

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 HOUSE BILL NO. 1837

6 By: Osborn (Leslie)

7 COMMITTEE SUBSTITUTE

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

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

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

23 Section 713. A. All gross proceeds shall be the property of  
24 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

1 subsection shall be deemed not to create any lien, entitlement,  
2 cause of action, or other private right, and any rights of holders  
3 of tickets or shares shall be determined by the Commission in  
4 setting the terms of its lottery or lotteries.

5 B. For each fiscal year, the first Fifty Million Dollars  
6 (\$50,000,000.00) of net proceeds shall equal at least thirty-five  
7 percent (35%) of the gross proceeds. However, for the purpose of  
8 repaying indebtedness issued pursuant to Section 732 of this title,  
9 for the first two (2) full fiscal years and any partial first fiscal  
10 year of the Commission, net proceeds need only equal at least thirty  
11 percent (30%) of the gross proceeds be transferred to the Oklahoma  
12 Education Lottery Trust Fund.

13 C. All of the ~~net~~ proceeds remaining after the apportionment  
14 required by subsection B of this section shall be transferred to the  
15 Oklahoma Education Lottery Trust Fund as provided in subsection B  
16 Section 2 of this section act. The Oklahoma Lottery Commission  
17 shall submit a written report of its findings and any  
18 recommendations regarding the impact of having the net proceeds  
19 minimum requirement set at a fixed dollar amount. The report shall  
20 be submitted to the Governor, the Speaker of the Oklahoma House of  
21 Representatives and the President Pro Tempore of the Oklahoma State  
22 Senate not later than October 1, 2019, and annually thereafter.

23 ~~B.~~ D. There is hereby created in the State Treasury a fund to  
24 be designated the "Oklahoma Education Lottery Trust Fund". Except

1 as otherwise provided in subsections # C, J and ~~±~~ K of this section,  
2 on or before the fifteenth day of each calendar quarter, the  
3 Commission shall transfer to the State Treasurer, for credit to the  
4 Oklahoma Education Lottery Trust Fund, the amount of all net  
5 proceeds accruing during the preceding calendar quarter.  
6 Expenditures from the fund shall be made upon warrants issued by the  
7 State Treasurer against claims filed as prescribed by law with the  
8 Director of the Office of Management and Enterprise Services for  
9 approval and payment.

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

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

22 1. Forty-five percent (45%) for the following:  
23  
24

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

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

- 8 a. tuition grants, loans and scholarships to citizens of  
9 this state to enable such citizens to attend colleges  
10 and universities located within this state, regardless  
11 of whether such colleges and universities are owned or  
12 operated by the Oklahoma State Regents for Higher  
13 Education, or to attend institutions operated under  
14 the authority of the Oklahoma Department of Career and  
15 Technology Education; provided such tuition grants,  
16 loans and scholarships shall not be made to a citizen  
17 of this state to attend a college or university which  
18 is not accredited by the Oklahoma State Regents for  
19 Higher Education,  
20 b. construction of educational facilities for elementary  
21 school districts, independent school districts, the  
22 Oklahoma State System of Higher Education, and career  
23 and technology education,  
24

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

1 f. programs and personnel of the Oklahoma School for the  
2 Deaf and the Oklahoma School for the Blind;

3 3. Five percent (5%) to the School Consolidation and Assistance  
4 Fund. When the total amount in the School Consolidation and  
5 Assistance Fund from all sources equals Five Million Dollars  
6 (\$5,000,000.00), all monies appropriated pursuant to this paragraph  
7 which would otherwise be deposited in the School Consolidation and  
8 Assistance Fund in excess of Five Million Dollars (\$5,000,000.00)  
9 shall be allocated by the State Department of Education to public  
10 schools based on the audited end-of-year average daily membership in  
11 grades 8 through 12 during the preceding school year for the purpose  
12 of purchasing technology equipment in order to conduct on-line  
13 testing as required by the Achieving Classroom Excellence Act of  
14 2005. If at any time the total amount in the School Consolidation  
15 and Assistance Fund drops below Five Million Dollars  
16 (\$5,000,000.00), the monies appropriated pursuant to this paragraph  
17 shall be deposited in the School Consolidation and Assistance Fund  
18 until the Fund again reaches Five Million Dollars ~~(\$5,000,000)~~  
19 (\$5,000,000.00); and

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

22 In no instance shall the annual maximum percentage for  
23 administrative costs, not including marketing and advertising costs,  
24 funds set aside for prizes, commissions paid to retailers, contract

1 fees paid to gaming system vendors and instant ticket providers or  
2 emergency-related capital expenses, exceed three percent (3%) of  
3 sales.

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

11 ~~E.~~ H. In order to ensure that the funds from the trust fund are  
12 used to enhance and not supplant funding for education, the State  
13 Board of Equalization shall examine and investigate appropriations  
14 from the trust fund each year. At the meeting of the State Board of  
15 Equalization held within five (5) days after the monthly  
16 apportionment in February of each year, the State Board of  
17 Equalization shall issue a finding and report which shall state  
18 whether appropriations from the trust fund were used to enhance or  
19 supplant education funding. If the State Board of Equalization  
20 finds that education funding was supplanted by funds from the trust  
21 fund, the Board shall specify the amount by which education funding  
22 was supplanted. In this event, the Legislature shall not make any  
23 appropriations for the ensuing fiscal year until an appropriation in  
24 that amount is made to replenish the trust fund.

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

20       ~~G.~~ J. There is hereby created in the State Treasury a revolving  
21 fund to be designated the "Oklahoma Education Lottery Revolving  
22 Fund". The fund shall be a continuing fund, not subject to fiscal  
23 year limitations, and shall consist of all monies received by the  
24 Commission. The Commission shall make payments of net proceeds from



1 the fund to the Oklahoma Education Lottery Trust Fund on or before  
2 the fifteenth day of each calendar quarter as provided in subsection  
3 ~~B~~ D of this section. All monies accruing to the credit of the  
4 Oklahoma Education Lottery Revolving Fund are hereby appropriated  
5 and may be budgeted and expended for the payment of net proceeds,  
6 prizes, commissions to retailers, administrative expenses and all  
7 other expenses arising out of the operation of the education  
8 lottery, subject to the limitations provided in the Oklahoma  
9 Education Lottery Act. Expenditures from the fund shall be made  
10 upon warrants issued by the State Treasurer against claims filed as  
11 prescribed by law with the Director of the Office of Management and  
12 Enterprise Services for approval and payment.

13 The monies in the fund shall be invested by the State Treasurer  
14 in accordance with state investment practices. All earnings  
15 attributable to such investments shall likewise accrue to the credit  
16 of the fund.

17 ~~H.~~ K. When appropriations from the Oklahoma Education Lottery  
18 Trust Fund are made to common education pursuant to the provisions  
19 of paragraph 1 of subsection ~~C~~ F of this section, the appropriations  
20 shall be made available on a monthly basis. In addition to the  
21 provisions of ~~subsection B~~ subsections D and E of this section, the  
22 following process shall be used to ~~insure~~ ensure that the  
23 appropriations are made available to common education in a timely  
24 manner:

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

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

14           3. The total amount of transfers to the Oklahoma Education  
15 Lottery Trust Fund of net lottery proceeds made pursuant to this  
16 subsection shall not exceed the total appropriations made to common  
17 education from the Oklahoma Education Lottery Trust Fund for the  
18 specific fiscal year.

19           ~~F~~ L. When appropriations from the Oklahoma Education Lottery  
20 Trust Fund are made to The Oklahoma State System of Higher  
21 Education, the appropriations shall be made available to the System  
22 on a monthly basis. In addition to the provisions of ~~subsection B~~  
23 subsections D and E of this section, the following process shall be  
24

1 used to ensure that the appropriations are made available to The  
2 Oklahoma State System of Higher Education in a timely manner:

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

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

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

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

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

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

56-1-7031       JM       02/21/17