

1 State of Arkansas  
2 92nd General Assembly  
3 Regular Session, 2019  
4

# A Bill

HOUSE BILL 1859

5 By: Representatives Perry, L. Johnson  
6 By: Senator Hickey  
7

## For An Act To Be Entitled

9 AN ACT TO REQUIRE A LOTTERY RETAILER TO POST A BOND  
10 OF A CERTAIN AMOUNT; TO REQUIRE THE OFFICE OF THE  
11 ARKANSAS LOTTERY TO ESTABLISH A SEPARATE ACCOUNT IN  
12 WHICH BOND FEES SHALL BE DEPOSITED; TO REPEAL THE  
13 ESTABLISHMENT OF A SEPARATE FIDELITY FUND; TO DECLARE  
14 AN EMERGENCY; AND FOR OTHER PURPOSES.  
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## Subtitle

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18 TO REQUIRE A LOTTERY RETAILER TO POST A  
19 BOND; TO REQUIRE THE OFFICE OF THE  
20 LOTTERY TO ESTABLISH A SEPARATE ACCOUNT  
21 FOR BOND FEES; TO REPEAL THE  
22 ESTABLISHMENT OF A SEPARATE FIDELITY  
23 FUND; AND TO DECLARE AN EMERGENCY.  
24  
25

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
27

28 SECTION 1. Arkansas Code § 23-115-603 is amended to read as follows:

29 23-115-603. ~~Fidelity fund—Retailer fee—~~ Bond account for deposit  
30 of bond fees – Reserve account to cover losses – Retailer bond.

31 (a)(1) The Office of the Arkansas Lottery shall require a retailer to  
32 post a bond in a sufficient amount as determined by the office ~~establish a~~  
33 ~~fidelity fund separate from all other funds and shall assess each retailer an~~  
34 ~~annual fee not to exceed one hundred dollars (\$100) per sales location to be~~  
35 ~~deposited into the fidelity fund.~~

36 (2) The amount of the bond under subdivision (a)(1) of this



1 section shall not exceed two hundred dollars (\$200).

2 (3) The office shall establish a separate account into which  
 3 bond fees shall be deposited.

4 ~~(2)~~(4) Moneys deposited into the ~~fidelity fund~~ bond account may  
 5 be:

6 (A) Invested or deposited into one (1) or more interest-  
 7 bearing accounts;

8 (B) Used to cover losses the office experiences due to  
 9 nonfeasance, misfeasance, or malfeasance of a retailer; and

10 (C) Used to purchase blanket bonds covering the office  
 11 against losses from all retailers.

12 ~~(3)~~(5) At the end of each fiscal year, the office shall pay to  
 13 the trust account managed and maintained by the Department of Higher  
 14 Education any amount in the ~~fidelity fund~~ bond account established under  
 15 subdivision (a)(3) of this section that exceeds five hundred thousand dollars  
 16 (\$500,000), and the funds shall be considered net proceeds from a lottery.

17 (b)(1) A reserve account may be established as a general operating  
 18 expense to cover amounts deemed uncollectable.

19 (2) The office shall establish procedures for minimizing any  
 20 losses that may be deemed uncollectable and shall exercise and exhaust all  
 21 available options in those procedures before writing off amounts to ~~this~~  
 22 ~~account~~ the reserve account that may be established under subdivision (b)(1)  
 23 of this section.

24 ~~(c)(1) The office shall require a retailer to post an appropriate~~  
 25 ~~bond, as determined by the office.~~

26 ~~(2) If applicable, the amount of the bond shall not exceed the~~  
 27 ~~district sales average of tickets for two (2) billing periods.~~

28 ~~(d)(1) In its discretion, the office may allow a retailer to deposit~~  
 29 ~~and maintain with the office securities that are interest bearing or~~  
 30 ~~accruing.~~

31 ~~(2) Securities eligible under this subsection are limited to:~~

32 ~~(A) Certificates of deposit in an amount fully insured by~~  
 33 ~~the Federal Deposit Insurance Corporation issued by solvent banks or savings~~  
 34 ~~associations organized and existing under the laws of this state or under the~~  
 35 ~~laws of the United States;~~

36 ~~(B) United States Government bonds, notes, and bills for~~

1 ~~which the full faith and credit of the United States Government is pledged~~  
 2 ~~for the payment of principal and interest; or~~

3 ~~(C) Federal agency securities by an agency or~~  
 4 ~~instrumentality of the United States Government.~~

5 ~~(3) The securities shall be held in trust in the name of the~~  
 6 ~~office.~~

7 SECTION 2. TEMPORARY LANGUAGE. DO NOT CODIFY. Transfer of funds -  
 8 Rules.

9 On the effective date of this act, the balance of funds remaining in  
 10 the fidelity fund of the Office of the Arkansas Lottery shall be transferred  
 11 to the office's bond account established under § 23-115-603.

12  
 13 SECTION 3. EMERGENCY CLAUSE. It is found and determined by the  
 14 General Assembly of the State of Arkansas that to optimize scholarship  
 15 dollars for the upcoming academic year, it is necessary to combine two funds  
 16 in a timely manner; that excess funds from the combined new fund under this  
 17 act must be transferred into the scholarship fund at the end of the current  
 18 fiscal year; and that this act is immediately necessary to ensure that the  
 19 excess funds from the combined new fund can be transferred to a separate fund  
 20 before the end of the current fiscal year for purposes of awarding  
 21 scholarships. Therefore, an emergency is declared to exist, and this act  
 22 being necessary for the preservation of the public peace, health, and safety  
 23 shall become effective on July 1, 2019.