

ENROLLED SENATE  
BILL NO. 513

By: Wilcoxson of the Senate

and

Denney, Nations, Hyman,  
Richardson, Brannon, Coody,  
Ellis, Kern, Martin  
(Scott), Martin (Steve),  
McAffrey, Peterson (Pam),  
Renegar, Sears, Terrill,  
Tibbs and Walker of the  
House

An Act relating to amusement and sports; amending Section 14, Chapter 58, O.S.L. 2003, as amended by Section 13, Chapter 218, O.S.L. 2005, and Section 25, Chapter 58, O.S.L. 2003, as amended by Section 1, Chapter 365, O.S.L. 2005 (3A O.S. Supp. 2006, Sections 713 and 724), which relate to the Oklahoma Education Lottery Act; requiring certain monies to be allocated for certain purpose under certain circumstances; requiring certain information to be provided to the Oklahoma Lottery Commission before certain prizes may be claimed; specifying that certain information provided by members of a trust is confidential and not subject to the Oklahoma Open Records Act; requiring the Oklahoma Lottery Commission to withhold from lottery prizes certain amounts of delinquent debt as established by the Oklahoma Tax Commission; requiring the Oklahoma Tax Commission to promulgate certain rules and to develop certain procedures relating to debts that should be withheld; specifying order of the withholding of certain lottery prizes; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY Section 14, Chapter 58, O.S.L. 2003, as amended by Section 13, Chapter 218, O.S.L. 2005 (3A O.S. Supp. 2006, Section 713), is amended to read as follows:

Section 713. A. All gross proceeds shall be the property of the Oklahoma Lottery Commission. From its gross proceeds, the Commission shall pay the operating expenses of the Commission. At least forty-five percent (45%) of gross proceeds shall be made available as prize money. However, the provisions of this subsection shall be deemed not to create any lien, entitlement, cause of action, or other private right, and any rights of holders of tickets or shares shall be determined by the Commission in setting the terms of its lottery or lotteries. For each fiscal year, net proceeds shall equal at least thirty-five percent (35%) of the gross proceeds. However, for the purpose of repaying indebtedness issued pursuant to Section ~~33~~ 732 of this ~~act~~ title, for the first two (2) full fiscal years and any partial first fiscal year of the Commission, net proceeds need only equal at least thirty percent (30%) of the gross proceeds. All of the net proceeds shall be transferred to the Oklahoma Education Lottery Trust Fund as provided in subsection B of this section.

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

Upon their deposit into the State Treasury, any monies representing a deposit of net proceeds shall then become the unencumbered property of this state, and neither the Commission nor the board of trustees shall have the power to agree or undertake otherwise. The monies shall be invested by the State Treasurer in accordance with state investment practices. All earnings

attributable to such investments shall likewise be the unencumbered property of the state and shall accrue to the credit of the fund.

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

1. Forty-five percent (45%) for the following:
  - a. kindergarten through twelfth grade public education, including but not limited to compensation and benefits for public school teachers and support employees, and
  - b. early childhood development programs, which shall include but not be limited to costs associated with prekindergarten and full-day kindergarten programs;
2. Forty-five percent (45%) for the following:
  - a. tuition grants, loans and scholarships to citizens of this state to enable such citizens to attend colleges and universities located within this state, regardless of whether such colleges and universities are owned or operated by the Oklahoma State Regents for Higher Education, or to attend institutions operated under the authority of the Oklahoma Department of Career and Technology Education, including but not limited to such programs as the Oklahoma Higher Learning Access Program; provided such tuition grants, loans and scholarships shall not be made to a citizen of this state to attend a college or university which is not accredited by the Oklahoma State Regents for Higher Education,
  - b. construction of educational facilities for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education,
  - c. capital outlay projects for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education,

- d. technology for public elementary school district, independent school district, state higher education, and career and technology education facilities, which shall include but not be limited to costs of providing to teachers at accredited public institutions who teach levels kindergarten through twelfth grade, personnel at technology centers under the authority of the Oklahoma State Department of Career and Technology Education, and professors and instructors within the Oklahoma State System of Higher Education, the necessary training in the use and application of computers and advanced electronic instructional technology to implement interactive learning environments in the classroom and to access the state-wide distance learning network and costs associated with repairing and maintaining advanced electronic instructional technology,
- e. endowed chairs for professors at institutions of higher education operated by the Oklahoma State System of Higher Education, and
- f. programs and personnel of the Oklahoma School for the Deaf and the Oklahoma School for the Blind;

3. Five percent (5%) to the School Consolidation and Assistance Fund. When the total amount in the School Consolidation and Assistance Fund from all sources equals Five Million Dollars (\$5,000,000.00), all monies appropriated pursuant to this paragraph which would otherwise be deposited in the School Consolidation and Assistance Fund in excess of Five Million Dollars (\$5,000,000.00) shall be allocated by the State Department of Education to public schools based on the audited end-of-year average daily membership in grades 8 through 12 during the preceding school year for the purpose of purchasing technology equipment in order to conduct on-line testing as required by the Achieving Classroom Excellence Act of 2005. If at any time the total amount in the School Consolidation and Assistance Fund drops below Five Million Dollars (\$5,000,000.00), the monies appropriated pursuant to this paragraph shall be deposited in the School Consolidation and Assistance Fund until the Fund again reaches Five Million Dollars (\$5,000,000; and

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

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

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

F. Except as otherwise provided by this subsection, no deficiency in the Oklahoma Education Lottery Trust Fund shall be replenished by reducing any nonlottery funds, including specifically but without limitation, the General Revenue Fund, the Constitutional Reserve Fund or the Education Reform Revolving Fund of the State Department of Education. No program or project started specifically from lottery proceeds shall be continued from the General Revenue Fund, the Constitutional Reserve Fund or the Education Reform Revolving Fund of the State Department of Education. Such programs must be adjusted or discontinued according to available lottery proceeds unless the Legislature by general law establishes eligibility requirements and appropriates specific funds therefor. No surplus in the Oklahoma Education Lottery Trust Fund shall be reduced or transferred to correct any nonlottery deficiencies in sums available for general appropriations. The provisions of this

subsection shall not apply to bonds or other obligations issued pursuant to or to the repayment of bonds or other obligations issued pursuant to the Oklahoma Higher Education Promise of Excellence Act of 2005.

G. There is hereby created in the State Treasury a revolving fund to be designated the "Oklahoma Education Lottery Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the Commission. The Commission shall make payments of net proceeds from the fund to the Oklahoma Education Lottery Trust Fund on or before the fifteenth day of each calendar quarter as provided in subsection B of this section. All monies accruing to the credit of the Oklahoma Education Lottery Revolving Fund are hereby appropriated and may be budgeted and expended for the payment of net proceeds, prizes, commissions to retailers, administrative expenses and all other expenses arising out of the operation of the education lottery, subject to the limitations provided in ~~this act~~ the Oklahoma Education Lottery Act. Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

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

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

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

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

C. The Commission shall adopt policies and procedures to establish a system of verifying the validity of tickets or shares

claimed to win prizes and to effect payment of the prizes, except that:

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

2. No prize shall be paid arising from claimed tickets that are:

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

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

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

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

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

F. No ticket or share shall be purchased by and no prize shall be paid to any member of the board of trustees of the Oklahoma Lottery Commission, any officer or employee of the Commission, or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Passed the Senate the 23rd day of May, 2007.

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Presiding Officer of the Senate

Passed the House of Representatives the 25th day of May, 2007.

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Presiding Officer of the House  
of Representatives