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HOUSE BILL NO. 2540

Offered January 20, 1997

A BILL to amend and reenact §§ 58.1-4022 and 58.1-4023 of the Code of Virginia, relating to lottery revenues.

Patrons—Mims, Cox, Crouch, Hamilton, Marshall, McDonnell, O'Brien, Orrock, Ruff, Sherwood and Wilkins; Senators: Benedetti and Waddell

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-4022 and 58.1-4023 of the Code of Virginia are amended and reenacted 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. Any start-up sums appropriated from the general fund of the Commonwealth necessary to commence operation of a state lottery shall be repaid within the first twelve months of initial lottery sales.

D. Appropriation of lottery revenues shall be made only upon actual and audited collections as transferred to the general fund and shall in no event be predicated upon an estimation of such revenues. No later than ten days after receipt of the audit report required by § 58.1-4023, the Comptroller shall transfer to the general fund, less the special reserve fund, the audited balances of the State Lottery Fund. In addition to such other funds as may be appropriated, 100 percent of the lottery revenues transferred to the general fund shall be appropriated entirely and solely for the purpose of public education in the Commonwealth, which purposes shall include, but not be limited to, those programs specified in § 22.1-199.1; *provided, however, that a percentage of the lottery revenues transferred to the general fund shall be transferred to the localities for public education purposes. The percentage to be transferred to the localities shall be as follows: 20 percent in fiscal year 1999; 40 percent in fiscal year 2000; 60 percent in fiscal year 2001; 80 percent in fiscal year 2002; and 100 percent in fiscal year 2003 and thereafter. The amount of the lottery revenues that each locality will receive shall be in proportion to the share of lottery revenues generated by each locality as determined by the audit provided for in §58.1-4023. The localities shall use the lottery revenues for public education purposes that are (i) capital projects or (ii) the purchase or maintenance of computer hardware or software used for instructional purposes.*

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 general fund of the Commonwealth; but no funds shall be expended for the primary purpose of inducing persons to participate in the lottery.

§ 58.1-4023. Post-audit of accounts and transactions of Department; post-compliance audits.

A regular post-audit shall be conducted of all accounts and transactions of the Department. An annual audit of a fiscal and compliance nature of the accounts and transactions of the Department shall be conducted by the Auditor of Public Accounts on or before August 15 of each year. *The audit shall*

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60 *include a determination of the amount of revenue generated by each locality.* The cost of the annual
61 audit and post-audit examinations shall be borne by the Department. The Board may order such other
62 audits as it deems necessary and desirable.