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SENATE FILE 33

BY RIFE

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a state lottery by providing for a state
2 lottery, a lottery commissioner, a state lottery board,
3 and an agency to oversee lottery operations, a state
4 lottery fund for the deposit of receipts and for the pay-
5 ment of prizes and expenses, licensing of lottery ticket
6 sales agents, administrative procedures necessary in
7 carrying out the intent of the Act, making certain acts
8 illegal, providing penalties, providing that revenue
9 generated shall be deposited in an economic development
10 loan fund to make participating loans to increase economic
11 development in the state, and providing for repeal of
12 the Act.

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

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1 Section 1. NEW SECTION. 99E.1 TITLE.

2 This chapter may be cited as the "Iowa Lottery Act".

3 Sec. 2. NEW SECTION. 99E.2 DEFINITIONS.

4 As used in this chapter, unless the context otherwise
5 requires:

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

7 2. "Director" means the director of each of the three
8 divisions of the lottery agency operating under the
9 commissioner.

10 3. "Lottery" means the lottery created and operated under
11 this chapter.

12 4. "Board" means the Iowa lottery board.

13 5. "Licensee" means the person issued a license by the
14 commissioner to sell lottery tickets. The licensee is
15 responsible for the licensee's employees' conduct which is
16 within the scope of this chapter.

17 Sec. 3. NEW SECTION. 99E.3 ESTABLISHMENT OF LOTTERY--
18 APPOINTMENT OF COMMISSIONER--OTHER EMPLOYEES.

19 1. A state agency is established to be known as the Iowa
20 lottery agency. The Iowa lottery agency is subject to chapter
21 17A. It is a separate agency of state government whose head
22 is the commissioner.

23 2. The commissioner shall be qualified by training and
24 experience to direct the lottery. The commissioner shall be
25 appointed by the governor within thirty days after the
26 effective date of this Act subject to confirmation by the
27 senate, and shall serve at the pleasure of the governor. A
28 vacancy occurring in the office of the commissioner shall be
29 filled in the same manner as the original appointment.
30 Section 2.32 applies to the appointment of the commissioner.
31 The commissioner shall devote time and attention solely to the
32 duties of the office and shall not be engaged in any other
33 profession or occupation. The commissioner shall receive a
34 salary determined by the governor within salary range five as
35 set by the general assembly.

1 3. The commissioner may employ clerks, stenographers,
2 inspectors, agents, and other employees pursuant to chapter
3 19A as necessary to carry out this chapter.

4 Sec. 4. NEW SECTION. 99E.4 COMMISSIONER'S OATH--BOND--
5 EMPLOYEES--BONDING OF EMPLOYEES.

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

19 2. The commissioner shall employ personnel necessary to
20 implement this chapter. All personnel shall be fingerprinted.
21 Notwithstanding a statutory provision to the contrary,
22 employees in the security and licensing division may be
23 required to take a polygraph examination whenever probable
24 cause is established.

25 3. The commissioner shall require lottery employees to
26 give bond in an amount the commissioner determines. Each bond
27 when fully executed and approved shall be filed in the office
28 of the secretary of state. The cost of each bond given shall
29 be part of the necessary expenses of the lottery.

30 Sec. 5. NEW SECTION. 99E.5 LOTTERY BOARD.

31 1. An Iowa lottery board is created to consist of five
32 members, not more than three of whom shall be from the same
33 political party, and who shall be appointed by the governor
34 subject to confirmation by the senate. The term of each
35 member shall begin and end as provided in section 69.19. A

1 vacancy on the board shall be filled in the same manner as
2 regular appointments are made and the term shall be for the
3 unexpired portion of the regular term.

4 Sec. 6. NEW SECTION. 99E.6 BOARD QUALIFICATIONS--
5 CONFLICT OF INTEREST.

6 Board members shall be residents of this state. At least
7 one member of the board shall be a person who has been a law
8 enforcement officer for not less than five years, one member
9 shall be an attorney admitted to the practice of law in Iowa
10 for not less than five years, and one member shall be a
11 certified public accountant who has practiced accountancy in
12 Iowa for not less than five years.

13 Sec. 7. NEW SECTION. 99E.7 BOARD MEETINGS.

14 The board shall hold at least one meeting each month and as
15 often as necessary. The board shall select a chairperson from
16 its membership at the first regular meeting of the board and
17 shall thereafter select a chairperson at the first regular
18 meeting of each fiscal year. Written notice of the time and
19 place of each meeting shall be given to each member of the
20 board. A majority of the board constitutes a quorum.

21 Sec. 8. NEW SECTION. 99E.8 EXPENSES--SALARY.

22 Members of the board shall be compensated at a rate of
23 forty dollars per diem while on official business of the
24 board. Members shall also be allowed the actual and necessary
25 expenses incurred in the performance of their duties. The
26 expenses incurred by members of the board and the salaries
27 paid to members of the board are part of the necessary
28 expenses of the lottery.

29 Sec. 9. NEW SECTION. 99E.9 DUTIES OF THE BOARD--RULES--
30 COMMISSIONER.

31 1. The board and the commissioner shall supervise the
32 lottery in order to produce the maximum amount of net revenues
33 for the state in a manner which maintains the dignity of the
34 state and the general welfare of the people.

35 2. Subject to the approval of the board, the commissioner

1 may enter into contracts for the operation and marketing of
2 the lottery, including contracts with individuals or business
3 organizations experienced in the design and operation of state
4 administered lotteries of other states. A contract awarded or
5 entered into by the commissioner shall not be assigned by the
6 contract holder except upon the written approval of the board.

7 3. The commissioner shall make rules which are subject to
8 the approval of the board and in accordance with chapter 17A
9 for implementing and preventing violations of this chapter.
10 The rules shall include but are not limited to the following
11 subject matters:

12 a. The fees charged for a license to sell lottery tickets.
13 The commissioner shall determine the cost incurred in
14 processing applications for a license and set the license fee
15 to cover that cost except a license fee shall not be less than
16 fifty dollars per year. Revenue received by the lottery from
17 license fees shall be transferred to the lottery fund
18 immediately after the cost of processing license applications
19 is deducted.

20 b. The types of lottery games to be conducted. Video
21 lottery games shall be prohibited. In any other type of game
22 utilizing instant tickets or other tangible evidence of
23 participation, each ticket in the game shall bear a unique
24 consecutive serial number distinguishing it from every other
25 ticket in the game, and each lottery number or symbol shall be
26 accompanied by a confirming caption consisting of a repetition
27 of a symbol or a description of the symbol in words.

28 c. The price of tickets or shares in the lottery, includ-
29 ing but not limited to authorization of sales of tickets at a
30 discount for marketing purposes.

31 d. The number and size of the prizes on the winning
32 tickets, including but not limited to prizes of free tickets
33 in lottery games conducted by the lottery and merchandise
34 prizes. The lottery agency shall maintain and make available
35 for public inspection at its offices during regular business

1 hours a detailed listing of the estimated number of prizes of
2 each particular denomination that are expected to be awarded
3 in any game that is on sale and, after the end of the claim
4 period, shall maintain and make available a listing of the
5 total number of tickets sold in a game and the number of
6 prizes of each denomination which were awarded.

7 e. The method of selecting the winning tickets and the
8 manner of payment of prizes to the holders of winning tickets.
9 The rules may provide for payment by the purchase of annuities
10 in the case of prizes payable in installments. Lottery
11 employees shall examine claims and shall not pay any prize for
12 altered, stolen, or counterfeit tickets nor tickets which fail
13 to meet validation rules established for a lottery game. A
14 prize shall not be paid more than once. If the commissioner
15 determines that more than one person is entitled to a prize,
16 the sole remedy of the claimants is to receive an equal share
17 in the single prize. The rules may provide for payment of
18 prizes up to five hundred dollars directly by the licensee.

19 f. The frequency of selection of winning tickets.
20 Drawings shall be held in public, and the actual selection of
21 winning tickets shall not be performed by an employee of the
22 lottery agency. Drawings shall be witnessed by an independent
23 certified public accountant. Equipment used to select winning
24 tickets or participants for prizes shall be examined by
25 lottery agency employees and an independent certified public
26 accountant prior to and after each public drawing.

27 g. Requirements for eligibility for participation in
28 runoff drawings, including but not limited to requirements for
29 submission of evidence of eligibility.

30 h. The locations at which tickets may be sold. Tickets
31 shall not be sold in establishments that serve alcoholic
32 beverages.

33 i. The method to be used in printing and selling tickets.
34 An elected official's name shall not be printed on the
35 tickets. The overall estimated odds of winning a prize in a

1 given game shall be printed on each ticket.

2 j. The issuing of licenses to sell tickets or shares. In
3 addition to any other rules made regarding the qualifications
4 of an applicant for a license, a person shall not be issued a
5 license if one or more of the following applies:

6 (1) The person is under the age of eighteen.

7 (2) The person has been convicted of fraud or a felony.

8 (3) The person has not been a licensee and has been
9 convicted or found to have committed a violation of this
10 chapter.

11 (4) The person has previously been issued a license under
12 this chapter and the license was revoked.

13 k. The compensation to be paid licensees including but not
14 limited to provision for variable compensation based on sales
15 volume or incentive considerations.

16 l. The form and type of marketing, informational, and
17 educational material to be permitted. The form and type of
18 material permitted shall be constructed and distributed in a
19 manner which is primarily educational and informational in
20 nature. The material shall not promote the notion that a
21 lottery winner will obtain sudden wealth. The rules adopted
22 under this paragraph shall be designed to protect the welfare
23 of the people and the dignity of the state. Educational,
24 informational, and marketing material shall not be designed or
25 distributed in a manner which attempts to entice persons to
26 participate in a lottery game.

27 m. Subject to section 99E.10, the apportionment of the
28 annual revenues accruing from the sale of lottery tickets and
29 from other sources for the payment of prizes to the holders of
30 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 for
34 consulting or operational services, or for marketing.

35 (2) Independent audits which shall be performed annually

1 in addition to the audits required by section 99E.20,
2 subsection 3.

3 (3) Incentive programs for lottery licensees and lottery
4 employees.

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

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

10 n. Requirements that the odds of winning each lottery
11 prize shall be prominently displayed in all marketing,
12 educational, and informational material associated with each
13 lottery game unless by the nature of the game the odds of
14 winning cannot be determined in advance.

15 Sec. 10. NEW SECTION. 99E.10 ALLOCATION AND
16 APPROPRIATION OF FUNDS GENERATED.

17 1. Upon receipt of any revenue, the commissioner shall
18 deposit the moneys in the lottery fund created pursuant to
19 section 99E.20. As nearly as is practicable, forty-five
20 percent of the annual revenue computed on a year-round average
21 basis for each type of lottery game accruing from the sale of
22 tickets is appropriated for payment of prizes to the holders
23 of winning tickets. The prizes shall not be paid out in a
24 particular lottery game in excess of the total revenues from
25 sales of that game. After the payment of prizes, the expenses
26 of conducting the lottery shall be determined. Lottery agency
27 expenses for marketing, educational, and informational
28 material shall not exceed four percent of the lottery revenue.
29 Revenue remaining after expenses are determined shall be
30 transferred on a quarterly basis to the treasurer of state's
31 office and deposited in the economic development loan fund
32 created in subsection 2. Prior to the quarterly transfer to
33 the economic development loan fund, the commissioner may
34 direct that lottery revenue be deposited in interest bearing
35 accounts designated by the treasurer of state in the financial

1 institutions of this state. Interest paid on the deposits is
2 considered lottery revenue and shall be transferred to the
3 economic development loan fund in the same manner as other
4 lottery revenue.

5 2. An economic development loan fund is created within the
6 office of the treasurer of state. Moneys in the fund shall be
7 used to make loans to stimulate economic development in this
8 state. Loans shall be made only on a participating basis with
9 financial institutions operating in this state. Moneys loaned
10 from the fund shall not exceed twenty-five percent of the
11 total amount of any one loan nor exceed two hundred fifty
12 thousand dollars. The participating financial institution may
13 retain the interest earned on the state portion of the loan if
14 the interest charged on that portion of the loan does not
15 exceed three percent per annum. The Iowa development
16 commission shall administer the economic development loan fund
17 and shall adopt rules for its implementation including
18 procedures and standards for making and processing
19 applications. The Iowa development commission shall not
20 approve a loan application unless it first specifically finds
21 that the loan will result in increasing employment in the
22 state. A loan to a beginning farmer, as defined in section
23 175.2, subsection 5, shall be considered by the Iowa
24 development commission if the loan application has first been
25 approved by the Iowa family farm development authority.

26 3. Funds equal to any initial appropriation from the
27 general fund to the lottery shall be returned to the general
28 fund from the receipts of the sale of tickets not later than
29 July 1, 1986. The comptroller shall not include lottery
30 revenues in the comptroller's fiscal year revenue estimates.

31 Sec. 11. NEW SECTION. 99E.11 REPORTS.

32 1. The commissioner shall report quarterly to the
33 governor, the treasurer of state, and the general assembly.
34 The quarterly report shall include the total lottery revenue,
35 prize disbursements, and other expenses for the preceding

1 quarter. The fourth quarter report shall be included in the
2 annual report made pursuant to subsection 2.

3 2. The commissioner also shall report annually to the
4 governor, the treasurer of state, and the general assembly.
5 The annual report shall include a complete statement of
6 lottery revenues, prize disbursements, and other expenses, and
7 recommendations for changes in the law which the commissioner
8 deems necessary or desirable. The annual report shall be
9 submitted within ninety days after the close of a fiscal year.

10 3. The commissioner shall report immediately to the
11 governor, the treasurer of state, and the general assembly any
12 matters that require immediate changes in the law in order to
13 prevent abuses or evasions of this chapter or rules adopted or
14 to rectify undesirable conditions in connection with the
15 administration or operation of the lottery.

16 Sec. 12. NEW SECTION. 99E.12 STUDIES.

17 1. The commissioner shall make a continuous study of the
18 lottery to ascertain any defects of this chapter or in the
19 rules which could result in abuses in the administration and
20 operation of the lottery or in any evasion of this chapter or
21 the rules of the commissioner and make recommendations for
22 improvement in this chapter.

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

31 3. The commissioner shall make a demographic study of
32 lottery players. This information shall not be used in
33 lottery marketing.

34 Sec. 13. NEW SECTION. 99E.13 CONFLICT OF INTEREST--
35 PENALTY.

1 1. A commissioner, member of the board, or employee of the
2 lottery shall not directly or indirectly, individually, or as
3 a member of a partnership or other association, or as a
4 shareholder, director, or officer of a corporation have an
5 interest in dealing in a lottery or in the ownership or
6 leasing of property used by or for a lottery.

7 2. A member of the board, the commissioner, an employee of
8 the lottery, or a member of their immediate families shall not
9 ask for, offer to accept, or receive any gift, gratuity, or
10 other thing of value from a person contracting or seeking to
11 contract with the state to supply gaming equipment or
12 materials for use in the operation of a lottery or from an
13 applicant for a license to sell tickets or shares in the
14 lottery or from a licensee.

15 3. A person contracting or seeking to contract with the
16 state to supply gaming equipment or materials for use in the
17 operation of a lottery, an applicant for a license to sell
18 tickets or shares in the lottery, or a licensee shall not
19 offer a member of the board, the commissioner, an employee of
20 the lottery, or a member of their immediate families any gift,
21 gratuity, or other thing of value.

22 4. A board member, commissioner, or employee of the
23 lottery who violates a provision of this section, or if a
24 member of their immediate family violates a provision of this
25 section, shall be immediately removed from the office or
26 position.

27 5. A violation of this section is a serious misdemeanor.

28 6. As used in this section, "member of their immediate
29 family" means a spouse, child, stepchild, brother, brother-in-
30 law, stepbrother, sister, sister-in-law, stepsister, parent,
31 parent-in-law, or stepparent residing as a member of the same
32 household in the principal residence of the board member, the
33 commissioner, or the employee.

34 Sec. 14. NEW SECTION. 99E.14 LOTTERY DIVISIONS--
35 DIRECTORS.

- 1 1. The Iowa lottery agency has three divisions:
- 2 a. A security and licensing division.
- 3 b. A personnel, data processing, and accounting division.
- 4 c. A marketing, education, and information division.
- 5 2. Each division is under the supervision of a director
- 6 appointed by the commissioner and each director shall have
- 7 expertise in the functions of the division. The commissioner
- 8 shall designate one of the directors to serve as acting
- 9 commissioner during the commissioner's absence.
- 10 3. Departments, boards, commissions, or other agencies of
- 11 this state at their discretion may provide assistance to the
- 12 lottery upon the request of the commissioner.

13 Sec. 15. NEW SECTION. 99E.15 POWER TO ADMINISTER OATHS
14 AND TAKE TESTIMONY--SUBPOENA.

15 The commissioner or the commissioner's designee authorized
16 to conduct an inquiry, investigation, or hearing under this
17 chapter may administer oaths and take testimony under oath
18 relative to the matter of inquiry, investigation, or hearing.
19 An inquiry, investigation or hearing under this section is not
20 a contested case under the Iowa administrative procedure Act,
21 chapter 17A. At a hearing ordered by the commissioner, the
22 commissioner or the designee may subpoena witnesses and
23 require the production of records, papers, and documents
24 pertinent to the hearing.

25 Sec. 16. NEW SECTION. 99E.16 LICENSING--BONDS.

26 1. The commissioner shall license persons to sell lottery
27 tickets to best serve public convenience. A licensee shall
28 not engage in business exclusively to sell lottery tickets. A
29 licensee's profits from the sale of lottery tickets shall not
30 exceed ten percent of the profits of the licensee's overall
31 business operations. Before issuing a license the
32 commissioner shall consider the financial responsibility and
33 security of the applicant, the applicant's business or
34 activity, the accessibility of the applicant's place of
35 business or activity to the public, the sufficiency of

1 existing licensees to serve the public convenience, and the
2 volume of expected sales. A licensee shall cooperate with the
3 lottery by using point-of-purchase materials, posters, and
4 other educational, informational, and marketing materials when
5 requested to do so by the lottery. Lack of cooperation is
6 sufficient cause for revocation of a person's license.

7 2. A licensee shall sell tickets only on the premises
8 stated in the license. A licensee shall display the license
9 or a copy of the license together with the lottery rules
10 wherever tickets are sold. A license is not assignable or
11 transferable. The commissioner may issue a temporary license
12 when deemed necessary.

13 3. The commissioner shall require a bond from a licensee
14 in an amount as provided in the rules graduated according to
15 the volume of expected sales of lottery tickets by the
16 licensee, or may require a licensee to furnish evidence of
17 financial responsibility.

18 4. A bond shall not be canceled by a surety on less than
19 thirty days' notice in writing to the commissioner. If a bond
20 is canceled and the licensee fails to file a new bond with the
21 commissioner in the required amount on or before the effective
22 date of cancellation, the licensee's license shall be
23 automatically suspended. A suspended license shall be revoked
24 if the requirements of this subsection are not met within
25 thirty days of the license suspension. The total and
26 aggregate liability of the surety on the bond is limited to
27 the amount specified in the bond.

28 5. Subject to the approval of the board, the commissioner
29 may authorize compensation to licensees in the manner and
30 amounts and subject to the limitations the commissioner
31 determines if the commissioner finds that compensation is
32 necessary to assure adequate availability of lottery tickets.

33 6. A license shall not be granted to an applicant if there
34 is substantial evidence of any of the following:

35 a. A license of the applicant to sell lottery tickets has

1 been suspended or revoked in another jurisdiction by the
2 authority regulating a lottery or by a court of that
3 jurisdiction.

4 b. The applicant has not demonstrated financial
5 responsibility sufficient to adequately meet the requirements
6 of the proposed enterprise.

7 c. The applicant is not the true owner of the proposed
8 lottery business.

9 d. The applicant is not the sole owner, and other persons
10 have ownership in the proposed lottery business, which fact
11 has not been disclosed.

12 e. The applicant has knowingly made a false statement of
13 material fact to the commissioner.

14 7. The commissioner shall revoke the license of a licensee
15 who violates any condition listed in this section.

16 Sec. 17. NEW SECTION. 99E.17 SUSPENSION OR REVOCATION OF
17 LICENSE--HEARINGS--HEARING BOARD.

18 1. The commissioner may suspend or revoke the license of a
19 licensee who violates a provision of this chapter or a rule
20 adopted pursuant to this chapter. If the commissioner
21 suspends or revokes a license, or refuses to grant a license,
22 the aggrieved party is entitled to a hearing by filing a
23 written request with the commissioner. Upon receipt of the
24 request for hearing, the commissioner shall set a hearing date
25 within thirty days of receipt of the request, and shall notify
26 the aggrieved party, in writing, at least seven days in
27 advance of the hearing date. The commissioner may stay the
28 revocation or suspension of a license pending the outcome of
29 the hearing, when a stay is requested with the request for
30 hearing.

31 2. A three-member hearing board for the purpose of con-
32 ducting hearings relating to controversies concerning the
33 issuance, suspension, or revocation of licenses is created.
34 One member shall be a designee of the board, one member shall
35 be the treasurer of state or a designee of the treasurer of

1 state, and one member shall be the commissioner of public
2 safety or a designee of the commissioner of public safety.
3 The hearing board shall adopt rules and procedures for
4 conducting the hearings.

5 3. A license shall not be suspended for less than one
6 hundred twenty days. A former licensee whose license is
7 revoked is not eligible to receive another license.

8 4. Section 17A.18 does not apply to a revocation or
9 suspension under this section and a hearing held under this
10 section is not a contested case under the Iowa administrative
11 procedure Act, chapter 17A.

12 Sec. 18. NEW SECTION. 99E.18 PROHIBITED SALES OF
13 TICKETS--FORGERY OF TICKET--PENALTIES.

14 1. A ticket shall not be sold at a price greater than that
15 fixed by the board and the commissioner and a sale shall not
16 be made other than by a licensee or an employee of the
17 licensee who is authorized by the licensee to sell tickets. A
18 person who violates a provision of this subsection is guilty
19 of a simple misdemeanor.

20 2. A ticket shall not be sold to a person defined as a
21 minor in section 599.1. This does not prohibit the lawful
22 purchase of a ticket for the purpose of making a gift to a
23 person who is a minor. A licensee or a licensee's employee
24 who knowingly sells or offers to sell a lottery ticket to a
25 person who is a minor is guilty of a simple misdemeanor. A
26 prize won by a person who is a minor but who purchases a
27 winning ticket in violation of this subsection shall be
28 forfeited.

29 3. A ticket shall not be purchased by and a prize shall
30 not be paid to the commissioner, a board member or employee of
31 the lottery agency, or to a spouse, child, stepchild, brother,
32 brother-in-law, stepbrother, sister, sister-in-law,
33 stepsister, parent, parent-in-law, or stepparent residing as a
34 member of the same household in the principal residence of the
35 commissioner, or a board member or employee. A ticket

1 purchased in violation of this subsection is void.

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

5 Sec. 19. NEW SECTION. 99E.19 DISTRIBUTION OF PRIZES--
6 UNCLAIMED PRIZES--PRIZES OF MINORS--NONASSIGNABILITY OF PRIZE
7 RIGHT.

8 1. The commissioner shall award the designated prize to
9 the ticket holder upon presentation of the winning ticket.

10 All cash prizes awarded are Iowa earned income. Before a
11 prize of six hundred dollars or more is awarded the
12 commissioner or the commissioner's designee shall deduct an
13 amount equal to that amount necessary to pay the estimated
14 state and federal taxes on the prize. An amount deducted from
15 the prize for payment of a federal tax shall be transferred by
16 the commissioner to the federal internal revenue service on
17 behalf of the prize winner. An amount deducted from the prize
18 for payment of a state tax shall be transferred by the
19 commissioner to the state department of revenue on behalf of
20 the prize winner. Unclaimed prize money for the prize on a
21 winning ticket shall be retained by the commissioner for
22 ninety days after the drawing in which the prize was won in
23 the case of a drawing prize and for ninety days after the
24 announced end of the game in the case of a prize determined in
25 a manner other than by drawing. If a valid claim is not made
26 for the money within the applicable period, the prize money
27 shall be added to future prize pools and given to holders of
28 winning tickets in addition to amounts already allocated.

29 2. The right of a person to a prize drawn is not assign-
30 able, except that payment of a prize may be made to the estate
31 of a deceased prize winner or to another person pursuant to an
32 appropriate judicial order. The commissioner is discharged of
33 all further liability upon payment of a prize pursuant to this
34 subsection. This section does not prohibit the making of a
35 gift of a lottery ticket to a person if the gift is made

1 before it is determined whether a prize has been won with the
2 ticket.

3 Sec. 20. NEW SECTION. 99E.20 DEPOSIT OF RECEIPTS FROM
4 TICKET SALES--LOTTERY FUND--QUARTERLY AUDITS.

5 1. Subject to the approval of the board, the commissioner
6 may require licensees to deposit to the credit of the lottery
7 agency in financial institutions designated by the
8 commissioner, money received by licensees from sale of
9 tickets, less the amount of compensation, if any, authorized
10 under section 99E.16, subsection 5, and to file with the
11 commissioner reports of receipts and transactions in the sale
12 of tickets, in the form and containing the information the
13 commissioner requires.

14 2. A lottery fund is created. The fund consists of all
15 revenues received from the sale of lottery tickets and all
16 other moneys lawfully credited or transferred to the fund.
17 The commissioner shall certify quarterly that portion of the
18 fund that is transferred to the general fund under section
19 99E.10 and shall cause that portion to be transferred to the
20 general fund of the state.

21 3. The auditor of state or a certified public accounting
22 firm appointed by the auditor shall conduct quarterly audits
23 of all accounts and transactions of the lottery and other
24 special audits as the auditor of state, the general assembly,
25 or the governor deems necessary. The auditor or a designee
26 conducting an audit under this chapter shall have access and
27 authority to examine any and all records of licensees.

28 Sec. 21. NEW SECTION. 99E.21 LIABILITY AND FUNDING.

29 The board and the commissioner shall operate the lottery so
30 that after the initial state appropriation, it shall be self-
31 sustaining and self-funded. A claim for the payment of an
32 expense of the lottery and the payment of a lottery prize
33 shall not be made unless it is against the lottery fund or
34 money collected from the sale of lottery tickets. Except for
35 the initial appropriation to the lottery, funds of the state

1 shall not be used or obligated to pay the expenses of the
2 lottery or prizes of the lottery.

3 Sec. 22. Section 537A.4, unnumbered paragraph 2, Code
4 1985, is amended to read as follows:

5 This section does not apply to a contract for the operation
6 of or for the sale or rental of equipment for games of skill
7 or games of chance, if both the contract and the games are in
8 compliance with chapter 99B. This section does not apply to
9 wagering under the pari-mutuel method of wagering authorized
10 by chapter 99D. This section does not apply to the sale,
11 purchase or redemption of a ticket in the state lottery in
12 compliance with chapter 99E.

13 Sec. 23. Section 725.15, Code 1985, is amended to read as
14 follows:

15 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

16 Sections 725.5 to 725.10 and ~~section~~ 725.12 shall do not
17 apply to any a game, activity or device when lawfully
18 possessed, used, conducted or participated in pursuant to
19 chapter 99B or chapter 99E.

20 Sec. 24. It is the intent of the general assembly that
21 subject to the approval of the board, the commissioner shall
22 initiate and operate a lottery at the earliest possible time.

23 Sec. 25. It is the intent of the general assembly that
24 this Act shall have temporary effect only, that chapter 99E is
25 repealed on July 1, 1988 other than to implement the winding
26 down of the operations of the Iowa lottery board. The
27 amendments to sections 537A.4 and 725.15 made in this Act
28 shall be stricken when chapter 99E is repealed.

29 EXPLANATION

30 This bill creates a new chapter 99E which provides for the
31 establishment of a state lottery and an Iowa lottery agency.
32 A lottery board oversees the lottery. Board members are
33 appointed by the governor subject to confirmation by the
34 senate. A commissioner is in charge of the operation of the
35 lottery with the assistance of directors of the three lottery

1 divisions, as follows:

- 2 1. Security and licensing.
- 3 2. Personnel, data processing, and accounting.
- 4 3. Marketing, education, and information.

5 A lottery fund is established for the payment of prizes and
6 expenses. Forty-five percent of the revenue received from
7 sale of tickets is appropriated for the payment of prizes.
8 Lottery expenses for educational and informational material
9 are limited to four percent of the lottery revenue. Revenue
10 generated from the operation of the lottery, after payment of
11 prizes and expenses, is to be deposited in a special fund
12 created called the economic development loan fund. The funds
13 shall be loaned on a participating basis with state financial
14 institutions on loans to stimulate state economic development.
15 The fund shall be administered by the Iowa development
16 commission.

17 The provisions of this bill will be repealed on July 1,
18 1988.

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