
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, that
10 has operated for charitable purposes in this State for at least
11 two years before submitting a license application under this
12 chapter.

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

15 "Executive director" means the executive director of the
16 Hawaii state 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 of the commission may be from
4 the same political party. The commission members shall annually
5 elect one of the members to serve as chairperson of the
6 commission.

7 (b) The commission shall comprise the following members:

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

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

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

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

19 (c) The members of the commission shall serve without
20 compensation but shall be reimbursed for expenses, including
21 travel expenses, necessary for the performance of 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, 2019, the executive director shall
11 be paid a salary set at eighty-seven per cent of the salary of
12 the director of human resources development. The executive
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 executive director shall devote the executive
19 director's entire time and attention to the administration of
20 the state lottery and shall not be engaged in any other
21 profession or occupation.



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

4 § -4 Commission; executive director; powers and duties.

5 (a) The commission shall meet with the executive director not
6 less than once each quarter to make recommendations and set
7 policy, receive reports from the executive director, and
8 transact other business properly brought 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 executive director to adopt rules in
13 accordance with chapter 91. Rules adopted by the executive
14 director may include provisions relating to:

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
21 on the results of a dog race or a horse race;



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



- 1 prize, as appropriate, in a given game shall be
2 printed on each ticket or share;
- 3 (5) The licensing of agents to sell tickets or shares;
4 provided that no person who is under eighteen years of
5 age shall be licensed as an agent;
- 6 (6) The manner and amount of compensation to be paid
7 licensed sales agents necessary to provide for the
8 adequate availability of tickets or shares to
9 prospective buyers and for the convenience of the
10 public, including provision for variable compensation
11 based on sales volume; and
- 12 (7) Matters necessary or desirable for the efficient and
13 economical operation and administration of the lottery
14 and for the convenience of the purchasers of tickets
15 or shares and the holders of winning tickets or
16 shares.
- 17 (c) The commission shall authorize the executive director
18 to issue orders and shall approve orders issued by the executive
19 director for the necessary operation of the lottery. Orders
20 issued under this subsection may include provisions relating to:
- 21 (1) The prices of tickets or shares in lottery games;



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



1 requirements for the submission of evidence of
2 eligibility within a shorter period than that provided
3 for claims by section -21; and

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

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



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

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



1 accounting system. The moneys shall be derived from the
2 revenues of multistate lottery games.

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

13 (j) Except as provided in subsection (d), the commission
14 or executive director shall not establish or operate any online
15 or electronic keno game or any game played on the Internet.

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



1 The executive director shall require all licensed agents to
2 post a sign with the statement that help is available if a
3 person has a problem with gambling and the toll-free telephone
4 number at the point of sale as prescribed and supplied by the
5 executive director.

6 § -5 Disposition of revenue. (a) Not more than
7 eighteen and one-half per cent of the total annual revenues
8 accruing from the sale of lottery tickets or shares and from all
9 other sources, unless otherwise specified, and not more than
10 thirty-five per cent of the total annual revenues from the sale
11 of special instant ticket games authorized under section
12 -4(i) shall be deposited in the state lottery revolving fund
13 established by section -24 to be expended for:

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

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



- 1 (3) Incentive programs for lottery sales agents and
2 lottery employees;
- 3 (4) Payment of compensation to licensed sales agents
4 necessary to provide for the adequate availability of
5 lottery tickets or services to prospective buyers and
6 for the convenience of the public. Except as
7 otherwise provided in this subsection, compensation of
8 licensed sales agents shall be at least five and one-
9 half per cent but not more than eight per cent of the
10 price of each lottery ticket or share that a retail
11 sales agent sells in instant games and online games,
12 less the price of any lottery tickets or shares that
13 are voided;
- 14 (5) The payment of reasonable fees to redemption agents as
15 authorized by section -22;
- 16 (6) The purchase or lease of lottery equipment, lottery
17 tickets, and materials; and
- 18 (7) Compensation of a licensed sales agent who is
19 designated as a charitable organization shall be
20 twenty per cent of the price of each lottery ticket
21 from a special instant ticket game authorized under



1 section -4(i) and shall be an offset against the
2 sale of the lottery ticket.

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

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

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

16 **§ -6 Powers and duties of the executive director.** In
17 addition to any other powers and duties authorized in this
18 chapter, the executive director shall:

19 (1) Supervise and administer the operation of the lottery
20 in accordance with this chapter and the rules adopted
21 under this chapter, subject to the continuous duty to



- 1 take into account the particularly sensitive and
2 responsible nature of the commission's functions;
- 3 (2) Enforce this chapter and the rules adopted under this
4 chapter. The executive director shall receive
5 allegations of any violations of the laws of this
6 State or rules pertaining to the conduct of the
7 lottery;
- 8 (3) Pursuant to this chapter and the rules adopted by the
9 commission, license as agents to sell lottery tickets
10 persons that shall best serve the public convenience
11 and promote the sale of lottery tickets or shares;
- 12 (4) Hire professional, clerical, technical, and
13 administrative personnel as may be necessary to carry
14 out this chapter. The executive director shall
15 conduct background checks of prospective employees
16 and, in all employment decisions, shall take into
17 account the particularly sensitive and responsible
18 nature of the operation of the state lottery;
- 19 (5) Act as secretary and executive officer of the
20 commission;



- 1 (6) Confer regularly as necessary or desirable and not
2 less than once each quarter with the commission on the
3 operation and administration of the lottery;
- 4 (7) Make available for inspection by the commission, upon
5 request, all books, records, files, and other
6 information and documents of the commission;
- 7 (8) Advise the commission and recommend matters as are
8 necessary and advisable to improve the operation and
9 administration of the lottery;
- 10 (9) Suspend or revoke any license issued pursuant to this
11 chapter or the rules adopted pursuant to this chapter,
12 subject to appeal to the commission; and
- 13 (10) Within thirty days after receiving an allegation of a
14 violation of the laws of this State or rules
15 pertaining to the conduct of the lottery by a licensed
16 agent and evidence substantiating the allegation,
17 determine whether the agent has violated the rules and
18 if a criminal investigation is warranted.

19 § -7 **Monthly reports; annual reports.** (a) The
20 executive director shall submit a monthly report to the
21 commission, the governor, and the legislature. The monthly



1 report shall include the total lottery revenue, prize
2 disbursements, and other expenses for the preceding month.

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

10 § -8 Studies and investigations. (a) The executive
11 director shall conduct an ongoing study and investigation of the
12 lottery to:

- 13 (1) Ascertain any provisions in this chapter or in its
14 rules through which any abuses in the administration
15 and operation of the lottery or any evasion of this
16 chapter or its rules may arise or be practiced;
- 17 (2) Formulate recommendations for changes to this chapter;
- 18 (3) Guard against the use of this chapter and the rules as
19 a pretext for organized gambling and crime; and



1 (4) Ensure that this chapter and its rules are in a form
2 and are administered to serve the true purposes of
3 this chapter.

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

12 § -9 **Contracts; limitation; restrictions.** (a)

13 Notwithstanding any law to the contrary, the executive director
14 may:

15 (1) Directly solicit bids and contract for the design and
16 operation of the lottery or the purchase of lottery
17 equipment, lottery tickets, and related materials;

18 (2) Contract to effectuate the purposes of this chapter
19 and the rules adopted pursuant to this chapter; and



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

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

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



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

9 § -10 Security operations; powers; peace officer status.

10 (a) The commission shall maintain operations responsible for
11 security. The executive director shall appoint a security
12 officer to supervise the security operations of the commission.

13 (b) The security operations of the commission shall be
14 deemed a law enforcement agency and the supervising security
15 officer shall be designated a peace officer. The status as a
16 law enforcement agency or as a peace officer shall be for the
17 limited purpose of receiving investigative information from law
18 enforcement agencies pertaining to investigations of lottery
19 activities.

20 § -11 Department of the attorney general; investigation;

21 authority; payment. The department of the attorney general



1 shall order an investigation into any violation of a state law
2 that pertains to the conduct of the state lottery. The
3 executive director of the commission shall include in the
4 commission's overhead expenses and pay, upon certified invoice
5 submitted by the attorney general, any charges for actual
6 expenses as a result of investigations and related law
7 enforcement activities, or for any activity directly or
8 indirectly related to the lottery operation. The charges may
9 include costs for personnel, supplies, materials, equipment, and
10 travel within or out of the State.

11 § -12 Licenses to sell tickets or shares; fee;
12 conditions; definitions. (a) The executive director shall not
13 issue a license as a lottery sales agent to any person who
14 engages exclusively in the business of selling lottery tickets
15 or shares. Before issuing a license as a lottery sales agent to
16 any person, the executive director shall consider factors
17 including:

18 (1) The financial responsibility and security of the
19 person and the nature of the person's business
20 activity;



- 1 (2) The person's background and reputation in the
- 2 community;
- 3 (3) The accessibility of the person's place of business or
- 4 activity to the public;
- 5 (4) The accessibility of existing licensees to serve the
- 6 public convenience; and
- 7 (5) The volume of expected sales.
- 8 (b) A person lawfully engaged in nongovernmental business
- 9 on state property may be licensed as a lottery sales agent.
- 10 (c) The executive director may establish by rule and
- 11 collect a fee for a license issued pursuant to this section.
- 12 (d) No license shall be assignable or transferable.
- 13 (e) A licensed agent or licensed agent's employee may sell
- 14 lottery tickets or shares only on the premises stated in the
- 15 license of the agent.
- 16 (f) The executive director may purchase a blanket bond
- 17 covering the activities of licensed agents.
- 18 (g) A licensed agent shall display the licensed agent's
- 19 license or a copy of the license conspicuously in accordance
- 20 with the rules adopted by the executive director.



1 (h) If a licensed agent sells lottery tickets or shares on
2 leased premises and all or part of the agent's rental payments
3 are based on the total volume of sales made at the premises, the
4 compensation paid by the commission to the agent for the sale of
5 lottery tickets and shares shall be the amount of the sale for
6 the purposes of determining the agent's rental payments. This
7 subsection shall not apply if the lease agreement expressly
8 provides that the total volume of sales made at the premises
9 includes sales of lottery tickets or shares.

10 (i) The commission shall adopt rules to establish
11 penalties for a licensed agent who violates section -16 or
12 -17; provided that the penalties for a subsequent violation
13 within any twelve-month period shall be more severe than the
14 penalty for a prior violation.

15 (j) The executive director shall not require a licensed
16 agent, as a condition of securing or continuing to hold a
17 license, to sell lottery tickets or shares to the public or to
18 sell lottery tickets or shares through or by the use of a self-
19 service vending machine at the licensed agent's premises.

20 (k) For the purposes of this section, acts or omissions of
21 an employee at the premises of a licensed agent or sales of



1 tickets or shares by vending machine in violation of section
2 -16 or -17 shall be deemed acts or omissions of the
3 licensed agent only at the premises where the acts, omissions,
4 or sales occurred.

5 § -13 **Prosecution; payment of costs.** (a) The attorney
6 general and the prosecuting attorneys of the affected counties
7 shall have concurrent jurisdiction over any offenses arising out
8 of or in connection with the formation, management, operation,
9 or conduct of the state lottery.

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

18 (c) As used in this section, "prosecution costs" may
19 include but are not limited to costs for personnel, expenses,
20 fees, and other costs necessary in the preparation and



1 prosecution of a person charged with a violation of this
2 chapter.

3 § -14 Right to prize not assignable; exceptions. (a)

4 The right of any person to a prize shall not be assignable;
5 provided that:

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

8 (A) The estate of a deceased prize winner;

9 (B) The beneficiary of a deceased prize winner; or

10 (C) A person pursuant to an appropriate judicial
11 order;

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

14 (3) If a voluntary assignment occurs, the remainder of any
15 annuity, or a portion of the remainder of the annuity,
16 may be assigned by a prize winner pursuant to an
17 appropriate judicial order if all of the following
18 conditions are met:

19 (A) The prize winner provides an affidavit to the
20 court to the effect that the affiant is of sound
21 mind, not acting under duress, and has received



1 independent financial and tax advice concerning
2 the assignment;

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

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

14 -24.

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

18 (c) The commission and executive director shall be
19 discharged of all further liability upon payment of a prize
20 pursuant to this section.



1 § -15 Sale at unauthorized price or by unauthorized
2 persons; violation; classification. (a) No person shall sell a
3 ticket or share at a price greater than that fixed by rule. No
4 person other than a licensed lottery sales agent or any employee
5 of a licensed lottery sales agent acting within the scope of the
6 employee's employment shall sell lottery tickets or shares.
7 This section shall not prohibit a person from giving lottery
8 tickets or shares to another person as a gift; provided that the
9 person receiving the lottery tickets meets the eligibility
10 requirements of section -23.

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

13 § -16 Sale of tickets or shares to underage persons;
14 violation; classification. (a) No person shall sell or offer
15 to sell a lottery ticket or share to any person who is under the
16 age of twenty-one.

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

19 § -17 Sale to persons using public assistance vouchers
20 or state-issued electronic benefits transfer cards; violation;
21 classification. (a) No licensed lottery sales agent shall sell



1 a lottery ticket or share to a person who uses either a public
2 assistance voucher issued by any public entity or an electronic
3 benefits transfer card issued by the department of human
4 services to purchase the lottery ticket or share.

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

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

11 **§ -18 Purchase of lottery tickets or shares persons**
12 **under twenty-one years of age; penalty.** (a) No person under
13 twenty-one years of age shall purchase a lottery ticket or
14 share.

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

17 **§ -19 Alteration of lottery tickets; violation;**
18 **classification.** Any person who, with intent to defraud, falsely
19 makes, alters, forges, passes, or counterfeits a state lottery
20 ticket or share shall be guilty of a class C felony.



1 § -20 Purchase of tickets and receipt of prizes by
2 certain persons prohibited. (a) A lottery ticket or share
3 shall not be purchased by and a prize shall not be paid to an
4 officer or employee of the commission or to any spouse, child,
5 brother, sister, or parent residing as a member of the same
6 household in the principal place of residence of the officer or
7 employee.

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

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

18 (2) A spouse, child, brother, sister, or parent residing
19 as a member of the same household in the principal
20 place of residence of a person described in paragraph

21 (1); or



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

3 § -21 **Disposition of unclaimed prize money.** Unclaimed
4 prize money for the prize on a winning lottery ticket or share
5 shall be retained for the person entitled to the prize for one
6 hundred eighty days after the drawing in which the prize was won
7 in the case of a drawing prize and for one hundred eighty days
8 after the announced end of the game in question in the case of a
9 prize determined in any manner other than by means of a drawing.
10 If a claim is not made for the money within the applicable
11 period, seventy per cent of the prize money shall be held in the
12 state lottery prize revolving fund for use as additional prizes
13 in future games and thirty per cent shall be transferred to the
14 education special fund established by section 302A- .

15 § -22 **Lottery redemption agents.** The executive director
16 may retain redemption agents to perform functions, activities,
17 or services in connection with the operation of the lottery,
18 including direct payment of prizes not exceeding \$5,000, as the
19 executive director deems advisable pursuant to this chapter and
20 the rules adopted under this chapter. The executive director
21 may make arrangements for payment of reasonable fees for those



1 services. Notwithstanding any other law to the contrary, those
2 functions, activities, or services shall constitute lawful
3 functions, activities, and services of financial institutions
4 licensed under chapter 412.

5 § -23 Award of prize to certain persons prohibited. No
6 prize may be paid on any winning ticket or share to any person
7 who is under the age of twenty-one.

8 § -24 State lottery revolving fund. There is
9 established in the state treasury the state lottery revolving
10 fund consisting of all revenues received from the sale of
11 lottery tickets or shares, the fees, if any, charged pursuant to
12 section -12 and all other moneys credited or transferred from
13 any other fund or source pursuant to statute, with the exception
14 of those moneys set aside for payment of prizes and deposited as
15 provided in section -26.

16 § -25 Use of moneys in state lottery revolving fund.

17 (a) The moneys in the state lottery revolving fund shall be
18 expended by the commission for the expenses of the commission
19 incurred in carrying out its powers and duties and in the
20 operation of the lottery.



1 (b) Moneys remaining in the state lottery revolving fund
2 each fiscal year after the expenditures made pursuant to
3 subsection (a) shall go to the education special fund
4 established in section 302A- .

5 § -26 State lottery prize revolving fund; setoff for
6 state debts; notification to department of human services. (a)

7 There is established in the state treasury the state lottery
8 prize revolving fund. That portion of the gross proceeds that
9 is set aside pursuant to section -5(b) shall be deposited,
10 pursuant to chapter 38, to the credit of the state lottery prize
11 revolving fund as the commission receives those proceeds and
12 shall be available by the commission for payment of prizes to
13 the holders of winning lottery tickets or shares or for the
14 purposes provided for in section -21. Procedures for
15 payments to winners from this revolving fund shall be
16 established by rule or order of the executive director.
17 Notwithstanding any other law to the contrary, transfers or
18 payments to or from the state lottery prize revolving fund, and
19 deposits into the state lottery prize revolving fund, are not
20 subject to appropriation by the legislature.



1 (b) Payments to winners that are payable by the commission
2 or lottery redemption agents pursuant to this section in an
3 amount of \$600 or more shall be subject to setoff under section
4 -28.

5 (c) The commission shall provide the department of human
6 services with the names and the social security numbers of
7 persons who are paid lottery prizes or winnings in an amount of
8 \$600 or more pursuant to this section for purposes described
9 under section 346- . The department of human services shall
10 reimburse the commission for the cost of providing the
11 information.

12 § -27 **Audit of accounts.** The certified public
13 accountant hired to perform the annual audit under section
14 -5(a)(2) shall conduct postaudits of all accounts and
15 transactions of the commission for each lottery game. The
16 certified public accountant conducting an audit under this
17 chapter shall have access and authority to examine any and all
18 records of the commission, its lottery redemption agents, and
19 its licensed lottery sales agents.

20 § -28 **Prizes; setoff for debts to state agencies;**
21 **definitions.** (a) The commission shall establish a liability



1 setoff program by which state lottery prize payments pursuant to
2 section -26 may be used to satisfy debts that a person owes
3 the State. The program shall comply with the standards and
4 requirements described in this section.

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

14 (c) The commission shall match the information submitted
15 by the agency with persons who are entitled to a state lottery
16 prize payment in an amount of \$600 or more. If there is a
17 match, the commission shall set off the amount of the debt from
18 the prize due and notify the person of the person's right to
19 appeal to the appropriate court, or to request a review by the
20 agency pursuant to agency rule. The person shall make the
21 request or appeal within thirty days after the setoff. If the



1 setoff accounts for only a portion of the prize due, the
2 remainder of the prize shall be paid to the person. The
3 commission shall promptly transfer the setoff, less the amount
4 of the commission's fee, to the agency.

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

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

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



1 (g) A setoff to the child support enforcement agency for
2 overdue support shall have priority over all other setoffs. If
3 more than one agency has one or more delinquent accounts for the
4 same person, the refund may be apportioned among them according
5 to rules adopted by the executive director.

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

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

13 (j) As used in this section, the following terms are
14 defined:

15 "Agency" means a department, agency, board, commission, or
16 institution of this State. "Agency" also means a corporation
17 under contract with this State that provides a service that
18 would otherwise be provided by a department, agency, board,
19 commission, or institution of this State if:

20 (1) The contract specifically authorizes participation in
21 the liability setoff program;



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

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

6 "Debt" means an amount of over \$100 owed to an agency by a
7 person and may include interest, penalties, charges, costs,
8 fees, or any other amount. "Debt" also includes moneys owed by
9 a person for overdue support and referred to the child support
10 enforcement agency for collection.

11 "Overdue support" means a delinquency in court-ordered
12 payments for support or maintenance of a child or for spousal
13 maintenance to the parent with whom the child is living if child
14 support is also being enforced pursuant to an assignment or
15 application filed under title 42 United States Code section
16 654(6)."

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

20 "§302A- Education special fund. There is established an
21 education special fund within the state treasury to be



1 administered by the superintendent into which shall be deposited
2 funds pursuant to sections -21 and -25. Moneys may be
3 appropriated from the education special fund to support public
4 education."

5 SECTION 3. Chapter 346, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follow:

8 "§346- Eligibility of lottery prize winner to receive
9 assistance; determination. On receipt of the information
10 provided by the Hawaii state lottery commission pursuant to
11 section -26(c), the director shall determine if the person is
12 receiving assistance from any financial assistance program
13 administered by the department of human services. If the person
14 is receiving assistance, the director shall promptly evaluate
15 the eligibility of that person to receive the assistance."

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

19 "Gambling". A person engages in gambling if [he] the
20 person stakes or risks something of value upon the outcome of a
21 contest of chance or a future contingent event not under [his]



1 the person's control or influence, upon an agreement or
2 understanding that [he] the person or someone else will receive
3 something of value in the event of a certain outcome. Gambling
4 does not include: lottery tickets and other items used in the
5 playing phases of lottery schemes overseen by the Hawaii state
6 lottery commission; bona fide business transactions valid under
7 the law of contracts, including [~~but not limited to~~] contracts
8 for the purchase or sale at a future date of securities or
9 commodities[~~7~~]; and agreements to compensate for loss caused by
10 the happening of chance, including [~~but not limited to~~]
11 contracts of indemnity or guaranty and life, health, or accident
12 insurance."

13 SECTION 5. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$ or so much
15 thereof as may be necessary for fiscal year 2019-2020 and the
16 same sum or so much thereof as may be necessary for fiscal year
17 2020-2021 for the operations of the Hawaii state lottery
18 commission.

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



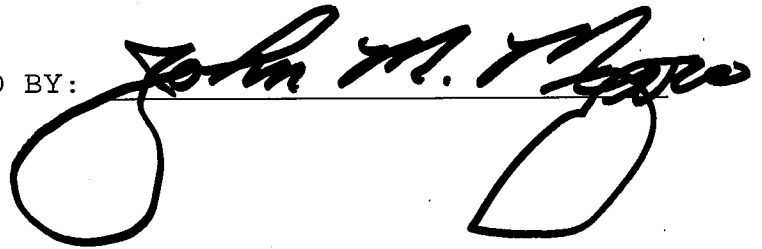
H.B. NO. 936

1 SECTION 6. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect upon its approval;
4 provided that section 5 shall take effect on July 1, 2019.

5

INTRODUCED BY:

A handwritten signature in black ink, appearing to read "John M. Flinn", is written over a horizontal line. The signature is stylized and cursive.

JAN 22 2019



H.B. NO. 936

Report Title:

State Lottery; Public Education

Description:

Establishes the Hawaii State Lottery Commission to implement a lottery, the proceeds of which shall be used to support public education. Appropriates funds for the operations of the Lottery Commission.

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

