STATE OF OKLAHOMA

1st Session of the 55th Legislature (2015)

SENATE BILL 572 By: Shortey

AS INTRODUCED

An Act relating to amusements and sports; amending 3A O.S. 2011, Sections 709, 713, as amended by Section 27, Chapter 304, O.S.L. 2012 and 717 (3A O.S. Supp. 2014, Section 713), which relate to the Oklahoma Education Lottery Act; authorizing the Oklahoma Lottery Commission to develop and administer specified program; providing exception to certain requirement related to net proceeds; providing exception to certain criteria related to retailers; creating pilot program and providing for administration; establishing criteria for program; defining term; providing for expenditures subject to specified definitions; requiring Board of Trustees to establish specified procedure by rule and providing for certain related requirements; requiring certain agreement be entered into; authorizing Board to make specified determination; 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 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~~

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; and

12. To develop and administer a program for the issuance of charitable lottery tickets as provided in Section 4 of this act.

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 713, as amended by Section 27, Chapter 304, O.S.L. 2012 (3A O.S. Supp. 2014, 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~~ <u>Except as otherwise provided in Section 4 of this act, for</u> 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 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 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". Except as otherwise provided in subsections H and I of this section, 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 the Office of Management and Enterprise Services 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; 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 3. AMENDATORY 3A O.S. 2011, Section 717, is amended to read as follows:

Section 717. A. The people of this state recognize that to conduct a successful lottery, the Oklahoma Lottery Commission must develop and maintain a statewide network of lottery retailers that will serve the public convenience and promote the sale of tickets or shares and the playing of lottery games while ensuring the integrity of the lottery operations, games, and activities.

B. The Commission shall make every effort to provide small retailers a chance to participate in the sales of lottery tickets or shares.

C. The Commission shall provide for compensation to lottery retailers in the form of commissions in an amount of not less than two percent (2%) of gross sales and may provide for other forms of compensation for services rendered in the sale or cashing of lottery tickets or shares.

D. The Commission shall issue a certificate of authority to each person with whom it contracts as a retailer for purposes of display for each location at which tickets or shares are offered for sale. Every lottery retailer shall post and keep conspicuously displayed in a location on the premises accessible to the public its certificate of authority. No certificate of authority shall be assignable or transferable.

E. The board of trustees of the Oklahoma Lottery Commission shall develop a list of objective criteria upon which the qualification of lottery retailers shall be based. Separate

criteria shall be developed to govern the selection of retailers of instant tickets. In developing these criteria, the board shall consider such factors as the financial responsibility of the applicant, security of the place of business or activity of the applicant, accessibility to the public, integrity, and reputation. The board shall not consider political affiliation, activities, or contributions to political committees or candidates for any public office. ~~The~~ Except as otherwise provided in subsection H of this section, the criteria shall include, but not be limited to, the following:

1. The applicant shall be current in filing all applicable tax returns to the State of Oklahoma and in payment of all taxes, interest, and penalties owed to the State of Oklahoma, excluding items under formal appeal pursuant to applicable statutes. An applicant who has entered into and is abiding by a payment agreement with the Oklahoma Tax Commission shall be deemed current in payment of such taxes, penalties and interest. Notwithstanding the provisions of Section 205 of Title 68 of the Oklahoma Statutes, the Oklahoma Tax Commission shall provide this information to the Commission;

2. No person, partnership, unincorporated association, corporation, or other business entity or principal, officer or director of a corporation or other business entity shall be selected as a lottery retailer who:

a. has been convicted of or is awaiting sentencing on a plea of guilt or nolo contendere to a criminal offense related to the security or integrity of the lottery in this or any other jurisdiction,

b. has been convicted of or is awaiting sentencing on a plea of guilt or nolo contendere to any illegal gambling activity, false statements, false swearing, or perjury in this or any other jurisdiction or convicted of or is awaiting sentencing on a plea of guilt or nolo contendere to any crime punishable by more than one (1) year of imprisonment or a fine of more than One Thousand Dollars ($1,000.00) or both, unless the civil rights of the person have been restored and at least five (5) years have elapsed from the date of the completion of the sentence without a subsequent conviction of a crime described in this subparagraph,

c. has been found to have violated the provisions of the Oklahoma Education Lottery Act or any rule, policy, or procedure of the Commission unless either ten (10) years have passed since the violation or the board finds the violation both minor and unintentional in nature,

d. is a vendor or any employee or agent of any vendor doing business with the Commission,

e. resides in the same household as the executive director, any board member, or any employee of the Commission,

f. has made a statement of material fact to the Commission knowing such statement to be false, or

g. is engaged exclusively in the business of selling lottery tickets or shares. This subparagraph shall not preclude the Commission from selling or giving away lottery tickets or shares for promotional purposes;

3. Persons applying to become lottery retailers shall be charged a uniform application fee for each lottery outlet;

4. Any lottery retailer contract executed pursuant to this section may, for good cause, be suspended, revoked, or terminated by the executive director or designee if the retailer is found to have violated any provisions of the Oklahoma Education Lottery Act or objective criteria established by the board. Review of such activities shall be in accordance with the procedures outlined in the Oklahoma Education Lottery Act and shall not be subject to the Administrative Procedures Act; and

5. All lottery retailer contracts may be renewable annually in the discretion of the Commission unless sooner canceled or terminated.

F. No certificate of authority to act as a lottery retailer shall be issued to any applicant doing business or who holds a license to do business as a pawnbroker, supervised lender, or deferred deposit lender, also known as a payday lender, or whose primary business is categorized as a check casher.

G. No lottery retailer or applicant to be a lottery retailer shall pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, to the executive director, any board member, or any employee of the Commission, or to any person related to any such person within the third degree of consanguinity or affinity.

H. Notwithstanding the requirements set forth in this section, any charitable health care organization approved to participate in the program set forth in Section 4 of this act shall be authorized by the Board of Trustees of the Oklahoma Lottery Commission to sell charitable lottery tickets during the time period of participation.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 736 of Title 3A, unless there is created a duplication in numbering, reads as follows:

A. There is hereby created a pilot program for the issuance of charitable lottery tickets. The program shall be administered by

the Board of Trustees of the Oklahoma Lottery Commission, subject to the provisions of this section.

B. The pilot program shall consist of the sale of up to two and one-half million (2,500,000) charitable lottery tickets over a twelve month time period. For purposes of this section, "charitable lottery ticket" means a single ticket designed with words, logos or symbols which represent three different charitable health care organizations, designated as provided in subsection D of this section.

C. Expenditures related to the pilot program shall be paid from the operating expenses of the Oklahoma Lottery Commission, as defined in paragraph 16 of Section 703 of Title 3A of the Oklahoma Statutes, and shall not be subject to the net proceeds requirement pursuant to subsection A of Section 713 of Title 3A of the Oklahoma Statutes.

D. The Board shall establish by rule a procedure for charitable health care organizations to make application to be featured on a charitable lottery ticket and the rule shall provide for the three organizations approved to vary in purpose, mission, and size. Each ticket shall feature the three organizations approved by the Board. In order to apply, an organization shall:

1. Be exempt from taxation pursuant to the provisions of the Internal Revenue Code 26 U.S.C., Section 501(c)(3);

2. Have a physical presence in this state; and

3. Provide health care services or treatment to individuals in the state on an on-going basis as such service or treatment is permitted by law or regulation.

E. The Board shall enter into a licensing agreement with each charitable health care organization chosen which allows the words, logos or symbols which represent the organization to be used on the charitable lottery tickets and which provides each organization with a portion of the total amount generated by the sale of such tickets. That portion, which shall be paid out of the Commission's operating expenses as provided in subsection C of this section, shall equal one-third (1/3) to each charitable organization.

F. At the end of the pilot program provided for in this section, the Board may make a determination to make the charitable lottery ticket program permanent.

SECTION 5. This act shall become effective July 1, 2015.

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.

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