

SB 513

Senate Bill No. 513  
As Amended

SENATE BILL NO. 513 - By: WILCOXSON of the Senate and DENNEY 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:

SECTION 1. AMENDATORY Section 4, Chapter 58, O.S.L. 2003 (3A O.S. Supp. 2006, Section 703), is amended to read as follows:

Section 703. As used in the Oklahoma Education Lottery Act:

1. "Administrative expenses" means operating expenses, excluding amounts set aside for prizes, regardless of whether such prizes are claimed and excluding amounts deposited to the Fidelity Revolving Fund pursuant to Section ~~20~~ 719 of this ~~act~~ title;

2. "Beneficial owner" means the ultimate recipient, or if there is more than one, each ultimate recipient of a lottery prize;

3. "Board" means the board of trustees of the Oklahoma Lottery Commission;

~~3-~~ 4. "Capital outlay projects" means the acquisition, construction, installation, modification, renovation, repair, extension, renewal, replacement, or rehabilitation of land, interests in land, buildings, structures, facilities, or other

1 improvements and the acquisition, installation, modification,  
2 renovation, repair, extension, renewal, replacement, rehabilitation,  
3 or furnishing of fixtures, machinery, equipment, computers,  
4 software, laboratories, furniture, textbooks, and reference material  
5 or other property of any nature whatsoever used on, in, or in  
6 connection with educational facilities;

7 ~~4.~~ 5. "Commission" means the Oklahoma Lottery Commission;

8 ~~5.~~ 6. "Educational facilities" means land, structures, and  
9 buildings owned or operated by and through the Oklahoma State  
10 Regents for Higher Education, the State Board of Education, the  
11 Oklahoma Department of Career and Technology Education, or by any  
12 school district within this state. A public road or highway leading  
13 to an educational facility shall not be considered an educational  
14 facility;

15 ~~6.~~ 7. "Executive director" means the chief executive officer  
16 and administrator of the Oklahoma Lottery Commission;

17 ~~7.~~ 8. "Gross proceeds" means all revenue derived from the sale  
18 of lottery tickets or shares and all other monies derived from the  
19 lottery;

20 ~~8.~~ 9. "Instant ticket" means a lottery ticket that requires the  
21 player to remove a coating to determine if a prize has been won;

22 ~~9.~~ 10. "Lottery", "lotteries", "lottery game", or "lottery  
23 games" means an activity conducted by the Commission under the

1 Oklahoma Education Lottery Act through which prizes are awarded or  
2 distributed by chance among persons who have paid for a chance or  
3 other opportunity to receive a prize, including, but not limited to,  
4 instant tickets and on-line games, but excluding charity bingo and  
5 games conducted pursuant to the Oklahoma Charity Games Act, poker,  
6 blackjack, slot machines, pulltab machines, card games, dice,  
7 dominos, roulette wheels, or other similar forms of gambling, or  
8 electronic or video forms of these gambling activities, or games  
9 where winners are determined by the outcome of a sports contest, or  
10 pari-mutuel betting conducted pursuant to the Oklahoma Horse Racing  
11 Act;

12 ~~10.~~ 11. "Major procurement contract" means any gaming product  
13 or service costing in excess of Twenty-five Thousand Dollars  
14 (\$25,000.00), including, but not limited to, major advertising  
15 contracts, annuity contracts, prize payment agreements, consulting  
16 services, equipment, tickets, and other products and services unique  
17 to the Oklahoma lottery, but not including materials, supplies,  
18 equipment, and services common to the ordinary operations of the  
19 Commission;

20 ~~11.~~ 12. "Member" or "members" means a trustee or trustees of  
21 the board of trustees of the Oklahoma Lottery Commission;

1        ~~12.~~ 13. "Member of a minority" means an individual who is a  
2 member of a race which comprises less than fifty percent (50%) of  
3 the total population of Oklahoma;

4        ~~13.~~ 14. "Minority business" means any business which is owned  
5 by:

6            a.    an individual who is a member of a minority who  
7                    reports as the personal income of the individual for  
8                    Oklahoma income tax purposes the income of the  
9                    business,

10           b.    a partnership in which a majority of the ownership  
11                    interest is owned by one or more members of a minority  
12                    who report as their personal income for Oklahoma  
13                    income tax purposes more than fifty percent (50%) of  
14                    the income of the partnership, or

15           c.    a corporation organized under the laws of this state  
16                    in which a majority of the common stock is owned by  
17                    one or more members of a minority who report as their  
18                    personal income for Oklahoma income tax purposes more  
19                    than fifty percent (50%) of the distributed earnings  
20                    of the corporation;

21        ~~14.~~ 15. "Net proceeds" means all revenue derived from the sale  
22 of lottery tickets or shares and all other monies derived from the  
23 lottery less operating expenses;

1        ~~15.~~ 16. "On-line games" means a game where tickets or shares  
2 are purchased through a network of computer terminals located at  
3 retail outlets, and such terminals are linked to a central computer  
4 that records the purchases;

5        ~~16.~~ 17. "Operating expenses" means all costs of doing business,  
6 including but not limited to, prizes, commissions, and other  
7 compensation paid to retailers, advertising and marketing costs,  
8 personnel costs, capital costs, amounts held in or paid from the  
9 Fidelity Revolving Fund pursuant to Section ~~20~~ 719 of this ~~act~~  
10 title, debt service payments for the payment of the initial expenses  
11 of start-up, administration, and operation of the Commission and the  
12 lottery, and other operating costs;

13        ~~17.~~ 18. "Pari-mutuel betting" means the pari-mutuel system of  
14 wagering as defined in Section 200.1 of ~~Title 3A of the Oklahoma~~  
15 ~~Statutes~~ this title. Such term shall not include a lottery game  
16 which may be predicated on a horse-racing scheme that does not  
17 involve actual track events or traditional lottery games which may  
18 involve the distribution of winnings by pools;

19        ~~18.~~ 19. "Person" means any individual, corporation,  
20 partnership, unincorporated association, limited liability company,  
21 or other legal entity;

22        ~~19.~~ 20. "Retailer" means a person who sells lottery tickets or  
23 shares on behalf of the Commission pursuant to a contract;

1       ~~20.~~ 21. "Share" means any intangible evidence of participation  
2 in a lottery game;

3       ~~21.~~ 22. "Ticket" means any tangible evidence issued by the  
4 lottery to provide participation in a lottery game; and

5       ~~22.~~ 23. "Vendor" means a person who provides or proposes to  
6 provide goods or services to the Commission pursuant to a major  
7 procurement contract, but does not include an employee of the  
8 Commission, a retailer, or a state agency or instrumentality  
9 thereof. Such term does not include any corporation whose shares  
10 are publicly traded and which is the parent company of the  
11 contracting party in a major procurement contract.

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

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

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

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

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

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

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

22 a. stolen, counterfeit, altered, fraudulent, unissued,  
23 produced or issued in error, unreadable, not received,

1 or not recorded by the Commission within applicable  
2 deadlines,

3 b. lacking in captions that conform and agree with the  
4 play symbols as appropriate to the particular lottery  
5 game involved, or

6 c. not in compliance with such additional public or  
7 confidential validation and security tests of the  
8 Commission appropriate to the particular lottery game  
9 involved;

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

15 4. A holder of a winning cash ticket or share from a lottery  
16 game shall claim a cash prize within one hundred eighty (180) days,  
17 or for a multistate or multisovereign lottery game within one  
18 hundred eighty (180) days, after the drawing in which the cash prize  
19 was won. In any Oklahoma lottery game in which the player may  
20 determine instantly if the player has won or lost, the player shall  
21 claim a cash prize within ninety (90) days, or for a multistate  
22 lottery game within one hundred eighty (180) days, after the end of  
23 the lottery game. If a valid claim is not made for a cash prize

1 within the applicable period, the cash prize shall constitute an  
2 unclaimed prize for purposes of the Oklahoma Education Lottery Act;  
3 and

4 5. No lottery prize exceeding Six Hundred Dollars (\$600.00)  
5 shall be claimed or paid until the name, address and social security  
6 number of each beneficial owner of the prize is disclosed to the  
7 Commission. Except when a beneficial owner consents in writing, in  
8 the case of a claim for a lottery prize made by one or more  
9 beneficial owners using a trust, the name, address and social  
10 security number of the beneficial owner in the records of the  
11 Commission shall be confidential and not subject to the provisions  
12 of the Oklahoma Open Records Act.

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

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

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

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

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

16 SECTION 3. AMENDATORY Section 2, Chapter 99, O.S.L. 2005  
17 (3A O.S. Supp. 2006, Section 724.1), is amended to read as follows:

18 Section 724.1 A. The Oklahoma Lottery Commission shall  
19 withhold the amount of delinquent debt as established by the  
20 Department of Human Services from the lottery prize monies won by ~~an~~  
21 ~~individual~~ a beneficial owner pursuant to Section 710 of ~~Title 3A of~~  
22 ~~the Oklahoma Statutes~~ this title.

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

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

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

14           1. Identification of the ~~individuals~~ beneficial owners who have  
15 been determined to be delinquent in the repayment of debt  
16 established by the Oklahoma Department of Human Services; and

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

19           E. The Oklahoma Lottery Commission shall provide a report to  
20 the Oklahoma Department of Human Services upon withholding that  
21 includes, but is not limited to, the following information:

22           1. Identification of the ~~individuals~~ beneficial owners who have  
23 had monies withheld; and

1           2. The amount of monies that will be paid to the Oklahoma  
2 Department of Human Services 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 724.2 of Title 3A, unless there  
5 is created a duplication in numbering, reads as follows:

6           A. Except as otherwise provided in Section 724.1 of Title 3A of  
7 the Oklahoma Statutes, a state entity may identify to the Oklahoma  
8 Lottery Commission, in the manner prescribed by the Commission,  
9 beneficial owners that owe an outstanding debt to the state entity.  
10 Prior to the payment of a prize of Six Hundred Dollars (\$600.00) or  
11 more to any beneficial owner having an outstanding obligation, the  
12 Commission shall transmit the amount of the debt to the state entity  
13 claiming the debt and shall authorize payment of the balance to the  
14 beneficial owner after deduction of the debt.

15           B. If a beneficial owner owes a debt subject to offset pursuant  
16 to this section and subject to withholding pursuant to Section 724.1  
17 of Title 3A of the Oklahoma Statutes and the prize is insufficient  
18 to cover all debts, the amount of the prize shall be first  
19 transmitted to the Department of Human Services pursuant to the  
20 procedures prescribed in Section 724.1 of Title 3A of the Oklahoma  
21 Statutes. If a balance of lottery prize remains after the payment  
22 required in Section 724.1 of Title 3A of the Oklahoma Statutes, the  
23 remaining lottery prize amount shall be transmitted to other state

1 entities claiming debts owed to the state, pro rata, based upon the  
2 ratio of the individual debt to the remaining debt owed to the  
3 state.

4 C. If a beneficial owner owes multiple debts subject to offset  
5 pursuant to this section only and the prize is insufficient to cover  
6 all debts, the lottery prize amount shall be transmitted to other  
7 state entities claiming debts owed to the state, pro rata, based  
8 upon the ratio of the individual debt to the remaining debt owed to  
9 the state.

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

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

15 COMMITTEE REPORT BY: COMMITTEE ON JUDICIARY, dated 2-13-07 - DO  
16 PASS, As Amended and Coauthored.