

REFERENCE TITLE: state lottery reform

State of Arizona
Senate
Fiftieth Legislature
Second Regular Session
2012

SB 1510

Introduced by
Senators Klein: Crandall, Melvin, Meza; Representative Alston

AN ACT

AMENDING SECTIONS 5-553 AND 5-554, ARIZONA REVISED STATUTES; RELATING TO THE STATE LOTTERY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 5-553, Arizona Revised Statutes, is amended to
3 read:

4 5-553. Executive director

5 A. An executive director appointed by the governor pursuant to section
6 38-211 shall exercise immediate supervision over the lottery, **IN DIRECT**
7 **CONSULTATION WITH THE COMMISSION**. The director shall be a person ~~qualified~~
8 ~~by~~ **WITH AT LEAST FIVE YEARS OF** training and experience ~~to administer the~~
9 ~~state lottery~~ **IN THE MANAGEMENT AND ADMINISTRATION OF STATE LOTTERIES OR SOME**
10 **OTHER FORM OF LEGALIZED STATEWIDE GAMBLING**. The director shall be appointed
11 by the governor **IN DIRECT CONSULTATION WITH THE COMMISSION** and shall serve at
12 the pleasure of the governor.

13 B. The director shall devote his entire time and attention to the
14 administration of the state lottery and shall not be engaged in any other
15 profession or occupation. The director is eligible to receive compensation
16 pursuant to section 38-611.

17 Sec. 2. Section 5-554, Arizona Revised Statutes, is amended to read:

18 5-554. Commission; director; powers and duties; report;
19 definitions

20 A. The commission shall meet with the director not less than once each
21 quarter to make recommendations and **DISCUSS THE ACTIONS OF THE DIRECTOR**, set
22 policy, receive reports from the director, **ADOPT AND IMPLEMENT BEST BUSINESS**
23 **PRACTICES** and transact other business properly brought before the commission.

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

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

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

35 3. The manner of payment of prizes to the holders of winning tickets
36 or shares, including providing for payment by the purchase of annuities in
37 the case of prizes payable in installments, except that the commission staff
38 shall examine claims and may not pay any prize based on altered, stolen or
39 counterfeit tickets or based on any tickets that fail to meet established
40 validation requirements, including rules stated on the ticket or in the
41 published game rules, and confidential validation tests applied consistently
42 by the commission staff. No particular prize in a lottery game may be paid
43 more than once, and in the event of a binding determination that more than
44 one person is entitled to a particular prize, the sole remedy of the

1 claimants is the award to each of them of an equal portion of the single
2 prize.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 D. Notwithstanding title 41, chapter 6 and subsection B of this
45 section, the director, subject to the approval of the commission, may

1 establish a policy, procedure or practice that relates to an existing online
2 game or a new online game that is the same type and has the same type of game
3 play-style as an online game currently being conducted by the lottery or may
4 modify an existing rule for an existing online game or a new online game that
5 is the same type and has the same type of game play-style as an online game
6 currently being conducted by the lottery, including establishing or modifying
7 the matrix for an online game by giving notice of the establishment or
8 modification at least thirty days before the effective date of the
9 establishment or modification.

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

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

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

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

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

25 G. The commission, in addition to other games authorized by this
26 article, shall establish two special games for each year to be conducted
27 concurrently with other lottery games authorized under subsection B of this
28 section. The monies for prizes, for operating expenses and for payment to
29 the Arizona competes fund, as provided in section 5-572, subsection B, shall
30 be accounted for separately as nearly as practicable in the lottery
31 commission's general accounting system. The monies shall be derived from the
32 revenues of the special games, and monies for prizes do not become an expense
33 to the lottery commission's annual appropriation as provided in section
34 5-555, subsection D and section 5-572, subsection I. Monies saved from the
35 revenues of the special games, by reason of operating efficiencies, shall
36 become other revenue of the lottery commission and revert to the state
37 general fund.

38 H. The commission, in addition to other games authorized by this
39 article, may establish multistate lottery games to be conducted concurrently
40 with other lottery games authorized under subsections B and G of this
41 section. The monies for prizes, for operating expenses and for payment to
42 the state general fund shall be accounted for separately as nearly as
43 practicable in the lottery commission's general accounting system. The
44 monies shall be derived from the revenues of multistate lottery games.

1 I. The commission, in addition to other games authorized by this
2 article, shall establish special instant ticket games with play areas
3 protected by paper tabs designated for use by charitable organizations. The
4 monies for prizes and for operating expenses shall be accounted for
5 separately as nearly as practicable in the lottery commission's general
6 accounting system. Monies saved from the revenues of the special games, by
7 reason of operating efficiencies, shall become other revenue of the lottery
8 commission and revert to the state general fund.

9 J. THE STATE LOTTERY SHALL CONTRACT WITH ONE OR MORE VENDORS TO
10 PROVIDE POOLING TECHNOLOGY THAT WILL ENABLE THE STATE LOTTERY AND ITS
11 LICENSED TICKET AGENTS TO SELL TO ANY PURCHASER AN OWNERSHIP SHARE OF LESS
12 THAN ONE HUNDRED PER CENT IN ONE OR MORE LOTTERY PLAYS OR POOLS OF LOTTERY
13 PLAYS WITH THE PURCHASER SHARING IN ANY LOTTERY PRIZES AWARDED TO THOSE
14 SHARED OWNERSHIP LOTTERY PLAYS. WITHIN NINETY DAYS AFTER THE EFFECTIVE DATE
15 OF THIS AMENDMENT TO THIS SECTION, THE POOLING TECHNOLOGY SHALL BE AVAILABLE
16 AT A MINIMUM ON MULTISTATE DRAW GAMES AND THE LARGEST STATEWIDE DRAW GAME.
17 THE STATE LOTTERY SHALL MARKET THE POOLING OPTION TO POTENTIAL CUSTOMERS WITH
18 A MARKETING CAMPAIGN THAT IS SIMILAR IN MANNER AND SCOPE TO MARKETING
19 CAMPAIGNS FOR MAJOR LOTTERY PRODUCT INTRODUCTIONS.

20 K. THE COMMISSION SHALL CONSIDER A REQUEST FOR PROPOSALS TO PRIVATE
21 ENTITIES TO ASSUME THE OPERATIONS OF THE STATE LOTTERY, SUBJECT TO THE
22 APPROVAL OF THE GOVERNOR. NO LATER THAN ONE YEAR AFTER THE EFFECTIVE DATE OF
23 THIS AMENDMENT TO THIS SECTION, THE COMMISSION SHALL AWARD A CONTRACT TO THE
24 PRIVATE ENTITY THAT THE COMMISSION DETERMINES WILL OPERATE THE STATE LOTTERY
25 IN THE MOST EFFICIENT AND COST-EFFECTIVE MANNER. THE COMMISSION SHALL
26 COORDINATE THE ACTIVITIES OF THE PRIVATE ENTITY THAT IS SELECTED TO OPERATE
27 THE STATE LOTTERY.

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

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

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

43 O. AT LEAST ONCE EVERY SIX MONTHS BEGINNING FEBRUARY 1, 2013, THE
44 COMMISSION SHALL REPORT THE NET PROFIT OF THE STATE LOTTERY TO THE GOVERNOR,

1 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE.
2 THE COMMISSION SHALL PROVIDE A COPY OF THIS REPORT TO THE SECRETARY OF STATE.

3 ~~M.~~ P. For the purposes of this section:

4 1. "Charitable organization" means any nonprofit organization,
5 including not more than one auxiliary of that organization, that has operated
6 for charitable purposes in this state for at least two years before
7 submitting a license application under this article.

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

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

13 Sec. 3. Intent

14 A. It is the intent of the legislature to have a state lottery that is
15 operated in a more efficient and cost effective manner. The legislature
16 intends to encourage the state lottery to seek out and benefit from private
17 business experience.

18 B. It is the intent of the legislature that a portion of the
19 additional revenue generated by this act could be used to:

20 1. Repay this state's obligation on the lease-purchase finance
21 agreements of state owned buildings under Laws 2010, sixth special session,
22 chapter 4, section 2.

23 2. Pay off the state lottery revenue bonds issued pursuant to title 5,
24 chapter 5.1, article 1, Arizona Revised Statutes.