

JAN 18 2013

S.B. NO. 768

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# A BILL FOR AN ACT

RELATING TO INTERNET GAMING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that internet wagering on  
2 games of chance and games of skill has evolved into a core form  
3 of entertainment for millions of individuals worldwide. In over  
4 eighty-five jurisdictions across the world, internet gambling is  
5 a legalized, regulated, and taxed activity that generates  
6 billions of dollars in revenue for governments. Currently, the  
7 United States is the largest unregulated internet gambling  
8 market in the world. It is estimated that millions of Americans  
9 have wagered billions of dollars annually on unregulated,  
10 offshore websites, resulting in significant revenues escaping  
11 the United States economy.

12           On September 20, 2011, the United States Department of  
13 Justice issued an opinion that reversed its previous  
14 interpretation of the federal Wire Act, 18 U.S.C. §1084. The  
15 Department of Justice's new interpretation allows state  
16 governments, subject to certain restrictions, to legalize and  
17 regulate internet gambling operations and capture that revenue  
18 for the benefit of state governments.



1           The legislature also finds that tens of thousands of Hawaii  
2 residents are estimated to participate in illegal online  
3 gambling on unregulated internet web sites. These gambling web  
4 sites are operated by illegal offshore operators not subject to  
5 regulation or taxation in the United States. Questions often  
6 arise about the honesty and the fairness of the games offered to  
7 Hawaii residents, but neither federal nor Hawaii laws currently  
8 provide any consumer protections for Hawaii residents who play  
9 on these web sites. Moreover, tens of millions of dollars in  
10 revenues generated from online gambling are being realized by  
11 offshore operators serving Hawaii residents, but no benefits are  
12 provided to the State.

13           To protect Hawaii residents who gamble on the Internet, and  
14 to capture revenues generated from internet gambling in Hawaii,  
15 it is in the best interest of the State and its citizens to  
16 regulate this existing activity by authorizing and implementing  
17 a secure, responsible, and legal system for internet gambling.  
18 The State's interests are best met by doing so through an  
19 internet-only lottery and gaming corporation, which shall be a  
20 public instrumentality, operating for the sole benefit of the  
21 State, and accountable to the legislature and to the public  
22 through a system of audits and reports.



1 The purpose of this Act is to create a body politic, known  
2 as the Hawaii internet lottery and gaming corporation,  
3 authorized to offer a regulated, secure, and responsible  
4 framework for the conduct of internet wagering and gaming in  
5 Hawaii that will provide consumer protections and capture  
6 additional revenues for the benefit of the State that are  
7 currently flowing offshore to unregulated internet gambling  
8 operations.

9 SECTION 2. The Hawaii Revised Statutes is amended by  
10 adding a new chapter to be appropriately designated and to read  
11 as follows:

12 "CHAPTER

13 INTERNET LOTTERY AND GAMING

14 § -1 Definitions. As used in this chapter, the term:

15 "Board" means the board of directors of the Hawaii internet  
16 lottery and gaming corporation.

17 "Chief executive officer" means the chief executive officer  
18 of the Hawaii internet lottery and gaming corporation.

19 "Corporation" means the Hawaii internet lottery and gaming  
20 corporation.

21 "Lottery", "lottery game", or "lottery games" means any  
22 game of chance approved by the board and operated pursuant to



1 this chapter, including but not limited to interactive instant  
2 win games, as well as draw games.

3 "Major procurement contract" means any product or service  
4 contract for an amount in excess of \$75,000.

5 "Member" or "members" means a director or directors of the  
6 board of directors of Hawaii internet lottery and gaming  
7 corporation.

8 "Net proceeds" means all revenue derived from the  
9 operations of the corporation, less operating expenses.

10 "Operating expenses" means all costs of doing business,  
11 including but not limited to prizes, bonuses, advertising and  
12 marketing costs, costs related to the internet gaming provider,  
13 personnel costs, capital costs, funds for problem gambling  
14 education and treatment, and other operating costs.

15 "Person" means any individual, corporation, partnership,  
16 unincorporated association, or other legal entity.

17 "Vendor" means a person who provides or proposes to provide  
18 goods or services to the corporation pursuant to a major  
19 procurement contract, but does not include an employee of the  
20 corporation, or an agency or instrumentality of the State.

21 § -2 **Hawaii internet lottery and gaming corporation**  
22 **established.** There is established a body corporate and politic



1 to be known as the Hawaii internet lottery and gaming  
2 corporation, which shall be deemed to be an instrumentality of  
3 the State but shall not be deemed a state agency. The  
4 corporation shall be a public corporation registered with the  
5 director of commerce and consumer affairs and shall be subject  
6 to the corporate laws of the State. Venue for the corporation  
7 shall be the first circuit.

8 § -3 **Purpose and authority of corporation.** (a) The  
9 purpose of the Hawaii internet lottery and gaming corporation  
10 shall be to conduct and regulate internet wagering and gaming  
11 for the benefit of the State, with the assistance of a private  
12 internet gaming provider, pursuant to this chapter and rules  
13 adopted hereunder.

14 (b) The Hawaii internet lottery and gaming corporation  
15 shall be authorized to:

- 16 (1) Offer internet wagering on games of chance and games  
17 of skill, including lottery, poker, and casino games,  
18 to individuals over the age of eighteen years;  
19 provided that the corporation shall not offer internet  
20 wagering on any sporting event or sporting contest;



- 1           (2) Enter into agreements with other state gaming entities  
2           for the offering of multistate games, consistent with  
3           state and federal law;
- 4           (3) Utilize the broad reach of its internet gaming  
5           platform to offer legally compliant free-play games  
6           and sweepstakes with Hawaii related prizes to  
7           individuals outside of Hawaii, for the purpose of  
8           attracting tourists and providing free exposure for  
9           Hawaii and Hawaii businesses to domestic and overseas  
10          markets;
- 11          (4) Conduct no more than two land based gaming  
12          entertainment events annually, related to the  
13          corporation's internet game offerings, for the purpose  
14          of attracting tourists to Hawaii; provided that the  
15          corporation shall not have the authority to conduct  
16          any other form of land-based gambling; and
- 17          (5) To engage in other activities consistent with the  
18          purpose of this chapter and rules adopted hereunder,  
19          and with state, federal and international laws.

20          §   -4   **Board of directors; membership; reimbursement for**  
21   **expenses; conflict of interests; quorum.** (a) The corporation  
22   shall be governed by a board of directors composed of seven



1 members. Three members shall be appointed by the governor, two  
2 shall be appointed by the president of the senate, and two shall  
3 be appointed by the speaker of the house of representatives.

4 (b) Members of the board of directors shall be prominent  
5 persons in their business or profession and shall not have been  
6 convicted of any felony offense. The board shall include  
7 individuals with knowledge and expertise in lottery and gaming,  
8 marketing and entertainment, technology, accounting, law, and  
9 operation of a business enterprise.

10 (c) Members of the board of directors shall serve for  
11 terms of five years; provided that, of the initial members  
12 appointed, three shall be appointed for a term of two years, two  
13 shall be appointed for a term of four years, and two shall be  
14 appointed for a term of five years. Any vacancy occurring on  
15 the board shall be filled by the governor by appointment for the  
16 unexpired term.

17 (d) Members of the board of directors shall not have any  
18 interest in an undertaking that puts their personal interest in  
19 conflict with that of the corporation, including but not limited  
20 to an interest in a major procurement contract or a  
21 participating vendor.



1           (e) The board of directors may delegate to any one or more  
2 of its members, to the chief executive officer, or to any agent  
3 or employee of the corporation any powers and duties as it may  
4 deem proper.

5           (f) A majority of members of the board of directors shall  
6 constitute a quorum for the transaction of any business and for  
7 the exercise of any power or function of the corporation.

8           (g) Action may be taken and motions and resolutions  
9 adopted by the board of directors at any meeting thereof by the  
10 affirmative vote of a majority of present and voting members.

11           (h) No vacancy in the membership of the board shall impair  
12 the right of the members to exercise all the powers and perform  
13 all the duties of the board.

14           (i) The members of the board shall be compensated in the  
15 amount of \$                   per year and shall be reimbursed for  
16 expenses, including travel expenses, necessary for the  
17 performance of their duties.

18           § -5 **Board of directors; powers and duties.** In addition  
19 to any other powers and duties authorized by law, the board  
20 shall:

21           (1) Select an internet gaming provider, pursuant to the  
22 requirements of this chapter;





1           (2) Adopt regulations, policies, and procedures relating  
2           to the conduct of internet games and the internet  
3           gaming provider, including but not limited to rules  
4           governing:

- 5           (A) Type of games to be conducted;
- 6           (B) Price points for games and percentage of rake;
- 7           (C) Forms of payment accepted and prohibited;
- 8           (D) Number and amount of prizes;
- 9           (E) Method of selecting winners and validating  
10           winnings;
- 11           (F) Manner and time of payment of prizes;
- 12           (G) Frequency of games, and drawings or selection of  
13           winning tickets or shares;
- 14           (H) Means of conducting drawings for lottery games;
- 15           (I) Responsible gaming;
- 16           (J) The conduct of the internet gaming provider;
- 17           (K) The gaming platform; and
- 18           (L) Any and all other matters necessary, desirable,  
19           or convenient toward ensuring the efficient and  
20           effective operation of internet gaming;

21           (3) Provide the chief executive officer with private  
22           sector perspective and direction;



- 1           (4) Approve, disapprove, amend, or modify the budget
- 2                 recommended by the chief executive officer for the
- 3                 operation of the corporation;
- 4           (5) Approve, disapprove, amend, or modify the terms of the
- 5                 major procurements recommended by the chief executive
- 6                 officer; and
- 7           (6) Perform other functions as necessary to carry out the
- 8                 purposes of this chapter.

9           §   -6 **Chief executive officer; appointment; compensation.**

10 The board of directors shall appoint and shall provide for the  
11 compensation of a chief executive officer who shall be an  
12 employee of the corporation and who shall serve at the pleasure  
13 of the board. The chief executive officer shall direct the day-  
14 to-day operations and management of the corporation and shall be  
15 vested with powers and duties as specified by the board and by  
16 law.

17           §   -7 **Chief executive officer; powers and duties.** The  
18 chief executive officer of the corporation shall direct and  
19 supervise all administrative and technical activities in  
20 accordance with the provisions of this chapter and with  
21 regulations, policies, and procedures adopted by the board. It  
22 shall be the duty of the chief executive officer to:



- 1           (1) Supervise and exercise active oversight of the  
2           operations of the internet gaming provider;
- 3           (2) Hire and supervise a small staff of employees, as  
4           deemed necessary; provided that all applicants for  
5           employment shall be subject to background check;  
6           provided further that no person who has been convicted  
7           of a felony or bookmaking or other forms of illegal  
8           gambling or of a crime involving moral turpitude shall  
9           be employed by the corporation;
- 10          (3) In consultation with the internet gaming provider,  
11          prepare an annual budget, including a marketing  
12          budget, for the approval of the board;
- 13          (4) Report quarterly to the board a full and complete  
14          statement of internet gaming revenues and expenses for  
15          the preceding quarter; and
- 16          (5) Perform other duties generally associated with a chief  
17          executive officer of a corporation of an  
18          entrepreneurial nature.

19          §   -8   **General powers of the corporation.** The corporation  
20 is granted comprehensive and extensive powers as generally  
21 exercised by corporations engaged in for-profit business  
22 activities and all powers as are necessary or convenient to



1 effectuate those purposes and provisions of this chapter that  
2 are not in conflict with the state constitution or federal law,  
3 including to:

- 4 (1) Sue and be sued in contract and in tort and to  
5 complain and defend in all courts;
- 6 (2) Adopt and alter a seal;
- 7 (3) Adopt, amend, and repeal bylaws, regulations, and  
8 policies and procedures for the regulation of its  
9 affairs and the conduct of its business;
- 10 (4) Elect and prescribe the duties of officers and  
11 employees of the corporation and to perform such other  
12 matters as the corporation may determine;
- 13 (5) Procure or provide insurance;
- 14 (6) Hold copyrights, trademarks, and service marks and  
15 enforce its rights with respect thereto;
- 16 (7) Initiate, supervise, and administer the operation of  
17 the internet games in accordance with the provisions  
18 of this chapter and regulations, policies, and  
19 procedures adopted pursuant thereto;
- 20 (8) Enter into written agreements with one or more other  
21 states or sovereigns for the operation, participation  
22 in marketing, and promotion of joint games;



- 1           (9) Conduct such market research as is necessary or  
2           appropriate;
- 3           (10) Acquire or lease real property and make improvements  
4           thereon and acquire by lease or by purchase personal  
5           property, including, but not limited to, computers;  
6           mechanical, electronic, and on-line equipment and  
7           terminals; and intangible property, including, but not  
8           limited to, computer programs, systems, and software;
- 9           (11) Enter into contracts, to incur debt in its own name,  
10          and enter into financing agreements with the State,  
11          agencies or instrumentalities of the State, or with  
12          any commercial bank or credit provider; provided, that  
13          any such debt shall be approved by the director of  
14          finance;
- 15          (12) Administer oaths, take depositions, issue subpoenas,  
16          and compel the attendance of witnesses and the  
17          production of books, papers, documents, and other  
18          evidence relative to any investigation or proceeding  
19          conducted by the corporation;
- 20          (13) Appoint and select officers, agents, and employees,  
21          including professional and administrative staff and  
22          personnel, as deemed necessary;



- 1       (14) Select and contract with vendors;
- 2       (15) Enter into contracts or agreements with state or local
- 3             law enforcement agencies for the performance of law
- 4             enforcement, background investigations, and security
- 5             checks;
- 6       (16) Establish and maintain banking relationships,
- 7             including but not limited to establishment of checking
- 8             and savings accounts and lines of credit;
- 9       (17) Advertise and promote the internet games; and
- 10       (18) Adopt and amend regulations, policies, and procedures
- 11             as necessary to exercise its powers, fulfill its
- 12             duties, organize and operate the corporation, regulate
- 13             the conduct of internet games, and as otherwise
- 14             necessary or desirable for the efficient and effective
- 15             operation of the corporation and effectuation of the
- 16             purposes of this chapter; provided that the
- 17             corporation shall be exempt from chapter 91 regarding
- 18             the adoption of bylaws, regulations, policies, and
- 19             procedures or in the exercise of any regulatory power.

20       §   -9 Corporation authorized to borrow money; restriction  
21 on use of money in state general fund. (a) The corporation, in  
22 accordance with the provisions of this chapter, may borrow or



1 accept and expend moneys as may be received from any source,  
2 including income from the corporation's operations, for  
3 effectuating its corporate purposes, including the payment of  
4 the initial expenses of initiation, administration, and  
5 operation of the corporation and the internet gaming website.

6 (b) The corporation shall be self-sustaining and self-  
7 funded. Moneys in the state general fund shall not be used or  
8 obligated to pay the expenses of the corporation or prizes of  
9 the lottery, and no claim for the payment of an expense of the  
10 lottery or prizes of the lottery may be made against any moneys  
11 other than moneys credited to the corporation operating account.

12 (c) The corporation may purchase, lease, or lease-purchase  
13 goods or services as necessary for effectuating the purposes of  
14 this chapter.

15 § -10 **Reports by the corporation.** To ensure the  
16 financial integrity of the internet gaming operations, the  
17 corporation through the board of directors shall:

18 (1) Submit quarterly and annual reports to the governor  
19 and legislature, disclosing the total revenues, prize  
20 disbursements, operating expenses, and administrative  
21 expenses of the corporation during the reporting  
22 period;



- 1           (2) Adopt a system of internal audits and controls;
- 2           (3) Maintain regular records of transactions; and
- 3           (4) Contract with a certified public accountant or firm
- 4           for an annual financial audit of the corporation;
- 5           provided that the certified public accountant or firm
- 6           shall have no financial interest in any vendor with
- 7           whom the corporation is under contract.

8           §   -11 **Bidding requirements and procedures for contracts**

9 **generally.** (a) The corporation shall enter into contracts for

10 major procurements with a value of over \$75,000 only after

11 engaging in a competitive process. The requirements of chapter

12 103D shall not apply to procurements conducted by the

13 corporation but its procedures shall be designed to allow the

14 selection of proposals that provide the greatest long-term

15 benefit to the State, the greatest integrity for the

16 corporation, and the best service and products for the public.

17 The requirement for a competitive process shall not apply in the

18 case of a single vendor having exclusive rights to offer a

19 particular service or product.

20           (b) The corporation shall investigate the responsibility,

21 security, and integrity of any vendor who is a finalist in

22 submitting a bid, proposal, or offer as part of a major





1 procurement. The corporation shall not select a vendor with  
2 questionable integrity for any major procurement.

3 (c) A solicitation, request for qualification, or  
4 specification for a contract may not require, stipulate,  
5 suggest, or encourage a monetary or other financial contribution  
6 or donation as an explicit or implied term or condition for  
7 awarding or completing the contract.

8 (d) No vendor or applicant for a major procurement  
9 contract may pay, give, or make any economic opportunity, gift,  
10 loan, gratuity, special discount, favor, hospitality, or  
11 service, excluding food and beverages having an aggregate value  
12 not exceeding \$100 in any calendar year, to the chief executive  
13 officer, any board member, or any employee of the corporation or  
14 to a member of the immediate family residing in the same  
15 household of the chief executive officer, board member, or  
16 employee.

17 § -12 **Adoption of internet gaming rules.** Within one  
18 hundred-eighty days of its formation, the board shall adopt  
19 rules and policies governing its internet gaming operations,  
20 consistent with the requirements of this chapter. The board may  
21 retain a neutral advisor with expertise in internet gaming to  
22 assist the board in adopting its rules.



1           §   -13 Registered player accounts and restrictions on  
2 **play.** (a) A person desiring to wager money on the  
3 corporation's web-site shall register for an account by  
4 providing documentation verifying the identity of the individual  
5 and that the person is at least eighteen years of age. The  
6 corporation shall have sole discretion to exclude from  
7 participation in internet wagering any person who is reasonably  
8 determined to be unsuitable to participate in those games or  
9 whose participation would be contrary to requests concerning  
10 self-exclusion or limits on losses, amounts wagered, or playing  
11 time.

12           (b) The corporation shall use personal identification  
13 numbers or other technology so that only the registered person  
14 has access to the person's wagering account and that games can  
15 be played only from within the legally permissible geographical  
16 borders.

17           (c) Initially, only individuals physically located in the  
18 State may wager on the corporation's internet gaming website.  
19 At such time that a legally compliant mechanism is established  
20 to permit wagering by individuals physically located outside of  
21 the State, the corporation shall adopt rules to allow and govern  
22 wagering by those individuals.



1           §   -14   **Responsible gaming measures.**   (a)   The  
2   corporation's internet gaming website shall provide information  
3   on problem gambling, including a problem gambling hotline  
4   telephone number that a person may call to seek information and  
5   assistance for a potential gambling addiction.   The corporation  
6   shall offer responsible gambling services, such as self-  
7   exclusion, limits on losses, amounts wagered, and playing time,  
8   and other services as the corporation reasonably may determine  
9   are necessary and appropriate to reduce and prevent problem  
10  gambling.

11           (b)   The corporation shall offer, at the time of  
12  registration, the option to place a limitation on the amount of  
13  funds that may be transferred into a wagering account within any  
14  twenty-four hour period.   The corporation shall adopt procedures  
15  to ensure that the player may not deposit more funds into the  
16  account than specified.   If, after the wagering account is  
17  opened, a person wishes to increase the amount of funds that may  
18  be transferred, the corporation may increase the amount after  
19  obtaining and verifying the validity of identification and  
20  personal information.   However, that increase shall not be  
21  effective until at least twenty-four hours after the change is  
22  requested.



- 1           §   -15   **Selection of the internet gaming provider.**   (a)
- 2   Within one hundred-eighty days of its formation, the board shall
- 3   commence a competitive process for the selection of a qualified
- 4   and suitable internet gaming provider. The selection of the
- 5   internet gaming provider shall be done through a request for
- 6   qualifications, which shall take into account the following
- 7   factors:
- 8           (1)   The provider's knowledge and expertise with regard to:
- 9                (A)   United States regulated gaming and lottery
- 10                   operations;
- 11                (B)   Interactive digital media and entertainment; and
- 12                (C)   Internet technology; and
- 13           (2)   The suitability of the provider's executives and key
- 14                employees to operate a legally compliant gaming
- 15                enterprise with honesty, fairness, and integrity;
- 16                provided that a provider that has engaged in any of
- 17                the following activities shall be deemed unsuitable to
- 18                serve as the corporation's internet gaming provider:
- 19                (A)   The provider that has accepted or assisted in the
- 20                   acceptance of any wagers of money or other
- 21                   consideration related to internet gambling
- 22                   activity, including internet poker, lottery, or



1 casino games, from an individual located in the  
2 United States, prior to the issuance on  
3 September 20, 2011, of an opinion by the United  
4 States Department of Justice pertaining to the  
5 interpretation of the Wire Act, 18 U.S.C. § 1084;  
6 provided that this paragraph shall not apply to  
7 providers that have accepted pari-mutuel wagers  
8 on races in compliance with the Interstate  
9 Horseracing Act;

10 (B) The provider has operated in violation of the  
11 laws of any country or state in which it has  
12 operated; or

13 (C) The operator has been indicted or convicted of a  
14 crime related to its gaming operations in any  
15 state or foreign jurisdiction.

16 (b) The request for qualification may not require,  
17 stipulate, suggest, or encourage a monetary or other financial  
18 contribution or donation as an explicit or implied term or  
19 condition for awarding the contract.

20 (c) The board shall select the internet gaming provider  
21 that offers the greatest integrity for the corporation, the



1 greatest long-term benefit to the State, and the best service  
2 and products for the public.

3 § -16 Responsibilities of the internet gaming provider.

4 The internet gaming provider shall be responsible for operating  
5 a legally compliant, secure, and responsible internet gaming  
6 operation on behalf of the corporation. The internet gaming  
7 provider's general responsibilities shall include, among other  
8 things:

9 (1) Providing all the technology infrastructure, software,  
10 and operational support necessary for the development,  
11 operation, and maintenance of the internet gaming  
12 website, including:

13 (A) Game software and graphics;

14 (B) Computer hardware;

15 (C) Server hosting;

16 (D) Player account registration and management;

17 (E) Geo-location services;

18 (F) Age-verification services;

19 (G) Responsible gaming controls;

20 (H) Anti-collusion and security tools;

21 (I) Payment gateway software functionality;

22 (J) Deposit and decline tools and services;



- 1 (K) Charge back reporting software;
- 2 (L) Network reconciliation and controls;
- 3 (M) Financial reporting and player management; and
- 4 (N) Other related administrative back office
- 5 functionality and operational support;
- 6 (2) Providing marketing services, including a
- 7 comprehensive, customized marketing plan for the
- 8 corporation, consisting of both on-line and off-line
- 9 marketing components aimed at maximizing revenues in a
- 10 responsible manner and attracting tourism for the
- 11 State through the corporation's internet gaming
- 12 operations; and
- 13 (3) Providing customer support and trained personnel to
- 14 respond to inquiries from players regarding
- 15 technological problems, investigate fraud and
- 16 collusion, and any other issues that may arise.

17 § -17 **Internet gaming system requirements.** The  
18 corporation shall establish specific requirements for the  
19 internet gaming platform, to include, among other things:

- 20 (1) Age verification requirements reasonably designed to
- 21 block access to minors;
- 22 (2) Geo-location requirements to ensure legal compliance;



- 1           (3)   Appropriate data security standards;
- 2           (4)   Antifraud systems;
- 3           (5)   Virus prevention;
- 4           (6)   Data protection;
- 5           (7)   Access controls;
- 6           (8)   Firewalls;
- 7           (9)   Disaster recovery;
- 8           (10)  Redundancy;
- 9           (11)  Game fairness;
- 10          (12)  Transparency and reporting;
- 11          (13)  Distribution of funds; and
- 12          (14)  Auditing.

13           §   -18   **Compensation of the internet gaming provider.**   The  
14   corporation shall compensate the internet gaming provider with a  
15   percentage of the corporation's revenues, in addition to  
16   reimbursement of on-going costs associated with the operation of  
17   the internet gaming site, including costs related to geo-  
18   location, age verification, payment processing and banking, web-  
19   hosting, and bandwidth, and any amounts necessary to the  
20   implementation or operation of the site.

21           §   -19   **Disposition of proceeds.**   (a)   All proceeds of  
22   internet gaming conducted under this chapter shall be the





1 property of the corporation. The corporation shall pay its  
2 operating expenses from the proceeds.

3 (b) There is created within the state treasury a special  
4 fund to be known as the internet lottery and gaming special  
5 fund. On or before the fifteenth day of each quarter, the  
6 corporation shall deposit to the internet lottery and gaming  
7 special fund all net proceeds derived from internet wagering and  
8 gaming activities during the preceding quarter.

9 (c) Funds in the internet lottery and gaming special fund  
10 shall be allocated as follows:

11 (1) Public school capital improvements: thirty-five per  
12 cent;

13 (2) University of Hawaii system capital improvements:  
14 twenty-five per cent;

15 (3) Scholarships and educational loan repayments for  
16 medical students who commit to practice medicine in  
17 Hawaii for ten years after completion of their  
18 residency: ten per cent;

19 (4) University of Hawaii John A. Burns School of Medicine  
20 family practice rural residency program: ten per  
21 cent;

22 (5) Watershed protection: ten per cent;



1           (6) Problem gambling reduction and prevention programs:  
2                 five per cent; and

3           (7) Administration of the special fund: five per cent.

4           §   -20 **Tax treatment.** The activities of the corporation  
5 shall be deemed to constitute an essential government function  
6 and all operations of the corporation shall be exempt from any  
7 form of taxation under state law and, to the extent allowed,  
8 under federal law. In addition, the corporation shall not be  
9 required to pay any taxes or assessments upon or in respect to  
10 sales of lottery tickets, games, or any property or moneys of  
11 the corporation, levied by the State or any political  
12 subdivision thereof, except as required by federal law. The  
13 corporation and its assets, property, and revenues shall at all  
14 times be exempt from taxation of every kind by the State and any  
15 political subdivision thereof, including any special districts  
16 in the State with powers of taxation.

17           §   -21 **Unlawful gambling.** It shall be unlawful for any  
18 person to offer or play any game provided on the Internet that  
19 is not authorized pursuant to this chapter. Any violation of  
20 this section shall be punished as provided in part III of  
21 chapter 712; provided that nothing herein shall preclude



1 enforcement of any other civil or criminal law for a violation  
2 of this chapter."

3 SECTION 3. If any provision of this Act, or the  
4 application thereof to any person or circumstance, is held  
5 invalid, the invalidity does not affect other provisions or  
6 applications of the Act that can be given effect without the  
7 invalid provision or application, and to this end the provisions  
8 of this Act are severable.

9 SECTION 4. This Act does not affect rights and duties that  
10 matured, penalties that were incurred, and proceedings that were  
11 begun before its effective date.

12 SECTION 5. This Act shall take effect on July 1, 2013.

13

INTRODUCED BY: Walema Pan  
Dana Lee

Dana Lee



# S.B. NO. 768

**Report Title:**

Internet Gambling; Hawaii Internet Lottery and Gambling Corporation

**Description:**

Establishes the Hawaii internet lottery and gaming corporation for the purpose of conducting internet gambling in Hawaii. Allocates proceeds to capital improvements at public schools and the University of Hawaii system, scholarships and educational loan repayments for medical students who practice in Hawaii for 10 years, support for the family practice rural residency program, watershed protection, and reduction and prevention of problem gambling.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

