

JAN 24 2013

A BILL FOR AN ACT

RELATING TO LOTTERY.

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

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 STATE LOTTERY

6 § -1 **Definitions.** As used in this chapter, unless the
7 context dictates otherwise:

8 "Commission" or "lottery commission" means the Hawaii state
9 lottery commission.

10 "Director" means the executive director of the Hawaii state
11 lottery commission.

12 "Lottery" or "state lottery" means the lottery created and
13 operated pursuant to this chapter.

14 § -2 **Hawaii state lottery commission; membership,**
15 **appointment; term; chairperson; removal; reimbursement of**
16 **expenses.** (a) There is established within the department of
17 accounting and general services a Hawaii state lottery
18 commission consisting of five members who shall be residents of



1 this State. One member shall be selected by the senate
2 president and one member shall be selected by the speaker of the
3 house of representatives. Three members shall be appointed by
4 the governor pursuant to section 26-34; provided that no more
5 than two members appointed by the governor may be from the same
6 political party. The commission members shall annually elect
7 one of the members to serve as chairperson of the commission.

8 (b) At least one member of the commission shall have a
9 minimum of five years' experience in law enforcement.

10 (c) At least one member of the commission shall have a
11 minimum of five years' experience as a certified public
12 accountant.

13 (d) At least one member of the commission shall have a
14 minimum of five years' experience in marketing or advertising,
15 or both.

16 (e) At least one member of the commission shall have a
17 minimum of five years' experience in convenience store,
18 minimart, or grocery retailing.

19 (f) The members of the lottery commission shall serve
20 without compensation but shall be reimbursed for expenses,
21 including travel expenses, necessary for the performance of
22 their duties.



1 (g) No commission member may have a pecuniary interest in
2 any contract or agreement to which the commission is a party.

3 (h) No action of the commission is binding unless taken at
4 a meeting with at least three members present voting in favor of
5 the action in question.

6 § -3 **Executive director; appointment.** (a) The governor
7 shall appoint an executive director who shall be a person
8 qualified by training and experience to administer the state
9 lottery.

10 (b) Effective July 1, 2013, the executive director of the
11 commission shall be paid a salary set at eighty-seven per cent
12 of the salary of the director of human resources development.
13 The director shall be exempt from chapters 76 and 89 but shall
14 be a member of the state employees retirement system and shall
15 be eligible to receive benefits of any state or federal employee
16 benefit program generally applicable to officers and employees
17 of the State, including those under chapter 87A.

18 (c) The director shall devote the director's entire time
19 and attention to the administration of the state lottery and
20 shall not be engaged in any other profession or occupation.



1 (d) The executive director may employ persons not subject
2 to chapters 76 and 78 to perform and execute the functions of
3 the commission.

4 § -4 Commission; director; powers and duties;

5 definitions. (a) The commission shall meet with the director
6 not less than once each quarter to make recommendations and set
7 policy, receive reports from the director, and transact other
8 business properly brought before the commission.

9 (b) The commission shall oversee a state lottery to
10 produce the maximum amount of net revenue consonant with the
11 dignity of the State. To achieve these ends, the commission
12 shall authorize the director to adopt rules in accordance with
13 chapter 91. Rules adopted by the director may include
14 provisions relating to the following:

15 (1) Subject to the approval of the commission, the types
16 of lottery games and the types of game play-styles to
17 be conducted;

18 (2) The method of selecting the winning tickets or shares
19 for noncomputerized online games, provided that no
20 method may be used that, in whole or in part, depends
21 on the results of a dog race, a horse race, or any
22 sporting event;



- 1 (3) The manner of payment of prizes to the holders of
2 winning tickets or shares, including providing for
3 payment by the purchase of annuities in the case of
4 prizes payable in installments, provided that the
5 commission staff shall examine claims and may not pay
6 any prize based on altered, stolen, or counterfeit
7 tickets or based on any tickets that fail to meet
8 established validation requirements, including rules
9 stated on the ticket or in the published game rules,
10 and confidential validation tests applied consistently
11 by the commission staff. No particular prize in a
12 lottery game may be paid more than once, and in the
13 event of a binding determination that more than one
14 person is entitled to a particular prize, the sole
15 remedy of the claimants is the award to each of them
16 of an equal portion of the single prize;
- 17 (4) The method to be used in selling tickets or shares,
18 provided that no elected official's name may be
19 printed on the tickets or shares. The overall
20 estimated odds of winning some prize or some cash
21 prize, as appropriate, in a given game shall be
22 printed on each ticket or share;



1 (5) The licensing of agents to sell tickets or shares,
2 provided that a person who is under eighteen years of
3 age shall not be licensed as an agent;

4 (6) The manner and amount of compensation to be paid
5 licensed sales agents necessary to provide for the
6 adequate availability of tickets or shares to
7 prospective buyers and for the convenience of the
8 public, including provision for variable compensation
9 based on sales volume; and

10 (7) Matters necessary or desirable for the efficient and
11 economical operation and administration of the lottery
12 and for the convenience of the purchasers of tickets
13 or shares and the holders of winning tickets or
14 shares.

15 (c) The commission shall authorize the director to issue
16 orders and shall approve orders issued by the director for the
17 necessary operation of the lottery. Orders issued under this
18 subsection may include provisions relating to the following:

19 (1) The prices of tickets or shares in lottery games;

20 (2) The themes, game play-styles, and names of lottery
21 games and definitions of symbols and other characters
22 used in lottery games, provided that each ticket or



- 1 share in a lottery game shall bear a unique
2 distinguishable serial number;
- 3 (3) The sale of tickets or shares at a discount for
4 promotional purposes;
- 5 (4) The prize structure of lottery games, including the
6 number and size of prizes available. Available prizes
7 may include free tickets in lottery games and
8 merchandise prizes;
- 9 (5) The frequency of drawings, if any, or other selections
10 of winning tickets or shares, provided that:
- 11 (A) All drawings shall be open to the public;
- 12 (B) The actual selection of winning tickets or shares
13 may not be performed by an employee or member of
14 the commission; and
- 15 (C) Noncomputerized online game drawings shall be
16 witnessed by an independent observer;
- 17 (6) Requirements for eligibility for participation in
18 grand drawings or other runoff drawings, including
19 requirements for the submission of evidence of
20 eligibility within a shorter period than that provided
21 for claims by section -21; and



1 (7) Incentive and bonus programs designed to increase
2 sales of lottery tickets or shares and to produce the
3 maximum amount of net revenue for the State.

4 (d) Notwithstanding chapter 91 and subsection (b), the
5 director, subject to the approval of the commission, may
6 establish a policy, procedure, or practice that relates to an
7 existing online game or a new online game that is the same type
8 and has the same type of game play-style as an online game
9 currently being conducted by the lottery or may modify an
10 existing rule for an existing online game or a new online game
11 that is the same type and has the same type of game play-style
12 as an online game currently being conducted by the lottery,
13 including establishing or modifying the matrix for an online
14 game by giving notice of the establishment or modification at
15 least thirty days before the effective date of the establishment
16 or modification.

17 (e) The commission shall maintain and make the following
18 information available for public inspection at its offices
19 during regular business hours:

20 (1) A detailed listing of the estimated number of prizes
21 of each particular denomination expected to be awarded
22 in any instant game currently on sale;



1 (2) After the end of the claim period prescribed by
2 section -21, a listing of the total number of
3 tickets or shares sold and the number of prizes of
4 each particular denomination awarded in each lottery
5 game; and

6 (3) Definitions of all play symbols and other characters
7 used in each lottery game and instructions on how to
8 play and how to win each lottery game.

9 (f) Any information that is maintained by the commission
10 and that would assist a person in locating or identifying a
11 winning ticket or share or that would otherwise compromise the
12 integrity of any lottery game shall be deemed confidential and
13 shall not be subject to public inspection.

14 (g) The commission, in addition to other games authorized
15 by this chapter, shall establish two special games for each year
16 to be conducted concurrently with other lottery games authorized
17 under subsection (b). The moneys for prizes, for operating
18 expenses, and for payment to the department of education, as
19 provided in section -25(b), shall be accounted for separately
20 as nearly as practicable in the lottery commission's general
21 accounting system. The moneys shall be derived from the
22 revenues of the special games, and moneys for prizes shall not



1 be expended from the lottery commission's annual appropriation
2 as otherwise provided for in section -5(d) and section

3 -25. Moneys saved from the revenues of the special games, by
4 reason of operating efficiencies, shall become other revenue of
5 the lottery commission and revert to the state general fund.

6 (h) The commission, in addition to other games authorized
7 by this chapter, may establish multistate lottery games with the
8 lottery commissions of other states to be conducted concurrently
9 with other lottery games authorized under subsections (b) and
10 (g). The moneys for prizes, for operating expenses, and for
11 payment to the state general fund shall be accounted for
12 separately as nearly as practicable in the lottery commission's
13 general accounting system. The moneys shall be derived from the
14 revenues of multistate lottery games.

15 (i) The commission, in addition to other games authorized
16 by this chapter, shall establish special instant ticket games
17 with play areas protected by paper tabs designated for use by
18 charitable organizations. The moneys for prizes and for
19 operating expenses shall be accounted for separately as nearly
20 as practicable in the lottery commission's general accounting
21 system. Moneys saved from the revenues of the special games, by



1 reason of operating efficiencies, shall become other revenue of
2 the lottery commission and revert to the state general fund.

3 (j) The commission or director shall not establish or
4 operate any online or electronic keno game or any game played on
5 the Internet.

6 (k) The director shall print, in a prominent location on
7 each lottery ticket or share, a statement that help is available
8 if a person has a problem with gambling and a toll-free
9 telephone number where problem gambling assistance is available.
10 The director shall require all licensed agents to post a sign
11 with the statement that help is available if a person has a
12 problem with gambling and the toll-free telephone number at the
13 point of sale as prescribed and supplied by the director.

14 (l) For the purposes of this section:

15 "Charitable organization" means any nonprofit organization,
16 including not more than one auxiliary of that organization, that
17 has operated for charitable purposes in this State for at least
18 two years before submitting a license application under this
19 chapter.

20 "Game play-style" means the process or procedure that a
21 player shall follow to determine if a lottery ticket or share is
22 a winning ticket or share.



1 "Matrix" means the odds of winning a prize and the prize
2 payout amounts in a given game.

3 § -5 Disposition of revenue. (a) Not more than
4 eighteen and one-half per cent of the total annual revenues
5 accruing from the sale of lottery tickets or shares and from all
6 other sources and not more than thirty-five per cent of the
7 total annual revenues from the sale of special instant games
8 authorized under section -4(i) shall be deposited in the
9 state lottery revolving fund established by section -24 to be
10 expended for the following:

11 (1) The payment of costs incurred in the operation and
12 administration of the lottery, including the expenses
13 of the commission and the costs resulting from any
14 contract or contracts entered into for consulting or
15 operational services;

16 (2) Independent audits, which shall be performed annually
17 in addition to the audits required by section -27;

18 (3) Incentive programs for lottery sales agents and
19 lottery employees;

20 (4) Payment of compensation to licensed sales agents
21 necessary to provide for the adequate availability of
22 tickets or services to prospective buyers and for the



1 convenience of the public. Except as otherwise
2 provided in this subsection, compensation of licensed
3 sales agents shall be at least five and one-half per
4 cent but not more than eight per cent of the price of
5 each ticket or share that a retail sales agent sells
6 in instant games and online games, less the price of
7 any tickets or shares that are voided;

8 (5) The payment of reasonable fees to redemption agents as
9 authorized by section -22;

10 (6) The purchase or lease of lottery equipment, tickets,
11 and materials; and

12 (7) Compensation of a licensed sales agent who is
13 designated as a charitable organization as defined in
14 section -4(1) shall be twenty per cent of the price
15 of each ticket from a special instant game authorized
16 under section -4(i) and shall be an offset against
17 the sale of the ticket.

18 (b) Not less than fifty per cent of the total annual
19 revenues accruing from the sale of lottery tickets or shares
20 shall be deposited in the state lottery prize revolving fund
21 established by section -26 for payment of prizes to the



1 holders of winning tickets or shares or for the purposes
2 provided for in section -21.

3 (c) All other revenues accruing from the sale of lottery
4 tickets or shares in online games or instant games shall be
5 deposited in the state lottery revolving fund established by
6 section -24 to be used as specified by section -25.

7 (d) Except for moneys for prizes expended as provided in
8 section -4(g), revenues expended under subsection (a) shall
9 be subject to legislative appropriation.

10 § -6 Powers and duties of director. In addition to
11 other powers and duties authorized in this chapter, the director
12 shall:

13 (1) Supervise and administer the operation of the lottery
14 in accordance with this chapter and the rules adopted
15 under this chapter, subject to the continuous duty to
16 take into account the particularly sensitive and
17 responsible nature of the commission's functions;

18 (2) Enforce this chapter and the rules adopted under this
19 chapter. The director shall receive allegations of
20 any violations of the laws of this State or rules
21 pertaining to the conduct of the lottery;



- 1 (3) Pursuant to this chapter and the rules adopted by the
2 commission, license as agents to sell lottery tickets
3 persons that will best serve the public convenience
4 and promote the sale of tickets or shares;
- 5 (4) Hire such professional, clerical, technical, and
6 administrative personnel as may be necessary to carry
7 out this chapter. The director shall conduct
8 background checks of prospective employees, and, in
9 all employment decisions, shall take into account the
10 particularly sensitive and responsible nature of the
11 operation of the state lottery;
- 12 (5) Act as secretary and executive officer of the
13 commission;
- 14 (6) Confer regularly as necessary or desirable and not
15 less than once every quarter with the commission on
16 the operation and administration of the lottery;
- 17 (7) Make available for inspection by the commission, upon
18 request, all books, records, files, and other
19 information and documents of the commission;
- 20 (8) Advise the commission and recommend matters as are
21 necessary and advisable to improve the operation and
22 administration of the lottery;



1 (9) Suspend or revoke any license issued pursuant to this
2 chapter or the rules adopted pursuant to this chapter,
3 subject to appeal to the commission; and

4 (10) Within thirty days after receiving an allegation of a
5 violation of the laws of this State or rules
6 pertaining to the conduct of the lottery by a licensed
7 agent and evidence substantiating the allegation,
8 determine whether the agent has violated the rules or
9 if a criminal investigation is warranted.

10 § -7 **Monthly reports; annual reports.** (a) The director
11 shall submit a monthly report to the commission, the governor,
12 and the legislature. The monthly report shall include the total
13 lottery revenue, prize disbursements, and other expenses for the
14 preceding month.

15 (b) The commission shall submit an annual report to the
16 governor and the legislature not less than twenty days prior to
17 the convening of each regular session. The annual report shall
18 include a full and complete statement of lottery revenues, prize
19 disbursements, and other expenses for the preceding years, and
20 recommendations, including any proposed legislation, that the
21 commission deems necessary or desirable.



1 § -8 **Studies and investigations.** (a) The director
2 shall conduct an ongoing study and investigation of the lottery
3 for the following purposes:

4 (1) To ascertain any defects in this chapter or in its
5 rules through which any abuses in the administration
6 and operation of the lottery or any evasion of this
7 chapter or its rules may arise or be practiced;

8 (2) To formulate recommendations for changes to this
9 chapter;

10 (3) To guard against the use of this chapter and the rules
11 as a cloak for organized gambling and crime; and

12 (4) To ensure that this chapter and its rules are in a
13 form and are administered to serve the true purposes
14 of this chapter.

15 (b) The director shall conduct an ongoing study and
16 investigation of the operation and the administration of lottery
17 laws in effect in other states or countries, any literature on
18 the subject that may be published or available, any federal laws
19 that may affect the operation of the lottery, and the reaction
20 of residents to existing and potential features of the lottery
21 in order to recommend or effect changes that will tend to serve
22 the purposes of this chapter.



1 § -9 **Contracts; limitation; restrictions.** (a)

2 Notwithstanding any law to the contrary, the director may:

3 (1) Directly solicit bids and contract for the design and
4 operation of the lottery or the purchase of lottery
5 equipment, tickets and related materials;

6 (2) Contract to effectuate the purposes of this chapter
7 and the rules adopted pursuant to this chapter; and

8 (3) Acquire administrative office facilities and related
9 facilities and equipment for the use of the commission
10 by lease, purchase, or lease-purchase.

11 (b) The Hawaii state lottery commission shall be exempt
12 from chapter 103D for procurement relating to the design and
13 operation of the lottery or purchase of lottery equipment,
14 tickets, and related materials. The executive director of the
15 Hawaii state lottery commission shall adopt rules substantially
16 equivalent to the policies and procedures in this chapter for
17 procurement relating to the design and operation of the lottery
18 or purchases of lottery equipment, tickets, or related
19 materials. All other procurement shall be as specified by
20 chapter 103D. Bids received under this section may be deemed
21 confidential in whole or in part by the director if required on
22 account of the sensitive and responsible nature of the



1 commission's functions and the paramount considerations of
2 security and integrity.

3 (c) Any award made by the director pursuant to this
4 section becomes effective and binding on the commission unless
5 it is rejected by the commission at a meeting held within
6 fourteen calendar days after the award is communicated to the
7 members of the commission.

8 (d) A contract awarded or entered into by the director
9 pursuant to this section shall not be assigned by the recipient
10 of the award without specific approval by the director. In all
11 awards of contracts pursuant to this section, the director shall
12 take particular account of the sensitive and responsible nature
13 of the commission's functions and the paramount considerations
14 of security and integrity.

15 § -10 **Security operations; powers; peace officer status.**

16 (a) The state lottery commission shall maintain operations
17 responsible for security. The director shall appoint a security
18 officer to supervise the security operations of the commission.

19 (b) The security operations of the state lottery
20 commission shall be deemed a law enforcement agency and the
21 supervising security officer is designated a peace officer. The
22 law enforcement agency and peace officer status shall be for the



1 limited purpose of receiving investigative information from law
2 enforcement agencies pertaining to investigations of lottery
3 activities.

4 (c) No employee of the lottery commission shall be
5 eligible for participation in the employees' retirement system.

6 § -11 **Department of public safety; investigation;**
7 **authority; payment.** The director of public safety shall order
8 an investigation into any violation of a statute of the State
9 which pertains to the conduct of the state lottery. The
10 executive director of the commission shall include in the
11 commission's overhead expenses and pay, upon certified invoice
12 submitted by the director of public safety, any charges for
13 actual expenses as a result of investigations and related law
14 enforcement activities, or for any activity directly or
15 indirectly related to the lottery operation. The charges may
16 include costs for personnel, supplies, materials, equipment, and
17 travel within or without the State.

18 § -12 **Licenses to sell tickets or shares; fee;**
19 **conditions; definitions.** (a) A license as an agent to sell
20 lottery tickets or shares shall not be issued to any person to
21 engage in business exclusively as a lottery sales agent. Before



1 issuing a license as a lottery sales agent to any person the
2 director shall consider factors such as the following:

- 3 (1) The financial responsibility and security of the
4 person and the nature of the person's business
5 activity;
- 6 (2) The person's background and reputation in the
7 community;
- 8 (3) The accessibility of the person's place of business or
9 activity to the public;
- 10 (4) The accessibility of existing licensees to serve the
11 public convenience; and
- 12 (5) The volume of expected sales.

13 (b) A person lawfully engaged in nongovernmental business
14 on state property may be licensed as a lottery sales agent.

15 (c) The director may establish by rule and collect a fee
16 for a license issued pursuant to this section.

17 (d) No license shall be assignable or transferrable.

18 (e) A licensed agent or licensed agent's employee may sell
19 lottery tickets or shares only on the premises stated in the
20 license of the agent.

21 (f) The director may purchase a blanket bond covering the
22 activities of licensed agents.



1 (g) A licensed agent shall display the licensed agent's
2 license or a copy of the license conspicuously in accordance
3 with the rules adopted by the director.

4 (h) If a licensed agent sells lottery tickets or shares on
5 leased premises and all or part of the agent's rental payments
6 are based on the total volume of sales made at the premises, the
7 compensation paid by the state lottery commission to the agent
8 for the sale of tickets and shares shall be the amount of the
9 sale for the purposes of determining the agent's rental
10 payments. This subsection shall not apply if the lease
11 agreement expressly provides that the total volume of sales made
12 at the premises includes sales of lottery tickets or shares.

13 (i) The commission shall adopt rules to establish
14 penalties for a licensed agent who violates section -16 or
15 -17. The penalty for a subsequent violation within any
16 twelve month period shall be more severe than the penalty for a
17 prior violation.

18 (j) The director shall not require a licensed agent, as a
19 condition of securing or continuing to hold a license to sell or
20 to sell lottery tickets or shares to the public, to sell tickets
21 or shares through or by the use of a self-service vending
22 machine at the licensed agent's premises.



1 (k) For the purposes of this section, acts or omissions of
2 an employee at the premises of a licensed agent or sales of
3 tickets or shares by vending machine in violation of
4 section -16 or -17 shall be deemed acts or omissions of
5 the licensed agent only at the premises where the acts,
6 omissions or sales occurred.

7 (l) For the purposes of this section:

8 "Person" means an individual, association, corporation,
9 club, trust, estate, society, company, joint stock company,
10 receiver, trustee or referee, any other person acting in a
11 fiduciary or representative capacity who is appointed by a
12 court, or any combination of individuals. "Person" includes any
13 department, commission, agency or instrumentality of the State
14 or its political subdivisions.

15 "Premises" means the physical location and address listed
16 on the license of the licensed agent where lottery tickets or
17 shares may be sold.

18 § -13 **Prosecution; payment of costs.** (a) The attorney
19 general and the prosecuting attorneys of the affected county
20 shall have concurrent jurisdiction over any offense arising out
21 of or in connection with the formation, management, operation,
22 or conduct of the state lottery.



1 (b) The director shall include, as an expense of the
2 commission, all costs incurred by the attorney general or a
3 prosecuting attorney as a result of prosecution of a person for
4 a violation of this chapter or for any violation directly or
5 indirectly related to the state lottery operation. The director
6 shall authorize reimbursement of prosecution costs on
7 presentation of a certified invoice signed by the attorney
8 general or a prosecuting attorney.

9 (c) As used in this section, "prosecution costs" may
10 include but are not limited to costs for personnel, expenses,
11 fees, and other costs necessary in the preparation and
12 prosecution of a person charged with a violation of this
13 chapter.

14 § -14 **Right to prize not assignable; exceptions.** (a)
15 The right of any person to a prize shall not be assignable,
16 provided that:

- 17 (1) Payment of any prize drawn or the remainder of any
18 annuity purchased may be paid to any of the following:
- 19 (A) The estate of a deceased prize winner;
 - 20 (B) The beneficiary of a deceased prize winner; or
 - 21 (C) A person pursuant to an appropriate judicial
22 order;



1 (2) Payments to winners in an amount of \$600 or more are
2 subject to setoff pursuant to section -28;

3 (3) In the event of a voluntary assignment, the remainder
4 of any annuity, or a portion of the remainder of the
5 annuity, may be assigned by a prize winner pursuant to
6 an appropriate judicial order if all of the following
7 conditions are met:

8 (A) The prize winner provides an affidavit to the
9 court to the effect that the affiant is of sound
10 mind, not acting under duress, and has received
11 independent financial and tax advice concerning
12 the assignment;

13 (B) The assignee pays the prize winner a lump sum
14 under the assignment agreement for all amounts
15 that are due to the prize winner on or before the
16 date that the assignment takes effect; and

17 (C) The parties to the assignment pay a fee to the
18 commission to defray the expenses incurred by the
19 commission in processing the assignment. The
20 commission shall determine the amount of the fee.
21 Moneys collected by the commission pursuant to



1 this subparagraph shall be deposited in the state
2 lottery fund established by section -24.

3 (b) On receipt of a court order that meets the
4 requirements of subsection (a) (3), the director shall make the
5 voluntary assignment.

6 (c) The commission and director shall be discharged of all
7 further liability upon payment of a prize pursuant to this
8 section.

9 § -15 **Sale at unauthorized price or by unauthorized**
10 **persons; violation; classification.** (a) A person shall not
11 sell a ticket or share at a price greater than that fixed by
12 rule. No person other than a licensed lottery sales agent or
13 any employee of an agent acting within the scope of the
14 employee's employment shall sell lottery tickets or shares.
15 This section shall not prohibit a person from giving lottery
16 tickets or shares to another person as a gift.

17 (b) Any person who violates this section shall be guilty
18 of a petty misdemeanor.

19 § -16 **Sale of tickets or shares to underage persons;**
20 **violation; classification.** (a) It shall be unlawful for a
21 person to sell or offer to sell a lottery ticket or share to any
22 person who is under the age of twenty-one years.



1 (b) Any person who violates this section shall be guilty
2 of a misdemeanor.

3 § -17 Sale to persons using state issued electronic
4 benefits transfer cards; violation; classification. (a) It
5 shall be unlawful for a licensed agent to sell a lottery ticket
6 or share to a person who uses either a public assistance voucher
7 issued by any public entity or an electronic benefits transfer
8 card issued by the department of human services to purchase the
9 ticket or share.

10 (b) It shall be unlawful for a licensed agent to sell a
11 lottery ticket or share during the same transaction in which a
12 person uses either a public assistance voucher issued by any
13 public entity or an electronic benefits transfer card issued by
14 the department of human services.

15 (c) Any person who violates this section shall be guilty
16 of a misdemeanor.

17 § -18 Purchase of lottery tickets or shares by minors or
18 persons under twenty-one years of age; penalty. (a) It shall
19 be unlawful for a person under twenty-one years of age to
20 purchase a lottery ticket or share.

21 (b) Any person who violates this section shall be subject
22 to a fine of not more than \$100.



1 § -19 Alteration of lottery tickets; violation;
2 **classification.** Any person who, with intent to defraud, falsely
3 makes, alters, forges, utters, passes, or counterfeits a state
4 lottery ticket or share shall be guilty of a class 3 felony.

5 § -20 Purchase of tickets and receipt of prizes by
6 **certain persons prohibited.** (a) A lottery ticket or share may
7 not be purchased by and a prize may not be paid to an officer or
8 employee of the commission or to any spouse, child, brother,
9 sister, or parent residing as a member of the same household in
10 the principal place of residence of the officer or employee.

11 (b) A lottery ticket or share may not be purchased by and
12 a prize may not be paid to any of the following persons:

13 (1) An officer or employee of any person contracting with
14 the commission to supply gaming equipment or lottery
15 tickets, provide advertising or consulting services,
16 or to draw or otherwise select winning tickets or
17 shares if the officer or employee is involved in the
18 direct provision of goods or services to the
19 commission or has access to information made
20 confidential by the commission;

21 (2) A spouse, child, brother, sister, or parent residing
22 as a member of the same household in the principal



1 place of residence of a person described in paragraph
2 (1); or

3 (3) The immediate supervisor of a person described in
4 paragraph (1).

5 § -21 **Disposition of unclaimed prize money.** Unclaimed
6 prize money for the prize on a winning ticket or share shall be
7 retained for the person entitled to the prize for one hundred
8 eighty days after the drawing in which the prize was won in the
9 case of a drawing prize and for one hundred eighty days after
10 the announced end of the game in question in the case of a prize
11 determined in any manner other than by means of a drawing. If a
12 claim is not made for the money within the applicable period,
13 seventy per cent of the prize money shall be held in the state
14 lottery prize fund for use as additional prizes in future games
15 and thirty per cent shall be transferred to the education
16 special fund established by section 302A- .

17 § -22 **Lottery redemption agents.** The director may make
18 arrangements for redemption agents to perform functions,
19 activities, or services in connection with the operation of the
20 lottery, including direct payment of prizes not exceeding
21 \$5,000, as the director deems advisable pursuant to this chapter
22 and the rules adopted under this chapter. The director may make



1 arrangements for payment of reasonable fees for those services.
2 Notwithstanding any other law to the contrary, those functions,
3 activities, or services shall constitute lawful functions,
4 activities, and services of financial institutions licensed
5 under chapter 412.

6 § -23 **Award of prize to certain persons prohibited.** No
7 prize may be paid on any winning ticket or share to any person
8 who is under twenty-one years of age.

9 § -24 **State lottery revolving fund.** There is
10 established a state lottery revolving fund consisting of all
11 revenues received from the sale of lottery tickets or shares,
12 the fees, if any, charged pursuant to section -4 and all other
13 moneys credited or transferred from any other fund or source
14 pursuant to statute, with the exception of those moneys set
15 aside for payment of prizes and deposited as provided in section
16 -26.

17 § -25 **Use of moneys in state lottery revolving fund;**
18 **report.** (a) The moneys in the state lottery revolving fund
19 shall be expended by the commission for the expenses of the
20 commission incurred in carrying out its powers and duties and in
21 the operation of the lottery.



1 (b) Moneys remaining in the state lottery revolving fund
2 each fiscal year after the expenditures made pursuant to
3 subsection (a) shall go to the education special fund created in
4 section 302A-A.

5 § -26 **State lottery prize revolving fund; setoff for**
6 **state debts; notification to department of economic security.**

7 (a) The state lottery revolving prize fund is established.
8 That portion of the gross proceeds which is set aside pursuant
9 to section -5(b) shall be deposited, pursuant to chapter 38,
10 directly in the state lottery prize revolving fund as the
11 commission receives those proceeds and shall be available by the
12 commission for payment of prizes to the holders of winning
13 tickets or shares or for the purposes provided for in section
14 -21. Procedures for payments to winners from this fund shall
15 be established by rule or order of the commission.

16 Notwithstanding any other law to the contrary, transfers or
17 payments to or from the state lottery prize revolving fund, and
18 deposits into the state lottery prize revolving fund, are not
19 subject to appropriation by the legislature.

20 (b) Payments to winners which are payable by the
21 commission or lottery redemption agents pursuant to this section



1 in an amount of \$600 or more are subject to setoff under section
2 -28.

3 (c) The commission shall furnish the department of human
4 services with the names and the social security numbers of
5 persons who are paid lottery prizes or winnings in an amount of
6 \$600 or more pursuant to this section for purposes described
7 under section 346- . The department of human services shall
8 pay the commission for the cost of furnishing the information.

9 § -27 **Audit of accounts.** The certified public
10 accountant hired to perform the annual audit under
11 section -5(a)(2) shall conduct postaudits of all accounts and
12 transactions of the commission for each lottery game. The
13 certified public accountant conducting an audit under this
14 chapter shall have access and authority to examine any and all
15 records of the commission, its redemption agents, and its
16 licensees.

17 § -28 **Prizes; setoff for debts to state agencies;**
18 **definitions.** (a) The commission shall establish a liability
19 setoff program by which state lottery prize payments pursuant to
20 section -26 may be used to satisfy debts which a person owes
21 the State. The program shall comply with the standards and
22 requirements described in this section.



1 (b) If a person owes an agency a debt, an agency may
2 notify the commission, furnishing at least the state agency or
3 program identifier, the first name, last name, middle initial
4 and social security number of the debtor, and the amount of the
5 debt. This information shall be in the form the commission
6 prescribes. Each agency shall certify the information and
7 update the information monthly. No information may be
8 transmitted by the department of taxation to the commission if
9 the transmission would violate section 231-1.5.

10 (c) The commission shall match the information submitted
11 by the agency with persons who are entitled to a state lottery
12 prize payment in an amount of \$600 or more. If there is a
13 match, the commission shall set off the amount of the debt from
14 the prize due and notify the person of the person's right to
15 appeal to the appropriate court, or to request a review by the
16 agency pursuant to agency rule. The person shall make the
17 request or appeal within thirty days after the setoff. If the
18 setoff accounts for only a portion of the prize due, the
19 remainder of the prize shall be paid to the person. The
20 commission shall promptly transfer the setoff, less the amount
21 of the commission's fee, to the agency.



1 (d) If a person requests a review by the agency or
2 provides the agency with proof that an appeal has been taken to
3 the appropriate court within thirty days after the setoff and it
4 is determined that the setoff was made in error under this
5 section, the agency shall reimburse the person with interest as
6 determined pursuant to section 478-2.

7 (e) The basis for a request for review shall not include
8 the validity of the claim if its validity has been established
9 at an agency hearing, by judicial review in a court of competent
10 jurisdiction in this or any other state or by final
11 administrative decision and shall state with specificity why the
12 person claims the obligation does not exist or why the amount of
13 the obligation is incorrect.

14 (f) The commission may prescribe a fee to be collected
15 from each agency utilizing the setoff procedure. The amount of
16 the fee shall reasonably reflect the actual cost of the service
17 provided.

18 (g) If more than one agency has one or more delinquent
19 accounts for the same person, the commission shall apportion the
20 prize equally among them, except that a setoff to the department
21 of human services for overdue support has priority over all
22 other setoffs.



1 (h) If the prize is insufficient to satisfy the entire
2 debt, the remainder of the debt may be collected by an agency as
3 provided by law or resubmitted for setoff against any other
4 prize awarded.

5 (i) An agency shall not enter into an agreement with a
6 debtor for the assignment of any prospective prize to the agency
7 in satisfaction of the debt.

8 (j) In this section, the following terms have the meanings
9 ascribed to them, unless the context dictates otherwise:

10 "Agency" means a department, agency, board, commission or
11 institution of this State. "Agency" also means a corporation
12 under contract with this State that provides a service that
13 would otherwise be provided by a department, agency, board,
14 commission, or institution of this State if:

- 15 (1) The contract specifically authorizes participation in
16 the liability setoff program;
- 17 (2) The attorney general's office has reviewed the
18 contract and approves of the authorization; and
- 19 (3) The participation in the liability setoff program is
20 limited to debts related to the services the
21 corporation provides for or on behalf of this State.



1 "Debt" means an amount over \$100 owed to an agency by a
2 person and may include interest, penalties, charges, costs,
3 fees, or any other amount. "Debt" also includes moneys owed by
4 a person for overdue support and referred to the department of
5 human services for collection.

6 "Overdue support" means a delinquency in court-ordered
7 payments for support or maintenance of a child or for spousal
8 maintenance to the parent with whom the child is living if child
9 support is also being enforced pursuant to an assignment or
10 application filed under 42 United States Code section 654(6)."

11 SECTION 2. Chapter 302A, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§302A- Education special fund. There is established an
15 education special fund within the state treasury to be
16 administered by the superintendent of education into which shall
17 be deposited funds pursuant to sections -21, -24, and
18 -25. Moneys may be appropriated from the education special
19 fund for any educational purpose upon approval by a two-thirds
20 vote of each house of the legislature."



1 SECTION 3. Chapter 346, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§346- Eligibility of lottery prize winner to receive
5 assistance; determination. On receipt of the information
6 provided by the state lottery commission pursuant to section
7 -26(c), the director shall determine if the person is
8 receiving assistance from any financial assistance program
9 administered by the department. If the person is receiving
10 assistance, the director shall promptly redetermine the
11 eligibility of that person to receive the assistance."

12 SECTION 4. Section 712-1220, Hawaii Revised Statutes, is
13 amended by amending subsection (4) to read as follows:

14 "(4) "Gambling". A person engages in gambling if he
15 stakes or risks something of value upon the outcome of a contest
16 of chance or a future contingent event not under his control or
17 influence, upon an agreement or understanding that he or someone
18 else will receive something of value in the event of a certain
19 outcome. Gambling does not include lottery tickets and other
20 items used in the playing phases of lottery schemes overseen by
21 the Hawaii state lottery commission, bona fide business
22 transactions valid under the law of contracts, including but not



1 limited to contracts for the purchase or sale at a future date
2 of securities or commodities, and agreements to compensate for
3 loss caused by the happening of chance, including but not
4 limited to contracts of indemnity or guaranty and life, health,
5 or accident insurance."

6 SECTION 5. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$ or so
8 much thereof as may be necessary for fiscal year 2013-2014 for
9 operations of the Hawaii state lottery commission.

10 The sum appropriated shall be expended by the department of
11 accounting and general services for the purposes of this Act.

12 SECTION 6. New statutory material is underscored.

13 SECTION 7. This Act shall take effect on July 1, 2013.

14

INTRODUCED BY:

Alan Hee



S.B. NO. 1251

Report Title:

Lottery; Commission

Description:

Establishes the Hawaii state lottery commission and authorizes the lottery commission to establish lottery gaming.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

