

HOUSE BILL NO.

Introduced by

Representative Conrad

1 A BILL for an Act to amend and reenact subsection 2 of section 53-12.1-01, sections
2 53-12.1-02, 53-12.1-03, 53-12.1-04, and 53-12.1-09, subsection 2 of section 53-12.1-11, and
3 section 53-12.1-13 of the North Dakota Century Code, relating to the supervision of the lottery.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 2 of section 53-12.1-01 of the North Dakota
6 Century Code is amended and reenacted as follows:

7 2. "Lottery" means the division of the ~~attorney general's~~ state treasurer's office
8 created to operate a lottery.

9 **SECTION 2. AMENDMENT.** Section 53-12.1-02 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **53-12.1-02. Lottery - Administration - Line of credit.**

12 1. There is established a division of the ~~attorney general's~~ state treasurer's office
13 called the North Dakota lottery. Under the supervision of the ~~attorney general~~ state
14 treasurer, a director shall administer the lottery as provided in this chapter. The
15 director shall consider the sensitive nature of the lottery, promote games, and
16 ensure the integrity, security, and fairness of the lottery's operation. The lottery is
17 solely responsible for the management and control over the operation of its games.

18 2. The ~~attorney general's~~ state treasurer's office may arrange a short-term line of
19 credit with the Bank of North Dakota should lottery funds on hand be insufficient to
20 meet an immediate major prize obligation. The line of credit is limited to the
21 amount of each prize of one hundred thousand dollars or more that relates to prize
22 funds known to be due and forthcoming to the lottery from other
23 government-authorized lotteries through the multistate lottery association.
24 However, the line of credit may not exceed one million dollars in the aggregate.

1 3. The attorney general shall prosecute all criminal proceedings arising from
2 violations of this chapter.

3 **SECTION 3. AMENDMENT.** Section 53-12.1-03 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **53-12.1-03. Director - Responsibilities.**

6 1. The ~~attorney general~~ state treasurer shall appoint a director who shall serve at the
7 pleasure of the ~~attorney general~~ state treasurer.

8 2. Subject to policy of the ~~attorney general~~ state treasurer, the director shall:

9 a. Employ those persons deemed necessary to operate the lottery and provide
10 secure facilities to house the lottery;

11 b. Enter a written agreement with one or more government-authorized lotteries,
12 or with an organization created and controlled by those lotteries, for
13 conducting and marketing a joint lottery game;

14 c. Provide for a secure computer data center and internal control system for the
15 reliable operation of the lottery;

16 d. Prepare and submit a budget for operating the lottery;

17 e. Operate the lottery so it is self-sustaining and self-funded;

18 f. Maintain books and records which accurately reflect each day's financial
19 transactions, including the sale of tickets, receipt of funds and fees, prize
20 payments, and expenses to ensure accountability;

21 g. License a retailer to sell or redeem a ticket;

22 h. Require a retailer to furnish proof of financial stability or post a bond in an
23 amount the director deems necessary to protect the financial interest of the
24 state;

25 i. Timely and efficiently transfer lottery funds due from a retailer;

26 j. Conduct a retailer promotion to promote the sale of a ticket;

27 k. As necessary, enter a contract for a promotional service, an annuity for the
28 payment of a prize, credit history report, security service, service from another
29 state agency, marketing and related service, gaming system and related
30 service, and other necessary service;

- 1 l. Based on reasonable ground or written complaint, suspend or revoke a
- 2 retailer's license or impose a monetary fine, or both, for a violation, by the
- 3 retailer or employee of the retailer, of a lottery law or rule;
- 4 m. Examine, or cause to be examined by an agent designated by the director,
- 5 any book or record of a retailer to ensure compliance with the lottery law and
- 6 rules;
- 7 n. Upon request, report to the legislative council regarding the operation of the
- 8 lottery;
- 9 o. Make quarterly and annual financial reports to the governor and ~~attorney~~
- 10 ~~general~~ state treasurer and a biennial report to the legislative assembly;
- 11 p. Have an annual audit, conducted by the state auditor, of the lottery. The
- 12 director shall present the audit report to the governor, ~~state treasurer~~ attorney
- 13 general, and legislative assembly;
- 14 q. As necessary, have an independent firm conduct a study and evaluation of
- 15 security; and
- 16 r. As necessary, conduct a survey of retailers and players or a study of
- 17 reactions of citizens to present and potential features of the lottery.

18 **SECTION 4. AMENDMENT.** Section 53-12.1-04 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **53-12.1-04. Advisory commission - Penalty.**

- 21 1. There is created the lottery advisory commission, which is composed of five
- 22 members, three of whom are legislators selected by the chairman of the legislative
- 23 council and two of whom are selected by the ~~attorney general~~ state treasurer. The
- 24 term of office is three years, expiring on June thirtieth with no more than two terms
- 25 expiring in any one year. No member may be appointed to more than two
- 26 consecutive terms. Each member must be a citizen of the United States and a
- 27 resident of this state. A chairman of the commission must be chosen annually from
- 28 the membership of the commission by a majority of its members at the first meeting
- 29 of the commission each fiscal year. A member may serve as chairman for more
- 30 than one year.

- 1 2. The lottery advisory commission shall meet at least once a quarter and any
2 additional meetings as the chairman deems necessary. Special meetings may be
3 called by the chairman upon the written request of the director or any three
4 members of the commission.
- 5 3. The lottery advisory commission shall advise the director and ~~attorney general~~ the
6 state treasurer on policy and general operation of the lottery and shall serve as the
7 audit committee.
- 8 4. A member of the lottery advisory commission who is not a permanent full-time
9 state employee is to be compensated at a rate of seventy-five dollars per day and
10 entitled to mileage and expenses as provided by law for state employees. A state
11 employee who is a member of the commission must receive that employee's
12 regular salary and is entitled to mileage and expenses, to be paid by the employing
13 agency.
- 14 5. No member of the lottery advisory commission, employee of the lottery, or any
15 individual who regularly resides in the same household as either of those
16 individuals may directly or indirectly, individually, as a partner of a partnership, or a
17 stockholder, director, or officer of a corporation, have an interest in the gaming
18 system or advertising agency vendor of the lottery. A knowing violation of this
19 subsection is a class B misdemeanor.

20 **SECTION 5. AMENDMENT.** Section 53-12.1-09 of the North Dakota Century Code is
21 amended and reenacted as follows:

22 **53-12.1-09. Operating fund - Continuing appropriation - Authorization of**
23 **disbursements - Report - Net proceeds.** There is established within the state treasury the
24 lottery operating fund into which must be deposited all revenue from the sale of tickets, interest
25 received on money in the fund, and all other fees and moneys collected, less a prize on a
26 lottery promotion, prize on a winning ticket paid by a retailer, and a retailer's commission.
27 Except for moneys in the lottery operating fund appropriated by the legislative assembly for
28 administrative and operating costs of the lottery under section 53-12.1-10, all other money in
29 the fund is continuously appropriated for the purposes specified in this section. During each
30 regular session, the ~~attorney general~~ state treasurer shall present a report to the appropriations
31 committee of each house of the legislative assembly on the actual and estimated operating

1 revenue and expenditures for the current biennium and projected operating revenue and
2 expenditures for the subsequent biennium authorized by this section. A payment of a prize or
3 expense or transfer of net proceeds by the lottery may be made only against the fund or money
4 collected from a retailer on the sale of a ticket. A disbursement from the fund must be for the
5 following purposes:

- 6 1. Payment of a prize as the director deems appropriate to the owner of a valid,
7 winning ticket;
- 8 2. Notwithstanding section 53-12.1-10, payment of a marketing expense that is
9 directly offset by cosponsorship funds collected;
- 10 3. Payment of a gaming system or related service expense, retailer record and credit
11 check fees, game group dues, and retailer commissions; and
- 12 4. Transfer of net proceeds:
 - 13 a. Fifty thousand dollars must be transferred to the state treasurer each quarter
14 for deposit in the compulsive gambling prevention and treatment fund;
 - 15 b. An amount for the lottery's share of a game's prize reserve pool must be
16 transferred to the multistate lottery association;
 - 17 c. Starting July 1, 2007, one hundred five thousand six hundred twenty-five
18 dollars must be transferred to the state treasurer each quarter for deposit in
19 the attorney general multijurisdictional drug task force grant fund; and
 - 20 d. The balance of the net proceeds, less holdback of any reserve funds the
21 director may need for continuing operations, must be transferred to the state
22 treasurer on at least an annual basis for deposit in the state general fund.

23 **SECTION 6. AMENDMENT.** Subsection 2 of section 53-12.1-11 of the North Dakota
24 Century Code is amended and reenacted as follows:

- 25 2. To be confidential, information must relate to the security and integrity of the
26 lottery. Information and records may be disclosed within the ~~attorney general's~~
27 state treasurer's office or to an authorized person in the proper administration of
28 the lottery law and rules or in accordance with a judicial order. Criminal history
29 record check information on an individual seeking or doing business with the lottery
30 may be released only according to chapter 12-60.

1 **SECTION 7. AMENDMENT.** Section 53-12.1-13 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **53-12.1-13. Rules.** The ~~attorney general~~ state treasurer shall adopt rules governing
4 the operation of the lottery. The ~~attorney general~~ state treasurer may adopt emergency rules
5 as necessary without the grounds otherwise required under section 28-32-03. The ~~attorney~~
6 ~~general~~ state treasurer shall adopt rules to address any matters necessary for the efficient
7 operation of the lottery or convenience of the public, including:

- 8 1. Type of retailer where a ticket may be sold;
- 9 2. Qualification for selecting a retailer and amount of application and license fees;
- 10 3. Licensing procedure;
- 11 4. Method used to sell a ticket, including a gift certificate and subscription;
- 12 5. Financial responsibility of a retailer;
- 13 6. Retailer promotions;
- 14 7. Amount and method of commission to be paid to a retailer, including a special
15 bonus or incentive;
- 16 8. Deadline for claiming a prize by the owner of a winning ticket, however, the
17 deadline may not exceed one year;
- 18 9. Manner of paying a prize to the owner of a winning ticket; and
- 19 10. Setoff of a prize.