A BILL FOR AN ACT

RELATING TO A STATE LOTTERY.

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

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

"CHAPTER

STATE LOTTERY

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

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

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

"Director" means the executive director of the Hawaii state lottery commission.
"Game play-style" means the process or procedure that a player shall follow to determine if a lottery ticket or share is a winning ticket or share.

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

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

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

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

§ -2 Hawaii state lottery commission; membership; appointment; chairperson; reimbursement of expenses. (a) There is established within the department of accounting and general services for administrative purposes only a Hawaii state lottery
commission consisting of five members who shall be residents of this State and appointed as follows:

(1) One member shall be appointed by the governor;

(2) Two members shall be appointed by the president of the senate; and

(3) Two members shall be appointed by the speaker of the house of representatives.

The commission members shall annually elect one of the members to serve as chairperson of the commission.

(b) The members shall be as follows:

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

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

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

(4) At least one member of the commission shall have a minimum of five years' experience in convenience store, minimart, or grocery retailing.
(c) Any member of the commission may be removed from office by the governor for cause upon notice and opportunity to be heard at a public hearing. The members of the lottery commission shall serve without compensation but shall be reimbursed for expenses, including travel expenses, necessary for the performance of their duties. The terms of the commissioners shall be as provided in section 26-34.

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

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

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

(b) Effective December 1, 2019, the director of the commission shall be paid a salary set at eighty-seven per cent of the salary of the director of human resources development. The director shall be exempt from chapters 76 and 89, but shall be a member of the state employees' retirement system and shall
be eligible to receive benefits of any state or federal employee benefits program generally applicable to officers and employees of the State, including those under chapter 87A.

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

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

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

(b) The commission shall oversee a state lottery to produce the maximum amount of net revenue consistent with the dignity of the State. To achieve these ends, the commission shall authorize the director to adopt rules in accordance with chapter 91. Rules adopted by the director may include provisions relating to the following:
(1) Subject to the approval of the commission, the types of lottery games and the types of game play-styles to be conducted;

(2) The method of selecting the winning tickets or shares for noncomputerized online games; provided that no method may be used that, in whole or in part, depends on the results of a dog race, a horse race, or any sporting event;

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

(4) The method to be used in selling tickets or shares;
provided that no elected official's name may be
printed on the tickets or shares. The overall
estimated odds of winning some prize or some cash
prize, as appropriate, in a given game shall be
printed on each ticket or share;

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

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

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

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

(1) The prices of tickets or shares in lottery games;

(2) The themes, game play-styles, and names of lottery games and definitions of symbols and other characters used in lottery games; provided that each ticket or share in a lottery game shall bear a unique distinguishable serial number;

(3) The sale of tickets or shares at a discount for promotional purposes;

(4) The prize structure of lottery games, including the number and size of prizes available. Available prizes may include free tickets in lottery games and merchandise prizes;

(5) The frequency of drawings, if any, or other selections of winning tickets or shares; provided that:

(A) All drawings shall be open to the public;
(B) The actual selection of winning tickets or shares may not be performed by an employee or member of the commission; and

(C) Noncomputerized online game drawings shall be witnessed by an independent observer;

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

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

(8) The method used for the validation of a ticket, which may be by physical or electronic presentation of a ticket.

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

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

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

(2) After the end of the claim period prescribed by
section -21, a listing of the total number of
tickets or shares sold and the number of prizes of
each particular denomination awarded in each lottery
game; and
(3) Definitions of all play symbols and other characters used in each lottery game and instructions on how to play and how to win each lottery game.

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

(g) The commission, in addition to other games authorized by this chapter, shall establish two special games for each year to be conducted concurrently with other lottery games authorized under subsection (b). The moneys for prizes, for operating expenses, and for payment into the state general fund, as provided in section -25(b), shall be accounted for separately as nearly as practicable in the lottery commission's general accounting system. The moneys shall be derived from the revenues of the special games, and moneys for prizes shall not be expended from the lottery commission's annual appropriation, except as otherwise provided in section -5(d) and section -25. Moneys saved from the revenues of the special games, by
reason of operating efficiencies, shall become other revenue of
the lottery commission and revert to the state general fund.

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

(i) The commission, in addition to other games authorized
by this chapter, shall establish special instant ticket games
with play areas protected by paper tabs designated for use by
charitable organizations. The moneys for prizes and for
operating expenses shall be accounted for separately as nearly
as practicable in the commission's general accounting system.
Moneys saved from the revenues of the special games, by reason
of operating efficiencies, shall become other revenue of the
commission and revert to the state general fund.
(j) Except as provided in subsection (d), the commission or director shall not establish or operate any online or electronic keno game or any game played on the Internet.

(k) The director shall print, in a prominent location on each lottery ticket or share, a statement that help is available if a person has a problem with gambling and a toll-free telephone number where problem gambling assistance is available. The director shall require all licensed agents to post a sign with the statement that help is available if a person has a problem with gambling and the toll-free telephone number at the point of sale as prescribed and supplied by the director.

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

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

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

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

(4) Payment of compensation to licensed sales agents
necessary to provide for the adequate availability of
lottery tickets or services to prospective buyers and
for the convenience of the public. Except as
otherwise provided in this subsection, compensation of
licensed sales agents shall be at least five and one-
half per cent but not more than eight per cent of the
price of each lottery ticket or share that a retail
sales agent sells in instant games and online games,
less the price of any lottery tickets or shares that
are voided;

(5) The payment of reasonable fees to redemption agents as
authorized by section -22;
(6) The purchase or lease of lottery equipment, lottery tickets, and materials; and

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

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

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

(d) Except for moneys for prizes expended as provided in section -4(g), revenues expended under subsection (a) shall be subject to legislative appropriation.
§ 6 Powers and duties of director. In addition to any other powers and duties authorized in this chapter, the director shall:

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

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

(3) Pursuant to this chapter and the rules adopted by the commission, license as agents to sell lottery tickets persons that shall best serve the public convenience and promote the sale of lottery tickets or shares;

(4) Hire professional, clerical, technical, and administrative personnel as may be necessary to carry out this chapter. The director shall conduct background checks of prospective employees, and, in all employment decisions, shall take into account the
particularly sensitive and responsible nature of the operation of the state lottery;

(5) Act as secretary and executive officer of the commission;

(6) Confer regularly as necessary or desirable and not less than once every quarter with the commission on the operation and administration of the lottery;

(7) Make available for inspection by the commission, upon request, all books, records, files, and other information and documents of the commission;

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

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

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

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

(b) The commission shall submit an annual report to the governor and the legislature not less than twenty days before the convening of each regular session. The annual report shall include a full and complete statement of lottery revenues, prize disbursements, and other expenses for the preceding years, and recommendations, including any proposed legislation, that the commission deems necessary or desirable.

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

(1) To ascertain any provisions in this chapter or in its rules through which any abuses in the administration and operation of the lottery or any evasion of this chapter or its rules may arise or be practiced;
(2) To formulate recommendations for changes to this chapter;

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

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

(b) The director shall conduct an ongoing study and investigation of the operation and the administration of lottery laws in effect in other states or countries, any literature on the subject that may be published or available, any federal laws that may affect the operation of the lottery, and the reaction of residents to existing and potential features of the lottery in order to recommend or effect changes that will tend to serve the purposes of this chapter.

§ -9 Contracts; limitation; restrictions. (a) Notwithstanding any law to the contrary, the director may:

(1) Directly solicit bids and contract for the design and operation of the lottery or the purchase of lottery equipment, lottery tickets, and related materials;
(2) Contract to effectuate the purposes of this chapter
and the rules adopted pursuant to this chapter; and

(3) Acquire administrative office facilities and related
facilities and equipment for the use of the commission
by lease, purchase, or lease-purchase.

(b) The lottery commission shall be exempt from chapter
103D for procurement relating to the design and operation of the
lottery or purchase of lottery equipment, lottery tickets, and
related materials. The director shall adopt rules substantially
equivalent to the policies and procedures in chapter 103D for
procurement relating to the design and operation of the lottery
or purchases of lottery equipment, lottery tickets, or related
materials. All other procurement shall be as specified by
chapter 103D. Bids received under this section may be deemed
confidential in whole or in part by the director if required to
protect the sensitive and responsible nature of the commission's
functions and the paramount considerations of security and
integrity.

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

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

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

(a) The lottery commission shall maintain operations responsible for security. The director shall appoint a security officer to supervise the security operations of the commission.

(b) The security operations unit of the lottery commission shall be deemed a law enforcement agency and the supervising security officer shall be designated a peace officer. The status as a law enforcement agency or as a peace officer shall be for the limited purpose of receiving investigative information from law enforcement agencies pertaining to investigations of lottery activities.
§ -11 Department of the attorney general; investigation; authority; payment. The attorney general shall order an investigation into any violation of a state law that pertains to the conduct of the state lottery. The director shall include in the commission's overhead expenses and pay, upon certified invoice submitted by the attorney general, any charges for actual expenses as a result of investigations and related law enforcement activities, or for any activity directly or indirectly related to the lottery operation. The charges may include costs for personnel, supplies, materials, equipment, and travel within or without the State.

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

(1) The financial responsibility and security of the person and the nature of the person's business activity;
(2) The person's background and reputation in the community;

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

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

(5) The volume of expected sales.

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

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

(d) No license shall be assignable or transferable.

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

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

(g) A licensed lottery sales agent shall display the agent's license or a copy of the license conspicuously in accordance with the rules adopted by the director.
(h) If a licensed lottery sales agent sells lottery tickets or shares on leased premises and all or part of the agent's rental payments are based on the total volume of sales made at the premises, the compensation paid by the lottery commission to the agent for the sale of lottery tickets and shares shall be the amount of the sale for the purposes of determining the agent's rental payments. This subsection shall not apply if the lease agreement expressly provides that the total volume of sales made at the premises includes sales of lottery tickets or shares.

(i) The commission shall adopt rules to establish penalties for a licensed lottery sales agent who violates section -16 or -17; provided that the penalties for a subsequent violation within any twelve-month period shall be more severe than the penalty for a prior violation.

(j) The director shall not require a licensed lottery sales agent, as a condition of securing or continuing to hold a license, to sell lottery tickets or shares to the public or to sell lottery tickets or shares through or by the use of a self-service vending machine at the agent's premises.
(k) For the purposes of this section, acts or omissions of an employee at the premises of a licensed lottery sales agent or sales of tickets or shares by vending machine in violation of section -16 or -17 shall be deemed acts or omissions of the licensed lottery sales agent only at the premises where the acts, omissions, or sales occurred.

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

(b) The director shall include, as an expense of the commission, all costs incurred by the attorney general or a prosecuting attorney as a result of prosecution of a person for a violation of this chapter or for any violation directly or indirectly related to the state lottery operation. The director shall authorize reimbursement of prosecution costs on presentation of a certified invoice signed by the attorney general or a prosecuting attorney.

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

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

(1) Payment of any prize drawn or the remainder of any
annuity purchased may be paid to any of the following:
(A) The estate of a deceased prize winner;
(B) The beneficiary of a deceased prize winner; or
(C) A person pursuant to an appropriate judicial
order;

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

(3) If a voluntary assignment occurs, the remainder of any
annuity, or a portion of the remainder of the annuity,
may be assigned by a prize winner pursuant to an
appropriate judicial order if all of the following
conditions are met:
(A) The prize winner provides an affidavit to the
court to the effect that the affiant is of sound
mind, not acting under duress, and has received
independent financial and tax advice concerning
the assignment;

(B) The assignee pays the prize winner a lump sum
under the assignment agreement for all amounts
that are due to the prize winner on or before the
date that the assignment takes effect; and

(C) The parties to the assignment pay a fee to the
commission to defray the expenses incurred by the
commission in processing the assignment. The
commission shall determine the amount of the fee.
Moneys collected by the commission pursuant to
this subparagraph shall be deposited in the state
lottery revolving fund established by
section -24.

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

(c) The commission and director shall be discharged of all
further liability upon payment of a prize pursuant to this
section.
§ -15 Sale at unauthorized price or by unauthorized persons; violation; classification. (a) No person shall sell a ticket or share at a price greater than that fixed by rule. No person other than a licensed lottery sales agent or any employee of a licensed lottery sales agent acting within the scope of the employee's employment shall sell lottery tickets or shares. This section shall not prohibit a person from giving lottery tickets or shares to another person as a gift; provided that the person receiving the lottery tickets meets the eligibility requirements of section -23.

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

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

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

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

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

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

§ 18 Purchase of lottery tickets or shares by persons
under twenty-one years of age; penalty.  (a) No person under
twenty-one years of age shall purchase a lottery ticket or
share.

(b) Any person who violates this section shall be subject
to a fine of not more than $100.

§ 19 Alteration of lottery tickets; violation;
classification.  Any person who, with intent to defraud, falsely
makes, alters, forges, passes, or counterfeits a state lottery
ticket or share shall be guilty of a class C felony.
§ -20 Purchase of tickets and receipt of prizes by certain persons prohibited. (a) A lottery ticket or share shall not be purchased by and a prize shall not be paid to an officer or employee of the commission or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of the officer or employee.

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

(1) An officer or employee of any person contracting with the commission to supply gaming equipment or lottery tickets, provide advertising or consulting services, or to draw or otherwise select winning tickets or shares if the officer or employee is involved in the direct provision of goods or services to the commission or has access to information made confidential by the commission;

(2) A spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of a person described in paragraph (1); or
(3) The immediate supervisor of a person described in paragraph (1).

§ -21 Disposition of unclaimed prize money. Unclaimed prize money for the prize on a winning lottery ticket or share shall be retained for the person entitled to the prize for one hundred eighty days after the:

(1) Drawing in which the prize was won; and

(2) Announced end of the game in question in the case of a prize determined in any manner other than by means of a drawing.

If a claim is not made for the money within the applicable period, seventy per cent of the prize money shall be held in the state lottery prize revolving fund for use as additional prizes in future games and thirty per cent shall be transferred to the state general fund.

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

Notwithstanding any other law to the contrary, the functions, activities, or services described in this section shall constitute lawful functions, activities, and services of financial institutions licensed under chapter 412.

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

§ -24 State lottery revolving fund. There is established in the state treasury the state lottery revolving fund consisting of revenues received from the sale of lottery tickets or shares, the fees, if any, established in rules adopted pursuant to chapter 91 and all other moneys credited or transferred from any other fund or source pursuant to statute, with the exception of those moneys set aside for payment of prizes and deposited as provided in section -26.

§ -25 Use of moneys in state lottery revolving fund; report. (a) The moneys in the state lottery revolving fund shall be expended by the commission for the expenses of the commission incurred in carrying out its powers and duties and in the operation of the lottery.
(b) All moneys in excess of $ \text{remaining on balance} \\
\text{in the state lottery revolving fund at the close of each fiscal} \\
\text{year shall be deposited into the pest inspection, quarantine,} \\
\text{and eradication fund established under section 150A-4.5 to} \\
\text{prevent the introduction, and control the spread of, invasive} \\
species.

\section{State lottery prize revolving fund; setoff for state debts; notification to department of human services.}

(a) There is established in the state treasury the state lottery prize revolving fund. That portion of the gross proceeds that is set aside pursuant to section \text{-5(b)} shall be deposited, pursuant to chapter 38, to the credit of the state lottery prize revolving fund as the commission receives those proceeds and shall be available by the commission for payment of prizes to the holders of winning lottery tickets or shares or for the purposes provided for in section \text{-21.} Procedures for payments to winners from this revolving fund shall be established by rule or order of the commission. Notwithstanding any other law to the contrary, transfers or payments to or from the state lottery prize revolving fund, and deposits into the state lottery prize
revolving fund, are not subject to appropriation by the legislature.

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

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

§ -27 Audit of accounts. The certified public accountant hired to perform the annual audit under section -5(a)(2) shall conduct postaudits of all accounts and transactions of the commission for each lottery game. The certified public accountant conducting an audit under this chapter shall have access and authority to examine any and all records of the commission, its lottery redemption agents, and its licensed lottery sales agents.
§ -28 Prizes; setoff for debts to state agencies;
definitions. (a) The commission shall establish a liability
setoff program by which state lottery prize payments pursuant to
section -26 may be used to satisfy debts that a person owes
the State. The program shall comply with the standards and
requirements described in this section.
(b) If a person owes an agency a debt, an agency may
notify the commission, providing at a minimum the state agency
or program identifier, the first name, last name, middle
initial, and social security number of the debtor, and the
amount of the debt. This information shall be in the form the
commission prescribes. Each agency shall certify the
information and update the information monthly. No information
may be transmitted by the department of taxation to the
commission if the transmission would violate section 231-1.5.
(c) The commission shall match the information submitted
by the agency with persons who are entitled to a state lottery
prize payment in an amount of $600 or more. If there is a
match, the commission shall set off the amount of the debt from
the prize due and notify the person of the person's right to
appeal to the appropriate court, or to request a review by the
agency pursuant to agency rule. The person shall make the
request or appeal within thirty days after the setoff. If the
setoff accounts for only a portion of the prize due, the
remainder of the prize shall be paid to the person. The
commission shall promptly transfer the setoff, less the amount
of the commission's fee, to the agency.

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

(e) The basis for a request for review shall not include
the validity of the claim if its validity has been established
at an agency hearing, by judicial review in a court of competent
jurisdiction in this or any other state, or by final
administrative decision and shall state with specificity the
reason that the person claims the obligation does not exist or
that the amount of the obligation is incorrect.

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

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

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

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

(j) As used in this section:

"Agency" means a department, agency, board, commission, or institution of this State. "Agency" also means a corporation under contract with this State that provides a service that would otherwise be provided by a department, agency, board, commission, or institution of this State if:
(1) The contract specifically authorizes participation in the liability setoff program;
(2) The attorney general has reviewed the contract and approved the authorization; and
(3) The participation in the liability setoff program is limited to debts related to the services the corporation provides for or on behalf of this State.

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

"Overdue support" means a delinquency in court-ordered payments for support or maintenance of a child or for spousal maintenance to the parent with whom the child is living if child support is also being enforced pursuant to an assignment or application fee filed under title 42 United States Code section 654(6)."

SECTION 2. Chapter 346, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:
"§346- Eligibility of lottery prize winner to receive assistance; determination. On receipt of the information provided by the state lottery commission pursuant to section -26(c), the director shall determine if the person is receiving assistance from any financial assistance program administered by the department. If the person is receiving assistance, the director shall promptly evaluate the eligibility of that person to receive the assistance."

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

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

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2019-2020 and the same sum or so much thereof as may be necessary for fiscal year 2020-2021 for the operations of the Hawaii state lottery commission.

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

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval; provided that section 4 shall take effect on July 1, 2019.

INTRODUCED BY:  [Signature]
Report Title:
State Lottery: Appropriation

Description:
Establishes a state lottery commission to implement a lottery, of which excess proceeds are deposited into the pest inspection, quarantine, and eradication fund to prevent the introduction of, and control the spread of, invasive species. Authorizes the commission to establish multistate lottery games. 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.