

1 STATE OF OKLAHOMA

2 1st Session of the 51st Legislature (2007)

3 COMMITTEE SUBSTITUTE

4 FOR ENGROSSED

5 SENATE BILL NO. 513

By: Wilcoxson of the Senate

and

Denney of the House

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9 COMMITTEE SUBSTITUTE

10 (amusements and sports - Oklahoma Education Lottery

11 Act - payment of debt procedures - codification -

12 effective date -

13 emergency)

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16 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

17 SECTION 1. AMENDATORY Section 14, Chapter 58, O.S.L.

18 2003, as amended by Section 13, Chapter 218, O.S.L. 2005 (3A O.S.

19 Supp. 2006, Section 713), is amended to read as follows:

20 Section 713. A. All gross proceeds shall be the property of
21 the Oklahoma Lottery Commission. From its gross proceeds, the
22 Commission shall pay the operating expenses of the Commission. At
23 least forty-five percent (45%) of gross proceeds shall be made
24 available as prize money. However, the provisions of this

1 subsection shall be deemed not to create any lien, entitlement,
2 cause of action, or other private right, and any rights of holders
3 of tickets or shares shall be determined by the Commission in
4 setting the terms of its lottery or lotteries. For each fiscal
5 year, net proceeds shall equal at least thirty-five percent (35%) of
6 the gross proceeds. However, for the purpose of repaying
7 indebtedness issued pursuant to Section ~~33~~ 732 of this ~~act~~ title,
8 for the first two (2) full fiscal years and any partial first fiscal
9 year of the Commission, net proceeds need only equal at least thirty
10 percent (30%) of the gross proceeds. All of the net proceeds shall
11 be transferred to the Oklahoma Education Lottery Trust Fund as
12 provided in subsection B of this section.

13 B. There is hereby created in the State Treasury a fund to be
14 designated the "Oklahoma Education Lottery Trust Fund". On or
15 before the fifteenth day of each calendar quarter, the Commission
16 shall transfer to the State Treasurer, for credit to the Oklahoma
17 Education Lottery Trust Fund, the amount of all net proceeds
18 accruing during the preceding calendar quarter. Expenditures from
19 the fund shall be made upon warrants issued by the State Treasurer
20 against claims filed as prescribed by law with the Director of State
21 Finance for approval and payment.

22 Upon their deposit into the State Treasury, any monies
23 representing a deposit of net proceeds shall then become the
24 unencumbered property of this state, and neither the Commission nor

1 the board of trustees shall have the power to agree or undertake
2 otherwise. The monies shall be invested by the State Treasurer in
3 accordance with state investment practices. All earnings
4 attributable to such investments shall likewise be the unencumbered
5 property of the state and shall accrue to the credit of the fund.

6 C. Monies in the Oklahoma Education Lottery Trust Fund shall
7 only be appropriated as follows:

8 1. Forty-five percent (45%) for the following:

- 9 a. kindergarten through twelfth grade public education,
10 including but not limited to compensation and benefits
11 for public school teachers and support employees, and
- 12 b. early childhood development programs, which shall
13 include but not be limited to costs associated with
14 prekindergarten and full-day kindergarten programs;

15 2. Forty-five percent (45%) for the following:

- 16 a. tuition grants, loans and scholarships to citizens of
17 this state to enable such citizens to attend colleges
18 and universities located within this state, regardless
19 of whether such colleges and universities are owned or
20 operated by the Oklahoma State Regents for Higher
21 Education, or to attend institutions operated under
22 the authority of the Oklahoma Department of Career and
23 Technology Education, including but not limited to
24 such programs as the Oklahoma Higher Learning Access

1 Program; provided such tuition grants, loans and
2 scholarships shall not be made to a citizen of this
3 state to attend a college or university which is not
4 accredited by the Oklahoma State Regents for Higher
5 Education,

6 b. construction of educational facilities for elementary
7 school districts, independent school districts, the
8 Oklahoma State System of Higher Education, and career
9 and technology education,

10 c. capital outlay projects for elementary school
11 districts, independent school districts, the Oklahoma
12 State System of Higher Education, and career and
13 technology education,

14 d. technology for public elementary school district,
15 independent school district, state higher education,
16 and career and technology education facilities, which
17 shall include but not be limited to costs of providing
18 to teachers at accredited public institutions who
19 teach levels kindergarten through twelfth grade,
20 personnel at technology centers under the authority of
21 the Oklahoma State Department of Career and Technology
22 Education, and professors and instructors within the
23 Oklahoma State System of Higher Education, the
24 necessary training in the use and application of

1 computers and advanced electronic instructional
2 technology to implement interactive learning
3 environments in the classroom and to access the state-
4 wide distance learning network and costs associated
5 with repairing and maintaining advanced electronic
6 instructional technology,

7 e. endowed chairs for professors at institutions of
8 higher education operated by the Oklahoma State System
9 of Higher Education, and

10 f. programs and personnel of the Oklahoma School for the
11 Deaf and the Oklahoma School for the Blind;

12 3. Five percent (5%) to the School Consolidation and Assistance
13 Fund. When the total amount in the School Consolidation and
14 Assistance Fund from all sources equals Five Million Dollars
15 (\$5,000,000.00), all monies appropriated pursuant to this paragraph
16 which would otherwise be deposited in the School Consolidation and
17 Assistance Fund shall be deposited in the Teachers' Retirement
18 System Dedicated Revenue Revolving Fund. If at any time the total
19 amount in the School Consolidation and Assistance Fund drops below
20 Five Million Dollars (\$5,000,000.00), the monies appropriated
21 pursuant to this paragraph shall be deposited in the School
22 Consolidation and Assistance Fund until the Fund again reaches Five
23 Million Dollars (\$5,000,000.00); and

1 4. Five percent (5%) to the Teachers' Retirement System
2 Dedicated Revenue Revolving Fund.

3 D. The Legislature shall appropriate funds from the Oklahoma
4 Education Lottery Trust Fund only for the purposes specified in
5 subsection C of this section. Even when funds from the trust fund
6 are used for these purposes, the Legislature shall not use funds
7 from the trust fund to supplant or replace other state funds
8 supporting common education, higher education, or career and
9 technology education.

10 E. In order to ensure that the funds from the trust fund are
11 used to enhance and not supplant funding for education, the State
12 Board of Equalization shall examine and investigate appropriations
13 from the trust fund each year. At the meeting of the State Board of
14 Equalization held within five (5) days after the monthly
15 apportionment in February of each year, the State Board of
16 Equalization shall issue a finding and report which shall state
17 whether appropriations from the trust fund were used to enhance or
18 supplant education funding. If the State Board of Equalization
19 finds that education funding was supplanted by funds from the trust
20 fund, the Board shall specify the amount by which education funding
21 was supplanted. In this event, the Legislature shall not make any
22 appropriations for the ensuing fiscal year until an appropriation in
23 that amount is made to replenish the trust fund.

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1 F. Except as otherwise provided by this subsection, no
2 deficiency in the Oklahoma Education Lottery Trust Fund shall be
3 replenished by reducing any nonlottery funds, including specifically
4 but without limitation, the General Revenue Fund, the Constitutional
5 Reserve Fund or the Education Reform Revolving Fund of the State
6 Department of Education. No program or project started specifically
7 from lottery proceeds shall be continued from the General Revenue
8 Fund, the Constitutional Reserve Fund or the Education Reform
9 Revolving Fund of the State Department of Education. Such programs
10 must be adjusted or discontinued according to available lottery
11 proceeds unless the Legislature by general law establishes
12 eligibility requirements and appropriates specific funds therefor.
13 No surplus in the Oklahoma Education Lottery Trust Fund shall be
14 reduced or transferred to correct any nonlottery deficiencies in
15 sums available for general appropriations. The provisions of this
16 subsection shall not apply to bonds or other obligations issued
17 pursuant to or to the repayment of bonds or other obligations issued
18 pursuant to the Oklahoma Higher Education Promise of Excellence Act
19 of 2005.

20 G. There is hereby created in the State Treasury a revolving
21 fund to be designated the "Oklahoma Education Lottery Revolving
22 Fund". The fund shall be a continuing fund, not subject to fiscal
23 year limitations, and shall consist of all monies received by the
24 Commission. The Commission shall make payments of net proceeds from

1 the fund to the Oklahoma Education Lottery Trust Fund on or before
2 the fifteenth day of each calendar quarter as provided in subsection
3 B of this section. All monies accruing to the credit of the
4 Oklahoma Education Lottery Revolving Fund are hereby appropriated
5 and may be budgeted and expended for the payment of net proceeds,
6 prizes, commissions to retailers, administrative expenses and all
7 other expenses arising out of the operation of the education
8 lottery, subject to the limitations provided in this act.

9 Expenditures from the fund shall be made upon warrants issued by the
10 State Treasurer against claims filed as prescribed by law with the
11 Director of State Finance for approval and payment.

12 The monies in the fund shall be invested by the State Treasurer
13 in accordance with state investment practices. All earnings
14 attributable to such investments shall likewise accrue to the credit
15 of the fund.

16 SECTION 2. AMENDATORY Section 25, Chapter 58, O.S.L.
17 2003, as amended by Section 1, Chapter 365, O.S.L. 2005 (3A O.S.
18 Supp. 2006, Section 724), is amended to read as follows:

19 Section 724. A. Proceeds of any lottery prize shall be subject
20 to the Oklahoma state income tax.

21 B. Attachments, garnishments, or executions authorized and
22 issued pursuant to law shall be withheld if timely served upon the
23 Oklahoma Lottery Commission. This subsection shall not apply to
24 payment of prizes by a retailer.

1 C. The Commission shall adopt policies and procedures to
2 establish a system of verifying the validity of tickets or shares
3 claimed to win prizes and to effect payment of the prizes, except
4 that:

5 1. No prize, any portion of a prize, or any right of any person
6 to a prize awarded shall be assignable. Any prize or any portion of
7 a prize remaining unpaid at the death of a prize winner shall be
8 paid to the estate of the deceased prize winner or to the trustee of
9 a trust established by the deceased prize winner as settlor if a
10 copy of the trust document or instrument has been filed with the
11 Commission along with a notarized letter of direction from the
12 settlor and no written notice of revocation has been received by the
13 Commission prior to the death of the settlor. Following the death
14 of a settlor and prior to any payment to a successor trustee, the
15 Commission shall obtain from the trustee a written agreement to
16 indemnify and hold the Commission harmless with respect to any
17 claims that may be asserted against the Commission arising from
18 payment to or through the trust. Notwithstanding any other
19 provisions of this section, any person, pursuant to an appropriate
20 judicial order, shall be paid the prize to which a winner is
21 entitled;

22 2. No prize shall be paid arising from claimed tickets that
23 are:
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- a. stolen, counterfeit, altered, fraudulent, unissued, produced or issued in error, unreadable, not received, or not recorded by the Commission within applicable deadlines,
- b. lacking in captions that conform and agree with the play symbols as appropriate to the particular lottery game involved, or
- c. not in compliance with such additional public or confidential validation and security tests of the Commission appropriate to the particular lottery game involved;

3. No particular prize in any lottery game shall be paid more than once, and in the event of a determination that more than one claimant is entitled to a particular prize, the sole remedy of the claimants is the award to each of them of an equal share in the prize; ~~and~~

4. A holder of a winning cash ticket or share from a lottery game shall claim a cash prize within one hundred eighty (180) days, or for a multistate or multisoovereign lottery game within one hundred eighty (180) days, after the drawing in which the cash prize was won. In any Oklahoma lottery game in which the player may determine instantly if the player has won or lost, the player shall claim a cash prize within ninety (90) days, or for a multistate lottery game within one hundred eighty (180) days, after the end of

1 the lottery game. If a valid claim is not made for a cash prize
2 within the applicable period, the cash prize shall constitute an
3 unclaimed prize for purposes of the Oklahoma Education Lottery Act;

4 5. Any person or persons claiming a lottery prize exceeding Six
5 Hundred Dollars (\$600.00) shall provide the Commission with their
6 name, address, social security number, and sufficient valid
7 identification as proof of the same prior to payment of the prize by
8 the Commission; and

9 6. Any person or persons claiming a lottery prize exceeding Six
10 Hundred Dollars (\$600.00) as a trust shall provide for each person
11 entitled to any portion of the prize their name, address, social
12 security number, and sufficient valid identification as proof of the
13 same prior to payment of the prize by the Commission except that
14 such information specified in this paragraph shall be confidential
15 and not subject to the provisions of the Oklahoma Open Records Act.

16 D. No prize shall be paid upon a ticket or share purchased or
17 sold in violation of the Oklahoma Education Lottery Act. Any such
18 prize shall constitute an unclaimed prize for purposes of the
19 Oklahoma Education Lottery Act.

20 E. The Commission is discharged of all liability upon payment
21 of a prize.

22 F. No ticket or share shall be purchased by and no prize shall
23 be paid to any member of the board of trustees of the Oklahoma
24 Lottery Commission, any officer or employee of the Commission, or to

1 any spouse, child, brother, sister, or parent residing as a member
2 of the same household in the principal place of residence of any
3 such person. No ticket or share shall be purchased by and no prize
4 shall be paid to any officer, employee, agent, or subcontractor of
5 any vendor or to any spouse, child, brother, sister, or parent
6 residing as a member of the same household in the principal place of
7 residence of any such person if the officer, employee, agent, or
8 subcontractor has access to confidential information which may
9 compromise the integrity of the lottery.

10 G. Unclaimed prize money shall not constitute net lottery
11 proceeds. The first Five Hundred Thousand Dollars (\$500,000.00) of
12 unclaimed prize money accruing annually shall be transferred to the
13 Department of Mental Health and Substance Abuse Services for the
14 treatment of compulsive gambling disorder and educational programs
15 related to such disorder. All other unclaimed prize money shall be
16 added to the pool from which future prizes are to be awarded or used
17 for special prize promotions.

18 SECTION 3. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 724.2 of Title 3A, unless there
20 is created a duplication in numbering, reads as follows:

21 A. The Oklahoma Lottery Commission shall withhold the amount of
22 delinquent debt as established by the Oklahoma Tax Commission from
23 the lottery prize monies won by an individual pursuant to Section
24 710 of Title 3A of the Oklahoma Statutes unless the prize winner or

1 prize winners are currently on a repayment plan approved by the
2 Oklahoma Tax Commission.

3 B. The Oklahoma Lottery Commission shall pay the monies
4 withheld from the lottery prize, as provided in subsection A of this
5 section, to the Oklahoma Tax Commission, not to exceed the amount of
6 debt established by the Oklahoma Tax Commission.

7 C. The Oklahoma Tax Commission shall promulgate rules to define
8 the debts that will be submitted to the Oklahoma Lottery Commission
9 for withholding.

10 D. The Oklahoma Tax Commission shall develop procedures for
11 timely notifying the Oklahoma Lottery Commission of the debts that
12 should be processed for withholding. The information on debt
13 withholding will be reported to the Oklahoma Lottery Commission on a
14 periodic basis and should include, but not be limited to:

15 1. Identification of the persons who have been determined to be
16 delinquent in the repayment of debt established by the Oklahoma Tax
17 Commission; and

18 2. The amounts of debt to be withheld by the Oklahoma Lottery
19 Commission.

20 E. The Oklahoma Lottery Commission shall provide a report to
21 the Oklahoma Tax Commission upon withholding that includes, but is
22 not limited to, the following information:

23 1. Identification of the persons who have had monies withheld;
24 and

1 2. The amount of monies that will be paid to the Oklahoma Tax
2 Commission to be applied to the established debt.

3 SECTION 4. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 724.3 of Title 3A, unless there
5 is created a duplication in numbering, reads as follows:

6 In the event the total withholdings from lottery prizes required
7 by Section 724.1 of Title 3A of the Oklahoma Statutes and Section 3
8 of this act exceed the amount of the prize remaining after deduction
9 of the required state and federal income tax withholdings, the
10 amount withheld pursuant to Section 724.1 of Title 3A of the
11 Oklahoma Statutes shall take precedent and any remaining prize
12 amount, if any, shall be applied to the withholdings required
13 pursuant to Section 3 of this act.

14 SECTION 5. This act shall become effective July 1, 2007.

15 SECTION 6. It being immediately necessary for the preservation
16 of the public peace, health and safety, an emergency is hereby
17 declared to exist, by reason whereof this act shall take effect and
18 be in full force from and after its passage and approval.

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