

1 STATE OF OKLAHOMA

2 1st Session of the 59th Legislature (2023)

3 HOUSE BILL 1800

By: Osburn

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6 AS INTRODUCED

7 An Act relating to amusements and sports; amending 3A
8 O.S. 2021, Sections 712, 717, 724, and 733, which
9 relate to the Oklahoma Education Lottery Act;
10 modifying when background checks shall be conducted;
11 modifying requirement to display certificate of
12 authority; modifying when the Oklahoma Lottery
13 Commission submits report; modifying who copy of
14 audit shall be transmitted to; providing that the
15 Commission submit estimate by certain date; modifying
16 documents that must be provided if receiving payment
17 of a certain amount; repealing 3A O.S. 2021, Sections
18 706, 713, as amended by Section 1, Chapter 359,
19 O.S.L. 2022 (3A O.S. Supp. 2022, Section 713), and
20 734, which relate to the Oklahoma Education Lottery
21 Act; and providing an effective date.

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

SECTION 1. AMENDATORY 3A O.S. 2021, Section 712, is
amended to read as follows:

Section 712. A. The executive director of the Oklahoma Lottery
Commission, with the approval of the board of trustees, shall employ
such personnel as may be necessary to carry out the provisions of

1 this act and shall set the compensation and terms of compensation of
2 such employees. All offices, positions, and personnel of the
3 Oklahoma Lottery Commission shall be in the unclassified service.

4 B. No employee of the Commission shall have a financial
5 interest in any vendor doing business or proposing to do business
6 with the Commission.

7 C. No employee of the Commission shall participate in any
8 decision involving a retailer with whom the employee has a financial
9 interest.

10 D. No employee of the Commission who leaves the employment of
11 the Commission may represent any vendor or lottery retailer before
12 the Commission for a period of two (2) years following termination
13 of employment with the Commission.

14 E. A background investigation shall be conducted on each
15 applicant who has reached the final selection process prior to
16 employment by the Commission ~~at the level of division director and~~
17 ~~above and at any level within any division of security and as~~
18 ~~otherwise required by the board of trustees of the Oklahoma Lottery~~
19 ~~Commission. The Commission shall pay for the actual cost of the~~
20 ~~investigations and shall contract with the Oklahoma State Bureau of~~
21 ~~Investigation for the performance of the investigations~~ and on every
22 active employee of the Commission on an annual basis. The results
23 of a background investigation shall not be considered a record open
24 to the public pursuant to the Oklahoma Open Records Act.

1 F. No person who has been convicted of any felony or a
2 misdemeanor involving illegal gambling or involving moral turpitude
3 shall be employed by the Commission, nor shall the Commission employ
4 a person who is awaiting sentencing on a plea of guilt or nolo
5 contendere to such a felony or misdemeanor.

6 G. The Commission shall bond Commission employees with access
7 to Commission funds or lottery revenue in an amount specified by the
8 board and may bond other employees as deemed necessary.

9 SECTION 2. AMENDATORY 3A O.S. 2021, Section 717, is
10 amended to read as follows:

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

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

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

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

8 E. The board of trustees of the Oklahoma Lottery Commission
9 shall develop a list of objective criteria upon which the
10 qualification of lottery retailers shall be based. Separate
11 criteria shall be developed to govern the selection of retailers of
12 instant tickets. In developing these criteria, the board shall
13 consider such factors as the financial responsibility of the
14 applicant, security of the place of business or activity of the
15 applicant, accessibility to the public, integrity, and reputation.
16 The board shall not consider political affiliation, activities, or
17 contributions to political committees or candidates for any public
18 office. The criteria shall include, but not be limited to, the
19 following:

20 1. The applicant shall be current in filing all applicable tax
21 returns to the State of Oklahoma and in payment of all taxes,
22 interest, and penalties owed to the State of Oklahoma, excluding
23 items under formal appeal pursuant to applicable statutes. An
24 applicant who has entered into and is abiding by a payment agreement

1 with the Oklahoma Tax Commission shall be deemed current in payment
2 of such taxes, penalties and interest. Notwithstanding the
3 provisions of Section 205 of Title 68 of the Oklahoma Statutes, the
4 Oklahoma Tax Commission shall provide this information to the
5 Commission;

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

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

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

1 subsequent conviction of a crime described in this
2 subparagraph,

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

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

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

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

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

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

23 4. Any lottery retailer contract executed pursuant to this
24 section may, for good cause, be suspended, revoked, or terminated by

1 the executive director or designee if the retailer is found to have
2 violated any provisions of the Oklahoma Education Lottery Act or
3 objective criteria established by the board. Review of such
4 activities shall be in accordance with the procedures outlined in
5 the Oklahoma Education Lottery Act and shall not be subject to the
6 Administrative Procedures Act; and

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

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

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

21 SECTION 3. AMENDATORY 3A O.S. 2021, Section 724, is
22 amended to read as follows:

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

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

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

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

3 2. No prize shall be paid arising from claimed tickets that
4 are:

5 a. stolen, counterfeit, altered, fraudulent, unissued,
6 produced or issued in error, unreadable, not received,
7 or not recorded by the Commission within applicable
8 deadlines,

9 b. lacking in captions that conform and agree with the
10 play symbols as appropriate to the particular lottery
11 game involved, or

12 c. not in compliance with such additional public or
13 confidential validation and security tests of the
14 Commission appropriate to the particular lottery game
15 involved;

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

21 4. A holder of a winning cash ticket or share from a lottery
22 game shall claim a cash prize within one hundred eighty (180) days,
23 or for a multistate or multisovereign lottery game within one
24 hundred eighty (180) days, after the drawing in which the cash prize

1 was won. In any Oklahoma lottery game in which the player may
2 determine instantly if the player has won or lost, the player shall
3 claim a cash prize within ninety (90) days, or for a multistate
4 lottery game within one hundred eighty (180) days, after the end of
5 the lottery game. If a valid claim is not made for a cash prize
6 within the applicable period, the cash prize shall constitute an
7 unclaimed prize for purposes of the Oklahoma Education Lottery Act;

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

13 6. Any person or persons claiming a lottery prize exceeding
14 Five Thousand Dollars (\$5,000.00) shall provide the Commission with
15 their name, address, social security number, and sufficient valid
16 identification and proof of social security number prior to payment
17 of the prize by the Commission; and

18 7. Any person or persons claiming a lottery prize exceeding Six
19 Hundred Dollars (\$600.00) as a trust shall provide for each person
20 entitled to any portion of the prize their name, address, social
21 security number, and sufficient valid identification ~~as proof of the~~
22 ~~same~~ and proof of social security number prior to payment of the
23 prize by the Commission except that such information specified in
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1 this paragraph shall be confidential and not subject to the
2 provisions of the Oklahoma Open Records Act.

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

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

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

21 G. Unclaimed prize money shall not constitute net lottery
22 proceeds. The first Seven Hundred Fifty Thousand Dollars
23 (\$750,000.00) of unclaimed prize money accruing annually shall be
24 transferred to the Department of Mental Health and Substance Abuse

1 Services for the treatment of compulsive gambling disorder and
2 educational programs related to such disorder. All other unclaimed
3 prize money shall be added to the pool from which future prizes are
4 to be awarded or used for special prize promotions.

5 SECTION 4. AMENDATORY 3A O.S. 2021, Section 733, is
6 amended to read as follows:

7 Section 733. To ensure the financial integrity of the lottery,
8 the Oklahoma Lottery Commission through its board of trustees shall:

9 1. Submit ~~quarterly and~~ an annual ~~reports~~ report to the
10 Governor, State Auditor and Inspector, Oklahoma State Bureau of
11 Investigation, and Attorney General, ~~and the oversight committee~~
12 ~~created by Section 734 of this title,~~ disclosing the total lottery
13 revenues, prize disbursements, operating expenses, and
14 administrative expenses of the Commission ~~during the reporting~~
15 ~~period~~. The annual report shall additionally describe the
16 organizational structure of the Commission and summarize the
17 functions performed by each organizational division within the
18 Commission;

19 2. Adopt a system of internal audits;

20 3. Maintain weekly or more frequent records of lottery
21 transactions, including the distribution of tickets or shares to
22 retailers, revenues received, claims for prizes, prizes paid,
23 prizes forfeited, and other financial transactions of the
24 Commission;

1 4. Contract with a certified public accountant or firm for an
2 annual financial audit of the Commission. The certified public
3 accountant or firm shall have no financial interest in any vendor
4 with whom the Commission is under contract. The certified public
5 accountant or firm shall present an audit report not later than
6 seven (7) months after the end of the fiscal year. The certified
7 public accountant or firm shall evaluate the internal auditing
8 controls in effect during the audit period. The cost of this annual
9 financial audit shall be an operating expense of the Commission.
10 The State Auditor and Inspector may at any time conduct an audit of
11 any phase of the operations of the Commission at the expense of the
12 Commission and shall receive a copy of the annual independent
13 financial audit. A copy of any audit performed by the certified
14 public accountant or firm or the State Auditor and Inspector shall
15 be transmitted to the Governor, the President Pro Tempore of the
16 Senate, and the Speaker of the House of Representatives, and the
17 State Auditor and Inspector, ~~and the cochairs of the oversight~~
18 ~~committee created in Section 734 of this title;~~

19 5. Submit to the Office of Management and Enterprise Services
20 and the State Auditor and Inspector by June 30 of each year a copy
21 of the annual operating budget for the Commission for the next
22 fiscal year. This annual operating budget shall be approved by the
23 board and be on such forms as prescribed by the Office of Management
24 and Enterprise Services; and

1 6. ~~For informational purposes only, submit~~ Submit to the Office
2 of Management and Enterprise Services ~~on September 1~~ by October 1 of
3 each year a proposed ~~operating budget for the Commission for the~~
4 ~~succeeding fiscal year. The budget proposal shall also be~~
5 ~~accompanied by an~~ estimate of the net proceeds to be deposited into
6 the Oklahoma Education Lottery Trust Fund during the succeeding
7 fiscal year. The ~~budget~~ estimate shall be on such forms as
8 prescribed by the Office of Management and Enterprise Services.

9 SECTION 5. REPEALER 3A O.S. 2021, Section 706, is hereby
10 repealed.

11 SECTION 6. REPEALER 3A O.S. 2021, Section 713, as
12 amended by Section 1, Chapter 359, O.S.L. 2022 (3A O.S. Supp. 2022,
13 Section 713), is hereby repealed.

14 SECTION 7. REPEALER 3A O.S. 2021, Section 734, is hereby
15 repealed.

16 SECTION 8. This act shall become effective November 1, 2023.

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18 59-1-5596 CMA 01/10/23