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HOUSE BILL NO. 827

Offered January 9, 2008

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A BILL to amend and reenact §§ 58.1-4006 and 58.1-4007 of the Code of Virginia, relating to the State Lottery Department; powers of the Director and the Board.

 Patron—Gear

 Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:**1. That §§ 58.1-4006 and 58.1-4007 of the Code of Virginia are amended and reenacted as follows:**

§ 58.1-4006. Powers of the Director.

A. The Director shall supervise and administer the operation of the lottery in accordance with the provisions of this chapter and with the rules and regulations promulgated hereunder.

B. The Director shall also:

1. Employ such deputy directors, professional, technical and clerical assistants, and other employees as may be required to carry out the functions and duties of the Department.

2. Act as secretary and executive officer of the Board.

3. Require bond or other surety satisfactory to the Director from licensed agents as provided in subsection D of § 58.1-4009 and Department employees with access to Department funds or lottery funds, in such amount as provided in the rules and regulations of the Board. The Director may also require bond from other employees as he deems necessary.

4. Confer regularly, but not less than four times each year, with the Board on the operation and administration of the lottery; make available for inspection by the Board, upon request, all books, records, files, and other information and documents of the Department; and advise the Board and recommend such matters as he deems necessary and advisable to improve the operation and administration of the lottery.

5. Suspend, revoke or refuse to renew any license issued pursuant to this chapter or the rules and regulations adopted hereunder.

6. Enter into contracts for the operation of the lottery, or any part thereof, for the promotion of the lottery and into interstate lottery contracts with other states. A contract awarded or entered into by the Director shall not be assigned by the holder thereof except by specific approval of the Director.

7. Certify monthly to the State Comptroller and the Board a full and complete statement of lottery revenues, prize disbursements and other expenses for the preceding month.

8. Report monthly to the Governor, the Secretary of Finance and the Chairmen of the Senate Finance Committee, House Finance Committee and House Appropriations Committee the total lottery revenues, prize disbursements and other expenses for the preceding month, and make an annual report, which shall include a full and complete statement of lottery revenues, prize disbursements and other expenses, to the Governor and the General Assembly. Such annual report shall also include such recommendations for changes in this chapter as the Director and Board deem necessary or desirable.

9. Report immediately to the Governor and the General Assembly any matters which require immediate changes in the laws of this Commonwealth in order to prevent abuses and evasions of this chapter or the rules and regulations adopted hereunder or to rectify undesirable conditions in connection with the administration or operation of the lottery.

10. Notify prize winners and appropriate state and federal agencies of the payment of prizes in excess of \$600 in the manner required by the lottery rules and regulations.

11. Provide for the withholding of the applicable amount of state and federal income tax of persons claiming a prize for a winning ticket in excess of \$5,001.

C. The Director and the director of security or investigators appointed by the Director shall be vested with the powers of sheriff and sworn to enforce the statutes and regulations pertaining to the Department and to investigate violations of the statutes and regulations that the Director is required to enforce.

D. The Director may authorize temporary bonus or incentive programs for payments to licensed sales agents which he determines will be cost effective and support increased sales of lottery products.

§ 58.1-4007. Powers of the Board.

A. The Board shall have the power to adopt regulations governing the establishment and operation of a lottery. The regulations governing the establishment and operation of the lottery shall be promulgated by the Board after consultation with the Director. Such regulations shall be in accordance with the Administrative Process Act (§ 2.2-4000 et seq.). The regulations shall provide for all matters necessary

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59 or desirable for the efficient, honest and economical operation and administration of the lottery and for
60 the convenience of the purchasers of tickets or shares, and the holders of winning tickets or shares. The
61 regulations, which may be amended, repealed or supplemented as necessary, shall include, but not be
62 limited to, the following:

- 63 1. The type or types of lottery or game to be conducted in accordance with § 58.1-4001.
- 64 2. The price or prices of tickets or shares in the lottery.
- 65 3. The numbers and sizes of the prizes on the winning tickets or shares, including informing the
66 public of the approximate odds of winning and the proportion of lottery revenues (i) disbursed as prizes
67 and (ii) returned to the Commonwealth as net revenues.
- 68 4. The manner of selecting the winning tickets or shares.
- 69 5. The manner of payment of prizes to the holders of winning tickets or shares.
- 70 6. The frequency of the drawings or selections of winning tickets or shares without limitation.
- 71 7. Without limitation as to number, the type or types of locations at which tickets or shares may be
72 sold.
- 73 8. The method to be used in selling tickets or shares.
- 74 9. The advertisement of the lottery in accordance with the provisions of subsection E of § 58.1-4022.
- 75 10. The licensing of agents to sell tickets or shares who will best serve the public convenience and
76 promote the sale of tickets or shares. No person under the age of 18 shall be licensed as an agent. A
77 licensed agent may employ a person who is 16 years of age or older to sell or otherwise vend tickets at
78 the agent's place of business so long as the employee is supervised in the selling or vending of tickets
79 by the manager or supervisor in charge at the location where the tickets are being sold. Employment of
80 such person shall be in compliance with Chapter 5 (§ 40.1-78 et seq.) of Title 40.1.
- 81 11. The manner and amount of compensation, if any, to be paid licensed sales agents necessary to
82 provide for the adequate availability of tickets or shares to prospective buyers and for the convenience
83 of the public. *Notwithstanding the provisions of this subdivision, the Board shall not be required to*
84 *approve temporary bonus or incentive programs for payments to licensed sales agents.*
- 85 12. Apportionment of the total revenues accruing from the sale of tickets or shares and from all other
86 sources and establishment of the amount of the special reserve fund as provided in § 58.1-4022 of this
87 chapter.
- 88 13. Such other matters necessary or desirable for the efficient and economical operation and
89 administration of the lottery.

90 The Department shall not be subject to the provisions of Chapter 43 (§ 2.2-4300 et seq.) of Title 2.2;
91 however, the Board shall promulgate regulations, after consultation with the Director, relative to
92 departmental procurement which include standards of ethics for procurement consistent with the
93 provisions of Article 6 (§ 2.2-4367 et seq.) of Chapter 43 of Title 2.2 and which ensure that
94 departmental procurement will be based on competitive principles.

95 The Board shall have the power to advise and recommend, but shall have no power to veto or
96 modify administrative decisions of the Director. However, the Board shall have the power to accept,
97 modify or reject any revenue projections before such projections are forwarded to the Governor.

98 B. The Board shall carry on a continuous study and investigation of the lottery throughout the
99 Commonwealth to:

- 100 1. Ascertain any defects of this chapter or the regulations issued hereunder which cause abuses in the
101 administration and operation of the lottery and any evasions of such provisions.
- 102 2. Formulate, with the Director, recommendations for changes in this chapter and the regulations
103 promulgated hereunder to prevent such abuses and evasions.
- 104 3. Guard against the use of this chapter and the regulations promulgated hereunder as a subterfuge
105 for organized crime and illegal gambling.
- 106 4. Ensure that this law and the regulations of the Board are in such form and are so administered as
107 to serve the true purpose of this chapter.

108 C. The Board shall make a continuous study and investigation of (i) the operation and the
109 administration of similar laws which may be in effect in other states or countries, (ii) any literature on
110 the subject which may be published or available, (iii) any federal laws which may affect the operation
111 of the lottery, and (iv) the reaction of Virginia citizens to the potential features of the lottery with a
112 view to recommending or effecting changes that will serve the purpose of this chapter.

113 D. The Board shall hear and decide an appeal of any denial by the Director of the licensing or
114 revocation of a license of a lottery agent pursuant to subdivision 10 of subsection A of this section and
115 subdivision 5 of subsection B of § 58.1-4006 of this chapter.

116 E. The Board shall have the authority to initiate procedures for the planning, acquisition, and
117 construction of capital projects as set forth in Article 4 (§ 2.2-1129 et seq.) of Chapter 11 and Article 3
118 (§ 2.2-1819 et seq.) of Chapter 18 of Title 2.2.