A BILL FOR AN ACT

RELATING TO GENERATION OF STATE REVENUES.

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

PART I

SECTION 1. The legislature finds that Hawaii is facing a potential budget shortfall of more than $2,000,000,000 due to the coronavirus disease 2019 (COVID-19) pandemic. The tourism industry, which typically reports ten million visitors per year and is the largest employer in the State, brings in a substantial portion of tax revenue. A sharp decline in arriving tourists has put fiscal pressure on the State, due to falling revenue and a rapid increase in unemployment claims. Even prior to the COVID-19 pandemic, certain state programs like education have been in dire need of funding and replenishing critical financial support from the general fund has become a tremendous challenge for the State. Therefore, additional sources of income for the State are required.

The purpose of this Act is to:

(1) Establish a Hawaii state lottery division within the department of budget and finance to oversee
participation by Hawaii in the Powerball and Mega
Millions multistate lottery games and to allocate
income from those games to the general fund;
(2) Establish the Hawaii gaming corporation for the
purpose of conducting gambling in Hawaii; and
(3) Allocate proceeds to capital improvements at public
schools and the University of Hawaii system;
scholarships and educational loan repayments for
medical students who practice in Hawaii for ten years;
support for the family practice rural residency
program; watershed protection; and reduction and
prevention of problem gambling.

PART II

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

"CHAPTER
HAWAII STATE LOTTERY DIVISION
§ -1 Definitions. As used in this chapter, unless the
context clearly requires otherwise:
"Director" means the executive director of the state lottery division.

"Division" or "state lottery division" means the Hawaii state lottery division established by this chapter and placed within the department of budget and finance.

"Lottery" or "state lottery" means the lottery authorized and operated pursuant to this chapter, which is limited to the Powerball and Mega Millions games.

§ -2 Hawaii state lottery division created; executive director; appointment. (a) There is established within the department of budget and finance a Hawaii state lottery division. The division shall operate a lottery that shall be limited to the Powerball and Mega Millions multistate lottery games.

(b) The governor shall appoint, with the advice and consent of the senate, an executive director of the division who shall be a person qualified by training and experience to administer the state lottery. The executive director shall:

(1) Serve a term concurrent with that of the governor; and
(2) At the discretion of the governor, undergo a performance review every two years, which shall be provided to the legislature.

(c) Effective July 1, 2021, the director 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 and federal employee benefits program generally applicable to officers and employees of the State, including those under chapter 87A.

(d) 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.

(e) The director may employ persons not subject to chapters 76 and 78 to perform and execute the duties imposed by this chapter.

(f) The director shall not have a pecuniary interest in any contract or agreement to which the division is a party.

§ -3 Division; director; powers and duties. (a) The director shall supervise and administer the operation of the
lottery in accordance with this chapter and the rules adopted under this chapter.

(b) The director shall adopt rules in accordance with chapter 91. Rules adopted by the director shall include provisions relating to the following:

(1) Participation in the Powerball and Mega Millions lottery games;

(2) The price of lottery tickets sold, if necessary, and the method to be used in selling lottery tickets;

provided that sales of lottery tickets on the Internet are prohibited;

(3) The type or types of locations at which lottery tickets may be sold;

(4) The licensing of agents to sell or distribute lottery tickets including but not limited to:

(A) Establishing a license application process;

(B) Establishing a license fee and license renewal fee structure;

(C) Prohibiting persons under the age of eighteen from obtaining a license and prohibiting any person who engages exclusively in the business of
selling lottery tickets from obtaining a license;

and

(D) A complaints review process, which may result in
the director denying, suspending, or revoking a
license, after notice and hearing, for cause.

(5) How license fees shall be collected for deposit into
the state lottery revolving fund created under
section -15;

(6) Ensuring that in each place authorized to sell lottery
tickets and in any advertising or promotion there
shall be conspicuously displayed an estimate of the
probability of winning;

(7) The manner and amount of compensation, if any, to be
paid to licensed sales agents necessary to provide for
the adequate availability of lottery tickets to
prospective buyers and for the convenience of the
public;

(8) The manner of payment of prizes to the holders of
winning lottery tickets; and
(9) Matters necessary or desirable for the efficient and economical operation and administration of the lottery and the division.

(c) Each quarter, the director shall certify to the director of finance a full and complete statement of lottery revenues, the value of prize disbursements, and expenses for the preceding quarter.

§ -4 Licenses non-transferable. No license issued by the director to sell or distribute lottery tickets shall be assignable or transferable.

§ -5 Lottery redemption agents. The director may retain lottery 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.

§ -6 Sale at unauthorized price or by unauthorized person; violation. (a) No person shall sell a lottery ticket at a price other 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. This section shall not prohibit a person from giving lottery tickets to another person as a gift.

(b) Persons who violate this section shall, for each ticket sold, pay a fine equal to the difference in the price charged for the lottery ticket and the price fixed by rule, to be deposited into the state lottery revolving fund established by section -15. The director may impose additional penalties pursuant to section (e).

(c) Any person who knowingly conducts any activity for which a license is required by this chapter or by rule, without the required license, shall pay a fine equal to five times the total of the profits resulting from the prohibited activity, which shall be deposited into the state lottery revolving fund, and shall be required to perform community service. The amount of community service shall not be less than ten hours or more than one hundred hours.

(d) Any person that unknowingly purchases a lottery ticket from an unlicensed vendor shall still be entitled to any prizes they may win.
(e) The director shall adopt rules to establish penalties for a licensed agent who violates the division's rules or this chapter; provided that the penalties for a subsequent violation within any twelve-month period shall be more severe than the penalty for a prior violation.

§ -7 Sale to persons using state-issued electronic benefits transfer cards; violation. (a) No licensed lottery sales agent shall sell a lottery ticket to a person using a public assistance voucher issued by any public entity or an electronic benefits transfer card issued by the department of human services to purchase a lottery ticket.

(b) No licensed lottery sales agent shall sell a lottery ticket 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.

§ -8 Prosecution; payment of costs. (a) The attorney general and the prosecuting attorney 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 division, all costs incurred by the attorney general or a prosecuting attorney as a result of prosecution of a person pursuant to subsection (a). 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 pursuant to subsection (a).

§ -9 Sales to minors prohibited; exception; penalties.

(a) A lottery ticket shall not be sold to any person under the age of eighteen; provided that this section shall not be deemed to prohibit the purchase of a ticket by a person eighteen years of age or older for the purpose of making a gift to a person younger than the age of eighteen.

(b) Any licensed lottery sales agent who knowingly sells or offers to sell a lottery ticket to any person under the age of eighteen shall forfeit their license to sell or distribute lottery tickets for a period of one year.
§ -10 Payment of prizes to minor. If the person entitled to a prize is under the age of eighteen and the prize is less than $1,000, the director may pay the prize to an adult member of the minor's family or a guardian of the minor by a check or draft payable to the order of the minor. If the prize is $1,000 or more, the director shall pay the minor by depositing the amount of the prize in any bank to the credit of an adult member of the minor's family or a guardian of the minor as a custodian for the minor. The director shall be discharged of all further liability upon payment of a prize to a minor pursuant to this section.

§ -11 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 $1,000 or more shall be subject to setoff pursuant to section -17; 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 prize winner pays the assignee 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 be determined by the director, to the division to defray the expenses incurred by the division in processing the assignment. Moneys collected by
the division pursuant to this subparagraph shall be deposited in the state lottery revolving fund established by section -15.

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

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

§ -12 Disposition of revenue. (a) All annual revenues accruing from the sale of lottery tickets or shares and from all other sources, unless otherwise specified, shall be deposited in the state lottery revolving fund established by section -15 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 division 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 -19;
(3) Payment of compensation to licensed lottery sales agents necessary to provide for the adequate availability of lottery tickets or services to prospective buyers and for the convenience of the public;

(4) The payment of reasonable fees to lottery redemption agents as authorized by section -5; and

(5) The purchase or lease of lottery equipment, lottery tickets, and materials.

(b) Funds necessary to participate in the Powerball and Mega Millions lottery games shall be deposited in the state lottery prize revolving fund established by section -17 for payment of prizes to the holders of winning lottery tickets or for the purposes provided for in section -13.

(c) All other revenues accruing from the sale of lottery tickets shall be deposited in the state lottery revolving fund established by section -15 to be used as specified by section -16.

(d) Revenues expended under subsection (a) shall be subject to legislative appropriation.
§ -13 Disposition of unclaimed prize money. Unclaimed prize money for the prize on a winning lottery ticket shall be retained for the person entitled to the prize for one hundred eighty days after the drawing in which the prize was won. If a claim is not made for the money within the applicable period, the money shall be deposited in the state lottery revolving fund established by section -15.

§ -14 Deposit of moneys received by agents from sales; power of director; reports. The director, in the director's discretion, may require any or all licensed lottery sales agents to deposit to the credit of the state lottery revolving fund established by section -15 in banks designated by the director of finance, all moneys received by those agents from the sale of lottery tickets, less the amount, if any, retained as compensation for the sale of the lottery tickets, and to file with the director reports of their receipts and transactions in the sale of lottery tickets in a form and containing the information as the director may require. The director may make any arrangements for any person, including a bank, to perform any functions, activities, or services in connection with the
operation of the lottery as the director may deem advisable
pursuant to this chapter and the rules of the division.

§ -15 State lottery revolving fund. There is
established in the state treasury the state lottery revolving
fund consisting of all revenues received from the sale of
lottery tickets, fees, or penalties, if any, charged pursuant to
this chapter 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 -17.

§ -16 Use of moneys in state lottery revolving fund;
report. (a) The moneys in the state lottery revolving fund
shall be expended by the director for the expenses of the
division incurred in carrying out its powers and duties and in
the operation of the lottery.

(b) Any unexpended moneys remaining in the state lottery
revolving fund shall be deposited into the general fund.

§ -17 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 of
lottery ticket sales set aside for prizes as necessary for participation in Mega Millions and Powerball lottery games shall be deposited, pursuant to chapter 38, to the credit of the state lottery prize revolving fund as the division receives those proceeds and shall be available to the director for payment of prizes to the holders of winning lottery tickets or for the purposes provided in section -13. Procedures for payments to winners from the revolving fund shall be established by rule. Notwithstanding any rule to the contrary, transfers or payment to or from the state lottery prize revolving fund, and deposits into the state lottery prize revolving fund, shall not be subject to appropriation by the legislature.

(b) Payments to winners that are payable by the director or lottery redemption agents pursuant to this section in an amount of $1,000 or more shall be subject to setoff under section -18.

(c) The department of human services shall reimburse the division for the cost of providing any information the department of budget and finance requests.

§ -18 Prizes; setoff for debts to state agencies; definitions. (a) The director shall establish a liability
setoff program by which state lottery prize payments pursuant to section -17 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 director, 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 a form prescribed by the director. Each agency shall certify the information and update the information monthly. No information shall be transmitted by the department of taxation to the director if the transmission would violate section 231-1.5.

(c) The director shall match the information submitted by the agency with persons who are entitled to a state lottery prize payment in an amount of $1,000 or more. If there is a match, the director 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 director shall promptly transfer the setoff, less the amount of the division'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 the 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, or by final administrative decision, and shall state with specificity why the person claims the obligation does not exist or why the amount of the obligation is incorrect.

(f) The director may prescribe a fee to be collected from each agency utilizing 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, and the prize is insufficient to satisfy the debt owed to each agency or for each account, the director shall apportion the prize equally among them; provided that a setoff to the department of human services for overdue support shall have 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, unless the context otherwise requires:

"Agency" means a department, agency, board, commission, or institution of the State. "Agency" includes an entity under contract with the State that provides a service that would otherwise be provided by a department, agency, board, commission, or institution of the State if:
(1) The contract specifically authorizes participation in the liability setoff program;

(2) The department of the attorney general has reviewed the contract and approves of the authorization; and

(3) The participation in the liability setoff program is limited to debts related to the services the entity provides for or on behalf of the 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" 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).

§ -19 Audit of accounts. The certified public accountant hired to perform the annual audit under section -12(a)(2) shall conduct postaudits of all accounts.
and transactions of the division for twelve lottery games per
year. The certified public accountant conducting an audit under
this chapter shall have access and authority to examine any and
all records of the division, its lottery redemption agents, and
its licensed lottery sales agents.

§ -20 Lottery commencement. A lottery shall be
commenced no later than July 1, 2021."

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 stakes or
risks something of value upon the outcome of a contest of chance
or a future contingent event not under his control or influence,
upon an agreement or understanding that he 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 playing the Powerball or Mega Millions lottery schemes as
overseen by the Hawaii state lottery division pursuant to
chapter_____; 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\r\nand agreements to compensate for loss caused by
the happening of chance, including but not limited to contracts
of indemnity or guaranty and life, health, or accident
insurance."

PART III

SECTION 4. The Hawaii Revised Statutes is amended by
adding a new chapter to be appropriately designated and to read
as follows:

"CHAPTER

HAWAII GAMING CORPORATION

§  -1 Definitions. As used in this chapter, the term:
"Board" means the board of directors of the corporation.
"Chief executive officer" means the chief executive officer
of the corporation.
"Community betterment purposes" means:
(1) Funding public education related to technology;
(2) Assisting teachers, principals, vice-principals, and
other staff in the public school system with their
professional development; and
(3) Addressing heat abatement issues in the public school
system.
"Corporation" means the Hawaii gaming corporation.

"Lottery", "lottery game", or "lottery games" means any game of chance approved by the board and operated pursuant to this chapter, including but not limited to interactive instant win games and draw games. "Lottery" does not include playing the Powerball or Mega Millions lottery schemes as overseen by the Hawaii state lottery division pursuant to chapter .

"Major procurement contract" means any product or service contract for an amount in excess of $75,000.

"Member" or "members" means a director or directors of the board.

"Net proceeds" means all revenue derived from the operations of the corporation, less operating expenses.

"Operating expenses" means all costs of doing business, including but not limited to prizes, bonuses, advertising and marketing costs, costs related to the gaming provider, personnel costs, capital costs, funds for problem gambling education and treatment, and other operating costs.

"Person" means any individual, corporation, partnership, unincorporated association, or other legal entity.
"Vendor" means a person who provides or proposes to provide goods or services to the corporation pursuant to a major procurement contract, but does not include an employee of the corporation, or an agency or instrumentality of the State.

§ -2 Hawaii gaming corporation established. There is established a body corporate and politic to be known as the Hawaii gaming corporation, which shall be deemed to be an instrumentality of the State but shall not be deemed a state agency. The corporation shall be a public corporation registered with the director of commerce and consumer affairs and shall be subject to the corporate laws of the State. Venue for the corporation shall be the first circuit.

§ -3 Purpose and authority of corporation. (a) The purpose of the corporation shall be to conduct and regulate wagering and gaming for the benefit of the State and for community betterment purposes, with the assistance of a private gaming provider, pursuant to this chapter and rules adopted hereunder.

(b) The corporation may:

(1) Offer wagering on games of chance and games of skill, including lottery, poker, and casino games, to
individuals over the age of eighteen years; provided that the corporation shall not offer wagering on any sporting event or sporting contest;

(2) Enter into agreements with other state gaming entities for the offering of multistate games, consistent with state and federal law;

(3) Utilize the broad reach of its gaming platform to offer legally compliant free-play games and sweepstakes with Hawaii related prizes to individuals outside of Hawaii, for the purpose of attracting tourists and providing free exposure for Hawaii and Hawaii businesses to domestic and overseas markets;

(4) Conduct no more than two gaming entertainment events annually, related to the corporation's other game offerings, for the purpose of attracting tourists to Hawaii; provided that the corporation shall not have the authority to conduct any other form of event-based gambling; and

(5) Engage in other activities consistent with the purpose of this chapter and rules adopted hereunder, and with state, federal, and international laws.
§ 4 Board of directors; membership; reimbursement for expenses; conflict of interests; quorum. (a) The corporation shall be governed by a board of directors composed of seven members. Three members shall be appointed by the governor, two shall be appointed by the president of the senate, and two shall be appointed by the speaker of the house of representatives.

(b) Members shall be prominent persons in their business or profession and shall not have been convicted of any felony offense. The board shall include individuals with knowledge and expertise in lottery and gaming, marketing and entertainment, technology, accounting, law, and operation of a business enterprise.

(c) Members shall serve for terms of five years; provided that of the initial members appointed, three shall be appointed for a term of two years, two shall be appointed for a term of four years, and two shall be appointed for a term of five years. Any vacancy occurring on the board shall be filled by the governor by appointment for the unexpired term.

(d) Members shall not have any interest in an undertaking that puts their personal interest in conflict with that of the
corporation, including but not limited to an interest in a major procurement contract or a participating vendor.

(e) The board may delegate to any one or more of its members, to the chief executive officer, or to any agent or employee of the corporation any powers and duties as it may deem proper.

(f) A majority of members shall constitute a quorum for the transaction of any business and for the exercise of any power or function of the corporation.

(g) Action may be taken and motions and resolutions adopted by the board at any meeting thereof by the affirmative vote of a majority of present and voting members.

(h) No vacancy in the membership of the board shall impair the right of the members to exercise all the powers and perform all the duties of the board.

(i) The members shall be compensated in the amount of $ per year and shall be reimbursed for expenses, including travel expenses, necessary for the performance of their duties.
§ 5 Board of directors; powers and duties. In addition to any other powers and duties authorized by law, the board shall:

(1) Select a gaming provider, pursuant to the requirements of this chapter;

(2) Adopt regulations, policies, and procedures relating to the conduct of games and the gaming provider, including but not limited to rules governing:

(A) Type of games to be conducted;
(B) Price points for games and percentage of rake;
(C) Forms of payment accepted and prohibited;
(D) Number and amount of prizes;
(E) Method of selecting winners and validating winnings;
(F) Manner and time of payment of prizes;
(G) Frequency of games, and drawings or selection of winning tickets or shares;
(H) Means of conducting drawings for lottery games;
(I) Responsible gaming;
(J) The conduct of the gaming provider;
(K) The gaming platform; and
(L) Any and all other matters necessary, desirable, 
or convenient toward ensuring the efficient and 
effective operation of gaming;

(3) Provide the chief executive officer with private
sector perspective and direction;

(4) Approve, disapprove, amend, or modify the budget
recommended by the chief executive officer for the
operation of the corporation;

(5) Approve, disapprove, amend, or modify the terms of the
major procurements recommended by the chief executive
officer; and

(6) Perform other functions as necessary to carry out the
purposes of this chapter.

§ -6 Chief executive officer; appointment; compensation.

The board shall appoint and provide for the compensation of a
chief executive officer who shall be an employee of the
corporation and who shall serve at the pleasure of the board.
The chief executive officer shall direct the day-to-day
operations and management of the corporation and shall be vested
with powers and duties as specified by the board and by law.
§ 7 Chief executive officer; powers and duties. The chief executive officer shall direct and supervise all administrative and technical activities in accordance with this chapter and with regulations, policies, and procedures adopted by the board. It shall be the duty of the chief executive officer to:

1. Supervise and exercise active oversight of the operations of the gaming provider;
2. Hire and supervise a small staff of employees, as deemed necessary; provided that all applicants for employment shall be subject to a background check; provided further that no person who has been convicted of a felony or bookmaking or other forms of illegal gambling or of a crime involving moral turpitude shall be employed by the corporation;
3. In consultation with the gaming provider, prepare an annual budget, including a marketing budget, for the approval of the board;
4. Report quarterly to the board a full and complete statement of gaming revenues and expenses for the preceding quarter; and
(5) Perform any other duties customary of the position of chief executive officer.

§ -8 General powers of the corporation. The corporation is granted comprehensive and extensive powers as generally exercised by corporations engaged in for-profit business activities and all powers as are necessary or convenient to effectuate those purposes and provisions of this chapter that are not in conflict with the state constitution or federal law, including to:

(1) Sue and be sued in contract and in tort and to complain and defend in all courts;

(2) Adopt and alter a seal;

(3) Adopt, amend, and repeal bylaws, regulations, and policies and procedures for the regulation of its affairs and the conduct of its business;

(4) Elect and prescribe the duties of officers and employees of the corporation and to perform such other matters as the corporation may determine;

(5) Procure or provide insurance;

(6) Hold copyrights, trademarks, and service marks and enforce its rights with respect thereto;
(7) Initiate, supervise, and administer the operation of
    games in accordance with this chapter and regulations,
policies, and procedures adopted pursuant thereto;

(8) Enter into written agreements with one or more other
    states or sovereigns for the operation, participation
    in marketing, and promotion of joint games;

(9) Conduct such market research as is necessary or
    appropriate;

(10) Acquire or lease real property and make improvements
    thereon and acquire by lease or by purchase personal
    property, including but not limited to computers;
    mechanical, electronic, and on-line equipment and
    terminals; and intangible property, including but not
    limited to computer programs, systems, and software;

(11) Enter into contracts, incur debt in its own name, and
    enter into financing agreements with the State,
    agencies or instrumentalities of the State, or with
    any commercial bank or credit provider; provided that
    any such debt shall be approved by the director of
    finance;
(12) Administer oaths, take depositions, issue subpoenas,
and compel the attendance of witnesses and the
production of books, papers, documents, and other
evidence relative to any investigation or proceeding
conducted by the corporation;

(13) Appoint and select officers, agents, and employees,
including professional and administrative staff and
personnel, as deemed necessary;

(14) Select and contract with vendors;

(15) Enter into contracts or agreements with state or local
law enforcement agencies for the performance of law
enforcement, background investigations, and security
checks;

(16) Establish and maintain banking relationships,
including but not limited to establishment of checking
and savings accounts and lines of credit;

(17) Advertise and promote games; and

(18) Adopt and amend regulations, policies, and procedures
as necessary to exercise its powers, fulfill its
duties, organize and operate the corporation, regulate
the conduct of games, and as otherwise necessary or
desirable for the efficient and effective operation of the corporation and effectuation of the purposes of this chapter; provided that the corporation shall be exempt from chapter 91 regarding the adoption of bylaws, regulations, policies, and procedures or in the exercise of any regulatory power.

§ -9 Corporation authorized to borrow money; restriction on use of money in state general fund; lottery and gaming special fund. (a) The corporation, in accordance with this chapter, may borrow or accept and expend moneys received from any source, including income from the corporation's operations, for effectuating its corporate purposes, including the payment of the initial expenses of initiation, administration, and operation of the corporation.

(b) The corporation shall be self-sustaining and self-funded. Moneys in the state general fund shall not be used or obligated to pay the expenses of the corporation or prizes of the lottery, and no claim for the payment of an expense of the lottery or prizes of the lottery may be made against any moneys other than moneys credited to the gaming special fund.
(c) There is created within the state treasury a special fund to be known as the gaming special fund. Moneys authorized under this chapter may be deposited into the special fund.

(d) The corporation may purchase, lease, or lease-purchase goods or services as necessary for effectuating the purposes of this chapter.

§ -10 Reports by the corporation. To ensure the financial integrity of gaming operations, the corporation through the board shall:

(1) Submit quarterly and annual reports to the governor and legislature, disclosing the total revenues, prize disbursements, operating expenses, and administrative expenses of the corporation during the reporting period;

(2) Adopt a system of internal audits and controls;

(3) Maintain regular records of transactions; and

(4) Contract with a certified public accountant or firm for an annual financial audit of the corporation; provided that the certified public accountant or firm shall have no financial interest in any vendor with whom the corporation is under contract.
$ -11  Bidding requirements and procedures for contracts generally.  (a) The corporation shall enter into contracts for major procurements with a value of over $75,000 only after engaging in a competitive process. Procurements conducted by the corporation shall not be subject to chapter 103D but shall be designed to allow the selection of proposals that provide the greatest long-term benefit to the State, the greatest integrity for the corporation, and the best service and products for the public. The requirement for a competitive process shall not apply in the case of a single vendor having exclusive rights to offer a particular service or product.

(b) The corporation shall investigate the responsibility, security, and integrity of any vendor who is a finalist in submitting a bid, proposal, or offer as part of a major procurement. The corporation shall not select a vendor with questionable integrity for any major procurement.

(c) A solicitation, request for qualification, or specification for a contract shall not require, stipulate, suggest, or encourage a monetary or other financial contribution or donation as an explicit or implied term or condition for awarding or completing the contract.
(d) No vendor or applicant for a major procurement contract shall pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, excluding food and beverages having an aggregate value not exceeding $100 in any calendar year, to the chief executive officer, any member, or any employee of the corporation or to a member of the immediate family residing in the same household of the chief executive officer, member, or employee.

§ -12 Adoption of gaming rules. Within one hundred eighty days of the appointment of all members, the board shall adopt rules and policies governing its gaming operations, consistent with the requirements of this chapter. The board may retain a neutral advisor with expertise in gaming to assist the board in adopting its rules.

§ -13 Responsible gaming measures. The corporation's website shall provide information on problem gambling, including a problem gambling hotline telephone number that a person may call to seek information and assistance for a potential gambling addiction. The corporation shall offer responsible gambling services, such as self-exclusion, limits on losses, amounts wagered, and playing time, and other services as the corporation
reasonably may determine are necessary and appropriate to reduce
and prevent problem gambling.

$ -14 Selection of the gaming provider. (a) Within one
hundred eighty days of all appointment of all members, the board
shall commence a competitive process for the selection of a
qualified and suitable gaming provider. The selection of the
gaming provider shall be done through a request for
qualifications, which shall take into account the following
factors:

(1) The provider's knowledge and expertise with regard to:
   (A) United States regulated gaming and lottery
       operations;
   (B) Interactive digital media and entertainment; and
   (C) Internet technology; and

(2) The suitability of the provider's executives and key
    employees to operate a legally compliant gaming
    enterprise with honesty, fairness, and integrity;
    provided that a provider that has engaged in any of
    the following activities shall be deemed unsuitable to
    serve as the corporation's internet gaming provider:
(A) The provider has accepted or assisted in the acceptance of any wagers of money or other consideration related to gambling activity, including internet poker, lottery, or casino games, from an individual located in the United States, prior to the issuance on September 20, 2011, of an opinion by the United States Department of Justice pertaining to the interpretation of the Wire Act, title 18 United States Code Section 1084; provided that this subparagraph shall not apply to providers that have accepted pari-mutuel wagers on races in compliance with the Interstate Horseracing Act;

(B) The provider has operated in violation of the laws of any country or state in which it has operated; or

(C) The operator has been indicted or convicted of a crime related to its gaming operations in any state or foreign jurisdiction.

(b) The request for qualification shall not require, stipulate, suggest, or encourage a monetary or other financial
contribution or donation as an explicit or implied term or condition for awarding the contract.

(c) The board shall select the gaming provider that offers the greatest integrity for the corporation, the greatest long-term benefit to the State, and the best service and products for the public.

§ -15 Responsibilities of the gaming provider. The gaming provider shall be responsible for operating a legally compliant, secure, and responsible gaming operation on behalf of the corporation. The gaming provider's general responsibilities shall include, among other things:

(1) Providing all the technology infrastructure, software, and operational support necessary for the development, operation, and maintenance of any websites associated with the gaming operation, including:

(A) Game software and graphics;
(B) Computer hardware;
(C) Server hosting;
(D) Player account registration and management;
(E) Geo-location services;
(F) Age-verification services;
(G) Responsible gaming controls;
(H) Anti-collusion and security tools;
(I) Payment gateway software functionality;
(J) Deposit and decline tools and services;
(K) Charge back reporting software;
(L) Network reconciliation and controls;
(M) Financial reporting and player management; and
(N) Other related administrative back office functionality and operational support;

(2) Providing marketing services, including a comprehensive, customized marketing plan for the corporation, consisting of both on-line and off-line marketing components aimed at maximizing revenues in a responsible manner and attracting tourism for the State through the corporation's gaming operations; and

(3) Providing customer support and trained personnel to respond to inquiries from players, investigate fraud and collusion, and any other issues that may arise.

§ -16 Compensation of the gaming provider. The corporation shall compensate the gaming provider with a percentage of the corporation's revenues, in addition to
reimbursement of ongoing costs associated with the operation of the gaming operation, including costs related to geo-location, age verification, payment processing and banking, web hosting, and bandwidth, and any amounts necessary to the implementation of the gaming operation.

§ 17 Disposition of proceeds. (a) All proceeds of gaming conducted under this chapter shall be the property of the corporation. The corporation shall pay its operating expenses from the proceeds.

(b) On or before the fifteenth day of each quarter, the corporation shall deposit into the gaming special fund all net proceeds derived from wagering and gaming activities during the preceding quarter.

(c) Funds in the gaming special fund shall be allocated as follows, with a priority on community betterment purposes:

(1) Public school capital improvements: per cent;

(2) University of Hawaii system capital improvements:

per cent;

(3) Scholarships and educational loan repayments for medical students who commit to practice medicine in
Hawaii for ten years after completion of their residency: per cent;

(4) University of Hawaii John A. Burns school of medicine family practice rural residency program: per cent;

(5) Watershed protection: per cent;

(6) Problem gambling reduction and prevention programs: per cent; and

(7) Administration of the program and special fund: per cent.

§ -18 Tax treatment. The activities of the corporation shall be deemed to constitute an essential government function, and all operations of the corporation shall be exempt from any form of taxation under state law and, to the extent allowed, under federal law. In addition, the corporation shall not be required to pay any taxes or assessments upon or in respect to sales of lottery tickets, games, or any property or moneys of the corporation, levied by the State or any political subdivision thereof, except as required by federal law. The corporation and its assets, property, and revenues shall at all times be exempt from taxation of every kind by the State and any
political subdivision thereof, including any special districts
in the State with powers of taxation.

§ -19 Unlawful gambling. It shall be unlawful for any
person to offer or play any gambling or wagering in the State
that is not authorized pursuant to this chapter or the lottery
authorized by chapter . Any violation of this section
shall be punished as provided in part III of chapter 712;
provided that nothing herein shall preclude enforcement of any
other civil or criminal law for a violation of this chapter."

PART IV

SECTION 5. 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 2021-2022 and
the same sum or so much thereof as may be necessary for fiscal
year 2022-2023 for the operations of the Hawaii state lottery
division established pursuant to section 2 of this Act.
The sums appropriated shall be expended by the department
of budget and finance for the purposes of this Act.

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

SECTION 7. This Act does not affect rights and duties that
matured, penalties that were incurred, and proceedings that were
begun before its effective date.

SECTION 8. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2021.
Report Title:
Mega Millions; Powerball; State Lottery; Department of Budget and Finance; Gambling; Hawaii Gambling Corporation

Description:
Creates a state lottery division within the department of budget and finance with rulemaking authority to implement a state lottery limited to the Powerball and Mega Millions lottery games. Allocates lottery profits to the general fund. Creates lottery and lottery prizes revolving fund. Establishes the Hawaii gaming corporation for the purpose of conducting gambling in Hawaii. Allocates proceeds to capital improvements at public schools and the University of Hawaii system, scholarships and educational loan repayments for medical students who practice in Hawaii for ten years, support for the family practice rural residency program, watershed protection, and reduction and prevention of problem gambling. Appropriates funds.

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