~~operation are not within the provisions of this part.~~

17 ~~(2) In addition to their ordinary meaning, the words~~  
 18 ~~"person" or "persons", as used in this part, include both~~  
 19 ~~natural and artificial persons and all partnerships,~~  
 20 ~~corporations, associations, clubs, fraternal orders, and~~  
 21 ~~societies, including religious, fraternal, and charitable~~  
 22 ~~organizations."~~

23 Section 21. Section 23-5-202, MCA, is amended to read:

24 "23-5-202. Application. This part shall not apply to  
 25 the provisions of part 4 of this chapter, to [sections 1

1 through 20], or to the giving away of cash or merchandise  
 2 attendance prizes or premiums by public drawings at  
 3 agricultural fairs or rodeo associations in this state, and  
 4 the county fair commissioners of agricultural fairs or rodeo  
 5 associations in this state may give away at such fairs cash  
 6 or merchandise attendance prizes or premiums by public  
 7 drawings."

8 ~~Section 23. Section 23-5-302, MCA, is amended to read:~~

9 ~~"23-5-302. Definitions. As used in this part and~~  
 10 ~~unless the context requires otherwise, the following terms~~  
 11 ~~or phrases have the following meanings:~~

12 ~~(1) "Authorized card game" means any card game~~  
 13 ~~permitted by this part.~~

14 ~~(2) "Card game" means any game played with cards for~~  
 15 ~~which the prize is money or any item of value, except games~~  
 16 ~~played on electronic video game machines operated by the~~  
 17 ~~state lottery."~~

18 ~~Section 24. Section 23-5-402, MCA, is amended to read:~~

19 ~~"23-5-402. Definitions. As used in this part, unless~~  
 20 ~~the context requires otherwise, the following terms or~~  
 21 ~~phrases shall have the following meanings:~~

22 ~~(1) "Game of chance" means the specific kind of game~~  
 23 ~~of chance commonly known as:~~

24 ~~(a) "bingo" or "keno", in which prizes are awarded on~~  
 25 ~~the basis of designated numbers or symbols on a card which~~

1 conform to numbers or symbols selected at random, except  
 2 games played on electronic video game machines operated by  
 3 the state lottery;

4 (b) "raffies", which are conducted by drawing for  
 5 prizes;

6 (2) "Equipment" means:

7 (a) with respect to bingo or keno, the receptacle and  
 8 numbered objects drawn from it, the master board upon which  
 9 such objects are placed as drawn, the cards or sheets  
 10 bearing numbers or other designations to be covered and the  
 11 objects used to cover them, the boards or signs, however  
 12 operated, used to announce or display the numbers or  
 13 designations as they are drawn, public address system, and  
 14 all other articles essential to the operation, conduct, and  
 15 playing of bingo or keno; or

16 (b) with respect to raffies, the implements, devices,  
 17 and machines designed, intended, or used for the conduct of  
 18 raffies and the identification of the winning number or unit  
 19 and the ticket or other evidence of right to participate in  
 20 raffies;"

21 NEW SECTION. Section 22. Initial appointment and  
 22 terms of commissioners. Initial appointments to the  
 23 commission must be made within 30 days after [the effective  
 24 date of sections 1 through 20 25]. Two of the initial  
 25 appointees shall serve for 2 years, two shall serve for 3

1 years, and one shall serve for 4 years.

2 NEW SECTION. Section 23. Initial duties of commission  
 3 -- lottery study -- first game. (1) The commission shall  
 4 immediately conduct an initial study of other state  
 5 lotteries.

6 (2) The commission shall begin the operation of state  
 7 lottery games at the earliest practicable time and in any  
 8 event no later than July 1, 1987.

9 NEW SECTION. Section 24. Temporary state treasury  
 10 line of credit for expense of starting state lottery. There  
 11 is a temporary line of credit that may be drawn by the  
 12 director of the state lottery from the state general fund  
 13 and deposited in the state lottery fund, in the amount of  
 14 \$1,500,000. This temporary line of credit may be drawn upon  
 15 only during the first 12 months after the effective date of  
 16 [sections 1 through 20] and only for the purpose of  
 17 financing the initial expenses of starting the state  
 18 lottery. The director may draw upon all or part of this  
 19 temporary line of credit. Any funds advanced under the  
 20 temporary line of credit must be repaid out of the lottery's  
 21 net revenue to the general fund within 1 year of the  
 22 advance, and no net revenue may be paid out under [section  
 23 13(3)(b)] until all advanced funds are repaid. Interest must  
 24 be paid at an annual simple interest rate of 10% on funds  
 25 advanced, commencing on the day funds are advanced and until

1 the funds are repaid.

2 NEW SECTION. Section 25. Severability. If a part of  
3 this act is invalid, all valid parts that are severable from  
4 the invalid part remain in effect. If a part of this act is  
5 invalid in one or more of its applications, the part remains  
6 in effect in all valid applications that are severable from  
7 the invalid applications.

8 NEW SECTION. Section 26. Effective date. (1) If  
9 approved by the electorate, sections 1 through ~~20~~ 25 of this  
10 act are effective January 1, 1987.

11 (2) This section and section ~~30~~ 27 are effective on  
12 passage.

13 NEW SECTION. Section 27. Submission to electorate.  
14 The question whether sections 1 through ~~20~~ 25 of this act  
15 will become effective shall be submitted to the electors of  
16 the State of Montana at the general election to be held in  
17 November 1986 by printing on the ballot the full title of  
18 this act and the following:

19  FOR establishing a state lottery.

20  AGAINST establishing a state lottery.

-End-



HOUSE BILL NO. 945

INTRODUCED BY PAVLOVICH, STIMATZ, QUILICI, D. BROWN,  
 GARCIA, LYNCH, PATTERSON, JACK MOORE, CHRISTIAENS,  
 RANEY, BERGENE, FRITZ, MENAHAN, NISBET, CODY, PISTORIA,  
 O'CONNELL, KOEHNKE, SCHYE, HARRINGTON, DRISCOLL,  
 KEENAN, HART, DEVLIN, KRUEGER, SPAETH, ZABROCKI, PECK,  
 HOWE, HALLIGAN, KEYSER, NATHE, NORMAN, AKLESTAD, KENNERLY,  
 ANDERSON, BRADLEY, SHAW, JONES, MONTAYNE, BACHINI,  
 HOLLIDAY, VAN VALKENBURG, GOULD, C. SMITH, FARRELL,  
 JANET MOORE, DANIELS, HAFFEY, JACOBSON, LORY, MANNING,  
 BOYLAN, GOODOVER, PETERSON, CONOVER, THAYER,  
 BENGTON, SWIFT, WEEDING, PHILLIPS, THOMAS,  
 CRIPPEN, B. WILLIAMS, LANE, TOWE, JENKINS,  
 HIRSCH, COMPTON, STEPHENS, MCCALLUM, GLASER,  
 TVEIT, KOLSTAD, GAGE, STORY, CAMPBELL, ELLISON  
 BY REQUEST OF THE HOUSE STATE ADMINISTRATION COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A STATE  
 LOTTERY AND PROVIDE FOR ITS ADMINISTRATION; AMENDING  
 SECTIONS ~~23-5-101~~ SECTION 23-5-202, ~~23-5-302~~ AND ~~23-5-402~~,  
 MCA; PROVIDING EFFECTIVE DATES; AND PROVIDING THAT THE  
 PROPOSED LOTTERY LAW BE SUBMITTED TO THE ELECTORS OF THE  
 STATE OF MONTANA."

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

NEW SECTION. Section 1. Short title. [Sections 1  
 through 20] may be cited as the "Montana State Lottery Act  
 of 1985".

NEW SECTION. Section 2. Purpose. (1) The purpose of  
 [sections 1 through 20] is to allow lottery games in which  
 the player purchases from the state, through the  
 administrators of the state lottery, a chance to win a  
 prize. [Sections 1 through 20] do not allow and may not be  
 construed to allow any game in which a player competes  
 against or plays with any other person, including a person  
 employed by an establishment in which a lottery game may be  
 played.

(2) The administration and construction of [sections 1  
 through 20] must comply with Article III, section 9, of the  
 Montana constitution, which mandates that all forms of  
 gambling are prohibited unless authorized by acts of the  
 legislature or by the people through initiative or  
 referendum. Therefore, [sections 1 through 20] must be  
 strictly construed to allow only those games that are within  
 the scope of this section and within the definition of  
 "lottery game".

(3) The state lottery may not:

(a) operate a slot machine or carry on any form of  
 gambling prohibited by the laws of this state; or

(b) carry on any form of gambling permitted by the

1 laws of this state but which is not a lottery game within  
2 the scope of this section and within the definition of  
3 "lottery game".

4 NEW SECTION. Section 3. Definitions. As used in  
5 [sections 1 through 20], the following definitions apply:

6 (1) "Commission" means the state lottery commission  
7 created by [section 4].

8 (2) "Director" means the director appointed by the  
9 governor under [section 6] to administer and manage the  
10 state lottery.

11 (3) "Lottery" or "state lottery" means the Montana  
12 state lottery created and operated pursuant to [sections 1  
13 through 20].

14 (4) "Lottery game" means any procedure, including any  
15 on-line or other procedure using a machine or electronic  
16 device, by which one or more prizes are distributed among  
17 persons who have paid for a chance to win a prize and  
18 includes but is not limited to weekly (or other, longer time  
19 period) winner games, instant winner games, daily numbers  
20 games, ~~electronic--video--machine--games~~, and sports pool  
21 games, except games prohibited by Title 23, chapter 5, part  
22 1; lotteries prohibited by Title 23, chapter 5, part 2; card  
23 games regulated by Title 23, chapter 5, part 3; raffles and  
24 bingo games governed by Title 23, chapter 5, part 4; and  
25 sports pools governed by Title 23, chapter 5, part 5.

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

4 (2) The commission consists of five members, who shall  
5 reside in Montana, appointed by the governor.

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

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

14 (5) A commissioner may be removed by the governor for  
15 good cause. An office that for any reason becomes vacant  
16 must be filled within 30 days by the governor, and the  
17 commissioner filling the vacancy shall serve for the rest of  
18 the unexpired term.

19 (6) The commission shall elect one of its members as  
20 chairman.

21 (7) Three or more commissioners constitute a quorum to  
22 do business, and action may be taken by a majority of a  
23 quorum.

24 (8) Commissioners are entitled to compensation, to be  
25 paid out of the state lottery fund, at the rate of \$50 for

1 each day in which they are engaged in the performance of  
 2 their duties and are entitled to travel, meals, and lodging  
 3 expenses, to be paid out of the state lottery fund, as  
 4 provided for in Title 2, chapter 18, part 5.

5 (9) The commission is allocated to the department of  
 6 commerce for administrative purposes only as prescribed in  
 7 2-15-121.

8 NEW SECTION. Section 5. Powers and duties of  
 9 commission. The commission shall:

10 (1) establish and operate a state lottery and may not  
 11 become involved in any other gambling or gaming;

12 (2) determine policies for the operation of the state  
 13 lottery, supervise the director and his staff, and meet with  
 14 the director at least once every 3 months to make and  
 15 consider recommendations, set policies, determine types and  
 16 forms of lottery games to be operated by the state lottery,  
 17 and transact other necessary business;

18 (3) determine the price of each ticket or chance and  
 19 the number and size of prizes;

20 (4) provide for the conduct of drawings of winners of  
 21 lottery games;

22 (5) carry out, with the director, a continuing study  
 23 of the state lotteries of Montana and other states to make  
 24 the state lottery more efficient, profitable, and secure  
 25 from violations of the law;

1 (6) study the possibility of working with other  
 2 lottery states to offer regional lottery games;

3 (7) prepare quarterly and annual reports on all  
 4 aspects of the operation of the state lottery, including but  
 5 not limited to types of games, gross revenue, prize money  
 6 paid, operating expenses, net revenue to the state,  
 7 contracts with gaming suppliers, and recommendations for  
 8 changes to [sections 1 through 20], and deliver a copy of  
 9 each report to the governor, the department of  
 10 administration, the legislative auditor, the president of  
 11 the senate, the speaker of the house of representatives, and  
 12 each member of the appropriate committee of each house of  
 13 the legislature as determined by the president of the senate  
 14 and the speaker of the house; and

15 (8) adopt rules necessary to carry out [sections 1  
 16 through 20].

17 NEW SECTION. Section 6. Director -- appointment --  
 18 compensation -- qualifications. (1) The director must be  
 19 appointed by the governor and shall hold office at the  
 20 pleasure of the governor.

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

25 (3) The director's salary is equal to 90% of the

1 salary of the director of the department of commerce.

2 NEW SECTION. Section 7. Powers and duties of  
3 director. (1) The director shall:

4 (a) administer the operation of the state lottery in  
5 accordance with [sections 1 through 20] and the rules and  
6 other directives of the commission;

7 (b) appoint an assistant director for security and  
8 employ and direct personnel necessary to the operation of  
9 the state lottery;

10 (c) license lottery ticket or chance sales agents and  
11 suspend or revoke licenses pursuant to [sections 1 through  
12 20] and commission rules; and

13 (d) maintain, with the assistant director for  
14 security, the security of the state lottery.

15 (2) With the concurrence of the commission or pursuant  
16 to commission rules, the director may enter into contracts  
17 for materials, equipment, and supplies to be used in the  
18 operation of the state lottery, for the design and  
19 installation of games, for consultant services, and for  
20 promotion of the lottery. All contracts must be made in  
21 accordance with state law. No contract is legal or  
22 enforceable that provides for the management of the state  
23 lottery or for the entire operation of its games by any  
24 private person or firm. When a contract is awarded, a  
25 performance bond satisfactory to the commission and executed

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

5 NEW SECTION. Section 8. Assistant director for  
6 security -- qualifications -- duties. (1) The director shall  
7 appoint an assistant director for security.

8 (2) The assistant director for security must be  
9 qualified by training and experience, have at least 5 years  
10 of law enforcement experience, and be knowledgeable and  
11 experienced in computer security.

12 (3) The assistant director for security shall:

13 (a) be responsible for a security division to assure  
14 security, honesty, fairness, and integrity in the operation  
15 and administration of the lottery, including but not limited  
16 to an examination of the background of all prospective  
17 employees, ticket or chance sales agents, lottery vendors,  
18 and lottery contractors. The security division is designated  
19 a law enforcement agency for the purpose of administering  
20 [sections 1 through 20].

21 (b) in conjunction with the director, confer with the  
22 attorney general or his designee to promote and ensure  
23 security, honesty, fairness, and integrity of the operation  
24 and administration of the lottery; and

25 (c) in conjunction with the director, report any

1 alleged violation of law to the attorney general, the  
2 legislative auditor, and any other appropriate law  
3 enforcement authority for further investigation and action.

4 NEW SECTION. Section 9. Ticket or chance sales agents  
5 -- licenses. (1) Lottery tickets or chances may be sold only  
6 by ticket or chance sales agents licensed by the director in  
7 accordance with this section.

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

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

12 (i) the financial responsibility and security of the  
13 applicant and his business or activity;

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

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

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

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

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

1 (5) License applicants shall pay a \$50 fee to cover  
2 the cost of investigating and processing the application.

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

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

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

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

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

16 (11) Each sales agent shall keep a complete and  
17 up-to-date set of records and accounts fully showing his  
18 sales and provide it for inspection upon request of the  
19 commission, the director, the department of commerce, the  
20 office of the legislative auditor, or the office of the  
21 attorney general.

22 (12) Sales agents may pay the state lottery only by  
23 check, bankdraft, electronic fund transfer, or other  
24 recorded, noncash, financial transfer method as determined  
25 by the director.

1 (13) A license may be suspended or revoked for failure  
2 to maintain the license qualifications provided in  
3 subsection (3) or for violation of any provision of  
4 [sections 1 through 20] or a commission rule. Prior to  
5 suspension or revocation, the licensee must be given notice  
6 and an opportunity for a hearing.

7 NEW SECTION. Section 10. Sales restrictions. (1) The  
8 price of each lottery game ticket or chance must be clearly  
9 stated thereon. The price of a lottery game chance vended  
10 by a machine or electronic device must be clearly stated on  
11 the machine or device.

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

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

15 (4) Tickets and chances may not be sold to or  
16 purchased by commissioners, the director, his staff, gaming  
17 suppliers doing business with the state lottery, suppliers'  
18 officers and employees, employees of any firm or  
19 governmental agency auditing or investigating the state  
20 lottery, or members of their families living with them.

21 (5) The names of elected officials may not appear on  
22 any ticket or chance.

23 NEW SECTION. Section 11. Disclosure of odds. The  
24 director shall make adequate disclosure of the odds with  
25 respect to each state lottery game by stating the odds in

1 lottery game advertisements and by posting the odds at each  
2 place in which tickets or chances are sold.

3 NEW SECTION. Section 12. State lottery fund. There is  
4 a fund of the enterprise fund type, as defined in 17-2-102,  
5 to be known as the state lottery fund. The gross revenue  
6 from the state lottery, consisting of money from the sale of  
7 lottery tickets and chances, ticket or chance sales agent  
8 license fees, unclaimed prizes, or any other source, must be  
9 deposited in the fund, except that, at the discretion of the  
10 director, money for prizes paid immediately by a sales agent  
11 and money equaling the sales agent's commission may be drawn  
12 by a sales agent from his gross revenue before depositing  
13 his gross revenue with the state lottery.

14 NEW SECTION. Section 13. Disposition of revenue. (1)  
15 As near as possible to 45% of the money paid for tickets or  
16 chances in each separate state lottery game must be paid out  
17 as prize money for the game.

18 (2) Up to ~~20%~~ 15% of the gross revenue from the state  
19 lottery may be used by the director to pay the operating  
20 expenses of the state lottery. Commissions paid to lottery  
21 ticket or chance sales agents are a state lottery operating  
22 expense.

23 (3) That part of all gross revenue not used for the  
24 payment of prizes and operating expenses is net revenue and  
25 must be paid quarterly from the enterprise fund established

1 by [section 12] as follows:

2 (a)--50% into the state general fund;

3 (b)--50% of the net revenue generated in each county

4 must be paid into the general fund of that county. Fifty

5 percent of the net revenue paid into the general fund of

6 each county must be paid by that county to the general funds

7 of the incorporated cities and towns and consolidated local

8 governments in that county in the ratio which the population

9 within the corporate limits of each city, town, or

10 consolidated local government bears to the total population

11 of the county. The population of each city, town, and

12 consolidated local government shall be determined by the

13 last preceding official federal census. TO THE

14 SUPERINTENDENT OF PUBLIC INSTRUCTION FOR DISTRIBUTION AS

15 EQUALIZATION AID TO THE RETIREMENT FUNDS REQUIRED BY

16 20-9-501. [THE NET REVENUE IS STATUTORILY APPROPRIATED, AS

17 PROVIDED IN [SECTION 2 OF HOUSE BILL 12].] THE

18 SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL ESTABLISH THE

19 DOLLAR AMOUNT PER ANB BY DIVIDING THE NET LOTTERY REVENUE

20 FOR THE SCHOOL YEAR BY THE TOTAL STATE ANB IN THE PRIOR

21 SCHOOL YEAR. HE SHALL THEN NOTIFY EACH COUNTY SUPERINTENDENT

22 BY THE FOURTH MONDAY OF JULY OF THE TOTAL RETIREMENT FUND

23 EQUALIZATION AID AVAILABLE TO THE COUNTY, AS CALCULATED

24 SEPARATELY FOR ELEMENTARY AND HIGH SCHOOL DISTRICTS USING

25 THE PRIOR YEAR'S ANB AND PRORATED AS SPECIFIED IN

1 20-9-501(6) FOR ANY JOINT SCHOOL DISTRICT, AND EACH COUNTY

2 SUPERINTENDENT MUST USE SUCH AMOUNTS TO REDUCE THE TOTAL

3 RETIREMENT FUND LEVY REQUIREMENT FOR ELEMENTARY SCHOOL

4 DISTRICTS AND THE TOTAL RETIREMENT FUND LEVY REQUIREMENT FOR

5 HIGH SCHOOL DISTRICTS. THE SUPERINTENDENT OF PUBLIC

6 INSTRUCTION SHALL THEN DISTRIBUTE BY STATE WARRANT THE TOTAL

7 AMOUNT OF RETIREMENT FUND EQUALIZATION AID FOR EACH COUNTY

8 BY OCTOBER 1 OF THE SCHOOL FISCAL YEAR.

9 NEW SECTION. Section 14. Felony and gambling-related

10 convictions -- ineligibility for lottery positions. No

11 person who has been convicted of a felony or a

12 gambling-related offense under federal law or the law of any

13 state may be a commissioner, director, assistant director,

14 employee of the state lottery, or licensed ticket or chance

15 sales agent. Prior to appointment to any such position, a

16 person shall submit to the commission a full set of

17 fingerprints made at a law enforcement agency by an agent or

18 officer of such agency on forms supplied by the agency.

19 NEW SECTION. Section 15. Conflict of interest. No

20 commissioner, director, assistant director, state lottery

21 employee, licensed ticket or chance sales agent, or member

22 of his family living with him may have a financial interest

23 in any gaming supplier or any contract between the state

24 lottery and a gaming supplier or accept any gift or thing of

25 value from a gaming supplier.

1        NEW SECTION. Section 16. Drawings for and payment of  
 2 prizes -- unclaimed prizes. (1) All drawings must be held in  
 3 public. The selection of winning tickets may not be  
 4 performed by an employee of the lottery or by a member of  
 5 the commission. All drawings must be witnessed by a  
 6 professional staff employee of the legislative auditor's  
 7 office, and all lottery drawing equipment used in public  
 8 drawings to select winning prizes or participants for prizes  
 9 must be examined by the director's staff and a professional  
 10 staff employee of the legislative auditor's office prior to  
 11 and after each public drawing.

12        (2) The commission may provide for the immediate  
 13 payment of prizes by the ticket or chance sales agent who  
 14 sold the winning ticket or chance whenever the amount of the  
 15 prize is less than an amount set by commission rule.  
 16 Payment may not be made directly by an ~~an electronic game~~ A  
 17 machine, or device or by a computer terminal.

18        (3) Prizes over \$100,000 may in the discretion of the  
 19 commission be paid either in one lump sum or in equal yearly  
 20 installments without interest over a period of not more than  
 21 10 years, except that each installment payment must be at  
 22 least \$20,000.

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

1 months.

2        (5) The right to a prize is not assignable, but prizes  
 3 may be paid to a deceased winner's estate or to a person  
 4 designated by judicial order.

5        NEW SECTION. Section 17. Disclosures by gaming  
 6 suppliers. (1) Any person, firm, association, or corporation  
 7 that submits a bid or proposal for a contract to supply  
 8 lottery equipment, tickets, or other material or consultant  
 9 services for use in the operation of the state lottery shall  
 10 disclose at the time of such bid or proposal:

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

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

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

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

20        (iv) if the supplier is a corporation, the officers,  
 21 directors, and each owner or holder, directly or indirectly,  
 22 of any equity security or other evidence of ownership of any  
 23 interest in the corporation; except that, in the case of  
 24 owners or holders of publicly held equity securities of a  
 25 publicly traded corporation, only the names and addresses of



1 those owning or holding 5% or more of the publicly held  
2 securities must be disclosed;

3 (v) if the supplier is a subsidiary company, each  
4 intermediary company, holding company, or parent company  
5 involved therewith and the officers, directors, and  
6 stockholders of each; except that, in the case of owners or  
7 holders of publicly held securities of an intermediary  
8 company, holding company, or parent company which is 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 (b) if the supplier is a corporation, all the states  
13 in which the supplier is authorized to do business and the  
14 nature of that business;

15 (c) other jurisdictions in which the supplier has  
16 contracts to supply gaming materials, equipment, or  
17 consultant services;

18 (d) the details of any conviction, state or federal,  
19 of the supplier or any person whose name and address are  
20 required by subsection (1)(a) of a criminal offense  
21 punishable by imprisonment for more than 1 year and shall  
22 submit to the commission a full set of fingerprints of such  
23 person made at a law enforcement agency by an agent or  
24 officer of such agency on forms supplied by the agency;

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

1 any state against the supplier or any person whose name and  
2 address are required by subsection (1)(a) regarding any  
3 matter related to gaming consultant services or the selling,  
4 leasing, offering for sale or lease, buying, or servicing of  
5 gaming materials or equipment;

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

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

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

19 (i) the number of years the supplier has been in the  
20 business of supplying gaming consultant services or gaming  
21 materials or equipment; and

22 (j) any other information, accompanied by any  
23 documents the commission by rule may reasonably require as  
24 being necessary or appropriate in the public interest to  
25 accomplish the purposes of [sections 1 through 20].

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

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

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

20 NEW SECTION. Section 19. Audit of lottery security.  
 21 (1) After the first 9 months of sales to the public and  
 22 every 2 years after that, the office of the legislative  
 23 auditor shall conduct or have conducted a comprehensive  
 24 audit of all aspects of security in the operation of the  
 25 lottery. The costs of the audit are a state lottery

1 operating expense and must be paid out of the state lottery  
 2 fund. The audit must include:

- 3 (a) personnel security;
- 4 (b) lottery sales agent security;
- 5 (c) lottery contractor security;
- 6 (d) security of manufacturing operations of lottery  
 7 contractors;
- 8 (e) security against ticket or chance counterfeiting  
 9 and alteration and other means of fraudulently winning;
- 10 (f) security of drawings among entries or finalists;
- 11 (g) computer security;
- 12 (h) data communications security;
- 13 (i) database security;
- 14 (j) systems security;
- 15 (k) lottery premises and warehouse security;
- 16 (l) security in distribution;
- 17 (m) security involving validation and payment  
 18 procedures;
- 19 (n) security involving unclaimed prizes;
- 20 (o) security aspects applicable to each particular  
 21 lottery game;
- 22 (p) security of drawings in games whenever winners are  
 23 determined by drawings;
- 24 (q) the completeness of security against locating  
 25 winners in lottery games with preprinted winners by persons

1 involved in their production, storage, distribution,  
2 administration, or sales; and

3 (r) any other aspects of security applicable to any  
4 particular lottery game and to the lottery and its  
5 operations.

6 (2) The security audit report must be presented to the  
7 commission, the director, the governor, the president of the  
8 senate, and the speaker of the house of representatives.

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

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

15 (2) violate [section 9(11)];

16 (3) sell a lottery ticket or chance to a person under  
17 18 years of age;

18 (4) violate [subsection (3) or (4) of section 10];

19 (5) serve as a commissioner, director, assistant  
20 director, employee, or licensed agent of the state lottery  
21 in violation of [section 14];

22 (6) violate [section 15];

23 (7) violate [section 17]; or

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

1 equipment or materials.

2 Section 21. Section 23-5-101, MCA, is amended to read:

3 "23-5-101. Definitions. (1) A slot machine is defined  
4 as a machine operated by inserting a coin, token, chip,  
5 trade check, or paper currency therein by the player and  
6 from the play of which he obtains or may obtain money,  
7 checks, chips, tokens, or paper currency redeemable in  
8 money. Electronic video game machines operated by the state  
9 lottery are not slot machines. Merchandise vending machines  
10 where the element of chance does not enter into their  
11 operation are not within the provisions of this part.

12 (2) In addition to their ordinary meaning, the words  
13 "person" or "persons", as used in this part, include both  
14 natural and artificial persons and all partnerships,  
15 corporations, associations, clubs, fraternal orders, and  
16 societies, including religious, fraternal, and charitable  
17 organizations."

18 Section 21. Section 23-5-202, MCA, is amended to read:

19 "23-5-202. Application. This part shall not apply to  
20 the provisions of part 4 of this chapter, to [sections 1  
21 through 20], or to the giving away of cash or merchandise  
22 attendance prizes or premiums by public drawings at  
23 agricultural fairs or rodeo associations in this state, and  
24 the county fair commissioners of agricultural fairs or rodeo  
25 associations in this state may give away at such fairs cash

1 or merchandise attendance prizes or premiums by public  
2 drawings."

3 Section 23--Section 23-5-302, MCA, is amended to read:

4 "23-5-302. Definitions. As used in this part and  
5 unless the context requires otherwise, the following terms  
6 or phrases have the following meanings:

7 (1) "Authorized card game" means any card game  
8 permitted by this part;

9 (2) "Card game" means any game played with cards for  
10 which the prize is money or any item of value, except games  
11 played on electronic video game machines operated by the  
12 state lottery."

13 Section 24--Section 23-5-402, MCA, is amended to read:

14 "23-5-402. Definitions. As used in this part, unless  
15 the context requires otherwise, the following terms or  
16 phrases shall have the following meanings:

17 (1) "Game of chance" means the specific kind of game  
18 of chance commonly known as:

19 (a) "bingo" or "keno", in which prizes are awarded on  
20 the basis of designated numbers or symbols on a card which  
21 conform to numbers or symbols selected at random, except  
22 games played on electronic video game machines operated by  
23 the state lottery;

24 (b) "raffles", which are conducted by drawing for  
25 prizes;

1 (2) "Equipment" means:

2 (a) with respect to bingo or keno, the receptacle and  
3 numbered objects drawn from it, the master board upon which  
4 such objects are placed as drawn, the cards or sheets  
5 bearing numbers or other designations to be covered and the  
6 objects used to cover them, the boards or signs, however  
7 operated, used to announce or display the numbers or  
8 designations as they are drawn, public address system, and  
9 all other articles essential to the operation, conduct, and  
10 playing of bingo or keno; or

11 (b) with respect to raffles, the implements, devices,  
12 and machines designed, intended, or used for the conduct of  
13 raffles and the identification of the winning number or unit  
14 and the ticket or other evidence of right to participate in  
15 raffles."

16 NEW SECTION. Section 22. Initial appointment and  
17 terms of commissioners. Initial appointments to the  
18 commission must be made within 30 days after [the effective  
19 date of sections 1 through 20 25]. Two of the initial  
20 appointees shall serve for 2 years, two shall serve for 3  
21 years, and one shall serve for 4 years.

22 NEW SECTION. Section 23. Initial duties of commission  
23 -- lottery study -- first game. (1) The commission shall  
24 immediately conduct an initial study of other state  
25 lotteries.

1 (2) The commission shall begin the operation of state  
 2 lottery games at the earliest practicable time and in any  
 3 event no later than July 1, 1987.

4 NEW SECTION. Section 24. Temporary state treasury  
 5 line of credit for expense of starting state lottery. There  
 6 is a temporary line of credit that may be drawn by the  
 7 director of the state lottery from the state general fund  
 8 and deposited in the state lottery fund, in the amount of  
 9 \$1,500,000. This temporary line of credit may be drawn upon  
 10 only during the first 12 months after the effective date of  
 11 [sections 1 through 20] and only for the purpose of  
 12 financing the initial expenses of starting the state  
 13 lottery. The director may draw upon all or part of this  
 14 temporary line of credit. Any funds advanced under the  
 15 temporary line of credit must be repaid out of the lottery's  
 16 net revenue to the general fund within 1 year of the  
 17 advance, and no net revenue may be paid out under [section  
 18 13(3)+b)] until all advanced funds are repaid. Interest must  
 19 be paid at an annual simple interest rate of 10% on funds  
 20 advanced, commencing on the day funds are advanced and until  
 21 the funds are repaid.

22 NEW SECTION. Section 25. Severability. If a part of  
 23 this act is invalid, all valid parts that are severable from  
 24 the invalid part remain in effect. If a part of this act is  
 25 invalid in one or more of its applications, the part remains

1 in effect in all valid applications that are severable from  
 2 the invalid applications.

3 NEW SECTION. Section 26. Effective date. (1) If  
 4 approved by the electorate, sections 1 through 20 25 of this  
 5 act are effective January 1, 1987.

6 (2) This section and section 30 27 are effective on  
 7 passage.

8 NEW SECTION. Section 27. Submission to electorate.  
 9 The question whether sections 1 through 20 25 of this act  
 10 will become effective shall be submitted to the electors of  
 11 the State of Montana at the general election to be held in  
 12 November 1986 by printing on the ballot the full title of  
 13 this act and the following:

- 14  FOR establishing a state lottery.
- 15  AGAINST establishing a state lottery.

16 NEW SECTION. SECTION 28. COORDINATION INSTRUCTION.  
 17 THE BRACKETED LANGUAGE IN SECTION 13 IS EFFECTIVE ONLY IF  
 18 HOUSE BILL 12 OF THE 49TH LEGISLATURE IS PASSED AND  
 19 APPROVED. IN ADDITION, IF HOUSE BILL 12 IS PASSED AND  
 20 APPROVED, A REFERENCE TO SECTION 13 IS INCLUDED IN THE  
 21 SUBSECTION OF HOUSE BILL 12 LISTING ALL SECTIONS CONTAINING  
 22 STATUTORY APPROPRIATIONS.

-End-

## 1 STATEMENT OF INTENT

## 2 HOUSE BILL 945

3

4 A statement of intent is required for this act because  
5 under the provisions of the act the state lottery commission  
6 must establish and operate a state lottery and adopt  
7 policies and rules regarding but not limited to:

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

10 (2) the price, number, and size of tickets or chances;

11 (3) the drawing of lottery winners;

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

14 (5) the immediate payment of small prizes;

15 (6) lottery security;

16 (7) purchase or rental of gaming equipment and  
17 supplies; and

18 (8) other matters relating to the successful operation  
19 of the lottery.

20 A state lottery is primarily a business operation and  
21 has as a purpose the earning of net revenue. The successful  
22 operation of a state lottery, as shown by the experience of  
23 other state lotteries, depends to a large degree upon the  
24 flexibility to operate the lottery as a business enterprise.  
25 The success of a lottery also depends upon the operation of

1 the lottery within a statutory framework ensuring the  
2 integrity of the staff and all phases of the operation of  
3 the lottery and the avoidance of even the appearance of any  
4 illegalities or conflicts of interest.

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

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

16 Any definitions contained in this act pertain only to  
17 the state lottery. It is the intent of the legislature that  
18 the state lottery commission operate a state lottery only,  
19 and it is not intended that the commission shall be involved  
20 in any way in other forms of gambling.

There was no change in HB 945  
except for the addition of

-2-

the statement of intent. please  
refer to third reading copy (blue)  
for complete text.