



Bethany Boyd

Bill Analysis
Legislative Service Commission

S.B. 270

124th General Assembly
(As Introduced)

Sens. Blessing, Robert Gardner

BILL SUMMARY

- Adds to the types of lotteries the State Lottery Commission may conduct games providing immediate prize determinations for individual participants through the use of electronic devices.
- Requires that electronic device games be conducted only (1) by licensed lottery sales agents that are horse racing permit holders or satellite facilities and (2) at race tracks or satellite facilities.
- Requires that the Commission, not later than June 30, 2003, install and operate the number of electronic device games requested by such sales agents.
- Compensates licensed lottery sales agents for the electronic device games they conduct at the rate of 14% of gross proceeds, and if the sales agent is a horse racing permit holder, 10% of gross proceeds must be added to the thoroughbred racing purse money or the harness horsemen's purse pool.
- Eliminates the requirement that 50% of the total statewide lottery ticket sales be disbursed for monetary prize awards.
- Declares an emergency.

CONTENT AND OPERATION

Addition of electronic device games to the lottery lineup

Conducting the games

(R.C. 3770.05(J)(1) and (K))

The State Lottery Commission (Commission) is the state agency authorized by the General Assembly "to conduct lotteries, to sell rights to participate therein, and to award prizes by chance to participants" under Ohio Constitution, Article XV § 6. Under existing law, the Commission has the authority to conduct a statewide lottery and statewide joint lottery games. The bill requires that the Commission conduct lotteries that provide immediate prize determinations for individual participants through the use of electronic devices. The Commission must conduct these lotteries only (1) through licensed lottery sales agents who are either holders of a permit to conduct live horse racing for profit at a track or approved satellite facilities at which pari-mutuel wagering on horse races is conducted either inside or outside Ohio by simulcast to those facilities and (2) at permit holders' tracks or satellite facilities. The Commission is required to install and operate at each track or satellite facility the number of these electronic devices that is requested by the licensed lottery sales agent.

The bill provides that state law regarding gambling and cheating (R.C. Chapter 2915.) does not apply to, affect, or prohibit lotteries conducted under the state lottery laws in R.C. Chapter 3770.

Compensation for conducting the games

(R.C. 3770.05(J)(2))

Under the bill, the Commission must execute an agreement with each licensed lottery sales agent that provides in part that 14% of the "gross proceeds," i.e., the amount of wagers by participants in lotteries minus payments to winning participants, of the lotteries conducted through the sales agent at a track or satellite facility must be paid to the sales agent as compensation for the provision and maintenance of the buildings and grounds at the track, or of the satellite facility. Additionally, in the case of a licensed lottery sales agent who is a permit holder, the agreement must provide that 10% of the gross proceeds of these lotteries conducted at a track must be paid to the sales agent and added by the agent to the purse money required by existing law for thoroughbred racing, or to the harness horsemen's purse pool required by existing law for harness racing, as applicable. (Existing law requires that each permit holder pay to the purse or purse pool 50%

of the pari-mutuel revenues retained by the permit holder as a commission, after payment of the state horse racing tax.)

Commission's responsibilities

(R.C. 3770.05(J)(3))

In conducting electronic device games, the Commission must be responsible for all of the following:

(1) The selection, qualification, certification, procurement, acquisition, operation, and maintenance of all equipment, machinery, tangible property, and intellectual property necessary for the conduct of the lotteries;

(2) The selection, qualification, certification, retention, and termination of all of the Commission's employees, contractors, suppliers, and vendors necessary for the conduct of the lotteries;

(3) The security, licensing, and enforcement procedures necessary for the conduct of the lotteries in order to ensure their integrity.

Along with these responsibilities, the bill requires that the Commission adopt rules under the Administrative Procedure Act (which requires public notice and hearing) governing the conduct of electronic device games. The subjects covered by the rules must include, but are not limited to, the matters described in (1) through (3), above.

Timeline for electronic device games

(Section 3)

The bill requires that the Commission, by not later than June 30, 2003, fully implement the provisions discussed above regarding conducting electronic device games, agent compensation, and Commission responsibilities, based on the willingness and ability of each potential licensed lottery sales agent to cooperate in the implementation.

Commission rule changes

(R.C. 3770.03(A) and (B))

Under current law, the Commission is required to promulgate rules under which a statewide lottery and statewide joint lottery games may be conducted. Under the bill, the Commission must adopt rules under which statewide joint lottery games and lotteries, including electronic device games, may be conducted.

The bill also requires that the Commission's rules reflect the addition of electronic device games to the types of lotteries that may be conducted. For example, rather than establishing the prices of tickets or the locations at which the lottery tickets may be sold, the bill requires that the rules adopted include the prices of rights to participate in the lotteries and the locations at which rights to participate in lotteries may be sold.

Elimination of minimum monetary prize awards for statewide lottery winning ticket holders

(R.C. 3770.06(A) and 3770.07(B))

Current law requires that total disbursements for monetary prize awards to holders of winning lottery tickets in connection with the statewide lottery and purchases of goods and services awarded as prizes to holders of winning lottery tickets be of an amount equal to at least 50% of the total revenue accruing from the sale of lottery tickets. Under current law, a prize award or any part of a prize award that is paid from an unclaimed prize award cannot be reapplied toward the satisfaction of this requirement, if the unclaimed prize award was previously applied toward the satisfaction of that requirement.

The bill eliminates both of these provisions.

Miscellaneous changes

(R.C. 1711.09, 1711.11, 3770.02, 3770.03, 3770.05, 3770.06, 3770.07, 3770.08, and 4301.03)

Throughout the bill, the language "sale of lottery tickets" is changed to "rights to participate in lotteries," to reflect the addition of electronic device games to the types of lotteries the Commission may conduct.

The bill also changes "winning ticket holder" to "winning participant," since electronic device games do not involve selling lottery tickets.

Effective date

(Section 4)

Under the bill's emergency clause, it takes immediate effect.



HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	05-16-02	p. 1779

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