

Senate Study Bill 3157

SENATE FILE _____
BY (PROPOSED COMMITTEE ON STATE
GOVERNMENT BILL BY
CHAIRPERSON CONNOLLY)

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

A BILL FOR

1 An Act concerning the operation and governance of the Iowa
2 lottery.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5135XC 82
5 ec/rj/24

PAG LIN

1 1 Section 1. Section 7E.6, subsection 3, Code 2007, is
1 2 amended to read as follows:
1 3 3. Any position of membership on the board of the Iowa
1 4 lottery ~~authority division~~ shall receive compensation of fifty
1 5 dollars per day and expenses.
1 6 Sec. 2. Section 8A.201, subsection 4, paragraph f, Code
1 7 Supplement 2007, is amended to read as follows:
1 8 f. The Iowa lottery ~~authority division~~.
1 9 Sec. 3. Section 68B.35, subsection 2, paragraph e, Code
1 10 2007, is amended to read as follows:
1 11 e. Members of the state banking council, the ethics and
1 12 campaign disclosure board, the credit union review board, the
1 13 economic development board, the employment appeal board, the
1 14 environmental protection commission, the health facilities
1 15 council, the Iowa finance authority, the Iowa public
1 16 employees' retirement system investment board, the board of
1 17 the Iowa lottery ~~authority division~~, the natural resource
1 18 commission, the board of parole, the petroleum underground
1 19 storage tank fund board, the public employment relations
1 20 board, the state racing and gaming commission, the state board
1 21 of regents, the tax review board, the transportation
1 22 commission, the office of consumer advocate, the utilities
1 23 board, the Iowa telecommunications and technology commission,
1 24 and any full-time members of other boards and commissions as
1 25 defined under section 7E.4 who receive an annual salary for
1 26 their service on the board or commission. The Iowa ethics and
1 27 campaign disclosure board shall conduct an annual review to
1 28 determine if members of any other board, commission, or
1 29 authority should file a statement and shall require the filing
1 30 of a statement pursuant to rules adopted pursuant to chapter
1 31 17A.
1 32 Sec. 4. Section 99B.1, subsection 20, Code Supplement
1 33 2007, is amended to read as follows:
1 34 20. "Merchandise" includes lottery tickets or shares sold
1 35 or authorized under chapter 99G. The value of the ticket or
2 1 share is the price of the ticket or share as established by
2 2 the Iowa lottery ~~authority division~~ pursuant to chapter 99G.
2 3 Sec. 5. Section 99B.7, subsection 1, paragraph 1,
2 4 subparagraph (1), Code 2007, is amended to read as follows:
2 5 (1) No other gambling is engaged in at the same location,
2 6 except that lottery tickets or shares issued by the Iowa
2 7 lottery ~~authority division~~ may be sold pursuant to chapter
2 8 99G.
2 9 Sec. 6. Section 99G.1, Code 2007, is amended to read as
2 10 follows:
2 11 99G.1 TITLE.
2 12 This chapter may be cited as the "Iowa lottery ~~Authority~~
2 13 Act".
2 14 Sec. 7. Section 99G.2, subsection 2, Code 2007, is amended
2 15 by striking the subsection.
2 16 Sec. 8. Section 99G.3, subsections 2, 3, 4, 7, 14, and 17,
2 17 Code 2007, are amended to read as follows:
2 18 2. ~~"Authority" means the Iowa lottery authority.~~

2 19 3. 2. "Board" means the board of directors of the
2 20 ~~authority division.~~
2 21 4. 3. "Chief executive officer" means the chief executive
2 22 officer of the ~~authority division.~~
2 23 4. "Division" means the Iowa lottery division of the
2 24 department of revenue.
2 25 7. "Lottery", "lotteries", "lottery game", "lottery
2 26 games", or "lottery products" means any game of chance
2 27 approved by the board and operated pursuant to this chapter
2 28 and games using mechanical or electronic devices, provided
2 29 that the ~~authority division~~ shall not authorize a monitor
2 30 vending machine or a player-activated gaming machine that
2 31 utilizes an internal randomizer to determine winning and
2 32 nonwinning plays and that upon random internal selection of a
2 33 winning play dispenses coins, currency, or a ticket, credit,
2 34 or token to the player that is redeemable for cash or a prize,
2 35 and excluding gambling or gaming conducted pursuant to chapter
3 1 99B, 99D, or 99F.
3 2 14. "Retailer" means a person, licensed by the ~~authority~~
3 3 ~~division~~, who sells lottery tickets or shares on behalf of the
3 4 ~~authority division~~ pursuant to a contract.
3 5 17. "Vendor" means a person who provides or proposes to
3 6 provide goods or services to the ~~authority division~~ pursuant
3 7 to a major procurement contract, but does not include an
3 8 employee of the ~~authority division~~, a retailer, or a state
3 9 agency or instrumentality thereof.
3 10 Sec. 9. Section 99G.4, Code 2007, is amended to read as
3 11 follows:
3 12 99G.4 IOWA LOTTERY ~~AUTHORITY CREATED~~ DIVISION ESTABLISHED.
3 13 1. An Iowa lottery ~~authority division~~ is ~~created,~~
3 14 ~~effective September 1, 2003, established within the department~~
3 15 ~~of revenue~~ which shall administer the state lottery. ~~The~~
3 16 ~~authority shall be deemed to be a public authority and an~~
3 17 ~~instrumentality of the state, and not a state agency.~~
3 18 ~~However, the authority shall be considered a state agency for~~
3 19 ~~purposes of chapters 17A, 21, 22, 28E, 68B, 91B, 97B, 509A,~~
3 20 ~~and 669.~~
3 21 2. The income and property of the ~~authority division~~ shall
3 22 be exempt from all state and local taxes, and the sale of
3 23 lottery tickets and shares issued and sold by the ~~authority~~
3 24 ~~division~~ and its retail licensees shall be exempt from all
3 25 state and local sales taxes.
3 26 Sec. 10. Section 99G.7, subsection 1, unnumbered paragraph
3 27 1, Code 2007, is amended to read as follows:
3 28 The chief executive officer of the ~~authority division~~ shall
3 29 direct and supervise all administrative and technical
3 30 activities in accordance with the provisions of this chapter
3 31 and with the administrative rules, policies, and procedures
3 32 adopted by the board. The chief executive officer shall do
3 33 all of the following:
3 34 Sec. 11. Section 99G.7, subsection 1, paragraphs d, e, g,
3 35 and i, Code 2007, are amended to read as follows:
4 1 d. Promote or provide for promotion of the lottery and any
4 2 functions related to the ~~authority division~~.
4 3 e. Prepare a budget proposal for the approval of the
4 4 board.
4 5 g. Report semiannually to the legislative government
4 6 oversight committees regarding the operations of the ~~authority~~
4 7 ~~division~~.
4 8 i. Perform other duties generally associated with a chief
4 9 executive officer ~~of an authority of an entrepreneurial~~
4 10 ~~nature~~.
4 11 Sec. 12. Section 99G.8, subsections 1, 4, 6, 13, and 15,
4 12 Code 2007, are amended to read as follows:
4 13 1. The ~~authority division~~ shall be administered by a board
4 14 of directors ~~created within the department of revenue and~~
4 15 ~~comprised of five members appointed by the governor subject to~~
4 16 ~~confirmation by the senate. Board members appointed when the~~
4 17 ~~senate is not in session shall serve only until the end of the~~
4 18 ~~next regular session of the general assembly, unless confirmed~~
4 19 ~~by the senate.~~
4 20 4. No officer or employee of the ~~authority division~~ shall
4 21 be a member of the board.
4 22 6. A majority of members in office shall constitute a
4 23 quorum for the transaction of any business and for the
4 24 exercise of any power or function of the ~~authority division~~.
4 25 13. Board members shall not have any direct or indirect
4 26 interest in an undertaking that puts their personal interest
4 27 in conflict with that of the ~~authority division~~ including but
4 28 not limited to an interest in a major procurement contract or
4 29 a participating retailer.

4 30 15. The board of directors may delegate to the chief
4 31 executive officer of the ~~authority~~ division such powers and
4 32 duties as it may deem proper to the extent such delegation is
4 33 not inconsistent with the Constitution of the State of Iowa
4 34 and this chapter.

4 35 Sec. 13. Section 99G.9, subsection 1, Code 2007, is
5 1 amended to read as follows:

5 2 1. Approve, disapprove, amend, or modify the budget
5 3 recommended by the chief executive officer for the operation
5 4 of the ~~authority~~ division for submission pursuant to section
5 5 8.23.

5 6 Sec. 14. Section 99G.9, subsection 3, unnumbered paragraph
5 7 1, Code 2007, is amended to read as follows:

5 8 Adopt policies and procedures and promulgate administrative
5 9 rules pursuant to chapter 17A relating to the management and
5 10 operation of the ~~authority~~ division. The administrative rules
5 11 promulgated pursuant to this subsection ~~may~~ shall include but
5 12 shall not be limited to the following:

5 13 Sec. 15. Section 99G.9, subsection 3, paragraph c, Code
5 14 2007, is amended to read as follows:

5 15 c. The number and amount of prizes, including but not
5 16 limited to prizes of free tickets or shares in lottery games
5 17 conducted by the ~~authority~~ division and merchandise prizes.
5 18 The ~~authority~~ division shall maintain and make available for
5 19 public inspection at its offices during regular business hours
5 20 a detailed listing of the estimated number of prizes of each
5 21 particular denomination that are expected to be awarded in any
5 22 game that is on sale or the estimated odds of winning the
5 23 prizes and, after the end of the claim period, shall maintain
5 24 and make available a listing of the total number of tickets or
5 25 shares sold in a game and the number of prizes of each
5 26 denomination that were awarded.

5 27 Sec. 16. Section 99G.9, subsection 4, Code 2007, is
5 28 amended to read as follows:

5 29 4. Adopt ~~game-specific~~ game-specific rules. The
5 30 promulgation of game specific rules shall not be subject to
5 31 the requirements of chapter 17A. However, ~~game-specific~~
5 32 game-specific rules shall be made available to the public
5 33 prior to the time the games go on sale and shall be kept on
5 34 file at the office of the ~~authority~~ division.

5 35 Sec. 17. Section 99G.10, subsection 2, Code 2007, is
6 1 amended to read as follows:

6 2 2. Subject to the approval of the board, the chief
6 3 executive officer shall have the sole power to designate
6 4 particular employees as key personnel, but may take advice
6 5 from the department of administrative services in making any
6 6 such designations. All key personnel shall be exempt from the
6 7 merit system described in chapter 8A, subchapter IV. The
6 8 chief executive officer and the board shall have the sole
6 9 power to employ, ~~and classify, and fix the compensation of~~ key
6 10 personnel who shall be compensated pursuant to section 8A.413,
6 11 subsection 2, under the pay plan for exempt positions in the

6 12 executive branch of government. All other employees shall be
6 13 employed, classified, and compensated in accordance with
6 14 chapter 8A, subchapter IV, and chapter 20.

6 15 Sec. 18. Section 99G.10, subsections 3 and 5, Code 2007,
6 16 are amended by striking the subsections.

6 17 Sec. 19. Section 99G.21, subsection 2, paragraphs h and i,
6 18 Code 2007, are amended by striking the paragraphs.

6 19 Sec. 20. Section 99G.21, subsection 3, Code 2007, is
6 20 amended by striking the subsection.

6 21 Sec. 21. Section 99G.40, subsection 4, Code 2007, is
6 22 amended to read as follows:

6 23 4. ~~For informational purposes only~~ Consistent with the
6 24 requirements of section 8.23, the chief executive officer
6 25 shall submit to the department of management by October 1 of
6 26 each year a proposed operating budget for the ~~authority~~
6 27 division for the succeeding fiscal year. This budget proposal
6 28 shall also be accompanied by an estimate of the net proceeds
6 29 to be deposited into the general fund during the succeeding
6 30 fiscal year. This budget shall be on forms prescribed by the
6 31 department of management. A copy of the information required
6 32 to be submitted to the department of management pursuant to
6 33 this subsection shall be submitted to the legislative
6 34 government oversight committees and the legislative services
6 35 agency by October 1 of each year.

7 1 Sec. 22. Section 321.19, subsection 1, unnumbered
7 2 paragraph 2, Code 2007, is amended to read as follows:

7 3 The department shall furnish, on application, free of
7 4 charge, distinguishing plates for vehicles thus exempted,
7 5 which plates except plates on state patrol vehicles shall bear

7 6 the word "official" and the department shall keep a separate
7 7 record. Registration plates issued for state patrol vehicles,
7 8 except unmarked patrol vehicles, shall bear two red stars on a
7 9 yellow background, one before and one following the
7 10 registration number on the plate, which registration number
7 11 shall be the officer's badge number. Registration plates
7 12 issued for county sheriff's patrol vehicles shall display one
7 13 seven-pointed gold star followed by the letter "S" and the
7 14 call number of the vehicle. However, the director of the
7 15 department of administrative services or the director of
7 16 transportation may order the issuance of regular registration
7 17 plates for any exempted vehicle used by peace officers in the
7 18 enforcement of the law, persons enforcing chapter 124 and
7 19 other laws relating to controlled substances, persons in the
7 20 department of justice, the alcoholic beverages division of the
7 21 department of commerce, disease investigators of the Iowa
7 22 department of public health, the department of inspections and
7 23 appeals, and the department of revenue, who are regularly
7 24 assigned to conduct investigations which cannot reasonably be
7 25 conducted with a vehicle displaying "official" state
7 26 registration plates, persons in the Iowa lottery ~~authority~~
7 27 division whose regularly assigned duties relating to security
7 28 or the carrying of lottery tickets cannot reasonably be
7 29 conducted with a vehicle displaying "official" registration
7 30 plates, persons in the department of economic development who
7 31 are regularly assigned duties relating to existing industry
7 32 expansion or business attraction, and mental health
7 33 professionals or health care professionals who provide
7 34 off-site or in-home medical or mental health services to
7 35 clients of publicly funded programs. For purposes of sale of
8 1 exempted vehicles, the exempted governmental body, upon the
8 2 sale of the exempted vehicle, may issue for in-transit
8 3 purposes a pasteboard card bearing the words "Vehicle in
8 4 Transit", the name of the official body from which the vehicle
8 5 was purchased, together with the date of the purchase plainly
8 6 marked in at least one-inch letters, and other information
8 7 required by the department. The in-transit card is valid for
8 8 use only within forty-eight hours after the purchase date as
8 9 indicated on the bill of sale which shall be carried by the
8 10 driver.

8 11 Sec. 23. Section 725.12, subsections 2 and 5, Code 2007,
8 12 are amended to read as follows:

8 13 2. A commercial organization shall not conduct a
8 14 promotional activity that involves the sale of pull-tab
8 15 tickets or instant tickets, as defined in section 99G.3,
8 16 coupons, or tokens that are not authorized by the Iowa lottery
8 17 ~~authority~~ division and that may represent a chance to win a
8 18 cash prize to be paid on the premises where the chance to win
8 19 such prize was obtained. This subsection shall not be
8 20 construed to prohibit a commercial organization from giving
8 21 away pull-tab tickets, instant tickets, coupons, or tokens
8 22 free of charge as part of a promotional activity, provided
8 23 that the other provisions of this section are complied with.
8 24 For purposes of this subsection, "cash" means United States
8 25 currency.

8 26 5. Upon request of the Iowa lottery ~~authority~~ division or
8 27 the division of criminal investigation of the department of
8 28 public safety, the attorney general shall institute in the
8 29 name of the state the proper proceedings against a person
8 30 charged in such request with violating this section, and a
8 31 county attorney may, at the request of the attorney general,
8 32 appear and prosecute an action when brought in the county
8 33 attorney's county.

8 34 Sec. 24. 2003 Iowa Acts, chapter 178, section 120, is
8 35 repealed.

9 1 Sec. 25. AMENDMENTS CHANGING TERMINOLOGY == DIRECTIVE TO
9 2 CODE EDITOR. Sections 99G.5, 99G.11, 99G.21, 99G.22, 99G.23,
9 3 99G.24, 99G.25, 99G.26, 99G.27, 99G.28, 99G.29, 99G.30,
9 4 99G.31, 99G.32, 99G.34, 99G.35, 99G.37, 99G.38, 99G.40,
9 5 99G.41, and 99G.42, Code 2007, are amended by striking from
9 6 the applicable section the word "authority" and inserting in
9 7 lieu thereof the following: "division", except as otherwise
9 8 provided in this Act or unless a contrary intent is clearly
9 9 evident.

9 10 Sec. 26. IOWA LOTTERY DIVISION == TRANSITION PROVISIONS.

9 11 1. For purposes of this section, unless the context
9 12 otherwise requires:

9 13 a. "Iowa lottery authority" means the Iowa lottery
9 14 authority created in 2003 Iowa Acts, chapter 178.

9 15 b. "Iowa lottery division" means the Iowa lottery division
9 16 of the department of revenue as created in this Act under

9 17 chapter 99G.

9 18 2. The Iowa lottery division shall be the legal successor
9 19 to the Iowa lottery authority and, as such, shall assume all
9 20 rights, privileges, obligations, and responsibilities of the
9 21 Iowa lottery authority. The promulgated rules of the Iowa
9 22 lottery authority shall remain in full force and effect as the
9 23 rules of the division until amended or repealed by the
9 24 division. In addition, the Iowa lottery division may continue
9 25 the security practices and procedures utilized by the Iowa
9 26 lottery authority until amended or repealed by the division.

9 27 3. Notwithstanding any provision of chapter 99G, as
9 28 amended by this Act, to the contrary, the chief executive
9 29 officer of the Iowa lottery authority shall serve as the
9 30 initial chief executive officer of the Iowa lottery division.

9 31 4. Personnel of the Iowa lottery authority employed on the
9 32 effective date of this Act, shall be transferred to the Iowa
9 33 lottery division as the initial division employees.

9 34 5. The Iowa lottery division shall function as the legal
9 35 successor to the Iowa lottery authority and shall assume all
10 1 of the assets and obligations of the Iowa lottery authority,
10 2 and funds of the state shall not be used or obligated to pay
10 3 the expenses or prizes of the Iowa lottery division or its
10 4 predecessor, the Iowa lottery authority.

10 5 6. In order to effect an immediate and efficient
10 6 transition of the lottery from the Iowa lottery authority to
10 7 the Iowa lottery division, as soon as practicable, the Iowa
10 8 lottery division shall do all of the following:

10 9 a. Take such steps and enter into such agreements as the
10 10 board of the Iowa lottery division may determine are necessary
10 11 and proper in order to effect the transfer, assignment, and
10 12 delivery to the division from the authority of all the
10 13 tangible and intangible assets constituting the lottery,
10 14 including the exclusive right to operate the lottery and the
10 15 assignment to and assumption by the division of all
10 16 agreements, covenants, and obligations of the Iowa lottery
10 17 authority relating to the operation and management of the
10 18 lottery.

10 19 b. Receive as transferee from the Iowa lottery authority
10 20 all of the tangible and intangible assets constituting the
10 21 lottery including, without limitation, the exclusive
10 22 authorization to operate a lottery in the state of Iowa and
10 23 ownership of annuities and bonds purchased prior to the date
10 24 of transfer and held in the name of the Iowa lottery authority
10 25 for payment of lottery prizes, and shall assume and discharge
10 26 all of the agreements, covenants, and obligations of the Iowa
10 27 lottery authority entered into and constituting part of the
10 28 operation and management of the lottery.

EXPLANATION

10 30 This bill transfers the operation of the Iowa lottery from
10 31 the Iowa lottery authority to the Iowa lottery division of the
10 32 department of revenue.

10 33 Code section 99G.2, concerning the purpose and intent of
10 34 the lottery, is amended to eliminate the statement that the
10 35 lottery operate as a nonprofit authority.

11 1 Code section 99G.4, creating the Iowa lottery authority as
11 2 a public authority, is amended to provide that the Iowa
11 3 lottery is a state agency for all purposes and established
11 4 within the department of revenue.

11 5 Code section 99G.9, concerning the duties of the Iowa
11 6 lottery authority board, is amended to provide that the board
11 7 approves submission of a proposed budget to the director of
11 8 the department of management. Current law provides that the
11 9 board has the authority to approve the budget of the Iowa
11 10 lottery.

11 11 Code section 99G.10, concerning personnel of the Iowa
11 12 lottery, is amended to provide that the compensation of the
11 13 key personnel of the lottery shall be set under the pay plan
11 14 for exempt positions in the executive branch and not by the
11 15 chief executive of the lottery. In addition, the Code section
11 16 is amended to remove the authority of the chief executive
11 17 officer and the board to determine the number of full-time
11 18 equivalent positions in the lottery and to establish incentive
11 19 programs for employees.

11 20 Code section 99G.21, concerning the powers of the lottery,
11 21 is amended to eliminate the ability of the lottery to acquire
11 22 or lease real property or to enter into contracts to incur
11 23 debt in its own name or to enter into financing agreements.

11 24 Code section 99G.40, concerning audits and reports of the
11 25 lottery, is amended to provide that the submission of a
11 26 proposed budget to the department of management is not solely
11 27 for informational purposes but is to comply with the

11 28 requirements of Code section 8.23 regarding submission of
11 29 budgets by state departments.
11 30 The bill also includes a transition provision to provide
11 31 for the transfer of the Iowa lottery from the Iowa lottery
11 32 authority to the Iowa lottery division.
11 33 LSB 5135XC 82
11 34 ec/rj/24.1