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SENATE BILL NO. 1386

Offered January 14, 2011

A BILL to amend and reenact § 58.1-4022 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 40 of Title 58.1 a section numbered 58.1-4029, relating to the use of the Lottery Proceeds Fund.

Patrons—Colgan, Blevins, Deeds, Marsden, Puller and Quayle; Delegates: Abbott, Landes and Surovell

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-4022 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Chapter 40 of Title 58.1 a section numbered 58.1-4029 as follows:

§ 58.1-4022. State Lottery Fund.

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

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

C. The Comptroller shall transfer to the Lottery Proceeds Fund established pursuant to § 58.1-4022.1, less the special reserve fund, the audited balances of the State Lottery Fund at the close of each fiscal year. The transfer for each year shall be made in two parts: (i) on or before June 30, the Comptroller shall transfer balances of the State Lottery Fund for the fiscal year, based on an estimate determined by the State Lottery Department, and (ii) no later than ten days after receipt of the annual audit report required by § 58.1-4023, the Comptroller shall transfer to the Lottery Proceeds Fund the remaining audited balances of the State Lottery Fund for the fiscal year. If such annual audit discloses that the actual revenue is less than the estimate on which the transfer was based, the State Comptroller shall transfer the difference between the actual revenue and the estimate from the Lottery Proceeds Fund to the State Lottery Fund.

D. ~~In~~ Except as provided in § 58.1-4029, in addition to such other funds as may be appropriated, 100 percent of the lottery revenues transferred to the Lottery Proceeds Fund shall be appropriated entirely and solely for the purpose of public education in the Commonwealth ~~unless otherwise redirected pursuant to Article X, Section 7-A of the Constitution of Virginia~~. The additional appropriation of lottery revenues to local school divisions for public education purposes consistent with this provision shall be used for operating, capital outlay, or debt service expenses, as determined by the appropriation act. The additional appropriation of lottery revenues shall not be used by any local school division to reduce its total local expenditures for public education in accordance with the provisions of the general appropriation act.

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

§ 58.1-4029. Use of the Lottery Proceeds Fund.

Beginning with the Commonwealth's fiscal year starting on July 1, 2011, and for each fiscal year

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59 *thereafter, three percent of the moneys credited to the Lottery Proceeds Fund is hereby appropriated to*
60 *the Department of Veterans Services established under Chapter 20 (§ 2.2-2000 et seq.) of Title 2.2, to*
61 *be used by the Department in accordance with the provisions of such chapter. The Comptroller shall*
62 *make such deposits and transfers as are necessary to credit such moneys to the Department of Veterans*
63 *Services.*