Senate Engrossed House Bill

FILED

KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

CHAPTER 126

HOUSE BILL 2195

AN ACT

AMENDING SECTIONS 5-504, 5-505, 5-554 AND 5-555, ARIZONA REVISED STATUTES; RELATING TO THE STATE LOTTERY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 5-504, Arizona Revised Statutes, is amended to read:

5-504. Commission; director; powers and duties; definitions

A. The commission shall meet with the director not less than once each quarter to make recommendations and set policy, receive reports from the director and transact other business properly brought before the commission.

B. The commission shall oversee a state lottery to produce the maximum amount of net revenue consonant with the dignity of the state. To achieve these ends, the commission shall authorize the director to adopt rules in accordance with title 41, chapter 6. Rules adopted by the director may include provisions relating to the following:

1. Subject to the approval of the commission, the types of lottery games and the types of game play-styles to be conducted.

2. The method of selecting the winning tickets or shares for noncomputerized online games, except that no method may be used ~~which~~ THAT, in whole or in part, depends on the results of a dog race, a horse race or any sporting event.

3. The manner of payment of prizes to the holders of winning tickets or shares, including providing for payment by the purchase of annuities in the case of prizes payable in installments, except that the commission staff shall examine claims and may not pay any prize based on altered, stolen or counterfeit tickets or based on any tickets ~~which~~ THAT fail to meet established validation requirements, including rules stated on the ticket or in the published game rules, and confidential validation tests applied consistently by the commission staff. No particular prize in a lottery game may be paid more than once, and in the event of a binding determination that more than one person is entitled to a particular prize, the sole remedy of the claimants is the award to each of them of an equal portion of the single prize.

4. The method to be used in selling tickets or shares, except that no elected official's name may be printed on such tickets or shares. The overall estimated odds of winning some prize or some cash prize, as appropriate, in a given game shall be printed on each ticket or share.

5. The licensing of agents to sell tickets or shares, except that a person who is under eighteen years of age shall not be licensed as an agent.

6. The manner and amount of compensation to be paid licensed sales agents necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the public, including provision for variable compensation based on sales volume.

7. Matters necessary or desirable for the efficient and economical operation and administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.

C. The commission shall authorize the director to issue orders and shall approve orders issued by the director for the necessary operation of the lottery. Orders issued under this subsection may include provisions relating to the following:

1. The prices of tickets or shares in lottery games.

2. The themes, game play-styles, and names of lottery games and definitions of symbols and other characters used in lottery games, except that each ticket or share in a lottery game shall bear a unique distinguishable serial number.

3. The sale of tickets or shares at a discount for promotional purposes.

4. The prize structure of lottery games, including the number and size of prizes available. Available prizes may include free tickets in lottery games and merchandise prizes.

5. The frequency of drawings, if any, or other selections of winning tickets or shares, except that:

(a) All drawings shall be open to the public.

(b) The actual selection of winning tickets or shares may not be performed by an employee or member of the commission.

(c) Noncomputerized online game drawings shall be witnessed by an independent observer.

6. Requirements for eligibility for participation in grand drawings or other runoff drawings, including requirements for the submission of evidence of eligibility within a shorter period than that provided for claims by section 5-518.

7. Incentive and bonus programs designed to increase sales of lottery tickets or shares and to produce the maximum amount of net revenue for this state.

D. Notwithstanding title 41, chapter 6 and subsection B of this section, the director, subject to the approval of the commission, may establish a policy, procedure or practice that relates to an existing online game or a new online game ~~which~~ THAT is the same type and has the same type of game play-style as an online game currently being conducted by the lottery or may modify an existing rule for an existing online game or a new online game ~~which~~ THAT is the same type and has the same type of game play-style as an online game currently being conducted by the lottery, including establishing or modifying the matrix for an online game by giving notice of the establishment or modification at least thirty days before the effective date of the establishment or modification.

E. The commission shall maintain and make the following information available for public inspection at its offices during regular business hours:

1. A detailed listing of the estimated number of prizes of each particular denomination expected to be awarded in any instant game currently on sale.

2. After the end of the claim period prescribed by section 5-518, a listing of the total number of tickets or shares sold and the number of prizes of each particular denomination awarded in each lottery game.

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

F. Any information that is maintained by the commission and that would assist a person in locating or identifying a winning ticket or share or that would otherwise compromise the integrity of any lottery game is deemed confidential and is not subject to public inspection.

G. The commission, in addition to other games authorized by this article, shall establish two special games for each year to be conducted concurrently with other lottery games authorized under subsection B of this section. The monies for prizes, for operating expenses and for payment to the commerce and economic development commission fund, as provided in section 5-522, subsection A, paragraph 2, shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of the special games, and monies for prizes do not become an expense to the lottery commission's annual appropriation as provided in section 5-505, subsection D and section 5-522, subsection J. Monies saved from the revenues of the special games, by reason of operating efficiencies, shall become other revenue of the lottery commission and revert to the state general fund.

H. The commission, in addition to other games authorized by this article, may establish multistate lottery games to be conducted concurrently with other lottery games authorized under subsections B and G of this section. The monies for prizes, for operating expenses and for payment to the local transportation assistance fund, as provided in section 28-8101, and the state general fund shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of multistate lottery games.

I. THE COMMISSION, IN ADDITION TO OTHER GAMES AUTHORIZED BY THIS ARTICLE, SHALL ESTABLISH SPECIAL INSTANT TICKET GAMES WITH PLAY AREAS PROTECTED BY PAPER TABS DESIGNATED FOR USE BY CHARITABLE ORGANIZATIONS. THE MONIES FOR PRIZES AND FOR OPERATING EXPENSES SHALL BE ACCOUNTED FOR SEPARATELY AS NEARLY AS PRACTICABLE IN THE LOTTERY COMMISSION'S GENERAL ACCOUNTING SYSTEM. MONIES SAVED FROM THE REVENUES OF THE SPECIAL GAMES, BY REASON OF OPERATING EFFICIENCIES, SHALL BECOME OTHER REVENUE OF THE LOTTERY COMMISSION AND REVERT TO THE STATE GENERAL FUND.

~~I.~~ J. The commission or director shall not establish or operate any online or electronic keno game or any game played on the internet.

~~J.~~ K. The commission or director shall not establish or operate any lottery game or any type of game play-style, either individually or in combination, that uses gaming devices or video lottery terminals as those

terms are used in section 5-601.02, including monitor games that produce or display outcomes or results more than once per hour.

~~K.~~ L. The director shall print, in a prominent location on each lottery ticket or share, a statement that help is available if a person has a problem with gambling and a toll-free telephone number where problem gambling assistance is available. The director shall require all licensed agents to post a sign with the statement that help is available if a person has a problem with gambling and the toll-free telephone number at the point of sale as prescribed and supplied by the director. The requirements of this subsection apply to tickets and shares printed after July 18, 2000.

~~L.~~ M. For the purposes of this section:

1. "CHARITABLE ORGANIZATION" MEANS ANY NONPROFIT ORGANIZATION, INCLUDING NOT MORE THAN ONE AUXILIARY OF THAT ORGANIZATION, THAT HAS OPERATED FOR CHARITABLE PURPOSES IN THIS STATE FOR AT LEAST TWO YEARS BEFORE SUBMITTING A LICENSE APPLICATION UNDER THIS ARTICLE.

~~1.~~ 2. "Game play-style" means the process or procedure that a player must follow to determine if a lottery ticket or share is a winning ticket or share.

~~2.~~ 3. "Matrix" means the odds of winning a prize and the prize payout amounts in a given game.

Sec. 2. Section 5-505, Arizona Revised Statutes, is amended to read:

5-505. Apportionment of revenue

A. Not more than eighteen and one-half per cent of the total annual revenues accruing from the sale of lottery tickets or shares and from all other sources AND NOT MORE THAN FIFTEEN PER CENT OF THE TOTAL ANNUAL REVENUES FROM THE SALE OF SPECIAL INSTANT GAMES AUTHORIZED UNDER SECTION 5-504, SUBSECTION I shall be deposited in the state lottery fund established by section 5-521 to be expended for the following:

1. The payment of costs incurred in the operation and administration of the lottery, including the expenses of the commission and the costs resulting from any contract or contracts entered into for consulting or operational services.

2. Independent audits, which shall be performed annually in addition to the audits required by section 5-524.

3. Incentive programs for lottery sales agents and lottery employees.

4. Payment of compensation to licensed sales agents necessary to provide for the adequate availability of tickets or services to prospective buyers and for the convenience of the public. EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH, compensation of licensed sales agents shall be at least five and one-half per cent but not more than eight per cent of the price of each ticket or share that a retail sales agent sells in instant games and online games, less the price of any tickets or shares that are voided. COMPENSATION OF A LICENSED SALES AGENT WHO IS DESIGNATED AS A CHARITABLE ORGANIZATION AS DEFINED IN SECTION 5-504 SHALL BE TWENTY PER CENT OF THE

PRICE OF EACH SPECIAL INSTANT GAME AUTHORIZED UNDER SECTION 5-504, SUBSECTION I.

5. The payment of reasonable fees to redemption agents as authorized by section 5-519.

6. The purchase or lease of lottery equipment, tickets and materials.

B. Not less than fifty per cent of the total annual revenues accruing from the sale of lottery tickets or shares shall be deposited in the state lottery prize fund established by section 5-523 for payment of prizes to the holders of winning tickets or shares or for other purposes provided for in section 5-518.

C. All other revenues accruing from the sale of lottery tickets or shares in online games or instant games shall be deposited in the state lottery fund established by section 5-521 to be used as prescribed by section 5-522.

D. Except for monies for prizes expended as provided in section 5-504, subsection G and section 41-1505.10, monies expended under subsection A of this section shall be subject to legislative appropriation.

Sec. 3. Section 5-554, Arizona Revised Statutes, is amended to read:

5-554. Commission; director; powers and duties; definitions

A. The commission shall meet with the director not less than once each quarter to make recommendations and set policy, receive reports from the director and transact other business properly brought before the commission.

B. The commission shall oversee a state lottery to produce the maximum amount of net revenue consonant with the dignity of the state. To achieve these ends, the commission shall authorize the director to adopt rules in accordance with title 41, chapter 6. Rules adopted by the director may include provisions relating to the following:

1. Subject to the approval of the commission, the types of lottery games and the types of game play-styles to be conducted.

2. The method of selecting the winning tickets or shares for noncomputerized online games, except that no method may be used ~~which~~ THAT, in whole or in part, depends on the results of a dog race, a horse race or any sporting event.

3. The manner of payment of prizes to the holders of winning tickets or shares, including providing for payment by the purchase of annuities in the case of prizes payable in installments, except that the commission staff shall examine claims and may not pay any prize based on altered, stolen or counterfeit tickets or based on any tickets ~~which~~ THAT fail to meet established validation requirements, including rules stated on the ticket or in the published game rules, and confidential validation tests applied consistently by the commission staff. No particular prize in a lottery game may be paid more than once, and in the event of a binding determination that more than one person is entitled to a particular prize, the sole remedy of the claimants is the award to each of them of an equal portion of the single prize.

4. The method to be used in selling tickets or shares, except that no elected official's name may be printed on such tickets or shares. The overall estimated odds of winning some prize or some cash prize, as appropriate, in a given game shall be printed on each ticket or share.

5. The licensing of agents to sell tickets or shares, except that a person who is under eighteen years of age shall not be licensed as an agent.

6. The manner and amount of compensation to be paid licensed sales agents necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the public, including provision for variable compensation based on sales volume.

7. Matters necessary or desirable for the efficient and economical operation and administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.

C. The commission shall authorize the director to issue orders and shall approve orders issued by the director for the necessary operation of the lottery. Orders issued under this subsection may include provisions relating to the following:

1. The prices of tickets or shares in lottery games.

2. The themes, game play-styles, and names of lottery games and definitions of symbols and other characters used in lottery games, except that each ticket or share in a lottery game shall bear a unique distinguishable serial number.

3. The sale of tickets or shares at a discount for promotional purposes.

4. The prize structure of lottery games, including the number and size of prizes available. Available prizes may include free tickets in lottery games and merchandise prizes.

5. The frequency of drawings, if any, or other selections of winning tickets or shares, except that:

(a) All drawings shall be open to the public.

(b) The actual selection of winning tickets or shares may not be performed by an employee or member of the commission.

(c) Noncomputerized online game drawings shall be witnessed by an independent observer.

6. Requirements for eligibility for participation in grand drawings or other runoff drawings, including requirements for the submission of evidence of eligibility within a shorter period than that provided for claims by section 5-568.

7. Incentive and bonus programs designed to increase sales of lottery tickets or shares and to produce the maximum amount of net revenue for this state.

D. Notwithstanding title 41, chapter 6 and subsection B of this section, the director, subject to the approval of the commission, may establish a policy, procedure or practice that relates to an existing online game or a new online game ~~which~~ THAT is the same type and has the same type

of game play-style as an online game currently being conducted by the lottery or may modify an existing rule for an existing online game or a new online game ~~which~~ THAT is the same type and has the same type of game play-style as an online game currently being conducted by the lottery, including establishing or modifying the matrix for an online game by giving notice of the establishment or modification at least thirty days before the effective date of the establishment or modification.

E. The commission shall maintain and make the following information available for public inspection at its offices during regular business hours:

1. A detailed listing of the estimated number of prizes of each particular denomination expected to be awarded in any instant game currently on sale.

2. After the end of the claim period prescribed by section 5-568, a listing of the total number of tickets or shares sold and the number of prizes of each particular denomination awarded in each lottery game.

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

F. Any information that is maintained by the commission and that would assist a person in locating or identifying a winning ticket or share or that would otherwise compromise the integrity of any lottery game is deemed confidential and is not subject to public inspection.

G. The commission, in addition to other games authorized by this article, shall establish two special games for each year to be conducted concurrently with other lottery games authorized under subsection B of this section. The monies for prizes, for operating expenses and for payment to the commerce and economic development commission fund, as provided in section 5-572, subsection A, paragraph 2, shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of the special games, and monies for prizes do not become an expense to the lottery commission's annual appropriation as provided in section 5-555, subsection D and section 5-572, subsection J. Monies saved from the revenues of the special games, by reason of operating efficiencies, shall become other revenue of the lottery commission and revert to the state general fund.

H. The commission, in addition to other games authorized by this article, may establish multistate lottery games to be conducted concurrently with other lottery games authorized under subsections B and G of this section. The monies for prizes, for operating expenses and for payment to the local transportation assistance fund, as provided in section 28-8101, and the state general fund shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The monies shall be derived from the revenues of multistate lottery games.

I. THE COMMISSION, IN ADDITION TO OTHER GAMES AUTHORIZED BY THIS ARTICLE, SHALL ESTABLISH SPECIAL INSTANT TICKET GAMES WITH PLAY AREAS

PROTECTED BY PAPER TABS DESIGNATED FOR USE BY CHARITABLE ORGANIZATIONS. THE MONIES FOR PRIZES AND FOR OPERATING EXPENSES SHALL BE ACCOUNTED FOR SEPARATELY AS NEARLY AS PRACTICABLE IN THE LOTTERY COMMISSION'S GENERAL ACCOUNTING SYSTEM. MONIES SAVED FROM THE REVENUES OF THE SPECIAL GAMES, BY REASON OF OPERATING EFFICIENCIES, SHALL BECOME OTHER REVENUE OF THE LOTTERY COMMISSION AND REVERT TO THE STATE GENERAL FUND.

~~I.~~ J. The commission or director shall not establish or operate any online or electronic keno game or any game played on the internet.

~~J.~~ K. The commission or director shall not establish or operate any lottery game or any type of game play-style, either individually or in combination, that uses gaming devices or video lottery terminals as those terms are used in section 5-601.02, including monitor games that produce or display outcomes or results more than once per hour.

~~K.~~ L. The director shall print, in a prominent location on each lottery ticket or share, a statement that help is available if a person has a problem with gambling and a toll-free telephone number where problem gambling assistance is available. The director shall require all licensed agents to post a sign with the statement that help is available if a person has a problem with gambling and the toll-free telephone number at the point of sale as prescribed and supplied by the director. The requirements of this subsection apply to tickets and shares printed after July 18, 2000.

~~L.~~ M. For the purposes of this section:

1. "CHARITABLE ORGANIZATION" MEANS ANY NONPROFIT ORGANIZATION, INCLUDING NOT MORE THAN ONE AUXILIARY OF THAT ORGANIZATION, THAT HAS OPERATED FOR CHARITABLE PURPOSES IN THIS STATE FOR AT LEAST TWO YEARS BEFORE SUBMITTING A LICENSE APPLICATION UNDER THIS ARTICLE.

~~1.~~ 2. "Game play-style" means the process or procedure that a player must follow to determine if a lottery ticket or share is a winning ticket or share.

~~2.~~ 3. "Matrix" means the odds of winning a prize and the prize payout amounts in a given game.

Sec. 4. Section 5-555, Arizona Revised Statutes, is amended to read:

5-555. <u>Apportionment of revenue</u>

A. Not more than eighteen and one-half per cent of the total annual revenues accruing from the sale of lottery tickets or shares and from all other sources AND NOT MORE THAN FIFTEEN PER CENT OF THE TOTAL ANNUAL REVENUES FROM THE SALE OF SPECIAL INSTANT GAMES AUTHORIZED UNDER SECTION 5-554, SUBSECTION I shall be deposited in the state lottery fund established by section 5-571 to be expended for the following:

1. The payment of costs incurred in the operation and administration of the lottery, including the expenses of the commission and the costs resulting from any contract or contracts entered into for consulting or operational services.

2. Independent audits, which shall be performed annually in addition to the audits required by section 5-574.

3. Incentive programs for lottery sales agents and lottery employees.

4. Payment of compensation to licensed sales agents necessary to provide for the adequate availability of tickets or services to prospective buyers and for the convenience of the public. EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH, compensation of licensed sales agents shall be at least five and one-half per cent but not more than eight per cent of the price of each ticket or share that a retail sales agent sells in instant games and online games, less the price of any tickets or shares that are voided. COMPENSATION OF A LICENSED SALES AGENT WHO IS DESIGNATED AS A CHARITABLE ORGANIZATION AS DEFINED IN SECTION 5-554 SHALL BE TWENTY PER CENT OF THE PRICE OF EACH SPECIAL INSTANT GAME AUTHORIZED UNDER SECTION 5-554, SUBSECTION I.

5. The payment of reasonable fees to redemption agents as authorized by section 5-569.

6. The purchase or lease of lottery equipment, tickets and materials.

B. Not less than fifty per cent of the total annual revenues accruing from the sale of lottery tickets or shares shall be deposited in the state lottery prize fund established by section 5-573 for payment of prizes to the holders of winning tickets or shares or for other purposes provided for in section 5-568.

C. All other revenues accruing from the sale of lottery tickets or shares in online games or instant games shall be deposited in the state lottery fund established by section 5-571 to be used as prescribed by section 5-572.

D. Except for monies for prizes expended as provided in section 5-554, subsection G and section 41-1505.10, monies expended under subsection A of this section shall be subject to legislative appropriation.

Sec. 5. Effective date

Sections 5-554 and 5-555, Arizona Revised Statutes, as amended by this act, are effective from and after June 30, 2012.

APPROVED BY THE GOVERNOR APRIL 23, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 26, 2010.