

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

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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.

24

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 ~~C~~ 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.

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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.

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