

1 AN ACT relating to lottery proceeds.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 154A.130 is amended to read as follows:

4 (1) All money received by the corporation from the sale of lottery tickets and all other  
5 sources shall be deposited into a corporate operating account. The corporation is  
6 authorized to use all money in the corporate operating account for the purposes of  
7 paying prizes and the necessary expenses of the corporation and dividends to the  
8 state. The corporation shall allocate the amount to be paid by the corporation to  
9 prize winners. The amount in the corporate operating account which the corporation  
10 anticipates will be available for the payment of prizes on an annuity basis may be  
11 invested in direct United States Treasury obligations. These instruments may be in  
12 varying maturities with respect to payment of annuities and may be in book-entry  
13 form. Monthly, no later than the last business day of the succeeding month, the  
14 corporation shall transfer to a lottery trust fund the amount of net revenues which  
15 the corporation determines are surplus to its needs. These funds shall be held in  
16 trust until 1990 at which time the General Assembly shall determine the manner in  
17 which the funds will be allocated and appropriated. The net revenues shall be  
18 determined by deducting from gross revenues the payment costs incurred in the  
19 operation and administration of the lottery, including the expenses of the  
20 corporation and the costs resulting from any contract or contracts entered into for  
21 promotional, advertising, or operational services or for the purchase or lease of  
22 lottery equipment and materials, fixed capital outlays, and the payment of prizes to  
23 the holders of winning tickets. After the start-up costs are paid, it is the intent of the  
24 Legislature that it shall be the goal of the corporation to transfer each year thirty-  
25 five percent (35%) of gross revenues to the general fund for the purposes stated  
26 above.

27 (2) A Kentucky lottery trust account is established in the State Treasury. Net lottery

1 revenues shall be credited to this restricted account as provided in subsection (1) of  
 2 this section. Moneys credited to the Kentucky lottery trust account shall be invested  
 3 by the state in accordance with state investment practices and all earnings from the  
 4 investments shall accrue to this account. No moneys shall be allotted or expended  
 5 from this account unless pursuant to an appropriation by the General Assembly,  
 6 except that moneys as are needed shall be transferred to the general fund pursuant  
 7 to the provisions of the Acts of the Extraordinary Session of the 1988 General  
 8 Assembly. Moneys in the Kentucky lottery trust account shall not lapse at the close  
 9 of the state fiscal year.

10 (3) Each fiscal year, one million eight hundred thousand~~[three million]~~ dollars  
 11 (\$1,800,000)~~(\$3,000,000)]~~ from net lottery revenues from the sale of lottery tickets  
 12 shall be credited from the general fund ~~[as follows:~~

13 ~~(a) To the Collaborative Center for Literacy Development, one million two~~  
 14 ~~hundred thousand dollars (\$1,200,000); and~~

15 ~~(b) ]to the reading diagnostic and intervention fund[, one million eight hundred~~  
 16 ~~thousand dollars (\$1,800,000)].~~

17 (4) After the allocation~~[ of three million dollars (\$3,000,000) to literacy development,]~~  
 18 as provided in subsection (3) of this section, net lottery revenues from the sale of  
 19 lottery tickets shall be credited from the general fund as follows:

20 (a) To the Wallace G. Wilkinson Kentucky educational excellence scholarship  
 21 trust fund established in KRS 164.7877:

- 22 1. Forty percent (40%) in fiscal year 2003-2004; and
- 23 2. Forty-five percent (45%) in fiscal year 2004-2005 and each fiscal year  
 24 thereafter; and

25 (b) To the College Access Program and the Kentucky Tuition Grants Program  
 26 established in KRS Chapter 164:

- 27 1. Forty percent (40%) in fiscal year 2003-2004;

- 1           2.   Forty-five percent (45%) in fiscal year 2004-2005; and
- 2           3.   Fifty-five percent (55%) of net lottery revenues in fiscal year 2005-2006
- 3                 and each fiscal year thereafter.

4 (5) The Auditor of Public Accounts shall be responsible for a financial postaudit of the  
5 books and records of the corporation. The postaudit shall be conducted in  
6 accordance with generally accepted accounting principles, shall be paid for by the  
7 corporation, and shall be completed within ninety (90) days of the close of the  
8 corporation's fiscal year. The Auditor of Public Accounts shall contract with an  
9 independent, certified public accountant who meets the qualifications existing to do  
10 business within the Commonwealth of Kentucky to perform the corporation  
11 postaudit. The Auditor of Public Accounts shall remain responsible for the annual  
12 postaudit and the corporation shall pay all audit costs. The Auditor of Public  
13 Accounts may at any time conduct additional audits, including performance audits,  
14 of the corporation as he or she deems necessary or desirable. Contracts shall be  
15 entered into for audit services for a period not to exceed five (5) years and the same  
16 firm shall not receive two (2) consecutive audit contracts. All audits shall be filed  
17 with the Governor, the President of the Senate, and the Speaker of the House of  
18 Representatives. The corporation shall reimburse the Auditor of Public Accounts  
19 for the reasonable costs of any audits performed by him or her. The corporation  
20 shall cooperate with the Auditor of Public Accounts by giving employees  
21 designated by any of them access to facilities of the corporation for the purpose of  
22 efficient compliance with their respective responsibilities. With respect to any  
23 reimbursement that the corporation is required to pay to any agency, the corporation  
24 shall enter into an agreement with that agency under which the corporation shall  
25 pay to the agency an amount reasonably anticipated to cover the reimbursable  
26 expenses in advance of the expenses being incurred.

27 (6) By no later than December 31 of each year, in an advertisement at least one-fourth

1 (1/4) of a page in size, the Kentucky Lottery Corporation shall publish the  
2 following information in every general-circulation daily newspaper published in  
3 Kentucky:

4 (a) The statements of revenue, expenses, and changes in retained earnings as  
5 shown in the most recent annual audit report. It shall be explained that the  
6 transfer of dividends is the amount of lottery earnings transferred to the  
7 general fund;

8 (b) A statement identifying the auditing firm;

9 (c) A telephone number which citizens may call to obtain a complete copy of the  
10 annual audit report; and

11 (d) The name of the president/chief executive officer of the Kentucky Lottery  
12 Corporation and a complete list of board members.

13 The Kentucky Lottery Corporation shall pay for the cost of the advertisement.