

**Rep.** Kenneth Dunkin

## Filed: 3/14/2014

09800HB3934ham001 LRB098 15492 AMC 55760 a 1 AMENDMENT TO HOUSE BILL 3934 2 AMENDMENT NO. . Amend House Bill 3934 by replacing everything after the enacting clause with the following: 3 "Section 5. The Illinois Lottery Law is amended by changing 4 Sections 2, 9.1, and 20 and by adding Section 21.9 as follows: 5 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 the Department. The entire net proceeds of the Lottery are to 9 10 be used for the support of the State's Common School Fund, 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 13 General Assembly finds that it is in the public interest for the Department to conduct the functions of the Lottery with the 14 15 assistance of a private manager under a management agreement overseen by the Department. The Department shall be accountable 16

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1 to the General Assembly and the people of the State through a comprehensive system of regulation, audits, reports, and 2 3 enduring operational oversight. The Department's ongoing 4 conduct of the Lottery through a management agreement with a 5 private manager shall act to promote and ensure the integrity, 6 security, honesty, and fairness of the Lottery's operation and administration. It is the intent of the General Assembly that 7 8 the Department shall conduct the Lottery with the assistance of 9 a private manager under a management agreement at all times in 10 a manner consistent with 18 U.S.C. 1307(a)(1), 1307(b)(1), 11 1953(b)(4).

12 (Source: P.A. 95-331, eff. 8-21-07; 95-673, eff. 10-11-07; 13 95-674, eff. 10-11-07; 95-876, eff. 8-21-08; 96-34, eff. 14 7-13-09.)

15 (20 ILCS 1605/9.1)

16 Sec. 9.1. Private manager and management agreement.

17 (a) As used in this Section:

18 "Offeror" means a person or group of persons that responds19 to a request for qualifications under this Section.

20 "Request for qualifications" means all materials and 21 documents prepared by the Department to solicit the following 22 from offerors:

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(1) Statements of qualifications.

(2) Proposals to enter into a management agreement,
 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 offer" means the last proposal submitted by an 5 offeror in response to the request for qualifications, 6 including the identity of any prospective vendor or vendors 7 that the offeror intends to initially engage to assist the 8 offeror in performing its obligations under the management 9 agreement.

10 "Final offeror" means the offeror ultimately selected by 11 the Governor to be the private manager for the Lottery under 12 subsection (h) of this Section.

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

18 Pursuant to the terms of this subsection, (C) the 19 Department shall endeavor to expeditiously terminate the 20 existing contracts in support of the Lottery in effect on the effective date of this amendatory Act of the 96th General 21 Assembly in connection with the selection of the private 22 23 manager. As part of its obligation to terminate these contracts 24 and select the private manager, the Department shall establish 25 a mutually agreeable timetable to transfer the functions of 26 existing contractors to the private manager so that existing 09800HB3934ham001

Lottery operations are not materially diminished or impaired during the transition. To that end, the Department shall do the following:

4 (1) where such contracts contain a provision 5 authorizing termination upon notice, the Department shall 6 provide notice of termination to occur upon the mutually 7 agreed timetable for transfer of functions;

8 (2) upon the expiration of any initial term or renewal 9 term of the current Lottery contracts, the Department shall 10 not renew such contract for a term extending beyond the 11 mutually agreed timetable for transfer of functions; or

12 (3) in the event any current contract provides for 13 termination of that contract upon the implementation of a 14 contract with the private manager, the Department shall 15 perform all necessary actions to terminate the contract on 16 the date that coincides with the mutually agreed timetable 17 for transfer of functions.

18 If the contracts to support the current operation of the 19 Lottery in effect on the effective date of this amendatory Act 20 of the 96th General Assembly are not subject to termination as 21 provided for in this subsection (c), then the Department may 22 include a provision in the contract with the private manager 23 specifying a mutually agreeable methodology for incorporation.

24 (c-5) The Department shall include provisions in the 25 management agreement whereby the private manager shall, for a 26 fee, and pursuant to a contract negotiated with the Department 09800HB3934ham001 -5- LRB098 15492 AMC 55760 a

1 (the "Employee Use Contract"), utilize the services of current 2 Department employees to assist in the administration and operation of the Lottery. The Department shall be the employer 3 4 of all such bargaining unit employees assigned to perform such 5 work for the private manager, and such employees shall be State 6 employees, as defined by the Personnel Code. Department employees shall operate under the same employment policies, 7 rules, regulations, and procedures, as other employees of the 8 9 Department. In addition, neither historical representation 10 rights under the Illinois Public Labor Relations Act, nor 11 existing collective bargaining agreements, shall be disturbed by the management agreement with the private manager for the 12 13 management of the Lottery.

14 (d) The management agreement with the private manager shall15 include all of the following:

16 (1) A term not to exceed 10 years, including any 17 renewals.

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(2) A provision specifying that the Department:

19(A) shall exercise actual control over all20significant business decisions;

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

24 regarding Lottery operations;

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

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Lottery operations at any time; and

retains ownership of all 2 (D) trade names, 3 trademarks, and intellectual property associated with the Lottery. 4

5 (3) A provision imposing an affirmative duty on the private manager to provide the Department with material 6 7 information and with any information the private manager 8 reasonably believes the Department would want to know to 9 enable the Department to conduct the Lottery.

10 (4) A provision requiring the private manager to provide the Department with advance notice of any operating 11 decision that bears significantly on the public interest, 12 13 including, but not limited to, decisions on the kinds of 14 games to be offered to the public and decisions affecting 15 the relative risk and reward of the games being offered, so 16 the Department has a reasonable opportunity to evaluate and 17 countermand that decision.

18 (5) A provision providing for compensation of the 19 private manager that may consist of, among other things, a 20 fee for services and a performance based bonus as 21 consideration for managing the Lottery, including terms 22 that may provide the private manager with an increase in 23 compensation if Lottery revenues grow by a specified 24 percentage in a given year.

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(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.

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

5 (8-5) A provision encouraging that at least 20% of the cost of contracts entered into for goods and services by 6 7 the private manager in connection with its management of 8 the Lottery, other than contracts with sales agents or 9 technical advisors, be awarded to businesses that are a 10 minority owned business, a female owned business, or a business owned by a person with disability, as those terms 11 12 are defined in the Business Enterprise for Minorities, 13 Females, and Persons with Disabilities Act.

14 (9) A requirement that so long as the private manager 15 complies with all the conditions of the agreement under the 16 oversight of the Department, the private manager shall have 17 the following duties and obligations with respect to the 18 management of the Lottery:

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

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

(C) The implementation of a comprehensive securityprogram by the private manager.

(D) The implementation of a comprehensive systemof internal audits.

1 (E) The implementation of a program by the private 2 manager to curb compulsive gambling by persons playing 3 the Lottery.

4 (F) A system for determining (i) the type of 5 Lottery games, (ii) the method of selecting winning tickets, (iii) the manner of payment of prizes to 6 holders of winning tickets, (iv) the frequency of 7 drawings of winning tickets, (v) the method to be used 8 9 in selling tickets, (vi) a system for verifying the 10 validity of tickets claimed to be winning tickets, 11 (vii) the basis upon which retailer commissions are 12 established by the manager, and (viii) minimum 13 payouts.

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

16 (11) A requirement that the private manager market the 17 Lottery to those residents who are new, infrequent, or 18 lapsed players of the Lottery, especially those who are 19 most likely to make regular purchases on the Internet as 20 permitted by law.

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

(13) A requirement that the Department monitor and oversee the private manager's practices and take action that the Department considers appropriate to ensure that the private manager is in compliance with the terms of the 1 management agreement, while allowing the manager, unless 2 specifically prohibited by law or the management 3 agreement, to negotiate and sign its own contracts with 4 vendors.

5 (14) A provision requiring the private manager to 6 periodically file, at least on an annual basis, appropriate 7 financial statements in a form and manner acceptable to the 8 Department.

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(15) Cash reserves requirements.

10 (16) Procedural requirements for obtaining the prior 11 approval of the Department when a management agreement or 12 an interest in a management agreement is sold, assigned, 13 transferred, or pledged as collateral to secure financing.

14 (17) Grounds for the termination of the management15 agreement by the Department or the private manager.

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(18) Procedures for amendment of the agreement.

17 (19) A provision requiring the private manager to 18 engage in an open and competitive bidding process for any procurement having a cost in excess of \$50,000 that is not 19 20 a part of the private manager's final offer. The process shall favor the selection of a vendor deemed to have 21 22 submitted a proposal that provides the Lottery with the 23 best overall value. The process shall not be subject to the 24 provisions of the Illinois Procurement Code, unless 25 specifically required by the management agreement.

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(20) The transition of rights and obligations,

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including any associated equipment or other assets used in
the operation of the Lottery, from the manager to any
successor manager of the lottery, including the
Department, following the termination of or foreclosure
upon the management agreement.

6 (21) Right of use of copyrights, trademarks, and 7 service marks held by the Department in the name of the 8 State. The agreement must provide that any use of them by 9 the manager shall only be for the purpose of fulfilling its 10 obligations under the management agreement during the term 11 of the agreement.

12 (22) The disclosure of any information requested by the 13 Department to enable it to comply with the reporting 14 requirements and information requests provided for under 15 subsection (p) of this Section.

16 (e) Notwithstanding any other law to the contrary, the 17 Department shall select a private manager through a competitive 18 request for qualifications process consistent with Section 19 20-35 of the Illinois Procurement Code, which shall take into 20 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

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can least afford to do so;

2 (3) the offeror's ability to provide the most 3 successful management of the Lottery for the benefit of the 4 people of the State based on current and past business 5 practices or plans of the offeror; and

6 (4) the offeror's poor or inadequate past performance 7 in servicing, equipping, operating or managing a lottery on 8 behalf of Illinois, another State or foreign government and 9 attracting persons who are not currently regular players of 10 a lottery.

11 (f) The Department may retain the services of an advisor or advisors with significant experience in financial services or 12 the management, operation, and procurement of goods, services, 13 14 and equipment for a government-run lottery to assist in the 15 preparation of the terms of the request for qualifications and 16 selection of the private manager. Any prospective advisor seeking to provide services under this subsection (f) shall 17 disclose any material business or financial relationship 18 19 during the past 3 years with any potential offeror, or with a 20 contractor or subcontractor presently providing goods, 21 services, or equipment to the Department to support the 22 Lottery. The Department shall evaluate the material business or financial relationship of each prospective advisor. 23 The 24 Department shall not select any prospective advisor with a 25 substantial business or financial relationship that the 26 Department deems to impair the objectivity of the services to 09800HB3934ham001 -12- LRB098 15492 AMC 55760 a

1 be provided by the prospective advisor. During the course of the advisor's engagement by the Department, and for a period of 2 one year thereafter, the advisor shall not enter into any 3 4 business or financial relationship with any offeror or any 5 vendor identified to assist an offeror in performing its 6 obligations under the management agreement. Any advisor retained by the Department shall be disqualified from being an 7 8 offeror. The Department shall not include terms in the request 9 for qualifications that provide a material advantage whether 10 directly or indirectly to any potential offeror, or any 11 contractor or subcontractor presently providing goods, 12 services, or equipment to the Department to support the 13 Lottery, including terms contained in previous responses to 14 requests for proposals or qualifications submitted to 15 Illinois, another State or foreign government when those terms 16 are uniquely associated with a particular potential offeror, 17 contractor, or subcontractor. The request for proposals 18 offered by the Department on December 22, 2008 as 19 "LOT08GAMESYS" and reference number "22016176" is declared 20 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

- 1 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.

4 (3) A brief description of the management agreement to
5 be awarded.

6 (4) The identity of the offerors that have been 7 selected as finalists to serve as the private manager.

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

9 (h) At the public hearing, the Department shall (i) provide 10 sufficient time for each finalist to present and explain its 11 proposal to the Department and the Governor or the Governor's designee, including an opportunity to respond to questions 12 posed by the Department, Governor, or designee and (ii) allow 13 14 the public and non-selected offerors to comment on the 15 presentations. The Governor or a designee shall attend the 16 public hearing. After the public hearing, the Department shall have 14 calendar days to recommend to the Governor whether a 17 18 management agreement should be entered into with a particular 19 finalist. After reviewing the Department's recommendation, the 20 Governor may accept or reject the Department's recommendation, and shall select a final offeror as the private manager by 21 publication of a notice in the Illinois Procurement Bulletin on 22 23 or before September 15, 2010. The Governor shall include in the 24 notice a detailed explanation and the reasons why the final offeror is superior to other offerors and will provide 25 26 management services in a manner that best achieves the 09800HB3934ham001 -14- LRB098 15492 AMC 55760 a

objectives of this Section. The Governor shall also sign the
 management agreement with the private manager.

3 (i) Any action to contest the private manager selected by 4 the Governor under this Section must be brought within 7 5 calendar days after the publication of the notice of the 6 designation of the private manager as provided in subsection 7 (h) of this Section.

8 (j) The Lottery shall remain, for so long as a private 9 manager manages the Lottery in accordance with provisions of 10 this Act, a Lottery conducted by the State, and the State shall 11 not be authorized to sell or transfer the Lottery to a third 12 party.

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

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(n) The private manager shall be subject to a complete

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1 investigation in the third, seventh, and tenth years of the 2 agreement (if the agreement is for a 10-year term) by the 3 Department in cooperation with the Auditor General to determine 4 whether the private manager has complied with this Section and 5 the management agreement. The private manager shall bear the 6 cost of an investigation or reinvestigation of the private 7 manager under this subsection.

8 (o) The powers conferred by this Section are in addition 9 and supplemental to the powers conferred by any other law. If 10 any other law or rule is inconsistent with this Section, 11 including, but not limited to, provisions of the Illinois Procurement Code, then this Section controls as to 12 anv 13 management agreement entered into under this Section. This 14 Section and any rules adopted under this Section contain full 15 and complete authority for a management agreement between the 16 a private manager. No Department and law, procedure, proceeding, publication, notice, consent, approval, order, or 17 18 act by the Department or any other officer, Department, agency, 19 or instrumentality of the State or any political subdivision is 20 required for the Department to enter into a management agreement under this Section. This Section contains full and 21 22 complete authority for the Department to approve any contracts 23 entered into by a private manager with a vendor providing 24 goods, services, or both goods and services to the private 25 manager under the terms of the management agreement, including subcontractors of such vendors. 26

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1 Upon receipt of a written request from the Chief Procurement Officer, the Department shall provide to the Chief 2 3 Procurement Officer a complete and un-redacted copy of the 4 management agreement or any contract that is subject to the 5 Department's approval authority under this subsection (o). The 6 Department shall provide a copy of the agreement or contract to the Chief Procurement Officer in the time specified by the 7 8 Chief Procurement Officer in his or her written request, but no later than 5 business days after the request is received by the 9 10 Department. The Chief Procurement Officer must retain any 11 portions of the management agreement or of any contract designated by the Department as confidential, proprietary, or 12 13 trade secret information in complete confidence pursuant to subsection (q) of Section 7 of the Freedom of Information Act. 14 15 The Department shall also provide the Chief Procurement Officer 16 with reasonable advance written notice of any contract that is 17 pending Department approval.

18 Notwithstanding any other provision of this Section to the 19 Procurement contrary, the Chief Officer shall adopt 20 administrative rules, including emergency rules, to establish 21 a procurement process to select a successor private manager if 22 a private management agreement has been terminated. The 23 selection process shall at a minimum take into account the 24 criteria set forth in items (1) through (4) of subsection (e) 25 of this Section and may include provisions consistent with 26 subsections (f), (g), (h), and (i) of this Section. The Chief 09800HB3934ham001 -17- LRB098 15492 AMC 55760 a

1 Procurement Officer shall also implement and administer the adopted selection process upon the termination of a private 2 3 management agreement. The Department, after the Chief Procurement Officer certifies that the procurement process has 4 5 been followed in accordance with the rules adopted under this subsection (o), shall select a final offeror as the private 6 7 manager and sign the management agreement with the private 8 manager.

9 Except as provided in Sections 21.2, 21.5, 21.6, 21.7, and 10 21.8, and 21.9, the Department shall distribute all proceeds of 11 lottery tickets and shares sold in the following priority and 12 manner:

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(1) The payment of prizes and retailer bonuses.

14 (2) The payment of costs incurred in the operation and
15 administration of the Lottery, including the payment of
16 sums due to the private manager under the management
17 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.

3 (p) The Department shall be subject to the following 4 reporting and information request requirements:

5 (1) the Department shall submit written quarterly 6 reports to the Governor and the General Assembly on the 7 activities and actions of the private manager selected 8 under this Section;

9 (2) upon request of the Chief Procurement Officer, the 10 Department shall promptly produce information related to 11 the procurement activities of the Department and the 12 private manager requested by the Chief Procurement 13 Officer; the Chief Procurement Officer must retain 14 confidential, proprietary, or trade secret information 15 designated by the Department in complete confidence 16 pursuant to subsection (g) of Section 7 of the Freedom of 17 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.

23 (Source: P.A. 97-464, eff. 8-19-11; 98-463, eff. 8-16-13.)

24 (20 ILCS 1605/20) (from Ch. 120, par. 1170)

25 Sec. 20. State Lottery Fund.

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1 (a) There is created in the State Treasury a special fund 2 to be known as the "State Lottery Fund". Such fund shall 3 consist of all revenues received from (1) the sale of lottery 4 tickets or shares, (net of commissions, fees representing those 5 expenses that are directly proportionate to the sale of tickets 6 or shares at the agent location, and prizes of less than \$600 which have been validly paid at the agent level), (2) 7 application fees, and (3) all other sources including moneys 8 credited or transferred thereto from any other fund or source 9 10 pursuant to law. Interest earnings of the State Lottery Fund 11 shall be credited to the Common School Fund.

12 (b) The receipt and distribution of moneys under Section13 21.5 of this Act shall be in accordance with Section 21.5.

14 (c) The receipt and distribution of moneys under Section15 21.6 of this Act shall be in accordance with Section 21.6.

16 (d) The receipt and distribution of moneys under Section17 21.7 of this Act shall be in accordance with Section 21.7.

18 (e) The receipt and distribution of moneys under Section19 21.8 of this Act shall be in accordance with Section 21.8.

(f) The receipt and distribution of moneys under Section
21 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.)

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(20 ILCS 1605/21.9 new)

1	Sec. 21.9. Scratch-off for schools.
2	(a) The Department shall offer a special instant
3	scratch-off game for the benefit of schools in this State. The
4	game shall commence on January 1, 2015 or as soon thereafter,
5	at the discretion of the Director, as is reasonably practical.
6	The operation of the game shall be governed by this Act and any
7	rules adopted by the Department. If any provision of this
8	Section is inconsistent with any other provision of this Act,
9	then this Section governs.
10	(b) The Scratch-off for Schools Fund is created as a
11	special fund in the State treasury that is administered by the
12	Department. The net revenue from the scratch-off game shall be
13	deposited into the Fund. Each month, the Department shall
14	certify to the State Board of Education the proportion of
15	lottery sales in each school district in relation to statewide
16	lottery sales. For the City of Chicago School District 299, the
17	Department shall also certify the proportion of lottery sales
18	in each zip code of the district to districtwide lottery sales.
19	The moneys in the Scratch-off for Schools Fund must be
20	distributed monthly by the State Board of Education as follows:
21	(1) for school districts other than City of Chicago
22	School District 299, to each school district based upon the
23	proportion certified by the Department for that district;
24	and
25	(2) for the City of Chicago School District 299, to
26	each school within a zip code equally based upon the

1	proportion certified by the Department for that zip code.
2	Moneys collected from the special instant scratch-off game
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	shall be used only as a supplemental financial resource and
4	shall not supplant school-related expenditures by the State.
5	Moneys received for the purposes of this Section,
6	including, without limitation, net revenue from the special
7	instant scratch-off game and from gifts, grants, and awards
8	from any public or private entity, must be deposited into the
9	Fund. Any interest earned on moneys in the Fund must be
10	deposited into the Fund.
11	For purposes of this subsection, "net revenue" means the
12	total amount for which tickets have been sold less the sum of
13	the amount paid out in the prizes and the actual administrative
14	expenses of the Department solely related to the scratch-off
15	game under this Section.
16	(c) During the time that tickets are sold for this
17	scratch-off game, the Department shall not unreasonably
18	diminish the efforts devoted to marketing any other instant
19	scratch-off lottery game.
20	(d) The Department may adopt any rules necessary to
21	implement and administer the provisions of this Section.
22	Section 10. The State Finance Act is amended by adding
23	Section 5.855 as follows:
24	(30 ILCS 105/5.855 new)

## 1 Sec. 5.855. The Scratch-off for Schools Fund.

Section 99. Effective date. This Act takes effect upon 2 becoming law.". 3