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HOUSE BILL NO. 2513**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the House Committee on Appropriations)

(Patrons Prior to Substitute—Delegates Bloxom and Jackson [HB 2606])

House Amendments in [] — February 9, 1999

A BILL to amend and reenact §§ 22.1-175.2, 22.1-175.3 and 58.1-4022 of the Code of Virginia; to repeal § 22.1-175.4 of the Code of Virginia; and to repeal the second enactment of Chapter 2 of the 1998 Acts of Assembly (Special Session I), relating to school construction.

Be it enacted by the General Assembly of Virginia:

1. That §§ 22.1-175.2, 22.1-175.3 and 58.1-4022 of the Code of Virginia are amended and reenacted as follows:

§ 22.1-175.2. Virginia Public School Construction Grants Fund created.

A. From such funds as may be appropriated for this purpose and from such gifts, donations, grants, bequests, and other funds as may be received on its behalf, there is hereby created in the Department of the Treasury a special nonreverting fund known as the Virginia Public School Construction Grants 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. Funds may be disbursed to any school division that is eligible for financial assistance pursuant to the provisions of this chapter.

B. The State Treasurer shall manage the Virginia Public School Construction Grants Fund, subject to the authority of the Board of Education to provide for its disbursement. The Fund shall be disbursed to award grants as provided in § 22.1-175.4 58.1-4022. The amount of each grant awarded to a qualifying school division in any fiscal year shall not exceed 100 percent of the school division's aggregate annual expenditures for school construction, additions, infrastructure, site acquisition for public school buildings and facilities, renovations, including the costs of retrofitting or enlarging public school buildings, technology, and other expenditures related to modernizing classroom equipment, and debt service payments on such school projects which have been completed during the last ten years.

C. The amount of such public school construction grants shall be matched by funds of the qualifying school division based on the locality's composite index of ability to pay. In awarding such grants, the Board shall take into consideration any Literary Fund loan which may have been applied for or awarded for the same projects.

§ 22.1-175.3. Board to issue guidelines.

The Board shall issue guidelines for the administration of the Program as it may deem necessary and appropriate. The guidelines shall include, but shall not be limited to, provisions which address approval by the local governing body of the construction, addition, or site acquisition for which grant moneys are sought, the application for a grant from the Fund, and ~~implementation of the procedure for disbursing grants to school divisions as provided in § 22.1-175.4.~~

§ 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.

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60 D. Appropriation of lottery revenues shall be made only upon actual and audited collections as
61 transferred to the general fund and shall in no event be predicated upon an estimation of such revenues.
62 No later than ten days after receipt of the audit report required by § 58.1-4023, The Comptroller shall
63 transfer to the general fund, less the any special reserve fund, the audited balances of the State Lottery
64 Fund, as provided for in the general appropriations act. [In addition to such other funds as may be
65 appropriated, 100 percent of the lottery revenues transferred to the general fund beginning July 1, 1999,
66 shall be appropriated entirely and solely for the purpose of capital improvements supporting public
67 education in the Commonwealth, which purposes shall include, but not be limited to, those programs
68 specified in § 22.1-199.1 as provided for in the general appropriations act. Not less than fifty percent of
69 the lottery revenues in each biennium shall be appropriated to those programs specified in § 22.1-175.1
70 One hundred percent of the state lottery revenues shall be transferred annually to the Virginia Public
71 School Construction Grants Fund to be used in accordance with the purposes set forth in § 22.1-175.2
72 B.]

73 1. [Lottery revenues shall be distributed to the local school divisions on a pro rata basis according
74 to each school division's average daily membership and the locality's composite index of ability to pay
75 as set forth in the general appropriations act. The lottery proceeds shall be apportioned and distributed
76 annually based on each division's average daily membership multiplied by one minus the locality's
77 composite index of ability to pay; provided, however, no school division shall receive less than its
78 proportionate share of lottery proceeds received in fiscal year 2000.]

79 2. In order for a local school division to receive the amounts provided for in subdivision D 1 of this
80 section, the locality in which the local school district is located shall not use the additional funds
81 received as a result of the lottery distributions to [support supplant] local funds appropriated for
82 education. These lottery funds shall be used solely for educational purposes and shall not be used to
83 reduce total local operating expenditures for public education from the prior fiscal year [- However, ;
84 provided, however, that while a school division's per-pupil expenditure may be less or equal to that in
85 the prior fiscal year,] no school division shall be required to maintain a per pupil expenditure for
86 operations that exceeds the per pupil expenditure in the prior fiscal year.

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

92 2. That [§ 2.1-175.4 § 22.1-175.4] of the Code of Virginia is repealed.

93 3. That the second enactment of Chapter 2 of the Acts of Assembly of 1998 (Special Session I) is
94 repealed.