

100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB0727

by Rep. Thaddeus Jones

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	1605/21.10 new					
30 ILCS	105/5.878 new					

Amends the Illinois Lottery Law. Requires the Department of the Lottery to offer a special instant scratch-off game to benefit homeless shelters. Requires the net revenue from that game to be deposited into the Homeless Shelter Revenue Fund. Provides that moneys deposited into the Homeless Shelter Revenue Fund shall be used by the Department of Human Services to fund grants to homeless shelters. Authorizes the Department to adopt rules necessary to implement and administer the game. Defines "net revenue". Amends the State Finance Act to create the Homeless Shelter Revenue Fund as a special fund in the State treasury. Effective immediately.

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FISCAL NOTE ACT MAY APPLY

A BILL FOR

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AN ACT concerning State government.

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

Section 1. This Act may be referred to as the Illinois
Homeless Veterans and Working Families Lottery Law.

6 Section 5. The Illinois Lottery Law is amended by changing 7 Sections 2, 9.1, and 20 and by adding Section 21.10 as follows:

8 (20 ILCS 1605/2) (from Ch. 120, par. 1152)

9 Sec. 2. This Act is enacted to implement and establish 10 within the State a lottery to be conducted by the State through the Department. The entire net proceeds of the Lottery are to 11 be used for the support of the State's Common School Fund, 12 13 except as provided in subsection (o) of Section 9.1 and Sections 21.2, 21.5, 21.6, 21.7, 21.8, and 21.9, and 21.10. The 14 15 General Assembly finds that it is in the public interest for the Department to conduct the functions of the Lottery with the 16 assistance of a private manager under a management agreement 17 18 overseen by the Department. The Department shall be accountable 19 to the General Assembly and the people of the State through a comprehensive system of regulation, audits, reports, and 20 21 enduring operational oversight. The Department's ongoing conduct of the Lottery through a management agreement with a 22

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private manager shall act to promote and ensure the integrity, security, honesty, and fairness of the Lottery's operation and administration. It is the intent of the General Assembly that 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).

8 (Source: P.A. 98-649, eff. 6-16-14.)

9 (20 ILCS 1605/9.1)

10 Sec. 9.1. Private manager and management agreement.

11 (a) As used in this Section:

12 "Offeror" means a person or group of persons that responds13 to a request for qualifications under this Section.

14 "Request for qualifications" means all materials and 15 documents prepared by the Department to solicit the following 16 from offerors:

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(1) Statements of qualifications.

18 (2) Proposals to enter into a management agreement, 19 including the identity of any prospective vendor or vendors 20 that the offeror intends to initially engage to assist the 21 offeror in performing its obligations under the management 22 agreement.

23 "Final offer" means the last proposal submitted by an 24 offeror in response to the request for qualifications, 25 including the identity of any prospective vendor or vendors 1 that the offeror intends to initially engage to assist the 2 offeror in performing its obligations under the management 3 agreement.

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

7 (b) By September 15, 2010, the Governor shall select a 8 private manager for the total management of the Lottery with 9 integrated functions, such as lottery game design, supply of 10 goods and services, and advertising and as specified in this 11 Section.

12 Pursuant to the terms of this subsection, (C) the 13 Department shall endeavor to expeditiously terminate the 14 existing contracts in support of the Lottery in effect on the 15 effective date of this amendatory Act of the 96th General 16 Assembly in connection with the selection of the private 17 manager. As part of its obligation to terminate these contracts and select the private manager, the Department shall establish 18 19 a mutually agreeable timetable to transfer the functions of 20 existing contractors to the private manager so that existing 21 Lottery operations are not materially diminished or impaired 22 during the transition. To that end, the Department shall do the 23 following:

(1) where such contracts contain a provision
 authorizing termination upon notice, the Department shall
 provide notice of termination to occur upon the mutually

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agreed timetable for transfer of functions;

2 (2) upon the expiration of any initial term or renewal 3 term of the current Lottery contracts, the Department shall 4 not renew such contract for a term extending beyond the 5 mutually agreed timetable for transfer of functions; or

6 (3) in the event any current contract provides for 7 termination of that contract upon the implementation of a 8 contract with the private manager, the Department shall 9 perform all necessary actions to terminate the contract on 10 the date that coincides with the mutually agreed timetable 11 for transfer of functions.

12 If the contracts to support the current operation of the 13 Lottery in effect on the effective date of this amendatory Act 14 of the 96th General Assembly are not subject to termination as 15 provided for in this subsection (c), then the Department may 16 include a provision in the contract with the private manager 17 specifying a mutually agreeable methodology for incorporation.

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

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

8 (d) The management agreement with the private manager shall9 include all of the following:

10 (1) A term not to exceed 10 years, including any 11 renewals.

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(2) A provision specifying that the Department:

13 (A) shall exercise actual control over all
14 significant business decisions;

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

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

(C) has the right to demand and receive information
from the private manager concerning any aspect of the
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.

(4) A provision requiring the private manager to 4 5 provide the Department with advance notice of any operating decision that bears significantly on the public interest, 6 including, but not limited to, decisions on the kinds of 7 8 games to be offered to the public and decisions affecting 9 the relative risk and reward of the games being offered, so 10 the Department has a reasonable opportunity to evaluate and 11 countermand that decision.

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

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(6) (Blank).

20 (7) A provision requiring the deposit of all Lottery
21 proceeds to be deposited into the State Lottery Fund except
22 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

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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.

8 (9) A requirement that so long as the private manager 9 complies with all the conditions of the agreement under the 10 oversight of the Department, the private manager shall have 11 the following duties and obligations with respect to the 12 management of the Lottery:

13 (A) The right to use equipment and other assets14 used in the operation of the Lottery.

(B) The rights and obligations under contractswith retailers and vendors.

17 (C) The implementation of a comprehensive security18 program by the private manager.

19 (D) The implementation of a comprehensive system20 of internal audits.

(E) The implementation of a program by the private
 manager to curb compulsive gambling by persons playing
 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 1 2 drawings of winning tickets, (v) the method to be used 3 in selling tickets, (vi) a system for verifying the validity of tickets claimed to be winning tickets, 4 5 (vii) the basis upon which retailer commissions are 6 established by the manager, and (viii) minimum 7 payouts.

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

10 (11) A requirement that the private manager market the 11 Lottery to those residents who are new, infrequent, or 12 lapsed players of the Lottery, especially those who are 13 most likely to make regular purchases on the Internet as 14 permitted by law.

15 (12) A code of ethics for the private manager's16 officers and employees.

17 (13) A requirement that the Department monitor and oversee the private manager's practices and take action 18 19 that the Department considers appropriate to ensure that 20 the private manager is in compliance with the terms of the 21 management agreement, while allowing the manager, unless 22 specifically prohibited by law or the management 23 agreement, to negotiate and sign its own contracts with 24 vendors.

(14) A provision requiring the private manager to
 periodically file, at least on an annual basis, appropriate

- 1 financial statements in a form and manner acceptable to the 2 Department.
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(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.

8 (17) Grounds for the termination of the management 9 agreement by the Department or the private manager.

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(18) Procedures for amendment of the agreement.

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

20 (20)The transition of rights and obligations, 21 including any associated equipment or other assets used in 22 the operation of the Lottery, from the manager to any manager of the 23 lottery, successor including the Department, following the termination of or foreclosure 24 25 upon the management agreement.

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(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.

6 (22) The disclosure of any information requested by the 7 Department to enable it to comply with the reporting 8 requirements and information requests provided for under 9 subsection (p) of this Section.

10 (e) Notwithstanding any other law to the contrary, the 11 Department shall select a private manager through a competitive 12 request for qualifications process consistent with Section 13 20-35 of the Illinois Procurement Code, which shall take into 14 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;

19 (2) the offeror's ability to address the State's 20 concern with the social effects of gambling on those who 21 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

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(4) the offeror's poor or inadequate past performance

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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.

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

retained by the Department shall be disqualified from being an 1 2 offeror. The Department shall not include terms in the request for qualifications that provide a material advantage whether 3 directly or indirectly to any potential offeror, or any 4 5 contractor or subcontractor presently providing goods, 6 services, or equipment to the Department to support the 7 Lottery, including terms contained in previous responses to 8 for proposals qualifications submitted requests or to 9 Illinois, another State or foreign government when those terms 10 are uniquely associated with a particular potential offeror, 11 contractor, or subcontractor. The request for proposals 12 offered by the Department December 22, on 2008 as 13 "LOT08GAMESYS" and reference number "22016176" is declared 14 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:

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

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(2) The subject matter of the hearing.

24 (3) A brief description of the management agreement to25 be awarded.

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(4) The identity of the offerors that have been

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selected as finalists to serve as the private manager.

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(5) The address and telephone number of the Department.

3 (h) At the public hearing, the Department shall (i) provide sufficient time for each finalist to present and explain its 4 5 proposal to the Department and the Governor or the Governor's designee, including an opportunity to respond to questions 6 posed by the Department, Governor, or designee and (ii) allow 7 the public and non-selected offerors to comment on the 8 9 presentations. The Governor or a designee shall attend the 10 public hearing. After the public hearing, the Department shall 11 have 14 calendar days to recommend to the Governor whether a 12 management agreement should be entered into with a particular 13 finalist. After reviewing the Department's recommendation, the 14 Governor may accept or reject the Department's recommendation, 15 and shall select a final offeror as the private manager by 16 publication of a notice in the Illinois Procurement Bulletin on 17 or before September 15, 2010. The Governor shall include in the notice a detailed explanation and the reasons why the final 18 offeror is superior to other offerors and will provide 19 20 management services in a manner that best achieves the objectives of this Section. The Governor shall also sign the 21 22 management agreement with the private manager.

(i) Any action to contest the private manager selected by the Governor under this Section must be brought within 7 calendar days after the publication of the notice of the designation of the private manager as provided in subsection - 14 - LRB100 05835 MJP 15860 b

1 (h) of this Section.

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

7 (k) Any tangible personal property used exclusively in 8 connection with the lottery that is owned by the Department and 9 leased to the private manager shall be owned by the Department 10 in the name of the State and shall be considered to be public 11 property devoted to an essential public and governmental 12 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.

16 (m) Neither this Section nor any management agreement 17 entered into under this Section prohibits the General Assembly 18 from authorizing forms of gambling that are not in direct 19 competition with the Lottery.

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

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1 manager under this subsection.

2 (o) The powers conferred by this Section are in addition 3 and supplemental to the powers conferred by any other law. If any other law or rule is inconsistent with this Section, 4 5 including, but not limited to, provisions of the Illinois 6 Procurement Code, then this Section controls as to anv management agreement entered into under this Section. This 7 8 Section and any rules adopted under this Section contain full 9 and complete authority for a management agreement between the 10 Department and a private manager. No law, procedure, 11 proceeding, publication, notice, consent, approval, order, or 12 act by the Department or any other officer, Department, agency, 13 or instrumentality of the State or any political subdivision is 14 required for the Department to enter into a management 15 agreement under this Section. This Section contains full and 16 complete authority for the Department to approve any contracts 17 entered into by a private manager with a vendor providing goods, services, or both goods and services to the private 18 manager under the terms of the management agreement, including 19 20 subcontractors of such vendors.

Upon receipt of a written request from the Chief Procurement Officer, the Department shall provide to the Chief Procurement Officer a complete and un-redacted copy of the management agreement or any contract that is subject to the Department's approval authority under this subsection (o). The Department shall provide a copy of the agreement or contract to

the Chief Procurement Officer in the time specified by the 1 2 Chief Procurement Officer in his or her written request, but no 3 later than 5 business days after the request is received by the Department. The Chief Procurement Officer must retain any 4 5 portions of the management agreement or of any contract 6 designated by the Department as confidential, proprietary, or trade secret information in complete confidence pursuant to 7 8 subsection (q) of Section 7 of the Freedom of Information Act. 9 The Department shall also provide the Chief Procurement Officer 10 with reasonable advance written notice of any contract that is 11 pending Department approval.

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

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1 manager and sign the management agreement with the private 2 manager.

Except as provided in Sections 21.2, 21.5, 21.6, 21.7, 21.8, and 21.9, and 21.10, the Department shall distribute all proceeds of lottery tickets and shares sold in the following priority and manner:

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(1) The payment of prizes and retailer bonuses.

8 (2) The payment of costs incurred in the operation and 9 administration of the Lottery, including the payment of 10 sums due to the private manager under the management 11 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 State 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 quarterlyreports to the Governor and the General Assembly on the

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activities and actions of the private manager selected 1 under this Section;

(2) upon request of the Chief Procurement Officer, the 3 Department shall promptly produce information related to 4 5 the procurement activities of the Department and the 6 private manager requested by the Chief Procurement 7 Officer; the Chief Procurement Officer must retain 8 confidential, proprietary, or trade secret information 9 designated by the Department in complete confidence 10 pursuant to subsection (q) of Section 7 of the Freedom of 11 Information Act; and

12 (3) at least 30 days prior to the beginning of the 13 Department's fiscal year, the Department shall prepare an annual written report on the activities of the private 14 15 manager selected under this Section and deliver that report 16 to the Governor and General Assembly.

17 (Source: P.A. 97-464, eff. 8-19-11; 98-463, eff. 8-16-13; 98-649, eff. 6-16-14.) 18

(20 ILCS 1605/20) (from Ch. 120, par. 1170) 19

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Sec. 20. State Lottery Fund.

21 (a) There is created in the State Treasury a special fund 22 to be known as the "State Lottery Fund". Such fund shall 23 consist of all revenues received from (1) the sale of lottery 24 tickets or shares, (net of commissions, fees representing those 25 expenses that are directly proportionate to the sale of tickets

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or shares at the agent location, and prizes of less than \$600 which have been validly paid at the agent level), (2) application fees, and (3) all other sources including moneys credited or transferred thereto from any other fund or source pursuant to law. Interest earnings of the State Lottery Fund shall be credited to the Common School Fund.

7 (b) The receipt and distribution of moneys under Section
8 21.5 of this Act shall be in accordance with Section 21.5.

9 (c) The receipt and distribution of moneys under Section 10 21.6 of this Act shall be in accordance with Section 21.6.

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

(e) The receipt and distribution of moneys under Section21.8 of this Act shall be in accordance with Section 21.8.

(f) The receipt and distribution of moneys under Section21.9 of this Act shall be in accordance with Section 21.9.

17 (q) The receipt and distribution of moneys under Section
18 21.10 of this Act shall be in accordance with Section 21.10.
19 (Source: P.A. 98-649, eff. 6-16-14.)

20 (20 ILCS 1605/21.10 new)

21 Sec. 21.10. Scratch-off for homeless shelters.

(a) The Department shall offer a special instant
 scratch-off game to benefit homeless shelters. The game shall
 commence on July 1, 2018 or as soon thereafter, at the
 discretion of the Director, as is reasonably practical. The

operation of the game shall be governed by this Act and any rules adopted by the Department. If any provision of this Section is inconsistent with any other provision of this Act, then this Section governs.

5 (b) The Homeless Shelter Revenue Fund is created as a special fund in the State treasury. The net revenue from the 6 7 scratch-off game to benefit homeless shelters shall be 8 deposited into the Homeless Shelter Revenue Fund. Moneys 9 deposited into the Homeless Shelter Revenue Fund under this 10 Section shall be used, subject to appropriation, by the 11 Department of Human Services to fund grants to homeless 12 shelters. Grants awarded under this Section shall be awarded to a homeless shelter based upon the revenue generated from the 13 14 scratch-off game to benefit homeless shelters in the 15 municipality in which the homeless shelter is located, except 16 that:

17 (1) revenue generated in municipalities in which there 18 are no homeless shelters shall be awarded to homeless 19 shelters in that county;

20 <u>(2) revenue generated in unincorporated areas of a</u> 21 <u>county in which there are homeless shelters only in</u> 22 <u>municipalities shall be awarded to homeless shelters in</u> 23 <u>those municipalities; and</u>

24 (3) revenue generated in a county in which there are no
 25 homeless shelters shall be awarded to homeless shelters in
 26 adjoining counties.

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1	A homeless shelter in municipality that has a program to
2	reduce homelessness is not eligible to receive a grant under
3	this Section unless the homeless shelter is recommended for the
4	grant by the municipal agency with jurisdiction and is approved
5	by the Department of Human Services.
6	For purposes of this subsection, "net revenue" means the
7	total amount for which tickets have been sold less the sum of
8	the amount paid out in the prizes and the actual administrative
9	expenses of the Department solely related to the scratch-off
10	game under this Section.
11	(c) During the time that tickets are sold for the
12	scratch-off game to benefit homeless shelters, the Department
13	shall not unreasonably diminish the efforts devoted to
14	marketing any other instant scratch-off lottery game.
15	(d) The Department may adopt any rules necessary to
16	implement and administer the provisions of this Section.
17	Section 10. The State Finance Act is amended by adding
18	Section 5.878 as follows:
19	(30 ILCS 105/5.878 new)
20	Sec. 5.878. The Homeless Shelter Revenue Fund.
21	Section 99. Effective date. This Act takes effect upon
22	becoming law.