

THE HOUSE OF REPRESENTATIVES
Tuesday, April 10, 2007

Committee Substitute for
ENGROSSED
Senate Bill No. 513

COMMITTEE SUBSTITUTE FOR ENGROSSED SENATE BILL NO. 513 - By:
WILCOXSON of the Senate and DENNEY, NATIONS, HYMAN, RICHARDSON AND
BRANNON of the House.

(amusements and sports – Oklahoma Education Lottery Act – payment of
debt procedures – codification – effective date –
emergency)

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

1 SECTION 1. AMENDATORY Section 14, Chapter 58, O.S.L. 2003, as amended
2 by Section 13, Chapter 218, O.S.L. 2005 (3A O.S. Supp. 2006, Section 713), is amended to
3 read as follows:
4 Section 713. A. All gross proceeds shall be the property of the Oklahoma Lottery
5 Commission. From its gross proceeds, the Commission shall pay the operating expenses
6 of the Commission. At least forty-five percent (45%) of gross proceeds shall be made
7 available as prize money. However, the provisions of this subsection shall be deemed not
8 to create any lien, entitlement, cause of action, or other private right, and any rights of
9 holders of tickets or shares shall be determined by the Commission in setting the terms
10 of its lottery or lotteries. For each fiscal year, net proceeds shall equal at least thirty-five

1 percent (35%) of the gross proceeds. However, for the purpose of repaying indebtedness
2 issued pursuant to Section ~~33~~ 732 of this ~~act~~ title, for the first two (2) full fiscal years and
3 any partial first fiscal year of the Commission, net proceeds need only equal at least
4 thirty percent (30%) of the gross proceeds. All of the net proceeds shall be transferred to
5 the Oklahoma Education Lottery Trust Fund as provided in subsection B of this section.

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

13 Upon their deposit into the State Treasury, any monies representing a deposit of
14 net proceeds shall then become the unencumbered property of this state, and neither the
15 Commission nor the board of trustees shall have the power to agree or undertake
16 otherwise. The monies shall be invested by the State Treasurer in accordance with state
17 investment practices. All earnings attributable to such investments shall likewise be the
18 unencumbered property of the state and shall accrue to the credit of the fund.

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

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

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

- 1 c. capital outlay projects for elementary school districts, independent
2 school districts, the Oklahoma State System of Higher Education, and
3 career and technology education,
4 d. technology for public elementary school district, independent school
5 district, state higher education, and career and technology education
6 facilities, which shall include but not be limited to costs of providing to
7 teachers at accredited public institutions who teach levels
8 kindergarten through twelfth grade, personnel at technology centers
9 under the authority of the Oklahoma State Department of Career and
10 Technology Education, and professors and instructors within the
11 Oklahoma State System of Higher Education, the necessary training in
12 the use and application of computers and advanced electronic
13 instructional technology to implement interactive learning
14 environments in the classroom and to access the state-wide distance
15 learning network and costs associated with repairing and maintaining
16 advanced electronic instructional technology,
17 e. endowed chairs for professors at institutions of higher education
18 operated by the Oklahoma State System of Higher Education, and
19 f. programs and personnel of the Oklahoma School for the Deaf and the
20 Oklahoma School for the Blind;

21 3. Five percent (5%) to the School Consolidation and Assistance Fund. When the
22 total amount in the School Consolidation and Assistance Fund from all sources equals

1 Five Million Dollars (\$5,000,000.00), all monies appropriated pursuant to this paragraph
2 which would otherwise be deposited in the School Consolidation and Assistance Fund
3 shall be deposited in the Teachers' Retirement System Dedicated Revenue Revolving
4 Fund. If at any time the total amount in the School Consolidation and Assistance Fund
5 drops below Five Million Dollars (\$5,000,000.00), the monies appropriated pursuant to
6 this paragraph shall be deposited in the School Consolidation and Assistance Fund until
7 the Fund again reaches Five Million Dollars (\$5,000,000.00); and

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

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

15 E. In order to ensure that the funds from the trust fund are used to enhance and
16 not supplant funding for education, the State Board of Equalization shall examine and
17 investigate appropriations from the trust fund each year. At the meeting of the State
18 Board of Equalization held within five (5) days after the monthly apportionment in
19 February of each year, the State Board of Equalization shall issue a finding and report
20 which shall state whether appropriations from the trust fund were used to enhance or
21 supplant education funding. If the State Board of Equalization finds that education
22 funding was supplanted by funds from the trust fund, the Board shall specify the amount

1 by which education funding was supplanted. In this event, the Legislature shall not
2 make any appropriations for the ensuing fiscal year until an appropriation in that
3 amount is made to replenish the trust fund.

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

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

1 Oklahoma Education Lottery Trust Fund on or before the fifteenth day of each calendar
2 quarter as provided in subsection B of this section. All monies accruing to the credit of
3 the Oklahoma Education Lottery Revolving Fund are hereby appropriated and may be
4 budgeted and expended for the payment of net proceeds, prizes, commissions to retailers,
5 administrative expenses and all other expenses arising out of the operation of the
6 education lottery, subject to the limitations provided in this act. Expenditures from the
7 fund shall be made upon warrants issued by the State Treasurer against claims filed as
8 prescribed by law with the Director of State Finance for approval and payment.

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

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

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

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

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

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

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

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

5 4. A holder of a winning cash ticket or share from a lottery game shall claim a cash
6 prize within one hundred eighty (180) days, or for a multistate or multisoovereign lottery
7 game within one hundred eighty (180) days, after the drawing in which the cash prize
8 was won. In any Oklahoma lottery game in which the player may determine instantly if
9 the player has won or lost, the player shall claim a cash prize within ninety (90) days, or
10 for a multistate lottery game within one hundred eighty (180) days, after the end of the
11 lottery game. If a valid claim is not made for a cash prize within the applicable period,
12 the cash prize shall constitute an unclaimed prize for purposes of the Oklahoma
13 Education Lottery Act;

14 5. Any person or persons claiming a lottery prize exceeding Six Hundred Dollars
15 (\$600.00) shall provide the Commission with their name, address, social security
16 number, and sufficient valid identification as proof of the same prior to payment of the
17 prize by the Commission; and

18 6. Any person or persons claiming a lottery prize exceeding Six Hundred Dollars
19 (\$600.00) as a trust shall provide for each person entitled to any portion of the prize their
20 name, address, social security number, and sufficient valid identification as proof of the
21 same prior to payment of the prize by the Commission except that such information

1 specified in this paragraph shall be confidential and not subject to the provisions of the
2 Oklahoma Open Records Act.

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

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

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

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

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

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

4 A. The Oklahoma Lottery Commission shall withhold the amount of delinquent
5 debt as established by the Oklahoma Tax Commission from the lottery prize monies won
6 by an individual pursuant to Section 710 of Title 3A of the Oklahoma Statutes unless the
7 prize winner or prize winners are currently on a repayment plan approved by the
8 Oklahoma Tax Commission.

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

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

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

- 19 1. Identification of the persons who have been determined to be delinquent in the
20 repayment of debt established by the Oklahoma Tax Commission; and
21 2. The amounts of debt to be withheld by the Oklahoma Lottery Commission.

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

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

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

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

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

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

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

20 COMMITTEE REPORT BY: COMMITTEE ON EDUCATION, dated 04-09-07 - DO
21 PASS, As Amended and Coauthored.