#### 98TH GENERAL ASSEMBLY

### State of Illinois

## 2013 and 2014

#### HB0078

Introduced 1/9/2013, by Rep. La Shawn K. Ford

#### SYNOPSIS AS INTRODUCED:

20 ILCS	1605/2	from	Ch.	120,	par.	1152
20 ILCS	1605/9.1					
20 ILCS	1605/20	from	Ch.	120,	par.	1170
20 ILCS	1605/21.9 new					
30 ILCS	105/5.826 new					

Amends the Illinois Lottery Law. Requires the Department of Revenue, beginning on January 1, 2014 or as soon thereafter as is practical, to offer a special instant "After-School Rescue" scratch-off game. Requires the net revenue from that game to be deposited into the After-School Rescue Fund for appropriation by the General Assembly solely to the Illinois State Board of Education for the making of grants to at-risk schools for the promotion of extracurricular and after-school programs. Authorizes the Department, after consulting with the Illinois State Board of Education, to adopt rules necessary to implement and administer the game. Defines "net revenue". Amends the State Finance Act to create the After-School Rescue Fund. Effective immediately.

LRB098 03860 AMC 33877 b

FISCAL NOTE ACT MAY APPLY

1

AN ACT concerning State government.

# 2 Be it enacted by the People of the State of Illinois, 3 represented in the General Assembly:

Section 5. The Illinois Lottery Law is amended by changing
Sections 2, 9.1, and 20 and by adding Section 21.9 as follows:

6 (20 ILCS 1605/2) (from Ch. 120, par. 1152)

7 Sec. 2. This Act is enacted to implement and establish 8 within the State a lottery to be conducted by the State through 9 the Department. The entire net proceeds of the Lottery are to be used for the support of the State's Common School Fund, 10 except as provided in subsection (o) of Section 9.1 and 11 Sections 21.2, 21.5, 21.6, 21.7, and 21.8, and 21.9. 12 The General Assembly finds that it is in the public interest for 13 14 the Department to conduct the functions of the Lottery with the assistance of a private manager under a management agreement 15 16 overseen by the Department. The Department shall be accountable 17 to the General Assembly and the people of the State through a comprehensive system of regulation, audits, reports, 18 and 19 enduring operational oversight. The Department's ongoing 20 conduct of the Lottery through a management agreement with a 21 private manager shall act to promote and ensure the integrity, 22 security, honesty, and fairness of the Lottery's operation and administration. It is the intent of the General Assembly that 23

HB0078 - 2 - LRB098 03860 AMC 33877 b

the Department shall conduct the Lottery with the assistance of a private manager under a management agreement at all times in a manner consistent with 18 U.S.C. 1307(a)(1), 1307(b)(1), 1953(b)(4).

5 (Source: P.A. 95-331, eff. 8-21-07; 95-673, eff. 10-11-07; 95-674, eff. 10-11-07; 95-876, eff. 8-21-08; 96-34, eff. 7 7-13-09.)

8 (20 ILCS 1605/9.1)

9 Sec. 9.1. Private manager and management agreement.

10

(a) As used in this Section:

"Offeror" means a person or group of persons that respondsto a request for qualifications under this Section.

13 "Request for qualifications" means all materials and 14 documents prepared by the Department to solicit the following 15 from offerors:

16

(1) Statements of qualifications.

17 (2) Proposals to enter into a management agreement, 18 including the identity of any prospective vendor or vendors 19 that the offeror intends to initially engage to assist the 20 offeror in performing its obligations under the management 21 agreement.

22 "Final offer" means the last proposal submitted by an 23 offeror in response to the request for qualifications, 24 including the identity of any prospective vendor or vendors 25 that the offeror intends to initially engage to assist the 1 offeror in performing its obligations under the management 2 agreement.

3 "Final offeror" means the offeror ultimately selected by 4 the Governor to be the private manager for the Lottery under 5 subsection (h) of this Section.

6 (b) By September 15, 2010, the Governor shall select a 7 private manager for the total management of the Lottery with 8 integrated functions, such as lottery game design, supply of 9 goods and services, and advertising and as specified in this 10 Section.

11 (C) Pursuant to the terms of this subsection, the 12 Department shall endeavor to expeditiously terminate the 13 existing contracts in support of the Lottery in effect on the effective date of this amendatory Act of the 96th General 14 15 Assembly in connection with the selection of the private 16 manager. As part of its obligation to terminate these contracts 17 and select the private manager, the Department shall establish a mutually agreeable timetable to transfer the functions of 18 19 existing contractors to the private manager so that existing 20 Lottery operations are not materially diminished or impaired 21 during the transition. To that end, the Department shall do the 22 following:

(1) where such contracts contain a provision
authorizing termination upon notice, the Department shall
provide notice of termination to occur upon the mutually
agreed timetable for transfer of functions;

HB0078

1 (2) upon the expiration of any initial term or renewal 2 term of the current Lottery contracts, the Department shall 3 not renew such contract for a term extending beyond the 4 mutually agreed timetable for transfer of functions; or

5 (3) in the event any current contract provides for 6 termination of that contract upon the implementation of a 7 contract with the private manager, the Department shall 8 perform all necessary actions to terminate the contract on 9 the date that coincides with the mutually agreed timetable 10 for transfer of functions.

If the contracts to support the current operation of the Lottery in effect on the effective date of this amendatory Act of the 96th General Assembly are not subject to termination as provided for in this subsection (c), then the Department may include a provision in the contract with the private manager specifying a mutually agreeable methodology for incorporation.

17 (c-5) The Department shall include provisions in the management agreement whereby the private manager shall, for a 18 19 fee, and pursuant to a contract negotiated with the Department (the "Employee Use Contract"), utilize the services of current 20 Department employees to assist in the administration and 21 22 operation of the Lottery. The Department shall be the employer 23 of all such bargaining unit employees assigned to perform such work for the private manager, and such employees shall be State 24 25 employees, as defined by the Personnel Code. Department 26 employees shall operate under the same employment policies,

1 rules, regulations, and procedures, as other employees of the 2 Department. In addition, neither historical representation 3 rights under the Illinois Public Labor Relations Act, nor 4 existing collective bargaining agreements, shall be disturbed 5 by the management agreement with the private manager for the 6 management of the Lottery.

7 (d) The management agreement with the private manager shall8 include all of the following:

9 (1) A term not to exceed 10 years, including any 10 renewals.

11

(2) A provision specifying that the Department:

12 (A) shall exercise actual control over all13 significant business decisions;

14 (A-5) has the authority to direct or countermand
 15 operating decisions by the private manager at any time;

(B) has ready access at any time to information
regarding Lottery operations;

18 (C) has the right to demand and receive information
19 from the private manager concerning any aspect of the
20 Lottery operations at any time; and

(D) retains ownership of all trade names,
trademarks, and intellectual property associated with
the Lottery.

(3) A provision imposing an affirmative duty on the
 private manager to provide the Department with material
 information and with any information the private manager

reasonably believes the Department would want to know to enable the Department to conduct the Lottery.

2

18

1

3 (4) A provision requiring the private manager to provide the Department with advance notice of any operating 4 5 decision that bears significantly on the public interest, including, but not limited to, decisions on the kinds of 6 7 games to be offered to the public and decisions affecting 8 the relative risk and reward of the games being offered, so 9 the Department has a reasonable opportunity to evaluate and 10 countermand that decision.

11 (5) A provision providing for compensation of the 12 private manager that may consist of, among other things, a 13 fee for services and a performance based bonus as 14 consideration for managing the Lottery, including terms 15 that may provide the private manager with an increase in 16 compensation if Lottery revenues grow by a specified 17 percentage in a given year.

(6) (Blank).

(7) A provision requiring the deposit of all Lottery
proceeds to be deposited into the State Lottery Fund except
as otherwise provided in Section 20 of this Act.

(8) A provision requiring the private manager to locate
its principal office within the State.

(8-5) A provision encouraging that at least 20% of the
 cost of contracts entered into for goods and services by
 the private manager in connection with its management of

the Lottery, other than contracts with sales agents or technical advisors, be awarded to businesses that are a minority owned business, a female owned business, or a business owned by a person with disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

7 (9) A requirement that so long as the private manager 8 complies with all the conditions of the agreement under the 9 oversight of the Department, the private manager shall have 10 the following duties and obligations with respect to the 11 management of the Lottery:

12 (A) The right to use equipment and other assets13 used in the operation of the Lottery.

14 (B) The rights and obligations under contracts15 with retailers and vendors.

16 (C) The implementation of a comprehensive security17 program by the private manager.

18 (D) The implementation of a comprehensive system19 of internal audits.

20 (E) The implementation of a program by the private 21 manager to curb compulsive gambling by persons playing 22 the Lottery.

(F) A system for determining (i) the type of
Lottery games, (ii) the method of selecting winning
tickets, (iii) the manner of payment of prizes to
holders of winning tickets, (iv) the frequency of

drawings of winning tickets, (v) the method to be used 1 in selling tickets, (vi) a system for verifying the 2 3 validity of tickets claimed to be winning tickets, (vii) the basis upon which retailer commissions are 4 5 established by the manager, and (viii) minimum 6 payouts.

7 (10) A requirement that advertising and promotion must
8 be consistent with Section 7.8a of this Act.

9 (11) A requirement that the private manager market the 10 Lottery to those residents who are new, infrequent, or 11 lapsed players of the Lottery, especially those who are 12 most likely to make regular purchases on the Internet as 13 permitted by law.

14 (12) A code of ethics for the private manager's15 officers and employees.

16 (13) A requirement that the Department monitor and 17 oversee the private manager's practices and take action that the Department considers appropriate to ensure that 18 19 the private manager is in compliance with the terms of the 20 management agreement, while allowing the manager, unless 21 specifically prohibited by law or the management 22 agreement, to negotiate and sign its own contracts with 23 vendors.

(14) A provision requiring the private manager to
 periodically file, at least on an annual basis, appropriate
 financial statements in a form and manner acceptable to the

1 Department.

2

(15) Cash reserves requirements.

(16) Procedural requirements for obtaining the prior
approval of the Department when a management agreement or
an interest in a management agreement is sold, assigned,
transferred, or pledged as collateral to secure financing.

7 (17) Grounds for the termination of the management
8 agreement by the Department or the private manager.

9

(18) Procedures for amendment of the agreement.

10 (19) A provision requiring the private manager to 11 engage in an open and competitive bidding process for any 12 procurement having a cost in excess of \$50,000 that is not 13 a part of the private manager's final offer. The process 14 shall favor the selection of a vendor deemed to have 15 submitted a proposal that provides the Lottery with the 16 best overall value. The process shall not be subject to the 17 provisions of the Illinois Procurement Code, unless 18 specifically required by the management agreement.

19 (20)The transition of rights and obligations, 20 including any associated equipment or other assets used in the operation of the Lottery, from the manager to any 21 22 manager of the lottery, including successor the 23 Department, following the termination of or foreclosure 24 upon the management agreement.

(21) Right of use of copyrights, trademarks, and
 service marks held by the Department in the name of the

State. The agreement must provide that any use of them by the manager shall only be for the purpose of fulfilling its obligations under the management agreement during the term of the agreement.

5 (22) The disclosure of any information requested by the 6 Department to enable it to comply with the reporting 7 requirements and information requests provided for under 8 subsection (p) of this Section.

9 (e) Notwithstanding any other law to the contrary, the 10 Department shall select a private manager through a competitive 11 request for qualifications process consistent with Section 12 20-35 of the Illinois Procurement Code, which shall take into 13 account:

(1) the offeror's ability to market the Lottery to those residents who are new, infrequent, or lapsed players of the Lottery, especially those who are most likely to make regular purchases on the Internet;

(2) the offeror's ability to address the State's
concern with the social effects of gambling on those who
can least afford to do so;

(3) the offeror's ability to provide the most
successful management of the Lottery for the benefit of the
people of the State based on current and past business
practices or plans of the offeror; and

(4) the offeror's poor or inadequate past performance
 in servicing, equipping, operating or managing a lottery on

behalf of Illinois, another State or foreign government and
 attracting persons who are not currently regular players of
 a lottery.

(f) The Department may retain the services of an advisor or 4 5 advisors with significant experience in financial services or the management, operation, and procurement of goods, services, 6 and equipment for a government-run lottery to assist in the 7 8 preparation of the terms of the request for qualifications and 9 selection of the private manager. Any prospective advisor 10 seeking to provide services under this subsection (f) shall 11 disclose any material business or financial relationship 12 during the past 3 years with any potential offeror, or with a 13 subcontractor presently providing contractor or qoods, 14 services, or equipment to the Department to support the 15 Lottery. The Department shall evaluate the material business or 16 financial relationship of each prospective advisor. The 17 Department shall not select any prospective advisor with a substantial business or financial relationship that 18 the 19 Department deems to impair the objectivity of the services to 20 be provided by the prospective advisor. During the course of 21 the advisor's engagement by the Department, and for a period of 22 one year thereafter, the advisor shall not enter into any 23 business or financial relationship with any offeror or any vendor identified to assist an offeror in performing its 24 25 obligations under the management agreement. Any advisor 26 retained by the Department shall be disqualified from being an

offeror. The Department shall not include terms in the request 1 2 for qualifications that provide a material advantage whether 3 directly or indirectly to any potential offeror, or any subcontractor presently providing goods, 4 contractor or 5 services, or equipment to the Department to support the Lottery, including terms contained in previous responses to 6 7 for proposals or qualifications submitted requests to 8 Illinois, another State or foreign government when those terms 9 are uniquely associated with a particular potential offeror, contractor, or subcontractor. 10 The request for proposals 11 offered by the Department on December 22, 2008 as 12 "LOT08GAMESYS" and reference number "22016176" is declared 13 void.

(g) The Department shall select at least 2 offerors as finalists to potentially serve as the private manager no later than August 9, 2010. Upon making preliminary selections, the Department shall schedule a public hearing on the finalists' proposals and provide public notice of the hearing at least 7 calendar days before the hearing. The notice must include all of the following:

21

(1) The date, time, and place of the hearing.

22

(2) The subject matter of the hearing.

23 (3) A brief description of the management agreement to24 be awarded.

25 (4) The identity of the offerors that have been
 26 selected as finalists to serve as the private manager.

(5) The address and telephone number of the Department. 1 2 (h) At the public hearing, the Department shall (i) provide sufficient time for each finalist to present and explain its 3 proposal to the Department and the Governor or the Governor's 4 5 designee, including an opportunity to respond to questions posed by the Department, Governor, or designee and (ii) allow 6 7 the public and non-selected offerors to comment on the 8 presentations. The Governor or a designee shall attend the 9 public hearing. After the public hearing, the Department shall 10 have 14 calendar days to recommend to the Governor whether a 11 management agreement should be entered into with a particular 12 finalist. After reviewing the Department's recommendation, the 13 Governor may accept or reject the Department's recommendation, 14 and shall select a final offeror as the private manager by 15 publication of a notice in the Illinois Procurement Bulletin on or before September 15, 2010. The Governor shall include in the 16 17 notice a detailed explanation and the reasons why the final offeror is superior to other offerors and will provide 18 19 management services in a manner that best achieves the 20 objectives of this Section. The Governor shall also sign the 21 management agreement with the private manager.

22 (i) Any action to contest the private manager selected by 23 the Governor under this Section must be brought within 7 calendar days after the publication of the notice of the 24 25 designation of the private manager as provided in subsection (h) of this Section. 26

1 (j) The Lottery shall remain, for so long as a private 2 manager manages the Lottery in accordance with provisions of 3 this Act, a Lottery conducted by the State, and the State shall 4 not be authorized to sell or transfer the Lottery to a third 5 party.

6 (k) Any tangible personal property used exclusively in 7 connection with the lottery that is owned by the Department and 8 leased to the private manager shall be owned by the Department 9 in the name of the State and shall be considered to be public 10 property devoted to an essential public and governmental 11 function.

(1) The Department may exercise any of its powers under this Section or any other law as necessary or desirable for the execution of the Department's powers under this Section.

(m) Neither this Section nor any management agreement entered into under this Section prohibits the General Assembly from authorizing forms of gambling that are not in direct competition with the Lottery.

19 (n) The private manager shall be subject to a complete investigation in the third, seventh, and tenth years of the 20 agreement (if the agreement is for a 10-year term) by the 21 22 Department in cooperation with the Auditor General to determine 23 whether the private manager has complied with this Section and 24 the management agreement. The private manager shall bear the 25 cost of an investigation or reinvestigation of the private 26 manager under this subsection.

(o) The powers conferred by this Section are in addition 1 2 and supplemental to the powers conferred by any other law. If any other law or rule is inconsistent with this Section, 3 including, but not limited to, provisions of the Illinois 4 5 Procurement Code, then this Section controls as to any 6 management agreement entered into under this Section. This 7 Section and any rules adopted under this Section contain full 8 and complete authority for a management agreement between the 9 Department and a private manager. No law, procedure, 10 proceeding, publication, notice, consent, approval, order, or 11 act by the Department or any other officer, Department, agency, 12 or instrumentality of the State or any political subdivision is 13 required for the Department to enter into a management 14 agreement under this Section. This Section contains full and 15 complete authority for the Department to approve any contracts 16 entered into by a private manager with a vendor providing 17 goods, services, or both goods and services to the private manager under the terms of the management agreement, including 18 subcontractors of such vendors. 19

20 Upon receipt of a written request from the Chief 21 Procurement Officer, the Department shall provide to the Chief 22 Procurement Officer a complete and un-redacted copy of the 23 management agreement or any contract that is subject to the Department's approval authority under this subsection (o). The 24 25 Department shall provide a copy of the agreement or contract to 26 the Chief Procurement Officer in the time specified by the

Chief Procurement Officer in his or her written request, but no 1 2 later than 5 business days after the request is received by the Department. The Chief Procurement Officer must retain any 3 portions of the management agreement or of any contract 4 5 designated by the Department as confidential, proprietary, or 6 trade secret information in complete confidence pursuant to subsection (g) of Section 7 of the Freedom of Information Act. 7 8 The Department shall also provide the Chief Procurement Officer 9 with reasonable advance written notice of any contract that is 10 pending Department approval.

11 Notwithstanding any other provision of this Section to the 12 Chief Procurement Officer contrary, the shall adopt 13 administrative rules, including emergency rules, to establish 14 a procurement process to select a successor private manager if 15 a private management agreement has been terminated. The 16 selection process shall at a minimum take into account the 17 criteria set forth in items (1) through (4) of subsection (e) of this Section and may include provisions consistent with 18 subsections (f), (g), (h), and (i) of this Section. The Chief 19 20 Procurement Officer shall also implement and administer the adopted selection process upon the termination of a private 21 22 The Department, after the Chief management agreement. 23 Procurement Officer certifies that the procurement process has been followed in accordance with the rules adopted under this 24 25 subsection (o), shall select a final offeror as the private 26 manager and sign the management agreement with the private

HB0078

- 17 - LRB098 03860 AMC 33877 b

HB0078

1 manager.

Except as provided in Sections 21.2, 21.5, 21.6, 21.7, and 21.8, and 21.9, the Department shall distribute all proceeds of lottery tickets and shares sold in the following priority and manner:

6

(1) The payment of prizes and retailer bonuses.

7 (2) The payment of costs incurred in the operation and 8 administration of the Lottery, including the payment of 9 sums due to the private manager under the management 10 agreement with the Department.

(3) On the last day of each month or as soon thereafter as possible, the State Comptroller shall direct and the State Treasurer shall transfer from the <u>State</u> Lottery Fund to the Common School Fund an amount that is equal to the proceeds transferred in the corresponding month of fiscal year 2009, as adjusted for inflation, to the Common School Fund.

(4) On or before the last day of each fiscal year,
deposit any remaining proceeds, subject to payments under
items (1), (2), and (3) into the Capital Projects Fund each
fiscal year.

(p) The Department shall be subject to the followingreporting and information request requirements:

(1) the Department shall submit written quarterly
 reports to the Governor and the General Assembly on the
 activities and actions of the private manager selected

1 under this Section;

2 (2) upon request of the Chief Procurement Officer, the 3 Department shall promptly produce information related to the procurement activities of the Department and the 4 manager requested by the Chief Procurement 5 private 6 Officer; the Chief Procurement Officer must retain 7 confidential, proprietary, or trade secret information 8 designated by the Department in complete confidence 9 pursuant to subsection (q) of Section 7 of the Freedom of 10 Information Act: and

(3) at least 30 days prior to the beginning of the Department's fiscal year, the Department shall prepare an annual written report on the activities of the private manager selected under this Section and deliver that report to the Governor and General Assembly.

16 (Source: P.A. 96-34, eff. 7-13-09; 96-37, eff. 7-13-09; 96-840, 17 eff. 12-23-09; 97-464, eff. 8-19-11; revised 10-17-12.)

18 (20 ILCS 1605/20) (from Ch. 120, par. 1170)

19 Sec. 20. State Lottery Fund.

(a) There is created in the State Treasury a special fund
to be known as the "State Lottery Fund". Such fund shall
consist of all revenues received from (1) the sale of lottery
tickets or shares, (net of commissions, fees representing those
expenses that are directly proportionate to the sale of tickets
or shares at the agent location, and prizes of less than \$600

1 which have been validly paid at the agent level), (2)
2 application fees, and (3) all other sources including moneys
3 credited or transferred thereto from any other fund or source
4 pursuant to law. Interest earnings of the State Lottery Fund
5 shall be credited to the Common School Fund.

6 (b) The receipt and distribution of moneys under Section 7 21.5 of this Act shall be in accordance with Section 21.5.

8 (c) The receipt and distribution of moneys under Section 9 21.6 of this Act shall be in accordance with Section 21.6.

10 (d) The receipt and distribution of moneys under Section11 21.7 of this Act shall be in accordance with Section 21.7.

12 (e) The receipt and distribution of moneys under Section13 21.8 of this Act shall be in accordance with Section 21.8.

(f) The receipt and distribution of moneys under Section
21.9 of this Act shall be in accordance with Section 21.9.
(Source: P.A. 94-120, eff. 7-6-05; 94-585, eff. 8-15-05;
95-331, eff. 8-21-07; 95-673, eff. 10-11-07; 95-674, eff.
10-11-07; 95-876, eff. 8-21-08.)

19

(20 ILCS 1605/21.9 new)

20 <u>Sec. 21.9. "After-School Rescue" scratch-off game.</u>

(a) The Department shall offer a special instant
 "After-School Rescue" scratch-off game, which shall commence
 on January 1, 2014, or as soon thereafter as is, in the view of
 the Director, reasonably practical. The operation of the game
 shall be governed by this Act and any rules adopted by the

HB0078

Department. If any provision of this Section is inconsistent with any other provision of this Act, then this Section governs.

4 <u>(b) The After-School Rescue Fund is created as a special</u> 5 <u>fund in the State treasury. The net revenue from the</u> 6 <u>"After-School Rescue" scratch-off game shall be deposited into</u> 7 <u>the Fund for appropriation by the General Assembly solely to</u> 8 <u>the Illinois State Board of Education for the making of grants</u> 9 <u>to at-risk schools for the promotion of extracurricular and</u> 10 after-school programs.

Moneys received for the purposes of this Section, including, without limitation, net revenue from the special instant scratch-off game and from gifts, grants, and awards from any public or private entity, must be deposited into the Fund. Any interest attributable to moneys in the Fund must be deposited into the Fund.

For purposes of this subsection, "net revenue" means the total amount for which tickets have been sold less the sum of the amount paid out in the prizes and the actual administrative expenses of the Department solely related to the scratch-off game under this Section.

22 (c) During the time that tickets are sold for the 23 "After-School Rescue" scratch-off game, the Department shall 24 not unreasonably diminish the efforts devoted to marketing any 25 other instant scratch-off lottery game.

26 (d) The Department may, after consulting with the Illinois

HB0078 - 21 - LRB098 03860 AMC 33877 b

# State Board of Education, adopt any rules necessary to implement and administer the provisions of this Section.

3 Section 10. The State Finance Act is amended by adding 4 Section 5.826 as follows:

5 (30 ILCS 105/5.826 new)

#### 6 Sec. 5.826. The After-School Rescue Fund.

7 Section 99. Effective date. This Act takes effect upon8 becoming law.