

AMENDED IN SENATE AUGUST 22, 2005

AMENDED IN SENATE JULY 11, 2005

SENATE BILL

No. 1011

Introduced by Senator Florez

February 22, 2005

An act to add Section 8880.24.5 to the Government Code, relating to the California State Lottery, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1011, as amended, Florez. California State Lottery.

(1) The California Constitution prohibits lotteries and the sale of lottery tickets. However, the California State Lottery Act of 1984, enacted by initiative, authorizes a California State Lottery, to be operated and administered by the California State Lottery Commission and the Director of the California State Lottery, with certain limitations. The act requires that at least 50% of lottery revenues be returned to the public in the form of prizes, at least 34% be allocated to benefit public education, and no more than 16% be allocated for lottery expenses.

Existing law requires the California State Lottery Commission to exercise all powers necessary to effectuate the purposes of the California State Lottery Act of 1984. Existing law further requires the commission to promote and ensure the integrity, security, honesty, and fairness in the operation and administration of the state lottery.

This bill would authorize the commission to enter into a multistate lottery agreement ~~under specified conditions, including a provision that not less than 45% of revenue from participation in any multistate lottery game be allocated to benefit public education.~~ *The if the multistate lottery does not conduct certain activities that the bill would*

prohibit. Specifically, the bill would prohibit the commission from conducting or joining any international lottery, any Internet-based lottery, or any lottery using a mechanical or electronic device that is similar to a slot machine, unless approved by a majority vote of the electorate.

(2) The California State Lottery Act of 1984 provides that none of its provisions may be changed, except to further its purpose by a bill passed by a 2/3 vote of each house of the Legislature and signed by the Governor.

This bill would declare that its provisions further the purposes of the act.

(3) The bill would include a statement of Legislative finding and declarations.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares the
2 following:

3 (a) The people of California, on November 6, 1984, passed
4 Proposition 37, an initiative measure to amend the California
5 Constitution to authorize the establishment of the California State
6 Lottery.

7 (b) The express purpose of the California Lottery is to provide
8 additional funds to education without the imposition of additional
9 or increased taxes.

10 (c) Proposition 37 established a detailed statutory scheme for
11 governing the lottery's conduct by enacting the California State
12 Lottery Act of 1984, commonly known as the Lottery Act. It
13 created the Lottery Commission to promote and ensure the
14 integrity, security, honesty, and fairness in the operation and
15 administration of the lottery.

16 (d) On February 8, 2005 the California State Lottery
17 Commission voted to ~~entered~~ *enter* into a contract with other
18 state lotteries to join Mega Millions - a multistate lottery - even
19 though there is no provision of the Lottery Act that expressly

1 authorizes the participation of the California State Lottery in a
2 multistate or multinational lottery.

3 (e) The California State Lottery; is one of ~~the~~ only two state
4 lotteries; out of the twelve Mega Million members ~~which~~ *that*
5 does not have express statutory authority to enter into a
6 multistate lottery agreement; the other state lottery, New Jersey,
7 has provided broad statutory powers to the commission of the
8 state lottery.

9 (f) The legal foundation underpinning the Commission's
10 decision to enter into a multistate lottery game is in question. A
11 complaint has been filed in state court against the Lottery's
12 participation in Mega Millions (California Coalition Against
13 Gambling Expansion, et al. vs. California State Lottery
14 Commission, et al.), alleging that the Lottery Commission is not
15 authorized to participate in the Mega Millions game because that
16 participation was not approved by the Legislature, and otherwise
17 violates the Lottery Act in that the Commission cedes substantial
18 control over the game to outside persons. The filing of the
19 lawsuit caused immediate controversy, including editorials
20 ~~(particularly from the Los Angeles Daily News), particularly~~
21 *from the Los Angeles Daily News*, calling for legislative action.

22 (g) Section 5 of the Lottery Act provides that "no provision of
23 this Act may be changed except to further its purpose by a bill
24 passed by a vote of two-thirds of the membership of both houses
25 of the Legislature and signed by the Governor."

26 (h) Given the ~~lottery's~~ *California State Lottery's* strict
27 regulatory scheme, the lack of expressed statutory authority to
28 enter into a multistate lottery agreement and facing a compelling
29 legal complaint, the Lottery Commission has placed the integrity
30 and reputation of the California *State* Lottery in jeopardy.

31 (i) In order to protect the integrity and reputation of the
32 California State Lottery from further controversy or future legal
33 complaints, it is necessary for the Lottery Act to be amended to
34 provide the California State Lottery with express statutory
35 authority to enter into a multistate lottery game and to set forth
36 the conditions for such an agreement.

37 SEC. 2. Section 8880.24.5 is added to the Government Code,
38 to read:

39 8880.24.5. (a) The commission may enter into a multistate
40 lottery agreement if ~~all of the following conditions are met:~~

1 ~~(1) Notwithstanding Section 8880.4, the revenue from~~
2 ~~participation in any multistate lottery game is allocated as~~
3 ~~follows:~~

- 4 ~~(A) Not less than 45 percent to benefit public education.~~
- 5 ~~(B) Not less than 50 percent to the public in the form of prizes.~~
- 6 ~~(C) Not more than 5 percent for payment of administrative~~
7 ~~costs related to participation.~~

8 ~~(2) The *the* multistate lottery does not conduct any activity~~
9 ~~prohibited in subdivision (b).~~

10 (b) The commission may not conduct, or join any other lottery
11 or organization that conducts, any of the following games
12 without a majority vote of the electorate:

- 13 (1) An international lottery.
- 14 (2) An Internet-based lottery.
- 15 (3) A lottery using any mechanical or electronic device that is
16 similar in appearance or operation to a slot machine, as defined
17 in subdivision (b) of Section 330b of the Penal Code.

18 SEC. 3. The Legislature finds and declares that this act
19 furthers the purposes of the California State Lottery Act of 1984,
20 enacted by Proposition 37 at the November 6, 1984, general
21 election.

22 SEC. 4. This act is an urgency statute necessary for the
23 immediate preservation of the public peace, health, or safety
24 within the meaning of Article IV of the Constitution and shall go
25 into immediate effect. The facts constituting the necessity are:

26 In order to protect the integrity of the California State Lottery,
27 and in an effort to ensure that California's schools make full use
28 of the revenues received from the Mega Millions multistate
29 lottery game, it is necessary that this act take effect immediately.