

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 56th Legislature (2017)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 1837

By: Osborn (Leslie) of the
House

and

David of the Senate

10 COMMITTEE SUBSTITUTE

11 An Act relating to amusements and sports; amending 3A
12 O.S. 2011, Section 713, as amended by Section 27,
13 Chapter 304, O.S.L. 2012 (3A O.S. Supp. 2016, Section
14 713), which relates to the Oklahoma Education Lottery
15 Act; modifying provisions related to disposition of
16 net proceeds; requiring annual reports; setting
17 maximum percentage for administrative costs;
18 providing for disposition of net proceeds in excess
19 of designated amount; requiring appropriation;
20 specifying purpose of expenditures; and providing for
21 codification.

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

23 SECTION 1. AMENDATORY 3A O.S. 2011, Section 713, as
24 amended by Section 27, Chapter 304, O.S.L. 2012 (3A O.S. Supp. 2016,
Section 713), is amended to read as follows:

1 Section 713. A. All gross proceeds shall be the property of
2 the Oklahoma Lottery Commission. From its gross proceeds, the
3 Commission shall pay the operating expenses of the Commission. At
4 least forty-five percent (45%) of gross proceeds shall be made
5 available as prize money. However, the provisions of this
6 subsection shall be deemed not to create any lien, entitlement,
7 cause of action, or other private right, and any rights of holders
8 of tickets or shares shall be determined by the Commission in
9 setting the terms of its lottery or lotteries.

10 B. For each fiscal year, the first Fifty Million Dollars
11 (\$50,000,000.00) of net proceeds shall ~~equal at least thirty-five~~
12 ~~percent (35%) of the gross proceeds. However, for the purpose of~~
13 ~~repaying indebtedness issued pursuant to Section 732 of this title,~~
14 ~~for the first two (2) full fiscal years and any partial first fiscal~~
15 ~~year of the Commission, net proceeds need only equal at least thirty~~
16 ~~percent (30%) of the gross proceeds~~ be transferred to the Oklahoma
17 Education Lottery Trust Fund.

18 C. All of the net proceeds remaining after the apportionment
19 required by subsection B of this section shall be transferred to the
20 Oklahoma Education Lottery Trust Fund as provided in ~~subsection B~~
21 Section 2 of this section act. The Oklahoma Lottery Commission
22 shall submit a written report of its findings and any
23 recommendations regarding the impact of having the net proceeds
24 minimum requirement set at a fixed dollar amount. The report shall

1 be submitted to the Governor, the Speaker of the Oklahoma House of
2 Representatives and the President Pro Tempore of the Oklahoma State
3 Senate not later than October 1, 2019, and annually thereafter.

4 ~~B.~~ D. There is hereby created in the State Treasury a fund to
5 be designated the "Oklahoma Education Lottery Trust Fund". Except
6 as otherwise provided in subsections ~~H~~ C, J and ~~I~~ K of this section,
7 on or before the fifteenth day of each calendar quarter, the
8 Commission shall transfer to the State Treasurer, for credit to the
9 Oklahoma Education Lottery Trust Fund, the amount of all net
10 proceeds accruing during the preceding calendar quarter.

11 Expenditures from the fund shall be made upon warrants issued by the
12 State Treasurer against claims filed as prescribed by law with the
13 Director of the Office of Management and Enterprise Services for
14 approval and payment.

15 E. Upon their deposit into the State Treasury, any monies
16 representing a deposit of net proceeds shall then become the
17 unencumbered property of this state, and neither the Commission nor
18 the board of trustees shall have the power to agree or undertake
19 otherwise. The monies shall be invested by the State Treasurer in
20 accordance with state investment practices. All earnings
21 attributable to such investments shall likewise be the unencumbered
22 property of the state and shall accrue to the credit of the ~~fund~~
23 funds provided for in subsections B and C of this section.

1 ~~C.~~ F. Monies in the Oklahoma Education Lottery Trust Fund
2 deposited pursuant to subsection B of this section shall only be
3 appropriated as follows:

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

- 5 a. kindergarten through twelfth grade public education,
6 including but not limited to compensation and benefits
7 for public school teachers and support employees, and
8 b. early childhood development programs, which shall
9 include but not be limited to costs associated with
10 prekindergarten and full-day kindergarten programs;

11 2. Forty-five percent (45%) for the following:

- 12 a. tuition grants, loans and scholarships to citizens of
13 this state to enable such citizens to attend colleges
14 and universities located within this state, regardless
15 of whether such colleges and universities are owned or
16 operated by the Oklahoma State Regents for Higher
17 Education, or to attend institutions operated under
18 the authority of the Oklahoma Department of Career and
19 Technology Education; provided such tuition grants,
20 loans and scholarships shall not be made to a citizen
21 of this state to attend a college or university which
22 is not accredited by the Oklahoma State Regents for
23 Higher Education,

- 1 b. construction of educational facilities for elementary
2 school districts, independent school districts, the
3 Oklahoma State System of Higher Education, and career
4 and technology education,
- 5 c. capital outlay projects for elementary school
6 districts, independent school districts, the Oklahoma
7 State System of Higher Education, and career and
8 technology education,
- 9 d. technology for public elementary school district,
10 independent school district, state higher education,
11 and career and technology education facilities, which
12 shall include but not be limited to costs of providing
13 to teachers at accredited public institutions who
14 teach levels kindergarten through twelfth grade,
15 personnel at technology centers under the authority of
16 the Oklahoma State Department of Career and Technology
17 Education, and professors and instructors within the
18 Oklahoma State System of Higher Education, the
19 necessary training in the use and application of
20 computers and advanced electronic instructional
21 technology to implement interactive learning
22 environments in the classroom and to access the ~~state-~~
23 ~~wide~~ statewide distance learning network and costs
- 24

- 1 associated with repairing and maintaining advanced
2 electronic instructional technology,
- 3 e. endowed chairs for professors at institutions of
4 higher education operated by the Oklahoma State System
5 of Higher Education, and
- 6 f. programs and personnel of the Oklahoma School for the
7 Deaf and the Oklahoma School for the Blind;

8 3. Five percent (5%) to the School Consolidation and Assistance
9 Fund. When the total amount in the School Consolidation and
10 Assistance Fund from all sources equals Five Million Dollars
11 (\$5,000,000.00), all monies appropriated pursuant to this paragraph
12 which would otherwise be deposited in the School Consolidation and
13 Assistance Fund in excess of Five Million Dollars (\$5,000,000.00)
14 shall be allocated by the State Department of Education to public
15 schools based on the audited end-of-year average daily membership in
16 grades 8 through 12 during the preceding school year for the purpose
17 of purchasing technology equipment in order to conduct on-line
18 testing as required by the Achieving Classroom Excellence Act of
19 2005. If at any time the total amount in the School Consolidation
20 and Assistance Fund drops below Five Million Dollars
21 (\$5,000,000.00), the monies appropriated pursuant to this paragraph
22 shall be deposited in the School Consolidation and Assistance Fund
23 until the Fund again reaches Five Million Dollars ~~(\$5,000,000)~~
24 (\$5,000,000.00); and

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

3 In no instance shall the annual maximum percentage for
4 administrative costs, not including marketing and advertising costs,
5 funds set aside for prizes, commissions paid to retailers, contract
6 fees paid to gaming system vendors and instant ticket providers or
7 emergency-related capital expenses, exceed three percent (3%) of
8 sales.

9 ~~D.~~ G. The Legislature shall appropriate funds from the Oklahoma
10 Education Lottery Trust Fund only for the purposes specified in
11 subsection ~~E~~ F of this section and Section 2 of this act. Even when
12 funds from the trust fund are used for these purposes, the
13 Legislature shall not use funds from the trust fund to supplant or
14 replace other state funds supporting common education, higher
15 education, or career and technology education.

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

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

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

1 ~~G.~~ J. There is hereby created in the State Treasury a revolving
2 fund to be designated the "Oklahoma Education Lottery Revolving
3 Fund". The fund shall be a continuing fund, not subject to fiscal
4 year limitations, and shall consist of all monies received by the
5 Commission. The Commission shall make payments of net proceeds from
6 the fund to the Oklahoma Education Lottery Trust Fund on or before
7 the fifteenth day of each calendar quarter as provided in subsection
8 ~~B~~ D of this section. All monies accruing to the credit of the
9 Oklahoma Education Lottery Revolving Fund are hereby appropriated
10 and may be budgeted and expended for the payment of net proceeds,
11 prizes, commissions to retailers, administrative expenses and all
12 other expenses arising out of the operation of the education
13 lottery, subject to the limitations provided in the Oklahoma
14 Education Lottery Act. Expenditures from the fund shall be made
15 upon warrants issued by the State Treasurer against claims filed as
16 prescribed by law with the Director of the Office of Management and
17 Enterprise Services for approval and payment.

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

22 ~~H.~~ K. When appropriations from the Oklahoma Education Lottery
23 Trust Fund are made to common education pursuant to the provisions
24 of paragraph 1 of subsection ~~E~~ F of this section, the appropriations

1 shall be made available on a monthly basis. In addition to the
2 provisions of ~~subsection B~~ subsections D and E of this section, the
3 following process shall be used to ~~insure~~ ensure that the
4 appropriations are made available to common education in a timely
5 manner:

6 1. Beginning in July of the fiscal year in which appropriations
7 are made to common education from the Oklahoma Education Lottery
8 Trust Fund, the Commission, on or before the ninth day of each
9 month, shall transfer to the State Treasurer, for credit to the
10 Oklahoma Education Lottery Trust Fund, the amount of net proceeds
11 accruing during the preceding month equal to the amount of total
12 monthly collections due to common education as required by paragraph
13 1 of subsection ~~E~~ F of this section;

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

19 3. The total amount of transfers to the Oklahoma Education
20 Lottery Trust Fund of net lottery proceeds made pursuant to this
21 subsection shall not exceed the total appropriations made to common
22 education from the Oklahoma Education Lottery Trust Fund for the
23 specific fiscal year.

1 ~~F.~~ L. When appropriations from the Oklahoma Education Lottery
2 Trust Fund are made to The Oklahoma State System of Higher
3 Education, the appropriations shall be made available to the System
4 on a monthly basis. In addition to the provisions of ~~subsection B~~
5 subsections D and E of this section, the following process shall be
6 used to ensure that the appropriations are made available to The
7 Oklahoma State System of Higher Education in a timely manner:

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

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

22 3. The total amount of transfers to the Oklahoma Education
23 Lottery Trust Fund of net lottery proceeds made pursuant to this
24 subsection shall not exceed the total appropriations made to The

1 Oklahoma State System for Higher Education from the Oklahoma
2 Education Lottery Trust Fund for the specific fiscal year.

3 SECTION 2. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 713.1 of Title 3A, unless there
5 is created a duplication in numbering, reads as follows:

6 The portion of lottery annual net proceeds deposited to the
7 Oklahoma Education Lottery Trust Fund that exceeds Fifty Million
8 Dollars (\$50,000,000.00) shall be appropriated by the Legislature on
9 a cash basis to be allocated by the State Department of Education to
10 public schools based on the audited end-of-year average daily
11 membership in grades PK-12 during the preceding school year for the
12 purpose of implementing prekindergarten-through-third-grade reading
13 intervention initiatives or science, technology, engineering and
14 math (STEM) programs.

15
16 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
17 02/21/2017 - DO PASS, As Amended and Coauthored.

18
19
20
21
22
23
24