

BILL ANALYSIS

Senate Research Center

S.B. 1751
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

To date, the Texas Lottery has contributed more than \$9 billion to the Foundation School Fund, and over \$1 billion of this money was contributed in fiscal year 2006. A recent survey conducted by the director of the Global Entrepreneurship Center at Thunderbird found that:

- recreational Internet usage is increasing at a rate of 18.75 percent per year;
- 45 percent of all respondents indicated they would purchase tickets online;
- 68 percent of those who purchase tickets at least twice per week would purchase tickets online;
- 18 percent of those who currently do not play would purchase tickets online;
- 33 percent of those who currently play would increase purchases if they could purchase tickets online;
- persons in higher income brackets were most likely to increase ticket purchases; and
- ticket sales in Texas could increase by \$1.173 billion.

Industry projections suggest the addition of a lottery channel through an Internet storefront would provide up to a 45 percent increase in ticket sales, stop the currently declining growth rates, and add to state revenues. A computer with access to the Internet would act as a lottery ticket terminal at no cost to the state. Printing and online terminals costs associated with the traditional means of ticket distribution will be lowered or completely non-existent with the Internet option.

As proposed, S.B. 1751 creates an Internet lottery game program as an addition to the existing Texas Lottery program.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Lottery Commission in SECTION 2 (Section 466.257, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 466.002, Government Code, by adding Subdivision (11), to define "private Internet agent."

SECTION 2. Amends Subchapter F, Chapter 466, Government Code, by adding Sections 466.257, 466.258, and 466.259, as follows:

Sec. 466.257. INTERNET LOTTERY GAME PROGRAM. (a) Requires the Texas Lottery Commission (commission) to establish and maintain an Internet lottery game program that allows an eligible person to purchase lottery tickets from a private Internet agent through the Internet. Requires the commission to adopt the rules necessary to administer the program and provides that the other provisions of this chapter applicable to the sale of lottery tickets apply to the sale of tickets under the program, except that Section 466.152(d) (requiring a separate license for each location at which tickets are sold) does not apply to the sale of tickets by the private Internet agent under this section.

(b) Requires the commission to select a private Internet agent, in accordance with the standards and qualifications described in Section 466.258(a), to operate a real-time and secure payment option system for the Internet lottery game program.

(c) Requires the commission to offer for purchase over the Internet and through an electronic distribution channel tickets for each Lotto lottery game that involves a drawing and each multijurisdiction lottery game offered by the commission.

(d) Requires a person who purchases a ticket through the Internet lottery game program to be notified electronically of the amount of any prize the person wins in connection with that ticket. Requires a prize in an amount less than \$600 to be deposited directly into the winner's bank account and authorizes a payment of a prize in an amount of \$600 or more to be made only by the director.

(e) Requires the commission to determine which games are authorized to be played online and to limit the persons authorized to purchase tickets online to only eligible residents of this state in compliance with the federal Unlawful Internet Gambling Enforcement Act of 2006.

(f) Requires the commission, by rule and in compliance with the federal Unlawful Internet Gambling Enforcement Act of 2006, to develop a procedure to verify that a person is 18 years of age or older before the person is authorized to establish an individual online lottery account and purchase lottery tickets through the Internet lottery game program. Requires the commission to adopt standards to prevent the unauthorized use of individual online lottery accounts.

(g) Authorizes the commission, by rule, to establish limitations on the amount or number of monthly purchases that is authorized to be made through any individual online lottery account.

Sec. 466.258. OPERATION OF INTERNET LOTTERY GAME PROGRAM.

(a) Requires the commission to contract with a private Internet agent to offer for purchase from the private Internet agent lottery tickets through the Internet. Sets forth the required qualifications for a private Internet agent.

(b) Requires the private Internet agent, with the cooperation and approval of the commission, to develop procedures to establish individual online lottery accounts and unique identification numbers for each player purchasing tickets from a private Internet agent through the Internet and to verify the age and address of the player and the payment method used by the player.

(c) Authorizes the private Internet agent to collect a reasonable transaction fee from each player who establishes an individual online lottery account and purchases a lottery ticket through that account and entitles the agent to an incentive bonus for selling a winning ticket as approved and provided by this chapter and commission rule.

(d) Requires the private Internet agent to deliver to the commission the money collected from Internet transactions for the sale of a lottery ticket under the Internet lottery game program within 48 hours of the agent's receipt of the money. Requires the agent to deliver to the commission records of each transaction on a real-time basis or as otherwise required by the commission and to deduct the agent's fees before delivering the money to the commission.

(e) Provides that, notwithstanding Section 466.151(a), the private Internet agent is not required to be licensed as a sales agent to sell lottery tickets under the Internet lottery game program.

Sec. 466.259. INDIVIDUAL LOTTERY ACCOUNT. (a) Authorizes a person who is eligible to purchase a lottery ticket through the Internet lottery game program to create a secure individual online lottery account that is accessible through the Internet or by other secure electronic means and to apply for an account in a certain manner.

(b) Requires a sales agent or the private Internet agent to provide an application form for an individual online lottery account to a person who requests an

application and is required to verify that the person applying for the account is 18 years of age or older. Authorizes the agent to retain an application processing fee in an amount established by commission rule.

(c) Requires the application form to be approved by the commission or the commission's approved private Internet agent. Requires the application to contain certain information.

(d) Requires a sales agent, in accordance with commission rules, to deliver to the private Internet agent through an electronic method or the United States Postal Service all applications for individual online lottery accounts received by the sales agent.

(e) Requires the private Internet agent to verify over the Internet through a connection with the Department of Public Safety (DPS) certain information. Requires DPS to cooperate with the commission and the private Internet agent to provide the connection for purposes of this subsection.

(f) Prohibits an individual online lottery account from being activated until the person applying for the account accesses the Internet lottery game program website and follows the activation and funding procedure established by the commission. Requires each account holder to be issued electronically a unique individual online lottery account access number designed to prevent other persons from accessing the person's account.

(g) Requires the commission to develop a method by which a person who has activated and funded an individual online lottery account may purchase lottery tickets from a private Internet agent through the Internet by using public or private computer terminals.

SECTION 3. Amends Section 466.251(c), Government Code, to require that the overall estimated odds of winning a prize in a particular lottery game be printed or displayed on each ticket and prominently displayed in association with the sale of lottery products.

SECTION 4. Amends Section 466.303(a), Government Code, to make a conforming change.

SECTION 5. Amends Section 466.304(a), Government Code, to make a conforming change.

SECTION 6. Amends Sections 466.305, Government Code, by adding Subsection (a-1), to provide that selling a ticket to another person through the Internet lottery game authorized under Section 466.257 does not constitute selling a ticket by extending credit to the person.

SECTION 7. Amends Section 466.3052(a), Government Code, to add a payment through an electronic transaction authorized by the commission for the purchase of a ticket under the Internet lottery game program to the lists of means by which a person is required to pay for a lottery ticket.

SECTION 8. Makes application of this Act prospective.

SECTION 9. Requires the commission, not later than November 1, 2007, to adopt the rules and procedures necessary to implement the Internet lottery game program.

SECTION 10. Effective date: upon passage or September 1, 2007.