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SENATE BILL NO. 622

AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the Senate Committee on Education and Health
on February 13, 2000)

(Patron Prior to Substitute—Senator Edwards)

A BILL to amend and reenact § 58.1-4022 of the Code of Virginia and to amend the Code of Virginia by adding in Title 22.1 a chapter numbered 11.3, consisting of sections numbered 22.1-175.10 and 22.1-175.11, relating to the Virginia Lottery Proceeds Trust Fund.

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-4022 of the Code of Virginia is amended and reenacted and the Code of Virginia is amended by adding in Title 22.1 a chapter numbered 11.3, consisting of sections numbered 22.1-175.10 and 22.1-175.11, as follows:

CHAPTER 11.3.

VIRGINIA LOTTERY PROCEEDS TRUST FUND.

§ 22.1-175.10. Virginia Lottery Proceeds Trust Fund created; management and distribution of Fund, etc.

A. There is hereby created in the Department of the Treasury a special nonreverting fund known as the Virginia Lottery Proceeds Trust Fund, hereinafter referred to as the "Fund." The Fund shall be established on the books of the Comptroller, and any moneys remaining in such Fund at the end of the biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall remain in the Fund and be credited to it.

The Fund shall consist of the net revenues of any lottery conducted by the Commonwealth. Lottery proceeds shall be appropriated from the Fund to the Commonwealth's counties, cities, and towns, and the school divisions thereof, to be expended for the purposes of public education.

Any county, city, or town which accepts a distribution from the Fund shall provide its portion of the cost of maintaining an educational program meeting the Standards of Quality prescribed pursuant to Section 2 of Article VIII of the Constitution of Virginia, without the use of distributions from the Fund.

B. The State Treasurer shall manage the Fund and disburse the moneys in the Fund to each school division. The basis for distribution to each locality shall be in accordance with Item 138 C 7 d of Chapter 935 of the 1999 Acts of Assembly plus a per-pupil amount based on the locality's composite index of ability to pay.

C. Local governing bodies may establish a separate escrow account for the deposit of the moneys distributed from the Fund as provided in § 22.1-175.11.

§ 22.1-175.11. Virginia Lottery Proceeds Escrow Accounts.

A. Notwithstanding the provisions of § 22.1-100, the governing body of any locality may authorize the local treasurer or fiscal officer, by ordinance or resolution, to create a separate escrow account upon the books of the locality, as described in this section. Upon the adoption of such ordinance or resolution, the treasurer of the locality shall place the moneys distributed pursuant to this chapter into this account.

B. The escrow account shall be known as the "County/City/Town of _____ Virginia Lottery Proceeds Escrow Account." All principal deposited to such account, together with all income from or attributable to the account, shall be used solely for (i) construction, additions, renovations, including retrofitting and enlarging public school buildings, infrastructure, including technology infrastructure, and site acquisition for public school buildings and facilities or (ii) debt service payments, or a portion thereof, for any such projects, including projects completed in the previous ten years if so designated. No disbursement from the funds may be made except upon specific appropriation by the governing body in accordance with applicable law. If a locality establishes such an account and designates any portion of the funds deposited therein to pay debt service for (i) any general obligation of the locality held by the Virginia Public School Authority or (ii) any Literary Fund loan, the locality shall obtain an opinion of bond counsel that designation of funds to pay debt service on obligations described in clauses (i) and (ii) hereof does not adversely impact the tax-exempt status of such obligations.

C. All moneys deposited in the account, including all income from or attributable to such account, shall be deemed public funds of the locality and shall be subject to all limitations upon deposit and investment provided by general law, including, but not limited to, the Virginia Security for Public Deposits Act (§ 2.1-359 et seq.). Income, dividends, distributions, and grants accruing to the account shall be retained in such account and shall be expended only in accordance with the terms of this section.

D. Nothing in this section shall be deemed or construed to authorize a school board or school division to receive, hold or invest funds in its own name, nor to expend funds in the absence of a

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60 *specific appropriation by the governing body of the locality in accordance with applicable law.*

61 § 58.1-4022. State Lottery Fund.

62 A. All moneys received from the sale of lottery tickets or shares, less payment for prizes and
63 compensation of agents as authorized by regulation and any other revenues received under this chapter,
64 shall be placed in a special fund known as the "State Lottery Fund." Notwithstanding any other
65 provisions of law, interest earned from moneys in the State Lottery Fund shall accrue to the benefit of
66 such Fund.

67 B. The total costs for the operation and administration of the lottery shall be funded from the State
68 Lottery Fund and shall be in such amount as provided in the general appropriation act. Appropriations to
69 the Department during any fiscal year beginning on and after July 1, 1989, exclusive of agent
70 compensation, shall at no time exceed ten percent of the total annual estimated gross revenues to be
71 generated from lottery sales. However, should it be anticipated at any time by the Director that such
72 operational and administrative costs for a fiscal year will exceed the limitation provided herein, the
73 Director shall immediately report such information to the Board, the Governor and the Chairmen of
74 Senate Finance and House Appropriations Committees. From the moneys in the Fund, the Comptroller
75 shall establish a special reserve fund in such amount as shall be provided by regulation of the
76 Department for (i) operation of the lottery, (ii) use if the game's pay-out liabilities exceed its cash on
77 hand, or (iii) enhancement of the prize pool with income derived from lending securities held for
78 payment of prize installments, which lending of securities shall be conducted in accordance with lending
79 programs approved by the Department of the Treasury.

80 C. Any start-up sums appropriated from the general fund of the Commonwealth necessary to
81 commence operation of a state lottery shall be repaid within the first twelve months of initial lottery
82 sales.

83 D. Appropriation of lottery revenues shall be made only upon actual and audited collections as
84 transferred to the general fund and shall in no event be predicated upon an estimation of such revenues.
85 No later than ten days after receipt of the audit report required by § 58.1-4023, the Comptroller shall
86 transfer to the general fund, less the special reserve fund, the audited balances of the State Lottery Fund.

87 E. In addition to such other funds as may be appropriated, 100 percent of the lottery revenues
88 transferred to the general fund shall be appropriated entirely and solely for the purpose of public
89 education in the Commonwealth; ~~which purposes shall include, but not be limited to, those programs~~
90 ~~specified in § 22.1-199.1 and shall be apportioned in accordance with the appropriation act, as follows:~~
91 ~~on and after July 1, 2000, an amount equal to 100 percent of such lottery revenues shall be dedicated~~
92 ~~to the Virginia Lottery Proceeds Trust Fund established pursuant to Chapter 11.3 (§ 22.1-175.10 et seq.)~~
93 ~~of Title 22.1.~~

94 EF. As a function of the administration of this chapter, funds may be expended for the purposes of
95 reasonably informing the public concerning (i) the facts embraced in the subjects contained in
96 subdivisions 1 through 7 of subsection A of § 58.1-4007 and (ii) the fact that the net proceeds are paid
97 into the general fund of the Commonwealth; but no funds shall be expended for the primary purpose of
98 inducing persons to participate in the lottery.