



STATE OF ARKANSAS

Office of the Attorney General

Winston Bryant
Attorney General

Telephone:
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Opinion No. 94-176

June 6, 1994

Ms. Pamela A. Moseley
Attorney at Law, Hilburn Law Firm
P.O. Box 5551
North Little Rock, Arkansas 72119

Dear Ms. Moseley:

This is in response to your request, pursuant to A.C.A. § 7-9-107 (Repl. 1993), for certification of the following proposed popular name and ballot title for a proposed constitutional amendment:¹

(Popular Name)

ARKANSAS LOTTERY AND BINGO ONLY AMENDMENT

(Ballot Title)

THIS PROPOSED AMENDMENT WOULD CREATE A STATE LOTTERY LAW WHICH AUTHORIZES THREE TYPES OF LOTTERY GAME ACTIVITIES IN ARKANSAS: (1) STATEWIDE LOTTERY TICKET GAMES (CALLED THE ARKANSAS LOTTERY), (2) LOTTERY VIDEO TERMINAL GAMES, AND (3) NON-PROFIT BINGO AND RAFFLE GAMES. IT WOULD ALLOW HORSE RACING OR GREYHOUND RACING AS IT NOW EXISTS. THE LAW WOULD CREATE A NINE-MEMBER ARKANSAS LOTTERY

¹A copy of the popular name and ballot title were submitted with the initial request which was made on May 23, 1994. On June 2, 1994, a revised copy of one of the pages of the text of the amendment was submitted to this office. The only change indicated by the June 2 submission appears on line 95 of the amendment, which, as revised, defines "minor" to mean "every natural person under the age of 21 years." Originally, line 95 defined "minor" as "every natural person under the age of 18 years."

COMMISSION TO RUN THE ARKANSAS LOTTERY AND TO REGULATE THE LOTTERY VIDEO TERMINAL GAMES AND NON-PROFIT BINGO AND RAFFLE GAMES. A DIRECTOR OF THE ARKANSAS LOTTERY COMMISSION WOULD BE THE CHIEF EXECUTIVE OFFICER OF THE COMMISSION.

THE ARKANSAS LOTTERY WOULD ALLOW PEOPLE TO BUY LOTTERY TICKETS FOR THE CHANCE TO WIN A CASH PRIZE. THE ARKANSAS LOTTERY COMMISSION WOULD CHOOSE THE TYPE OF LOTTERY TICKET GAMES TO BE PLAYED IN THE ARKANSAS LOTTERY AND WOULD CAREFULLY SELECT FROM OVER 6000 RETAILERS TO SELL THE LOTTERY TICKETS. NO TICKETS COULD BE SOLD TO MINORS OR ON CREDIT. THE MONEY FROM THE TICKET LOTTERY WOULD BE DIVIDED AS FOLLOWS: AVERAGE OF 50% TO PRIZES; AVERAGE OF 32% TO STATE & LOCAL CAUSES, TO BE GIVEN TO CITY & COUNTY POLICE/SHERIFFS, STATE EDUCATION, STATE PARKS AND TOURISM AND LOCAL CHARITIES; 10% TO RUN THE LOTTERY; 8% TO BUSINESSES WHICH SELL LOTTERY TICKETS.

THE LOTTERY VIDEO TERMINALS WOULD ALLOW PEOPLE TO PLAY VIDEO POKER, BLACKJACK AND KENO FOR 25 CENTS TO \$2.00 PER GAME AND WIN UP TO \$1,000 PER GAME. ONLY THE RACETRACKS AND BUSINESSES WHICH MEET CURRENT ALCOHOL PERMIT REQUIREMENTS, SUCH AS CLUBS, COULD HAVE THE GAME MACHINES, AND THE NUMBER OF MACHINES IN EACH PLACE WOULD BE LIMITED. NO MINORS COULD PLAY. ADVERTISING WOULD BE LIMITED. THE ARKANSAS LOTTERY COMMISSION AND A NEWLY CREATED ARKANSAS STATE POLICE LOTTERY DIVISION WOULD LICENSE AND MONITOR THE OPERATIONS OF THE VIDEO TERMINALS. THE ARKANSAS STATE POLICE LOTTERY DIVISION WOULD ALSO ENFORCE THE LOTTERY LAWS. ARKANSAS BUSINESSES COULD MANUFACTURE AND DISTRIBUTE THE VIDEO MACHINES. THE MONEY FROM THE VIDEO LOTTERY WOULD BE DIVIDED AS FOLLOWS: AVERAGE OF 88% TO PLAYERS; 3 TO 4.2% TO STATE & LOCAL CAUSES, TO BE GIVEN TO CITY & COUNTY POLICE/SHERIFFS, STATE EDUCATION, STATE PARKS AND TOURISM AND LOCAL CHARITIES; 3.96 TO 4.74% TO STATE LOTTERY SYSTEM,

INC. TO PURCHASE, INSTALL, SERVICE,
MAINTAIN VIDEO MACHINES AS OPERATOR;
3.75 TO 4.26% TO BUSINESSES IN WHICH THE
VIDEO MACHINES ARE LOCATED.

A PRIVATE COMPANY, STATE LOTTERY SYSTEM,
INC., WOULD PROVIDE UP TO \$60 MILLION IN
FINANCING TO GET THE LOTTERY SYSTEM
STARTED. PART OF THE \$60 MILLION WOULD
BE FURNISHED TO THE STATE FOR START-UP
COSTS AND THE STATE WOULD REPAY THAT
PART WITH LOTTERY MONIES. THE BULK OF
THE \$60 MILLION WOULD BE USED BY STATE
LOTTERY SYSTEM, INC. TO PURCHASE AND
INSTALL LOTTERY VIDEO TERMINAL
MACHINES. IN EXCHANGE, STATE LOTTERY
SYSTEM, INC. WOULD BE GRANTED A CONTRACT
SO THAT IT WOULD BE THE ONLY COMPANY IN
ARKANSAS WHICH COULD OWN, INSTALL,
SERVICE AND MAINTAIN THE VIDEO LOTTERY
MACHINES. AFTER THE FIRST FOUR START-UP
YEARS ARKANSAS CITIZENS COULD BUY AND
OWN MAJORITY STOCK IN STATE LOTTERY
SYSTEM, INC. JUST AS STOCK IS OWNED IN
WAL-MART AND OTHER PRIVATE COMPANIES.
IN THE EVENT STATE LOTTERY SYSTEM, INC.
FAILS TO PROVIDE REQUIRED FINANCING THE
ARKANSAS LOTTERY COMMISSION COULD FIND A
SUBSTITUTE METHOD FOR START-UP AND FOR
PURCHASING AND INSTALLING THE VIDEO
LOTTERY MACHINES.

NON-PROFIT BINGO AND RAFFLE GAMES COULD
BE HELD BY NON-PROFIT, TAX-EXEMPT
ORGANIZATIONS SUCH AS CHURCHES, CIVIC
GROUPS AND VETERAN'S GROUPS TO ALLOW
THOSE ORGANIZATIONS TO RAISE FUNDS.

NO TAX DOLLARS WILL BE USED TO ESTABLISH
OR RUN THE LOTTERY GAME ACTIVITIES. THE
ARKANSAS LOTTERY COMMISSION AND ARKANSAS
STATE POLICE LOTTERY DIVISION WOULD BE
RUN WITH FUNDS FROM THE LOTTERY
ACTIVITIES. NO STATE OR LOCAL INCOME OR
SALES TAXES COULD BE PLACED UPON THE
LOTTERY ACTIVITIES.

The Attorney General is required pursuant to Section 7-9-107
to approve and certify the popular name and ballot title of
all proposed initiative and referendum acts or amendments
before the petitions are circulated for signature. The law
provides that the Attorney General may substitute and certify

a more suitable and correct popular name and ballot title, or if the proposed popular name and ballot title are sufficiently misleading, the entire petition may be rejected.

Section 7-9-107 neither requires nor authorizes this office to make legal determinations concerning the merits of the act or amendment or likelihood that it will accomplish its stated objective. Consequently, this review has been limited to determining whether the proposed popular name and ballot title accurately and impartially summarize the provisions of your proposed initiative.

The purpose of my review and certification is to insure that the popular name and ballot title honestly, intelligently, and fairly set forth the purpose of the proposed amendment. See Arkansas Women's Political Caucus v. Riviere, 282 Ark. 463, 466, 677 S.W.2d 846 (1984). The popular name is primarily a useful legislative device. Pafford v. Hall, 217 Ark. 734, 233 S.W.2d 72 (1950). It need not contain detailed information or include exceptions which might be required of a ballot title, but it must not be misleading or give partisan coloring to the merit of the proposal. Chaney v. Bryant, 259 Ark. 294, 532 S.W.2d 741 (1976); Moore v. Hall, 229 Ark. 411, 316 S.W.2d 207 (1958). The popular name is to be considered together with the ballot title in determining its sufficiency. Id.

A ballot title must include an impartial summary of the proposed amendment which will give the voter a fair understanding of the issues presented. Hoban v. Hall, 229 Ark. 416, 417, 316 S.W.2d 185 (1958); Becker v. Riviere, 270 Ark. 219, 223, 226, 604 S.W.2d 555 (1980). It has been stated that the ballot title must contain any information that would "give the elector 'serious ground for reflection.'" Finn v. McCuen, 303 Ark. 418, 798 S.W.2d 34 (1990), citing Gaines v. McCuen, 296 Ark. 513, 758 S.W.2d 403 (1988). It has been stated that the ballot title must be: 1) intelligible, 2) honest, and 3) impartial. Becker v. McCuen, 303 Ark. 482, 798 S.W.2d 71 (1990), citing Leigh v. Hall, 232 Ark. 558, 339 S.W.2d 104 (1960).

Applying these precepts, it is my opinion that a more suitable popular name should be substituted for the one proposed. The submitted popular name is therefore rejected, and the following substituted in its place:

(Popular Name)

AN AMENDMENT TO AUTHORIZE A STATE
LOTTERY, VIDEO TERMINAL GAMING, AND
NON-PROFIT BINGO GAMES AND RAFFLES

In addition, in my opinion a more complete ballot title should be substituted for the one proposed, in order to give the voter a better understanding of the issues presented. The proposed ballot title is therefore rejected, and the following substituted therefor:

(Ballot Title)

AN AMENDMENT TO THE ARKANSAS CONSTITUTION AUTHORIZING A STATE LOTTERY, VIDEO TERMINAL GAMING, AND NON-PROFIT BINGO GAMES AND RAFFLES; CREATING A NINE-MEMBER ARKANSAS LOTTERY COMMISSION TO BE APPOINTED BY THE GOVERNOR, WITH THE ADVICE AND CONSENT OF THE SENATE, TO ESTABLISH AND CONDUCT THE STATE LOTTERY AND TO REGULATE THE VIDEO TERMINAL GAMES, BINGO GAMES AND RAFFLES AUTHORIZED BY THE AMENDMENT; PROVIDING THAT THE COMMISSION SHALL APPOINT A DIRECTOR TO DIRECT THE OPERATIONS OF THE STATE LOTTERY; AUTHORIZING THE COMMISSION TO SPECIFY WHAT STATE LOTTERY TICKET GAMES MAY BE CONDUCTED AND TO REGULATE THE SELECTION OF RETAIL ORGANIZATIONS AUTHORIZED TO SELL LOTTERY TICKETS; PROHIBITING LOTTERY TICKET SALES TO ANYONE UNDER 21 YEARS OF AGE, OR ON CREDIT, OR THROUGH ANY PURCHASER OPERATED SYSTEM; PROVIDING THAT THE REVENUES FROM THE STATE LOTTERY WILL BE ALLOCATED AS FOLLOWS: AVERAGE OF 50% TO PRIZES FOR PLAYERS; 32% TO STATE AND LOCAL FUNDS (50% OF WHICH WILL GO TO LOCAL POLICE AND SHERIFF'S DEPARTMENTS IN DIRECT PROPORTION TO THE GROSS REVENUE GENERATED BY LOTTERY VIDEO TERMINALS IN THE LOCALITY, 20% EACH TO STATE GENERAL EDUCATION FUND AND STATE PARKS, AND 10% TO LOCAL CHARITIES); 10% TO THE ARKANSAS LOTTERY COMMISSION BUDGET; AND 8% TO ARKANSAS LOTTERY RETAILERS IN PROPORTION TO THE RETAILER'S SALE OF LOTTERY TICKETS; PROVIDING THAT THE GAMES OF POKER, BLACKJACK AND KENO ARE INITIALLY AUTHORIZED TO BE PLAYED ON THE VIDEO TERMINALS AUTHORIZED BY THE AMENDMENT; PROVIDING THAT VIDEO TERMINAL GAMING MEANS AN ELECTRONIC VIDEO GAME THAT, UPON INSERTION OF COINS, PROVIDES CREDITS TO PLAY OR SIMULATE THE PLAY OF

AUTHORIZED GAMES AND THAT ISSUES A PAY SLIP TO A WINNING PLAYER THAT MAY BE REDEEMED FOR CASH; RESTRICTING THE PLACEMENT OF SUCH VIDEO TERMINALS TO PARI-MUTUEL FRANCHISEES AUTHORIZED TO CONDUCT HORSE OR GREYHOUND RACING AND TO CERTAIN PREMISES WHICH MEET CURRENT PERMIT REQUIREMENTS UNDER THE ARKANSAS ALCOHOLIC BEVERAGE CONTROL RULES AND REGULATIONS; LIMITING THE NUMBER OF VIDEO TERMINALS THAT MAY BE LOCATED AT THE AUTHORIZED LOCATIONS, EXCEPT FOR THE PARI-MUTUEL LOCATIONS, AT WHICH THERE MAY BE AN UNLIMITED NUMBER; PROVIDING THAT THE ARKANSAS LOTTERY COMMISSION AND A NEWLY CREATED ARKANSAS STATE POLICE LOTTERY DIVISION WILL ADMINISTER THE LICENSING PROGRAM CONNECTED WITH VIDEO GAMING TERMINALS; PROVIDING THAT THE ARKANSAS STATE POLICE LOTTERY DIVISION WILL MONITOR VIDEO GAMING TERMINALS ACCORDING TO GUIDELINES ESTABLISHED BY THE ARKANSAS LOTTERY COMMISSION; PROVIDING THAT STATE LOTTERY SYSTEM, INC., A PRIVATE ARKANSAS CORPORATION, SHALL SERVE AS THE SOLE AND EXCLUSIVE OPERATOR FOR ALL VIDEO GAMING TERMINALS IN THE STATE AND AS SUCH SHALL OWN, PLACE, INSTALL, SERVICE AND MAINTAIN THE VIDEO TERMINALS; PROVIDING THAT STATE LOTTERY SYSTEM, INC., WILL SUPPLY THE START-UP FINANCING, IN NO EVENT TO EXCEED \$60 MILLION DOLLARS, FOR THE ARKANSAS LOTTERY COMMISSION, STATE LOTTERY, ARKANSAS STATE POLICE LOTTERY DIVISION, AND VIDEO GAMING TERMINALS, SUBJECT TO STATE LOTTERY SYSTEM BEING REPAYED BY THE STATE WITHIN FIVE (5) YEARS FROM THE DATE OF FINANCING WITH LOTTERY GROSS REVENUES AND LICENSING FEES SUBSEQUENTLY GENERATED BY THE STATE; REQUIRING STATE LOTTERY SYSTEM, INC., WITHIN SIX MONTHS AFTER THE CONCLUSION OF THE START-UP PERIOD TO MAKE A PUBLIC OFFERING OF ITS STOCK TO CITIZENS OF THE STATE; PROVIDING THAT IF STATE LOTTERY SYSTEM, INC. FAILS TO PROVIDE THE START-UP FINANCING, THE ARKANSAS LOTTERY COMMISSION SHALL DETERMINE A SUBSTITUTE METHOD FOR IMPLEMENTING THE PROVISIONS OF THIS AMENDMENT; PROVIDING THAT ONE HUNDRED

PERCENT (100%) OF THE VIDEO TERMINAL LICENSING FEES SHALL BE ALLOCATED TO THE BUDGET OF THE ARKANSAS STATE POLICE LOTTERY DIVISION; PROVIDING THAT THE VIDEO TERMINAL GROSS REVENUES SHALL BE ALLOCATED AS FOLLOWS: AVERAGE OF 88% TO PLAYERS; 3% THE FIRST YEAR, 3.6% THE SECOND YEAR, AND 4.2% THE THIRD AND SUBSEQUENT YEARS TO LOCAL POLICE AND SHERIFFS, STATE GENERAL EDUCATION, STATE PARKS, AND LOCAL CHARITIES; 4.74% THE FIRST YEAR, 4.65% THE SECOND YEAR, AND 3.96% THE THIRD AND SUBSEQUENT YEARS TO STATE LOTTERY SYSTEM, INC.; AND 4.26% THE FIRST YEAR, 3.75% THE SECOND YEAR, AND 3.84% THE THIRD AND SUBSEQUENT YEARS TO THOSE ESTABLISHMENTS LICENSED AND AUTHORIZED TO PLACE VIDEO GAMING TERMINALS ON THEIR PREMISES; PROVIDING THAT BINGO GAMES AND RAFFLES MAY BE CONDUCTED BY ANY NON-PROFIT, TAX-EXEMPT RELIGIOUS, EDUCATIONAL, VETERANS', FRATERNAL, SERVICE, CIVIC, MEDICAL, OR VOLUNTEER RESCUE, FIREFIGHTER'S, OR POLICE ORGANIZATION WHICH HAS BEEN IN EXISTENCE IN THIS STATE FOR NOT LESS THAN FIVE (5) YEARS AND WHICH HAS BEEN ISSUED A CURRENT LICENSE TO CONDUCT THE GAMES; RESTRICTING THE HOURS AND NUMBER OF DAYS PER WEEK THAT BINGO GAMES AUTHORIZED BY THIS AMENDMENT MAY BE CONDUCTED; RESTRICTING THE NUMBER OF TIMES PER YEAR RAFFLES AUTHORIZED BY THIS AMENDMENT MAY BE CONDUCTED; REQUIRING ALL NET RECEIPTS EXCEEDING THE ACTUAL COST OF CONDUCTING A BINGO GAME OR RAFFLE TO BE USED ONLY FOR CHARITABLE, RELIGIOUS OR PHILANTHROPIC PURPOSES; PROHIBITING THE IMPOSITION OF ANY STATE OR LOCAL INCOME AND SALES TAX UPON ANY PRIZE WINNINGS FROM GAMES AUTHORIZED BY THE AMENDMENT; PROHIBITING ANY STATE OR LOCAL TAX OF ANY KIND UPON THE FEES OR REVENUES GENERATED PURSUANT TO THIS AMENDMENT OR UPON ANY ASPECT OF THE LOTTERY GAMES AUTHORIZED BY THE AMENDMENT; PROVIDING THAT HORSE RACING AND GREYHOUND RACING CONDUCTED BY PARI-MUTUEL FRANCHISEES IN GARLAND AND CRITTENDEN COUNTIES, RESPECTIVELY, AND PARI-MUTUEL WAGERING THEREON ARE LAWFUL; PROHIBITING ALL WAGERING ACTIVITIES

OTHER THAN THOSE AUTHORIZED BY THE
AMENDMENT; MAKING THE AMENDMENT
EFFECTIVE UPON PASSAGE, RENDERING ITS
PROVISIONS SEVERABLE, AND REPEALING ALL
EXISTING LAWS AND CONSTITUTIONAL
PROVISIONS TO THE EXTENT THEY CONFLICT
WITH THIS AMENDMENT; PROVIDING THAT THIS
AMENDMENT IS SELF-EXECUTING; AND FOR
OTHER PURPOSES.

Pursuant to A.C.A. § 7-9-108(c), instructions to canvassers
and signers are enclosed herewith.

The foregoing opinion, which I hereby approve, was prepared
by Assistant Attorney General Nancy A. Hall.

Sincerely,



WINSTON BRYANT
Attorney General

WB:cyh

Enclosure

INSTRUCTIONS TO CANVASSERS AND SIGNERS

1. Amendment No. 7 to the Arkansas Constitution gives to the people of the State of Arkansas the power to propose legislation or constitutional amendments by initiative petition, and to order the referendum against any general act or any item of an appropriation bill, or measure passed by the General Assembly. The petition must be signed by eight percent (8%) of the legal voters in the case of proposed legislation, ten percent (10%) in the case of proposed constitutional amendments, and six percent (6%) in the case of a referendum. The proposed legislation or constitutional amendment must be submitted to the legal voters of the State at a regular election; referendum petitions may be referred to the people at special elections when fifteen percent (15%) of the legal voters petition for such special election. Any measure submitted to the people shall take effect and become a law when approved by a majority of the votes cast upon such measure.

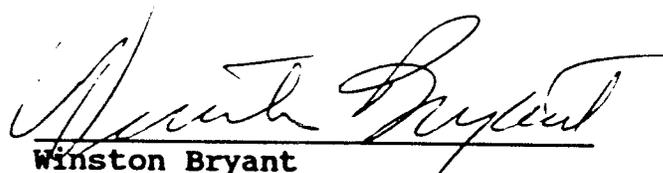
2. Only legal voters may sign. Printed names, dates of birth, residences, and cities or towns of residence must be given as an aid to verification. The petition should contain only the signatures of voters residing in a single county.

3. All signatures must be affixed in ink or indelible pencil by the signers in their own handwriting in the presence of the persons circulating the petition.

4. Do not attach additional sheets to this petition unless such sheets contain the full language of the petition. Place as many names as possible on each petition.

5. TO SIGN ANY NAME OTHER THAN YOUR OWN, TO KNOWINGLY SIGN YOUR NAME MORE THAN ONCE TO ANY PETITION, TO KNOWINGLY SIGN YOUR NAME WHEN YOU ARE NOT LEGALLY ENTITLED TO SIGN IT, TO KNOWINGLY AND FALSELY MISREPRESENT THE PURPOSE AND EFFECT OF THIS PETITION FOR THE PURPOSE OF CAUSING ANYONE TO SIGN IT, OR TO KNOWINGLY MAKE A FALSE STATEMENT ON A PETITION VERIFICATION FORM SHALL CONSTITUTE A CLASS "A" MISDEMEANOR AND SUBJECT THE OFFENDER TO A FINE OF UP TO \$1,000.00 AND IMPRISONMENT FOR UP TO ONE (1) YEAR.

The Attorney General is by law required to certify the sufficiency of the popular name and ballot title of all initiative or referendum petitions. This certification does not necessarily indicate the approval or disapproval of the contents thereof.



Winston Bryant
ATTORNEY GENERAL OF THE STATE
OF ARKANSAS

INITIATIVE PETITION

PROPOSED POPULAR NAME

ARKANSAS LOTTERY AND BINGO ONLY AMENDMENT

PROPOSED BALLOT TITLE

This proposed Amendment would create a State lottery law which authorizes three types of lottery game activities in Arkansas: (1) statewide lottery ticket games (called the Arkansas Lottery), (2) lottery video terminal games, and (3) non-profit bingo and raffle games. It would allow horse racing or greyhound racing as it now exists. The law would create a nine-member Arkansas Lottery Commission to run the Arkansas Lottery and to regulate the lottery video terminal games and non-profit bingo and raffle games. A Director of the Arkansas Lottery Commission would be the chief executive officer of the Commission.

The Arkansas Lottery would allow people to buy lottery tickets for the chance to win a cash prize. The Arkansas Lottery Commission would choose the type of lottery ticket games to be played in the Arkansas Lottery and would carefully select from over 6000 retailers to sell the lottery tickets. No tickets could be sold to minors or on credit. The money from the ticket lottery would be divided as follows: average of 50% to prizes; average of 32% to state & local causes, to be given to city & county police/sheriffs, state education, state parks and tourism and local charities; 10% to run the lottery; 8% to businesses which sell lottery tickets.

The Lottery Video Terminals would allow people to play video poker, blackjack and keno for 25 cents to \$2.00 per game and win up to \$1,000 per game. Only the racetracks and businesses which meet current alcohol permit requirements, such as clubs, could have the game machines, and the number of machines in each place would be limited. No minors could play. Advertising would be limited. The Arkansas Lottery Commission and a newly created Arkansas State Police Lottery Division would license and monitor the operations of the video terminals. The Arkansas State Police Lottery Division would also enforce the lottery laws. Arkansas businesses could manufacture and distribute the video machines. The money from the video lottery would be divided as follows: average of 88% to players; 3 to 4.2% to state & local causes, to be given to city & county police/sheriffs, state education, state parks and tourism and local charities; 3.96 to 4.74% to State Lottery System, Inc. to purchase, install, service, maintain video machines as Operator; 3.75 to 4.26% to businesses in which the video machines are located.

A private company, State Lottery System, Inc., would provide up to \$60 million in financing to get the lottery system started. Part of the \$60 million would be furnished to the State for start-up costs and the State would repay that part with lottery monies. The bulk of the \$60 million would be used by State Lottery System, Inc. to purchase and install Lottery Video Terminal machines. In exchange, State Lottery System, Inc. would be granted a contract so that it would be the only company in Arkansas which could own, install, service and maintain the video lottery machines. After the first four start-up years Arkansas citizens could buy and own majority stock in State Lottery System, Inc. just as stock is owned in Wal-Mart and other private companies. In the event State Lottery System, Inc. fails to provide required financing the Arkansas Lottery Commission could find a substitute method for start-up and for purchasing and installing the video lottery machines.

Non-profit Bingo and raffle games could be held by non-profit, tax-exempt organizations such as churches, civic groups and veteran's groups to allow those organizations to raise funds.

No tax dollars will be used to establish or run the lottery game activities. The Arkansas Lottery Commission and Arkansas State Police Lottery Division would be run with funds from the lottery activities. No state or local income or sales taxes could be placed upon the lottery activities.

INITIATIVE PETITION

PROPOSED POPULAR NAME

ARKANSAS LOTTERY AND BINGO ONLY AMENDMENT

PROPOSED BALLOT TITLE

This proposed Amendment would create a State lottery law which authorizes three types of lottery game activities in Arkansas: (1) statewide lottery ticket games (called the Arkansas Lottery), (2) lottery video terminal games, and (3) non-profit bingo and raffle games. It would allow horse racing or greyhound racing as it now exists. The law would create a nine-member Arkansas Lottery Commission to run the Arkansas Lottery and to regulate the lottery video terminal games and non-profit bingo and raffle games. A Director of the Arkansas Lottery Commission would be the chief executive officer of the Commission.

The Arkansas Lottery would allow people to buy lottery tickets for the chance to win a cash prize. The Arkansas Lottery Commission would choose the type of lottery ticket games to be played in the Arkansas Lottery and would carefully select from over 6000 retailers to sell the lottery tickets. No tickets could be sold to minors or on credit. The money from the ticket lottery would be divided as follows: average of 50% to prizes; average of 32% to state & local causes, to be given to city & county police/sheriffs, state education, state parks and tourism and local charities; 10% to run the lottery; 8% to businesses which sell lottery tickets.

The Lottery Video Terminals would allow people to play video poker, blackjack and keno for 25 cents to \$2.00 per game and win up to \$1,000 per game. Only the racetracks and businesses which meet current alcohol permit requirements, such as clubs, could have the game machines, and the number of machines in each place would be limited. No minors could play. Advertising would be limited. The Arkansas Lottery Commission and a newly created Arkansas State Police Lottery Division would license and monitor the operations of the video terminals. The Arkansas State Police Lottery Division would also enforce the lottery laws. Arkansas businesses could manufacture and distribute the video machines. The money from the video lottery would be divided as follows: average of 88% to players; 3 to 4.2% to state & local causes, to be given to city & county police/sheriffs, state education, state parks and tourism and local charities; 3.96 to 4.74% to State Lottery System, Inc. to purchase, install, service, maintain video machines as Operator; 3.75 to 4.26% to businesses in which the video machines are located.

A private company, State Lottery System, Inc., would provide up to \$60 million in financing to get the lottery system started. Part of the \$60 million would be furnished to the State for start-up costs and the State would repay that part with lottery monies. The bulk of the \$60 million would be used by State Lottery System, Inc. to purchase and install Lottery Video Terminal machines. In exchange, State Lottery System, Inc. would be granted a contract so that it would be the only company in Arkansas which could own, install, service and maintain the video lottery machines. After the first four start-up years Arkansas citizens could buy and own majority stock in State Lottery System, Inc. just as stock is owned in Wal-Mart and other private companies. In the event State Lottery System, Inc. fails to provide required financing the Arkansas Lottery Commission could find a substitute method for start-up and for purchasing and installing the video lottery machines.

Non-profit Bingo and raffle games could be held by non-profit, tax-exempt organizations such as churches, civic groups and veteran's groups to allow those organizations to raise funds.

No tax dollars will be used to establish or run the lottery game activities. The Arkansas Lottery Commission and Arkansas State Police Lottery Division would be run with funds from the lottery activities. No state or local income or sales taxes could be placed upon the lottery activities.

26 (h) require the establishment of state-of-the-art computer networks to ensure accurate
27 accounting and monitoring of the lottery games;

28 (i) establish guidelines whereby the funds necessary to establish the state lottery
29 system will be supplied by the private corporation State Lottery System, Inc.

30 (j) require that in order to simplify and expedite the establishment of the video lottery
31 system the private corporation State Lottery System, Inc. be named the sole and exclusive
32 Operator for the video lottery system;

33 (k) require that State Lottery System, Inc. sell its majority common stock at a public
34 offering to Arkansas citizens to enable Arkansans to generate private investment income from
35 lottery revenues.

36 **Be it Enacted By The People of the State of Arkansas:**

37 **AMENDMENT ____ . ARKANSAS LOTTERY AND BINGO ONLY AMENDMENT**

38 **Section 1. Title.**

39 This Amendment to the Arkansas Constitution shall be known as the "Arkansas Lottery
40 and Bingo Only Amendment".

41 **Section 2. Definitions.**

42 For purposes of this Amendment:

43 "Arkansas Lottery" shall mean the statewide ticket lottery involving the purchase of a
44 ticket in exchange for a chance to win a cash prize, conducted in Arkansas pursuant to the
45 provisions of this Amendment.

46 "Arkansas Lottery Commission" shall mean the nine-member body appointed to run the

47 the Arkansas Lottery and to develop licensing, monitoring and enforcement guidelines for the
48 Lottery Video Terminal games and Non-profit Bingo and raffle games;

49 "Arkansas State Police Lottery Division" shall mean the newly created division of the
50 Arkansas State Police which shall carry out the licensing, monitoring and enforcement functions
51 for the placement and operation of Video Lottery Terminals in Arkansas and which shall have
52 such other powers and duties as provided for in this Amendment or by the Arkansas Lottery
53 Commission;

54 "Authorized Establishment" shall mean any establishment licensed and authorized to place
55 Lottery Video Terminals on the premises in accordance with the provisions of this Amendment;

56 "Arkansas Lottery Retailer" shall mean any person or entity whom the Arkansas Lottery
57 Commission has authorized to sell lottery tickets to the public;

58 "Bingo" shall mean a single game of the activity commonly known as "Bingo" in which
59 the participants pay a sum of money for the use of one or more Bingo cards. Only Bingo games
60 where the winner receives a pre-announced, fixed dollar prize and in which the winner is
61 determined by the matching of letters and numbers on a Bingo card, or facsimile thereof
62 (imprinted with at least 24 numbers) with letters and numbers appearing on objects randomly
63 drawn and announced by a caller, in contemporaneous competition among all players in the
64 game, shall be considered Bingo;

65 "Commission" shall mean the Arkansas Lottery Commission;

66 "Current" or "Currently" shall mean as of the date of passage of this Amendment;

67 "Dance Hall" shall mean an establishment which meets the Current Arkansas Alcoholic
68 Beverage Control qualifications for receiving a "Beer On Premises", "Wine Restaurant On
69 Premises", "Liquor On Premises Consumption-Hotel or Motel", Liquor On Premises

70 Consumption-Restaurant" or "Liquor On Premises Consumption-Private Club" permit as those
71 permit categories are Currently defined in the Arkansas Alcoholic Beverage Control rules and
72 regulations and which has dancing privileges.

73 "Director" shall mean the director of the Arkansas Lottery Commission who shall also
74 serve as the chief executive officer of the Commission;

75 "Distributor" shall mean a person or entity that distributes or sells Lottery Video
76 Terminals or associated equipment in Arkansas;

77 "Electronic Funds Transfer" shall mean any transfer of funds, other than a transaction
78 originated by check, draft, or similar paper instrument that is initiated through an electronic
79 terminal, telephone, computer or magnetic tape for the purpose of ordering, instructing, or
80 authorizing a financial institution to debit or credit an account;

81 "Gray Area Device" shall mean a device, not authorized by the provisions of this
82 Amendment and not connected to the State's central computer systems, that is available to the
83 public for play and capable of simulating a game played on a licensed Lottery Video Terminal;

84 "Gross Revenues" shall mean the sum of all monies wagered by players of Arkansas
85 Lottery games or Lottery Video Terminal games authorized by the provisions of this
86 Amendment;

87 "Lottery Video Terminal" shall mean an electronic video game device that does the
88 following:

- 89 (1) Upon the insertion of coins, provides credits to play or
90 simulate the play of video games using a video display and microprocessor(s);
91 (2) Issues a pay slip to a winning player, either automatically or upon request of
92 the player, that reflects credits earned that may be redeemed for cash.

93 "Manufacturer" shall mean a person or entity that assembles or produces Lottery Video
94 Terminals or associated equipment for sale or use in Arkansas;

95 "Minor" shall mean every natural person under the age of 21 years;

96 "Off Premises Establishment" shall mean an establishment which meets the Current
97 Arkansas Alcoholic Beverage Control qualifications for receiving a "Beer Off Premises",
98 "Liquor Off Premises" or "Wine Retail Off Premises" permit as those permit categories are
99 Currently defined in the Arkansas Alcoholic Beverage Control rules and regulations.

100 "On Premises Establishment" shall mean an establishment which meets the Current
101 Alcoholic Beverage Control qualifications for receiving a "Beer On Premises", "Wine Restaurant
102 On Premises", "Liquor On Premises Consumption-Hotel or Motel", Liquor On Premises
103 Consumption-Restaurant" or "Liquor On Premises Consumption-Private Club" permit as those
104 permit categories are Currently defined in the Arkansas Alcoholic Beverage Control rules and
105 regulations;

106 "Operator" shall mean the single private sector firm which owns or leases Lottery Video
107 Terminals and which shall perform the placement, installation, service and maintenance functions
108 for all Lottery Video Terminals at authorized locations in Arkansas;

109 "Pari-mutuel Franchisee" shall mean a horse or greyhound racing franchise which is
110 authorized to conduct racing in in Garland County, Arkansas, or Crittendon County, Arkansas;

111 "Person" shall mean any individual, partnership, corporation or other legal entity;

112 "raffle" shall mean a game in which a participant buys a ticket for a chance at a prize
113 with the winner determined by a random drawing to take place at a location and date printed
114 upon the ticket;

115 "Start-Up" shall mean the minimum actions which must necessarily be taken to establish

116 and commence the business of either the Arkansas Lottery Commission, the Arkansas State
117 Police Lottery Division, the Arkansas Lottery, or Non-profit Bingo or raffle games, and shall
118 include, without limitation, such actions as the lease or acquisition of office space, the
119 employment and training of staff personnel, procurement of equipment and supplies,
120 procurement of computer equipment and software, and procurement, licensing and installation
121 of Lottery Video Terminal machines.

122 "Start-Up Date" shall mean the first date on which the Video Lottery Terminal computer
123 monitoring system is operational and the Arkansas Lottery Commission rules and regulations
124 pertaining to Lottery Video Terminals are released and in full force and effect;

125 "Start-Up Period" shall mean the time period from the Start-Up Date until the conclusion
126 of four years thereafter.

127 "State Lottery System, Inc." shall mean a private corporation incorporated under the laws
128 of the State of Arkansas for the purpose of providing Start-Up financing and procuring,
129 installing, servicing and maintaining Lottery Video Terminals as provided for in this
130 Amendment.

131 **Section 3. Lottery activities authorized.**

132 The people of the State of Arkansas hereby authorize the following lottery activities:

133 (a) Arkansas Lottery games authorized by and conducted in accordance with the
134 provisions of this Amendment;

135 (b) Lottery Video Terminal games authorized by and conducted in accordance with
136 the provisions of this Amendment; and,

137 (c) Non-profit Bingo and raffle games authorized by and conducted in accordance
138 with the provisions of this Amendment.

139 **Section 4. Arkansas Lottery Commission created.**

140 (a) Creation and Purpose.

141 The people of the State of Arkansas hereby create the Arkansas Lottery Commission.

142 (b) Membership.

143 The Arkansas Lottery Commission shall consist of nine members. There shall be at least
144 one member of the Arkansas State Police Lottery Division, one attorney, and one Certified
145 Public Accountant on the Arkansas Lottery Commission.

146 Within sixty days after the passage of this Amendment the Governor, by and with the
147 advice and consent of the Senate, shall appoint nine persons who are qualified electors of the
148 State to constitute the Arkansas Lottery Commission for staggered terms. The terms of the
149 persons so appointed shall be determined by lot. One member shall be appointed from each
150 Congressional District and the remaining members shall be appointed from the State at large.

151 In the event of rejection by the Senate of a person whose name has been so submitted,
152 the Governor shall within five days after the date of said rejection submit the name of another
153 appointee to fill such vacancy. In the event the Governor should within five days thereafter fail
154 to fill the vacancy, the Senate shall proceed to make the appointment of its own choice.

155 Upon the expiration of a member's term a successor shall be appointed by the Governor
156 and approved by the Senate in the manner provided for above for a term of five years, which
157 term shall thereafter be for each member of the Commission.

158 Vacancies on the Commission due to resignation, death or removal shall be filled by
159 appointment of the Governor for the unexpired term within thirty days from the date of such
160 vacancy. Upon failure of the Governor to fill the vacancy within thirty days, the remaining
161 Commission members shall make the appointment for the unexpired term.

162 A Commission member may be removed by the Governor after due process for the same
163 causes as apply to constitutional officers.

164 The Arkansas General Assembly shall determine the compensation, if any, of the
165 members of the Arkansas Lottery Commission and the Director of the Arkansas Lottery
166 Commission. The members of the Arkansas Lottery Commission and the Director of the
167 Arkansas Lottery shall receive reasonable reimbursement for expenses from the Arkansas Lottery
168 Commission budget.

169 (c) Powers and Duties.

170 The Arkansas Lottery Commission shall:

171 (1) Prescribe the powers and duties of the Director of the Arkansas Lottery
172 Commission;

173 (2) Prescribe rules and regulations for the establishment and conduct of the
174 Arkansas Lottery, including guidelines for the investigation and licensing of Arkansas Lottery
175 Retailers;

176 (3) Specify what lottery ticket games may be conducted by the Arkansas Lottery;

177 (4) Conduct the Arkansas Lottery;

178 (5) Prescribe Lottery Video Terminal rules and regulations which establish rules
179 and procedures for the placement, licensing, monitoring and enforcement of Lottery Video
180 Terminal games in Arkansas in accordance with this Amendment. Such rules and regulations
181 shall include, without limitation;

182 (A) Qualifications for licensure requirements

183 (B) Lottery Video Terminal machine standards;

184 (C) Monitoring requirements;

185 (D) Enforcement requirements;

186 (6) Prescribe rules and regulations for the conduct of Non-profit Bingo and raffle
187 games in the State of Arkansas in accordance with the provisions of this Amendment;

188 (7) Prescribe rules and regulations for accounting and audit, and for the open and
189 public reporting of financial transactions, of the Arkansas Lottery Commission and Arkansas
190 State Police Lottery Division;

191 (8) Hire for such professional, clerical, technical, administrative and other
192 personnel as may be necessary for the operation of the Arkansas Lottery Commission and the
193 administration of the Arkansas Lottery, the Lottery Video Terminal games and Bingo and raffle
194 games;

195 (9) Have such other powers and duties as are necessary to establish and conduct
196 the Arkansas Lottery and to establish rules and regulations for the licensing, monitoring and
197 enforcement of Lottery Video Terminal games, and for regulation of the Non-profit Bingo and
198 raffle operations authorized in this Amendment, provided such powers and duties are in
199 accordance with the provisions of this Amendment.

200 **Section 5. Director of Arkansas Lottery Commission.**

201 The Arkansas Lottery Commission shall appoint and supervise a Director of the Arkansas
202 Lottery Commission who shall be qualified to direct the operations of the Arkansas Lottery as
203 a result of having participated extensively in the conduct of a state lottery in some other state,
204 and who shall have such other qualifications and duties as may be prescribed by the Arkansas
205 Lottery Commission. The Arkansas Lottery Commission may remove the Director for cause.

206 **Section 6. The Arkansas Lottery.**

207 (a) Authorized activities.

208 The people of Arkansas hereby authorize and require the Arkansas Lottery Commission
209 to conduct a statewide ticket sales lottery to be called the "Arkansas Lottery" in which persons
210 may purchase lottery tickets in exchange for a chance to win a cash prize. The Arkansas Lottery
211 is hereby declared to be an authorized activity when conducted by an authorized organization
212 and in an authorized manner in accordance with the provisions of this Amendment.

213 (b) Management.

214 The Arkansas Lottery Commission shall establish and operate an Arkansas Lottery on-line
215 computer system, employ lottery marketing firms, promulgate rules and regulations for the
216 selection of retail organizations authorized to sell lottery tickets, pay cash prizes to winners, and
217 perform all other functions deemed necessary to conduct the Arkansas Lottery.

218 (c) Restrictions.

219 (1) the price per lottery ticket shall not exceed \$2.00;

220 (2) no Minor may participate in the Arkansas Lottery;

221 (3) no lottery ticket shall be purchased on credit;

222 (4) lottery tickets may only be sold by Arkansas Lottery Retailers;

223 (5) no lottery ticket shall be sold or dispensed in any way

224 through a purchaser operated machine or system that involves

225 any operation by the purchaser.

226 **Section 7. Arkansas Lottery Revenues.**

227 (a) Arkansas Lottery revenues shall be allocated as follows:

228 (1) 50% average for prizes to players;

229 (2) 32% to State and local funds as follows:

230 (A) 50% to local police and sheriffs departments in direct proportion to
231 the gross revenue generated by Lottery video terminals in the locality as
232 determined by computing revenues generated by licensees in the
233 locality;

- 234 (B) 20% to State general education fund;
235 (C) 20% to State parks;
236 (D) 10% to local 501C3 status charities;
237 (3) 10% to Arkansas Lottery Commission budget to cover costs of
238 administering the Arkansas Lottery and repayment of Start-Up
239 financing provided;
240 (4) 8% to Arkansas Lottery Retailers in proportion to the sale of tickets by
241 the retailer.

242 **Section 8. Lottery Video Terminal games.**

243 (a) Authorized activities.

244 (1) Lottery Video Terminal Authorized Games are hereby declared to be an
245 authorized activity when conducted by an authorized organization and in an authorized manner
246 in accordance with the provisions of this Amendment.

247 (2) Authorized Games.

248 The following games are authorized for play on Lottery Video Terminals: Poker,
49 Blackjack and Keno. Subject to approval by the Arkansas Lottery Commission, the Operator
250 is hereby authorized to substitute other lottery games for video play upon a finding that market
251 demands indicate that a change is warranted. The said games shall not be authorized for play
252 in any manner other than as part of a Lottery Video Terminal as that term is defined in this
253 Amendment.

254 (b) Management.

255 (1) The Arkansas Lottery Commission shall promulgate rules and regulations
256 for licensing, monitoring and enforcement for the placement and operation of Lottery Video
257 Terminals in the State of Arkansas in accordance with the provisions of this Amendment.

258 (2) The Arkansas State Police shall create a Lottery Division which shall
259 perform all functions necessary to implement, carry out and enforce the Lottery Video Terminal
.60 rules and regulations promulgated by the Arkansas Lottery Commission.

261 (3) Arkansas State Police Lottery Division Powers and Duties.

262 The powers and duties of the Arkansas State Police Lottery Division shall be prescribed
263 by the Arkansas Lottery Commission in accordance with the provisions of this Amendment and
264 shall include, without limitation:

265 (A) To issue and revoke licenses according to guidelines established by
266 the Arkansas Lottery Commission;

267 (B) To establish a statewide computer network of Lottery Video Terminals
268 linked to a central system according to guidelines established by the Arkansas Lottery
269 Commission;

270 (C) To monitor the statewide network of Lottery Video Terminals
271 according to guidelines established by the Arkansas Lottery Commission;

272 (D) To perform testing of Lottery Video Terminal machines to determine
273 compliance with Lottery Video Terminal standards and requirements prescribed by the Arkansas
274 Lottery Commission;

275 (E) To monitor and ensure the regular deposit of Lottery Video Terminal
276 revenues to the accounts of the required recipients in the required sums;

277 (F) To enforce all laws, rules and regulations relating to the Arkansas
278 Lottery, Lottery Video Terminals and Non-profit Bingo and raffles;

279 (G) To take any and all other action necessary to implement the Arkansas
280 Lottery Commission Lottery Video Terminal rules and regulations for the administration,
281 licensing, monitoring, and enforcement functions for Lottery Video Terminal games in the State
282 of Arkansas.

283 (4) Security.

284 The Arkansas State Police Lottery Division shall establish a Security Department
285 and said Department shall have such authority and powers as are necessary to conduct
286 investigations and enforce violations of the provisions of this Amendment and laws and
287 regulations enacted pursuant hereto.

288 (c) Restrictions.

289 The following restrictions shall apply to all Lottery Video Terminal activities:

290 (1) Placement restrictions.

291 (A) Lottery video terminals shall be located only on the premises of
292 Authorized Establishments in age-restricted areas in accordance with the provisions of this
293 Amendment.

294 (B) Lottery video terminals shall be located only on premises which
295 meet the following requirements:

296 (i) Premises are the premises of an Off Premises Establishment; or

297 (ii) Premises are the premises of an On Premises Establishment; or

298 (iii) Premises are the premises of a Dance Hall; or

299 (iv) Premises are the premises of a Pari-mutuel Franchisee
300 authorized to conduct horse or greyhound racing;

301 (C) For purposes of this Amendment an Off Premises Establishment,
302 an On Premises Establishment and a Dance Hall shall always be defined according to the
303 Current requirements for the issuance of a permit as stated in the Current Arkansas Alcoholic
304 Beverage Control rules and regulations. Any subsequent change in the Alcoholic Beverage
305 Control rules and regulations shall not affect the definitions of those terms herein.

306 (D) There shall be a maximum of eight (8) Lottery Video Terminal

307 Licenses issued to a single Off Premises Establishment.

308 (E) In a single On Premises Establishment the following maximum Lottery
309 Video Terminal Licenses shall be issued; ten if premises are 1500 square feet or less; 20 if
310 premises are 1501-3000 square feet; 30 if premises are 3001-4500 square feet; 40 if premises
311 are 4501 square feet or more.

312 (F) There shall be a maximum of 40 Lottery Video Terminal Licenses
313 issued to a single Dance Hall.

314 (G) There shall be no limit on the number of Lottery Video Terminal
315 Licenses issued to a single Pari-mutuel Franchisee for location on their Premises.

316 (2) Licenses.

317 (A) The Arkansas Lottery Commission shall prescribe rules and
318 regulations for the issuance, suspension and revocation of licenses provided for in this Section.
319 Qualifications shall be set from time to time by the Arkansas Lottery Commission and its
320 determination of the public convenience and advantage.

321 (B) The Arkansas Lottery Commission shall prescribe such rules and
322 regulations for the following types of licenses: Manufacturers Licenses, Distributors Licenses,
323 Establishment Licenses and Lottery Video Terminal Licenses.

324 (C) The Arkansas Lottery Commission is hereby authorized to impose and
325 the Arkansas State Police Lottery Division is hereby authorized to collect licensing fees as
326 provided for in this Amendment.

327 (D) The Arkansas Lottery Commission shall administer the Manufacturers
328 and Distributors licensing process, including the collection of licensing applications and fees
329 and the issuance, suspension and revocation of licenses.

330 (E) The Arkansas State Police Lottery Division shall administer the
331 Establishment licensing and Lottery Video Terminal licensing process, including the collection
332 of licensing applications and fees and the issuance, suspension and revocation of licenses.

333 (F) Only qualified applicants shall be issued a license.

334 (G) Each and every operational Lottery Video Terminal shall be have a
335 Lottery Video Terminal License.

336 (H) Lottery Video Terminal Licenses shall be issued in substantial
337 accordance with the following number sequence: 00-00-000-000

338 00- = County number by alphabetical order

339 00- = City rank in population order

340 000- = City license number

341 000- = County license number

342 (I) The fee for each Lottery Video Terminal License shall be paid by the
343 Operator who owns or leases, installs, services and maintains each Lottery Video Terminal.

344 (J) The annual Lottery Video Terminal licensing fee shall be \$1,000 per
345 Lottery video terminal payable \$250.00 per quarter. One quarterly installment shall be paid at
346 least five (5) days prior to the placement of the Lottery Video Terminal in an Authorized
347 Establishment.

348 (K) The annual licensing fee for Authorized Establishments shall not
349 exceed \$20 per Lottery Video Terminal.

350 (L) The annual Manufacturers and Distributors licensing fee shall be
351 \$20,000 payable \$5000.00 quarterly.

352 (3) Miscellaneous restrictions.

353 (A) no Minor shall operate or play Lottery Video Terminal games.

354 (B) a Lottery Video Terminal game may be played for a minimum 25 cent

355 coin deposit. The maximum single play that may be placed on a Lottery
356 video terminal game is \$2.00.

357 (C) the maximum winnings per game is \$1,000.

358 (D) Lottery Video Terminals shall not dispense cash or currency;

359 (E) The Lottery Video Terminal Gross Revenues payable to the State or
360 localities shall be collected from the Operator's accounts every 30 days
361 via Electronic Funds Transfer.

362 (F) Lottery Video Terminal activities shall be advertised and
363 promoted only within the Premises of the Authorized Establishment and
364 in such a manner as to prevent the viewing of advertisements by persons
365 located on the exterior of the Premises.

366 (4) Private sector participation.

367 (A) Businesses from the private sector shall participate in the manufacture
368 administration of the Lottery video terminals as Manufacturers, Distributors, and Establishments.

369 There shall be a sole and exclusive Operator as provided for in this Amendment.

370 (B) No Manufacturer or Distributor shall have any ownership interest in
371 Operator or Establishments. However, Operator may have ownership interest in Establishments.

372 (C) The people find it in the best interest of the State to utilize a single
373 private sector firm for the ownership, placement, installation, service and maintenance functions
374 since such utilization has proven successful in other states and will simplify, expedite and render
375 more secure the implementation of the Lottery Video Terminal system. State Lottery System,
376 Inc. shall serve as the sole and exclusive Operator for all Lottery Video Terminals in Arkansas.
377 As sole and exclusive Operator State Lottery System, Inc. shall receive that portion of the
378 Lottery Video Terminals Gross Revenues allocated to Operator in the provisions of this
379 Amendment.

380 (D) Within six months after the conclusion of the Start-Up Period State
381 Lottery System, Inc. shall make a public offering of its majority common stock to citizens of
382 the State of Arkansas.

383 **Section 9. Lottery Video Terminal Revenues.**

384 (a) **Licensing Revenues.**

385 The Lottery Video Terminal licensing fees revenue shall be allocated as follows:

386 (1) such portion of the revenue as is necessary shall be used to fund 100% of
387 budget of Arkansas State Police Lottery Division;

388 (2) any revenue remaining after payment in accordance with §9(a)(1) shall be
389 applied as follows: such portion as is necessary shall be used to fund up to one-half of the
390 Arkansas Lottery Commission budget, and the balance shall be furnished to the Arkansas State
391 Police for use in hiring additional troopers in high-crime areas throughout the State and shall be
392 distributed in proportion to the pro rata portion of the revenues generated from the area.

393 (b) **Lottery Video Terminal Gross Revenues shall be allocated as follows:**

394 (1) **First Year:**

395 88% average payout to players
396 3% to State and Local Share
397 (local police and sheriffs, State general education,
398 State parks and local 501C3 status charities)
399 4.74% to Operator
400 4.26% to Authorized Establishments

401 (2) **Second Year:**

402 88% average payout to players
403 3.6% State and Local Share
404 (to local police and sheriffs, State general education,
405 State parks and local 501C3 status charities)
406 4.65% to Operator
407 3.75% to Authorized Establishments

408 (3) **Third and Subsequent Years:**

409 88% average payout to players
410 4.2% to State and Local Share
411 (local police and sheriffs, State general education,
412 State parks and local 501C3 status charities)

413
414

3.96% to Operator
3.84% to Authorized Establishments

415 (c) The Arkansas State Police Lottery Division shall establish an account or account(s)
416 for the receipt of the State and Local Shares of the Lottery Video Terminal Gross Revenues.
417 The Arkansas State Police Lottery Division shall monitor the collection of Lottery Video
418 Terminal Gross Revenues by the Operator and shall ensure that Gross Revenues which are
419 allocated to State and Local Shares are transferred from the Operator account(s) to the Arkansas
420 State Police Lottery Division account(s) every 30 days via Electronic Funds Transfer. Upon
421 receipt of the State and Local Share funds the Arkansas State Police Lottery Division shall verify
422 the adequacy of the sums received. Once verified, said funds shall be turned over to the
423 Arkansas State Treasury for distribution in accordance with the provisions of this Amendment.

424 **Section 10. Non-Profit Bingo and raffles.**

425 (a) The game of Bingo is hereby declared to be an authorized activity when conducted
426 by an authorized organization at authorized times and in an authorized manner in accordance
427 with the provisions of this Amendment. A raffle is hereby declared to be an authorized activity
428 when conducted by an authorized organization at authorized times and in an authorized manner
429 in accordance with the provisions of this Amendment.

430 (b) For purposes of this Section "Authorized Organization" shall mean any non-profit
431 tax exempt religious, educational, veterans', fraternal, service, civic, medical, volunteer rescue
432 service, volunteer fire-fighters' organization, or volunteer police organization which has been
433 issued a current license to conduct a Bingo game as provided for by law. An organization is tax
434 exempt if it has received from the Internal Revenue Service a determination letter that is
435 currently in effect stating that the organization is exempt from federal income taxation under
436 Section 501(a) of the Internal Revenue Code, and if it is described in Section 501(c)(3), (10) or

437 (19) or Section 528 of the Internal Revenue Code as amended. To qualify as an authorized
438 organization under this Section, an organization shall have been in continuing existence, as such,
439 in this State for a period of not less than five (5) years immediately prior to making application
440 for a Bingo license.

441 (c) For games of Bingo, "conducted at authorized times" means a single program of
442 Bingo games conducted between the hours of 12:00 noon and 12:00 midnight, no more often
443 than two (2) days per any one (1) calendar week. No building, facility or other type of physical
444 location shall house Bingo games more frequently than two (2) days per week or on behalf of
445 more than one authorized organization. For raffles, "conducted at authorized times" means no
446 more frequently than twice in any given calendar year.

447 (d) For purposes of this Section "conducted in an authorized manner" means Bingo
448 games or raffles conducted in accordance with the following requirements:

449 (1) All net receipts over and above the actual cost of conducting the game or
450 raffle shall be used only for charitable, religious or philanthropic purposes, and no receipts shall
451 be used to compensate in any manner any person who works for or is in any way affiliated with
452 the licensed organization;

453 (2) No person shall participate in the management, conduct or operation of any
454 Bingo game or raffle unless that person:

455 (A) Has been a bona fide member of the authorized organization for the
456 two (2) years immediately preceding such participation, and volunteers without compensation
457 of any sort the time and service necessary to conduct the game or raffle, and is not paid staff
458 person or employee of the authorized organization;

459 (B) Is not and has never been a professional gambler or professional

460 gambling promoter;

461 (C) Has never been convicted of any felony;

462 (D) Has never been convicted of or pleaded nolo contendere to any illegal
463 gambling activity; and

464 (E) Is of good moral character.

465 (3) Any person, any officer or director of any firm or corporation, and any
466 partner of any partnership renting or leasing to an authorized organization, any equipment or
467 Premises for use in the game or raffle shall meet all the qualifications of paragraph 3 except (a).

468 (4) No good or service utilized in the conducting of the Bingo games or
469 raffles, including, but not limited to, the cost for the use of the Bingo facility, the cost for the
470 use of the Bingo equipment, the cost for of any kind associated in any way with the Bingo game
471 or raffle, shall be purchased or obtained for compensation of any sort exceeding the fair market
472 value of such good or service, nor shall the quantity of goods or services so purchased exceed
473 the amounts required to reasonably conduct the game or raffle, and in no case shall any payment
474 for any good or service be based upon a percentage of the gross receipts or proceeds of the
475 Bingo game or raffle.

476 (5) No person, firm, partnership or corporation shall receive any remuneration
477 or profit for participating in the management, conduct or operation of the game or raffle.

478 (6) The Arkansas Lottery Commission shall prescribe such other rules and
479 regulations as shall be necessary for the conduct and regulation of Bingo and raffles and
480 otherwise implement the provisions of this Amendment pertaining to Bingo and raffles.

481 **Section 11. Start-Up requirements.**

482 The Arkansas Lottery Commission shall follow the following procedures in implementing

483 the provisions of this Amendment:

484 (1) The People of the State of Arkansas find that it is in the best interest of
485 the State for all Start-Up financing to be supplied by State Lottery System, Inc. subject to State
486 Lottery System, Inc. being repaid by the State with lottery gross revenues and licensing fees
487 subsequently generated by the State in accordance with the provisions of this Amendment.

488 (2) The Arkansas Lottery Commission shall take all steps necessary to Start-
489 Up the business of the Arkansas Lottery Commission, the Arkansas Lottery games, the Arkansas
490 State Police Lottery Division, the Lottery Video Terminals games and the Non-profit Bingo and
491 raffle games, except that all Start-Up financing shall be provided by State Lottery System, Inc.
492 in the manner provided for in this Amendment.

493 (3) Within four (4) months of the date the first Arkansas Lottery Commission
494 members are duly appointed, the Arkansas Lottery Commission shall prescribe final and official
495 plans and specifications for Start-Up of the Arkansas Lottery Commission, the Arkansas Lottery
496 games, the Arkansas State Police Lottery Division, the Lottery Video Terminals games, and the
497 Non-profit Bingo and raffle games, and shall submit such plans and specifications to State
498 Lottery System, Inc. along with a request for financing.

499 (4) State Lottery System, Inc. shall at its own expense and without any right
500 of reimbursement take all steps necessary to commence its business as Operator of the Lottery
501 Video Terminal machines, including the procurement, licensing and installation of Lottery Video
502 Terminal machines.

503 (5) State Lottery System, Inc. shall be required to provide financing in such
504 sums as are necessary for Start-Up within 90 days of receiving the final and official plans and
505 specifications for Start-Up and a request for financing from the Arkansas Lottery Commission,

506 (6) In no event shall State Lottery System, Inc. be required to provide greater
507 than \$60,000,000 in total funds as a result of all of its obligations under the provisions of this
508 Amendment, which obligations include the obligations under Section 11(4) of this Amendment.

509 (7) The Arkansas Lottery Commission shall provide for the prompt and regular
510 repayment to State Lottery System, Inc. of all sums provided pursuant to said financing
511 arrangement. The Arkansas Lottery Commission shall use funds from the Arkansas Lottery
512 Commission budget which are derived from lottery gross revenues and funds derived from
513 licensing fees in making repayment. Full repayment shall occur within five years from the date
514 on which financing is provided.

515 (8) If State Lottery System, Inc. fails to provide financing as provided in this
516 Amendment within six (6) months of the Start-Up Date, the Arkansas Lottery Commission shall
517 determine a substitute method for implementing the provisions of this Amendment.

518 **Section 12. Audit.**

519 The books, accounts and financial affairs of the Arkansas Lottery Commission and the
520 Arkansas State Police Lottery Division shall be audited by the State Auditor at least once per
521 year.

522 **Section 13. Taxes.**

523 No state or local sales tax shall be imposed upon a game or games played by virtue of
524 this Amendment or on any prize winnings from a game or games played pursuant to the
525 provisions of this Amendment. No state income tax or local earnings tax shall be imposed upon
526 any prize winnings from a game or games played pursuant to this Amendment. No state or local
527 taxes of any kind shall be imposed upon the fees or revenues generated pursuant to this
528 Amendment or upon any aspect of the lottery games or operation thereof which exists by virtue

529 of this Amendment or laws enacted in accordance herewith.

530 **Section 14. Pari-mutuel wagering.**

531 Horse racing conducted by a Pari-mutuel Franchisee in Garland County, Arkansas, and
532 greyhound racing conducted by a Pari-mutuel Franchisee in Crittendon County, Arkansas, and
533 pari-mutuel wagering thereon shall be lawful and shall be regulated by the Arkansas General
534 Assembly. Existing laws heretofore enacted by the Arkansas General Assembly dealing with
535 horse racing and greyhound racing and pari-mutuel wagering on horses and greyhounds shall
536 continue in effect so long as not in conflict with a provision of this Amendment.

537 **Section 15. Prohibited Activities.**

538 All wagering activities, including but not limited to, lotteries, casinos, possession of Gray
539 Area devices, gambling houses, gambling operations, and other gambling and gaming activities,
540 other than those pari-mutuel wagering, lottery, bingo and raffle activities authorized by this
541 Amendment, are prohibited and shall not be authorized by this State.

542 **Section 16. Conflict.**

543 All existing constitutional provisions, laws and parts of laws in conflict with this
544 Amendment are hereby repealed to the extent of such conflict.

545 **Section 17. Severability.**

546 If any provision of this Amendment or the application thereof to any person or
547 circumstance is held invalid, such invalidity shall not affect the validity of other provisions or
548 applications of this Amendment which can be given effect without the invalid provision or
549 application, and to this end the provisions of this Amendment are declared to be severable.

550 **Section 18. Self-Executing.**

551 The provisions of this Amendment shall be self-executing.

552 Section 19. Effective Date.

33 This Amendment shall take effect and become law as of the date of its passage.