

Ways and Means  
Palmer, Chair  
Carr  
Readinger

*Amended per 21506  
H/O Rec. 3/1/83 (p. 588)*

SENATE FILE 87

BY KINLEY and RODGERS

*State Govt. 3/2*

*Finance 3/21/83*

*Do Pass 3/22/83 (p. 890)*

*Appropriations 4/18 Do Pass 4/18/83 (p. 1303)*

**JAN 17, 1983**

*Failed*  
Passed Senate, Date 4-19-83 (p. 1323) Passed House, Date \_\_\_\_\_

Vote: Ayes 24 Nays 23 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

*Motion to reconsider (p. 1324) Pass 5/14/83*

# A BILL FOR

1 An Act relating to lotteries by providing for a state lottery,  
 2 an agency to oversee lottery operations, a state lottery  
 3 fund for the deposit of receipts and for the payment of  
 4 prizes and expenses, licensing of lottery ticket sales  
 5 agents, administrative procedures necessary in carrying  
 6 out the intent of the Act, making certain acts illegal,  
 7 and providing a penalty for their commission, and pro-  
 8 viding that revenue generated shall be distributed to the  
 9 cities and counties of the state for property tax relief.

10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. TITLE. Sections 1 through 16  
2 of this Act may be cited as the "Iowa Lottery Act".

3 Sec. 2. NEW SECTION. DEFINITIONS. As used in sections  
4 1 through 16 of this Act, unless the context otherwise  
5 requires:

6 1. "Commissioner" means the commissioner of the lottery.

7 2. "Director" means the director of one of the three divi-  
8 sions of the lottery operating under the commissioner.

9 3. "Lottery" means the lottery created and operated under  
10 sections 1 through 16 of this Act.

11 4. "Lottery board" means a board composed of the  
12 commissioner and the three directors.

13 Sec. 3. NEW SECTION. ESTABLISHMENT OF LOTTERY--APPOINTMENT  
14 OF COMMISSIONER--OTHER EMPLOYEES.

15 1. A state agency is established to be known as the Iowa  
16 lottery. It is an autonomous agency whose head is the commis-  
17 sioner.

18 2. The commissioner shall be qualified by training and  
19 experience to direct the lottery. The commissioner shall  
20 be appointed by the governor subject to confirmation by the  
21 senate, and shall serve at the pleasure of the governor.  
22 A vacancy occurring in the office of the commissioner shall  
23 be filled in the same manner as the original appointment.  
24 The commissioner shall devote time and attention solely to  
25 the duties of the office and shall not be engaged in any other  
26 profession or occupation. The commissioner shall receive  
27 a salary as provided by the governor with the approval of  
28 the executive council pursuant to section 19A.9, subsection  
29 2.

30 3. The commissioner may employ clerks, stenographers,  
31 inspectors, agents, and other employees pursuant to chapter  
32 19A as necessary to carry out sections 1 through 16 of this  
33 Act.

34 Sec. 4. NEW SECTION. COMMISSIONER'S OATH--BOND--EMPLOYEES--  
35 -BONDING OF EMPLOYEES.

1 1. Before taking office, the commissioner shall take oath  
2 to faithfully execute the duties of the office according to  
3 the laws of the state, and shall give bond with sufficient  
4 surety to be approved by the governor in the sum of ten  
5 thousand dollars, conditioned upon faithful execution and  
6 performance of the duties of the office. Each bond, when  
7 fully executed and approved, shall be filed in the office  
8 of the secretary of state. When in the governor's opinion  
9 the bond has become or is likely to become invalid or  
10 insufficient, the governor shall require the commissioner  
11 to renew the bond in an amount approved by the governor but  
12 not less than ten thousand dollars. The cost of a bond given  
13 shall be part of the necessary expenses of the lottery.

14 2. The commissioner shall employ personnel necessary to  
15 implement this Act. All personnel shall be fingerprinted.

3609  
3610 16 3. The commissioner may require lottery employees to give  
17 bond in an amount the commissioner determines. Each bond  
18 when executed and approved shall be filed in the office of  
19 the secretary of state. The cost of each bond given shall  
20 be part of the necessary expenses of the commission.

21 Sec. 5. NEW SECTION. COMMISSIONER'S POWERS--RULE-MAKING  
22 AUTHORITY.

23 1. The commissioner shall initiate, establish, and operate  
24 a lottery at the earliest practicable time. The commissioner  
25 shall supervise and administer the lottery in order to produce  
26 the maximum amount of net revenues for the state consonant  
27 with the general welfare of the people.

28 2. The commissioner may enter into contracts for the oper-  
29 ation and promotion of the lottery, including contracts with  
30 individuals or business organizations experienced in the  
31 design and operation of the state administered lotteries of  
32 other states. A contract awarded or entered into by the  
33 commissioner shall not be assigned by the contract holder  
34 except upon specific approval of the commissioner.

35 3. The commissioner shall enforce sections 1 through 16

1 of this Act and shall make all necessary rules in accordance  
2 with chapter 17A for effecting the intent and enforcing and  
3 preventing violations of sections 1 through 16 of this Act.

3600/ 4 The rules may include but are not limited to the following  
5 subject matters:

6 a. The types of lottery games to be conducted. However,  
7 in any game utilizing tickets or other tangible evidence of  
8 participation, each ticket in the game shall bear a unique  
9 consecutive serial number distinguishing it from each other  
10 ticket in the game, and each lottery number or symbol shall  
11 be accompanied by a confirming caption consisting of a repe-  
12 tition of a symbol or a description of the symbol in words.

13 b. The price of tickets or shares in the lottery, includ-  
14 ing but not limited to authorization of sales of tickets or  
15 shares at a discount for promotional purposes.

16 c. The number and size of the prizes on the winning tickets  
17 or shares, including but not limited to prizes of free tickets  
18 in lottery games conducted by the lottery and merchandise  
19 prizes. However, the lottery shall maintain and make avail-  
20 able for public inspection at its offices during regular  
21 business hours a detailed listing of the estimated number  
22 of prizes of each particular denomination that are expected  
23 to be awarded in any game that is on sale, and after the end  
24 of the claim period, shall maintain and make available a  
25 listing of the total number of tickets or shares sold in a  
26 game and the number of prizes of each denomination which were  
27 awarded.

28 d. The method of selecting the winning tickets and the  
29 manner of payment of prizes to the holders of winning tickets.  
30 The rules may provide for payment by the purchase of annuities  
31 in the case of prizes payable in installments. Agency employ-  
32 ees shall examine claims and shall not pay any prize for  
33 altered, stolen, or counterfeit tickets nor tickets which  
34 fail to meet validation rules established for a lottery game.  
35 A prize shall not be paid more than once. If the commissioner

1 determines that more than one person is entitled to a prize,  
2 the sole remedy of the claimants is to receive an equal share  
3 in the single prize. The rules may provide for payment of  
4 prizes up to one hundred dollars directly by licensed agents.

5 e. The frequency of selection of winning tickets. However,  
6 drawings shall be held in public, and the actual selection  
7 of winning tickets shall not be performed by an employee of  
8 the lottery. Drawings shall be witnessed by an independent  
9 certified public accountant. Equipment used to select winning  
10 prizes or participants for prizes shall be examined prior  
11 to and after each public drawing by lottery employees and  
12 independent certified public accountants.

13 f. Requirements for eligibility for participation in  
14 runoff drawings, including but not limited to requirements  
15 for submission of evidence of eligibility.

16 g. The locations at which tickets may be sold.

17 h. The method to be used in printing and selling tickets.

18 An elected official's name shall not be printed on the tickets.  
19 The overall estimated odds of winning a prize in a given game  
20 shall be printed on each ticket.

21 i. The licensing of agents to sell tickets or shares.

22 A person under the age of eighteen shall not be licensed as  
23 an agent.

24 j. The compensation to be paid licensed sales agents  
25 including but not limited to provision for variable compensa-  
26 tion based on sales volume or incentive considerations.

27 k. Subject to section 5 of this Act, the apportionment  
28 of the annual revenues accruing from the sale of lottery  
29 tickets and from other sources for the payment of prizes to  
30 the holders of winning tickets and for the following:

31 (1) The payment of costs incurred in the operation and  
32 administration of the lottery, including the expenses of the  
33 lottery and the cost resulting from contracts entered into  
34 for consulting or operational services, or for promotional  
35 and advertising services.

1 (2) Independent audits which shall be performed annually  
2 in addition to the audits required by section 16, subsection  
3 3.

3605 4 (3) Incentive programs for lottery sales agents and lottery  
5 employees.

6 (4) Payment of compensation to agents necessary to provide  
7 for the adequate availability of tickets or services to  
8 prospective buyers and for the convenience of the public.

9 (5) The purchase or lease of lottery equipment, tickets,  
10 and materials.

11 (6) The repayment of the money appropriated to the lottery.

12 (7) Transfer to the general fund.

3601  
3150 13 Sec. 6. NEW SECTION. ALLOCATION OF FUNDS GENERATED--

14 PAYMENTS TO LOCAL GOVERNMENTS--PROPERTY TAX RELIEF.

15 1. As nearly as is practicable, forty-five percent of  
16 the annual revenue, computed on a year-round average basis  
17 for each type of lottery game, accruing from the sale of  
18 lottery tickets shall be apportioned for payment of prizes  
19 to the holders of winning tickets. However, the prizes shall  
20 not be paid out in a particular lottery game in excess of  
21 the total revenue from sales of that game. After the payment  
22 of prizes, the reasonable expenses of conducting the lottery  
23 shall be paid. Revenue remaining after expenses are paid  
24 shall be apportioned for transfer to the general fund for  
25 distribution to the cities and counties of the state pursuant  
26 to subsections 2 through 4 and for repayment of moneys  
27 appropriated as initial funding of the lottery under section  
28 17 of this Act. The revenue apportioned for transfer to the  
29 general fund shall not be less than thirty percent of the  
30 total revenues accruing from the sale of lottery tickets.

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31 2. The treasurer of state shall semiannually distribute  
32 to the cities and counties of the state the net revenues  
33 accrued from the sale of lottery tickets. The amount to be  
34 distributed to each city shall be in the proportion that the  
35 population of the city is to the total population of the state

1 as determined by the latest federal census. The amount to  
2 be distributed to each county shall be in the proportion  
3 that the population of the unincorporated area of the county  
4 is to the total population of the state as determined by the  
5 latest federal census. A city or county may have one special  
6 federal census taken each decade. The population figure thus  
7 obtained shall be used in apportioning amounts under this  
8 subsection beginning the calendar year following the year  
9 in which the special census is certified by the secretary  
10 of state. The apportionment shall be made semiannually on  
11 July 1 and January 1 of each year. However, only cities and  
12 counties which have qualified under subsections 3 and 4 shall  
13 receive remittances under this section.

14 3. Moneys received by a city from the lottery may be  
15 expended for any lawful municipal purpose. However, the city  
16 treasurer or another city official designated by the council  
17 shall credit all moneys received to a special account for  
18 property tax relief. Before the levy rates authorized under  
19 sections 384.1 and 384.12 are certified to the county auditor,  
20 the certifying official shall subtract from the total amount  
21 computed in dollars, as provided in section 444.2, an amount  
22 equal to the amount credited to the special account for  
23 property tax relief during the last preceding twelve-month  
24 period and shall certify only the remaining amount to the  
25 county auditor and board of supervisors and shall identify  
26 for what purposes the funds received for property tax relief  
27 are to be used. The county auditor shall determine the levy  
28 rates under section 444.3 upon the net amount so computed.  
29 In order for a city to be qualified to receive remittances  
30 from the treasurer of state under subsection 2, the city  
31 clerk, before July 15 of each year, shall certify to the  
32 treasurer of state that the required reduction in the amount  
33 certified to the county auditor and board of supervisors for  
34 city taxes has been made.

35 4. Moneys received by a county from the lottery may be

1 expended for any lawful county government purpose applicable  
2 to the unincorporated area of the county. However, the county  
3 treasurer shall credit moneys received to a special account  
4 for property tax relief. Before the levy rates which are  
3611 5 limited to property outside incorporated areas, authorized  
6 under sections 331.421 and 331.422 and other sections, and  
7 certified to the county auditor, the certifying official shall  
8 subtract from the total amount computed in dollars, as provided  
9 in section 444.2, an amount equal to the amount credited to  
10 the special account for property tax relief during the last  
11 preceding twelve-month period and shall certify only the net  
12 amount and shall identify for what purposes the funds received  
13 for property tax relief are to be used. The county auditor  
14 shall determine the levy rates under section 444.3 upon the  
15 net amount so computed. In order for a county to be qualified  
16 to receive remittances from the treasurer of state under sub-  
17 section 2, the board of supervisors, before July 15 of each  
18 year, shall certify to the treasurer of state that the required  
19 reduction has been made.

20 Sec. 7. NEW SECTION. REPORTS.

21 1. The commissioner shall report quarterly to the governor,  
22 the treasurer of state, and the general assembly. The  
23 quarterly report shall include the total lottery revenue,  
24 prize disbursements, and other expenses for the preceding  
25 quarter.

26 2. The commissioner also shall report annually to the  
27 governor, the treasurer of state, and the general assembly.  
28 The annual report shall include a complete statement of lottery  
29 revenues, prize disbursements, and other expenses, and  
30 recommendations for changes in the law which the commissioner  
31 deems necessary or desirable. The annual report shall be  
32 submitted within ninety days after the close of the lottery  
33 year.

34 3. The commissioner shall report immediately to the  
35 governor, the treasurer of state, and the general assembly

1 any matters that require immediate changes in the law in order  
2 to prevent abuses or evasions of sections 1 through 16 of  
3 this Act or rules adopted under those sections or to rectify  
4 undesirable conditions in connection with the administration  
5 or operation of the lottery.

6 Sec. 8. NEW SECTION. STUDIES.

7 1. The commissioner shall make a continuous study of the  
8 lottery to accomplish the following:

9 a. To ascertain any defects in sections 1 through 16 of  
10 this Act or in the rules which could result in abuses in the  
11 administration and operation of the lottery or in any evasion  
12 of sections 1 through 16 of this Act or the rules of the com-  
13 missioner.

14 b. To formulate recommendations for changes in sections  
15 1 through 16 of this Act and the rules of the commissioner.

16 c. To ensure that sections 1 through 16 of this Act and  
17 the rules of the commissioner are in a form and are  
18 administered to serve the purposes of sections 1 through 16  
19 of this Act.

20 2. The commissioner shall make a continuous study of the  
21 operation and the administration of similar laws which may  
22 be in effect in other states or counties, any written material  
23 on the subject which is published or available, any federal  
24 laws which may affect the operation of the lottery, and the  
25 reaction of citizens to existing and potential features of  
26 the lottery in order to recommend changes that will serve  
27 the purposes of sections 1 through 16 of this Act.

3605 28 Sec. 9. NEW SECTION. CONFLICT OF INTEREST. The  
29 commissioner, the directors, and employees of the lottery  
30 shall not directly or indirectly, individually, or as a member  
31 of a partnership, or as a shareholder of a corporation have  
32 an interest in dealing in a lottery or in the ownership or  
33 leasing of property used by or for a lottery.

34 Sec. 10. NEW SECTION. LOTTERY DIVISIONS--DIRECTORS.

35 1. There shall be three divisions of the state lottery:

1 a. A security and licensing division.

2 b. A personnel, data processing, and accounting divi-  
3 sion.

4 c. A marketing, promotion, and advertising division.

5 2. Each division shall be under the supervision of a  
6 director appointed by the commissioner and each director shall  
7 have expertise in the functions of the division. The  
8 commissioner shall designate one of the directors to serve  
9 as acting commissioner during the commissioner's absence.

3618 10 3. Departments, boards, commissions, or other agencies  
11 of this state shall provide assistance to the lottery upon  
12 request.

13 Sec. 11. NEW SECTION. POWER TO ADMINISTER OATHS AND TAKE  
14 TESTIMONY--SUBPOENA. The commissioner or the commissioner's  
15 designee authorized to conduct an inquiry, investigation,  
16 or hearing under sections 1 through 16 of this Act may  
17 administer oaths and take testimony under oath relative to  
18 the matter of inquiry or investigation. At a hearing ordered  
19 by the commissioner, the commissioner or the designee may  
20 subpoena witnesses and require the production of records,  
21 papers, and documents pertinent to the inquiry. A witness  
22 under subpoena authorized by this section shall not be excused  
23 from testifying or from producing records, papers, or documents  
24 on the ground that the testimony or the production of evidence  
25 would tend to incriminate the witness, but the evidence so  
26 produced shall not be used in a criminal proceeding against  
27 the witness. If a person disobeys process or, having appeared,  
28 refuses to answer a pertinent question put to the person by  
29 the commissioner or an authorized designee or to produce a  
30 subpoenaed document, the commissioner or the authorized  
31 designee may apply to the district court setting forth the  
32 disobedience to process or refusal to answer, and the court  
33 shall cite the person to appear before the court to answer  
34 the question or to produce the documents and, upon the person's  
35 refusal, shall commit the person to jail until the person

1 testifies, but not for a longer period than sixty days.  
2 Notwithstanding the serving of a term of commitment by a  
3 witness, the commissioner may proceed with the inquiry and  
4 examination as if the witness had not previously been called  
5 upon to testify.

6 Sec. 12. NEW SECTION. LICENSING--BONDS.

7 1. The commissioner shall license persons to sell lottery  
8 tickets to best serve public convenience. A licensee shall  
9 not engage in business exclusively to sell lottery tickets.  
10 Before issuing a license the commissioner shall consider the  
11 financial responsibility and security of the applicant, the  
12 applicant's business or activity, the accessibility of the  
13 applicant's place of business or activity to the public, the  
14 sufficiency of existing licenses to serve the public

3616 15 convenience, and the volume of expected sales. An applicant  
16 lawfully engaged in a nongovernmental business on state  
17 property may be licensed to sell lottery tickets. Agents  
18 shall cooperate with the lottery by using point-of-purchase  
19 materials, posters, and other promotional materials when  
20 requested to do so by the lottery. Lack of cooperation is  
21 sufficient cause for revocation of a person's license.

22 2. A licensee shall sell tickets only on the premise  
23 stated in the license unless the commissioner gives the  
24 licensee special permission to do otherwise. A licensee shall  
25 display the license or a copy conspicuously with the rules.  
26 A license is not assignable or transferable. The commissioner  
27 may issue a temporary license when deemed necessary.

3604 28 3. The commissioner may require a bond from a licensee  
3615 29 in an amount as provided in the rules, and may purchase a  
30 blanket bond covering the activities of all licensees.

31 4. The commissioner may authorize compensation to licensees  
32 in the manner and amounts and subject to the limitations the  
33 commissioner determines if the commissioner finds that compen-  
34 sation is necessary to assure adequate availability of lottery  
35 tickets.

1     Sec. 13. NEW SECTION.   REVOCATION OF LICENSE--HEARINGS--  
2   -HEARING BOARD.

3     1.   The commissioner may suspend or revoke the license  
4 of a licensee who violates a provision of sections 1 through  
5 16 of this Act or a rule adopted pursuant to this Act.  If  
6 the commissioner suspends or revokes a license, or refuses  
7 to grant a license, the aggrieved party is entitled to a  
8 hearing by filing a written request with the commissioner.  
9 Upon receipt of the request for hearing, the commissioner  
10 shall set a hearing date within thirty days of receipt of  
11 the request, and shall notify the aggrieved party, in writing,  
12 at least seven days in advance of the hearing date.  The  
13 commissioner may stay the revocation or suspension of a license  
14 pending the outcome of the hearing, when a stay is requested  
15 with the request for hearing.

16    2.   A three-member hearing board for the purpose of con-  
17 ducting hearings relating to controversies concerning the  
18 issuance, suspension, or revocation of licenses is created.  
19 One member shall be the commissioner or a designee of the  
20 commissioner, one member shall be the attorney general or  
21 a designee of the attorney general, and one member shall be  
22 the commissioner of public safety or a designee of the  
23 commissioner of public safety.  The hearing board shall adopt  
24 rules and procedures for conducting departmental hearings  
25 under sections 1 through 16 of this Act.

26     Sec. 14. NEW SECTION.   PROHIBITED SALES OF TICKETS--FORGERY  
27 OF TICKET.

28    1.   A ticket shall not be sold at a price greater than  
29 that fixed by the commission and no sale shall be made other  
30 than by a licensee.  A person who violates a provision of  
31 this subsection is guilty of a simple misdemeanor.

32    2.   A ticket shall not be sold to a person under the age  
33 of eighteen.  This does not prohibit the purchase of a ticket  
34 for the purpose of making a gift by a person eighteen years  
35 of age or older to a person less than eighteen.  A licensee

1 who knowingly sells or offers to sell a lottery ticket or  
2 share to a person under the age of eighteen is guilty of a  
3 simple misdemeanor. A prize won by a person under age eighteen  
4 who purchased a winning ticket in violation of this subsection  
5 shall be forfeited.

6 3. A ticket shall not be purchased by and a prize shall  
7 not be paid to an officer or employee of the lottery or to  
8 any spouse, child, stepchild, brother, brother-in-law,  
9 stepbrother, sister, sister-in-law, stepsister, parent, parent-  
10 in-law, or stepparent residing as a member of the same  
11 household in the principal residence of an officer or employee.

12 4. A person who, with intent to defraud, falsely makes,  
13 alters, forges, utters, passes, or counterfeits a lottery  
14 ticket or share is guilty of a class D felony.

15 Sec. 15. NEW SECTION. DISTRIBUTION OF PRIZES--UNCLAIMED  
16 PRIZES--PRIZES OF MINORS--NONASSIGNABILITY OF PRIZE RIGHT.

17 1. The commission shall award the designated prize to  
18 the ticket holder upon presentation of the winning ticket.  
19 Unclaimed prize money for the prize on a winning ticket or  
20 share shall be retained by the commissioner for ninety days  
21 after the drawing in which the prize was won in the case of  
22 a drawing prize and for ninety days after the announced end  
23 of the game in the case of a prize determined in a manner  
24 other than by drawing. If a claim is not made for the money  
25 within the applicable period, the prize money shall be added  
26 to future prize pools and given to holders of winning tickets  
27 in addition to amounts already allocated.

28 2. If the person entitled to a prize is under the age  
29 of eighteen, and the prize is more than one thousand dollars,  
30 the commissioner shall direct payment of the prize by transfer  
31 to the guardian of the minor of a check payable to the order  
32 of the guardian. If less than one thousand dollars, the com-  
33 missioner may direct payment of the prize to the adult member  
34 of the minor's family who is legally responsible for the care  
35 and custody of the minor. The commissioner shall be discharged

1 of all further liability upon payment of a prize to a minor  
2 pursuant to this subsection.

3 3. The right of a person to a prize drawn is not assign-  
4 able, except that payment of a prize may be made to the estate  
5 of a deceased prize winner or to another person pursuant to  
6 an appropriate judicial order. The commissioner shall be  
7 discharged of all further liability upon payment of a prize  
8 pursuant to this subsection.

9 Sec. 16. NEW SECTION. DEPOSIT OF RECEIPTS FROM TICKET  
10 SALES--LOTTERY FUND--QUARTERLY AUDITS.

11 1. The commissioner may require agents to deposit, to  
12 the credit of the lottery in institutions designated by the  
13 commissioner, money received by agents from sale of tickets,  
14 less the amount of compensation, if any, authorized under  
15 subsection 4 of section 12 of this Act, and to file with the  
16 commissioner reports of receipts and transactions in the sale  
17 of tickets in the form and containing the information the  
18 commissioner requires.

19 2. A lottery fund is created. The fund consists of all  
20 revenues received from the sale of lottery tickets and all  
21 other moneys lawfully credited or transferred to the fund.  
22 Interest earnings of the fund shall be considered additional  
23 profits of the lottery. The commissioner shall certify  
24 quarterly that portion of the fund that is apportioned to  
25 the general fund under section 6, subsection 1 of this Act  
26 and shall cause that portion to be transferred to the general  
27 fund of the state. Moneys transferred to the general fund  
28 shall include moneys necessary for repayment of moneys  
29 appropriated as initial funding of the lottery.

30 3. The auditor of state or a certified public accountant  
31 firm appointed by the auditor shall conduct quarterly audits  
32 of all accounts and transactions of the lottery and other  
33 special audits as the auditor of state, the general assembly,  
34 or legislature deems necessary. The auditor or a designee  
35 conducting an audit under this Act shall have access and au-

1 thority to examine any and all records of agents and licensees.

2 Sec. 17. INITIAL APPROPRIATION. The amount of five hundred  
3 thousand (500,000) dollars or as much thereof as is necessary  
4 is appropriated from the general fund of the state to the  
5 lottery as initial funding. This appropriation shall be  
6 returned to the general fund from receipts from the sale of  
7 tickets within one year of enactment of this Act.

8 Sec. 18. Section 537A.4, unnumbered paragraph 2, Code  
9 1983, is amended to read as follows:

10 This section ~~shall~~ does not apply to a contract for the  
11 operation of or for the sale or rental of equipment for games  
12 of skill or games of chance, if both the contract and the  
13 games are in compliance with chapter 99B. This section does  
14 not apply to the purchase or redemption of a ticket in the  
15 state lottery in compliance with sections 1 through 16 of  
16 this Act.

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17 EXPLANATION

18 This bill provides for the establishment of a state lottery.  
19 A lottery commissioner oversees the operation of the lottery  
20 with the assistance of directors of the three lottery  
21 divisions, as follows:

- 22 1. Security and licensing.
- 23 2. Personnel, data processing, and accounting.
- 24 3. Marketing, promotion, and advertising.

25 A lottery fund is established for the payment of prizes  
26 and expenses. The commissioner has responsibility for rules  
27 adopted and must report to the governor, the general assembly,  
28 and the treasurer of state at designated times. Revenue  
29 generated from operation of the lottery, after payment of  
30 prizes and expenses, is to be distributed to cities and coun-  
31 ties of the state where it shall be used for property tax  
32 relief, and to the general fund of the state. This bill takes  
33 effect July 1 following its enactment.

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SENATE FILE 87  
FISCAL NOTE

REQUESTED BY SENATOR RODGERS

In compliance with a written request there is hereby submitted a Fiscal Note for Senate File 87 as amended by the Senate Ways & Means Committee pursuant to Joint Rule 17.

Senate File 87, as amended by Senate Ways & Means Committee, provides for the establishment of a state lottery. The bill creates a state agency, to be known as the Iowa lottery, headed by a commissioner appointed by the Governor, with the consent of the senate. The Iowa lottery agency will have within it three divisions: security and licensing; personnel, data processing, and accounting; and marketing, promotion, and advertising.

The bill, as amended, further establishes a lottery fund consisting of all revenues received from the sale of lottery tickets and all other moneys lawfully credited or transferred to the fund. Interest earnings of the fund shall be considered additional profits of the lottery. As nearly as is practicable, 45 percent of the annual revenue accruing from the sale of lottery tickets, computed on a year-round average basis for each type of lottery game, shall be paid out in prizes. However, the prizes shall not be paid out in a particular lottery game in excess of the total revenue from the sales of that game. After the payment of prizes, the reasonable expenses of conducting the lottery shall be paid. Revenue remaining after the expenses are paid shall be apportioned for transfer to the state general fund. The commissioner shall certify quarterly that portion of the fund that is apportioned to the general fund and shall cause that portion to be transferred to the general fund.

Provisions are included in the bill for penalties for fraud connected with lotteries. The bill takes effect July 1, following enactment.

FISCAL IMPACT: No specific estimate of the effect of this bill is available due to the lack of data concerning numbers of participants, numbers of lottery games, and the sale price of the lottery tickets. Two states which recently enacted lottery legislation provided the following data:

- Colorado, a state with similar population to Iowa, sold 44 million tickets at \$1.00 each within the first 36 days of operation. The initial appropriation, creating 86 FTE's, was \$2.0 million. Actual set-up costs were \$3.5 million.
- Washington, a state with a population 1.2 million greater than Iowa, sold 50.0 million tickets at \$1.00 each in its first lottery game. The lottery was started with a \$1.5 million loan from the state gambling commission. Another \$1.5 million was appropriated from the general fund on a stand-by basis. The \$1.5 million from the general fund was not used. The state agency which administers the lottery has six regional offices and 150 FTE's.

(107S, 83-085, CMG)

SOURCE: LEGISLATIVE SERVICE BUREAU

RECEIVED BY THE SECRETARY OF THE SENATE, MARCH 3, 1983

FILED:

MARCH 7, 1983

BY LEGISLATIVE FISCAL BUREAU

DENNIS C. PROUTY, DIRECTOR

SENATE 14  
APRIL 20, 1983

SENATE FILE 87

S-3607

Amend Senate File 87 as follows:

1. Page 5, line 23, by inserting after the word "paid." the following: "Advertising expenses shall not exceed one percent of the funds allocated for administration of the lottery."

S-3607 FILED BY RAY TAYLOR  
APRIL 19, 1983  
RULED OUT OF ORDER (p. 1322)

SENATE FILE 87

S-3608

Amend Senate File 87 as follows:

1. Page 8, line 29, by striking the words "and employees of the lottery" and inserting in lieu thereof the words and figures "employees of the lottery, and a person listed in section 14, subsection 3,".
2. Page 8, line 33, by inserting after the word "lottery." the words "Interest in dealing in a lottery" includes but is not limited to an interest in a corporation or establishment licensed to sell or distribute lottery tickets."

S-3608 FILED & LOST BY WILLIAM W. DIELEMAN  
APRIL 19, 1983 (p. 1321)

SENATE FILE 87

S-3609

Amend Senate File 87 as follows:

1. Page 2, by inserting after line 15 the following: "Candidates for employment in the security and licensing division established by this Act may be required to take a polygraph examination. For the purposes of this Act, employees of this division may be considered peace officers."

S-3609 FILED & ADOPTED BY EDGAR H. HOLDEN  
APRIL 19, 1983 (p. 1319)

SENATE FILE 87

S-3610

Amend Senate File 87 as follows:

1. Page 2, line 16, by striking the word "may" and inserting in lieu thereof the word "shall".

S-3610 FILED & ADOPTED BY WILLIAM W. DIELEMAN  
APRIL 19, 1983 (p. 1319)

SENATE FILE 87

S-3150

1 Amend Senate File 87 as follows:

2 1. Page 5, by striking lines 13 and 14 and  
3 inserting in lieu thereof the following:

4 "Sec. 6. NEW SECTION. ALLOCATION OF FUNDS  
5 GENERATED."

6 2. By striking page 5, line 24, through page 7,  
7 line 19 and inserting in lieu thereof the following:  
8 "shall be apportioned for transfer to the general  
9 fund of the state."

10 3. Page 14, by striking lines 2 through 7.

11 4. Title page, by striking line 9, and inserting  
12 in lieu thereof the following: "state general fund."

13 5. By renumbering as necessary.

S-3150 FILED

MARCH 2, 1983

*Adopted 4/19/83 (p. 1319)*

*Motion to reconsider lost (p. 1323)*

BY COMMITTEE ON WAYS AND MEANS  
WILLIAM D. PALMER, CHAIR

SENATE FILE 87

S-3601

1 Amend Senate File 87 as follows:

2 1. Page 3, line 4, by striking the word "may"  
3 and inserting in lieu thereof the word "shall".

4 2. Page 4, line 20, by inserting after the word  
5 "ticket" the words "and shown in any advertising or  
6 promotion".

7 3. Page 5, by inserting after line 12 the following:

8 "1. The forms and type of advertising and promotion  
9 permitted."

S-3601 FILED & ADOPTED

APRIL 19, 1983 *(p. 1319)*

BY EDGAR H. HOLDEN

SENATE FILE 87

S-3603

1 Amend Senate File 87 as follows:

2 1. Page 4, line 16, by inserting after the word  
3 "tickets" the word "only".

S-3603 FILED & LOST

APRIL 19, 1983 *(p. 1320)*

BY RAY TAYLOR

SENATE FILE 87

S-3604

1 Amend Senate File 87 as follows:

2 1. Page 10, line 28, by striking the word "may"  
3 and inserting in lieu thereof the word "shall".

S-3604 FILED & ADOPTED

APRIL 19, 1983 *(p. 1322)*

BY WILLIAM W. DIELEMAN

SENATE 16  
APRIL 20, 1983

SENATE FILE 87

S-3614

- 1 Amend Senate File 87 as follows:
- 2 1. Page 5, line 23, by inserting after the word
- 3 "paid." the following: "Advertising expenses shall not
- 4 exceed nine percent of the funds allocated for admini-
- 5 stration of the lottery."

S-3614 FILED & WITHDRAWN BY RAY TAYLOR  
APRIL 19, 1983 (p. 1322)

SENATE FILE 87

S-3615

- 1 Amend Senate File 87 as follows:
- 2 1. Page 10, lines 29 and 30, by striking the
- 3 words "and may purchase a blanket bond covering the
- 4 activities of all licensees" and inserting in lieu
- 5 thereof the words "or may require licensees to furnish
- 6 evidence of financial responsibility".

S-3615 FILED & ADOPTED BY WILLIAM D. PALMER  
APRIL 19, 1983 (p. 1322)

SENATE FILE 87

S-3616

- 1 Amend Senate File 87 as follows:
- 2 1. Page 10, line 15, by inserting after the word
- 3 "sales." the words "However, a political subdivision
- 4 of the state or an agency of the state shall not be
- 5 licensed to sell lottery tickets."

S-3616 FILED & ADOPTED BY NORMAN G. RODGERS  
APRIL 19, 1983 (p. 1322) GEORGE R. KINLEY

SENATE FILE 87

S-3618

- 1 Amend Senate File 87 as follows:
- 2 1. Page 9, by striking lines 11 and 12 and
- 3 inserting in lieu thereof the words "of this state
- 4 at their discretion and upon the request of the
- 5 commissioner shall provide assistance to the lottery."

S-3618 FILED & ADOPTED BY PATRICK J. DELUHERY  
APRIL 19, 1983 (p. 1322)

SENATE FILE 87

S-3605

- 1 Amend Senate File 87 as follows:  
2 1. Page 5, by striking lines 4 and 5.

S-3605 FILED & LOST BY RAY TAYLOR  
APRIL 19, 1983 (p. 1320)

SENATE FILE 87

S-3611

- 1 Amend Senate File 87 as follows:  
2 1. Page 4, line 27, by striking the figure "5"  
A 3 and inserting in lieu thereof the figure "6".  
4 2. Page 7, line 5, by inserting after the word  
B 5 "areas," the word "are".  
6 3. Page 12, line 17, by striking the word  
7 "commission" and inserting in lieu thereof the word  
8 "commissioner".  
9 4. Page 14, by inserting after line 16 the  
10 following:  
A 11 "Sec. \_\_\_\_ Section 725.15, Code 1983, is amended  
12 to read as follows:  
13 725.15 EXCEPTIONS FOR LEGAL GAMBLING. Sections  
14 725.5 to 725.10 and section 725.12 shall not apply  
15 to any game, activity or device when lawfully  
16 possessed, used, conducted or participated in pursuant  
17 to chapter 99B or the "Iowa Lottery Act"."  
18 5. By numbering, renumbering, and correcting  
19 internal references as necessary.

S-3611 FILED BY GEORGE R. KINLEY  
APRIL 19, 1983  
DIVISION A - ADOPTED (p. 1320)  
DIVISION B - WITHDRAWN

SENATE FILE 87

S-3613

- 1 Amend Senate File 87 as follows:  
2 1. Page 4, lines 34 and 35, by striking the words  
3 "or for promotional and advertising services".

S-3613 FILED & LOST BY RAY TAYLOR  
APRIL 19, 1983 (p. 1320)

SENATE FILE 87

S-3617

1 Amend Senate File 87 as follows:

2 1. Page 14, by inserting after line 16 the  
3 following:

4 "Sec. 100. Section 422.43, unnumbered paragraphs  
5 1 and 2, Code 1983, as amended by Acts of the  
6 Seventieth General Assembly, 1983 Session, Senate  
7 File 184, section 1, are amended to read as follows:

8 There is imposed a tax of ~~four~~ three percent upon  
9 the gross receipts from all sales of tangible personal  
10 property, consisting of goods, wares, or merchandise,  
11 except as otherwise provided in this division, sold  
12 at retail in the state to consumers or users; a like  
13 rate of tax upon the gross receipts from the sales,  
14 furnishing or service of gas, electricity, water,  
15 heat, and communication service, including the gross  
16 receipts from such sales by any municipal corporation  
17 furnishing gas, electricity, water, heat, and  
18 communication service to the public in its proprietary  
19 capacity, except as otherwise provided in this di-  
20 vision, when sold at retail in the state to consumers  
21 or users; a like rate of tax upon the gross receipts  
22 from all sales of tickets or admissions to places  
23 of amusement, fairs, and athletic events except those  
24 of elementary and secondary educational institutions;  
25 and a like rate of tax upon that part of private club  
26 membership fees or charges paid for the privilege  
27 of participating in any athletic sports provided club  
28 members.

29 There is imposed a tax of ~~four~~ three percent upon  
30 the gross receipts derived from the operation of all  
31 forms of amusement devices and games of skill, games  
32 of chance, raffles and bingo games as defined in  
33 chapter 99B, and commercial amusement enterprises  
34 operated or conducted within the state of Iowa, the  
35 tax to be collected from the operator in the same  
36 manner as is provided for the collection of taxes  
37 upon the gross receipts of tickets or admission as  
38 provided in this section.

39 Sec. 101. Section 422.43, unnumbered paragraph  
40 4, Code 1983, as amended by Acts of the Seventieth  
41 General Assembly, 1983 Session, Senate File 184,  
42 section 2, is amended to read as follows:

43 There is imposed a tax of ~~four~~ three percent upon  
44 the gross receipts from the sales of optional service  
45 or warranty contracts which provide for the furnishing  
46 of labor and materials and require the furnishing  
47 of any taxable service enumerated under this section.  
48 The gross receipts are subject to tax even if some  
49 of the services furnished are not enumerated under  
50 this section. For the purpose of this division, the

S-3617  
PAGE 2

1 sale of an optional service or warranty contract is  
2 a sale of tangible personal property. Additional  
3 sales, services or use tax shall not be levied on  
4 services, parts, or labor provided under optional  
5 service or warranty contracts which are subject to  
6 tax under this section.

7 Sec. 102 Section 422.43, unnumbered paragraph  
8 9, Code 1983, as amended by Acts of the Seventieth  
9 General Assembly, 1983 Session, Senate File 184,  
10 section 3, is amended to read as follows:

11 There is imposed a tax of ~~four~~ three percent upon  
12 the gross receipts from the rendering, furnishing,  
13 or performing of services as defined in section 422.42.

14 Sec. 103. Section 423.2, Code 1983, as amended  
15 by Acts of the Seventieth General Assembly, 1983  
16 Session, Senate File 184, section 5, is amended to  
17 read as follows:

18 423.2 IMPOSITION OF TAX. An excise tax is imposed  
19 on the use in this state of tangible personal property  
20 purchased for use in this state, at the rate of ~~four~~  
21 three percent of the purchase price of the property.  
22 The excise tax is imposed upon every person using  
23 the property within this state until the tax has been  
24 paid directly to the county treasurer or the state  
25 department of transportation, to a retailer, or to  
26 the department. An excise tax is imposed on the use  
27 in this state of services enumerated in section 422.43  
28 at the rate of ~~four~~ three percent. This tax is  
29 applicable where services are rendered, furnished,  
30 or performed in this state or where the product or  
31 result of the service is used in this state. This  
32 tax is imposed on every person using the services  
33 or the product of the services in this state until  
34 the user has paid the tax either to an Iowa use tax  
35 permit holder or to the department of revenue.

36 Sec. 104. Sections 100 through 103 of this Act  
37 take effect July 1, 1984."

S-3617 FILED

APRIL 19, 1983

RULED OUT OF ORDER (p. 1322)

BY ARNE WALDSTEIN

DOUGLAS RITSEMA

SENATE FILE 87

S-3620

1 Amend Senate File 87 as follows:

2 1. Page 5, line 23, by inserting after the word  
3 "paid." the words "Advertising and promotional expenses  
4 incurred by the lottery shall not exceed six percent  
5 of annual revenue received from ticket sales."

S-3620 FILED & ADOPTED

APRIL 19, 1983 (p. 1322)

BY RAY TAYLOR