
A BILL FOR AN ACT

RELATING TO A STATE LOTTERY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 STATE LOTTERY

6 § -1 Definitions. As used in this chapter, unless the
7 context otherwise requires:

8 "Charitable organization" means any nonprofit organization,
9 including not more than one auxiliary of that organization,
10 which has operated for charitable purposes in this State for at
11 least two years before submitting a license application under
12 this chapter.

13 "Commission" or "lottery commission" means the Hawaii state
14 lottery commission.

15 "Director" means the executive director of the Hawaii state
16 lottery commission.



1 "Game play-style" means the process or procedure that a
2 player shall follow to determine if a lottery ticket or share is
3 a winning ticket or share.

4 "Lottery" or "state lottery" means the lottery created and
5 operated pursuant to this chapter.

6 "Matrix" means the odds of winning a prize and the prize
7 payout amounts in a given game.

8 "Person" means an individual, association, corporation,
9 club, trust, estate, society, company, joint stock company,
10 receiver, trustee or referee, any other person acting in a
11 fiduciary or representative capacity who is appointed by a
12 court, or any combination of individuals. "Person" includes any
13 department, commission, agency or instrumentality of the State
14 or its political subdivisions.

15 "Premises" means the physical location and address listed
16 on the license of the licensed agent where lottery tickets or
17 shares may be sold.

18 § -2 Hawaii state lottery commission; membership,
19 appointment; chairperson; reimbursement of expenses. (a) There
20 is established within the department of accounting and general
21 services for administrative purposes only a Hawaii state lottery



1 commission consisting of five members who shall be residents of
2 this State and appointed by the governor pursuant to section 26-
3 34. No more than three members may be from the same political
4 party. The commission members shall annually elect one of the
5 members to serve as chairperson of the commission.

6 (b) The members shall be as follows:

7 (1) At least one member of the commission shall have a
8 minimum of five years' experience in law enforcement;

9 (2) At least one member of the commission shall have a
10 minimum of five years' experience as a certified
11 public accountant;

12 (3) At least one member of the commission shall have a
13 minimum of five years' experience in marketing or
14 advertising, or both; and

15 (4) At least one member of the commission shall have a
16 minimum of five years' experience in convenience
17 store, minimart, or grocery retailing.

18 (c) The members of the lottery commission shall serve
19 without compensation but shall be reimbursed for expenses,
20 including travel expenses, necessary for the performance of
21 their duties.



1 (d) No commission member shall have a pecuniary interest
2 in any contract or agreement to which the commission is a party.

3 (e) No action of the commission shall be binding unless
4 taken at a meeting with at least three members present who vote
5 in favor of the action in question.

6 § -3 Executive director; appointment. (a) The governor
7 shall appoint an executive director who shall be a person
8 qualified by training and experience to administer the state
9 lottery.

10 (b) Effective July 1, 2016, the director of the commission
11 shall be paid a salary set at eighty-seven per cent of the
12 salary of the director of human resources development. The
13 director shall be exempt from chapters 76 and 89, but shall be a
14 member of the state employees' retirement system and shall be
15 eligible to receive benefits of any state or federal employee
16 benefits program generally applicable to officers and employees
17 of the State, including those under chapter 87A.

18 (c) The director shall devote the director's entire time
19 and attention to the administration of the state lottery and
20 shall not be engaged in any other profession or occupation.



1 (d) The director may employ persons not subject to
2 chapters 76 and 78 to perform and execute the functions of the
3 commission.

4 § -4 Commission; director; powers and duties. (a) The
5 commission shall meet with the director not less than once each
6 quarter to make recommendations and set policy, receive reports
7 from the director, and transact other business properly brought
8 before the commission.

9 (b) The commission shall oversee a state lottery to
10 produce the maximum amount of net revenue consistent with the
11 dignity of the State. To achieve these ends, the commission
12 shall authorize the director to adopt rules in accordance with
13 chapter 91. Rules adopted by the director may include
14 provisions relating to the following:

15 (1) Subject to the approval of the commission, the types
16 of lottery games and the types of game play-styles to
17 be conducted;

18 (2) The method of selecting the winning tickets or shares
19 for noncomputerized online games; provided that no
20 method may be used that, in whole or in part, depends



1 on the results of a dog race, a horse race, or any
2 sporting event;

3 (3) The manner of payment of prizes to the holders of
4 winning tickets or shares, including providing for
5 payment by the purchase of annuities in the case of
6 prizes payable in installments; provided that the
7 commission staff shall examine claims and may not pay
8 any prize based on altered, stolen, or counterfeit
9 tickets or based on any tickets that fail to meet
10 established validation requirements, including rules
11 stated on the ticket or in the published game rules,
12 and confidential validation tests applied consistently
13 by the commission staff. No particular prize in a
14 lottery game may be paid more than once, and if a
15 binding determination occurs in which more than one
16 person is entitled to a particular prize, the sole
17 remedy of the claimants is the award to each of them
18 of an equal portion of the single prize;

19 (4) The method to be used in selling tickets or shares;
20 provided that no elected official's name may be
21 printed on the tickets or shares. The overall



1 estimated odds of winning some prize or some cash
2 prize, as appropriate, in a given game shall be
3 printed on each ticket or share;

4 (5) The licensing of agents to sell tickets or shares;
5 provided that no person who is under eighteen years of
6 age shall be licensed as an agent;

7 (6) The manner and amount of compensation to be paid
8 licensed sales agents necessary to provide for the
9 adequate availability of tickets or shares to
10 prospective buyers and for the convenience of the
11 public, including provision for variable compensation
12 based on sales volume; and

13 (7) Matters necessary or desirable for the efficient and
14 economical operation and administration of the lottery
15 and for the convenience of the purchasers of tickets
16 or shares and the holders of winning tickets or
17 shares.

18 (c) The commission shall authorize the director to issue
19 orders and shall approve orders issued by the director for the
20 necessary operation of the lottery. Orders issued under this
21 subsection may include provisions relating to the following:



- 1 (1) The prices of tickets or shares in lottery games;
- 2 (2) The themes, game play-styles, and names of lottery
- 3 games and definitions of symbols and other characters
- 4 used in lottery games; provided that each ticket or
- 5 share in a lottery game shall bear a unique
- 6 distinguishable serial number;
- 7 (3) The sale of tickets or shares at a discount for
- 8 promotional purposes;
- 9 (4) The prize structure of lottery games, including the
- 10 number and size of prizes available. Available prizes
- 11 may include free tickets in lottery games and
- 12 merchandise prizes;
- 13 (5) The frequency of drawings, if any, or other selections
- 14 of winning tickets or shares; provided that:
- 15 (A) All drawings shall be open to the public;
- 16 (B) The actual selection of winning tickets or shares
- 17 may not be performed by an employee or member of
- 18 the commission; and
- 19 (C) Noncomputerized online game drawings shall be
- 20 witnessed by an independent observer;



1 (6) Requirements for eligibility for participation in
2 grand drawings or other runoff drawings, including
3 requirements for the submission of evidence of
4 eligibility within a shorter period than that provided
5 for claims by section -21; and

6 (7) Incentive and bonus programs designed to increase
7 sales of lottery tickets or shares and to produce the
8 maximum amount of net revenue for the State.

9 (d) Notwithstanding chapter 91 and subsection (b), the
10 director, subject to the approval of the commission, may
11 establish a policy, procedure, or practice that relates to an
12 existing online game or a new online game that is the same type
13 and has the same type of game play-style as an online game
14 currently being conducted by the lottery or may modify an
15 existing rule for an existing online game or a new online game
16 that is the same type and has the same type of game play-style
17 as an online game currently being conducted by the lottery,
18 including establishing or modifying the matrix for an online
19 game by giving notice of the establishment or modification at
20 least thirty days before the effective date of the establishment
21 or modification.



1 (e) The commission shall maintain and make the following
2 information available for public inspection at its offices
3 during regular business hours:

4 (1) A detailed listing of the estimated number of prizes
5 of each particular denomination expected to be awarded
6 in any instant game currently on sale;

7 (2) After the end of the claim period prescribed by
8 section -21, a listing of the total number of
9 tickets or shares sold and the number of prizes of
10 each particular denomination awarded in each lottery
11 game; and

12 (3) Definitions of all play symbols and other characters
13 used in each lottery game and instructions on how to
14 play and how to win each lottery game.

15 (f) Any information that is maintained by the commission
16 that would assist a person in locating or identifying a winning
17 ticket or share or that would otherwise compromise the integrity
18 of any lottery game shall be deemed confidential and shall not
19 be subject to public inspection.

20 (g) The commission, in addition to other games authorized
21 by this chapter, shall establish two special games for each year



1 to be conducted concurrently with other lottery games authorized
2 under subsection (b). The moneys for prizes, for operating
3 expenses, and for payment to the department of human services,
4 as provided in section -25(b), shall be accounted for
5 separately as nearly as practicable in the lottery commission's
6 general accounting system. The moneys shall be derived from the
7 revenues of the special games, and moneys for prizes shall not
8 be expended from the lottery commission's annual appropriation,
9 except as otherwise provided in section -5(d) and section -
10 25. Moneys saved from the revenues of the special games, by
11 reason of operating efficiencies, shall become other revenue of
12 the lottery commission and revert to the state general fund.

13 (h) The commission, in addition to other games authorized
14 by this chapter, may establish multistate lottery games with the
15 lottery commissions of other states to be conducted concurrently
16 with other lottery games authorized under subsections (b) and
17 (g). The moneys for prizes, for operating expenses, and for
18 payment to the state general fund shall be accounted for
19 separately as nearly as practicable in the lottery commission's
20 general accounting system. The moneys shall be derived from the
21 revenues of multistate lottery games.



1 (i) The commission, in addition to other games authorized
2 by this chapter, shall establish special instant ticket games
3 with play areas protected by paper tabs designated for use by
4 charitable organizations. The moneys for prizes and for
5 operating expenses shall be accounted for separately as nearly
6 as practicable in the commission's general accounting system.
7 Moneys saved from the revenues of the special games, by reason
8 of operating efficiencies, shall become other revenue of the
9 commission and revert to the state general fund.

10 (j) Except as provided in subsection (d), the commission
11 or director shall not establish or operate any online or
12 electronic keno game or any game played on the Internet.

13 (k) The director shall print, in a prominent location on
14 each lottery ticket or share, a statement that help is available
15 if a person has a problem with gambling and a toll-free
16 telephone number where problem gambling assistance is available.

17 The director shall require all licensed agents to post a
18 sign with the statement that help is available if a person has a
19 problem with gambling and the toll-free telephone number at the
20 point of sale as prescribed and supplied by the director.



1 § -5 Disposition of revenue. (a) Not more than
2 eighteen and one-half per cent of the total annual revenues
3 accruing from the sale of lottery tickets or shares and from all
4 other sources, unless otherwise specified, and not more than
5 thirty-five per cent of the total annual revenues from the sale
6 of special instant ticket games authorized under section -4(i)
7 shall be deposited in the state lottery revolving fund
8 established by section -24 to be expended for the following:

9 (1) The payment of costs incurred in the operation and
10 administration of the lottery, including the expenses
11 of the commission and the costs resulting from any
12 contract or contracts entered into for consulting or
13 operational services;

14 (2) Independent audits, which shall be performed annually
15 in addition to the audits required by section -27;

16 (3) Incentive programs for lottery sales agents and
17 lottery employees;

18 (4) Payment of compensation to licensed sales agents
19 necessary to provide for the adequate availability of
20 lottery tickets or services to prospective buyers and
21 for the convenience of the public. Except as



1 otherwise provided in this subsection, compensation of
2 licensed sales agents shall be at least five and one-
3 half per cent but not more than eight per cent of the
4 price of each lottery ticket or share that a retail
5 sales agent sells in instant games and online games,
6 less the price of any lottery tickets or shares that
7 are voided;

8 (5) The payment of reasonable fees to redemption agents as
9 authorized by section -22;

10 (6) The purchase or lease of lottery equipment, lottery
11 tickets, and materials; and

12 (7) Compensation of a licensed sales agent who is
13 designated as a charitable organization shall be
14 twenty per cent of the price of each lottery ticket
15 from a special instant ticket game authorized under
16 section -4(i) and shall be an offset against the
17 sale of the lottery ticket.

18 (b) Not less than fifty per cent of the total annual
19 revenues accruing from the sale of lottery tickets or shares
20 shall be deposited in the state lottery prize revolving fund
21 established by section -26 for payment of prizes to the



1 holders of winning lottery tickets or shares or for the purposes
2 provided for in section -21.

3 (c) All other revenues accruing from the sale of lottery
4 tickets or shares in online games or instant games shall be
5 deposited in the state lottery revolving fund established by
6 section -24 to be used as specified by section -25.

7 (d) Except for moneys for prizes expended as provided in
8 section -4(g), revenues expended under subsection (a) shall be
9 subject to legislative appropriation.

10 § -6 Powers and duties of director. In addition to any
11 other powers and duties authorized in this chapter, the director
12 shall:

13 (1) Supervise and administer the operation of the lottery
14 in accordance with this chapter and the rules adopted
15 under this chapter, subject to the continuous duty to
16 take into account the particularly sensitive and
17 responsible nature of the commission's functions;

18 (2) Enforce this chapter and the rules adopted under this
19 chapter. The director shall receive allegations of
20 any violations of the laws of this State or rules
21 pertaining to the conduct of the lottery;



- 1 (3) Pursuant to this chapter and the rules adopted by the
2 commission, license as agents to sell lottery tickets
3 persons that shall best serve the public convenience
4 and promote the sale of lottery tickets or shares;
- 5 (4) Hire professional, clerical, technical, and
6 administrative personnel as may be necessary to carry
7 out this chapter. The director shall conduct
8 background checks of prospective employees, and, in
9 all employment decisions, shall take into account the
10 particularly sensitive and responsible nature of the
11 operation of the state lottery;
- 12 (5) Act as secretary and executive officer of the
13 commission;
- 14 (6) Confer regularly as necessary or desirable and not
15 less than once every quarter with the commission on
16 the operation and administration of the lottery;
- 17 (7) Make available for inspection by the commission, upon
18 request, all books, records, files, and other
19 information and documents of the commission;



1 (8) Advise the commission and recommend matters as are
2 necessary and advisable to improve the operation and
3 administration of the lottery;

4 (9) Suspend or revoke any license issued pursuant to this
5 chapter or the rules adopted pursuant to this chapter,
6 subject to appeal to the commission; and

7 (10) Within thirty days after receiving an allegation of a
8 violation of the laws of this State or rules
9 pertaining to the conduct of the lottery by a licensed
10 agent and evidence substantiating the allegation,
11 determine whether the agent has violated the rules or
12 if a criminal investigation is warranted.

13 § -7 **Monthly reports; annual reports.** (a) The director
14 shall submit a monthly report to the commission, the governor,
15 and the legislature. The monthly report shall include the total
16 lottery revenue, prize disbursements, and other expenses for the
17 preceding month.

18 (b) The commission shall submit an annual report to the
19 governor and the legislature not less than twenty days prior to
20 the convening of each regular session. The annual report shall
21 include a full and complete statement of lottery revenues, prize



1 disbursements, and other expenses for the preceding years, and
2 recommendations, including any proposed legislation, that the
3 commission deems necessary or desirable.

4 § -8 Studies and investigations. (a) The director
5 shall conduct an ongoing study and investigation of the lottery
6 for the following purposes:

7 (1) To ascertain any provisions in this chapter or in its
8 rules through which any abuses in the administration
9 and operation of the lottery or any evasion of this
10 chapter or its rules may arise or be practiced;

11 (2) To formulate recommendations for changes to this
12 chapter;

13 (3) To guard against the use of this chapter and the rules
14 as a pretext for organized gambling and crime; and

15 (4) To ensure that this chapter and its rules are in a
16 form and are administered to serve the true purposes
17 of this chapter.

18 (b) The director shall conduct an ongoing study and
19 investigation of the operation and the administration of lottery
20 laws in effect in other states or countries, any literature on
21 the subject that may be published or available, any federal laws



1 that may affect the operation of the lottery, and the reaction
2 of residents to existing and potential features of the lottery
3 in order to recommend or effect changes that will tend to serve
4 the purposes of this chapter.

5 § -9 Contracts; limitation; restrictions. (a)

6 Notwithstanding any law to the contrary, the director may:

- 7 (1) Directly solicit bids and contract for the design and
8 operation of the lottery or the purchase of lottery
9 equipment, lottery tickets, and related materials;
- 10 (2) Contract to effectuate the purposes of this chapter
11 and the rules adopted pursuant to this chapter; and
- 12 (3) Acquire administrative office facilities and related
13 facilities and equipment for the use of the commission
14 by lease, purchase, or lease-purchase.

15 (b) The state lottery commission shall be exempt from
16 chapter 103D for procurement relating to the design and
17 operation of the lottery or purchase of lottery equipment,
18 lottery tickets, and related materials. The director shall
19 adopt rules substantially equivalent to the policies and
20 procedures in this chapter for procurement relating to the
21 design and operation of the lottery or purchases of lottery



1 equipment, lottery tickets, or related materials. All other
2 procurement shall be as specified by chapter 103D. Bids
3 received under this section may be deemed confidential in whole
4 or in part by the director if required to protect the sensitive
5 and responsible nature of the commission's functions and the
6 paramount considerations of security and integrity.

7 (c) Any award made by the director pursuant to this
8 section becomes effective and binding on the commission unless
9 it is rejected by the commission at a meeting held within
10 fourteen calendar days after the award is communicated to the
11 members of the commission.

12 (d) A contract awarded or entered into by the director
13 pursuant to this section shall not be assigned by the recipient
14 of the award without specific approval by the director. In all
15 awards of contracts pursuant to this section, the director shall
16 take particular account of the sensitive and responsible nature
17 of the commission's functions and the paramount considerations
18 of security and integrity.

19 § -10 Security operations; powers; peace officer status.

20 (a) The lottery commission shall maintain operations



1 responsible for security. The director shall appoint a security
2 officer to supervise the security operations of the commission.

3 (b) The security operations of the lottery commission
4 shall be deemed a law enforcement agency and the supervising
5 security officer shall be designated a peace officer. The
6 status as a law enforcement agency or as a peace officer shall
7 be for the limited purpose of receiving investigative
8 information from law enforcement agencies pertaining to
9 investigations of lottery activities.

10 § -11 Department of the attorney general; investigation;
11 authority; payment. The department of the attorney general
12 shall order an investigation into any violation of a state law
13 that pertains to the conduct of the state lottery. The
14 executive director of the commission shall include in the
15 commission's overhead expenses and pay, upon certified invoice
16 submitted by the attorney general, any charges for actual
17 expenses as a result of investigations and related law
18 enforcement activities, or for any activity directly or
19 indirectly related to the lottery operation. The charges may
20 include costs for personnel, supplies, materials, equipment, and
21 travel within or out the State.



1 § -12 Licenses to sell tickets or shares; fee;
2 conditions; definitions. (a) The director shall not issue a
3 license as a lottery sales agent to any person who engages
4 exclusively in the business of selling lottery tickets or
5 shares. Before issuing a license as a lottery sales agent to
6 any person, the director shall consider factors including:

7 (1) The financial responsibility and security of the
8 person and the nature of the person's business
9 activity;

10 (2) The person's background and reputation in the
11 community;

12 (3) The accessibility of the person's place of business or
13 activity to the public;

14 (4) The accessibility of existing licensees to serve the
15 public convenience; and

16 (5) The volume of expected sales.

17 (b) A person lawfully engaged in nongovernmental business
18 on state property may be licensed as a lottery sales agent.

19 (c) The director may establish by rule and collect a fee
20 for a license issued pursuant to this section.

21 (d) No license shall be assignable or transferable.



1 (e) A licensed agent or licensed agent's employee may sell
2 lottery tickets or shares only on the premises stated in the
3 license of the agent.

4 (f) The director may purchase a blanket bond covering the
5 activities of licensed agents.

6 (g) A licensed agent shall display the licensed agent's
7 license or a copy of the license conspicuously in accordance
8 with the rules adopted by the director.

9 (h) If a licensed agent sells lottery tickets or shares on
10 leased premises and all or part of the agent's rental payments
11 are based on the total volume of sales made at the premises, the
12 compensation paid by the lottery commission to the agent for the
13 sale of lottery tickets and shares shall be the amount of the
14 sale for the purposes of determining the agent's rental
15 payments. This subsection shall not apply if the lease
16 agreement expressly provides that the total volume of sales made
17 at the premises includes sales of lottery tickets or shares.

18 (i) The commission shall adopt rules to establish
19 penalties for a licensed agent who violates section -16 or -
20 17; provided that the penalties for a subsequent violation



1 within any twelve-month period shall be more severe than the
2 penalty for a prior violation.

3 (j) The director shall not require a licensed agent, as a
4 condition of securing or continuing to hold a license, to sell
5 lottery tickets or shares to the public or to sell lottery
6 tickets or shares through or by the use of a self-service
7 vending machine at the licensed agent's premises.

8 (k) For the purposes of this section, acts or omissions of
9 an employee at the premises of a licensed agent or sales of
10 tickets or shares by vending machine in violation of section -
11 16 or -17 shall be deemed acts or omissions of the licensed
12 agent only at the premises where the acts, omissions, or sales
13 occurred.

14 § -13 Prosecution; payment of costs. (a) The attorney
15 general and the prosecuting attorneys of the affected county
16 shall have concurrent jurisdiction over any offenses arising out
17 of or in connection with the formation, management, operation,
18 or conduct of the state lottery.

19 (b) The director shall include, as an expense of the
20 commission, all costs incurred by the attorney general or a
21 prosecuting attorney as a result of prosecution of a person for



1 a violation of this chapter or for any violation directly or
2 indirectly related to the state lottery operation. The director
3 shall authorize reimbursement of prosecution costs on
4 presentation of a certified invoice signed by the attorney
5 general or a prosecuting attorney.

6 (c) As used in this section, "prosecution costs" may
7 include but are not limited to costs for personnel, expenses,
8 fees and other costs necessary in the preparation and
9 prosecution of a person charged with a violation of this
10 chapter.

11 § -14 Right to prize not assignable; exceptions. (a)
12 The right of any person to a prize shall not be assignable;
13 provided that:

14 (1) Payment of any prize drawn or the remainder of any
15 annuity purchased may be paid to any of the following:

- 16 (A) The estate of a deceased prize winner;
- 17 (B) The beneficiary of a deceased prize winner; or
- 18 (C) A person pursuant to an appropriate judicial
19 order;

20 (2) Payments to winners in an amount of \$600 or more are
21 subject to setoff pursuant to section -28;



- 1 (3) If a voluntary assignment occurs, the remainder of any
2 annuity, or a portion of the remainder of the annuity,
3 may be assigned by a prize winner pursuant to an
4 appropriate judicial order if all of the following
5 conditions are met:
- 6 (A) The prize winner provides an affidavit to the
7 court to the effect that the affiant is of sound
8 mind, not acting under duress, and has received
9 independent financial and tax advice concerning
10 the assignment;
- 11 (B) The assignee pays the prize winner a lump sum
12 under the assignment agreement for all amounts
13 that are due to the prize winner on or before the
14 date that the assignment takes effect; and
- 15 (C) The parties to the assignment pay a fee to the
16 commission to defray the expenses incurred by the
17 commission in processing the assignment. The
18 commission shall determine the amount of the fee.
19 Moneys collected by the commission pursuant to
20 this subparagraph shall be deposited in the state



1 lottery revolving fund established by section -
2 24.

3 (b) On receipt of a court order that meets the
4 requirements of subsection (a) (3), the director shall make the
5 voluntary assignment.

6 (c) The commission and director shall be discharged of all
7 further liability upon payment of a prize pursuant to this
8 section.

9 § -15 Sale at unauthorized price or by unauthorized
10 persons; violation; classification. (a) No person shall sell a
11 ticket or share at a price greater than that fixed by rule. No
12 person other than a licensed lottery sales agent or any employee
13 of a licensed lottery sales agent acting within the scope of the
14 employee's employment shall sell lottery tickets or shares.
15 This section shall not prohibit a person from giving lottery
16 tickets or shares to another person as a gift; provided that the
17 person receiving the lottery tickets meets the eligibility
18 requirements of section -23.

19 (b) Any person who violates this section shall be guilty
20 of a petty misdemeanor.



1 § -16 Sale of tickets or shares to underage persons;
2 violation; classification. (a) No person shall sell or offer
3 to sell a lottery ticket or share to any person who is under the
4 age of twenty-one years.

5 (b) Any person who violates this section shall be guilty
6 of a misdemeanor.

7 § -17 Sale to persons using state-issued electronic
8 benefits transfer cards; violation; classification. (a) No
9 licensed lottery sales agent shall sell a lottery ticket or
10 share to a person who uses either a public assistance voucher
11 issued by any public entity or an electronic benefits transfer
12 card issued by the department of human services to purchase the
13 lottery ticket or share.

14 (b) No licensed lottery sales agent shall sell a lottery
15 ticket or share during the same transaction in which a person
16 uses either a public assistance voucher issued by any public
17 entity or an electronic benefits transfer card issued by the
18 department of human services.

19 (c) A violation of this section shall be a misdemeanor.

20 § -18 Purchase of lottery tickets or shares by minors or
21 persons under twenty-one years of age; penalty. (a) No person



1 under twenty-one years of age shall purchase a lottery ticket or
2 share.

3 (b) A violation of this section shall be subject to a fine
4 of not more than \$100.

5 § -19 Alteration of lottery tickets; violation;
6 classification. Any person who, with intent to defraud, falsely
7 makes, alters, forges, passes, or counterfeits a state lottery
8 ticket or share shall be guilty of a class C felony.

9 § -20 Purchase of tickets and receipt of prizes by
10 certain persons prohibited. (a) A lottery ticket or share
11 shall not be purchased by and a prize shall not be paid to an
12 officer or employee of the commission or to any spouse, child,
13 brother, sister, or parent residing as a member of the same
14 household in the principal place of residence of the officer or
15 employee.

16 (b) A lottery ticket or share shall not be purchased by
17 and a prize shall not be paid to any of the following persons:

18 (1) An officer or employee of any person contracting with
19 the commission to supply gaming equipment or lottery
20 tickets, provide advertising or consulting services,
21 or to draw or otherwise select winning tickets or



1 shares if the officer or employee is involved in the
2 direct provision of goods or services to the
3 commission or has access to information made
4 confidential by the commission;

5 (2) A spouse, child, brother, sister, or parent residing
6 as a member of the same household in the principal
7 place of residence of a person described in paragraph
8 (1); or

9 (3) The immediate supervisor of a person described in
10 paragraph (1).

11 § -21 Disposition of unclaimed prize money. Unclaimed
12 prize money for the prize on a winning lottery ticket or share
13 shall be retained for the person entitled to the prize for one
14 hundred eighty days after the drawing in which the prize was won
15 in the case of a drawing prize and for one hundred eighty days
16 after the announced end of the game in question in the case of a
17 prize determined in any manner other than by means of a drawing.
18 If a claim is not made for the money within the applicable
19 period, seventy per cent of the prize money shall be held in the
20 state lottery prize fund for use as additional prizes in future



1 games and thirty per cent shall be transferred to the homeless
2 special fund established by section 346-A.

3 § -22 Lottery redemption agents. The director may
4 retain redemption agents to perform functions, activities, or
5 services in connection with the operation of the lottery,
6 including direct payment of prizes not exceeding \$5,000, as the
7 director deems advisable pursuant to this chapter and the rules
8 adopted under this chapter. The director may make arrangements
9 for payment of reasonable fees for those services.

10 Notwithstanding any other law to the contrary, those functions,
11 activities, or services shall constitute lawful functions,
12 activities, and services of financial institutions licensed
13 under chapter 412.

14 § -23 Award of prize to certain persons prohibited. No
15 prize may be paid on any winning ticket or share to any person
16 who is under twenty-one years of age.

17 § -24 State lottery revolving fund. There is
18 established in the state treasury the state lottery revolving
19 fund consisting of all revenues received from the sale of
20 lottery tickets or shares, the fees, if any, charged pursuant to
21 section -4 and all other moneys credited or transferred from



1 any other fund or source pursuant to statute, with the exception
2 of those moneys set aside for payment of prizes and deposited as
3 provided in section -26.

4 § -25 Use of moneys in state lottery revolving fund;
5 report. (a) The moneys in the state lottery revolving fund
6 shall be expended by the commission for the expenses of the
7 commission incurred in carrying out its powers and duties and in
8 the operation of the lottery.

9 (b) Moneys remaining in the state lottery revolving fund
10 each fiscal year after the expenditures made pursuant to
11 subsection (a) shall go to the homeless special fund established
12 in section 346-A.

13 § -26 State lottery prize revolving fund; setoff for
14 state debts; notification to department of human services. (a)
15 There is established in the state treasury the state lottery
16 prize revolving fund. That portion of the gross proceeds that
17 is set aside pursuant to section -5(b) shall be deposited,
18 pursuant to chapter 38, to the credit of the state lottery prize
19 revolving fund as the commission receives those proceeds and
20 shall be available by the commission for payment of prizes to
21 the holders of winning lottery tickets or shares or for the



1 purposes provided for in section -21. Procedures for payments
2 to winners from this revolving fund shall be established by rule
3 or order of the commission. Notwithstanding any other law to
4 the contrary, transfers or payments to or from the state lottery
5 prize revolving fund, and deposits into the state lottery prize
6 revolving fund, are not subject to appropriation by the
7 legislature.

8 (b) Payments to winners that are payable by the commission
9 or lottery redemption agents pursuant to this section in an
10 amount of \$600 or more shall be subject to setoff under section
11 -28.

12 (c) The commission shall provide the department of human
13 services with the names and the social security numbers of
14 persons who are paid lottery prizes or winnings in an amount of
15 \$600 or more pursuant to this section for purposes described
16 under section 346- . The department of human services shall
17 reimburse the commission for the cost of providing the
18 information.

19 § -27 **Audit of accounts.** The certified public
20 accountant hired to perform the annual audit under section
21 -5(a)(2) shall conduct postaudits of all accounts and



1 transactions of the commission for each lottery game. The
2 certified public accountant conducting an audit under this
3 chapter shall have access and authority to examine any and all
4 records of the commission, its lottery redemption agents, and
5 its licensed lottery sales agents.

6 § -28 Prizes; setoff for debts to state agencies;
7 definitions. (a) The commission shall establish a liability
8 setoff program by which state lottery prize payments pursuant to
9 section -26 may be used to satisfy debts that a person owes
10 the State. The program shall comply with the standards and
11 requirements described in this section.

12 (b) If a person owes an agency a debt, an agency may
13 notify the commission, providing at a minimum the state agency
14 or program identifier, the first name, last name, middle
15 initial, and social security number of the debtor, and the
16 amount of the debt. This information shall be in the form the
17 commission prescribes. Each agency shall certify the
18 information and update the information monthly. No information
19 may be transmitted by the department of taxation to the
20 commission if the transmission would violate section 231-1.5.



1 (c) The commission shall match the information submitted
2 by the agency with persons who are entitled to a state lottery
3 prize payment in an amount of \$600 or more. If there is a
4 match, the commission shall set off the amount of the debt from
5 the prize due and notify the person of the person's right to
6 appeal to the appropriate court, or to request a review by the
7 agency pursuant to agency rule. The person shall make the
8 request or appeal within thirty days after the setoff. If the
9 setoff accounts for only a portion of the prize due, the
10 remainder of the prize shall be paid to the person. The
11 commission shall promptly transfer the setoff, less the amount
12 of the commission's fee, to the agency.

13 (d) If a person requests a review by the agency or
14 provides the agency with proof that an appeal has been taken to
15 the appropriate court within thirty days after the setoff and it
16 is determined that the setoff was made in error under this
17 section, the agency shall reimburse the person with interest as
18 determined pursuant to section 478-2.

19 (e) The basis for a request for review shall not include
20 the validity of the claim if its validity has been established
21 at an agency hearing, by judicial review in a court of competent



1 jurisdiction in this or any other state or by final
2 administrative decision and shall state with specificity why the
3 person claims the obligation does not exist or why the amount of
4 the obligation is incorrect.

5 (f) The commission may prescribe a fee to be collected
6 from each agency utilizing the setoff procedure. The amount of
7 the fee shall reasonably reflect the actual cost of the service
8 provided.

9 (g) If more than one agency has one or more delinquent
10 accounts for the same person, the commission shall apportion the
11 prize equally among them, except that a setoff to the department
12 of human services for overdue support has priority over all
13 other setoffs.

14 (h) If the prize is insufficient to satisfy the entire
15 debt, the remainder of the debt may be collected by an agency as
16 provided by law or resubmitted for setoff against any other
17 prize awarded.

18 (i) An agency shall not enter into an agreement with a
19 debtor for the assignment of any prospective prize to the agency
20 in satisfaction of the debt.



1 (j) As used in this section, the following terms are
2 defined:

3 "Agency" means a department, agency, board, commission, or
4 institution of this State. "Agency" also means a corporation
5 under contract with this State that provides a service that
6 would otherwise be provided by a department, agency, board,
7 commission, or institution of this State if:

8 (1) The contract specifically authorizes participation in
9 the liability setoff program;

10 (2) The attorney general has reviewed the contract and
11 approved the authorization; and

12 (3) The participation in the liability setoff program is
13 limited to debts related to the services the
14 corporation provides for or on behalf of this State.

15 "Debt" means an amount of over \$100 owed to an agency by a
16 person and may include interest, penalties, charges, costs,
17 fees, or any other amount. "Debt" also includes moneys owed by
18 a person for overdue support and referred to the department of
19 human services for collection.

20 "Overdue support" means a delinquency in court-ordered
21 payments for support or maintenance of a child or for spousal



1 maintenance to the parent with whom the child is living if child
2 support is also being enforced pursuant to an assignment or
3 application fee filed under title 42 United States Code section
4 654(6)."

5 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
6 amended by adding two new sections to be appropriately
7 designated and to read as follows:

8 "§346-A Homeless special fund. There is established a
9 homeless special fund within the state treasury to be
10 administered by the director of human services into which shall
11 be deposited funds pursuant to sections -21 and -25. Moneys
12 may be appropriated from the homeless special fund to reduce and
13 address any homeless purpose upon approval by a two-thirds vote
14 of each house of the legislature.

15 §346-B Eligibility of lottery prize winner to receive
16 assistance; determination. On receipt of the information
17 provided by the state lottery commission pursuant to section -
18 26(c), the director shall determine if the person is receiving
19 assistance from any financial assistance program administered by
20 the department. If the person is receiving assistance, the



1 director shall promptly evaluate the eligibility of that person
2 to receive the assistance."

3 SECTION 3. Section 712-1220, Hawaii Revised Statutes, is
4 amended by amending the definition of "gambling" to read as
5 follows:

6 "Gambling". A person engages in gambling if he stakes or
7 risks something of value upon the outcome of a contest of chance
8 or a future contingent event not under his control or influence,
9 upon an agreement or understanding that he or someone else will
10 receive something of value in the event of a certain outcome.
11 Gambling does not include: lottery tickets and other items used
12 in the playing phases of lottery schemes overseen by the Hawaii
13 state lottery commission; bona fide business transactions valid
14 under the law of contracts, including [~~but not limited to~~]
15 contracts for the purchase or sale at a future date of
16 securities or commodities[~~7~~]; and agreements to compensate for
17 loss caused by the happening of chance, including [~~but not~~
18 limited to] contracts of indemnity or guaranty and life, health,
19 or accident insurance."

20 SECTION 4. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2016-2017 for the
2 operations of the Hawaii state lottery commission.

3 The sum appropriated shall be expended by the department of
4 accounting and general services for the purposes of this Act.

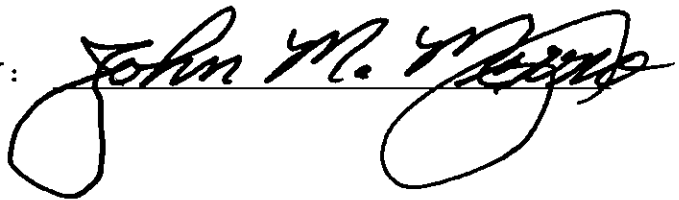
5 SECTION 5. In codifying the new sections added by section
6 2 of this Act, the revisor of statutes shall substitute
7 appropriate section numbers for the letters used in designating
8 the new sections in this Act.

9 SECTION 6. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 7. This Act shall take effect upon its approval;
12 provided that section 4 shall take effect on July 1, 2016.

13

INTRODUCED BY:



JAN 26 2016



H.B. NO. 2536

Report Title:

State Lottery; Homelessness

Description:

Establishes a state lottery commission to implement a lottery, the proceeds of which would be used to address homelessness. Appropriates funds.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

