

Ways & Means 1/21/85

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Do Pass for 2036 1/25 (p. 172)
State Bond 1/29

Amend for 36674
Do Pass 1/30 (210)

FILED JAN 16 1985

SENATE FILE 57

BY KINLEY and RODGERS

Passed Senate, Date 2-1-85 (p. 243) Passed House, Date _____
Vote: Ayes 31 Nays 12 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a state lottery by providing for a state
2 lottery operated by the state racing commission, a lottery
3 director, a state lottery fund for the deposit of receipts
4 and for the payment of prizes and expenses, licensing of
5 lottery ticket sales agents, administrative procedures
6 necessary in carrying out the intent of the Act, making
7 certain acts illegal, providing penalties, providing that
8 revenue generated shall be distributed to the general
9 fund, and providing for repeal of the Act.

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

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SE 57

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. "Director" means the director of the lottery.

7 2. "Division chief" means the head of each of the three
8 divisions of the lottery agency operating under the director.

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

11 4. "Commission" means the state racing commission.

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

16 6. "Secretary" means the secretary of the state racing
17 commission.

18 Sec. 3. NEW SECTION. 99E.3 ESTABLISHMENT OF LOTTERY--
19 APPOINTMENT OF DIRECTOR--OTHER EMPLOYEES.

20 1. The state racing commission is the state agency
21 responsible for the operation of the lottery. The chief
22 officer with the commission responsible for the operation of
23 the lottery is the secretary. The secretary shall appoint the
24 director subject to the approval of the commission. The
25 director is responsible for the day-to-day operation of the
26 lottery.

27 2. The director shall be qualified by training and
28 experience to direct the lottery. The director shall devote
29 time and attention solely to the duties of the office and
30 shall not be engaged in any other profession or occupation.
31 The director shall receive a salary determined by the
32 commission within salary range five as set by the general
33 assembly.

34 3. The director may employ clerks, stenographers,
35 inspectors, agents, and other employees pursuant to chapter

1 19A as necessary to carry out this chapter.

2 Sec. 4. NEW SECTION. 99E.4 DIRECTOR'S OATH--BOND--
3 EMPLOYEES--BONDING OF EMPLOYEES.

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

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

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

28 Sec. 5. NEW SECTION. 99E.5 DUTIES OF THE COMMISSION--
29 RULES--DIRECTOR.

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

34 2. Subject to the approval of the commission, the director
35 may enter into contracts for the operation and marketing of

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

7 3. The director shall make rules which are subject to the
8 approval of the commission 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 director shall determine the cost incurred in processing
14 applications for a license and set the license fee to cover
15 that cost except a license fee shall not be less than fifty
16 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. In any
21 other type of game utilizing instant tickets or other tangible
22 evidence of participation, each ticket in the game shall bear
23 a unique consecutive serial number distinguishing it from
24 every other ticket in the game, and each lottery number or
25 symbol shall be accompanied by a confirming caption consisting
26 of a repetition of a symbol or a description of the symbol in
27 words.

28 c. The price of tickets in the lottery, including but not
29 limited to authorization of sales of tickets at a discount for
30 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 director
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 1. 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.6, 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.16,
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. 6. NEW SECTION. 99E.6 ALLOCATION AND APPROPRIATION
16 OF FUNDS GENERATED.

17 1. Upon receipt of any revenue, the director shall deposit
18 the moneys in the lottery fund created pursuant to section
19 99E.16. As nearly as is practicable, forty-five percent of
20 the annual revenue computed on a year-round average basis for
21 each type of lottery game accruing from the sale of tickets is
22 appropriated for payment of prizes to the holders of winning
23 tickets. The prizes shall not be paid out in a particular
24 lottery game in excess of the total revenues from sales of
25 that game. After the payment of prizes, the expenses of
26 conducting the lottery shall be determined. Lottery expenses
27 for marketing, educational, and informational material shall
28 not exceed four percent of the lottery revenue. Revenue
29 remaining after expenses are determined shall be transferred
30 to the general fund on a quarterly basis. Prior to the
31 quarterly transfer to the general fund, the director may
32 direct that lottery revenue be deposited in interest bearing
33 accounts designated by the treasurer of state in the financial
34 institutions of this state. Interest paid on the deposits is
35 considered lottery revenue and shall be transferred to the

1 general fund in the same manner as other lottery revenue.

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

7 Sec. 7. NEW SECTION. 99E.7 REPORTS.

8 1. The director shall report quarterly to the governor,
9 the treasurer of state, and the general assembly. The
10 quarterly report shall include the total lottery revenue,
11 prize disbursements, and other expenses for the preceding
12 quarter. The fourth quarter report shall be included in the
13 annual report made pursuant to subsection 2.

14 2. The director also shall report annually to the
15 governor, the treasurer of state, and the general assembly.
16 The annual report shall include a complete statement of
17 lottery revenues, prize disbursements, and other expenses, and
18 recommendations for changes in the law which the director
19 deems necessary or desirable. The annual report shall be
20 submitted within ninety days after the close of a fiscal year.

21 3. The director shall report immediately to the governor,
22 the treasurer of state, and the general assembly any matters
23 that require immediate changes in the law in order to prevent
24 abuses or evasions of this chapter or rules adopted or to
25 rectify undesirable conditions in connection with the
26 administration or operation of the lottery.

27 Sec. 8. NEW SECTION. 99E.8 STUDIES.

28 1. The director shall make a continuous study of the
29 lottery to ascertain any defects of this chapter or in the
30 rules which could result in abuses in the administration and
31 operation of the lottery or in any evasion of this chapter or
32 the rules of the director and make recommendations for
33 improvement in this chapter.

34 2. The director shall make a continuous study of the
35 operation and the administration of similar laws which may be

1 in effect in other states, any written material on the subject
2 which is published or available, any federal laws which may
3 affect the operation of the lottery, and the reaction of
4 citizens to existing and potential features of the lottery in
5 order to recommend changes that will serve the purposes of
6 this chapter.

7 3. The director shall make a demographic study of lottery
8 players. This information shall not be used in lottery
9 marketing.

10 Sec. 9. NEW SECTION. 99E.9 CONFLICT OF INTEREST--
11 PENALTY.

12 1. A member of the commission, the secretary, the
13 director, or an employee of the lottery shall not directly or
14 indirectly, individually, or as a member of a partnership or
15 other association, or as a shareholder, director, or officer
16 of a corporation have an interest in dealing in a lottery or
17 in the ownership or leasing of property used by or for a
18 lottery.

19 2. A member of the commission, the secretary, the
20 director, an employee of the lottery, or a member of their
21 immediate families shall not ask for, offer to accept, or
22 receive any gift, gratuity, or other thing of value from a
23 person contracting or seeking to contract with the state to
24 supply gaming equipment or materials for use in the operation
25 of a lottery or from an applicant for a license to sell
26 tickets or shares in the lottery or from a licensee.

27 3. A person contracting or seeking to contract with the
28 state to supply gaming equipment or materials for use in the
29 operation of a lottery, an applicant for a license to sell
30 tickets or shares in the lottery, or a licensee shall not
31 offer a member of the commission, the secretary, the director,
32 an employee of the lottery, or a member of their immediate
33 families any gift, gratuity, or other thing of value.

34 4. A member of the commission, the secretary, the
35 director, or an employee of the lottery who violates a

1 provision of this section, or if a member of their immediate
2 family violates a provision of this section, shall be
3 immediately removed from the office or position.

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

5 6. As used in this section, "member of their immediate
6 family" means a spouse, child, stepchild, brother, brother-in-
7 law, stepbrother, sister, sister-in-law, stepsister, parent,
8 parent-in-law, or stepparent residing as a member of the same
9 household in the principal residence of the member of the
10 commission, the secretary, the director, or an employee.

11 Sec. 10. NEW SECTION. 99E.10 LOTTERY DIVISIONS--DIVISION
12 CHIEFS.

13 1. With the commission, the lottery has three divisions:

14 a. A security and licensing division.

15 b. A personnel, data processing, and accounting division.

16 c. A marketing, education, and information division.

17 2. Each division shall be under the supervision of a
18 division chief appointed by the commissioner and each division
19 chief shall have expertise in the functions of the division.

20 The director shall designate one of the division heads to
21 serve as acting director during the director's absence.

22 3. Departments, boards, commissions, or other agencies of
23 this state at their discretion may provide assistance to the
24 lottery upon the request of the director.

25 Sec. 11. NEW SECTION. 99E.11 POWER TO ADMINISTER OATHS
26 AND TAKE TESTIMONY--SUBPOENA.

27 The director or the director's designee authorized to
28 conduct an inquiry, investigation, or hearing under this
29 chapter may administer oaths and take testimony under oath
30 relative to the matter of inquiry, investigation, or hearing.
31 An inquiry, investigation or hearing under this section is not
32 a contested case under the Iowa administrative procedure Act,
33 chapter 17A. At a hearing ordered by the director, the
34 director or the designee may subpoena witnesses and require
35 the production of records, papers, and documents pertinent to

1 the hearing.

2 Sec. 12. NEW SECTION. 99E.12 LICENSING--BONDS.

3 1. The director shall license persons to sell lottery
4 tickets to best serve public convenience. A licensee shall
5 not engage in business exclusively to sell lottery tickets. A
6 licensee's profits from the sale of lottery tickets shall not
7 exceed ten percent of the profits of the licensee's overall
8 business operations. Before issuing a license the director
9 shall consider the financial responsibility and security of
10 the applicant, the applicant's business or activity, the
11 accessibility of the applicant's place of business or activity
12 to the public, the sufficiency of existing licensees to serve
13 the public convenience, and the volume of expected sales. A
14 licensee shall cooperate with the lottery by using point-of-
15 purchase materials, posters, and other educational,
16 informational, and marketing materials when requested to do so
17 by the lottery. Lack of cooperation is sufficient cause for
18 revocation of a person's license.

19 2. A licensee shall sell tickets only on the premises
20 stated in the license. A licensee shall display the license
21 or a copy of the license together with the lottery rules
22 wherever tickets are sold. A license is not assignable or
23 transferable. The director may issue a temporary license when
24 deemed necessary.

25 3. The director shall require a bond from a licensee in an
26 amount as provided in the rules graduated according to the
27 volume of expected sales of lottery tickets by the licensee,
28 or may require a licensee to furnish evidence of financial
29 responsibility.

30 4. A bond shall not be canceled by a surety on less than
31 thirty days' notice in writing to the director. If a bond is
32 canceled and the licensee fails to file a new bond with the
33 director in the required amount on or before the effective
34 date of cancellation, the licensee's license shall be
35 automatically suspended. A suspended license shall be revoked

1 if the requirements of this subsection are not met within
2 thirty days of the license suspension. The total and
3 aggregate liability of the surety on the bond is limited to
4 the amount specified in the bond.

5 5. Subject to the approval of the board, the director may
6 authorize compensation to licensees in the manner and amounts
7 and subject to the limitations the director determines if the
8 director finds that compensation is necessary to assure
9 adequate availability of lottery tickets.

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

12 a. A license of the applicant to sell lottery tickets has
13 been suspended or revoked in another jurisdiction by the
14 authority regulating a lottery or by a court of that
15 jurisdiction.

16 b. The applicant has not demonstrated financial
17 responsibility sufficient to adequately meet the requirements
18 of the proposed enterprise.

19 c. The applicant is not the true owner of the proposed
20 lottery business.

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

24 e. The applicant has knowingly made a false statement of
25 material fact to the director.

26 7. The director shall revoke the license of a licensee who
27 violates any condition listed in this section.

28 Sec. 13. NEW SECTION. 99E.13 SUSPENSION OR REVOCATION OF
29 LICENSE--HEARINGS--HEARING BOARD.

30 1. The director may suspend or revoke the license of a
31 licensee who violates a provision of this chapter or a rule
32 adopted pursuant to this chapter. If the director suspends or
33 revokes a license, or refuses to grant a license, the
34 aggrieved party is entitled to a hearing by filing a written
35 request with the director. Upon receipt of the request for

1 hearing, the director shall set a hearing date within thirty
2 days of receipt of the request, and shall notify the aggrieved
3 party, in writing, at least seven days in advance of the
4 hearing date. The director may stay the revocation or
5 suspension of a license pending the outcome of the hearing,
6 when a stay is requested with the request for hearing.

7 2. A three-member hearing board for the purpose of con-
8 ducting hearings relating to controversies concerning the
9 issuance, suspension, or revocation of licenses is created.

10 One member shall be a designee of the commission, one member
11 shall be the treasurer of state or a designee of the treasurer
12 of state, and one member shall be the commissioner of public
13 safety or a designee of the commissioner of public safety.

14 The hearing board shall adopt rules and procedures for
15 conducting the hearings.

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

19 4. Section 17A.18 does not apply to a revocation or
20 suspension under this section and a hearing held under this
21 section is not a contested case under the Iowa administrative
22 procedure Act, chapter 17A.

23 Sec. 14. NEW SECTION. 99E.14 PROHIBITED SALES OF
24 TICKETS--FORGERY OF TICKET--PENALTIES.

25 1. A ticket shall not be sold at a price greater than that
26 fixed by the commission and the director and a sale shall not
27 be made other than by a licensee or an employee of the
28 licensee who is authorized by the licensee to sell tickets. A
29 person who violates a provision of this subsection is guilty
30 of a simple misdemeanor.

31 2. A ticket shall not be sold to a person defined as a
32 minor in section 599.1. This does not prohibit the lawful
33 purchase of a ticket for the purpose of making a gift to a
34 person who has not yet reached the age of majority. A
35 licensee or a licensee's employee who knowingly sells or

1 offers to sell a lottery ticket to a person who has not
2 reached the age of majority is guilty of a simple misdemeanor.

3 A prize won by a person who has not reached the age of
4 majority but who purchases a winning ticket in violation of
5 this subsection shall be forfeited.

6 3. A ticket shall not be purchased by and a prize shall
7 not be paid to a member of the commission, the secretary, the
8 director of the lottery or to a spouse, child, stepchild,
9 brother, brother-in-law, stepbrother, sister, sister-in-law,
10 stepsister, parent, parent-in-law, or stepparent residing as a
11 member of the same household in the principal residence of a
12 member of the commission, the secretary, the director or
13 employee. A ticket purchased in violation of this subsection
14 is void.

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

18 Sec. 15. NEW SECTION. 99E.15 DISTRIBUTION OF PRIZES--
19 UNCLAIMED PRIZES--PRIZES OF MINORS--NONASSIGNABILITY OF PRIZE
20 RIGHT.

21 1. The director shall award the designated prize to the
22 ticket holder upon presentation of the winning ticket.

23 All cash prizes awarded are Iowa earned income. Before a
24 prize of six hundred dollars or more is awarded the director
25 or the director's designee shall deduct an amount equal to
26 that amount necessary to pay the estimated state and the
27 federal taxes on the prize. An amount deducted from the prize
28 for payment of a federal tax shall be transferred by the
29 commissioner to the federal department of revenue on behalf of
30 the prize winner. An amount deducted from the prize for
31 payment of a state tax shall be transferred by the director to
32 the state department of revenue on behalf of the prize winner.
33 Unclaimed prize money for the prize on a winning ticket shall
34 be retained by the director for ninety days after the drawing
35 in which the prize was won in the case of a drawing prize and

1 for ninety days after the announced end of the game in the
2 case of a prize determined in a manner other than by drawing.
3 If a valid claim is not made for the money within the
4 applicable period, the prize money shall be added to future
5 prize pools and given to holders of winning tickets in
6 addition to amounts already allocated.

7 2. The right of a person to a prize drawn is not assign-
8 able, except that payment of a prize may be made to the estate
9 of a deceased prize winner or to another person pursuant to an
10 appropriate judicial order. The director shall be discharged
11 of all further liability upon payment of a prize pursuant to
12 this subsection. This section does not prohibit the making of
13 a gift of a lottery ticket to a person if the gift is made
14 before it is determined whether a prize has been won with the
15 ticket.

16 Sec. 16. NEW SECTION. 99E.16 DEPOSIT OF RECEIPTS FROM
17 TICKET SALES--LOTTERY FUND--QUARTERLY AUDITS.

18 1. Subject to the approval of the commission, the director
19 may require licensees to deposit to the credit of the lottery
20 agency in financial institutions designated by the director,
21 money received by licensees from sale of tickets, less the
22 amount of compensation, if any, authorized under section
23 99E.12, subsection 5, and to file with the director reports of
24 receipts and transactions in the sale of tickets, in the form
25 and containing the information the director requires.

26 2. A lottery fund is created. The fund consists of all
27 revenues received from the sale of lottery tickets and all
28 other moneys lawfully credited or transferred to the fund.
29 The director shall certify quarterly that portion of the fund
30 that is transferred to the general fund under section 99E.6
31 and shall cause that portion to be transferred to the general
32 fund of the state.

33 3. The auditor of state or a certified public accounting
34 firm appointed by the auditor shall conduct quarterly audits
35 of all accounts and transactions of the lottery and other

1 special audits as the auditor of state, the general assembly,
2 or the governor deems necessary. The auditor or a designee
3 conducting an audit under this chapter shall have access and
4 authority to examine any and all records of licensees.

5 Sec. 17. NEW SECTION. 99E.17 LIABILITY AND FUNDING.

6 The commission, the secretary, and the director shall
7 operate the lottery so that after the initial state
8 appropriation, it shall be self-sustaining and self-funded. A
9 claim for the payment of an expense of the lottery and the
10 payment of a lottery prize shall not be made unless it is
11 against the lottery fund or money collected from the sale of
12 lottery tickets. Except for the initial appropriation to the
13 lottery, funds of the state shall not be used or obligated to
14 pay the expenses of the lottery or prizes of the lottery.

15 Sec. 18. Section 537A.4, unnumbered paragraph 2, Code
16 1985, is amended to read as follows:

17 This section does not apply to a contract for the operation
18 of or for the sale or rental of equipment for games of skill
19 or games of chance, if both the contract and the games are in
20 compliance with chapter 99B. This section does not apply to
21 wagering under the pari-mutuel method of wagering authorized
22 by chapter 99D. This section does not apply to the sale,
23 purchase or redemption of a ticket in the state lottery in
24 compliance with chapter 99E.

25 Sec. 19. Section 725.15, Code 1985, is amended to read as
26 follows:

27 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

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

32 Sec. 20. It is the intent of the general assembly that
33 subject to the approval of the commission, the director shall
34 initiate and operate a lottery at the earliest possible time.

35 Sec. 21. It is the intent of the general assembly that

1 this Act shall have temporary effect only, that chapter 99E is
2 repealed on July 1, 1988 other than to implement the winding
3 down of the operations of the Iowa lottery board. The
4 amendments to sections 537A.4 and 725.15 made in this Act
5 shall be stricken when chapter 99E is repealed.

6 EXPLANATION

7 This bill creates a new chapter 99E which provides for the
8 establishment of a state lottery operated by the state racing
9 commission. A director is in charge of the day-to-day
10 operation of the lottery with the assistance of division
11 chiefs of the three lottery divisions, as follows:

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

15 A lottery fund is established for the payment of prizes and
16 expenses. Forty-five percent of the revenue received from
17 sale of tickets is appropriated for the payment of prizes.
18 Lottery expenses for educational and informational material
19 are limited to four percent of the lottery revenue. Revenue
20 generated from the operation of the lottery, after payment of
21 prizes and expenses, is to be distributed to the general fund
22 of the state.

23 The provisions of this bill will be repealed on July 1,
24 1988.

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SENATE FILE 57
FISCAL NOTE

REQUESTED BY SENATOR HUTCHINS

In compliance with a written request there is hereby submitted a Fiscal Note for Senate File 57 pursuant to Joint Rule 17.

SENATE FILE 57 provides for the establishment of a STATE LOTTERY operated by the State Racing Commission. The secretary of the Racing Commission shall be the chief officer of the lottery, who shall appoint a lottery director subject to the approval of the Racing Commission. The lottery director is responsible for the day-to-day operation of the lottery. The Iowa Lottery Program will have within it three divisions: security and licensing; personnel, data processing, and accounting; and marketing, promotion, and advertising. Departments, boards, commissions, or other agencies of the state at their discretion may provide assistance to the lottery upon the request of the director.

The Racing Commission and the director shall supervise the lottery in order to produce the maximum amount of net revenues for the state in a manner which maintains the dignity of the state and the general welfare of the people. The Commission approves lottery initiations by the director, contracts for operation and promotion of the lottery, and rules made by the commissioner.

The Commission and the director shall operate the lottery so that after the initial state appropriation it shall be self-sustaining and self-funded. Funds equal to any initial appropriation from the general fund to the lottery shall be returned to the general fund from the receipts of the sale of tickets not later than July 1, 1986. A claim for the payment of an expense of the lottery shall not be made unless it is against the lottery fund or money collected from the sale of lottery tickets. Except for the initial appropriation to the lottery, funds of the state shall not be used or obligated to pay the expenses or prizes of the lottery. The auditor of state or a certified public accounting firm shall conduct quarterly audits of all accounts and transactions of the lottery and other special audits as the auditor, the general assembly, or the governor deems necessary.

The bill 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 lottery revenue. Revenue remaining after expenses are determined shall be transferred to the General Fund on a quarterly basis. The comptroller shall not include lottery revenues in the comptroller's fiscal year estimates.

As nearly as is practicable, 45 percent of the annual revenue accruing from the sale of lottery tickets, computed on an year-round average basis for each type of lottery game, shall be paid out in prizes. The prizes shall not be paid out in a particular lottery game in excess of the total revenues from the sales of that game. After the payment of prizes, the expenses of conducting the lottery shall be paid, including the costs incurred in the operation and administration of the lottery, audits as stipulated in the bill, and licensees' incentive programs. Lottery expenses for marketing, educational and informational material shall not exceed four percent of the lottery revenue. Marketing materials shall maintain the dignity of the state and the general welfare of the people, and shall not promote the notion that a lottery winner will obtain sudden wealth.

All cash prizes are considered Iowa earned income. Before a prize of \$600 or more is awarded, the director or director's designee shall deduct an amount equal to that amount necessary to pay state and federal taxes on the prize. An amount deducted from the prize for payment shall be transferred by the director to the federal department of revenue and the state department of revenue on behalf of the prize winner.

Unclaimed prize money for the prize on a winning ticket shall be retained by the director for 90 days after the drawing in which the prize was won in the case of a drawing prize and for 90 days after the announced end of game in the case of a prize determined in a manner other than by drawing. If a valid claim is not made for the money within the applicable period, the prize money shall be added to future prize pools and given to holders of winning tickets in addition to amounts already allocated.

Provisions are included in the division for penalties for fraud connected with lotteries. The bill takes effect July 1, 1985. The provisions of this bill will be repealed on July 1, 1988.

FISCAL IMPACT: While the fiscal impact of Senate File 57 is expected to be substantial, an exact estimate of the effect of the bill is not available due to the lack of data concerning numbers of participants, numbers of lottery games, and the sale price of the tickets. Using figures from states currently operating lotteries, over four years a per capita average of \$15.35 was generated. The average reflects a range from \$0.31 to \$49.41 as follows:

State	FY '80	FY '81	FY '82	FY '83	Average
Arizona	N/A	N/A	\$16.90	\$ 8.49	\$12.70
Colorado	N/A	N/A	N/A	16.26	16.26
Connecticut	\$19.55	\$17.87	20.12	23.76	20.33
Delaware	10.66	12.95	14.25	16.78	13.66
Illinois	3.13	7.61	12.39	18.81	10.49
Maine	0.64	0.96	2.13	3.34	1.77
Maryland	43.96	40.65	49.41	47.01	45.26
Massachusetts	16.13	11.29	12.09	14.70	13.55
Michigan	25.48	21.25	21.41	23.18	22.83
New Hampshire	3.99	4.27	5.80	6.14	5.05
New Jersey	19.33	24.64	29.18	40.10	28.31
New York	4.74	5.53	10.20	15.31	8.95
Ohio	3.31	10.39	13.85	13.57	10.28
Pennsylvania	13.28	14.22	19.10	29.91	19.13
Rhode Island	17.54	12.49	13.50	15.18	14.68
Vermont	0.31	0.93	1.89	2.06	1.30
Washington	N/A	N/A	N/A	16.87	16.87
FISCAL AVERAGE	\$13.01	\$13.22	\$16.15	\$18.33	
			FOUR YEAR AVERAGE		\$15.35

Overall, assuming a lottery might generate between \$10.00 to \$15.00 per capita, it is possible that an Iowa lottery might generate between \$25.0 to \$45.0 million in its first year of operation. This unsubstantiated figure is expected to decline and steady somewhat after the first year of operation. Income from the lottery would impact only fiscal 1986, through fiscal 1988 as the enactment legislation sunsets on July 1, 1988. Set up costs for the lottery, according to data provided by other states, would range from \$1.5 to \$3.5 million. Since the income received as prizes in the lottery is taxable, the bill will also have a positive effect on state income tax revenues. However, due to lack of data in this area, the fiscal effect for state income tax is currently not available.

Filed
January 28, 1985

By DENNIS C. PROUTY, DIRECTOR
LEGISLATIVE FISCAL BUREAU

-3060

SENATE FILE 57

1 Amend Senate File 57 as follows:
2 1. Page 4, line 6, by inserting after the word
3 "awarded." the following: "In no event shall a prize
4 be awarded in excess of five hundred thousand dollars
5 unless the prize is in the form of an annuity in which
6 case the maximum amount that shall be spent on
7 purchasing the annuity is five hundred thousand
8 dollars."

S-3060 Filed
January 30, 1985
Inst 2/1 (p. 235)

By TAYLOR

S-3061

SENATE FILE 57

1 Amend Senate File 57 as follows:
2 1. Page 15, by inserting after line 14 the
3 following:
4 "Sec. ____ . Section 422.43, subsection 3, Code
5 1985, is amended to read as follows:
6 3. The tax thus imposed shall cover all receipts
7 from the operation of games of skill, games of chance,
8 raffles and bingo games as defined in chapter 99B,
9 lottery games conducted under chapter 99E, and musical
10 devices, weighing machines, shooting galleries,
11 billiard and pool tables, bowling alleys, pinball
12 machines, slot-operated devices selling merchandise
13 not subject to the general sales taxes and on all
14 receipts from devices or systems where prizes are in
15 any manner awarded to patrons and upon the receipts
16 from fees charged for participation in any game or
17 other form of amusement, and generally upon the gross
18 receipts from any source of amusement operated for
19 profit not specified herein, and upon the gross
20 receipts from which no tax is collected for tickets or
21 admission, but no tax shall be imposed upon any
22 activity exempt from sales tax under the provision of
23 section 422.45, subsection 4. Every person receiving
24 gross receipts from the sources as defined in this
25 section shall be subject to all provisions of this
26 division relating to retail sales tax and such other
27 provisions of this chapter as may be applicable."
28 2. Renumber as necessary.

S-3061 Filed
January 30, 1985
Inst of order 2/1 (p. 241)

By TAYLOR

- 1 Amend Senate File 57 as follows:
 2 1. Page 6, line 31, by striking the word "may"
 3 and inserting the following: "shall".
 4 2. Page 7, line 8, by striking the word
 5 "governor," and inserting the following: "governor
 6 and".
 7 3. Page 7, line 9, by striking the words "state,
 8 and the general assembly" and inserting the following:
 9 "state".
 10 4. Page 9, line 18, by striking the word
 11 "commissioner" and inserting the following:
 12 "director".
 13 5. Page 12, line 31, by striking the words
 14 "defined as a" and inserting the following: "who has
 15 not reached eighteen years of age."
 16 6. Page 12, line 32, by striking the words "minor
 17 in section 599.1."
 18 7. Page 12, line 34, by striking the words "the
 19 age of majority" and inserting the following:
 20 "eighteen years of age".
 21 8. Page 13, line 2, by striking the words "the
 22 age of majority" and inserting the following:
 23 "eighteen years of age".
 24 9. Page 13, line 3, by striking the words "the
 25 age of" and inserting the following: "eighteen years
 26 of age".
 27 10. Page 13, line 4, by striking the word
 28 "majority".

S-3038 Filed

January 28, 1985

Adopted 1/31/85 (p. 225)

By COMMITTEE ON WAYS & MEANS

S-3058

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
 2 1. Page 6, line 28, by striking the word "four"
 3 and inserting the following: "two".

S-3058 Filed, *Loss 2/1 (p. 237)*

January 30, 1985

By DIELEMAN

S-3059

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
 2 1. Page 16, line 2, by striking the figure "1988"
 3 and inserting the following: "1990".

S-3059 Filed, *Adopted 2/1 (p. 241)*

January 30, 1985

By RODGERS

- 1 Amend Senate File 57 as follows:
- 2 1. Page 4, by striking lines 31 and 32 and
3 inserting the words "shall not be sold in
4 establishments that serve, for consumption on the
5 premises, any alcoholic beverages or beer as defined
6 in section 123.3, subsections 8 and 9."
- 7 2. Page 5, line 1, by inserting after the word
8 "ticket." the following: "The odds shall be printed
9 clearly, conspicuously, and in easily readable print."
- 10 3. Page 6, line 14, by inserting after the word
11 "advance." the following: "When required, the odds
12 shall be printed clearly, conspicuously, and in easily
13 readable print."
- 14 4. Page 6, line 23, by inserting after the word
15 "tickets." the following: "Savings resulting from the
16 purchase of an annuity for the payment of a prize
17 shall be used for payment of prizes to comply with
18 this subsection."
- 19 5. Page 8, by striking line 13 and inserting the
20 following: "director, an employee of the lottery, a
21 licensee, or an employee of a licensee shall not
22 directly or".
- 23 6. Page 8, by striking line 20, and inserting the
24 following: "director, an employee of the lottery, a
25 licensee, an employee of a licensee, or a member of
26 their".
- 27 7. Page 8, line 26, by inserting after the word
28 "licensee" the following: "or from a member of their
29 immediate family".
- 30 8. Page 8, line 30, by striking the words "or a
31 licensee" and inserting the following: "a licensee or
32 a member of their immediate family".
- 33 9. Page 8, line 32, by inserting after the word
34 "lottery," the following: "a licensee, an employee of
35 a licensee,".
- 36 10. Page 9, line 3, by inserting after the word
37 "position." the following: "The license of a licensee
38 that violates this section shall be revoked."
- 39 11. Page 9, line 9, by inserting after the words
40 "residence of the" the following: "licensee, employee
41 of the licensee, the applicant for a license, the
42 person contracting or seeking a contract, the".
- 43 12. Page 10, line 6, by striking the word
44 "profits" and inserting the following: "gross
45 receipts".
- 46 13. Page 10, line 7, by striking the word
47 "profits" and inserting the following: "gross
48 receipts".
- 49 14. Page 12, line 28, by inserting after the word
50 "tickets." the following: "A licensee shall not

S-3062 page 2

1 permit a person who has not yet reached eighteen years
2 of age to sell a lottery ticket."

3 15. Page 13, line 2, by inserting after the word
4 "misdemeanor." the following: "In addition, the
5 license of a licensee shall be suspended."

6 16. Page 13, line 8, by striking the word
7 "lottery" and inserting the following: "lottery, a
8 licensee, or an employee of a licensee".

9 17. Page 16, by inserting after line 5 the
10 following:

11 "Sec. _____. Notwithstanding section 99E.6,
12 subsection 1, lottery expenses for marketing,
13 educational, and informational material shall not
14 exceed two percent of the gross lottery revenue until
15 the initial appropriation is repaid to the state
16 general fund pursuant to section 99E.6, subsection 2."

17 18. Renumber as necessary.

S-3062 Filed

January 30, 1985

Revised out of order 2/1 (p. 238)

By HOLDEN

S-3063

SENATE FILE 57

1 Amend Senate File 57 as follows:

2 1. Page 6, line 30, by inserting after the word
3 "basis" the following: "except as provided in
4 subsection 2".

5 2. Page 7, by inserting after line 1 the
6 following:

7 "2. At the time of each quarterly transfer
8 pursuant to subsection 1, an amount equal to half of
9 one percent of the gross lottery revenue for the
10 preceding quarter shall be deposited in a gamblers
11 assistance fund which is created in the office of the
12 treasurer of state. The fund shall be administered by
13 the commissioner of human services and used to provide
14 assistance and counseling to individuals and families
15 experiencing difficulty as a result of gambling losses
16 and to promote awareness of gamblers anonymous and
17 similar assistance programs."

18 3. Renumber as necessary.

S-3063 Filed. *Adopted 2/1 (p. 240)*
January 30, 1985

By DIELEMAN & BROWN

S-3067

1 Amend Senate File 57 as follows:

2 1. Page 3, line 23, by striking the word
3 "consecutive".

4 2. Page 3, line 24, by inserting after the word
5 "and" the following: "for each game utilizing instant
6 tickets".

7 3. Page 4, line 30, by striking the word
8 "Tickets".

9 4. Page 4, by striking lines 31 and 32.

10 5. By striking page 4, line 33 through page 5,
11 line 1 and inserting the following:

12 "i. The method to be used in printing and selling
13 tickets or shares. An elected official's name shall
14 not be printed on the tickets or shares. The overall
15 estimated odds of winning a prize in any preprinted
16 ticket or share game shall be printed on each ticket or
17 share. The lottery shall maintain and make available
18 for public inspection, at its offices during regular
19 business hours a detailed listing of the estimated
20 number of prizes of each particular denomination that
21 are expected to be awarded in any game that is on sale
22 or the estimated odds of winning such prizes and, after
23 the end of the claim period, shall maintain and make
24 available a listing of the total number of tickets or
25 shares sold in a game and the number of prizes of each
26 denomination which were awarded."

27 6. Page 5, by striking lines 17 through 26 and
28 inserting the following: "educational material to be
29 permitted."

30 7. Page 8, by striking lines 8 and 9 and inserting
31 the following: "players."

32 8. Page 8, by striking lines 20 through 26 and
33 inserting the following: "director, an employee of the
34 lottery, or a member of their immediate family shall
35 not ask for, offer to accept, or receive a gift,
36 gratuity, or other thing of more than fifty dollars in
37 value from a person contracting or seeking to contract
38 with the state to supply gaming equipment or materials
39 for use in the operation of a lottery or from an
40 applicant for a license to sell tickets or shares in
41 the lottery or from a licensee."

42 9. Page 8, by striking line 33 and inserting the
43 following: "family a gift, gratuity, or other thing of
44 more than fifty dollars in value."

45 10. Page 9, by inserting after line 10 the
46 following:

47 "_____. In addition to the prohibitions of this
48 section, the prohibitions of section 722.1 and 722.2
49 are applicable."

50 11. Page 16, by inserting after line 5 the
S-3067 page 2

1 following:

2 "Sec. _____. This Act, being deemed of immediate
3 importance, takes effect from and after its publication
4 in The Cascade Pioneer-Advertiser, a newspaper
5 published in Cascade, Iowa, and in the Muscatine
6 Journal, a newspaper published in Muscatine, Iowa."

S-3067 filed

January 30, 1985

By COMMITTEE ON STATE GOVERNMENT

A. C. Adopted 1/31 (p. 224)

A. Reconsidered, amended by 308% and adopted 2/1 (p. 236)

B. Amended by 308% and adopted 2/1 (p. 237)

S-3064

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, line 28, by inserting after the word
- 3 "the" the following: "gross".

S-3064 Filed *Adopted 2/1/85 (p. 240)*
January 30, 1985

By DIELEMAN

S-3065

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 5, line 15, by inserting after the word
- 3 "considerations." the following: "However, the rules
- 4 shall prohibit any additional compensation to a
- 5 licensee who sells the winning ticket in a lottery
- 6 game. In addition, the licensee or an employee of the
- 7 licensee shall not accept a gift, gratuity or anything
- 8 of value from the holder of the winning ticket."
- 9 2. Page 11, line 5, by inserting after the word
- 10 "board" the following: "and consistent with section
- 11 99E.5, subsection 3, paragraph "k".

S-3065 Filed *Loss 2/1 (p. 238)*
January 30, 1985

By DIELEMAN

-3066

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, line 23, by inserting after the word
- 3 "tickets." the following: "However, if the prize is
- 4 paid through the purchase of an annuity, the savings
- 5 that would result from the purchase of the annuity
- 6 rather than a direct payment shall accrue to the
- 7 state. The total payments under the annuity to the
- 8 holder of the winning ticket shall be used to compute
- 9 forty-five percent of annual lottery revenue to be
- 10 used for payment of prizes."

S-3066 Filed *Loss 2/1 (p. 234)*
January 30, 1985

By DIELEMAN

1 Amend Senate File 57 as follows:

2 1. Page 1, line 11, by striking the word "racing"

3 and inserting the following: "gaming".

4 2. Page 1, line 16, by striking the word "racing"

5 and inserting the following: "gaming".

6 3. Page 1, line 20, by striking the word "racing"

7 and inserting the following: "gaming".

8 4. Page 15, by inserting after line 14 the

9 following:

10 "Sec. _____. Section 12.10, Code 1985, is amended to

11 read as follows:

12 12.10 DEPOSITS BY STATE OFFICERS.

13 Except as otherwise provided, all elective and

14 appointive state officers, boards, commissions, and

15 departments shall, within ten days succeeding the

16 collection, deposit with the treasurer of state, or to

17 the credit of the treasurer of state in any depository

18 designated by the treasurer of state, ninety percent

19 of all fees, commissions, and moneys collected or

20 received. The balance actually collected in cash,

21 remaining in the hands of any officer, board, or

22 department shall not exceed the sum of five thousand

23 dollars and money collected shall not be held more

24 than thirty days. This section does not apply to the

25 state fair board, the state board of regents, the Iowa

26 state commerce commission, the commissioner of the

27 department of human services, the Iowa housing finance

28 authority or to the funds received by the state racing

29 gaming commission under sections 99D.7 and 99D.14."

30 5. Page 15, by inserting after line 14 the

31 following:

32 "Sec. _____. Section 99B.1, subsection 16, Code

33 1985, is amended to read as follows:

34 16. "Department" means the department-of-revenue

35 the state gaming commission."

36 6. Page 15, by inserting after line 14 the

37 following:

38 "Sec. _____. Section 99D.2, subsection 3, Code 1985,

39 is amended to read as follows:

40 3. "Commission" means the state racing gaming

41 commission created under section 99D.5.

42 Sec. _____. Section 99D.5, subsection 1, Code 1985,

43 is amended to read as follows:

44 1. There is created a state racing gaming

45 commission consisting of five members who shall be

46 appointed by the governor subject to confirmation by

47 the senate, and who shall serve not to exceed a three-

48 year term at the pleasure of the governor. The term

49 of each member shall begin and end as provided in

50 section 69.19."

SENATE 10
JANUARY 31, 1985

S-3069 page 2

- 1 7. Page 15, by inserting after line 24 the
2 following:
3 "Sec. ____ . Section 692.2, subsection 1, paragraph
4 d, Code 1985, is amended to read as follows:
5 d. The state racing gaming commission for the
6 purposes of section 99D.8A."
7 8. Title page, line 2, by inserting after the
8 word "commission" the following: "and changing the
9 name of the state racing commission to the state
10 gaming commission".
11 9. Title page, line 9, by inserting after the
12 word "fund;" the following: "providing that games of
13 skill or chance shall be regulated by the state gaming
14 commission".
15 10. Renumber as necessary.

S-3069 Filed

January 30, 1985

Classed out of order 2/1 (p. 234)

By READINGER, KINLEY, HOLDEN, SOORHOLTZ, PALMER,
PRIEBE, GENTLEMAN, LIND, BROWN, DRAKE,
WALDSTEIN, COLTON, DOYLE

S-3068

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
2 1. By striking page 15, line 35 through page 16,
3 line 5.

S-3068 Filed

January 30, 1985

Classed out of order 2/1 (p. 234)

By GRONSTAL

S-3076

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, by inserting after line 14 the
- 3 following:
- 4 "____. The commission and the director may enter
- 5 into written agreements or compacts with another state
- 6 or states for the operation, marketing, and promotion
- 7 of a joint lottery or joint lottery games."

S-3076 Filed
 January 31, 1985
End of order 2/1 (p. 235)

By JUNKINS

S-3077

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 3, line 20, by inserting after the word
- 3 "conducted." the following: "The commission shall not
- 4 authorize video lottery games."

S-3077 Filed
 January 31, 1985
2/2 2/1 (p. 237)

By DIELEMAN

S-3078

SENATE FILE 57

- 1 Amend Senate amendment S-3069 to Senate File 57 as
- 2 follows:
- 3 1. Page 1, line 3, by striking the word "gaming"
- 4 and inserting the following: "gambling".
- 5 2. Page 1, line 5, by striking the word "gaming"
- A 6 and inserting the following: "gambling".
- 7 3. Page 1, line 7, by striking the word "gaming"
- 8 and inserting the following: "gambling".
- 9 4. Page 1, line 29, by striking the word "gaming"
- 10 and inserting the following: "gambling".
- B 11 5. Page 1, line 35, by striking the word "gaming"
- 12 and inserting the following: "gambling".
- 13 6. Page 1, line 40, by striking the word "gaming"
- 14 and inserting the following: "gambling".
- 15 7. Page 1, line 44, by striking the word "gaming"
- A 16 and inserting the following: "gambling".
- 17 8. Page 2, line 5, by striking the word "gaming"
- 18 and inserting the following: "gambling".
- 19 9. Page 2, line 10, by striking the word "gaming"
- 20 and inserting the following: "gambling".

S-3078 Filed
 A-Lost (p. 226)
 B-Withdrawn
 January 31, 1985

By TAYLOR

S-3071

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, by striking lines 3 and 4.

S-3071 Filed

January 31, 1985

Clk'd out of order 2/1 (p. 238)

By TAYLOR

S-3072

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, line 28, by striking the word "four"
- 3 and inserting the following: "one".

S-3072 Filed

January 31, 1985

W/O 2/1 (p. 239)

By TAYLOR

S-3073

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 13, line 19, by striking the words
- 3 "PRIZES OF MINORS--".

S-3073 Filed, *Adopted 2/1 (p. 240)*
January 31, 1985

By KINLEY

S-3074

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 2, by striking lines 19 through 22.
- 3 2. Page 6, line 26, by inserting after the word
- 4 "lottery" the following: "including the salaries of
- 5 employees and expenses of the commission attributable
- 6 to the lottery".
- 7 3. Page 12, line 14, by striking the words "The
- 8 hearing board" and inserting the following: "Subject
- 9 to the approval of the commission, the director".

S-3074 Filed

January 31, 1985

Clk'd out of order 2/1 (p. 234)

By KINLEY

S-3075

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, by inserting after line 14 the
- 3 following:
- 4 "_____. The board and the director may enter into
- 5 written agreements or compacts with another state or
- 6 states for the operation, marketing, and promotion of
- 7 a joint lottery or joint lottery games."

S-3075 Filed

January 31, 1985

Adopted 2/1 (p. 236)

By JUNKINS

1 Amend Senate File 57 as follows:
2 1. Page 1, by inserting after line 5 the
3 following:
4 "_____. "Board" means the Iowa lottery board created
5 in section 99E.101."
6 2. Page 1, by striking line 11.
7 3. Page 1, by striking lines 16 and 17.
8 4. Page 1, by striking lines 20 through 26 and
9 inserting the following:
10 "1. A state agency is established to be known as
11 the Iowa lottery agency. Except as provided in
12 sections 99E.11 and 99E.13, subsection 4, the Iowa
13 lottery agency is subject to chapter 17A. It is a
14 separate agency of state government whose head is the
15 director."
16 5. Page 1, line 28, by inserting after the word
17 "lottery." the following: "The director shall be
18 appointed by the governor within thirty days after the
19 effective date of this Act subject to confirmation by
20 the senate, and shall serve at the pleasure of the
21 governor. A vacancy occurring in the office of the
22 director shall be filled in the same manner as the
23 original appointment. Section 2.32 applies to the
24 appointment of the director."
25 6. Page 1, line 32, by striking the word
26 "commission" and inserting the following: "governor".
27 7. Page 2, line 28, by striking the word
28 "COMMISSION" and inserting the following: "BOARD".
29 8. Page 2, line 30, by striking the word
30 "commission" and inserting the following: "board".
31 9. Page 2, line 34, by striking the word
32 "commission" and inserting the following: "board".
33 10. Page 3, line 6, by striking the word
34 "commission" and inserting the following: "board".
35 11. Page 3, line 8, by striking the word
36 "commission" and inserting the following: "board".
37 12. Page 8, by striking line 12 and inserting the
38 following:
39 "1. A member of the board, the".
40 13. Page 8, by striking line 19 and inserting the
41 following:
42 "2. A member of the board, the".
43 14. Page 8, by striking line 31 and inserting the
44 following: "offer a member of the board, the
45 director".
46 15. Page 8, by striking line 34 and inserting the
47 following:
48 "4. A member of the board, the".
49 16. Page 9, line 10, by striking the word
50 "commission" and inserting the following: "board".

S-3082 page 2

1 17. Page 9, by striking line 13 and inserting the
2 following:
3 "1. The Iowa lottery agency has three divisions:".
4 18. Page 12, line 10, by striking the word
5 "commission" and inserting the following: "board".
6 19. Page 12, line 26, by striking the word
7 "commission" and inserting the following: "board".
8 20. Page 13, line 7, by striking the words
9 "commission, the secretary" and inserting the
10 following: "board".
11 21. Page 13, by striking line 12 and inserting
12 the following: "member of the board, the director
13 or".
14 22. Page 13, line 29, by striking the word
15 "commissioner" and inserting the following:
16 "director".
17 23. Page 14, line 18, by striking the word
18 "commission" and inserting the following: "board".
19 24. Page 15, by striking line 6 and inserting the
20 following:
21 "The board and the director shall".
22 25. Page 15, by inserting after line 14 the
23 following:
24 "Sec. ____ . NEW SECTION. 99E.101 LOTTERY BOARD.
25 An Iowa lottery board is created to consist of five
26 members, not more than three of whom shall be from the
27 same political party, and who shall be appointed by
28 the governor subject to confirmation by the senate.
29 The governor shall appoint the board members within
30 sixty days of the effective date of this Act. The
31 term of each member shall begin and end as provided in
32 section 69.19. A vacancy on the board shall be filled
33 in the same manner as regular appointments are made
34 and the term shall be for the unexpired portion of the
35 regular term.
36 Sec. ____ . NEW SECTION. 99E.102 BOARD
37 QUALIFICATIONS.
38 Board members shall be residents of this state. At
39 least one member of the board shall be a person who
40 has been a law enforcement officer for not less than
41 five years, one member shall be an attorney admitted
42 to the practice of law in Iowa for not less than five
43 years, and one member shall be a certified public
44 accountant who has practiced accountancy in Iowa for
45 not less than five years.
46 Sec. ____ . NEW SECTION. 99E.103 BOARD MEETINGS.
47 The board shall hold at least one meeting each
48 month and as often as necessary. The board shall
49 select a chairperson from its membership at the first
50 regular meeting of the board and shall thereafter

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1 select a chairperson at the first regular meeting of
2 each fiscal year. Written notice of the time and
3 place of each meeting shall be given to each member of
4 the board. A majority of the board constitutes a
5 quorum.

6 Sec. ____ . NEW SECTION. 99E.104 EXPENSES --
7 SALARY.

8 Members of the board shall be compensated at a rate
9 of forty dollars per diem while on official business
10 of the board. Members shall also be allowed the
11 actual and necessary expenses incurred in the
12 performance of their duties. The expenses incurred by
13 members of the board and the salaries paid to members
14 ~~of the board are part of the necessary expenses of the~~
15 lottery agency."

16 26. Page 15, line 33, by striking the word
17 "commission" and inserting the following: "board".
18 27. Renumber as necessary.

S-3082 filed
January 31, 1985

Recd 1/31/85 (g)

By WELSH AND HORN

S-3081

SENATE FILE 57

1 Amend Senate amendment S-3062 to Senate File 57 as
2 follows:

3 1. Page 2, by inserting after line 8 the
4 following:

5 " ____ . Page 13, line 12, by striking the word
6 "director" and inserting the following: "director,
7 licensee, "."

8 2. Renumber as necessary.

S-3081 Filed
January 31, 1985

Closed out of order 2/1 (p. 238)

By HOLDEN

- 1 Amend Senate File 57 as follows:
 2 1. Page 1, by striking lines 23 and 24 and
 3 inserting the following: "the lottery is the
 4 secretary. The commission shall appoint the director.
 5 The".
 6 2. Page 2, by striking lines 18 through 22 and
 7 inserting the following: "implement this chapter and
 8 shall comply with chapter 692."
 9 3. Page 3, by striking lines 1 through 6 and
 10 inserting the following: "the lottery."
 11 4. Page 3, by striking lines 7 and 8 and
 12 inserting in lieu thereof the following:
 13 "3. The commission shall make rules pursuant to
 14 chapter 17A".
 15 5. Page 5, line 10, by inserting after the word
 16 "chapter" the following: "or a rule adopted pursuant
 17 to this chapter".
 18 6. Page 6, line 26, by inserting after the word
 19 "lottery" the following: "including the salaries of
 20 employees and expenses of the commission attributable
 21 to the lottery".
 22 7. Page 9, by striking lines 31 through 33 and
 23 inserting the following: "At a hearing ordered by the
 24 director, the".
 25 8. Page 12, line 14, by striking the words
 26 "hearing board" and inserting the following:
 27 "commission".
 28 9. Page 12, by striking lines 19 through 22.

S-3079 Filed
 January 31, 1985
Placed out of order 2/1 (p. 234)

By JUNKINS

S-3080

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
 2 1. Page 2, by striking lines 18 through 22 and
 3 inserting the following: "implement this chapter and
 4 shall comply with chapter 692."
 5 2. Page 3, by striking lines 1 through 6 and
 6 inserting the following: "the lottery."
 7 3. Page 3, by striking lines 7 and 8 and
 8 inserting in lieu thereof the following:
 9 "3. The lottery agency shall make rules pursuant
 10 to chapter 17A".
 11 4. Page 5, line 10, by inserting after the word
 12 "chapter" the following: "or a rule adopted pursuant
 13 to this chapter".
 14 5. Page 6, line 26, by inserting after the word
 15 "lottery" the following: "including the salaries of
 16 employees and expenses of the lottery agency
 17 attributable to the lottery".
 18 6. Page 12, line 14, by striking the words
 19 "hearing board" and inserting the following: "lottery
 20 agency".

S-3080 Filed
 January 31, 1985
A-w/d B-Adopted 2/1 (p. 235)

By JUNKINS

S-3087

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, line 19, by striking the word "forty-
- 3 five" and inserting the following: "sixty".

S-3087 Filed
January 31, 1985

By WALDSTEIN

WLD 2/1 (p. 229)

S-3088

SENATE FILE 57

- 1 JAN 31 1985
- 1 Amend Senate File 57 as follows:
 - 2 1. By striking page 15, line 35 through page 16,
 - 3 line 5.
 - 4 2. Title page, line 7, by inserting after the
 - 5 word "penalties," the following: "and".
 - 6 3. Title page, by striking line 9 and inserting
 - 7 the following: "fund."

S-3088 Filed
January 31, 1985

By GRONSTAL

Filed out of order 2/1 (p. 224)

S-3090

SENATE FILE 57

- 1 Amend the amendment S-3069 to Senate File 57 as
- 2 follows:
- 3 1. Page 2, line 13, by striking the word
- 4 "gaming" and inserting the following: "gambling".

S-3090 Filed and Withdrawn
January 31, 1985 *(p. 224)*

By TAYLOR

- 1 Amend Senate File 57 as follows:
 2 1. Page 6, line 28, by inserting after the word
 3 "the" the following: "projected".

S-3083 Filed, *Adopted 2/1 (p. 240)*
 January 31, 1985

By WELSH

S-3084

SENATE FILE 57

- 1 Amend Senate amendment S-3082 to Senate File 57 as
 2 follows:
 3 1. Page 1, by striking lines 11 and 12 and
 4 inserting the following: "the Iowa lottery agency.
 5 The".
 6 2. Page 2, by inserting after line 3 the
 7 following:
 8 "_____. Page 9, by striking lines 31 through 33 and
 9 inserting the following: "At a hearing ordered by the
 10 director, the".
 11 3. Page 2, by inserting after line 5 the
 12 following:
 13 "_____. Page 12, by striking lines 19 through 22."
 14 4. Re-number as necessary.

S-3084 Filed
 January 31, 1985
Adopted 1/31 (p. 225)

By JUNKINS

S-3085

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
 2 1. Page 6, by inserting before line 15 the
 3 following:
 4 "_____. In purchasing materials, supplies, entering
 5 into contracts, purchasing annuities or prizes or
 6 other services and materials in connection with the
 7 lottery, the lottery agency shall strive to give
 8 special consideration in purchasing from Iowa
 9 businesses."

S-3085 Filed, *Adopted 2/1 (p. 238)*
 January 31, 1985

By HANNON

S-3086

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
 2 1. Page 6, by inserting before line 15 the
 3 following:
 4 "_____. In purchasing materials, supplies, entering
 5 into contracts, purchasing annuities or prizes or
 6 other services and materials in connection with the
 7 lottery, the commission shall strive to give special
 8 consideration in purchasing from Iowa businesses."

S-3086 Filed
 January 31, 1985

By HANNON

S-3090

SENATE FILE 57

- 1 Amend the amendment S-3069 to Senate File 57 as
2 follows:
3 1. Page 2, line 13, by striking the word
4 "gaming" and inserting the following: "gambling".

S-3090 Filed and Withdrawn
January 31, 1985 (p. 220)

By TAYLOR

S-3091

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
2 1. Page 15, by inserting after line 14 the
3 following:
4 "Sec. ____ . Section 99D.5, subsection 4, Code 1985,
5 is amended to read as follows:
6 4. Commission members shall each receive an annual
7 salary of ~~six~~ twelve thousand dollars. Members shall
8 also be reimbursed for necessary travel and expenses
9 incurred in the performance of their duties to a
10 maximum of six thousand dollars per year for the
11 commission. Each member shall post a bond in the
12 amount of ten thousand dollars, with sureties to be
13 approved by the governor, to guarantee the proper
14 handling and accounting of moneys and other properties
15 required in the administration of this chapter. The
16 premiums on the bonds shall be paid as other expenses
17 of the commission."

S-3091 Filed
January 31, 1985
Placed out of order 2/1 (p. 241)

By DRAKE

S-3092

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
2 1. Page 6, line 28, by inserting after the word
3 "revenue." the following: "An economic development
4 fund is created in the office of the treasurer of
5 state."
6 2. Page 6, line 30, by striking the word
7 "general" and inserting the following: "economic
8 development".
9 3. Page 6, line 31, by striking the word
10 "general" and inserting the following: "economic
11 development".
12 4. Page 7, line 6, by inserting after the word
13 "estimates." the following: "Moneys in the economic
14 development fund shall not revert to the general fund
15 and shall not be considered to be a part of the Iowa
16 economic emergency fund."
17 5. Page 14, line 31, by striking the word
18 "general" and inserting the following: "economic
19 development".

S-3092 Filed, 2/1/85 (p. 240)
January 31, 1985

By WELSH

S-3089

SENATE FILE 57

- 1 Amend Senate amendment S-3067 to Senate File 57 as
2 follows:
- 3 1. Page 1, by striking lines 7 through 9 and
4 inserting the following:
5 "____. Page 4, by striking lines 31 and 32 and
6 inserting the words "shall not be sold in
7 establishments that serve, for consumption on the
8 premises, any alcoholic beverages or beer as defined
9 in section 123.3, subsections 8 and 9."
- 10 2. Page 1, line 16 by inserting after the word
11 "printed" the following: "clearly, conspicuously, and
12 in easily readable print".
- 13 3. Page 1, by inserting after line 29 the
14 following:
15 "____. Page 6, line 14, by inserting after the
16 word "advance." the following: "When required, the
17 odds shall be printed clearly, conspicuously, and in
18 easily readable print."
- 19 4. Page 1, by inserting after line 31 the
20 following:
21 "____. Page 8, by striking line 13 and inserting
22 the following: "director, an employee of the lottery,
23 a licensee, or an employee of licensee shall not
24 directly or"."
- 25 5. Page 1, by striking line 34 and inserting the
26 following: "lottery, a licensee, an employee of a
27 licensee, or a member of their immediate family
28 shall".
- 29 6. Page 1, line 41, by inserting after the word
30 "licensee" the following: "or from a member of their
31 immediate family".
- 32 7. Page 1, by inserting after line 41 the
33 following:
34 "____. Page 8, line 30, by striking the words "or
35 a licensee" and inserting the following: "a licensee
36 or a member of their immediate family".
- 37 _____. Page 8, line 32, by inserting after the word
38 "lottery," the following: "a licensee, an employee of
39 a licensee,".
- 40 8. Page 1, by inserting after line 44 the
41 following:
42 "____. Page 9, line 3, by inserting after the word
43 "position." the following: "The license of a licensee
44 that violates this section shall be revoked."
- 45 _____. Page 9, line 9, by inserting after the words
46 "residence of the" the following: "licensee, employee
47 of the licensee, the applicant for a license, the
48 person contracting or seeking a contract, the"."
- 49 9. Renumber as necessary.

50
A- Adopted 2/1 (p. 235)
B- 2/1 (p. 237)
C- w/d 2/1 (p. 235)

S-3089 Filed
January 31, 1985

By HOLDEN

B

- 1 Amend Senate File 57 as follows:
2 1. Page 1, by inserting after line 5 the
3 following:
4 "_____. "Board" means the Iowa lottery board created
5 in section 99E.101."
6 2. Page 1, by striking line 11 and inserting the
7 following:
8 "_____. "Commission" means the state gaming
9 commission created in section 99E.105."
10 3. Page 1, by striking lines 16 and 17.
11 4. Page 1, by striking lines 20 through 26 and
12 inserting the following:
13 "1. A state agency is established to be known as
14 the Iowa lottery agency. Except as provided in
15 sections 99E.11 and 99E.13, subsection 4, the Iowa
16 lottery agency is subject to chapter 17A. It is a
17 separate agency of state government whose head is the
18 director."
19 5. Page 1, line 28, by inserting after the word
20 "lottery." the following: "The director shall be
21 appointed by the governor within thirty days after the
22 effective date of this Act subject to confirmation by
23 the senate, and shall serve at the pleasure of the
24 governor. A vacancy occurring in the office of the
25 director shall be filled in the same manner as the
26 original appointment. Section 2.32 applies to the
27 appointment of the director."
28 6. Page 1, line 32, by striking the word
29 "commission" and inserting the following: "governor".
30 7. Page 2, line 28, by striking the word
31 "COMMISSION" and inserting the following: "BOARD".
32 8. Page 2, line 30, by striking the word
33 "commission" and inserting the following: "board".
34 9. Page 2, line 34, by striking the word
35 "commission" and inserting the following: "board".
36 10. Page 3, line 6, by striking the word
37 "commission" and inserting the following: "board".
38 11. Page 3, line 8, by striking the word
39 "commission" and inserting the following: "board".
40 12. Page 8, by striking line 12 and inserting the
41 following:
42 "1. A member of the board, the".
43 13. Page 8, by striking line 19 and inserting the
44 following:
45 "2. A member of the board, the".
46 14. Page 8, by striking line 31 and inserting the
47 following: "offer a member of the board, the
48 director".
49 15. Page 8, by striking line 34 and inserting the
50 following:

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- 1 "4. A member of the board, the".
2 16. Page 9, line 10, by striking the word
3 "commission" and inserting the following: "board".
4 17. Page 9, by striking line 13 and inserting the
5 following:
6 "1. The Iowa lottery agency has three divisions:".
7 18. Page 12, line 10, by striking the word
8 "commission" and inserting the following: "board".
9 19. Page 12, line 26, by striking the word
10 "commission" and inserting the following: "board".
11 20. Page 13, line 7, by striking the words
12 "commission, the secretary" and inserting the
13 following: "board".
14 21. Page 13, by striking line 12 and inserting
15 the following: "member of the board, the director
16 or".
17 22. Page 13, line 29, by striking the word
18 "commissioner" and inserting the following:
19 "director".
20 23. Page 14, line 18, by striking the word
21 "commission" and inserting the following: "board".
22 24. Page 15, by striking line 6 and inserting the
23 following:
24 "The board and the director shall".
25 25. Page 15, by inserting after line 14 the
26 following:
27 "Sec. 101. NEW SECTION. 99E.101 LOTTERY BOARD.
28 An Iowa lottery board is created to consist of five
29 members, not more than three of whom shall be from the
30 same political party, and who shall be appointed by
31 the governor subject to confirmation by the senate.
32 The governor shall appoint the board members within
33 sixty days of the effective date of this Act. The
34 term of each member shall begin as provided in section
35 69.19 and shall continue until June 30, 1987. A
36 vacancy on the board shall be filled in the same
37 manner as regular appointments are made and the term
38 shall be for the unexpired portion of the regular
39 term.

40 Sec. 102. NEW SECTION. 99E.102 BOARD

41 QUALIFICATIONS.

42 Board members shall be residents of this state. At
43 least one member of the board shall be a person who
44 has been a law enforcement officer for not less than
45 five years, one member shall be an attorney admitted
46 to the practice of law in Iowa for not less than five
47 years, and one member shall be a certified public
48 accountant who has practiced accountancy in Iowa for
49 not less than five years.

50 Sec. 103. NEW SECTION. 99E.103 BOARD MEETINGS.

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1 The board shall hold at least one meeting each
2 month and as often as necessary. The board shall
3 select a chairperson from its membership at the first
4 regular meeting of the board and shall thereafter
5 select a chairperson at the first regular meeting of
6 each fiscal year. Written notice of the time and
7 place of each meeting shall be given to each member of
8 the board. A majority of the board constitutes a
9 quorum.

10 Sec. 104, NEW SECTION. 99E.104 EXPENSES --
11 SALARY.

12 Members of the board shall be paid an annual salary
13 of six thousand dollars. Members shall also be
14 allowed the actual and necessary expenses incurred in
15 the performance of their duties. The expenses
16 incurred by members of the board and the salaries paid
17 to members of the board are part of the necessary
18 expenses of the lottery agency.

19 Sec. 105. NEW SECTION. 99E.105. STATE GAMING
20 COMMISSION --MEMBERS -- TERM -- SALARY -- PURPOSE.

21 1. An Iowa state gaming commission is created to
22 consist of five members, not more than three of whom
23 shall be from the same political party, and who shall
24 be appointed by the governor subject to confirmation
25 by the senate. The members shall be residents of the
26 state. Members shall serve not to exceed a three-year
27 term at the pleasure of the governor. The term of
28 each member shall begin and end as provided in section
29 69.19. A vacancy on the commission shall be filled in
30 the same manner as regular appointments are made and
31 the term shall be for the unexpired portion of the
32 regular term.

33 2. Commission members shall each receive an annual
34 salary of twelve thousand dollars. In addition,
35 members shall be reimbursed for necessary travel and
36 expenses incurred in the performance of their duties.

37 3. The commission members shall elect in July of
38 each year one of its members chairperson for the
39 succeeding year.

40 4. The primary purpose of the commission is to
41 supervise and coordinate the various gaming activities
42 conducted or permitted by the state.

43 Sec. 106. NEW SECTION. 99E.106. COMMISSIONER AND
44 OTHER EMPLOYEES -- DUTIES -- BOND.

45 The commission shall employ a commissioner to
46 supervise the daily operations of the commission and
47 other assistants and employees as necessary to carry
48 out its duties. Some or all of the information
49 required of applicants in section 99D.8A, subsections
50 1 and 2, may also be required of employees of the

1 commission if the commission deems it necessary. The
2 commissioner shall keep a record of the proceedings of
3 the commission, preserve the books, records, and
4 documents entrusted to the commissioner's care, and
5 perform other duties as the commission prescribes.
6 The commission shall require the commissioner to post
7 a bond in a sum it may fix, conditioned upon the
8 faithful performance of the commissioner's duties.
9 Subject to the approval of the governor, the
10 commission shall fix the compensation of its
11 commissioner within salary range five as set by the
12 general assembly. The commission shall also fix the
13 compensation of its other employees, subject to the
14 approval of the governor. The commission shall have
15 its headquarters in the city of Des Moines, and shall
16 meet in July of each year and at other times and
17 places as it finds necessary for the discharge of its
18 duties.

19 Sec. 107. Effective July 1, 1987 the following
20 reorganization of state agencies shall result:

21 1. The operations of the state racing commission,
22 the Iowa lottery agency, and those portions of the
23 department of revenue which regulate the conducting of
24 games of skill, chance and raffles shall be
25 transferred to the state gaming commission.

26 2. All employees of the state racing commission
27 and the Iowa lottery agency shall be transferred to
28 the state gaming commission. Any employee of the
29 department of revenue whose duty assignment will be
30 terminated because of this Act may be reassigned to
31 other duties or may be transferred to the state gaming
32 commission.

33 3. All rules, forms, orders, and directives
34 adopted by and in effect for the state racing
35 commission on July 1, 1987 shall continue to be valid
36 and enforceable as rules, forms, orders, and
37 directives of the state gaming commission until
38 amended, supplemented, or repealed by affirmative
39 action of the state gaming commission.

40 4. All rules, forms, orders, and directives
41 adopted by and in effect for the Iowa lottery agency
42 on July 1, 1987 shall continue to be valid and
43 enforceable as rules, forms, orders, and directives of
44 the state gaming commission until amended,
45 supplemented, or repealed by affirmative action of the
46 state gaming commission.

47 5. All rules, forms, orders, and directives
48 adopted by and in effect for the department of revenue
49 on July 1, 1987 relating to the regulation of games of
50 skill, chance, and raffles shall continue to be valid

1 and enforceable as rules, forms, orders, and
2 directives of the state gaming commission until
3 amended, supplemented, or repealed by affirmative
4 action of the state gaming commission.

5 Sec. 108. Effective July 1, 1987 all references in
6 the Code to the state racing commission, the Iowa
7 lottery agency, and the department of revenue in
8 relation to regulation of games of skill, chance and
9 raffles shall mean the state gaming commission.

10 Sec. 109. Notwithstanding section 105 of this Act,
11 the governor shall appoint initial members of the
12 commission established under that section to staggered
13 terms, two to end the year following appointment, two
14 to end two years following appointment, and one to end
15 three years following appointment. The initial
16 members shall be appointed from the members serving on
17 the state racing commission and the Iowa lottery board
18 on June 30, 1987. The governor shall appoint initial
19 members in the same manner as vacancies, subject to
20 section 2.32.

21 Sec. 110. Effective July 1, 1987, sections 99D.5,
22 99D.6, 99E.101, 99E.102, 99E.103, and 99E.104, Code
23 1985, are repealed."

24 26. Page 15, line 35, by inserting after the word
25 "that" the following: "sections 1 through 19 of".

26 27. Page 16, by striking line 1 and inserting the
27 following: "this Act shall have temporary effect
28 only, that those portions of chapter 99E establishing
29 a state lottery are".

30 28. Page 16, line 3, by striking the word
31 "board".

32 29. Title page, by striking lines 1 and 2 and
33 inserting the following: "An Act relating to gaming
34 by creating a state gaming commission, a state lottery
35 agency, establishing a state lottery, providing for
36 the reorganization of gaming regulation, providing for
37 a lottery".

38 30. Title page, line 9, by inserting after the
39 word "repeal" the following: "of portions".

40 31. Renumber as necessary.

S-3095 Filed & Adopted
February 1, 1985

*A - Withdrawn B - Adopted 2/1 (p. 234)
Billed now divisible & reconsidered 2/1 (p. 241)
Amended by 3098 & adopted 2/1 (p. 242)*

By JUNKINS, SMALL, HUTCHINS
JENSEN, GRONSTAL & SCHWENGELS

1 Amend Senate File 57 as follows:
2 1. Page 6, line 28, by inserting after the word
3 "revenue." the following: "An economic development
4 fund is created in the office of the treasurer of
5 state."
6 2. Page 6, line 30, by striking the word
7 "general" and inserting the following: "economic
8 development".
9 3. Page 6, line 31, by striking the word
10 "general" and inserting the following: "economic
11 development".
12 4. Page 7, line 6, by inserting after the word
13 "estimates." the following: "Moneys in the economic
14 development fund shall not revert to the general fund
15 and shall not be considered to be a part of the Iowa
16 economic emergency fund."
17 5. Page 14, line 31, by striking the word
18 "general" and inserting the following: "economic
19 development".
20 6. Title page, line 8, by striking the words "the
21 general" and inserting the following: "a specially
22 created economic development".

S-3094 Filed & Adopted (p. 240)
February 1, 1985

By WELSH

S-3102

SENATE FILE 57

1 Amend Senate amendment S-3077 to Senate File 57 as
2 follows:
3 1. Page 1, line 4, by inserting after the word
4 "games." the following: "As used in this paragraph,
5 "video lottery games" means lottery games involving a
6 machine designed similar to a video amusement game
7 except that prizes are awarded at random by the
8 lottery agency at the conclusion of the game."

S-3102 Filed & Withdrawn (p. 242)
February 1, 1985

By DIELEMAN & GENTLEMAN

S-3103

SENATE FILE 57

1 Amend Senate amendment S-3097 to Senate File 57 as
2 follows:
3 1. Page 1, line 4, by inserting after the word
4 "games." the following: "As used in this paragraph,
5 "video lottery games" means lottery games involving a
6 machine designed similar to a video amusement game
7 except that prizes are awarded at random by the
8 lottery agency at the conclusion of the game."

S-3103 Filed & Adopted (p. 242)
February 1, 1985

By DIELEMAN & GENTLEMAN

S-3096

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, by inserting before line 15 the
- 3 following:
- 4 "____. The lottery agency shall consult with the
- 5 state racing commission to facilitate the
- 6 implementation of this chapter."

S-3096 Filed & Adopted (p. 239)
February 1, 1985

By SMALL

S-3097

SENATE FILE 97

- 1 Amend Senate File 57 as follows:
- 2 1. Page 3, line 20, by inserting after the word
- 3 "conducted." the following: "The lottery agency shall
- 4 not authorize video lottery games."

S-3097 Filed & Lost (p. 238)
February 1, 1985
Reconsidered, amended & Lost 2/1 (p. 242)

By DIELEMAN AND GENTLEMAN

S-3098

SENATE FILE 57

- 1 Amend the amendment S-3095 to Senate File 57 as
- 2 follows:
- 3 1. Page 2, by striking lines 40 through 49.

S-3098 Filed and Adopted (p. 241)
February 1, 1985

By JUNKINS & HULTMAN

S-3100

SENATE FILE 57

- 1 Amend Senate amendment S-3059 to Senate File 57 as
- 2 follows:
- 3 1. Page 1, line 3, by striking the figure "1990"
- 4 and inserting the following: "2085".

S-3100 Filed & Lost (p. 241)
February 1, 1985

By GRONSTAL

S-3101

SENATE FILE 57

- 1 Amend Senate File 57 as follows:
- 2 1. Page 6, line 19, by striking the word
- 3 "forty-five" and inserting the following: "fifty".

S-3101 Filed & Adopted (p. 240)
February 1, 1985

By WALDSTEIN

SENATE FILE 57
BY KINLEY and RODGERS

(AS AMENDED AND PASSED BY THE SENATE FEBRUARY 1, 1985)

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

A BILL FOR

1 An Act relating to gaming by creating a state gaming commission,
2 a state lottery agency, establishing a state lottery, providing
3 for the reorganization of gaming regulation, providing for a lottery
4 director, a state lottery fund for the deposit of receipts and
5 for the payment of prizes and expenses, licensing of lottery
6 ticket sales agents, administrative procedures necessary in
7 carrying out the intent of the Act, making certain acts illegal,
8 providing penalties, providing that revenue generated shall be
9 distributed to a specially created economic development fund,
10 and providing for repeal of portions of the Act.

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

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_____ = New Language
by the Senate

* = Language Stricken
by the Senate

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. "Board" means the Iowa lottery board created in section
7 99E.18.

8 2. "Director" means the director of the lottery.

9 3. "Division chief" means the head of each of the three
10 divisions of the lottery agency operating under the director.

11 4. "Lottery" means the lottery created and operated under
12 this chapter.

13 5. "Commission" means the state gaming commission created
14 in section 99E.21.

15 6. "Licensee" means the person issued a license by the
16 director to sell lottery tickets. The licensee is responsible
17 for the licensee's employees' conduct which is within the
18 scope of this chapter.

* 19 Sec. 3. NEW SECTION. 99E.3 ESTABLISHMENT OF LOTTERY--
20 APPOINTMENT OF DIRECTOR--OTHER EMPLOYEES.

21 1. A state agency is established to be known as the Iowa
22 lottery agency. Except as provided in sections 99E.11 and
23 99E.13, subsection 4, the Iowa lottery agency is subject to
24 chapter 17A. It is a separate agency of state government
25 whose head is the director.

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

1 or occupation. The director shall receive a salary determined
2 by the governor within salary range five as set by the general
3 assembly.

4 3. The director may employ clerks, stenographers,
5 inspectors, agents, and other employees pursuant to chapter
6 19A as necessary to carry out this chapter.

7 Sec. 4. NEW SECTION. 99E.4 DIRECTOR'S OATH--BOND--
8 EMPLOYEES--BONDING OF EMPLOYEES.

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

22 2. The director shall employ personnel necessary to
23 implement this chapter and shall comply with chapter 692.

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

29 Sec. 5. NEW SECTION. 99E.5 DUTIES OF THE BOARD--RULES--
30 DIRECTOR.

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

35 2. Subject to the approval of the board, the director may

1 enter into contracts for the operation and marketing of the
2 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 director shall not be assigned by the
6 contract holder except upon the written approval of the board.

7 3. The director shall make rules which are subject to the
8 approval of the board and in accordance with chapter 17A for
9 implementing and preventing violations of this chapter. The
10 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 director shall determine the cost incurred in processing
14 applications for a license and set the license fee to cover
15 that cost except a license fee shall not be less than fifty
16 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. In any
21 other type of game utilizing instant tickets or other tangible
22 evidence of participation, each ticket in the game shall bear
* 23 a unique serial number distinguishing it from every other
24 ticket in the game, and for each game utilizing instant
25 tickets each lottery number or symbol shall be accompanied by
26 a confirming caption consisting of a repetition of a symbol or
27 a description of the symbol in words.

28 c. The price of tickets in the lottery, including but not
29 limited to authorization of sales of tickets at a discount for
30 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 director
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.

31 i. The method to be used in printing and selling tickets
32 or shares. An elected official's name shall not be printed on
33 the tickets or shares. The overall estimated odds of winning
34 a prize in any preprinted ticket or share game shall be
35 printed clearly, conspicuously, and in easily readable print

1 on each ticket or share. The lottery shall maintain and make
2 available for public inspection, at its offices during regular
3 business hours a detailed listing of the estimated number of
4 prizes of each particular denomination that are expected to be
5 awarded in any game that is on sale or the estimated odds of
6 winning such prizes and, after the end of the claim period,
7 shall maintain and make available a listing of the total
8 number of tickets or shares sold in a game and the number of
9 prizes of each denomination which were awarded.

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

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

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

16 (3) The person has not been a licensee and has been
17 convicted or found to have committed a violation of this
18 chapter or a rule adopted pursuant to this chapter.

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

21 k. The compensation to be paid licensees including but not
22 limited to provision for variable compensation based on sales
23 volume or incentive considerations.

24 l. The form and type of marketing, informational, and
25 educational material to be permitted.

26 m. Subject to section 99E.6, the apportionment of the
27 annual revenues accruing from the sale of lottery tickets and
28 from other sources for the payment of prizes to the holders of
29 winning tickets and for the following:

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

34 (2) Independent audits which shall be performed annually
35 in addition to the audits required by section 99E.16,

1 subsection 3.

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

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

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

9 n. Requirements that the odds of winning each lottery
10 prize shall be prominently displayed in all marketing,
11 educational, and informational material associated with each
12 lottery game unless by the nature of the game the odds of
13 winning cannot be determined in advance. When required, the
14 odds shall be printed clearly, conspicuously, and in easily
15 readable print.

16 o. In purchasing materials, supplies, entering into
17 contracts, purchasing annuities or prizes or other services
18 and materials in connection with the lottery, the lottery
19 agency shall strive to give special consideration in
20 purchasing from Iowa businesses.

21 p. The board and the director may enter into written
22 agreements or compacts with another state or states for the
23 operation, marketing, and promotion of a joint lottery or
24 joint lottery games.

25 q. The lottery agency shall consult with the state racing
26 commission to facilitate the implementation of this chapter.

27 Sec. 6. NEW SECTION. 99E.6 ALLOCATION AND APPROPRIATION
28 OF FUNDS GENERATED.

29 1. Upon receipt of any revenue, the director shall deposit
30 the moneys in the lottery fund created pursuant to section
31 99E.16. As nearly as is practicable, fifty percent of the
32 annual revenue computed on a year-round average basis for each
33 type of lottery game accruing from the sale of tickets is
34 appropriated for payment of prizes to the holders of winning
35 tickets. The prizes shall not be paid out in a particular

1 lottery game in excess of the total revenues from sales of
2 that game. After the payment of prizes, the expenses of
3 conducting the lottery including the salaries of employees and
4 expenses of the lottery agency attributable to the lottery
5 shall be determined. Lottery expenses for marketing,
6 educational, and informational material shall not exceed four
7 percent of the projected gross lottery revenue. An economic
8 development fund is created in the office of the treasurer of
9 state. Revenue remaining after expenses are determined shall
10 be transferred to the economic development fund on a quarterly
11 basis except as provided in subsection 2. Prior to the
12 quarterly transfer to the economic development fund, the
13 director shall direct that lottery revenue be deposited in
14 interest bearing accounts designated by the treasurer of state
15 in the financial institutions of this state. Interest paid on
16 the deposits is considered lottery revenue and shall be
17 transferred to the general fund in the same manner as other
18 lottery revenue.

19 2. At the time of each quarterly transfer pursuant to
20 subsection 1, an amount equal to half of one percent of the
21 gross lottery revenue for the preceding quarter shall be
22 deposited in a gamblers assistance fund which is created in
23 the office of the treasurer of state. The fund shall be
24 administered by the commissioner of human services and used to
25 provide assistance and counseling to individuals and families
26 experiencing difficulty as a result of gambling losses and to
27 promote awareness of gamblers anonymous and similar assistance
28 programs.

29 3. Funds equal to any initial appropriation from the
30 general fund to the lottery shall be returned to the general
31 fund from the receipts of the sale of tickets not later than
32 July 1, 1986. The comptroller shall not include lottery
33 revenues in the comptroller's fiscal year revenue estimates.
34 Moneys in the economic development fund shall not revert to
35 the general fund and shall not be considered to be a part of

1 the Iowa economic emergency fund.

2 Sec. 7. NEW SECTION. 99E.7 REPORTS.

3 1. The director shall report quarterly to the governor and
4 the treasurer of state. The quarterly report shall include
5 the total lottery revenue, prize disbursements, and other
6 expenses for the preceding quarter. The fourth quarter report
7 shall be included in the annual report made pursuant to
8 subsection 2.

9 2. The director also shall report annually to the
10 governor, the treasurer of state, and the general assembly.
11 The annual report shall include a complete statement of
12 lottery revenues, prize disbursements, and other expenses, and
13 recommendations for changes in the law which the director
14 deems necessary or desirable. The annual report shall be
15 submitted within ninety days after the close of a fiscal year.

16 3. The director shall report immediately to the governor,
17 the treasurer of state, and the general assembly any matters
18 that require immediate changes in the law in order to prevent
19 abuses or evasions of this chapter or rules adopted or to
20 rectify undesirable conditions in connection with the
21 administration or operation of the lottery.

22 Sec. 8. NEW SECTION. 99E.8 STUDIES.

23 1. The director shall make a continuous study of the
24 lottery to ascertain any defects of this chapter or in the
25 rules which could result in abuses in the administration and
26 operation of the lottery or in any evasion of this chapter or
27 the rules of the director and make recommendations for
28 improvement in this chapter.

29 2. The director shall make a continuous study of the
30 operation and the administration of similar laws which may be
31 in effect in other states, any written material on the subject
32 which is published or available, any federal laws which may
33 affect the operation of the lottery, and the reaction of
34 citizens to existing and potential features of the lottery in
35 order to recommend changes that will serve the purposes of

1 this chapter.

2 3. The director shall make a demographic study of lottery
3 players.

4 Sec. 9. NEW SECTION. 99E.9 CONFLICT OF INTEREST--
5 PENALTY.

6 1. A member of the board, the director, or an employee of
7 the lottery shall not directly or indirectly, individually, or
8 as a member of a partnership or other association, or as a
9 shareholder, director, or officer of a corporation have an
10 interest in dealing in a lottery or in the ownership or
11 leasing of property used by or for a lottery.

12 2. A member of the board, the director, an employee of the
13 lottery, or a member of their immediate family shall not ask
14 for, offer to accept, or receive a gift, gratuity, or other
15 thing of more than fifty dollars in value from a person
16 contracting or seeking to contract with the state to supply
17 gaming equipment or materials for use in the operation of a
18 lottery or from an applicant for a license to sell tickets or
19 shares in the lottery or from a licensee.

20 3. A person contracting or seeking to contract with the
21 state to supply gaming equipment or materials for use in the
22 operation of a lottery, an applicant for a license to sell
23 tickets or shares in the lottery, or a licensee shall not
24 offer a member of the board, the director, an employee of the
25 lottery, or a member of their immediate family a gift,
26 gratuity, or other thing of more than fifty dollars in value.

27 4. A member of the board, the director, or an employee of
28 the lottery who violates a provision of this section, or if a
29 member of their immediate family violates a provision of this
30 section, shall be immediately removed from the office or
31 position.

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

33 6. As used in this section, "member of their immediate
34 family" means a spouse, child, stepchild, brother, brother-in-
35 law, stepbrother, sister, sister-in-law, stepsister, parent,

1 parent-in-law, or stepparent residing as a member of the same
2 household in the principal residence of the member of the
3 board, the secretary, the director, or an employee.

4 7. In addition to the prohibitions of this section, the
5 prohibitions of section 722.1 and 722.2 are applicable.

6 Sec. 10. NEW SECTION. 99E.10 LOTTERY DIVISIONS--DIVISION
7 CHIEFS.

8 1. The Iowa lottery agency has three divisions:

- 9 a. A security and licensing division.
10 b. A personnel, data processing, and accounting division.
11 c. A marketing, education, and information division.

12 2. Each division shall be under the supervision of a
13 division chief appointed by the director and each division
14 chief shall have expertise in the functions of the division.
15 The director shall designate one of the division heads to
16 serve as acting director during the director's absence.

17 3. Departments, boards, commissions, or other agencies of
18 this state at their discretion may provide assistance to the
19 lottery upon the request of the director.

20 Sec. 11. NEW SECTION. 99E.11 POWER TO ADMINISTER OATHS
21 AND TAKE TESTIMONY--SUBPOENA.

22 The director or the director's designee authorized to
23 conduct an inquiry, investigation, or hearing under this
24 chapter may administer oaths and take testimony under oath
25 relative to the matter of inquiry, investigation, or hearing.
26 An inquiry, investigation or hearing under this section is not
27 a contested case under the Iowa administrative procedure Act,
28 chapter 17A. At a hearing ordered by the director, the
29 director or the designee may subpoena witnesses and require
30 the production of records, papers, and documents pertinent to
31 the hearing.

32 Sec. 12. NEW SECTION. 99E.12 LICENSING--BONDS.

33 1. The director shall license persons to sell lottery
34 tickets to best serve public convenience. A licensee shall
35 not engage in business exclusively to sell lottery tickets. A

1 licensee's profits from the sale of lottery tickets shall not
2 exceed ten percent of the profits of the licensee's overall
3 business operations. Before issuing a license the director
4 shall consider the financial responsibility and security of
5 the applicant, the applicant's business or activity, the
6 accessibility of the applicant's place of business or activity
7 to the public, the sufficiency of existing licensees to serve
8 the public convenience, and the volume of expected sales. A
9 licensee shall cooperate with the lottery by using point-of-
10 purchase materials, posters, and other educational,
11 informational, and marketing materials when requested to do so
12 by the lottery. Lack of cooperation is sufficient cause for
13 revocation of a person's license.

14 2. A licensee shall sell tickets only on the premises
15 stated in the license. A licensee shall display the license
16 or a copy of the license together with the lottery rules
17 wherever tickets are sold. A license is not assignable or
18 transferable. The director may issue a temporary license when
19 deemed necessary.

20 3. The director shall require a bond from a licensee in an
21 amount as provided in the rules graduated according to the
22 volume of expected sales of lottery tickets by the licensee,
23 or may require a licensee to furnish evidence of financial
24 responsibility.

25 4. A bond shall not be canceled by a surety on less than
26 thirty days' notice in writing to the director. If a bond is
27 canceled and the licensee fails to file a new bond with the
28 director in the required amount on or before the effective
29 date of cancellation, the licensee's license shall be
30 automatically suspended. A suspended license shall be revoked
31 if the requirements of this subsection are not met within
32 thirty days of the license suspension. The total and
33 aggregate liability of the surety on the bond is limited to
34 the amount specified in the bond.

35 5. Subject to the approval of the board, the director may

1 authorize compensation to licensees in the manner and amounts
2 and subject to the limitations the director determines if the
3 director finds that compensation is necessary to assure
4 adequate availability of lottery tickets.

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

7 a. A license of the applicant to sell lottery tickets has
8 been suspended or revoked in another jurisdiction by the
9 authority regulating a lottery or by a court of that
10 jurisdiction.

11 b. The applicant has not demonstrated financial
12 responsibility sufficient to adequately meet the requirements
13 of the proposed enterprise.

14 c. The applicant is not the true owner of the proposed
15 lottery business.

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

19 e. The applicant has knowingly made a false statement of
20 material fact to the director.

21 7. The director shall revoke the license of a licensee who
22 violates any condition listed in this section.

23 Sec. 13. NEW SECTION. 99E.13 SUSPENSION OR REVOCATION OF
24 LICENSE--HEARINGS--HEARING BOARD.

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

1 when a stay is requested with the request for hearing.

2 2. A three-member hearing board for the purpose of con-
3 ducting hearings relating to controversies concerning the
4 issuance, suspension, or revocation of licenses is created.
5 One member shall be a designee of the board, one member shall
6 be the treasurer of state or a designee of the treasurer of
7 state, and one member shall be the commissioner of public
8 safety or a designee of the commissioner of public safety.
9 The lottery agency shall adopt rules and procedures for
10 conducting the hearings.

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

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

18 Sec. 14. NEW SECTION. 99E.14 PROHIBITED SALES OF
19 TICKETS--FORGERY OF TICKET--PENALTIES.

20 1. A ticket shall not be sold at a price greater than that
21 fixed by the board and the director and a sale shall not be
22 made other than by a licensee or an employee of the licensee
23 who is authorized by the licensee to sell tickets. A person
24 who violates a provision of this subsection is guilty of a
25 simple misdemeanor.

26 2. A ticket shall not be sold to a person who has not
* 27 reached eighteen years of age. This does not prohibit the
28 lawful purchase of a ticket for the purpose of making a gift
29 to a person who has not yet reached eighteen years of age. A
30 licensee or a licensee's employee who knowingly sells or
31 offers to sell a lottery ticket to a person who has not
32 reached eighteen years of age is guilty of a simple
33 misdemeanor. A prize won by a person who has not reached
* 34 eighteen years of age but who purchases a winning ticket in
35 violation of this subsection shall be forfeited.

1 3. A ticket shall not be purchased by and a prize shall
2 not be paid to a member of the board, the director of the
3 lottery or to a spouse, child, stepchild, brother, brother-in-
4 law, stepbrother, sister, sister-in-law, stepsister, parent,
5 parent-in-law, or stepparent residing as a member of the same
6 household in the principal residence of a member of the board,
7 the director or employee. A ticket purchased in violation of
8 this subsection is void.

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

12 Sec. 15. NEW SECTION. 99E.15 DISTRIBUTION OF PRIZES--
* 13 UNCLAIMED PRIZES--NONASSIGNABILITY OF PRIZE RIGHT.

14 1. The director shall award the designated prize to the
15 ticket holder upon presentation of the winning ticket.

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

35 2. The right of a person to a prize drawn is not assign-

1 able, except that payment of a prize may be made to the estate
2 of a deceased prize winner or to another person pursuant to an
3 appropriate judicial order. The director shall be discharged
4 of all further liability upon payment of a prize pursuant to
5 this subsection. This section does not prohibit the making of
6 a gift of a lottery ticket to a person if the gift is made
7 before it is determined whether a prize has been won with the
8 ticket.

9 Sec. 16. NEW SECTION. 99E.16 DEPOSIT OF RECEIPTS FROM
10 TICKET SALES--LOTTERY FUND--QUARTERLY AUDITS.

11 1. Subject to the approval of the board, the director may
12 require licensees to deposit to the credit of the lottery
13 agency in financial institutions designated by the director,
14 money received by licensees from sale of tickets, less the
15 amount of compensation, if any, authorized under section
16 99E.12, subsection 5, and to file with the director reports of
17 receipts and transactions in the sale of tickets, in the form
18 and containing the information the director 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 The director shall certify quarterly that portion of the fund
23 that is transferred to the general fund under section 99E.6
24 and shall cause that portion to be transferred to the economic
25 development fund of the state.

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

33 Sec. 17. NEW SECTION. 99E.17 LIABILITY AND FUNDING.

34 The board and the director shall operate the lottery so
35 that after the initial state appropriation, it shall be self-

1 sustaining and self-funded. A claim for the payment of an
2 expense of the lottery and the payment of a lottery prize
3 shall not be made unless it is against the lottery fund or
4 money collected from the sale of lottery tickets. Except for
5 the initial appropriation to the lottery, funds of the state
6 shall not be used or obligated to pay the expenses of the
7 lottery or prizes of the lottery.

8 Sec. 18. NEW SECTION. 99E.18 LOTTERY BOARD.

9 An Iowa lottery board is created to consist of five
10 members, not more than three of whom shall be from the same
11 political party, and who shall be appointed by the governor
12 subject to confirmation by the senate. The governor shall
13 appoint the board members within sixty days of the effective
14 date of this Act. The term of each member shall begin as
15 provided in section 69.19 and shall continue until June 30,
16 1987. A vacancy on the board shall be filled in the same
17 manner as regular appointments are made and the term shall be
18 for the unexpired portion of the regular term.

19 Sec. 19. NEW SECTION. 99E.19 BOARD MEETINGS.

20 The board shall hold at least one meeting each month and as
21 often as necessary. The board shall select a chairperson from
22 its membership at the first regular meeting of the board and
23 shall thereafter select a chairperson at the first regular
24 meeting of each fiscal year. Written notice of the time and
25 place of each meeting shall be given to each member of the
26 board. A majority of the board constitutes a quorum.

27 Sec. 20. NEW SECTION. 99E.20 EXPENSES--SALARY.

28 Members of the board shall be paid an annual salary of six
29 thousand dollars. Members shall also be allowed the actual
30 and necessary expenses incurred in the performance of their
31 duties. The expenses incurred by members of the board and the
32 salaries paid to members of the board are part of the
33 necessary expenses of the lottery agency.

34 Sec. 21. NEW SECTION. 99E.21. STATE GAMING COMMISSION--
35 MEMBERS--TERM--SALARY--PURPOSE.

1 1. An Iowa state gaming commission is created to consist
2 of five members, not more than three of whom shall be from the
3 same political party, and who shall be appointed by the
4 governor subject to confirmation by the senate. The members
5 shall be residents of the state. Members shall serve not to
6 exceed a three-year term at the pleasure of the governor. The
7 term of each member shall begin and end as provided in section
8 69.19. A vacancy on the commission shall be filled in the
9 same manner as regular appointments are made and the term
10 shall be for the unexpired portion of the regular term.

11 2. Commission members shall each receive an annual salary
12 of twelve thousand dollars. In addition, members shall be
13 reimbursed for necessary travel and expenses incurred in the
14 performance of their duties.

15 3. The commission members shall elect in July of each year
16 one of its members chairperson for the succeeding year.

17 4. The primary purpose of the commission is to supervise
18 and coordinate the various gaming activities conducted or
19 permitted by the state.

20 Sec. 22. NEW SECTION. 99E.22. COMMISSIONER AND OTHER
21 EMPLOYEES--DUTIES--BOND.

22 The commission shall employ a commissioner to supervise the
23 daily operations of the commission and other assistants and
24 employees as necessary to carry out its duties. Some or all
25 of the information required of applicants in section 99D.8A,
26 subsections 1 and 2, may also be required of employees of the
27 commission if the commission deems it necessary. The
28 commissioner shall keep a record of the proceedings of the
29 commission, preserve the books, records, and documents
30 entrusted to the commissioner's care, and perform other duties
31 as the commission prescribes. The commission shall require
32 the commissioner to post a bond in a sum it may fix,
33 conditioned upon the faithful performance of the
34 commissioner's duties. Subject to the approval of the
35 governor, the commission shall fix the compensation of its

1 commissioner within salary range five as set by the general
2 assembly. The commission shall also fix the compensation of
3 its other employees, subject to the approval of the governor.
4 The commission shall have its headquarters in the city of Des
5 Moines, and shall meet in July of each year and at other times
6 and places as it finds necessary for the discharge of its
7 duties.

8 Sec. 23. Effective July 1, 1987 the following
9 reorganization of state agencies shall result:

10 1. The operations of the state racing commission, the Iowa
11 lottery agency, and those portions of the department of
12 revenue which regulate the conducting of games of skill,
13 chance and raffles shall be transferred to the state gaming
14 commission.

15 2. All employees of the state racing commission and the
16 Iowa lottery agency shall be transferred to the state gaming
17 commission. Any employee of the department of revenue whose
18 duty assignment will be terminated because of this Act may be
19 reassigned to other duties or may be transferred to the state
20 gaming commission.

21 3. All rules, forms, orders, and directives adopted by and
22 in effect for the state racing commission on July 1, 1987
23 shall continue to be valid and enforceable as rules, forms,
24 orders, and directives of the state gaming commission until
25 amended, supplemented, or repealed by affirmative action of
26 the state gaming commission.

27 4. All rules, forms, orders, and directives adopted by and
28 in effect for the Iowa lottery agency on July 1, 1987 shall
29 continue to be valid and enforceable as rules, forms, orders,
30 and directives of the state gaming commission until amended,
31 supplemented, or repealed by affirmative action of the state
32 gaming commission.

33 5. All rules, forms, orders, and directives adopted by and
34 in effect for the department of revenue on July 1, 1987
35 relating to the regulation of games of skill, chance, and

1 raffles shall continue to be valid and enforceable as rules,
2 forms, orders, and directives of the state gaming commission
3 until amended, supplemented, or repealed by affirmative action
4 of the state gaming commission.

5 Sec. 24. Effective July 1, 1987 all references in the Code
6 to the state racing commission, the Iowa lottery agency, and
7 the department of revenue in relation to regulation of games
8 of skill, chance and raffles shall mean the state gaming
9 commission.

10 Sec. 25. Notwithstanding section 21 of this Act, the
11 governor shall appoint initial members of the commission
12 established under that section to staggered terms, two to end
13 the year following appointment, two to end two years following
14 appointment, and one to end three years following appointment.
15 The initial members shall be appointed from the members
16 serving on the state racing commission and the Iowa lottery
17 board on June 30, 1987. The governor shall appoint initial
18 members in the same manner as vacancies, subject to section
19 2.32.

20 Sec. 26. Effective July 1, 1987, sections 99D.5, 99D.6,
21 99E.18, 99E.19, and 99E.20, Code 1985, are repealed.

22 Sec. 27. Section 537A.4, unnumbered paragraph 2, Code
23 1985, is amended to read as follows:

24 This section does not apply to a contract for the operation
25 of or for the sale or rental of equipment for games of skill
26 or games of chance, if both the contract and the games are in
27 compliance with chapter 99B. This section does not apply to
28 wagering under the pari-mutuel method of wagering authorized
29 by chapter 99D. This section does not apply to the sale,
30 purchase or redemption of a ticket in the state lottery in
31 compliance with chapter 99E.

32 Sec. 28. Section 725.15, Code 1985, is amended to read as
33 follows:

34 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

35 Sections 725.5 to 725.10 and section 725.12 shall do not

1 apply to any a game, activity or device when lawfully
2 possessed, used, conducted or participated in pursuant to
3 chapter 99B or chapter 99E.

4 Sec. 29. It is the intent of the general assembly that
5 subject to the approval of the commission, the director shall
6 initiate and operate a lottery at the earliest possible time.

7 Sec. 30. It is the intent of the general assembly that
8 sections 1 through 28 of this Act shall have temporary effect
9 only, that those portions of chapter 99E establishing a state
10 lottery are repealed on July 1, 1990 other than to implement
11 the winding down of the operations of the Iowa lottery. The
12 amendments to sections 537A.4 and 725.15 made in this Act
13 shall be stricken when chapter 99E is repealed.

14 Sec. 31. This Act, being deemed of immediate importance,
15 takes effect from and after its publication in The Cascade
16 Pioneer-Advertiser, a newspaper published in Cascade, Iowa,
17 and in the Muscatine Journal, a newspaper published in
18 Muscatine, Iowa.

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SENATE FILE 57
AS PASSED BY THE SENATE
FISCAL NOTE

REQUESTED BY REPRESENTATIVE DODERER.

In compliance with a written request received February 5, 1985, a fiscal note for SENATE FILE 57, AS PASSED BY THE SENATE is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

SENATE FILE 57 as passed by the Senate provides for the establishment of a STATE LOTTERY AGENCY. Until June 30, 1987, the Lottery Agency is operated by a five member Iowa Lottery Board, appointed by the Governor, subject to confirmation by the Senate. Effective July 1, 1987, the Lottery Agency, the State Racing Commission, and those portions of the Department of Revenue which regulate the conducting of games of skill, chance, and raffles shall be transferred to the STATE GAMING COMMISSION. The State Gaming Commission consists of five members appointed by the Governor, subject to confirmation by the Senate. The primary purpose of the Gaming Commission is to supervise and coordinate the various gaming activities conducted or permitted by the state. The Gaming Commission shall appoint a Commissioner to supervise the daily operations of the Gaming Commission and other assistants and employees necessary to carry out its duties.

The director of the State Lottery shall be appointed by the Governor, subject to Senate confirmation, and shall serve at the pleasure of the Governor. The lottery director is responsible for the day-to-day operation of the lottery. The Iowa Lottery Agency will have within it three divisions: security and licensing; personnel, data processing, and accounting; and marketing, promotion, and advertising. The Lottery Agency shall consult with the State Racing Commission to facilitate implementation of lottery activities. The Board and the Director may enter into written agreements or compacts with another state or states for the operation, marketing, and promotion of a joint lottery or joint lottery games.

The Board and the director shall supervise the lottery in order to produce the maximum amount of net revenues for the state in a manner which maintains the dignity of the state and the general welfare of the people. The Board approves lottery initiations by the director, contracts for operation and promotion of the lottery, and rules made by the director.

The Board and the director shall operate the lottery so that after the initial state appropriation it shall be self-sustaining and self-funded. Funds equal to any initial appropriation from the general fund to the lottery shall be returned to the general fund from the receipts of the sale of tickets not later than July 1, 1986. A claim for the payment of an expense of the lottery shall not be made unless it is against the lottery fund or money collected from the sale of lottery tickets. Except for the initial appropriation to the lottery, funds of the state shall not be used or obligated to pay the expenses or prizes of the lottery. The auditor of state or a certified public accounting firm shall conduct quarterly audits of all accounts and transactions of the lottery and other special audits as the auditor, the general assembly, or the governor deems necessary.

The bill 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 lottery revenue. Revenue remaining after expenses are determined shall be transferred to the ECONOMIC DEVELOPMENT FUND, created by the bill, on a quarterly basis. The comptroller shall not include lottery revenues in the comptroller's fiscal year estimates. Moneys in the Economic Development Fund shall not revert to the General Fund and shall not be considered to be a part of the Iowa Economic Emergency Fund.

Page Two, Fiscal Note, Senate File 57 as passed by the Senate

At the time of each quarterly transfer, an amount equal to one half of one percent of the gross lottery revenue for the preceding quarter shall be deposited in a GAMBLERS ASSISTANCE FUND, which is created in the state treasurer's office. The fund shall be administered by the Commissioner of Human Services and used to provide assistance and counseling to individuals and families experiencing difficulty as a result of gambling losses and to promote awareness of gamblers' assistance programs.

As nearly as is practicable, 50 percent of the annual revenue accruing from the sale of lottery tickets, computed on an year-round average basis for each type of lottery game, shall be paid out in prizes. The prizes shall not be paid out in a particular lottery game in excess of the total revenues from the sales of that game. After the payment of prizes, the expenses of conducting the lottery shall be paid, including the costs incurred in the operation and administration of the lottery, employee salaries, audits as stipulated in the bill, and licensees' incentive programs. Lottery expenses for marketing, educational and informational material shall not exceed four percent of the projected gross lottery revenue.

All cash prizes are considered Iowa earned income. Before a prize of \$600 or more is awarded, the director or director's designee shall deduct an amount equal to that amount necessary to pay state and federal taxes on the prize. An amount deducted from the prize for payment shall be transferred by the director to the federal department of revenue and the state department of revenue on behalf of the prize winner.

Unclaimed prize money for the prize on a winning ticket shall be retained by the director for 90 days after the drawing in which the prize was won in the case of a drawing prize and for 90 days after the announced end of game in the case of a prize determined in a manner other than by drawing. If a valid claim is not made for the money within the applicable period, the prize money shall be added to future prize pools and given to holders of winning tickets in addition to amounts already allocated. The right of a person to a prize drawn is not assignable, except that payment may be made to the estate of a deceased prize winner or to another person pursuant to an appropriate judicial order.

Provisions are included in the division for penalties for fraud connected with lotteries. The bill takes effect upon publication. The provisions of this bill will be repealed on July 1, 1990.

FISCAL IMPACT: While the fiscal impact of Senate File 57, as passed by the Senate, is expected to be substantial, an exact estimate of the effect of the bill is not available due to the lack of data concerning numbers of participants, numbers of lottery games, and the sale price of the tickets. Using figures from states currently operating lotteries, over four years a per capita average of \$15.35 was generated. The average reflects a range from \$0.31 to \$49.41 as shown on the following page.

Overall, assuming a lottery might generate between \$10.00 to \$15.00 per capita, it is possible that an Iowa lottery might generate between \$25.0 to \$45.0 million in its first year of operation. This unsubstantiated figure is expected to decline and steady somewhat after the first year of operation. Income from the lottery would impact only fiscal 1986, through fiscal 1990 as the enactment legislation sunsets on July 1, 1990. Set up costs for the lottery, according to data provided by other states, would range from \$1.5 to \$3.5 million. Since the income received as prizes in the lottery is taxable, the bill will also have a positive effect on state income tax revenues. However, due to lack of data in this area, the fiscal effect for state income tax is currently not available.

Page Three, Fiscal Note, Senate File 57 as passed by the Senate

<u>State</u>	<u>FY '80</u>	<u>FY '81</u>	<u>FY '82</u>	<u>FY '83</u>	<u>Average</u>
Arizona	N/A	N/A	\$16.90	\$ 8.49	\$12.70
Colorado	N/A	N/A	N/A	16.26	16.26
Connecticut	\$19.55	\$17.87	20.12	23.76	20.33
Delaware	10.66	12.95	14.25	16.78	13.66
Illinois	3.13	7.61	12.39	18.81	10.49
Maine	0.64	0.96	2.13	3.34	1.77
Maryland	43.96	40.65	49.41	47.01	45.26
Massachusetts	16.13	11.29	12.09	14.70	13.55
Michigan	25.48	21.25	21.41	23.18	22.83
New Hampshire	3.99	4.27	5.80	6.14	5.05
New Jersey	19.33	24.64	29.18	40.10	28.31
New York	4.74	5.53	10.20	15.31	8.95
Ohio	3.31	10.39	13.85	13.57	10.28
Pennsylvania	13.28	14.22	19.10	29.91	19.13
Rhode Island	17.54	12.49	13.50	15.18	14.68
Vermont	0.31	0.93	1.89	2.06	1.30
Washington	N/A	N/A	N/A	16.87	16.87
FISCAL AVERAGE	\$13.01	\$13.22	\$16.15	\$18.33	
			FOUR YEAR AVERAGE		\$15.35

(LSB 4001S2, CMG)

FILED FEBRUARY 27, 1985

BY DENNIS PROUTY, FISCAL DIRECTOR