

HOUSE BILL NO. 374

INTRODUCED BY PAVLOVICH, STIMATZ

BY REQUEST OF THE DEPARTMENT OF COMMERCE

IN THE HOUSE

JANUARY 21, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & LABOR.
JANUARY 28, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
JANUARY 29, 1987	PRINTING REPORT.
JANUARY 30, 1987	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
FEBRUARY 2, 1987	SECOND READING, DO PASS AS AMENDED.
FEBRUARY 3, 1987	ENGROSSING REPORT.
FEBRUARY 4, 1987	THIRD READING, PASSED. AYES, 75; NOES, 24.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 5, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY.
FEBRUARY 21, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
FEBRUARY 23, 1987	SECOND READING, CONCURRED IN AS AMENDED.
FEBRUARY 25, 1987	THIRD READING, CONCURRED IN. AYES, 35; NOES, 15.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

MARCH 5, 1987

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS NOT
CONCURRED IN.

CONFERENCE COMMITTEE REQUESTED
AND APPOINTED.

IN THE SENATE

MARCH 6, 1987

CONFERENCE COMMITTEE APPOINTED.

IN THE HOUSE

MARCH 9, 1987

CONFERENCE COMMITTEE REPORTED.

MARCH 11, 1987

SECOND READING, CONFERENCE COMMITTEE
REPORT ADOPTED.

IN THE SENATE

MARCH 11, 1987

CONFERENCE COMMITTEE REPORT ADOPTED.

IN THE HOUSE

MARCH 12, 1987

THIRD READING, CONFERENCE COMMITTEE
REPORT ADOPTED.

SENT TO ENROLLING.

1 *House* BILL NO. 374
2 INTRODUCED BY *Richard Stimpert*
3 BY REQUEST OF THE DEPARTMENT OF COMMERCE
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
6 MONTANA STATE LOTTERY ACT OF 1985; TO ALLOW REGIONAL LOTTERY
7 GAMES; TO PROVIDE FOR A LEGISLATIVE LIAISON COMMITTEE; TO
8 PROVIDE THAT COMMISSIONS PAID TO LOTTERY TICKET AND CHANCE
9 SALES AGENTS ARE NOT STATE LOTTERY OPERATING EXPENSES; TO
10 CLARIFY USE OF THE TEMPORARY LINE OF CREDIT; TO PROVIDE FOR
11 THE ASSISTANT DIRECTOR'S SALARY; TO INCREASE PRIZE
12 INSTALLMENT PAYMENTS FROM 10 TO 20 YEARS; TO PROVIDE FOR
13 CONFIDENTIALITY OF CERTAIN AUDIT FINDINGS; TO PROVIDE FOR
14 STATUTORY APPROPRIATION OF OPERATING EXPENSES; AMENDING
15 SECTIONS 5, 7, 8, 13, 16, 17, AND 24, CHAPTER 669, LAWS OF
16 1985, AND SECTION 17-7-502, MCA; AND PROVIDING AN IMMEDIATE
17 EFFECTIVE DATE."
18

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

20 Section 1. Section 5, Chapter 669, Laws of 1985, is
21 amended to read:

22 "Section 5. Powers and duties of commission. The
23 commission shall:

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

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

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

9 (4) provide for the conduct of drawings of winners of
10 lottery games;

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

15 (6) study the possibility of working and may enter
16 into agreements with other lottery states to offer regional
17 lottery games;

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

1 the senate, the speaker of the house of representatives, and
 2 each member of the appropriate committee of each house of
 3 the legislature as determined by the president of the senate
 4 and the speaker of the house; and

5 (8) adopt rules necessary to carry out [sections 1
 6 through 20]."

7 Section 2. Section 7, Chapter 669, Laws of 1985, is
 8 amended to read:

9 "Section 7. Powers and duties of director. (1) The
 10 director shall:

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

14 (b) appoint an assistant director for security and
 15 employ and direct personnel necessary to the operation of
 16 the state lottery;

17 (c) license lottery ticket or chance sales agents and
 18 suspend or revoke licenses pursuant to [sections 1 through
 19 20] and commission rules; and

20 (d) maintain, with the assistant director for
 21 security, the security of the state lottery.

22 (2) With the concurrence of the commission or pursuant
 23 to commission rules, the director may enter into contracts
 24 for materials, equipment, and supplies to be used in the
 25 operation of the state lottery, for the design and

1 installation of games, for consultant services, and for
 2 promotion of the lottery. All contracts must be made in
 3 accordance with state law. No contract is legal or
 4 enforceable that provides for the management of the state
 5 lottery or for the entire operation of its games by any
 6 private person or firm. When a contract is awarded, a
 7 performance bond satisfactory to the commission and executed
 8 by a surety company authorized to do business in this state
 9 or otherwise secured in a manner satisfactory to the
 10 commission, in an amount equal to the price of the contract,
 11 must be delivered to the commission.

12 (3) The director may appoint a bipartisan legislative
 13 liaison committee of two senators and two representatives."

14 Section 3. Section 8, Chapter 669, Laws of 1985, is
 15 amended to read:

16 "Section 8. Assistant director for security --
 17 qualifications -- duties -- compensation. (1) The director
 18 shall appoint an assistant director for security, who serves
 19 at the pleasure of the director.

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 (4) The salary of the assistant director for security
 17 is equal to 90% of the salary of the director of the
 18 lottery."

19 Section 4. Section 13, Chapter 669, Laws of 1985, is
 20 amended to read:

21 "Section 13. Disposition of revenue. (1) (a) As near
 22 as possible to 45% of the money paid for tickets or chances
 23 ~~in each separate state lottery game~~ must be paid out as
 24 prize money ~~for the game, except as provided in subsection~~
 25 (b).

1 (b) In the case of a regional lottery game, a maximum
 2 of 50% of the money paid for tickets or chances may be paid
 3 out as prize money.

4 (2) Up to 15% of the gross revenue from the state
 5 lottery may be used by the director to pay the operating
 6 expenses of the state lottery. Commissions paid to lottery
 7 ticket or chance sales agents are not a state lottery
 8 operating expense.

9 (3) Funds to pay the operating expenses of the lottery
 10 are statutorily appropriated as provided in 17-7-502.

11 ~~(3)~~ (4) That part of all gross revenue not used for the
 12 payment of prizes, commissions, and operating expenses is
 13 net revenue and must be paid quarterly from the enterprise
 14 fund established by [section 12] to the superintendent of
 15 public instruction for distribution as equalization aid to
 16 the retirement funds required by 20-9-501. ~~{The net revenue~~
 17 ~~is statutorily appropriated, as provided in {section-2-of~~
 18 ~~House-Bill--12} 17-7-502.~~ The superintendent of public
 19 instruction shall establish the dollar amount per ANB by
 20 dividing the net lottery revenue for the school year by the
 21 total state ANB in the prior school year. He shall then
 22 notify each county superintendent by the fourth Monday of
 23 July of the total retirement fund equalization aid available
 24 to the county, as calculated separately for elementary and
 25 high school districts using the prior year's ANB and

1 prorated as specified in 20-9-501(6) for any joint school
 2 district, and each county superintendent must use such
 3 amounts to reduce the total retirement fund levy requirement
 4 for elementary school districts and the total retirement
 5 fund levy requirement for high school districts. The
 6 superintendent of public instruction shall then distribute
 7 by state warrant the total amount of ~~retirement--fund~~
 8 equalization-aid net lottery revenue available that has been
 9 deposited in the superintendent of public instruction
 10 lottery account for each county by October 1 of the school
 11 fiscal year."

12 Section 5. Section 16, Chapter 669, Laws of 1985, is
 13 amended to read:

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

25 (2) The commission may provide for the immediate

1 payment of prizes by the ticket or chance sales agent who
 2 sold the winning ticket or chance whenever the amount of the
 3 prize is less than an amount set by commission rule.
 4 Payment may not be made directly by a machine or device or
 5 by a computer terminal.

6 (3) Prizes over \$100,000 may in the discretion of the
 7 commission be paid either in one lump sum or in equal yearly
 8 installments without interest over a period of not more than
 9 ~~10~~ 20 years, except that each installment payment must be at
 10 least \$20,000.

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

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

18 Section 6. Section 17, Chapter 669, Laws of 1985, is
 19 amended to read:

20 "Section 17. Disclosures by gaming suppliers. (1) Any
 21 person, firm, association, or corporation that submits a bid
 22 or proposal for a contract to supply lottery equipment,
 23 tickets, or other material or consultant services for use in
 24 the operation of the state lottery shall disclose at the
 25 time of such bid or proposal:

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

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

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

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

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

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

1 securities must be disclosed;

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

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

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

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

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

23 (g) a statement of the gross receipts realized in the
24 preceding year from gaming consultant services and the sale,
25 lease, or distribution of gaming materials or equipment to

1 states operating lotteries and to private persons licensed
 2 to conduct gambling, differentiating that portion of the
 3 gross receipts attributable to transactions with states
 4 operating lotteries from that portion of the gross receipts
 5 attributable to transactions with private persons licensed
 6 to conduct gambling;

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

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

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

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

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

1 Section 7. Section 24, Chapter 669, Laws of 1985, is
 2 amended to read:

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

22 NEW SECTION. Section 8. Certain audit findings
 23 confidential. Specific audit findings relating to security
 24 invasion techniques are confidential and may be reported
 25 only to the legislative audit committee, the director of the

1 lottery, the commission, the attorney general, and the
2 governor.

3 Section 9. Section 17-7-502, MCA, is amended to read:

4 "17-7-502. Statutory appropriations -- definition --
5 requisites for validity. (1) A statutory appropriation is an
6 appropriation made by permanent law that authorizes spending
7 by a state agency without the need for a biennial
8 legislative appropriation or budget amendment.

9 (2) Except as provided in subsection (4), to be
10 effective, a statutory appropriation must comply with both
11 of the following provisions:

12 (a) The law containing the statutory authority must be
13 listed in subsection (3).

14 (b) The law or portion of the law making a statutory
15 appropriation must specifically state that a statutory
16 appropriation is made as provided in this section.

17 (3) The following laws are the only laws containing
18 statutory appropriations:

19 (a) 2-9-202;

20 (b) 2-17-105;

21 (c) 2-18-812;

22 (d) 10-3-203;

23 (e) 10-3-312;

24 (f) 10-3-314;

25 (g) 10-4-301;

1 (h) 13-37-304;

2 (i) 15-31-702;

3 (j) 15-36-112;

4 (k) 15-70-101;

5 (l) 16-1-404;

6 (m) 16-1-410;

7 (n) 16-1-411;

8 (o) 17-3-212;

9 (p) 17-5-404;

10 (q) 17-5-424;

11 (r) 17-5-804;

12 (s) 19-8-504;

13 (t) 19-9-702;

14 (u) 19-9-1007;

15 (v) 19-10-205;

16 (w) 19-10-305;

17 (x) 19-10-506;

18 (y) 19-11-512;

19 (z) 19-11-513;

20 (aa) 19-11-606;

21 (bb) 19-12-301;

22 (cc) 19-13-604;

23 (dd) 20-6-406;

24 (ee) 20-8-111;

25 (ff) 23-5-612;

1 (gg) 37-51-501;
 2 (hh) 53-24-206;
 3 (ii) 75-1-1101;
 4 (jj) 75-7-305;
 5 (kk) 80-2-103;
 6 (ll) 80-2-228;
 7 (mm) 90-3-301;
 8 (nn) 90-3-302;
 9 (oo) 90-15-103; and
 10 (pp) Sec. 13, HB 861, L. 1985; and
 11 (qq) [Sec. 13, Chapter 669, L. 1985, as amended by
 12 section 4].

13 (4) There is a statutory appropriation to pay the
 14 principal, interest, premiums, and costs of issuing, paying,
 15 and securing all bonds, notes, or other obligations, as due,
 16 that have been authorized and issued pursuant to the laws of
 17 Montana. Agencies that have entered into agreements
 18 authorized by the laws of Montana to pay the state
 19 treasurer, for deposit in accordance with 17-2-101 through
 20 17-2-107, as determined by the state treasurer, an amount
 21 sufficient to pay the principal and interest as due on the
 22 bonds or notes have statutory appropriation authority for
 23 such payments."

24 NEW SECTION. Section 10. Codification instruction.
 25 Section 8 is intended to be codified as an integral part of

1 the Montana State Lottery Act of 1985, and the provisions of
 2 the Montana State Lottery Act of 1985 apply to section 8.

3 NEW SECTION. Section 11. Extension of authority. Any
 4 existing authority of the state lottery commission to make
 5 rules on the subject of the provisions of this act is
 6 extended to the provisions of this act.

7 NEW SECTION. Section 12. Effective date. This act is
 8 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB374, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise the Montana State Lottery Act of 1985.

ASSUMPTIONS:

1. Removing the 5% sales commission from the 15% administrative cap for operating expenses would result in increased gross per capita sales due to increased operational support for lottery promotion and management. Gross per capita sales excluding commissions from the operations cap are projected at \$30/capita; with commissions included, \$20/capita.
2. The amendment to set the salary of the Director of Security at 90% of the Lottery Director's salary will have no fiscal impact because personal services costs already include compensation approximating that level.
3. Regional lottery games with Montana as a participant will not be operational within the 1989 biennium.
4. Administrative expenses of the Office of the Superintendent of Public Instruction for distribution of lottery revenue for public school retirement equalization aid will be absorbed within OSPI's current level budget.
5. There will be no impact on the revenue of the Teachers' Retirement System in the 1989 biennium.
6. Costs of appointing a legislative liaison committee will be absorbed within the capped operational budget.

FISCAL IMPACT:

	<u>FY88</u>			<u>FY89</u>			<u>Biennium</u>
<u>Revenues:</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Difference</u>
Sales	\$16,640,000	\$24,960,000	\$ 8,320,000	\$16,700,000	\$25,050,000	\$ 7,900,000	\$16,220,000
Licenses	50,000	50,000	0	50,000	50,000	0	0
TOTAL	\$16,690,000	\$25,010,000	\$ 8,320,000	\$17,200,000	\$25,100,000	\$ 7,900,000	\$16,220,000
<u>Expenditures:</u>							
Prizes (45%)	\$ 7,510,500	\$11,254,500	\$ 3,744,000	\$ 7,740,000	\$11,295,000	\$ 3,555,000	\$ 7,299,000
Commissions(5%)	834,500	1,250,500	416,000	860,000	1,255,000	395,000	811,000
Public Retirement Aid	5,103,434	7,180,934	2,077,500	6,880,000	8,785,000	1,905,000	3,982,500
Repay GF	1,572,566	1,572,566	0	0	0	0	0
Operating	1,669,000	3,751,500	2,082,500	1,720,000	3,765,000	2,045,000	4,127,500
TOTAL	\$16,690,000	\$25,010,000	\$ 8,320,000	\$17,200,000	\$25,100,000	\$ 7,900,000	\$16,220,000

David L. Hunter
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning
 DATE 1/26/87

Bob Pavlovich
 ROBERT J. (BOB) PAVLOVICH, PRIMARY SPONSOR
 DATE 1-27-87

Fiscal Note for HB374, as introduced.

#13 374

~~Fiscal Note Request, HB374~~ was introduced.

Form BD-15

Page 2

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Revenue for Public School Retirement Equalization Aid will increase from non-county revenue sources.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

None noted.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

None noted.

HB 374

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 374

INTRODUCED BY PAVLOVICH, STIMATZ

BY REQUEST OF THE DEPARTMENT OF COMMERCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE MONTANA STATE LOTTERY ACT OF 1985; TO ALLOW REGIONAL LOTTERY GAMES; TO PROVIDE FOR A LEGISLATIVE LIAISON COMMITTEE; TO PROVIDE THAT COMMISSIONS PAID TO LOTTERY TICKET AND CHANCE SALES AGENTS ARE NOT STATE LOTTERY OPERATING EXPENSES; TO CLARIFY USE OF THE TEMPORARY LINE OF CREDIT; TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY; TO INCREASE PRIZE INSTALLMENT PAYMENTS FROM 10 TO 20 YEARS; TO PROVIDE FOR CONFIDENTIALITY OF CERTAIN AUDIT FINDINGS; TO PROVIDE FOR STATUTORY APPROPRIATION OF OPERATING EXPENSES; AMENDING SECTIONS 5, 7, 8, 13, 16, 17, AND 24, CHAPTER 669, LAWS OF 1985, AND SECTION SECTIONS 2-18-103 AND 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 5, Chapter 669, Laws of 1985, is amended to read:

"Section 5. Powers and duties of commission. The commission shall:

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

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

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

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

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

(6) study ~~the possibility of working~~ and may enter into agreements with other lottery states to offer regional lottery games;

(7) prepare quarterly and annual reports on all aspects of the operation of the state lottery, including but not limited to types of games, gross revenue, prize money paid, operating expenses, net revenue to the state, contracts with gaming suppliers, and recommendations for changes to [sections 1 through 20], and deliver a copy of each report to the governor, the department of administration, the legislative auditor, the president of



1 the senate, the speaker of the house of representatives, and
 2 each member of the appropriate committee of each house of
 3 the legislature as determined by the president of the senate
 4 and the speaker of the house; and

5 (8) adopt rules necessary to carry out [sections 1
 6 through 20]."

7 Section 2, Section 7, Chapter 669, laws of 1985, is
 8 amended to read:

9 "Section 7, Powers and duties of director, (1) The
 10 director shall:

11 (a) administer the operation of the state lottery in
 12 accordance with {sections 1 through 20} and the rules and
 13 other directives of the commission;

14 (b) appoint an assistant director for security and
 15 employ and direct personnel necessary to the operation of
 16 the state lottery;

17 (c) license lottery ticket or chance sales agents and
 18 suspend or revoke licenses pursuant to {sections 1 through
 19 20} and commission rules; and

20 (d) maintain, with the assistant director, for
 21 security, the security of the state lottery;

22 (2) With the concurrence of the commission or pursuant
 23 to commission rules, the director may enter into contracts
 24 for materials, equipment, and supplies to be used in the
 25 operation of the state lottery, for the design and

1 installation of games, for consultant services, and for
 2 promotion of the lottery. All contracts must be made in
 3 accordance with state law. No contract is legal or
 4 enforceable that provides for the management of the state
 5 lottery or for the entire operation of its games by any
 6 private person or firm. When a contract is awarded, a
 7 performance bond satisfactory to the commission and executed
 8 by a surety company authorized to do business in this state
 9 or otherwise secured in a manner satisfactory to the
 10 commission, in an amount equal to the price of the contract,
 11 must be delivered to the commission.

12 (3) The director may appoint a bipartisan legislative
 13 liaison committee of two senators and two representatives."

14 NEW SECTION. SECTION 2. LEGISLATIVE LIAISON COMMITTEE
 15 -- BIPARTISAN -- COMPENSATION FROM LOTTERY FUND. (1) THERE
 16 IS A LEGISLATIVE LIAISON COMMITTEE.

17 (2) THE LIAISON COMMITTEE CONSISTS OF FOUR
 18 LEGISLATORS. TWO MEMBERS MUST BE FROM THE SENATE AND TWO
 19 MEMBERS MUST BE FROM THE HOUSE OF REPRESENTATIVES. THE
 20 SPEAKER OF THE HOUSE AND THE SENATE COMMITTEE ON COMMITTEES
 21 SHALL APPOINT THE MEMBERS OF THE LIAISON COMMITTEE, AND NO
 22 MORE THAN TWO MEMBERS MAY BE OF THE SAME POLITICAL PARTY.

23 (3) A MEMBER OF THE LIAISON COMMITTEE IS ENTITLED TO
 24 COMPENSATION AND EXPENSES AS PROVIDED IN 5-2-302, WHILE
 25 PERFORMING HIS DUTIES AS A MEMBER OF THE LIAISON COMMITTEE,

1 PAID FROM ANY MONEY IN THE ALLOCATION UNDER [SECTION 13(2),
 2 CHAPTER 669, LAWS OF 1985].

3 Section 3. Section 8, Chapter 669, Laws of 1985, is
 4 amended to read:

5 "Section 8. Assistant director for security --
 6 qualifications -- duties -- compensation. (1) The director
 7 shall appoint an assistant director for security, who serves
 8 at the pleasure of the director.

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

13 (3) The assistant director for security shall:

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

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

1 (c) in conjunction with the director, report any
 2 alleged violation of law to the attorney general, the
 3 legislative auditor, and any other appropriate law
 4 enforcement authority for further investigation and action.

5 (4) The salary of the assistant director for security
 6 is equal to 90% of the salary of the director of the
 7 lottery."

8 Section 4. Section 13, Chapter 669, Laws of 1985, is
 9 amended to read:

10 "Section 13. Disposition of revenue. (1) (a) As near
 11 as possible to 45% of the money paid for tickets or chances
 12 ~~in each separate state lottery game~~ must be paid out as
 13 prize money ~~for the game, except as provided in subsection~~
 14 (b).

15 (b) In the case of a regional lottery game, a maximum
 16 of 50% of the money paid for tickets or chances may be paid
 17 out as prize money.

18 (2) Up to 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 not a state lottery
 22 operating expense.

23 (3) Funds to pay the operating expenses of the lottery
 24 are statutorily appropriated as provided in 17-7-502.

25 ~~(4)~~ (4) That part of all gross revenue not used for the

1 payment of prizes, commissions, and operating expenses is
 2 net revenue and must be paid quarterly from the enterprise
 3 fund established by [section 12] to the superintendent of
 4 public instruction for distribution as equalization aid to
 5 the retirement funds required by 20-9-501. {The net revenue
 6 is statutorily appropriated, as provided in {~~section 2 of~~
 7 ~~House Bill 12~~} 17-7-502.} The superintendent of public
 8 instruction shall establish the dollar amount per ANB by
 9 dividing the net lottery revenue for the school year by the
 10 total state ANB in the prior school year. He shall then
 11 notify each county superintendent by the fourth Monday of
 12 July of the total retirement fund equalization aid available
 13 to the county, as calculated separately for elementary and
 14 high school districts using the prior year's ANB and
 15 prorated as specified in 20-9-501(6) for any joint school
 16 district, and each county superintendent must use such
 17 amounts to reduce the total retirement fund levy requirement
 18 for elementary school districts and the total retirement
 19 fund levy requirement for high school districts. The
 20 superintendent of public instruction shall then distribute
 21 by state warrant the total amount of ~~retirement--fund~~
 22 equalization-aid net lottery revenue available that has been
 23 deposited in the superintendent of public instruction
 24 lottery account for each county by October 1 of the school
 25 fiscal year."

1 Section 5. Section 16, Chapter 669, Laws of 1985, is
 2 amended to read:

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

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

20 (3) Prizes over \$100,000 may in the discretion of the
 21 commission be paid either in one lump sum or in equal yearly
 22 installments without interest over a period of not more than
 23 ~~±~~ 20 years, except that each installment payment must be at
 24 least \$20,000.

25 (4) Prizes not claimed within 6 months are forfeited

1 and must be paid into the state lottery fund. No interest is
2 due on a prize when a claim is delayed but made within 6
3 months.

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

7 Section 6. Section 17, Chapter 669, Laws of 1985, is
8 amended to read:

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

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

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

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

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

24 (iv) if the supplier is a corporation, the officers,
25 directors, and each owner or holder, directly or indirectly,

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

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

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

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

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

1 submit to the commission a full set of fingerprints of such
2 person made at a law enforcement agency by an agent or
3 officer of such agency on forms supplied by the agency;

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

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

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

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

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

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

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

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

15 Section 7. Section 24, Chapter 669, Laws of 1985, is
16 amended to read:

17 "Section 24. Temporary state treasury line of credit
18 for expense of starting state lottery. There is a temporary
19 line of credit that may be drawn by the director of the
20 state lottery from the state general fund and deposited in
21 the state lottery fund, in the amount of \$1,500,000. This
22 temporary line of credit may be drawn upon only during the
23 first 12 months after the effective date of [sections 1
24 through 20] and only for the purpose of financing the
25 initial expenses of starting the state lottery. The director

1 may draw upon all or part of this temporary line of credit.
 2 This temporary line of credit must be available for
 3 expenditure regardless of fiscal or biennium yearend. Any
 4 funds advanced under the temporary line of credit must be
 5 repaid out of the lottery's net revenue to the general fund
 6 within 1 year of the advance, and no net revenue may be paid
 7 out under [section 13(3)] until all advanced funds are
 8 repaid. Interest must be paid at an annual simple interest
 9 rate of 10% on funds advanced, commencing on the day funds
 10 are advanced and until the funds are repaid."

11 NEW SECTION. Section 8. Certain audit findings
 12 confidential. Specific audit findings relating to security
 13 invasion techniques are confidential and may be reported
 14 only to the legislative audit committee, the director of the
 15 lottery, the commission, the attorney general, and the
 16 governor.

17 Section 9. Section 17-7-502, MCA, is amended to read:

18 "17-7-502. Statutory appropriations -- definition --
 19 requisites for validity. (1) A statutory appropriation is an
 20 appropriation made by permanent law that authorizes spending
 21 by a state agency without the need for a biennial
 22 legislative appropriation or budget amendment.

23 (2) Except as provided in subsection (4), to be
 24 effective, a statutory appropriation must comply with both
 25 of the following provisions:

1 (a) The law containing the statutory authority must be
 2 listed in subsection (3).

3 (b) The law or portion of the law making a statutory
 4 appropriation must specifically state that a statutory
 5 appropriation is made as provided in this section.

6 (3) The following laws are the only laws containing
 7 statutory appropriations:

- 8 (a) 2-9-202;
- 9 (b) 2-17-105;
- 10 (c) 2-18-812;
- 11 (d) 10-3-203;
- 12 (e) 10-3-312;
- 13 (f) 10-3-314;
- 14 (g) 10-4-301;
- 15 (h) 13-37-304;
- 16 (i) 15-31-702;
- 17 (j) 15-36-112;
- 18 (k) 15-70-101;
- 19 (l) 16-1-404;
- 20 (m) 16-1-410;
- 21 (n) 16-1-411;
- 22 (o) 17-3-212;
- 23 (p) 17-5-404;
- 24 (q) 17-5-424;
- 25 (r) 17-5-804;

1 (s) 19-8-504;
 2 (t) 19-9-702;
 3 (u) 19-9-1007;
 4 (v) 19-10-205;
 5 (w) 19-10-305;
 6 (x) 19-10-506;
 7 (y) 19-11-512;
 8 (z) 19-11-513;
 9 (aa) 19-11-606;
 10 (bb) 19-12-301;
 11 (cc) 19-13-604;
 12 (dd) 20-6-406;
 13 (ee) 20-8-111;
 14 (ff) 23-5-612;
 15 (gg) 37-51-501;
 16 (hh) 53-24-206;
 17 (ii) 75-1-1101;
 18 (jj) 75-7-305;
 19 (kk) 80-2-103;
 20 (ll) 80-2-228;
 21 (mm) 90-3-301;
 22 (nn) 90-3-302;
 23 (oo) 90-15-103; and
 24 (pp) Sec. 13, HB 861, L. 1985.; and
 25 (qq) [Sec. 13, Chapter 669, L. 1985, as amended by

1 section 4].
 2 (4) There is a statutory appropriation to pay the
 3 principal, interest, premiums, and costs of issuing, paying,
 4 and securing all bonds, notes, or other obligations, as due,
 5 that have been authorized and issued pursuant to the laws of
 6 Montana. Agencies that have entered into agreements
 7 authorized by the laws of Montana to pay the state
 8 treasurer, for deposit in accordance with 17-2-101 through
 9 17-2-107, as determined by the state treasurer, an amount
 10 sufficient to pay the principal and interest as due on the
 11 bonds or notes have statutory appropriation authority for
 12 such payments."
 13 SECTION 10. SECTION 2-18-103, MCA, IS AMENDED TO READ:
 14 "2-18-103. Officers and employees excepted. Parts 1
 15 and 2 do not apply to the following positions in state
 16 government:
 17 (1) elected officials;
 18 (2) county assessors and their chief deputy;
 19 (3) officers and employees of the legislative branch;
 20 (4) judges and employees of the judicial branch;
 21 (5) members of boards and commissions appointed by the
 22 governor, appointed by the legislature, or appointed by
 23 other elected state officials;
 24 (6) officers or members of the militia;
 25 (7) agency heads appointed by the governor;

1 (8) academic and professional administrative personnel
 2 with individual contracts under the authority of the board
 3 of regents of higher education;

4 (9) academic and professional administrative personnel
 5 and live-in houseparents who have entered into individual
 6 contracts with the state school for the deaf and blind under
 7 the authority of the state board of public education;

8 (10) teachers under the authority of the department of
 9 institutions;

10 (11) investment officer and assistant investment
 11 officer of the board of investments; and

12 (12) four professional staff positions under the board
 13 of oil and gas conservation; and

14 (13) assistant director for security of the Montana
 15 state lottery."

16 NEW SECTION. Section 11. Codification instruction.
 17 Section SECTIONS 2 AND 8 is ARE intended to be codified as
 18 an integral part of the Montana State Lottery Act of 1985,
 19 and the provisions of the Montana State Lottery Act of 1985
 20 apply to section SECTIONS 2 AND 8.

21 NEW SECTION. Section 12. Extension of authority. Any
 22 existing authority of the state lottery commission to make
 23 rules on the subject of the provisions of this act is
 24 extended to the provisions of this act.

25 NEW SECTION. Section 13. Effective date. This act is

1 effective on passage and approval.

-End-

1 HOUSE BILL NO. 374

2 INTRODUCED BY PAVLOVICH, STIMATZ

3 BY REQUEST OF THE DEPARTMENT OF COMMERCE
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
6 MONTANA STATE LOTTERY ACT OF 1985; TO ALLOW REGIONAL LOTTERY
7 GAMES; TO PROVIDE FOR A LEGISLATIVE LIAISON COMMITTEE; TO
8 PROVIDE THAT COMMISSIONS PAID TO LOTTERY TICKET AND CHANCE
9 SALES AGENTS ARE NOT STATE LOTTERY OPERATING EXPENSES; TO
10 CLARIFY USE OF THE TEMPORARY LINE OF CREDIT; TO PROVIDE FOR
11 THE ASSISTANT DIRECTOR'S SALARY; TO INCREASE PRIZE
12 INSTALLMENT PAYMENTS FROM 10 TO 20 YEARS; TO PROVIDE FOR
13 CONFIDENTIALITY OF CERTAIN AUDIT FINDINGS; TO PROVIDE FOR
14 STATUTORY APPROPRIATION OF OPERATING EXPENSES; AMENDING
15 SECTIONS 5, 7, 8, 13, 16, 17, AND 24, CHAPTER 669, LAWS OF
16 1985, AND SECTION SECTIONS 2-18-103 AND 17-7-502, MCA; AND
17 PROVIDING AN IMMEDIATE EFFECTIVE DATE."
18

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

20 Section 1. Section 5, Chapter 669, Laws of 1985, is
21 amended to read:22 "Section 5. Powers and duties of commission. The
23 commission shall:24 (1) establish and operate a state lottery and may not
25 become involved in any other gambling or gaming;

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

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

9 (4) provide for the conduct of drawings of winners of
10 lottery games;

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

15 (6) study the possibility of working and may enter
16 into agreements with other lottery states to offer regional
17 lottery games;

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

1 the senate, the speaker of the house of representatives, and
 2 each member of the appropriate committee of each house of
 3 the legislature as determined by the president of the senate
 4 and the speaker of the house; and

5 (8) adopt rules necessary to carry out [sections 1
 6 through 20]."

7 Section 2, Section 7, Chapter 669, laws of 1985, is
 8 amended to read:

9 "Section 7. Powers and duties of director. (1) The
 10 director shall:

11 (a) administer the operation of the state lottery in
 12 accordance with sections 1 through 20 and the rules and
 13 other directives of the commission;

14 (b) appoint an assistant director for security and
 15 employ and direct personnel necessary to the operation of
 16 the state lottery;

17 (c) license lottery ticket or chance sales agents and
 18 suspend or revoke licenses pursuant to sections 1 through
 19 20 and commission rules; and

20 (d) maintain, with the assistant director for
 21 security, the security of the state lottery;

22 (2) With the concurrence of the commission or pursuant
 23 to commission rules, the director may enter into contracts
 24 for materials, equipment, and supplies to be used in the
 25 operation of the state lottery, for the design and

1 installation of games, for consultant services, and for
 2 promotion of the lottery. All contracts must be made in
 3 accordance with state law. No contract is legal or
 4 enforceable that provides for the management of the state
 5 lottery or for the entire operation of its games by any
 6 private person or firm. When a contract is awarded, a
 7 performance bond satisfactory to the commission and executed
 8 by a surety company authorized to do business in this state
 9 or otherwise secured in a manner satisfactory to the
 10 commission, in an amount equal to the price of the contract,
 11 must be delivered to the commission.

12 (3) The director may appoint a bipartisan legislative
 13 liaison committee of two senators and two representatives."

14 NEW SECTION. SECTION 2. LEGISLATIVE LIAISON COMMITTEE
 15 -- BIPARTISAN -- COMPENSATION FROM LOTTERY FUND. (1) THERE
 16 IS A LEGISLATIVE LIAISON COMMITTEE.

17 (2) THE LIAISON COMMITTEE CONSISTS OF FOUR
 18 LEGISLATORS. TWO MEMBERS MUST BE FROM THE SENATE AND TWO
 19 MEMBERS MUST BE FROM THE HOUSE OF REPRESENTATIVES. THE
 20 SPEAKER OF THE HOUSE AND THE SENATE COMMITTEE ON COMMITTEES
 21 SHALL APPOINT THE MEMBERS OF THE LIAISON COMMITTEE, AND NO
 22 MORE THAN TWO MEMBERS MAY BE OF THE SAME POLITICAL PARTY. NO
 23 LEGISLATOR WHO HAS ANY OWNERSHIP INTEREST IN ANY GAMBLING
 24 DEVICE OR ESTABLISHMENT MAY BE APPOINTED TO THE LIAISON
 25 COMMITTEE.

1 (3) A MEMBER OF THE LIAISON COMMITTEE IS ENTITLED TO
 2 COMPENSATION AND EXPENSES AS PROVIDED IN 5-2-302, PAID FROM
 3 ANY MONEY IN THE ALLOCATION UNDER [SECTION 13(2), CHAPTER
 4 669, LAWS OF 1985], WHILE PERFORMING HIS DUTIES AS A MEMBER
 5 OF THE LIAISON COMMITTEE, PAID--FROM--ANY--MONEY--IN--THE
 6 ALLOCATION-UNDER-[SECTION-13(2)]-CHAPTER-669,-LAWS-OF-1985]-
 7 AS PROVIDED IN SUBSECTION (4) OF THIS SECTION.

8 (4) THE LIAISON COMMITTEE SHALL MEET ONCE EACH FISCAL
 9 YEAR WITH THE COMMISSION AT HELENA AND SHALL REPORT TO EACH
 10 LEGISLATURE ON THE ACTIVITIES AND OPERATIONS OF THE STATE
 11 LOTTERY.

12 Section 3. Section 8, Chapter 669, Laws of 1985, is
 13 amended to read:

14 "Section 8. Assistant director for security --
 15 qualifications -- duties -- compensation. (1) The director
 16 shall appoint an assistant director for security, who serves
 17 at the pleasure of the director.

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

22 (3) The assistant director for security shall:

23 (a) be responsible for a security division to assure
 24 security, honesty, fairness, and integrity in the operation
 25 and administration of the lottery, including but not limited

1 to an examination of the background of all prospective
 2 employees, ticket or chance sales agents, lottery vendors,
 3 and lottery contractors. The security division is designated
 4 a law enforcement agency for the purpose of administering
 5 [sections 1 through 20].

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

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

14 (4) The salary of the assistant director for security
 15 is equal to 90% of the salary of the director of the
 16 lottery."

17 Section 4. Section 13, Chapter 669, Laws of 1985, is
 18 amended to read:

19 "Section 13. Disposition of revenue. (1) (a) As near
 20 as possible to 45% of the money paid for tickets or chances
 21 in-each-separate-state-lottery-game must be paid out as
 22 prize money for-the-game, except as provided in subsection
 23 (b).

24 (b) In the case of a regional lottery game, a maximum
 25 of 50% of the money paid for tickets or chances may be paid

1 out as prize money.

2 (2) Up to 15% of the gross revenue from the state
 3 lottery may be used by the director to pay the operating
 4 expenses of the state lottery. Commissions paid to lottery
 5 ticket or chance sales agents are not a state lottery
 6 operating expense.

7 (3) Funds to pay the operating expenses of the lottery
 8 are statutorily appropriated as provided in 17-7-502.

9 ~~(3)~~(4) That part of all gross revenue not used for the
 10 payment of prizes, commissions, and operating expenses is
 11 net revenue and must be paid quarterly from the enterprise
 12 fund established by [section 12] to the superintendent of
 13 public instruction for distribution as equalization aid to
 14 the retirement funds required by 20-9-501. ~~{The net revenue~~
 15 ~~is statutorily appropriated, as provided in {section 2 of~~
 16 ~~House-Bill--12} 17-7-502.~~ The superintendent of public
 17 instruction shall establish the dollar amount per ANB by
 18 dividing the net lottery revenue for the school year by the
 19 total state ANB in the prior school year. He shall then
 20 notify each county superintendent by the fourth Monday of
 21 July of the total retirement fund equalization aid available
 22 to the county, as calculated separately for elementary and
 23 high school districts using the prior year's ANB and
 24 prorated as specified in 20-9-501(6) for any joint school
 25 district, and each county superintendent must use such

1 amounts to reduce the total retirement fund levy requirement
 2 for elementary school districts and the total retirement
 3 fund levy requirement for high school districts. The
 4 superintendent of public instruction shall then distribute
 5 by state warrant the total amount of ~~retirement--fund~~
 6 equalization-aid net lottery revenue available that has been
 7 deposited in the superintendent of public instruction
 8 lottery account for each county by October 1 of the school
 9 fiscal year."

10 Section 5. Section 16, Chapter 669, Laws of 1985, is
 11 amended to read:

12 "Section 16. Drawings for and payment of prizes --
 13 unclaimed prizes. (1) All drawings must be held in public.
 14 The selection of winning tickets may not be performed by an
 15 employee of the lottery or by a member of the commission.
 16 All drawings must be witnessed by a professional staff
 17 employee of the legislative auditor's office, and all
 18 lottery drawing equipment used in public drawings to select
 19 winning prizes or participants for prizes must be examined
 20 by the director's staff and a professional staff employee of
 21 the legislative auditor's office prior to and after each
 22 public drawing.

23 (2) The commission may provide for the immediate
 24 payment of prizes by the ticket or chance sales agent who
 25 sold the winning ticket or chance whenever the amount of the

1 prize is less than an amount set by commission rule.
 2 Payment may not be made directly by a machine or device or
 3 by a computer terminal.

4 (3) Prizes over \$100,000 may in the discretion of the
 5 commission be paid either in one lump sum or in equal yearly
 6 installments without interest over a period of not more than
 7 ±0 20 years, except that each installment payment must be at
 8 least \$20,000.

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

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

16 Section 6. Section 17, Chapter 669, Laws of 1985, is
 17 amended to read:

18 "Section 17. Disclosures by gaming suppliers. (1) Any
 19 person, firm, association, or corporation that submits a bid
 20 or proposal for a contract to supply lottery equipment,
 21 tickets, or other material or consultant services for use in
 22 the operation of the state lottery shall disclose at the
 23 time of such bid or proposal:

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

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

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

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

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

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

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

1 in which the supplier is authorized to do business and the
 2 nature of that business;

3 (c) other jurisdictions in which the supplier has
 4 contracts to supply gaming materials, equipment, or
 5 consultant services;

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

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

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

21 (g) a statement of the gross receipts realized in the
 22 preceding year from gaming consultant services and the sale,
 23 lease, or distribution of gaming materials or equipment to
 24 states operating lotteries and to private persons licensed
 25 to conduct gambling, differentiating that portion of the

1 gross receipts attributable to transactions with states
 2 operating lotteries from that portion of the gross receipts
 3 attributable to transactions with private persons licensed
 4 to conduct gambling;

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

7 (i) the number of years the supplier has been in the
 8 business of supplying gaming consultant services or gaming
 9 materials or equipment; and

10 (j) any other information, accompanied by any
 11 documents the commission by rule may reasonably require as
 12 being necessary or appropriate in the public interest to
 13 accomplish the purposes of {sections 1 through 20}.

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

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

24 Section 7. Section 24, Chapter 669, Laws of 1985, is
 25 amended to read:

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

20 NEW SECTION. Section 8. Certain audit findings
 21 confidential. Specific audit findings relating to security
 22 invasion techniques are confidential and may be reported
 23 only to the legislative audit committee, the director of the
 24 lottery, the commission, the attorney general, and the
 25 governor.

1 Section 9. Section 17-7-502, MCA, is amended to read:
 2 "17-7-502. Statutory appropriations -- definition --
 3 requisites for validity. (1) A statutory appropriation is an
 4 appropriation made by permanent law that authorizes spending
 5 by a state agency without the need for a biennial
 6 legislative appropriation or budget amendment.
 7 (2) Except as provided in subsection (4), to be
 8 effective, a statutory appropriation must comply with both
 9 of the following provisions:
 10 (a) The law containing the statutory authority must be
 11 listed in subsection (3).
 12 (b) The law or portion of the law making a statutory
 13 appropriation must specifically state that a statutory
 14 appropriation is made as provided in this section.
 15 (3) The following laws are the only laws containing
 16 statutory appropriations:
 17 (a) 2-9-202;
 18 (b) 2-17-105;
 19 (c) 2-18-812;
 20 (d) 10-3-203;
 21 (e) 10-3-312;
 22 (f) 10-3-314;
 23 (g) 10-4-301;
 24 (h) 13-37-304;
 25 (i) 15-31-702;

1 (j) 15-36-112;
 2 (k) 15-70-101;
 3 (l) 16-1-404;
 4 (m) 16-1-410;
 5 (n) 16-1-411;
 6 (o) 17-3-212;
 7 (p) 17-5-404;
 8 (q) 17-5-424;
 9 (r) 17-5-804;
 10 (s) 19-8-504;
 11 (t) 19-9-702;
 12 (u) 19-9-1007;
 13 (v) 19-10-205;
 14 (w) 19-10-305;
 15 (x) 19-10-506;
 16 (y) 19-11-512;
 17 (z) 19-11-513;
 18 (aa) 19-11-606;
 19 (bb) 19-12-301;
 20 (cc) 19-13-604;
 21 (dd) 20-6-406;
 22 (ee) 20-8-111;
 23 (ff) 23-5-612;
 24 (gg) 37-51-501;
 25 (hh) 53-24-206;

1 (ii) 75-1-1101;
 2 (jj) 75-7-305;
 3 (kk) 80-2-103;
 4 (ll) 80-2-228;
 5 (mm) 90-3-301;
 6 (nn) 90-3-302;
 7 (oo) 90-15-103; and
 8 (pp) Sec. 13, HB 861, L. 1985; and
 9 (qq) [Sec. 13, Chapter 669, L. 1985, as amended by
 10 section 4].

11 (4) There is a statutory appropriation to pay the
 12 principal, interest, premiums, and costs of issuing, paying,
 13 and securing all bonds, notes, or other obligations, as due,
 14 that have been authorized and issued pursuant to the laws of
 15 Montana. Agencies that have entered into agreements
 16 authorized by the laws of Montana to pay the state
 17 treasurer, for deposit in accordance with 17-2-101 through
 18 17-2-107, as determined by the state treasurer, an amount
 19 sufficient to pay the principal and interest as due on the
 20 bonds or notes have statutory appropriation authority for
 21 such payments."

22 SECTION 10. SECTION 2-18-103, MCA, IS AMENDED TO READ:
 23 "2-18-103. Officers and employees excepted. Parts 1
 24 and 2 do not apply to the following positions in state
 25 government:

- 1 (1) elected officials;
- 2 (2) county assessors and their chief deputy;
- 3 (3) officers and employees of the legislative branch;
- 4 (4) judges and employees of the judicial branch;
- 5 (5) members of boards and commissions appointed by the
- 6 governor, appointed by the legislature, or appointed by
- 7 other elected state officials;
- 8 (6) officers or members of the militia;
- 9 (7) agency heads appointed by the governor;
- 10 (8) academic and professional administrative personnel
- 11 with individual contracts under the authority of the board
- 12 of regents of higher education;
- 13 (9) academic and professional administrative personnel
- 14 and live-in houseparents who have entered into individual
- 15 contracts with the state school for the deaf and blind under
- 16 the authority of the state board of public education;
- 17 (10) teachers under the authority of the department of
- 18 institutions;
- 19 (11) investment officer and assistant investment
- 20 officer of the board of investments; and
- 21 (12) four professional staff positions under the board
- 22 of oil and gas conservation; and
- 23 (13) assistant director for security of the Montana
- 24 state lottery."
- 25 NEW SECTION. Section 11. Codification instruction.

1 Section SECTIONS 2 AND 8 is ARE intended to be codified as
 2 an integral part of the Montana State Lottery Act of 1985,
 3 and the provisions of the Montana State Lottery Act of 1985
 4 apply to section SECTIONS 2 AND 8.
 5 NEW SECTION. Section 12. Extension of authority. Any
 6 existing authority of the state lottery commission to make
 7 rules on the subject of the provisions of this act is
 8 extended to the provisions of this act.
 9 NEW SECTION. Section 13. Effective date. This act is
 10 effective on passage and approval.

-End-

HOUSE BILL NO. 374

INTRODUCED BY PAVLOVICH, STIMATZ

BY REQUEST OF THE DEPARTMENT OF COMMERCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE MONTANA STATE LOTTERY ACT OF 1985; TO ALLOW REGIONAL LOTTERY GAMES; TO PROVIDE FOR A LEGISLATIVE LIAISON COMMITTEE; TO PROVIDE THAT COMMISSIONS PAID TO LOTTERY TICKET AND CHANCE SALES AGENTS ARE NOT STATE LOTTERY OPERATING EXPENSES; TO CLARIFY USE OF THE TEMPORARY LINE OF CREDIT; ~~TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY;~~ TO INCREASE PRIZE INSTALLMENT PAYMENTS FROM 10 TO 20 YEARS; TO PROVIDE FOR CONFIDENTIALITY OF CERTAIN AUDIT FINDINGS; TO FURTHER CLARIFY SALES RESTRICTIONS; TO PROVIDE FOR STATUTORY APPROPRIATION OF OPERATING EXPENSES; AMENDING SECTIONS 5, 7, ~~8, 10, 13, 16, 17, AND 24,~~ CHAPTER 669, LAWS OF 1985, AND ~~SECTION SECTIONS 2-18-103 AND~~ SECTION 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 5, Chapter 669, Laws of 1985, is amended to read:

"Section 5. Powers and duties of commission. The commission shall:

- (1) establish and operate a state lottery and may not

become involved in any other gambling or gaming;

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

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

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

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

- (6) study the possibility of working and may enter into agreements with other lottery states to offer regional lottery games;

- (7) prepare quarterly and annual reports on all aspects of the operation of the state lottery, including but not limited to types of games, gross revenue, prize money paid, operating expenses, net revenue to the state, contracts with gaming suppliers, and recommendations for changes to [sections 1 through 20], and deliver a copy of each report to the governor, the department of



1 administration, the legislative auditor, the president of
 2 the senate, the speaker of the house of representatives, and
 3 each member of the appropriate committee of each house of
 4 the legislature as determined by the president of the senate
 5 and the speaker of the house; and

6 (8) adopt rules necessary to carry out [sections 1
 7 through 20]."

8 Section 2, Section 7, Chapter 669, Laws of 1985, is
 9 amended to read:

10 "Section 7, Powers and duties of director, (1) The
 11 director shall:

12 (a) administer the operation of the state lottery in
 13 accordance with {sections 1 through 20} and the rules and
 14 other directives of the commission;

15 (b) appoint an assistant director for security and
 16 employ and direct personnel necessary to the operation of
 17 the state lottery;

18 (c) license lottery ticket or chance sales agents and
 19 suspend or revoke licenses pursuant to {sections 1 through
 20 20} and commission rules; and

21 (d) maintain, with the assistant director for
 22 security, the security of the state lottery;

23 (2) With the concurrence of the commission or pursuant
 24 to commission rules, the director may enter into contracts
 25 for materials, equipment, and supplies to be used in the

1 operation of the state lottery, for the design and
 2 installation of games, for consultant services, and for
 3 promotion of the lottery. All contracts must be made in
 4 accordance with state law. No contract is legal or
 5 enforceable that provides for the management of the state
 6 lottery or for the entire operation of its games by any
 7 private person or firm. When a contract is awarded, a
 8 performance bond satisfactory to the commission and executed
 9 by a surety company authorized to do business in this state
 10 or otherwise secured in a manner satisfactory to the
 11 commission, in an amount equal to the price of the contract,
 12 must be delivered to the commission;

13 (3) The director may appoint a bipartisan legislative
 14 liaison committee of two senators and two representatives."

15 NEW SECTION. SECTION 2. LEGISLATIVE LIAISON COMMITTEE
 16 -- BIPARTISAN -- COMPENSATION FROM LOTTERY FUND. (1) THERE
 17 IS A LEGISLATIVE LIAISON COMMITTEE.

18 (2) THE LIAISON COMMITTEE CONSISTS OF FOUR
 19 LEGISLATORS. TWO MEMBERS MUST BE FROM THE SENATE AND TWO
 20 MEMBERS MUST BE FROM THE HOUSE OF REPRESENTATIVES. THE
 21 SPEAKER OF THE HOUSE AND THE SENATE COMMITTEE ON COMMITTEES
 22 SHALL APPOINT THE MEMBERS OF THE LIAISON COMMITTEE, AND NO
 23 MORE THAN TWO MEMBERS MAY BE OF THE SAME POLITICAL PARTY. NO
 24 LEGISLATOR WHO HAS ANY OWNERSHIP INTEREST IN ANY GAMBLING
 25 DEVICE OR ESTABLISHMENT MAY BE APPOINTED TO THE LIAISON

1 COMMITTEE.

2 (3) A MEMBER OF THE LIAISON COMMITTEE IS ENTITLED TO
 3 COMPENSATION AND EXPENSES AS PROVIDED IN 5-2-302, PAID FROM
 4 ANY MONEY IN THE ALLOCATION UNDER [SECTION 13(2), CHAPTER
 5 669, LAWS OF 1985], WHILE PERFORMING HIS DUTIES AS A MEMBER
 6 OF THE LIAISON COMMITTEE, PAID FROM ANY MONEY IN THE
 7 ALLOCATION UNDER [SECTION 13(2), CHAPTER 669, LAWS OF 1985].
 8 AS PROVIDED IN SUBSECTION (4) OF THIS SECTION.

9 (4) THE LIAISON COMMITTEE SHALL MEET ONCE EACH FISCAL
 10 YEAR WITH THE COMMISSION AT HELENA AND SHALL REPORT TO EACH
 11 LEGISLATURE ON THE ACTIVITIES AND OPERATIONS OF THE STATE
 12 LOTTERY.

13 Section 3. Section 8, Chapter 669, Laws of 1985, is
 14 amended to read:

15 "Section 8. Assistant director for security. ---
 16 qualifications. --- duties. --- compensation. (1) The director
 17 shall appoint an assistant director for security, who serves
 18 at the pleasure of the director.

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

23 (3) The assistant director for security shall:

24 (a) be responsible for a security division to assure
 25 security, honesty, fairness, and integrity in the operation

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

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

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

15 (4) The salary of the assistant director for security
 16 is equal to 90% of the salary of the director of the
 17 lottery."

18 Section 3. Section 13, Chapter 669, Laws of 1985, is
 19 amended to read:

20 "Section 13. Disposition of revenue. (1) (a) As near
 21 as possible to 45% of the money paid for tickets or chances
 22 in each separate state lottery game must be paid out as
 23 prize money for the game, except as provided in subsection

24 (b).

25 (b) In the case of a regional lottery game, a maximum

1 of 50% of the money paid for tickets or chances may be paid
2 out as prize money.

3 (2) Up to 15% of the gross revenue from the state
4 lottery may be used by the director to pay the operating
5 expenses of the state lottery. Commissions paid to lottery
6 ticket or chance sales agents are not a state lottery
7 operating expense.

8 (3) Funds to pay the operating expenses of the lottery
9 are statutorily appropriated as provided in 17-7-502.

10 ~~(3)~~(4) That part of all gross revenue not used for the
11 payment of prizes, commissions, and operating expenses is
12 net revenue and must be paid quarterly from the enterprise
13 fund established by [section 12] to the superintendent of
14 public instruction for distribution as equalization aid to
15 the retirement funds required by 20-9-501. ~~{The net revenue~~
16 ~~is statutorily appropriated, as provided in {section-2-of~~
17 ~~House-Bill--12} 17-7-502.~~ The superintendent of public
18 instruction shall establish the dollar amount per ANB by
19 dividing the net lottery revenue for the school year by the
20 total state ANB in the prior school year. He shall then
21 notify each county superintendent by the fourth Monday of
22 July of the total retirement fund equalization aid available
23 to the county, as calculated separately for elementary and
24 high school districts using the prior year's ANB and
25 prorated as specified in 20-9-501(6) for any joint school

1 district, and each county superintendent must use such
2 amounts to reduce the total retirement fund levy requirement
3 for elementary school districts and the total retirement
4 fund levy requirement for high school districts. The
5 superintendent of public instruction shall then distribute
6 by state warrant the total amount of ~~retirement--fund~~
7 equalization-aid net lottery revenue available that has been
8 deposited in the superintendent of public instruction
9 lottery account for each county by October 1 of the school
10 fiscal year."

11 Section 4. Section 16, Chapter 669, Laws of 1985, is
12 amended to read:

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

24 (2) The commission may provide for the immediate
25 payment of prizes by the ticket or chance sales agent who

1 sold the winning ticket or chance whenever the amount of the
2 prize is less than an amount set by commission rule.
3 Payment may not be made directly by a machine or device or
4 by a computer terminal.

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

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

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

17 Section 5. Section 17, Chapter 669, Laws of 1985, is
18 amended to read:

19 "Section 17. Disclosures by gaming suppliers. (1) Any
20 person, firm, association, or corporation that submits a bid
21 or proposal for a contract to supply lottery equipment,
22 tickets, or other material or consultant services for use in
23 the operation of the state lottery shall disclose at the
24 time of such bid or proposal:

25 (a) the supplier's business name and address and the

1 names and addresses of the following:

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

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

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

9 (iv) if the supplier is a corporation, the officers,
10 directors, and each owner or holder, directly or indirectly,
11 of any equity security or other evidence of ownership of any
12 interest in the corporation; except that, in the case of
13 owners or holders of publicly held equity securities of 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 (v) if the supplier is a subsidiary company, each
18 intermediary company, holding company, or parent company
19 involved therewith and the officers, directors, and
20 stockholders of each; except that, in the case of owners or
21 holders of publicly held securities of an intermediary
22 company, holding company, or parent company which is a
23 publicly traded corporation, only the names and addresses of
24 those owning or holding 5% or more of the publicly held
25 securities must be disclosed;

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

4 (c) other jurisdictions in which the supplier has
5 contracts to supply gaming materials, equipment, or
6 consultant services;

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

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

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

22 (g) a statement of the gross receipts realized in the
23 preceding year from gaming consultant services and the sale,
24 lease, or distribution of gaming materials or equipment to
25 states operating lotteries and to private persons licensed

1 to conduct gambling, differentiating that portion of the
2 gross receipts attributable to transactions with states
3 operating lotteries from that portion of the gross receipts
4 attributable to transactions with private persons licensed
5 to conduct gambling;

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

8 (i) the number of years the supplier has been in the
9 business of supplying gaming consultant services or gaming
10 materials or equipment; and

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

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

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

25 Section 6. Section 24, Chapter 669, Laws of 1985, is

1 amended to read:

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

21 NEW SECTION. Section 7. Certain audit findings
 22 confidential. Specific audit findings relating to security
 23 invasion techniques are confidential and may be reported
 24 only to the legislative audit committee, the director of the
 25 lottery, the commission, the attorney general, and the

1 governor.

2 SECTION 8. SECTION 10, CHAPTER 669, LAWS OF 1985, IS
 3 AMENDED TO READ:

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

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

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

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

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

21 Section 9. Section 17-7-502, MCA, is amended to read:

22 "17-7-502. Statutory appropriations -- definition --
 23 requisites for validity. (1) A statutory appropriation is an
 24 appropriation made by permanent law that authorizes spending
 25 by a state agency without the need for a biennial

1 legislative appropriation or budget amendment.

2 (2) Except as provided in subsection (4), to be

3 effective, a statutory appropriation must comply with both

4 of the following provisions:

5 (a) The law containing the statutory authority must be

6 listed in subsection (3).

7 (b) The law or portion of the law making a statutory

8 appropriation must specifically state that a statutory

9 appropriation is made as provided in this section.

10 (3) The following laws are the only laws containing

11 statutory appropriations:

12 (a) 2-9-202;

13 (b) 2-17-105;

14 (c) 2-18-812;

15 (d) 10-3-203;

16 (e) 10-3-312;

17 (f) 10-3-314;

18 (g) 10-4-301;

19 (h) 13-37-304;

20 (i) 15-31-702;

21 (j) 15-36-112;

22 (k) 15-70-101;

23 (l) 16-1-404;

24 (m) 16-1-410;

25 (n) 16-1-411;

1 (o) 17-3-212;

2 (p) 17-5-404;

3 (q) 17-5-424;

4 (r) 17-5-804;

5 (s) 19-8-504;

6 (t) 19-9-702;

7 (u) 19-9-1007;

8 (v) 19-10-205;

9 (w) 19-10-305;

10 (x) 19-10-506;

11 (y) 19-11-512;

12 (z) 19-11-513;

13 (aa) 19-11-606;

14 (bb) 19-12-301;

15 (cc) 19-13-604;

16 (dd) 20-6-406;

17 (ee) 20-8-111;

18 (ff) 23-5-612;

19 (gg) 37-51-501;

20 (hh) 53-24-206;

21 (ii) 75-1-1101;

22 (jj) 75-7-305;

23 (kk) 80-2-103;

24 (ll) 80-2-228;

25 (mm) 90-3-301;

1 (nn) 90-3-302;
 2 (oo) 90-15-103; and
 3 (pp) Sec. 13, HB 861, L. 1985; and
 4 (qq) [Sec. 13, Chapter 669, L. 1985, as amended by
 5 section 4].

6 (4) There is a statutory appropriation to pay the
 7 principal, interest, premiums, and costs of issuing, paying,
 8 and securing all bonds, notes, or other obligations, as due,
 9 that have been authorized and issued pursuant to the laws of
 10 Montana. Agencies that have entered into agreements
 11 authorized by the laws of Montana to pay the state
 12 treasurer, for deposit in accordance with 17-2-101 through
 13 17-2-107, as determined by the state treasurer, an amount
 14 sufficient to pay the principal and interest as due on the
 15 bonds or notes have statutory appropriation authority for
 16 such payments."

17 ~~SECTION 10, SECTION 2-10-103, MCA, IS AMENDED TO READ:~~

18 ~~"2-10-103. Officers and employees excepted. Parts 1~~
 19 ~~and 2 do not apply to the following positions in state~~
 20 ~~government:~~

- 21 ~~{1} elected officials;~~
- 22 ~~{2} county assessors and their chief deputy;~~
- 23 ~~{3} officers and employees of the legislative branch;~~
- 24 ~~{4} judges and employees of the judicial branch;~~
- 25 ~~{5} members of boards and commissions appointed by the~~

- 1 ~~governor, appointed by the legislature, or appointed by~~
- 2 ~~other elected state officials;~~
- 3 ~~{6} officers or members of the militia;~~
- 4 ~~{7} agency heads appointed by the governor;~~
- 5 ~~{8} academic and professional administrative personnel~~
- 6 ~~with individual contracts under the authority of the board~~
- 7 ~~of regents of higher education;~~
- 8 ~~{9} academic and professional administrative personnel~~
- 9 ~~and live-in-houseparents who have entered into individual~~
- 10 ~~contracts with the state school for the deaf and blind under~~
- 11 ~~the authority of the state board of public education;~~
- 12 ~~{10} teachers under the authority of the department of~~
- 13 ~~institutions;~~
- 14 ~~{11} investment officer and assistant investment~~
- 15 ~~officer of the board of investments; and~~
- 16 ~~{12} four professional staff positions under the board~~
- 17 ~~of oil and gas conservation; and~~
- 18 ~~{13} assistant director for security of the Montana~~
- 19 ~~state lottery;"~~

20 NEW SECTION. Section 10. Codification instruction.
 21 Section SECTIONS 2 AND 8 7 is ARE intended to be codified as
 22 an integral part of the Montana State Lottery Act of 1985,
 23 and the provisions of the Montana State Lottery Act of 1985
 24 apply to section SECTIONS 2 AND 8 7.

25 NEW SECTION. Section 11. Extension of authority. Any

1 existing authority of the state lottery commission to make
2 rules on the subject of the provisions of this act is
3 extended to the provisions of this act.

4 NEW SECTION. Section 12. Effective date. This act is
5 effective on passage and approval.

-End-

SENATE

FEBRUARY 20, 1987

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 374

3rd reading copy (blue) color

PAVLOVICH (STIMATZ)

GENERALLY AMEND MONTANA STATE LOTTERY ACT OF 1985

Respectfully report as follows: That HOUSE BILL No. 374

be amended as follows:

- 1. Title, lines 10 and 11. Strike: "TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY;"
2. Title, line 16. Strike: "SECTIONS 2-18-103 AND" Insert: "SECTION"
3. Title, line 15. Strike: "8,"
4. Page 5, line 12 through line 16 on page 6. Strike: section 3 in its entirety Renumber: subsequent sections
5. Page 16, line 22 through line 24 on page 17. Strike: section 10 in its entirety Renumber: subsequent sections

AND AS AMENDED, BE CONCURRED IN

XXXXXX

XXXXXXXXXX

Handwritten signature of Allen C. Kolstad and printed name SENATOR ALLEN C. KOLSTAD, Chairman.

Handwritten notes: 2-20-87, 8:00

CONFERENCE COMMITTEE REPORT

Report No. One

3-7 1987

MR. SPEAKER

We, your Joint Conference Committee on

HB 374

met and considered Senate amendments to HB 374, reference copy, salmon, dated February 20, 1987.

We recommend as follows:

That reference copy, salmon, HB 374 be amended as follows:

- 1) Title, line 10.
Following: "CREDIT;"
Insert: "TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY;"
- 2) Title, line 15.
Following: "5,"
Insert: "8,"
- 3) Title, line 17.
Strike: "SECTION"
Insert: "SECTIONS 2-18-103 AND"

And that this Conference Committee report be adopted.

FOR THE SENATE

Senator Skimat

Senator Walker

Senator Hammond

FOR THE HOUSE

Rep. Simon, Chairman

Rep. Mercer

Rep. Pavlovich

ADOPT REJECT

371000t.cc

4) Page 5.

Following line 12

Insert: "Section 3. Section 8, Chapter 669, Laws of 1985, is amended to read:

"Section 8. Assistant director for security--qualifications--duties--compensation. (1) The director shall appoint an assistant director for security, who serves at the pleasure of the director.

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

(3) The assistant director for security shall:

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

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

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

(4) The salary of the assistant director for security is equal to 90% of the salary of the director of the lottery."

Renumber: subsequent sections

5) Page 17.

Following: line 16

Insert: "SECTION 10. SECTION 2-18-103, MCA, IS AMENDED TO READ:
"2-18-103. Officers and employees excepted. Parts 1 and 2 do not apply to the following positions in state government:

- (1) elected officials;
- (2) county assessors and their chief deputy;
- (3) officers and employees of the legislative branch;
- (4) judges and employees of the judicial branch;
- (5) members of boards and commissions appointed by the governor, appointed by the legislature, or appointed by other elected state officials;
- (6) officers or members of the militia;
- (7) agency heads appointed by the governor;
- (8) academic and professional administrative personnel with individual contracts under the authority of the board of regents of higher education;

(9) academic and professional administrative personnel and live-in houseparents who have entered into individual contracts with the state school for the deaf and blind under the authority of the state board of public education;

(10) teachers under the authority of the department of institutions;

(11) investment officer and assistant investment officer of the board of investments; and

(12) four professional staff positions under the board of oil and gas conservation; and

(13) assistant director for security of the Montana state lottery." "

Renumber: subsequent sections

6) Page 18, line 21.

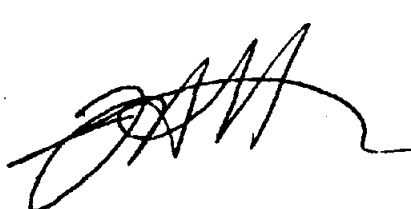
Strike: "7"

Insert: "8"

7) Page 18, line 24.

Strike: "7"

Insert: "8"

A handwritten signature in black ink, appearing to be 'JAM', located at the bottom left of the page.

HOUSE BILL NO. 374

INTRODUCED BY PAVLOVICH, STIMATZ

BY REQUEST OF THE DEPARTMENT OF COMMERCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE MONTANA STATE LOTTERY ACT OF 1985; TO ALLOW REGIONAL LOTTERY GAMES; TO PROVIDE FOR A LEGISLATIVE LIAISON COMMITTEE; TO PROVIDE THAT COMMISSIONS PAID TO LOTTERY TICKET AND CHANCE SALES AGENTS ARE NOT STATE LOTTERY OPERATING EXPENSES; TO CLARIFY USE OF THE TEMPORARY LINE OF CREDIT; ~~TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY;~~ TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY; TO INCREASE PRIZE INSTALLMENT PAYMENTS FROM 10 TO 20 YEARS; TO PROVIDE FOR CONFIDENTIALITY OF CERTAIN AUDIT FINDINGS; TO FURTHER CLARIFY SALES RESTRICTIONS; TO PROVIDE FOR STATUTORY APPROPRIATION OF OPERATING EXPENSES; AMENDING SECTIONS 5, ~~7, 8, 10,~~ 13, 16, 17, AND 24, CHAPTER 669, LAWS OF 1985, AND ~~SECTION SECTIONS 2-18-103 AND~~ SECTION SECTIONS 2-18-103 AND 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 5, Chapter 669, Laws of 1985, is amended to read:

"Section 5. Powers and duties of commission. The commission shall:

- (1) establish and operate a state lottery and may not become involved in any other gambling or gaming;
- (2) determine policies for the operation of the state lottery, supervise the director and his staff, and meet with the director at least once every 3 months to make and consider recommendations, set policies, determine types and forms of lottery games to be operated by the state lottery, and transact other necessary business;
- (3) determine the price of each ticket or chance and the number and size of prizes;
- (4) provide for the conduct of drawings of winners of lottery games;
- (5) carry out, with the director, a continuing study of the state lotteries of Montana and other states to make the state lottery more efficient, profitable, and secure from violations of the law;
- (6) ~~study the possibility of working and may enter into agreements~~ with other lottery states to offer regional lottery games;
- (7) prepare quarterly and annual reports on all aspects of the operation of the state lottery, including but not limited to types of games, gross revenue, prize money paid, operating expenses, net revenue to the state, contracts with gaming suppliers, and recommendations for changes to [sections 1 through 20], and deliver a copy of



1 each report to the governor, the department of
 2 administration, the legislative auditor, the president of
 3 the senate, the speaker of the house of representatives, and
 4 each member of the appropriate committee of each house of
 5 the legislature as determined by the president of the senate
 6 and the speaker of the house; and

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

9 Section 2. Section 7, Chapter 669, Laws of 1985, is
 10 amended to read:

11 "Section 7. Powers and duties of director. (1) The
 12 director shall:

13 (a) administer the operation of the state lottery in
 14 accordance with {sections 1 through 20} and the rules and
 15 other directives of the commission;

16 (b) appoint an assistant director for security and
 17 employ and direct personnel necessary to the operation of
 18 the state lottery;

19 (c) license lottery ticket or chance sales agents and
 20 suspend or revoke licenses pursuant to {sections 1 through
 21 20} and commission rules; and

22 (d) maintain, with the assistant director for
 23 security, the security of the state lottery;

24 (2) With the concurrence of the commission or pursuant
 25 to commission rules, the director may enter into contracts

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

14 (3) The director may appoint a bipartisan legislative
 15 liaison committee of two senators and two representatives."

16 NEW SECTION. SECTION 2. LEGISLATIVE LIAISON COMMITTEE
 17 -- BIPARTISAN -- COMPENSATION FROM LOTTERY FUND. (1) THERE
 18 IS A LEGISLATIVE LIAISON COMMITTEE.

19 (2) THE LIAISON COMMITTEE CONSISTS OF FOUR
 20 LEGISLATORS. TWO MEMBERS MUST BE FROM THE SENATE AND TWO
 21 MEMBERS MUST BE FROM THE HOUSE OF REPRESENTATIVES. THE
 22 SPEAKER OF THE HOUSE AND THE SENATE COMMITTEE ON COMMITTEES
 23 SHALL APPOINT THE MEMBERS OF THE LIAISON COMMITTEE, AND NO
 24 MORE THAN TWO MEMBERS MAY BE OF THE SAME POLITICAL PARTY. NO
 25 LEGISLATOR WHO HAS ANY OWNERSHIP INTEREST IN ANY GAMBLING

1 DEVICE OR ESTABLISHMENT MAY BE APPOINTED TO THE LIAISON
2 COMMITTEE.

3 (3) A MEMBER OF THE LIAISON COMMITTEE IS ENTITLED TO
4 COMPENSATION AND EXPENSES AS PROVIDED IN 5-2-302, PAID FROM
5 ANY MONEY IN THE ALLOCATION UNDER [SECTION 13(2), CHAPTER
6 669, LAWS OF 1985], WHILE PERFORMING HIS DUTIES AS A MEMBER
7 OF THE LIAISON COMMITTEE, PAID FROM ANY MONEY IN THE
8 ALLOCATION UNDER [SECTION 13(2), CHAPTER 669, LAWS OF 1985],
9 AS PROVIDED IN SUBSECTION (4) OF THIS SECTION.

10 (4) THE LIAISON COMMITTEE SHALL MEET ONCE EACH FISCAL
11 YEAR WITH THE COMMISSION AT HELENA AND SHALL REPORT TO EACH
12 LEGISLATURE ON THE ACTIVITIES AND OPERATIONS OF THE STATE
13 LOTTERY.

14 Section 3, Section 8, Chapter 669, Laws of 1985, is
15 amended to read:

16 "Section 8, Assistant director for security
17 qualifications --- duties --- compensation. (1) The director
18 shall appoint an assistant director for security, who serves
19 at the pleasure of the director.

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 (4) The salary of the assistant director for security
17 is equal to 90% of the salary of the director of the
18 lottery."

19 SECTION 3. SECTION 8, CHAPTER 669, LAWS OF 1985, IS
20 AMENDED TO READ:

21 "Section 8. Assistant director for security
22 qualifications -- duties -- compensation. (1) The director
23 shall appoint an assistant director for security, who serves
24 at the pleasure of the director.

25 (2) The assistant director for security must be

1 qualified by training and experience, have at least 5 years
2 of law enforcement experience, and be knowledgeable and
3 experienced in computer security.

4 (3) The assistant director for security shall:

5 (a) be responsible for a security division to assure
6 security, honesty, fairness, and integrity in the operation
7 and administration of the lottery, including but not limited
8 to an examination of the background of all prospective
9 employees, ticket or chance sales agents, lottery vendors,
10 and lottery contractors. The security division is designated
11 a law enforcement agency for the purpose of administering
12 [sections 1 through 20].

13 (b) in conjunction with the director, confer with the
14 attorney general or his designee to promote and ensure
15 security, honesty, fairness, and integrity of the operation
16 and administration of the lottery; and

17 (c) in conjunction with the director, report any
18 alleged violation of law to the attorney general, the
19 legislative auditor, and any other appropriate law
20 enforcement authority for further investigation and action.

21 (4) The salary of the assistant director for security
22 is equal to 90% of the salary of the director of the
23 lottery."

24 Section 4. Section 13, Chapter 669, Laws of 1985, is
25 amended to read:

1 "Section 13. Disposition of revenue. (1) (a) As near
2 as possible to 45% of the money paid for tickets or chances
3 ~~in each separate state lottery game~~ must be paid out as
4 prize money ~~for the game~~, except as provided in subsection
5 (b).

6 (b) In the case of a regional lottery game, a maximum
7 of 50% of the money paid for tickets or chances may be paid
8 out as prize money.

9 (2) Up to 15% of the gross revenue from the state
10 lottery may be used by the director to pay the operating
11 expenses of the state lottery. Commissions paid to lottery
12 ticket or chance sales agents are not a state lottery
13 operating expense.

14 (3) Funds to pay the operating expenses of the lottery
15 are statutorily appropriated as provided in 17-7-502.

16 ~~(3)~~(4) That part of all gross revenue not used for the
17 payment of prizes, commissions, and operating expenses is
18 net revenue and must be paid quarterly from the enterprise
19 fund established by [section 12] to the superintendent of
20 public instruction for distribution as equalization aid to
21 the retirement funds required by 20-9-501. ~~{The net revenue~~
22 ~~is statutorily appropriated, as provided in {section-2-of~~
23 ~~House-Bill--12} 17-7-502.~~† The superintendent of public
24 instruction shall establish the dollar amount per ANB by
25 dividing the net lottery revenue for the school year by the

1 total state ANB in the prior school year. He shall then
 2 notify each county superintendent by the fourth Monday of
 3 July of the total retirement fund equalization aid available
 4 to the county, as calculated separately for elementary and
 5 high school districts using the prior year's ANB and
 6 prorated as specified in 20-9-501(6) for any joint school
 7 district, and each county superintendent must use such
 8 amounts to reduce the total retirement fund levy requirement
 9 for elementary school districts and the total retirement
 10 fund levy requirement for high school districts. The
 11 superintendent of public instruction shall then distribute
 12 by state warrant the total amount of retirement--fund
 13 equalization-aid net lottery revenue available that has been
 14 deposited in the superintendent of public instruction
 15 lottery account for each county by October 1 of the school
 16 fiscal year."

17 Section 5. Section 16, Chapter 669, Laws of 1985, is
 18 amended to read:

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

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

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

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

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

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

23 Section 6. Section 17, Chapter 669, Laws of 1985, is
 24 amended to read:

25 "Section 17. Disclosures by gaming suppliers. (1) Any

1 person, firm, association, or corporation that submits a bid
 2 or proposal for a contract to supply lottery equipment,
 3 tickets, or other material or consultant services for use in
 4 the operation of the state lottery shall disclose at the
 5 time of such bid or proposal:

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

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

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

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

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

23 (v) if the supplier is a subsidiary company, each
 24 intermediary company, holding company, or parent company
 25 involved therewith and the officers, directors, and

1 stockholders of each; except that, in the case of owners or
 2 holders of publicly held securities of an intermediary
 3 company, holding company, or parent company which is a
 4 publicly traded corporation, only the names and addresses of
 5 those owning or holding 5% or more of the publicly held
 6 securities must be disclosed;

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

10 (c) other jurisdictions in which the supplier has
 11 contracts to supply gaming materials, equipment, or
 12 consultant services;

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

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

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

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

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

14 (i) the number of years the supplier has been in the
15 business of supplying gaming consultant services or gaming
16 materials or equipment; and

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

21 (2) No person, firm, association, or corporation
22 contracting to supply gaming equipment or materials or
23 consultant services to the state for use in the operation of
24 the state lottery may have any financial interest or
25 connection---with in any person, firm, association, or

1 corporation licensed as a ticket or chance sales agent.

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

6 Section 7. Section 24, Chapter 669, Laws of 1985, is
7 amended to read:

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

1 are advanced and until the funds are repaid."

2 NEW SECTION. Section 8. Certain audit findings
3 confidential. Specific audit findings relating to security
4 invasion techniques are confidential and may be reported
5 only to the legislative audit committee, the director of the
6 lottery, the commission, the attorney general, and the
7 governor.

8 SECTION 9. SECTION 10, CHAPTER 669, LAWS OF 1985, IS
9 AMENDED TO READ:

10 "Section 10. Sales restrictions. (1) The price of each
11 lottery game ticket or chance must be clearly stated
12 thereon. The price of a lottery game chance vended by a
13 machine or electronic device must be clearly stated on the
14 machine or device.

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

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

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

25 (5) The names of elected officials may not appear on

1 any ticket or chance."

2 Section 10. Section 17-7-502, MCA, is amended to read:

3 "17-7-502. Statutory appropriations -- definition --
4 requisites for validity. (1) A statutory appropriation is an
5 appropriation made by permanent law that authorizes spending
6 by a state agency without the need for a biennial
7 legislative appropriation or budget amendment.

8 (2) Except as provided in subsection (4), to be
9 effective, a statutory appropriation must comply with both
10 of the following provisions:

11 (a) The law containing the statutory authority must be
12 listed in subsection (3).

13 (b) The law or portion of the law making a statutory
14 appropriation must specifically state that a statutory
15 appropriation is made as provided in this section.

16 (3) The following laws are the only laws containing
17 statutory appropriations:

18 (a) 2-9-202;

19 (b) 2-17-105;

20 (c) 2-18-812;

21 (d) 10-3-203;

22 (e) 10-3-312;

23 (f) 10-3-314;

24 (g) 10-4-301;

25 (h) 13-37-304;

- 1 (i) 15-31-702;
- 2 (j) 15-36-112;
- 3 (k) 15-70-101;
- 4 (l) 16-1-404;
- 5 (m) 16-1-410;
- 6 (n) 16-1-411;
- 7 (o) 17-3-212;
- 8 (p) 17-5-404;
- 9 (q) 17-5-424;
- 10 (r) 17-5-804;
- 11 (s) 19-8-504;
- 12 (t) 19-9-702;
- 13 (u) 19-9-1007;
- 14 (v) 19-10-205;
- 15 (w) 19-10-305;
- 16 (x) 19-10-506;
- 17 (y) 19-11-512;
- 18 (z) 19-11-513;
- 19 (aa) 19-11-606;
- 20 (bb) 19-12-301;
- 21 (cc) 19-13-604;
- 22 (dd) 20-6-406;
- 23 (ee) 20-8-111;
- 24 (ff) 23-5-612;
- 25 (gg) 37-51-501;

- 1 (hh) 53-24-206;
- 2 (ii) 75-1-1101;
- 3 (jj) 75-7-305;
- 4 (kk) 80-2-103;
- 5 (ll) 80-2-228;
- 6 (mm) 90-3-301;
- 7 (nn) 90-3-302;
- 8 (oo) 90-15-103; and
- 9 (pp) Sec. 13, HB 861, L. 1985; and
- 10 (qq) [Sec. 13, Chapter 669, L. 1985, as amended by
- 11 section 4].

12 (4) There is a statutory appropriation to pay the
 13 principal, interest, premiums, and costs of issuing, paying,
 14 and securing all bonds, notes, or other obligations, as due,
 15 that have been authorized and issued pursuant to the laws of
 16 Montana. Agencies that have entered into agreements
 17 authorized by the laws of Montana to pay the state
 18 treasurer, for deposit in accordance with 17-2-101 through
 19 17-2-107, as determined by the state treasurer, an amount
 20 sufficient to pay the principal and interest as due on the
 21 bonds or notes have statutory appropriation authority for
 22 such payments."

23 ~~SECTION 10, SECTION 2-10-103, MCA, IS AMENDED TO READ:~~
 24 ~~"2-10-103, Officers and employees excepted, Parts 1~~
 25 ~~and 2 do not apply to the following positions in state~~

1 government;
 2 {1}--elected-officials;
 3 {2}--county-assessors-and-their-chief-deputy;
 4 {3}--officers-and-employees-of-the-legislative--branch;
 5 {4}--judges-and-employees-of-the-judicial-branch;
 6 {5}--members-of-boards-and-commissions-appointed-by-the
 7 governor,--appointed--by--the--legislature,--or-appointed-by
 8 other-elected-state-officials;
 9 {6}--officers-or-members-of-the-militia;
 10 {7}--agency-heads-appointed-by-the-governor;
 11 {8}--academic-and-professional-administrative-personnel
 12 with-individual-contracts-under-the-authority-of--the--board
 13 of-regents-of-higher-education;
 14 {9}--academic-and-professional-administrative-personnel
 15 and--live-in--houseparents--who-have-entered-into-individual
 16 contracts-with-the-state-school-for-the-deaf-and-blind-under
 17 the-authority-of-the-state-board-of-public-education;
 18 {10}-teachers-under-the-authority-of-the-department--of
 19 institutions;
 20 {11}-investment---officer---and---assistant--investment
 21 officer-of-the-board-of-investments;--and
 22 {12}-four-professional-staff-positions-under-the--board
 23 of-oil-and-gas-conservation;--and
 24 {13}-assistant--director--for--security--of-the-Montana
 25 state-lottery."

1 SECTION 11. SECTION 2-18-103, MCA, IS AMENDED TO READ:
 2 "2-18-103. Officers and employees excepted. Parts 1
 3 and 2 do not apply to the following positions in state
 4 government:
 5 (1) elected officials;
 6 (2) county assessors and their chief deputy;
 7 (3) officers and employees of the legislative branch;
 8 (4) judges and employees of the judicial branch;
 9 (5) members of boards and commissions appointed by the
 10 governor, appointed by the legislature, or appointed by
 11 other elected state officials;
 12 (6) officers or members of the militia;
 13 (7) agency heads appointed by the governor;
 14 (8) academic and professional administrative personnel
 15 with individual contracts under the authority of the board
 16 of regents of higher education;
 17 (9) academic and professional administrative personnel
 18 and live-in houseparents who have entered into individual
 19 contracts with the state school for the deaf and blind under
 20 the authority of the state board of public education;
 21 (10) teachers under the authority of the department of
 22 institutions;
 23 (11) investment officer and assistant investment
 24 officer of the board of investments; and
 25 (12) four professional staff positions under the board

1 of oil and gas conservation; and
2 (13) assistant director for security of the Montana
3 state lottery."

4 NEW SECTION. Section 12. Codification instruction.
5 Section SECTIONS 2 AND 8 7 8 is ARE intended to be codified
6 as an integral part of the Montana State Lottery Act of
7 1985, and the provisions of the Montana State Lottery Act of
8 1985 apply to section SECTIONS 2 AND 8 7 8.

9 NEW SECTION. Section 13. Extension of authority. Any
10 existing authority of the state lottery commission to make
11 rules on the subject of the provisions of this act is
12 extended to the provisions of this act.

13 NEW SECTION. Section 14. Effective date. This act is
14 effective on passage and approval.

-End-