

State of Arizona
House of Representatives
Fifty-second Legislature
First Regular Session
2015

CHAPTER 245
HOUSE BILL 2517

AN ACT

AMENDING SECTIONS 5-554, 5-568 AND 5-572, ARIZONA REVISED STATUTES; AMENDING TITLE 13, CHAPTER 35.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 13-3562; AMENDING TITLE 41, CHAPTER 1, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-199; AMENDING SECTION 41-1727, ARIZONA REVISED STATUTES; RELATING TO INTERNET CRIMES AGAINST CHILDREN.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 5-554, Arizona Revised Statutes, is amended to
3 read:
4 5-554. Commission; director; powers and duties; definitions
5 A. The commission shall meet with the director not less than once each
6 quarter to make recommendations and set policy, receive reports from the
7 director and transact other business properly brought before the commission.
8 B. The commission shall oversee a state lottery to produce the maximum
9 amount of net revenue consonant with the dignity of the state. To achieve
10 these ends, the commission shall authorize the director to adopt rules in
11 accordance with title 41, chapter 6. Rules adopted by the director may
12 include provisions relating to the following:
13 1. Subject to the approval of the commission, the types of lottery
14 games and the types of game play-styles to be conducted.
15 2. The method of selecting the winning tickets or shares for
16 noncomputerized online games, except that no method may be used that, in
17 whole or in part, depends on the results of a dog race, a horse race or any
18 sporting event.
19 3. The manner of payment of prizes to the holders of winning tickets
20 or shares, including providing for payment by the purchase of annuities in
21 the case of prizes payable in installments, except that the commission staff
22 shall examine claims and may not pay any prize based on altered, stolen or
23 counterfeit tickets or based on any tickets that fail to meet established
24 validation requirements, including rules stated on the ticket or in the
25 published game rules, and confidential validation tests applied consistently
26 by the commission staff. No particular prize in a lottery game may be paid
27 more than once, and in the event of a binding determination that more than
28 one person is entitled to a particular prize, the sole remedy of the
29 claimants is the award to each of them of an equal portion of the single
30 prize.
31 4. The method to be used in selling tickets or shares, except that no
32 elected official's name may be printed on such tickets or shares. The
33 overall estimated odds of winning some prize or some cash prize, as
34 appropriate, in a given game shall be printed on each ticket or share.
35 5. The licensing of agents to sell tickets or shares, except that a
36 person who is under eighteen years of age shall not be licensed as an agent.
37 6. The manner and amount of compensation to be paid licensed sales
38 agents necessary to provide for the adequate availability of tickets or
39 shares to prospective buyers and for the convenience of the public, including
40 provision for variable compensation based on sales volume.
41 7. Matters necessary or desirable for the efficient and economical
42 operation and administration of the lottery and for the convenience of the
43 purchasers of tickets or shares and the holders of winning tickets or shares.
44 C. The commission shall authorize the director to issue orders and
45 shall approve orders issued by the director for the necessary operation of

1 the lottery. Orders issued under this subsection may include provisions
2 relating to the following:

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

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

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

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

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

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

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

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

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

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

27 8. THE METHOD USED FOR THE VALIDATION OF A TICKET, WHICH MAY BE BY
28 PHYSICAL OR ELECTRONIC PRESENTATION OF A TICKET.

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

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

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

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

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

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

11 G. The commission, in addition to other games authorized by this
12 article, may establish multistate lottery games to be conducted concurrently
13 with other lottery games authorized under subsection B of this section. The
14 monies for prizes, for operating expenses and for payment to the state
15 general fund shall be accounted for separately as nearly as practicable in
16 the lottery commission's general accounting system. The monies shall be
17 derived from the revenues of multistate lottery games.

18 H. The commission, in addition to other games authorized by this
19 article, shall establish special instant ticket games with play areas
20 protected by paper tabs designated for use by charitable organizations. The
21 monies for prizes and for operating expenses shall be accounted for
22 separately as nearly as practicable in the lottery commission's general
23 accounting system. Monies saved from the revenues of the special games, by
24 reason of operating efficiencies, shall become other revenue of the lottery
25 commission and revert to the state general fund, EXCEPT THAT THE COMMISSION
26 SHALL TRANSFER THE PROCEEDS FROM ANY GAMES THAT ARE SOLD FROM A VENDING
27 MACHINE IN AN AGE-RESTRICTED AREA TO THE STATE TREASURER FOR DEPOSIT IN THE
28 FOLLOWING AMOUNTS:

29 1. NINE HUNDRED THOUSAND DOLLARS EACH FISCAL YEAR IN THE INTERNET
30 CRIMES AGAINST CHILDREN ENFORCEMENT FUND ESTABLISHED BY SECTION 41-199.

31 2. ONE HUNDRED THOUSAND DOLLARS EACH FISCAL YEAR IN THE VICTIMS'
32 RIGHTS ENFORCEMENT FUND ESTABLISHED BY SECTION 41-1727.

33 3. ANY MONIES IN EXCESS OF THE AMOUNTS LISTED IN PARAGRAPHS 1 AND 2 OF
34 THIS SUBSECTION, IN THE STATE LOTTERY FUND ESTABLISHED BY SECTION 5-571.

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

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

42 K. The director shall print, in a prominent location on each lottery
43 ticket or share, a statement that help is available if a person has a problem
44 with gambling and a toll-free telephone number where problem gambling
45 assistance is available. The director shall require all licensed agents to
46 post a sign with the statement that help is available if a person has a

1 problem with gambling and the toll-free telephone number at the point of sale
2 as prescribed and supplied by the director. The requirements of this
3 subsection apply to tickets and shares printed after July 18, 2000.

4 L. For the purposes of this section:

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

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

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

14 Sec. 2. Section 5-568, Arizona Revised Statutes, is amended to read:

15 5-568. Disposition of unclaimed prize money

16 Unclaimed prize money for the prize on a winning ticket or share shall
17 be retained for the person entitled to the prize for one hundred eighty days
18 after the drawing in which the prize was won in the case of a drawing prize
19 and for one hundred eighty days after the announced end of the game in
20 question in the case of a prize determined in any manner other than by means
21 of a drawing. If a claim is not made for the money within the applicable
22 period, **THE MONEY SHALL BE TRANSFERRED IN THE FOLLOWING AMOUNTS:**

23 1. Seventy ~~per-cent~~ PERCENT of the prize money shall be held in the
24 state lottery prize fund for use as additional prizes in future games ~~and~~,
25 **EXCEPT THAT IF THE AMOUNT OF MONIES TRANSFERRED BY THE COMMISSION PURSUANT TO**
26 **SECTION 5-554, SUBSECTION H, PARAGRAPH 1 IS LESS THAN NINE HUNDRED THOUSAND**
27 **DOLLARS EACH FISCAL YEAR, THE DIFFERENCE SHALL BE TRANSFERRED TO THE INTERNET**
28 **CRIMES AGAINST CHILDREN ENFORCEMENT FUND ESTABLISHED BY SECTION 41-199 AND IF**
29 **THE MONIES TRANSFERRED BY THE COMMISSION PURSUANT TO SECTION 5-554,**
30 **SUBSECTION H, PARAGRAPH 2 IS LESS THAN ONE HUNDRED THOUSAND DOLLARS EACH**
31 **FISCAL YEAR, THE DIFFERENCE SHALL BE TRANSFERRED TO THE VICTIMS' RIGHTS**
32 **ENFORCEMENT FUND ESTABLISHED BY SECTION 41-1727.**

33 2. Thirty ~~per-cent~~ PERCENT shall be transferred ~~monthly~~ QUARTERLY to
34 the court appointed special advocate fund established by section 8-524.

35 Sec. 3. Section 5-572, Arizona Revised Statutes, is amended to read:

36 5-572. Use of monies in state lottery fund; report

37 A. If there are any bonds or bond related obligations payable from the
38 state lottery revenue bond debt service fund, the state lottery revenue bond
39 debt service fund shall be secured by a first lien on the monies in the state
40 lottery fund after the payment of operating costs of the lottery, as
41 prescribed in section 5-555, subsection A, paragraph 1, until the state
42 lottery bond debt service fund contains sufficient monies to meet all the
43 requirements for the current period as required by the bond documents. Debt
44 service for revenue bonds issued pursuant to this chapter shall be paid first
45 from monies that would have otherwise been deposited pursuant to this section
46 in the state general fund. After the requirements for the current period

1 have been satisfied as required by the bond documents, the monies in the
2 state lottery fund shall be expended for the expenses of the commission
3 incurred in carrying out its powers and duties and in the operation of the
4 lottery.

5 B. Of the monies remaining in the state lottery fund each fiscal year
6 after appropriations and deposits authorized in subsection A of this section,
7 ten million dollars shall be deposited in the Arizona game and fish
8 commission heritage fund established by section 17-297.

9 C. Of the monies remaining in the state lottery fund each fiscal year
10 after appropriations and deposits authorized in subsections A and B of this
11 section, five million dollars shall be allocated to the department of child
12 safety for the healthy families program established by section 8-481, four
13 million dollars shall be allocated to the Arizona board of regents for the
14 Arizona area health education system established by section 15-1643, three
15 million dollars shall be allocated to the department of health services to
16 fund the teenage pregnancy prevention programs established in Laws 1995,
17 chapter 190, sections 2 and 3, two million dollars shall be allocated to the
18 department of health services for the health start program established by
19 section 36-697, two million dollars shall be deposited in the disease control
20 research fund established by section 36-274 and one million dollars shall be
21 allocated to the department of health services for the federal women, infants
22 and children food program. The allocations in this subsection shall be
23 adjusted annually according to changes in the GDP price deflator as defined
24 in section 41-563 and the allocations are exempt from the provisions of
25 section 35-190 relating to lapsing of appropriations. If there are not
26 sufficient monies available pursuant to this subsection, the allocation of
27 monies for each program shall be reduced on a pro rata basis.

28 D. If the state lottery director determines that monies available to
29 the state general fund may not equal eighty-four million one hundred fifty
30 thousand dollars in a fiscal year, the director shall not authorize deposits
31 to the Arizona game and fish commission heritage fund pursuant to subsection
32 B of this section until the deposits to the state general fund equal
33 eighty-four million one hundred fifty thousand dollars in a fiscal year.

34 E. Of the monies remaining in the state lottery fund each fiscal year
35 after appropriations and deposits authorized in subsections A through D of
36 this section, one million dollars or the remaining balance in the fund,
37 whichever is less, is appropriated to the department of economic security for
38 grants to nonprofit organizations, including faith based organizations, for
39 homeless emergency and transitional shelters and related support services.
40 The department of economic security shall submit a report on the amounts,
41 recipients, purposes and results of each grant to the governor, the speaker
42 of the house of representatives and the president of the senate on or before
43 December 31 of each year for the prior fiscal year and shall provide a copy
44 of this report to the secretary of state.

45 F. Of the monies remaining in the state lottery fund each fiscal year
46 after appropriations and deposits authorized in subsections A through E of

1 this section, and after a total of at least ninety-nine million six hundred
2 forty thousand dollars has been deposited in the state general fund, three
3 million five hundred thousand dollars shall be deposited in the Arizona
4 competes fund established by section 41-1545.01. The balance in the state
5 lottery fund remaining after deposits into the Arizona competes fund shall be
6 deposited in the university capital improvement lease-to-own and bond fund
7 established by section 15-1682.03, up to a maximum of eighty ~~per-cent~~ PERCENT
8 of the total annual payments of lease-to-own and bond agreements entered into
9 by the Arizona board of regents.

10 G. All monies remaining in the state lottery fund after the
11 appropriations and deposits authorized in this section shall be deposited in
12 the state general fund.

13 H. Except for monies expended for debt service of revenue bonds as
14 provided in subsection A of this section, monies expended under subsection A
15 of this section are subject to legislative appropriation.

16 I. THE COMMISSION SHALL TRANSFER MONIES PRESCRIBED IN THIS SECTION ON
17 A QUARTERLY BASIS.

18 Sec. 4. Title 13, chapter 35.1, Arizona Revised Statutes, is amended
19 by adding section 13-3562, to read:

20 13-3562. Notice to communication service provider of website
21 hosting alleged sexual exploitation of children

22 A. IF A LAW ENFORCEMENT AGENCY RECEIVES INFORMATION THAT A
23 COMMUNICATION SERVICE PROVIDER IS HOSTING A WEBSITE THAT CONTAINS AN ALLEGED
24 VIOLATION OF THIS CHAPTER, THE LAW ENFORCEMENT AGENCY SHALL NOTIFY THE
25 COMMUNICATION SERVICE PROVIDER BY SERVING A NOTICE OF THE ALLEGED VIOLATION
26 ON THE STATUTORY AGENT OF THE COMMUNICATION SERVICE PROVIDER.

27 B. THE NOTICE SHALL INCLUDE SPECIFIC INFORMATION ON THE LOCATION OF
28 THE ALLEGED VIOLATION.

29 Sec. 5. Title 41, chapter 1, article 5, Arizona Revised Statutes, is
30 amended by adding section 41-199, to read:

31 41-199. Internet crimes against children enforcement fund; use;
32 reporting

33 A. THE INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT FUND IS
34 ESTABLISHED CONSISTING OF MONIES DEPOSITED PURSUANT TO SECTIONS 5-554 AND
35 5-568 AND MONIES AVAILABLE FROM ANY OTHER SOURCE. THE ATTORNEY GENERAL SHALL
36 ADMINISTER THE FUND.

37 B. SUBJECT TO LEGISLATIVE APPROPRIATION, THE ATTORNEY GENERAL SHALL
38 USE MONIES IN THE FUND TO ENTER INTO ONE OR MORE INTERGOVERNMENTAL AGREEMENTS
39 TO CONTINUE THE OPERATION OF THE FEDERALLY RECOGNIZED INTERNET CRIMES AGAINST
40 CHILDREN TASK FORCE PROGRAM THAT COORDINATES A NATIONAL NETWORK OF
41 COORDINATED TASK FORCES THAT ASSIST FEDERAL, STATE, LOCAL AND TRIBAL LAW
42 ENFORCEMENT AGENCIES IN INVESTIGATIONS, FORENSIC EXAMINATIONS AND
43 PROSECUTIONS RELATED TO TECHNOLOGY-FACILITATED SEXUAL EXPLOITATION OF
44 CHILDREN AND INTERNET CRIMES AGAINST CHILDREN.

45 C. WITHIN THIRTY DAYS AFTER THE LAST DAY OF EACH CALENDAR QUARTER, THE
46 ATTORNEY GENERAL SHALL PROVIDE A SUMMARY OF QUARTERLY AND YEAR-TO-DATE

1 EXPENDITURES AND PROGRESS TO THE JOINT LEGISLATIVE BUDGET COMMITTEE,
2 INCLUDING ANY PRIOR YEAR APPROPRIATIONS THAT WERE NONLAPSING.

3 Sec. 6. Section 41-1727, Arizona Revised Statutes, is amended to read:
4 41-1727. Victims' rights enforcement fund; use; reporting

5 A. The victims' rights enforcement fund is established consisting of
6 monies collected pursuant to ~~section~~ SECTIONS 5-568 AND 12-116.09 and monies
7 available from any other source. The department shall administer the fund,
8 shall distribute the monies to qualifying organizations and entities and may
9 use up to five ~~per cent~~ PERCENT of the monies deposited in the fund for its
10 administrative costs. Monies in the fund are continuously appropriated.

11 B. On application, the department shall annually distribute monies
12 from the fund to nonprofit organizations and entities that can demonstrate a
13 five-year history of providing, without cost to the crime victim, each of the
14 following services to crime victims:

15 1. Legal representation to enforce the rights of crime victims as
16 counsel of record in criminal cases.

17 2. Social services to assist the crime victim during the course of the
18 legal representation.

19 C. An organization or entity that applies for monies pursuant to this
20 section may establish its qualifications through an attorney who otherwise
21 meets the requirements of subsection B of this section.

22 D. An organization that qualifies under the terms of subsection B of
23 this section shall be funded to provide the services included in subsection B
24 of this section without limitation on the types of crimes against victims,
25 including administrative support for the services. Each organization and
26 entity that receives funding pursuant to this section shall submit an annual
27 report to the department that details the organization's or entity's budget
28 for the program and all of the sources and amounts of public monies that are
29 spent on the program that provides the services to crime victims included in
30 subsection B of this section. The report shall include the following:

31 1. The expenditures of the public monies.

32 2. The level of crime victim satisfaction with the services.

33 E. This section does not require the reporting of the name or personal
34 identifying information of any crime victim or crime victim advocate, any
35 information protected under the attorney-client privilege or any information
36 the crime victim requests to remain private.

37 Sec. 7. Emergency

38 This act is an emergency measure that is necessary to preserve the
39 public peace, health or safety and is operative immediately as provided by
40 law.

APPROVED BY THE GOVERNOR APRIL 9, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 10, 2015.