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# 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.** For the purposes of this chapter,  
7 unless the context clearly requires otherwise:

8           "Commission" means the state lottery commission established  
9 by this chapter.

10          "Director" means the director of the state lottery  
11 established by this chapter.

12          "Lottery" or "state lottery" means the lottery established  
13 and operated pursuant to this chapter.

14          "Online game" means a lottery game in which a player pays a  
15 fee to a lottery retailer and selects a combination of digits,  
16 numbers, or symbols, type and amount of play, and receives a  
17 computer-generated ticket with those selections, and the lottery

1 separately draws or selects the winning combination or  
2 combinations.

3       §   -2   **State lottery commission created; membership;**  
4 **terms; vacancies; chair; quorum.** (a) There is created the  
5 state lottery commission to consist of five members appointed by  
6 the governor with the consent of the senate, pursuant to section  
7 26-34. The governor shall designate one member of the  
8 commission to serve as chair at the governor's pleasure. A  
9 majority of the members shall constitute a quorum for the  
10 transaction of business.

11       (b) Members shall not be compensated but shall be  
12 reimbursed for actual costs incurred in carrying out the duties  
13 of the commission, including travel expenses.

14       (c) The lottery commission shall be attached to the  
15 department of commerce and consumer affairs for administrative  
16 purposes.

17       §   -3   **Powers and duties of commission; when legislative**  
18 **approval required.** The commission shall have the following  
19 powers and duties:

20       (1) Adopt rules in accordance with chapter 91 governing  
21 the establishment and operation of a state lottery to  
22 begin operation of the lottery as soon as practicable



1 and to produce the maximum amount of net revenues for  
2 the State consonant with the dignity of the State and  
3 the general welfare of the people. The rules shall  
4 include, but shall not be limited to, the following:

5 (A) The type of lottery to be conducted, which may  
6 include the selling of tickets or shares;  
7 provided that the tickets or shares may not be  
8 sold over the Internet. The use of electronic or  
9 mechanical devices or video terminals that allow  
10 for individual play against those devices or  
11 terminals shall be prohibited. An affirmative  
12 vote of sixty per cent of both houses of the  
13 legislature shall be required before offering any  
14 game allowing or requiring a player to become  
15 eligible for a prize or to otherwise play any  
16 portion of the game by interacting with any  
17 device or terminal involving digital, video, or  
18 other electronic representations of any game of  
19 chance, including scratch tickets, pull-tabs,  
20 bingo, poker or other cards, dice, roulette,  
21 keno, or slot machines;



- 1           (B) The price, or prices, of tickets or shares in the
- 2                 lottery;
- 3           (C) The numbers and sizes of the prizes on the
- 4                 winning tickets or shares;
- 5           (D) The manner of selecting the winning tickets or
- 6                 shares, except as limited by subparagraph (A);
- 7           (E) The manner and time of payment of prizes to the
- 8                 holder of winning tickets or shares which, at the
- 9                 director's option, may be paid in lump sum
- 10                amounts or installments over a period of years;
- 11           (F) The frequency of the drawings or selections of
- 12                 winning tickets or shares. Approval of the
- 13                 legislature shall be required before conducting
- 14                 any online game in which the drawing or selection
- 15                 of winning tickets occurs more frequently than
- 16                 once every twenty-four hours;
- 17           (G) Without limit as to number, the type or types of
- 18                 locations at which tickets or shares may be sold;
- 19           (H) The method to be used in selling tickets or
- 20                 shares, except as limited by subparagraph (A);
- 21           (I) The licensing of agents to sell or distribute
- 22                 tickets or shares, except that a person under the



1           age of eighteen shall not be licensed as an  
2           agent;

3           (J) The manner and amount of compensation, if any, to  
4           be paid licensed sales agents necessary to  
5           provide for the adequate availability of tickets  
6           or shares to prospective buyers and for the  
7           convenience of the public;

8           (K) The apportionment of the total revenues accruing  
9           from the sale of lottery tickets or shares and  
10          from all other sources among:

11          (i) The payment of prizes to the holders of  
12                winning tickets or shares, which shall not  
13                be less than forty-five per cent of the  
14                gross annual revenue from the lottery;

15          (ii) Transfers to the lottery administrative  
16                account created under section       -26; and

17          (iii) Transfers to the general fund; and

18          (L) Any other matters necessary or desirable for the  
19                efficient and economical operation and  
20                administration of the lottery and for the  
21                convenience of the purchasers of tickets or



1                    shares and the holders of winning tickets or  
2                    shares;

3            (2) Ensure that in each place authorized to sell lottery  
4            tickets or shares, on the back of the ticket or share,  
5            and in any advertising or promotion there shall be  
6            conspicuously displayed an estimate of the probability  
7            of purchasing a winning ticket;

8            (3) Amend, repeal, or supplement any rules from time to  
9            time as the commission deems necessary or desirable;  
10           and

11           (4) Advise and make recommendations to the director for  
12           the operation and administration of the lottery.

13           §    -4   **New games.**   (a) The lottery commission shall  
14           conduct new games intended to generate additional moneys  
15           sufficient to cover the distributions under section    -23. No  
16           game may be conducted under this section before January 1, 2009.  
17           No game may be conducted under this section after December 31,  
18           2010, unless no game is required to be conducted after the  
19           distributions cease under section    -23.

20           (b) For the purposes of this section, the lottery may  
21           accept and market prize promotions provided in conjunction with  
22           private-sector marketing efforts.



1           §   -5 **Director; appointment; salary; duties.** The  
2 governor shall appoint the director with the consent of the  
3 senate. The director shall serve at the pleasure of the  
4 governor and shall receive a salary to be determined by the  
5 governor, but in no case may the director's salary be more than  
6 ninety per cent of the salary of the governor. The director  
7 shall:

- 8           (1) Supervise and administer the operation of the lottery  
9                in accordance with this chapter and with the rules of  
10              the commission;
- 11           (2) Without regard to chapters 76, 78, and 89, appoint  
12              deputy and assistant directors that may be required to  
13              carry out the functions and duties of director;
- 14           (3) Appoint professional, technical, and clerical  
15              assistants and employees that may be necessary to  
16              perform the duties imposed by this chapter; provided  
17              that chapters 76, 78, and 89, shall not apply to any  
18              employees engaged in undercover audit, investigative  
19              work, or security operations but shall apply to other  
20              employees appointed by the director;
- 21           (4) In accordance with this chapter and the rules of the  
22              commission, license as agents to sell or distribute



1 lottery tickets any persons, in the director's  
2 opinion, that will best serve the public convenience  
3 and promote the sale of tickets or shares. The  
4 director may require a bond from any licensed agent,  
5 in any amount provided in the rules of the commission.  
6 Every licensed agent shall prominently display a  
7 license, or a copy, as provided in the rules of the  
8 commission. License fees may be established by the  
9 commission, and, if established, shall be deposited in  
10 the state lottery account created under section

11 -22;

12 (5) Confer regularly as necessary or desirable with the  
13 commission on the operation and administration of the  
14 lottery; make available for inspection by the  
15 commission, upon request, all books, records, files,  
16 and other information and documents of the lottery;  
17 and advise the commission and recommend on any matters  
18 that the director deems necessary and advisable to  
19 improve the operation and administration of the  
20 lottery;

21 (6) Enter into contracts for the operation of the lottery,  
22 or any part thereof, and for the promotion of the





1 lottery. No contract awarded or entered into by the  
2 director may be assigned by the holder except by  
3 specific approval of the commission; provided that  
4 nothing in this chapter authorizes the director to  
5 enter into public contracts for the regular and  
6 permanent administration of the lottery after the  
7 initial development and implementation;

8 (7) Certify quarterly to the director of finance and the  
9 commission a full and complete statement of lottery  
10 revenues, prize disbursements, and other expenses for  
11 the preceding quarter;

12 (8) Carry on a continuous study and investigation of the  
13 lottery throughout the State to:

14 (A) Discover any defects in this chapter or rules  
15 adopted under this chapter that may give rise to  
16 any abuse in the administration and operation of  
17 the lottery or any evasion of this chapter or  
18 rules;

19 (B) Formulate recommendations for changes in this  
20 chapter and rules adopted under this chapter to  
21 prevent such abuses and evasions;



- 1 (C) Guard against the use of this chapter and rules
- 2 adopted under this chapter to hide the carrying
- 3 on of professional gambling and crime; and
- 4 (D) Ensure that this chapter and rules adopted under
- 5 this chapter are administered to serve the true
- 6 purposes of this chapter;
- 7 (9) Carry on continuous study and investigation of:
- 8 (A) The operation and the administration of similar
- 9 laws in other states or countries;
- 10 (B) The operation of an additional game or games for
- 11 the benefit of a particular program or purpose;
- 12 (C) Any literature on the subject that may be
- 13 published or available;
- 14 (D) Any federal laws that may affect the operation of
- 15 the lottery; and
- 16 (E) The reaction of the residents of this State to
- 17 existing and potential features of the lottery
- 18 with a view to recommending changes that will
- 19 tend to serve the purposes of this chapter;
- 20 (10) Have all enforcement powers necessary to implement
- 21 this chapter; and



1 (11) Perform all other actions necessary to carry out the  
2 purposes of this chapter.

3 § -6 Licenses for lottery sales agents; factors;

4 "person" defined. (a) No license as an agent to sell lottery  
5 tickets or shares may be issued to any person to engage in  
6 business exclusively as a lottery sales agent. Before issuing a  
7 license, the director shall consider the following factors:

8 (1) Financial responsibility and security of the person  
9 and the person's business or activity;

10 (2) Accessibility of the person's place of business or  
11 activity to the public;

12 (3) Sufficiency of existing licenses to serve the public  
13 convenience; and

14 (4) Volume of expected sales.

15 (b) For purposes of this section, the term "person" means  
16 an individual, association, corporation, club, trust, estate,  
17 society, company, joint stock company, receiver, trustee,  
18 assignee, referee, or any other person acting in a fiduciary or  
19 representative capacity, whether appointed by a court or  
20 otherwise, and any combination of individuals. "Person" does  
21 not mean any department, commission, agency, or instrumentality



1 of the State, or any county or agency or instrumentality  
2 thereof.

3 § -7 **License as authority to act.** Any person licensed  
4 as provided in this chapter shall be hereby authorized and  
5 empowered to act as a lottery sales agent.

6 § -8 **Denial, suspension, and revocation of licenses.**

7 (a) The director may deny an application for, or suspend or  
8 revoke, after notice and hearing, any license issued pursuant to  
9 this chapter. A license may be temporarily suspended by the  
10 director without prior notice, pending any prosecution,  
11 investigation, or hearing. A license may be suspended or  
12 revoked or an application may be denied by the director for one  
13 or more of the following reasons:

14 (1) Failure to account for lottery tickets received or the  
15 proceeds of the sale of lottery tickets or to file a  
16 bond if required by the director or to comply with the  
17 instructions of the director concerning the licensed  
18 activity;

19 (2) For a violation of this chapter or the rules of the  
20 commission;

21 (3) Failure to file any return or report or to keep  
22 records or to pay any tax required by this chapter;



- 1 (4) Fraud, deceit, misrepresentation, or conduct
- 2 prejudicial to public confidence in the state lottery;
- 3 (5) That the number of lottery tickets sold by the lottery
- 4 sales agent is insufficient to meet administrative
- 5 costs or that public convenience is adequately served
- 6 by other licensees;
- 7 (6) A material change, after issuance of the license, with
- 8 respect to any matters required to be considered by
- 9 the director under section -6.

10 (b) For the purpose of reviewing any application for a  
11 license and for considering the denial, suspension, or  
12 revocation of any license, the director may consider any prior  
13 criminal conduct of the applicant or licensee.

14 § -9 **Assignments.** (a) Regarding assignments:

- 15 (1) Except under paragraph (2), no right of any person to
- 16 a prize drawn is assignable, except that payment of
- 17 any prize drawn may be paid to the estate of a
- 18 deceased prize winner, and except that any person
- 19 pursuant to an appropriate judicial order may be paid
- 20 the prize to which the winner is entitled;
- 21 (2) Regarding voluntary assignment:



1 (A) The payment of all or part of the remainder of an  
2 annuity may be assigned to another person,  
3 pursuant to a voluntary assignment of the right  
4 to receive future annual prize payments, if:

- 5 (i) The winner is a resident of the State; and  
6 (ii) The assignment is made pursuant to an  
7 appropriate judicial order of the district  
8 court of the district in which the prize  
9 winner resides.

10 If the prize winner is not a resident of the  
11 State, the winner must seek an appropriate order  
12 from the first circuit court.

13 (B) If there is a voluntary assignment under  
14 subparagraph (A), a copy of the petition for an  
15 order under subparagraph (A) and all notices of  
16 any hearing in the matter shall be served on the  
17 attorney general no later than ten days before  
18 any hearing or entry of any order;

19 (C) The court receiving the petition may issue an  
20 order approving the assignment and directing the  
21 director to pay to the assignee the remainder or  
22 portion of an annuity so assigned upon finding



1                   that all of the following conditions have been  
2                   met:

3                   (i) The assignment has been memorialized in  
4                   writing and executed by the assignor and is  
5                   subject to state law;

6                   (ii) The assignor provides a sworn declaration to  
7                   the court attesting to the facts that the  
8                   assignor has had the opportunity to be  
9                   represented by independent legal counsel in  
10                  connection with the assignment, has received  
11                  independent financial and tax advice  
12                  concerning the effects of the assignment,  
13                  and is of sound mind and not acting under  
14                  duress, and the court makes findings  
15                  determining so;

16                  (iii) The assignee has provided a one-page written  
17                  disclosure statement that sets forth in  
18                  bold-face type, fourteen point or larger,  
19                  the payments being assigned by amount and  
20                  payment dates, the purchase price, or loan  
21                  amount being paid; the interest rate or rate  
22                  of discount to present value, assuming



1 monthly compounding and funding on the  
2 contract date; and the amount, if any, of  
3 any origination or closing fees that will be  
4 charged to the lottery winner. The  
5 disclosure statement shall also advise the  
6 winner that the winner should consult with  
7 and rely upon the advice of independent  
8 legal or financial advisors regarding the  
9 potential federal and state tax consequences  
10 of the transaction; and

11 (iv) The proposed assignment does not and will  
12 not include or cover payments or portions of  
13 payments subject to set offs pursuant to  
14 section -25 unless appropriate provision  
15 is made in the order to satisfy the  
16 obligations giving rise to the set off;

17 (D) The commission may intervene as of right in any  
18 proceeding under this section but shall not be  
19 deemed an indispensable or necessary party;

20 (3) The director shall not pay the assignee an amount in  
21 excess of the annual payment entitled to the assignor;





- 1           (4) The commission may adopt rules pertaining to the  
2           assignment of prizes under this section, including  
3           recovery of actual costs incurred by the commission.  
4           The recovery of actual costs shall be deducted from  
5           the initial annuity payment made to the assignee;
- 6           (5) No voluntary assignment under this section shall be  
7           effective unless and until the Internal Revenue  
8           Service provides a ruling that declares that the  
9           voluntary assignment of prizes will not affect the  
10          federal income tax treatment of prize winners who do  
11          not assign their prizes. If at any time the Internal  
12          Revenue Service or a court of competent jurisdiction  
13          provides a determination letter, revenue ruling, other  
14          public ruling of the Internal Revenue Service or  
15          published decision to any state lottery or state  
16          lottery prize winner declaring that the voluntary  
17          assignment of prizes will effect the federal income  
18          tax treatment of prize winners who do not assign their  
19          prizes, the director shall immediately file a copy of  
20          that letter, ruling, or published decision with the  
21          governor. No further voluntary assignments may be



1           allowed after the date the ruling, letter, or  
2           published decision is filed;

3           (6) The occurrence of any event described in paragraph (5)  
4           does not render invalid or ineffective assignments  
5           validly made and approved pursuant to an appropriate  
6           judicial order before the occurrence of any such  
7           event; and

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

11          §   -10   **Maximum price of ticket or share limited; sale by**  
12   **other than licensed agent prohibited.** A person shall not sell a  
13   ticket or share at a price greater than that fixed by rule of  
14   the commission. No person other than a licensed lottery sales  
15   agent shall sell lottery tickets, except that nothing in this  
16   section prevents any person from giving lottery tickets or  
17   shares to another as a gift.

18          §   -11   **Sale to minor prohibited; exception; penalties.**

19   (a) A ticket or share shall not be sold to any person under the  
20   age of eighteen; provided that this shall not be deemed to  
21   prohibit the purchase of a ticket or share for the purpose of



1 making a gift by a person eighteen years of age or older to a  
2 person younger than the age of eighteen.

3 (b) Any licensee who knowingly sells or offers to sell a  
4 lottery ticket or share to any person under the age of eighteen  
5 shall be guilty of a misdemeanor.

6 (c) If a person under the age of eighteen directly  
7 purchases a ticket in violation of this section, that person  
8 shall be guilty of a misdemeanor. No prize shall be paid to  
9 that person and the prize money otherwise payable on the ticket  
10 shall be treated as unclaimed pursuant to section -18.

11 § -12 **Prohibited acts; penalty.** (a) A person shall not  
12 alter or forge a lottery ticket. A person shall not claim a  
13 lottery prize or share of a lottery prize by means of fraud,  
14 deceit, or misrepresentation. A person shall not conspire, aid,  
15 abet, or agree to aid another person or persons to claim a  
16 lottery prize or share of a lottery prize by means of fraud,  
17 deceit, or misrepresentation.

18 (b) A violation of this section shall be a class B felony.

19 § -13 **Penalty for unlicensed activity.** (a) Any person  
20 who conducts any activity for which a license is required by  
21 this chapter or by rule of the commission, without the required  
22 license, shall be guilty of a class B felony.



1           (b) Any corporation who conducts any activity for which a  
2 license is required by this chapter or by rule of the  
3 commission, without the required license, may be punished by  
4 forfeiture of its corporate charter, in addition to the other  
5 penalties set forth in this section.

6           §   -14   **Penalty for false or misleading statement or entry**  
7 **or failure to produce documents.** Any person, in any application  
8 for a license or in any book or record required to be maintained  
9 or in any report required to be submitted, who makes any false  
10 or misleading statement, or makes any false or misleading entry  
11 or wilfully fails to maintain or make any entry required to be  
12 maintained or made, or who wilfully refuses to produce for  
13 inspection any book, record, or document required to be  
14 maintained or made by federal or state law shall be guilty of a  
15 misdemeanor and, notwithstanding section 706-640, shall be  
16 subject to a fine of not less than \$                   but not more  
17 than \$                   .

18           §   -15   **Penalty for violation of chapter; exceptions.** Any  
19 person who violates this chapter for which no penalty is  
20 otherwise provided, or knowingly causes, aids, abets, or  
21 conspires with another to cause any person to violate this



1 chapter shall be guilty of a class C felony, except where other  
2 penalties are specifically provided for in this chapter.

3       **§ -16 Penalty for violation of rules; exceptions.** Any  
4 person who violates any rule adopted pursuant to this chapter  
5 for which no penalty is otherwise provided, or knowingly causes,  
6 aids, abets, or conspires with another to cause any person to  
7 violate any rule adopted pursuant to this chapter shall be  
8 guilty of a misdemeanor and, notwithstanding section 706-640,  
9 shall be subject to a fine of not less than \$           but not  
10 more than \$           , except where other penalties are  
11 specifically provided for in this chapter.

12       **§ -17 Persons prohibited from purchasing tickets or**  
13 **shares or receiving prizes; penalty.** A ticket or share shall  
14 not be purchased by, and a prize shall not be paid to any member  
15 of the commission, the director, or an employee of the lottery  
16 or to any spouse, child, brother, sister, or parent residing as  
17 a member of the same household in the principal place of abode  
18 of any member of the commission, the director or an employee of  
19 the lottery. A violation of this section is a misdemeanor.

20       **§ -18 Unclaimed prizes.** Unclaimed prizes shall be  
21 retained in the state lottery account for the person entitled  
22 thereto for one hundred eighty days after the drawing in which



1 the prize is won, or after the official end of the game for  
2 instant prizes. If no claim is made for the prize within this  
3 time, all rights to the prize shall be extinguished, and the  
4 prize shall be retained in the state lottery fund for further  
5 use as prizes, except that one-third of all unclaimed prize  
6 money shall be deposited in the general fund.

7       **§ -19 Deposit of moneys received by agents from sales;**  
8 **power of director; reports.** The director, in the director's  
9 discretion, may require any or all lottery sales agents to  
10 deposit to the credit of the state lottery account in banks  
11 designated by the director of finance, all moneys received by  
12 those agents from the sale of lottery tickets or shares, less  
13 the amount, if any, retained as compensation for the sale of the  
14 tickets or shares, and to file with the director reports of  
15 their receipts and transactions in the sale of lottery tickets  
16 in a form and containing the information as the director may  
17 require. The director may make any arrangements for any person,  
18 including a bank, to perform any functions, activities, or  
19 services in connection with the operation of the lottery as the  
20 director may deem advisable pursuant to this chapter and the  
21 rules of the commission, and the functions, activities, or



1 services shall constitute lawful functions, activities, and  
2 services of that person.

3       §    -20   **Other law inapplicable to sale of tickets or**  
4 **shares.** No other law providing any penalty for the sale of  
5 lottery tickets or shares or any acts done in connection with a  
6 lottery shall apply to the sale of tickets or shares performed  
7 pursuant to this chapter.

8       §    -21   **Payment of prizes to minor.** If the person  
9 entitled to a prize is under the age of eighteen and the prize  
10 is less than \$5,000, the director may direct payment of the  
11 prize by delivery to an adult member of the minor's family or a  
12 guardian of the minor of a check or draft payable to the order  
13 of the minor. However, if the prize is \$5,000 or more, the  
14 director may direct payment to the minor by depositing the  
15 amount of the prize in any bank to the credit of an adult member  
16 of the minor's family or a guardian of the minor as custodian  
17 for the minor. The commission and the director shall be  
18 discharged of all further liability upon payment of a prize to a  
19 minor pursuant to this section.

20       §    -22   **State lottery account created.** There is hereby  
21 created and established a separate account outside the state  
22 treasury, to be known as the state lottery account. The account



1 shall be managed, maintained, and controlled by the commission  
2 and shall consist of all revenues received from the sale of  
3 lottery tickets or shares, and all other moneys credited or  
4 transferred thereto from any other fund or source pursuant to  
5 law. No appropriation shall be required to permit expenditures  
6 and payment of obligations from the account.

7       §    -23   **Use of moneys in state lottery account limited.**

8 The moneys in the state lottery account shall be used only:

- 9       (1) For the payment of prizes to the holders of winning  
10           lottery tickets or shares;
- 11       (2) For purposes of making deposits into the lottery  
12           administrative account created under section     -26;
- 13       (3) For purposes of making deposits into the education  
14           construction fund and student achievement fund created  
15           in section 302A-     . For the transition period from  
16           July 1, 2009, until and including June 30, 2010, fifty  
17           per cent of the moneys not otherwise obligated under  
18           this section shall be deposited into the student  
19           achievement fund and fifty per cent shall be deposited  
20           into the education construction fund. On and after  
21           July 1, 2010, until June 30, 2012, seventy-five per  
22           cent of the moneys not otherwise obligated shall be





1 deposited into the student achievement fund and  
2 twenty-five per cent shall be deposited into the  
3 education construction fund. On and after July 1,  
4 2012, all moneys not otherwise obligated under this  
5 section shall be placed in the education construction  
6 fund;

7 (4) For the purchase and promotion of lottery games and  
8 game-related services; and

9 (5) For the payment of agent compensation.

10 § -24 **Methods for payment of prizes by installments.** If  
11 the director decides to pay any portion of or all of the prizes  
12 in the form of installments over a period of years, the director  
13 shall provide for the payment of all the installments for any  
14 specific lottery game by one, but not both, of the following  
15 methods:

16 (1) The director may enter into contracts with any  
17 financially responsible person or firm providing for  
18 the payment of the installments; or

19 (2) The director may establish and maintain a reserve  
20 account into which shall be placed sufficient moneys  
21 for the director to pay the installments as they  
22 become due. The reserve account shall be maintained



1 as a separate and independent fund outside the state  
2 treasury.

3 § -25 Debts owed to state agency or counties; debt  
4 information to lottery commission; prize set off against debts.

5 (a) Any state agency or county that maintains records of debts  
6 owed to the State or the county, or that the State is authorized  
7 to enforce or collect, may submit debt information to the  
8 director in a format specified by the director. State agencies  
9 or counties submitting debt information shall provide updates on  
10 a regular basis at intervals not to exceed one month and shall  
11 be solely responsible for the accuracy of the information.

12 (b) The director shall include the debt information  
13 submitted by state agencies or counties in its validation and  
14 prize payment process. The director shall delay payment of a  
15 prize exceeding \$600 for a period not to exceed two working  
16 days, to any person owing a debt to a state agency or county  
17 pursuant to the information submitted in subsection (a). The  
18 lottery shall contact the state agency or county providing the  
19 debt information to verify the debt. The prize shall be paid to  
20 the claimant if the debt is not verified by the submitting state  
21 agency or county within two working days. If the debt is



1 verified, the prize shall be disbursed pursuant to subsection  
2 (c).

3 (c) Prior to disbursement, any lottery prize exceeding  
4 \$600 shall be set off against any debts owed by the prize winner  
5 to a state agency or county, or that the State is authorized to  
6 enforce or collect.

7 § -26 **Lottery administrative account created.** There is  
8 hereby created the lottery administrative account in the state  
9 treasury. The account shall be managed, controlled, and  
10 maintained by the director. The legislature may appropriate  
11 moneys from the account for the payment of costs incurred in the  
12 operation and administration of the lottery.

13 § -27 **Post-audits by state auditor.** The state auditor  
14 shall conduct an annual post-audit of all accounts and  
15 transactions of the lottery and any other special post-audits as  
16 the state auditor may be directed to conduct.

17 § -28 **Investigations by attorney general authorized.**  
18 The attorney general may investigate violations of this chapter  
19 and of the criminal laws within this State by the commission,  
20 the director, or the director's employees, licensees, or agents.



1           §   -29   **Management review by director of finance.**   The  
2 director of finance may conduct a management review of the  
3 commission's lottery operations to assure that:

- 4           (1)   The manner and time of payment of prizes to the holder  
5                of winning tickets or shares is consistent with this  
6                chapter and the rules adopted under this chapter;
- 7           (2)   The apportionment of total revenues accruing from the  
8                sale of lottery tickets or shares and from all other  
9                sources is consistent with this chapter;
- 10          (3)   The manner and type of lottery being conducted and  
11                incidental expenses are the most efficient and cost-  
12                effective; and
- 13          (4)   The commission is not unnecessarily incurring  
14                operating and administrative costs.

15           In conducting a management review, the director of finance  
16 may inspect the books, documents, and records of the commission.  
17 Upon completion of a management review, all irregularities shall  
18 be reported to the attorney general, the legislature, and the  
19 state auditor. The director of finance shall make any  
20 recommendations that may be necessary for the most efficient and  
21 cost-effective operation of the lottery.



1           §    **-30 Verification by certified public accountant.** The  
2 director of finance shall select a certified public accountant  
3 to verify that:

4           (1) The manner of selecting the winning tickets or shares  
5               is consistent with this chapter; and

6           (2) The manner and time of payment of prizes to the holder  
7               of winning tickets or shares is consistent with this  
8               chapter. The cost of these services shall be paid  
9               from moneys placed within the lottery administrative  
10              account.

11          §    **-31 Enforcement powers of director.** The director, the  
12 deputy director, assistant directors, and each of the director's  
13 investigators, enforcement officers, and inspectors shall have  
14 the power, including the power to apply for and execute all  
15 warrants and service of process issued by the courts and to  
16 arrest, without a warrant, any person or persons found in  
17 violation of any of the criminal provisions of this chapter, to  
18 enforce this chapter and the criminal laws of this State  
19 relating to the conduct of or participation in lottery  
20 activities and the manufacturing, importation, transportation,  
21 distribution, possession, and sale of equipment or paraphernalia  
22 used or for use in connection with the lottery. To the extent



1 set forth in this section, the director shall have the power to  
2 investigate violations of and to enforce the provisions of this  
3 chapter and to obtain information from and provide information  
4 to all other law enforcement agencies.

5 § -32 **Construction.** This chapter shall be liberally  
6 construed to carry out the purposes and policies of this  
7 chapter."

8 SECTION 2. Chapter 302A, Hawaii Revised Statutes, is  
9 amended by adding a new section to be appropriately designated  
10 and to read as follows:

11 "§302A- Education construction fund; student achievement  
12 fund. (a) The education construction fund is created within  
13 the state treasury to be administered by the department. The  
14 fund may receive deposits from the state lottery account created  
15 under section -22. Moneys may be appropriated from the  
16 education construction fund:

17 (1) Exclusively for school construction; and  
18 (2) For any other purpose only if approved by a two-thirds  
19 vote of each house of the legislature.

20 (b) The student achievement fund is created within the  
21 state treasury to be administered by the department. The fund  
22 may receive deposits from the state lottery account created



1 under section -22. Moneys from the student achievement fund  
2 shall be appropriated strictly for distribution to school  
3 complexes and shall be allocated on an equal per full-time  
4 equivalent student basis to each school complex to support the  
5 department's student performance standards pursuant to section  
6 302A-201."

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

9 "(4) "Gambling". A person engages in gambling if [~~he~~] the  
10 person stakes or risks something of value upon the outcome of a  
11 contest of chance or a future contingent event not under [~~his~~]  
12 the person's control or influence, upon an agreement or  
13 understanding that [~~he~~] the person or someone else will receive  
14 something of value in the event of a certain outcome. Gambling  
15 does not include [~~bona~~]:

16 (a) Bona fide business transactions valid under the law of  
17 contracts, including but not limited to contracts for  
18 the purchase or sale at a future date of securities or  
19 commodities, and [~~agreements~~];

20 (b) Agreements to compensate for loss caused by the  
21 happening of chance, including but not limited to



1 contracts of indemnity or guaranty and life, health,  
2 or accident insurance[-]; or

3 (c) The state lottery as established by chapter ."

4 SECTION 4. If any provision of this Act, or the  
5 application thereof to any person or circumstance is held  
6 invalid, the invalidity does not affect other provisions or  
7 applications of the Act, which can be given effect without the  
8 invalid provision or application, and to this end the provisions  
9 of this Act are severable.

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

12 SECTION 6. This Act shall take effect upon its approval.

13

INTRODUCED BY: Calvin H. Day

BY REQUEST

JAN 18 2008





**Report Title:**

Lottery; Education Construction Fund; Student Achievement Fund

**Description:**

Creates state lottery and state lottery commission. Deposits certain amounts of revenues into the education construction fund and student achievement fund for certain periods of time. Creates the 2 funds to be administered by the department of education.

