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## SENATE BILL NO. 1386

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance)

(Patron Prior to Substitute—Senator Colgan)

Senate Amendments in [ ] — February 7, 2011

A BILL to amend and reenact §§ 58.1-4022 and 58.1-4022.1 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 58.1-4007.3, relating to the state lottery; instant ticket game to benefit veterans.

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-4022 and 58.1-4022.1 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 58.1-4007.3 as follows:

§ 58.1-4007.3. Instant ticket game to benefit veterans.

A. The Board shall operate an instant ticket lottery game to benefit veterans of the armed forces of the United States who reside in Virginia. The Board shall:

1. Determine the ticket price, payout amounts, and manner in which the game is conducted;
2. Make tickets to the game available for sale continuously to the extent practicable; and
3. Change the design or theme of the game regularly to ensure that the game remains competitive with other instant ticket lottery games offered by the Board.

B. The Board shall market and advertise the lottery game operated under this section in a manner intended to inform the public that the game tickets are available for purchase and that the game proceeds are used to fund veterans' programs in the Commonwealth. The game tickets must clearly state that the game proceeds are used to benefit veterans in the Commonwealth.

C. The Board shall establish and begin selling tickets to the lottery game no later than [ ~~September,~~ 2011 January 1, 2012 ].

§ 58.1-4022. State Lottery Fund.

A. 1. 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.

2. All moneys received from the sale of lottery tickets pursuant to § 58.1-4007.3, less payment for prizes and compensation of agents as authorized by regulation, shall be placed in a special subfund of the State Lottery Fund that shall be known as the Veterans' Lottery 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. The total cost for the operation and administration of the instant ticket lottery game pursuant to § 58.1-4007.3 shall be calculated separately. 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 but not including the moneys in the Veterans' Lottery 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, but not including the audited balance in the Veterans' Lottery Fund, at the close of each fiscal year. The Comptroller shall transfer to the Veterans' Lottery Proceeds Fund established pursuant to subdivision A 2 of § 58.1-4022.1 the audited balance in the Veterans' Lottery Fund. The transfer transfers 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 and the balance of the Veterans' Lottery Fund for the fiscal year, based on an estimate determined by the State Lottery Department, and (ii) no later than ten 10 days after receipt of the annual audit report required by § 58.1-4023, the Comptroller shall transfer to the Lottery Proceeds Fund or Veterans' Lottery Proceeds Fund, as applicable, the remaining audited balances of the State Lottery Fund and the Veterans' Lottery Fund for the fiscal year. If such annual audit discloses that the actual revenue is less

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60 than the estimate on which the ~~transfer was~~ *transfers were* based, the State Comptroller shall transfer the  
61 difference between the actual revenue and the estimate from the Lottery Proceeds Fund *or Veterans'*  
62 *Lottery Proceeds Fund* to the State Lottery Fund *or Veterans' Lottery Fund*, as applicable.

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

72 *All lottery revenues transferred to the Veterans' Lottery Proceeds Fund [ shall be appropriated are*  
73 *hereby appropriated to the Department of Veterans Services established under Chapter 20 (§ 2.2-2000 et*  
74 *seq.) of Title 2.2, to be used by the Department ] entirely and solely for the purpose of benefiting*  
75 *veterans of the armed forces who reside in the Commonwealth.*

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

81 § 58.1-4022.1. Lottery Proceeds Fund.

82 A. 1. There is hereby created in the state treasury a special nonreverting fund to be known as the  
83 Lottery Proceeds Fund, hereafter referred to as the "Fund." The Fund shall be established on the books  
84 of the Comptroller and interest earned on moneys in the Fund shall remain in the Fund and be credited  
85 to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall  
86 not revert to the general fund but shall remain in the Fund. The Fund shall consist of amounts deposited  
87 into it from the net revenues of any lottery conducted by the Commonwealth pursuant to Article X,  
88 Section 7-A of the Constitution of Virginia.

89 2. *There is hereby created in the state treasury a special nonreverting subfund of the Lottery*  
90 *Proceeds Fund, to be known as the Veterans' Lottery Proceeds Fund, hereafter referred to as the*  
91 *Veterans' Fund. The Veterans' Fund shall be established on the books of the Comptroller and interest*  
92 *earned on moneys in it shall remain in it and be credited to it. Any moneys remaining in the Veterans'*  
93 *Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but*  
94 *shall remain in the Veterans' Fund. The Veterans' Fund shall consist of amounts deposited into it from*  
95 *the net revenues of the instant ticket lottery game pursuant to § 58.1-4007.3.*

96 B. For purposes of any appropriation act enacted by the General Assembly and for the purposes of  
97 the Comptroller's preliminary and final annual reports required by § 2.2-813, all deposits to and  
98 appropriations from the Lottery Proceeds Fund *including the Veterans' Lottery Proceeds Fund* shall be  
99 accounted for and considered to be a part of the general fund of the state treasury.