

1 AN ACT relating to public funds.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 11 IS CREATED TO  
4 READ AS FOLLOWS:

5 ***Beginning July 1, 2021, public funds shall not be used in the advertising, promotion,***  
6 ***or marketing of initiatives that service a Kentucky audience.***

7 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 48 IS CREATED TO  
8 READ AS FOLLOWS:

9 ***Beginning July 1, 2021, public funds shall not be used for the promotion of specific***  
10 ***initiatives in the form of television advertisements, radio advertisements, and billboards***  
11 ***servicing Kentucky audiences and as specifically stated in Section 1 and Section 3 of***  
12 ***this Act.***

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

14 (1) All money received by the corporation from the sale of lottery tickets and all other  
15 sources shall be deposited into a corporate operating account. The corporation is  
16 authorized to use all money in the corporate operating account for the purposes of  
17 paying prizes and the necessary expenses of the corporation and dividends to the  
18 state. The corporation shall allocate the amount to be paid by the corporation to  
19 prize winners. The amount in the corporate operating account which the corporation  
20 anticipates will be available for the payment of prizes on an annuity basis may be  
21 invested in direct United States Treasury obligations. These instruments may be in  
22 varying maturities with respect to payment of annuities and may be in book-entry  
23 form. Monthly, no later than the last business day of the succeeding month, the  
24 corporation shall transfer to a lottery trust fund the amount of net revenues which  
25 the corporation determines are surplus to its needs. These funds shall be held in  
26 trust until 1990 at which time the General Assembly shall determine the manner in  
27 which the funds will be allocated and appropriated. The net revenues shall be

1 determined by deducting from gross revenues the payment costs incurred in the  
2 operation and administration of the lottery, including the expenses of the  
3 corporation and the costs resulting from any contract or contracts entered into for  
4 promotional, advertising, or operational services or for the purchase or lease of  
5 lottery equipment and materials, fixed capital outlays, and the payment of prizes to  
6 the holders of winning tickets. After the start-up costs are paid, it is the intent of the  
7 Legislature that it shall be the goal of the corporation to transfer each year thirty-  
8 five percent (35%) of gross revenues to the general fund for the purposes stated  
9 above.

10 (2) A Kentucky lottery trust account is established in the State Treasury. Net lottery  
11 revenues shall be credited to this restricted account as provided in subsection (1) of  
12 this section. Moneys credited to the Kentucky lottery trust account shall be invested  
13 by the state in accordance with state investment practices and all earnings from the  
14 investments shall accrue to this account. No moneys shall be allotted or expended  
15 from this account unless pursuant to an appropriation by the General Assembly,  
16 except that moneys as are needed shall be transferred to the general fund pursuant to  
17 the provisions of the Acts of the Extraordinary Session of the 1988 General  
18 Assembly. Moneys in the Kentucky lottery trust account shall not lapse at the close  
19 of the state fiscal year.

20 (3) Each fiscal year, three million dollars (\$3,000,000) from net lottery revenues from  
21 the sale of lottery tickets shall be credited from the general fund as follows:

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

24 (b) To the reading diagnostic and intervention fund, one million eight hundred  
25 thousand dollars (\$1,800,000).

26 (4) After the allocation of three million dollars (\$3,000,000) to literacy development, as  
27 provided in subsection (3) of this section, net lottery revenues from the sale of

1 lottery tickets shall be credited from the general fund as follows:

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

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

5 2. Forty-five percent (45%) in fiscal year 2004-2005 and each fiscal year  
6 thereafter; and

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

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

10 2. Forty-five percent (45%) in fiscal year 2004-2005; and

11 3. Fifty-five percent (55%) of net lottery revenues in fiscal year 2005-2006  
12 and each fiscal year thereafter.

13 (5) The Auditor of Public Accounts shall be responsible for a financial postaudit of the  
14 books and records of the corporation. The postaudit shall be conducted in  
15 accordance with generally accepted accounting principles, shall be paid for by the  
16 corporation, and shall be completed within ninety (90) days of the close of the  
17 corporation's fiscal year. The Auditor of Public Accounts shall contract with an  
18 independent, certified public accountant who meets the qualifications existing to do  
19 business within the Commonwealth of Kentucky to perform the corporation  
20 postaudit. The Auditor of Public Accounts shall remain responsible for the annual  
21 postaudit and the corporation shall pay all audit costs. The Auditor of Public  
22 Accounts may at any time conduct additional audits, including performance audits,  
23 of the corporation as he deems necessary or desirable. Contracts shall be entered  
24 into for audit services for a period not to exceed five (5) years and the same firm  
25 shall not receive two (2) consecutive audit contracts. All audits shall be filed with  
26 the Governor, the President of the Senate, and the Speaker of the House of  
27 Representatives. The corporation shall reimburse the Auditor of Public Accounts

1 for the reasonable costs of any audits performed by him. The corporation shall  
2 cooperate with the Auditor of Public Accounts by giving employees designated by  
3 any of them access to facilities of the corporation for the purpose of efficient  
4 compliance with their respective responsibilities. With respect to any  
5 reimbursement that the corporation is required to pay to any agency, the corporation  
6 shall enter into an agreement with that agency under which the corporation shall pay  
7 to the agency an amount reasonably anticipated to cover the reimbursable expenses  
8 in advance of the expenses being incurred.

9 (6) By no later than December 31 of each year, in an advertisement at least one-fourth  
10 (1/4) of a page in size, the Kentucky Lottery Corporation shall publish the following  
11 information in every general-circulation daily newspaper published in Kentucky:

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

16 (b) A statement identifying the auditing firm;

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

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

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

22 **(7) Beginning July 1, 2021, money received by the corporation from public funds**  
23 **shall not be used in the promotional or advertising purposes in the form of**  
24 **television advertisements by the Kentucky Lottery Corporation.**