



House of Representatives

General Assembly

File No. 19

February Session, 2010

House Bill No. 5159

House of Representatives, March 11, 2010

The Committee on Public Safety and Security reported through REP. DARGAN of the 115th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING AN ASSESSMENT FOR REGULATORY OVERSIGHT OF THE CONNECTICUT LOTTERY CORPORATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 12-806 of the 2010 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (b) The corporation shall have the following powers:

5 (1) To receive as transferee from the state of Connecticut all of the
6 tangible and intangible assets constituting the lottery including the
7 exclusive right to operate the lottery as the exclusive lottery of the state
8 and, subject to subsection (b) of section 12-808, to assume and
9 discharge all of the agreements, covenants and obligations of the
10 Division of Special Revenue entered into which constitute a part of the
11 operation and management of the lottery;

12 (2) To operate and manage the lottery consistent with the provisions

13 of sections 1-120, 1-121, 1-125, 12-557e, 12-563, 12-563a, 12-564, 12-566,
14 12-567, 12-568a and 12-569, subsection (d) of section 12-574 and
15 sections 12-800 to 12-818, inclusive, and as specifically provided in
16 section 12-812;

17 (3) To have perpetual succession as a body corporate and to adopt
18 bylaws, policies and procedures for the operation of its affairs and
19 conduct of its businesses;

20 (4) To introduce new lottery games, modify existing lottery games,
21 utilize existing and new technologies, determine distribution channels
22 for the sale of lottery tickets and, to the extent specifically authorized
23 by regulations adopted by the Division of Special Revenue pursuant to
24 chapter 54, introduce instant ticket vending machines, kiosks and
25 automated wagering systems or machines, with all such rights being
26 subject to regulatory oversight by the Division of Special Revenue,
27 except that the corporation shall not offer any interactive on-line
28 lottery games, including on-line video lottery games for promotional
29 purposes;

30 (5) To establish an annual budget of revenues and expenditures,
31 along with reasonable reserves for working capital, capital
32 expenditures, debt retirement and other anticipated expenditures, in a
33 manner and at levels considered by the board of directors as
34 appropriate and prudent;

35 (6) To adopt such administrative and operating procedures which
36 the board of directors deems appropriate;

37 (7) To enter into agreements with one or more states or territories of
38 the United States for the promotion and operation of joint lottery
39 games and to continue to participate in any joint lottery game in which
40 the corporation participates on July 1, 2003, regardless of whether any
41 government-authorized lottery operated outside of the United States
42 participates in such game;

43 (8) Subject to the provisions of section 12-815, to enter into

44 agreements with vendors with respect to the operation and
45 management of the lottery, including operation of lottery terminals,
46 management services, printing of lottery tickets, management
47 expertise, marketing expertise, advertising or such other goods or
48 services as the board of directors deems necessary and appropriate;

49 (9) To purchase or lease operating equipment, including, but not
50 limited to, computer gaming and automated wagering systems and to
51 employ agents or employees to operate such systems;

52 (10) To retain unclaimed prize funds as additional revenue for the
53 state, or to use unclaimed prize funds to increase sales, or to return to
54 participants unclaimed prize funds in a manner designed to increase
55 sales;

56 (11) To establish prize reserve accounts as the board of directors
57 deems appropriate;

58 (12) To pay lottery prizes as awarded under section 12-812, to
59 purchase annuities to fund such prizes, and to assure that all annuities
60 from which payments to winners of lottery prizes are made are
61 invested in instruments issued by agencies of the United States
62 government and backed by the full faith and credit of the United
63 States, or are issued by insurance companies licensed to do business in
64 the state, provided the issuer has been determined by the Division of
65 Special Revenue to be financially stable and meets the minimum
66 investment rating as determined by the division;

67 (13) To pay [or] the Office of Policy and Management to reimburse
68 the Division of Special Revenue [, the Office of Policy and
69 Management and other affected state agencies,] for the reasonable
70 [direct and indirect] and necessary costs [of the planning for and
71 implementation of the transactions contemplated by sections 12-563a
72 and 12-800 to 12-818, inclusive, including, without limitation, expenses
73 related to such transactions arising prior to June 14, 1996, and the
74 operation and management of the lottery, including, without
75 limitation, regulatory oversight of the corporation,] arising from the

76 division's regulatory oversight of the corporation, in accordance with
77 the assessment made pursuant to section 2 of this act, including costs
78 arising directly or indirectly from the licensing of lottery agents,
79 performance of state police background investigations, and the
80 [planning for and implementation of the transactions contemplated by
81 section 12-808] implementation of subsection (b) of section 12-562,
82 sections 12-563a, 12-568a, 12-569, 12-570, 12-570a and 12-800 to 12-818,
83 inclusive;

84 (14) In the event that the operation or management of the
85 corporation becomes subject to the federal gaming occupation tax, to
86 pay such tax on behalf of lottery sales agents and to assist agents
87 subject thereto;

88 (15) To determine the commissions payable to lottery sales agents,
89 provided any agent's commission shall not average less than four per
90 cent of such agent's lottery sales;

91 (16) To invest in, acquire, lease, purchase, own, manage, hold and
92 dispose of real property and lease, convey or deal in or enter into
93 agreements with respect to such property on any terms necessary or
94 incidental to carrying out the purposes of sections 12-563a and 12-800
95 to 12-818, inclusive, provided such transactions shall not be subject to
96 approval, review or regulation pursuant to title 4b or any other statute
97 by any state agency, except that real property transactions shall be
98 subject to review by the State Properties Review Board;

99 (17) To borrow money for the purpose of obtaining working capital;

100 (18) To hold patents, copyrights, trademarks, marketing rights,
101 licenses or any other evidence of protection or exclusivity issued under
102 the laws of the United States or any state;

103 (19) To employ such assistants, agents and other employees as may
104 be necessary or desirable to carry out its purposes in accordance with
105 sections 12-563a and 12-800 to 12-818, inclusive, to fix their
106 compensation and, subject to the provisions of subsections (e) and (f)

107 of section 12-802, establish all necessary and appropriate personnel
108 practices and policies; to engage consultants, accountants, attorneys
109 and financial and other independent professionals as may be necessary
110 or desirable to assist the corporation in performing its purposes in
111 accordance with sections 12-563a and 12-800 to 12-818, inclusive;

112 (20) To make and enter into all contracts and agreements necessary
113 or incidental to the performance of its duties and the execution of its
114 powers under sections 12-563a and 12-800 to 12-818, inclusive;

115 (21) In its own name, to sue and be sued, plead and be impleaded,
116 adopt a seal and alter the same at pleasure;

117 (22) Subject to the approval of the board and to the requirement to
118 remit excess lottery funds to the General Fund as set forth in section
119 12-812, to invest any funds not needed for immediate use or
120 disbursement, including any funds held in approved reserve accounts,
121 in investments permitted by sections 3-20 and 3-27a for the proceeds of
122 state bonds;

123 (23) To procure insurance against any loss in connection with its
124 property and other assets in such amounts and from such insurers as it
125 deems desirable;

126 (24) To the extent permitted under any contract with other persons
127 to which the corporation is a party, to consent to any termination,
128 modification, forgiveness or other change of any term of any
129 contractual right, payment, royalty, contract or agreement of any kind;

130 (25) To acquire, lease, purchase, own, manage, hold and dispose of
131 personal property, and lease, convey or deal in or enter into
132 agreements with respect to such property on any terms necessary or
133 incidental to the carrying out of these purposes;

134 (26) To account for and audit funds of the corporation;

135 (27) To pay or provide for payment from operating revenues all
136 expenses, costs and obligations incurred by the corporation in the

137 exercise of the powers of the corporation under sections 12-563a and
 138 12-800 to 12-818, inclusive; and

139 (28) To exercise any powers necessary to carry out the purposes of
 140 sections 12-563a and 12-800 to 12-818, inclusive.

141 Sec. 2. (NEW) (*Effective from passage*) (a) Commencing July 1, 2010,
 142 and annually thereafter, the Office of Policy and Management shall
 143 assess the Connecticut Lottery Corporation in an amount sufficient to
 144 compensate the Division of Special Revenue for the reasonable and
 145 necessary costs incurred by the division for the regulatory activities
 146 specified in subdivision (13) of subsection (b) of section 12-806 of the
 147 general statutes, as amended by this act, for the preceding fiscal year
 148 ending June thirtieth.

149 (b) On or before August first of each year, the Office of Policy and
 150 Management shall submit the total of the assessment made in
 151 accordance with subsection (a) of this section, together with a
 152 proposed assessment for the succeeding fiscal year based on the
 153 preceding fiscal year cost, to the Connecticut Lottery Corporation. The
 154 assessment for the preceding fiscal year shall be determined not later
 155 than September fifteenth of each year, after receiving any objections to
 156 the proposed assessments and making such changes or adjustments as
 157 the Secretary of the Office of Policy and Management determines to be
 158 warranted. The corporation shall pay the total assessment in quarterly
 159 payments to the Office of Policy and Management, with the first
 160 payment commencing on October first of each year, and with the
 161 remaining payments to be made on January first, April first, and July
 162 first annually. The office shall deposit any such payment in the
 163 General Fund and the total amount of such assessment shall be
 164 appropriated to the Division of Special Revenue for each fiscal year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-806(b)
Sec. 2	<i>from passage</i>	New section

PS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill makes a technical change to the method by which the Division of Special Revenue (DSR) is reimbursed for its regulatory oversight of the Connecticut Lottery Corporation (CLC) and makes the practice consistent with assessments of other major gaming industries by DSR. This technical change has no fiscal impact.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**HB 5159*****AN ACT CONCERNING AN ASSESSMENT FOR REGULATORY OVERSIGHT OF THE CONNECTICUT LOTTERY CORPORATION.*****SUMMARY:**

Annually, beginning July 1, 2010, this bill requires the Office of Policy and Management (OPM) to assess the Connecticut Lottery Corporation (CLC) for the reasonable and necessary costs the Division of Special Revenue (DSR) incurs in regulating CLC. Under current law, CLC is authorized, rather than required, to pay or reimburse OPM, DSR, and other affected agencies for certain reasonable "direct and indirect" costs, including DSR regulatory oversight. In practice, DSR bills CLC and CLC pays DSR. The bill establishes an assessment procedure whereby OPM assesses CLC annually, CLC pays OPM quarterly, and OPM deposits the money in the General Fund for "appropriation" to DSR each fiscal year. (It is not clear that the bill can require the appropriation of an assessment that would be binding on a future legislature's budget process.)

The bill makes technical changes to (1) reflect the range of regulatory activities DSR performs, under the statutes, with regard to CLC and (2) eliminate CLC authority to reimburse "OPM and other affected agencies" for what appears to be obsolete provisions related to the 1996 transfer of the lottery from DSR.

EFFECTIVE DATE: Upon passage

ASSESSMENTS

Under current law, CLC is authorized to pay or reimburse DSR, OPM, and other affected agencies for the "reasonable direct and indirect costs" of certain activities related to (1) informational material on compulsive gambling, (2) CLC's creation, (3) CLC's operation and

management, and (4) DSR's regulatory oversight of CLC.

The bill, instead, establishes a procedure requiring OPM, annually, to assess CLC an amount sufficient to compensate DSR for its "reasonable and necessary" costs of regulating CLC during the preceding fiscal year. In practice, DSR bills CLC on a monthly basis and CLC pays DSR, after reviewing the charges. (The bill eliminates CLC payment and reimbursement authority with regard to OPM and other affected agencies, which appears to have been related to the transfer of the lottery from DSR and the creation of CLC. In practice, DSR is the only agency CLC pays or reimburses for services.)

Assessment Procedure

By August 1 annually, OPM must submit to CLC the assessment amount for the preceding fiscal year, together with a proposed assessment for the succeeding fiscal year, based on the preceding fiscal year cost. By September 15 annually, after receiving any objections to the proposed assessment and making such changes or adjustments as it determines are warranted, OPM must assess CLC. CLC must pay the total assessment in quarterly payments to OPM, with the first payment starting on October 1 annually, and the remaining payments to be made on January 1, April 1, and July 1.

OPM must deposit the payments in the General Fund, for "appropriation" to DSR for each fiscal year.

ASSESSMENTS AND STATUTES

The bill makes technical changes to add the following statutory services to those DSR currently provides in the billable regulatory services:

1. providing criminal enforcement services through special police officers in the State Police legalized gambling investigative unit (CGS § 12-562);
2. adopting regulations to regulate CLC (CGS § 12-568a);

3. imposing delinquency assessments on lottery sales agents who are delinquent or otherwise breached their fiduciary responsibilities (CGS § 12-569); and
4. enforcing the laws that make it illegal to forge lottery tickets or sell of out-of-state lottery tickets in Connecticut (CGS §§ 12-570 & 12-570a).

COMMITTEE ACTION

Public Safety and Security Committee

Joint Favorable

Yea 22 Nay 0 (02/25/2010)