ENGROSSED SENATE
BILL NO. 955 By: Jolley and Fields of the Senate

and

Nelson of the House

[amusements and sports - modifying powers of the Oklahoma Lottery Commission - noncodification - effective date - emergency]

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

SECTION 1. AMENDATORY 3A O.S. 2011, Section 709, is amended to read as follows:

Section 709. A. The Oklahoma Lottery Commission shall have any and all powers necessary or convenient to its usefulness in carrying out and effectuating the purposes and provisions of the Oklahoma Education Lottery Act which are not in conflict with the Oklahoma Constitution and laws of this state including, but not limited to, the following:

1. To sue and be sued in contract, equity, mandamus, and similar actions in its own name and to complain and defend in all courts;

2. To adopt and alter a seal;

3. To hold copyrights, trademarks, and service marks and enforce its rights with respect thereto;

4. To acquire or lease real property and make improvements thereon and acquire by lease or by purchase personal property, including, but not limited to, computers and intangible property, including, but not limited to, computer programs, systems, and software;

5. To enter into contracts to incur debt in its own name and enter into financing agreements with the state, agencies or instrumentalities of the state, or with any commercial financial institution or credit provider as provided in Section 732 of this title;

6. To select and contract with vendors and retailers;

7. To enter into contracts or agreements with state or local law enforcement agencies for the performance of law enforcement, background investigations, and security checks;

8. To administer oaths, take depositions, issue subpoenas, and compel the attendance of witnesses and the production of books, papers, documents, and other evidence relative to any investigation or proceeding conducted by the Commission;

9. To enter into contracts of any and all types on such terms and conditions as the Commission may determine;

10. To advertise and promote the lottery and lottery games. None of the advertisement and promotion allowed by this paragraph

shall involve children under the age of eighteen (18) in any manner and all prize tickets shall include the toll free telephone number and other contact information for the Department of Mental Health and Substance Abuse Services programs for the treatment of compulsive gambling disorder; and

11. To act as a retailer, to conduct promotions which involve the dispensing of lottery tickets or shares, and to establish and operate a sales facility to sell lottery tickets or shares and any related merchandise.

B. The board of trustees of the Oklahoma Lottery Commission shall have any and all powers necessary or convenient to its usefulness in carrying out and effectuating the purposes and provisions of the Oklahoma Education Lottery Act which are not in conflict with the Oklahoma Constitution and laws of this state including, but not limited to, the following:

1. To adopt, amend, and repeal policies and procedures and to promulgate rules for the regulation of its affairs and the conduct of its business, to prescribe the duties of officers of the board, and to perform such other duties as may be required by law. In the promulgation of rules, the board shall be subject to the Administrative Procedures Act;

2. To procure insurance;

3. To initiate, supervise, and administer the operation of the lottery in accordance with the provisions of the Oklahoma Education

Lottery Act and rules, policies, and procedures adopted pursuant thereto;

4. To enter into written agreements with one or more other states or sovereigns for the operation, participation in marketing, and promotion of a joint lottery or joint lottery games. Such an agreement may be entered into with a federally recognized Indian tribe only if a cooperative agreement authorizing the Commission to do so has been entered into by the Governor and such a tribe and has been further approved by the Joint Committee on State-Tribal Relations pursuant to the provisions of Section 1221 et seq. of Title 74 of the Oklahoma Statutes;

5. To direct the executive director to conduct or have conducted such market research as is necessary or appropriate, which may include an analysis of the demographic characteristics of the players of each lottery game and an analysis of advertising, promotion, public relations, incentives, and other aspects of communication; and

6. To adopt and amend such rules, policies, and procedures as necessary to implement its powers and duties, organize and operate the Commission, regulate the conduct of lottery games in general, and any other matters necessary or desirable for the efficient and effective operation of the lottery or the convenience of the public.

C. The powers enumerated in subsections A and B of this section are cumulative of and in addition to those powers enumerated

elsewhere in the Oklahoma Education Lottery Act, and no such powers limit or restrict any other powers of the Oklahoma Lottery Commission or the board of trustees.

SECTION 2. AMENDATORY 3A O.S. 2011, Section 710, is amended to read as follows:

Section 710. The board of trustees of the Oklahoma Lottery Commission may promulgate rules regulating the conduct of lottery games in general, including, but not limited to, rules specifying:

1. The type of lottery games to be conducted, including, but not limited to, instant lotteries and other games traditional to the lottery;

2. The sale price of tickets or shares and the manner of sale. All sales shall be for cash only and payment by checks, credit cards, charge cards, debit cards, or any form of deferred payment is prohibited;

3. The number and amount of prizes;

4. The method and location of selecting or validating winning tickets or shares;

5. The manner and time of payment of prizes, which may include lump-sum payments or installments over a period of years;

6. The manner of payment of prizes to the holders of winning tickets or shares, including, without limitation, provision for payment of prizes by retailers not exceeding Six Hundred Dollars ($600.00) after deducting the price of the ticket or share and after

performing validation procedures appropriate to the game and as specified by the board. The board may provide for a limited number of retailers who can pay prizes of up to Five Thousand Dollars ($5,000.00) after performing validation procedures appropriate to the game and as specified by the board without regard to where the ticket or share was purchased;

7. The frequency of games and drawings or selection of winning tickets or shares;

8. The means of conducting drawings;

9. The method to be used in selling tickets or shares;

10. The manner and amount of compensation to lottery retailers; and

11. Any other matters necessary to ensure the efficient and effective operation of lottery games, the continued entertainment and convenience of the public, and the integrity of the lottery.

The board of trustees shall not permit the operation of any lottery game using a video lottery machine <u>or any lottery game which is played using the internet without physical purchase of paper tickets from a lottery retailer on that retailer's premises</u>. "Video lottery machine" means any electronic video game machine that, upon furnishing of consideration, is available to play or simulate the play of a video game, including, but not limited to, bingo and games conducted pursuant to the Oklahoma Charity Games Act, poker, blackjack, slot machines, pulltab machines, card games, dice,

dominos, roulette wheels, or other similar forms of gambling, or games where winners are determined by the outcome of a sports contest, using a video display and microprocessors in which the player may receive free games or credits that can be redeemed for cash, coins or tokens, or that directly dispenses cash, coins or tokens.

SECTION 3. AMENDATORY 3A O.S. 2011, Section 713, as amended by Section 27, Chapter 304, O.S.L. 2012 (3A O.S. Supp. 2012, 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, <u>the total amount available in the Oklahoma Education Lottery Trust Fund for appropriation pursuant to subsection C of this section may include funds from</u> net proceeds<u>, transfers from the Oklahoma Lottery Reserve Revolving Fund or any amounts appropriated from the General Revenue Fund and</u> shall equal at least thirty-five percent (35%) of the gross proceeds. However, for the purpose of

repaying indebtedness issued pursuant to Section 732 of this 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~~ Amounts shall be transferred to the Oklahoma Education Lottery Trust Fund as provided in subsection B of this section.

B. 1. There is hereby created in the State Treasury a fund to be designated the "Oklahoma Education Lottery Trust Fund". The fund shall consist of a portion of gross proceeds from the Oklahoma Education Lottery, and as applicable, amounts appropriated by the Legislature from the General Revenue Fund and transfers from the Oklahoma Education Lottery Reserve Revolving Fund. Except as otherwise provided in paragraph 3 of this subsection and subsections H and I of this section, ~~on or before the fifteenth day of each calendar quarter,~~ the Commission shall transfer monthly 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~~ month. 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 the Office of Management and Enterprise Services for approval and payment.

2. There is hereby created in the State Treasury a fund to be designated the "Oklahoma Education Lottery Reserve Revolving Fund". The fund shall consist of transfers from the gross proceeds of

Oklahoma Education Lottery as provided in paragraph 3 of this subsection.

3. A percentage of the dollar amount certified as available for appropriation for the applicable fiscal year shall be transferred from gross proceeds to the Oklahoma Education Lottery Reserve Revolving Fund according to the following schedule:

a. for the fiscal year beginning July 1, 2013, twenty percent (20%),

b. for the fiscal year beginning July 1, 2014, forty percent (40%),

c. for the fiscal year beginning July 1, 2015, sixty percent (60%),

d. for the fiscal year beginning July 1, 2016, eighty percent (80%), and

e. for the fiscal year beginning July 1, 2017, and each fiscal year thereafter, one hundred percent (100%).

4. In the fiscal year beginning July 1, 2014, and each fiscal year thereafter, any amount transferred to the Oklahoma Education Lottery Reserve Revolving Fund during the prior fiscal year shall be transferred to the Oklahoma Education Lottery Trust Fund for appropriation for the purposes provided in subsection C of this section.

5. For the fiscal year beginning July 1, 2013, and each fiscal year thereafter during which funds are transferred pursuant to

paragraph 3 of this subsection, the Legislature shall appropriate from the General Revenue Fund any amount necessary so that the total amount in the Oklahoma Education Lottery Trust Fund which is available for appropriation is equal to the amount certified for the applicable fiscal year.

6. 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, and to be distributed to all common school districts based on the average daily membership of the preceding year:

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; 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 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 the Office of Management and Enterprise Services 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.

H. When appropriations from the Oklahoma Education Lottery Trust Fund are made to common education pursuant to the provisions of paragraph 1 of subsection C of this section, the appropriations shall be made available on a monthly basis. In addition to the provisions of subsection B of this section, the following process shall be used to insure that the appropriations are made available to common education in a timely manner:

1. Beginning in July of the fiscal year in which appropriations are made to common education from the Oklahoma Education Lottery Trust Fund, the Commission, on or before the ninth day of each month, shall transfer to the State Treasurer, for credit to the Oklahoma Education Lottery Trust Fund, the amount of net proceeds accruing during the preceding month equal to the amount of total monthly collections due to common education as required by paragraph 1 of subsection C of this section;

2. The Director of the Office of Management and Enterprise Services shall allocate the transfers provided for in paragraph 1 of this subsection to the State Department of Education on a monthly basis, not to exceed one-twelfth (1/12) of the annual apportionment for the fiscal year; and

3. The total amount of transfers to the Oklahoma Education Lottery Trust Fund of net lottery proceeds made pursuant to this

subsection shall not exceed the total appropriations made to common education from the Oklahoma Education Lottery Trust Fund for the specific fiscal year.

I. When appropriations from the Oklahoma Education Lottery Trust Fund are made to The Oklahoma State System of Higher Education, the appropriations shall be made available to the System on a monthly basis. In addition to the provisions of subsection B of this section, the following process shall be used to ensure that the appropriations are made available to The Oklahoma State System of Higher Education in a timely manner:

1. Beginning in July of the fiscal year in which appropriations are made to The Oklahoma State System of Higher Education from the Oklahoma Education Lottery Trust Fund, the Commission, on or before the ninth day of each month, shall transfer to the State Treasurer, for credit to the Oklahoma Education Lottery Trust Fund, the amount of net proceeds accruing during the preceding month equal to the amount of total monthly collections due to the Oklahoma State Regents for Higher Education as required by paragraph 2 of subsection C of this section;

2. The Director of the Office of Management and Enterprise Services shall allocate the transfers provided for in paragraph 1 of this subsection to the Oklahoma State Regents for Higher Education on a monthly basis, not to exceed one-twelfth (1/12) of the annual apportionment for the fiscal year; and

3. The total amount of transfers to the Oklahoma Education Lottery Trust Fund of net lottery proceeds made pursuant to this subsection shall not exceed the total appropriations made to The Oklahoma State System for Higher Education from the Oklahoma Education Lottery Trust Fund for the specific fiscal year.

SECTION 4. AMENDATORY 3A O.S. 2011, 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;

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)~~

Seven Hundred Fifty Thousand Dollars ($750,000.00) 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 5. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

The Governor shall initiate negotiations for new terms for the Model Tribal Gaming Compact between the state and any tribe to increase the amount received each month by the state pursuant to the Compact and Section 280 of Title 3A of the Oklahoma Statutes, which is 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.

SECTION 6. This act shall become effective July 1, 2013.

SECTION 7. 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 26th day of February, 2013.

_____
Presiding Officer of the Senate

Passed the House of Representatives the ____ day of _____, 2013.

_____
Presiding Officer of the House of Representatives