

154A.130 Deposit of moneys -- Expenditures and investments authorized -- Allocation of funds -- Transfer of revenues to general fund -- Lottery trust account -- Credit from general fund to literacy fund and higher education scholarships -- Postaudit of corporation's books and records -- Functions of Auditor of Public Accounts -- Annual newspaper publication of information.

- (1) All money received by the corporation from the sale of lottery tickets and all other sources shall be deposited into a corporate operating account. The corporation is authorized to use all money in the corporate operating account for the purposes of paying prizes and the necessary expenses of the corporation and dividends to the state. The corporation shall allocate the amount to be paid by the corporation to prize winners. The amount in the corporate operating account which the corporation anticipates will be available for the payment of prizes on an annuity basis may be invested in direct United States Treasury obligations. These instruments may be in varying maturities with respect to payment of annuities and may be in book-entry form. Monthly, no later than the last business day of the succeeding month, the corporation shall transfer to a lottery trust fund the amount of net revenues which the corporation determines are surplus to its needs. These funds shall be held in trust until 1990 at which time the General Assembly shall determine the manner in which the funds will be allocated and appropriated. The net revenues shall be determined by deducting from gross revenues the payment costs incurred in the operation and administration of the lottery, including the expenses of the corporation and the costs resulting from any contract or contracts entered into for promotional, advertising, or operational services or for the purchase or lease of lottery equipment and materials, fixed capital outlays, and the payment of prizes to the holders of winning tickets. After the start-up costs are paid, it is the intent of the Legislature that it shall be the goal of the corporation to transfer each year thirty-five percent (35%) of gross revenues to the general fund for the purposes stated above.
- (2) A Kentucky lottery trust account is established in the State Treasury. Net lottery revenues shall be credited to this restricted account as provided in subsection (1) of this section. Moneys credited to the Kentucky lottery trust account shall be invested by the state in accordance with state investment practices and all earnings from the investments shall accrue to this account. No moneys shall be allotted or expended from this account unless pursuant to an appropriation by the General Assembly, except that moneys as are needed shall be transferred to the general fund pursuant to the provisions of the Acts of the Extraordinary Session of the 1988 General Assembly. Moneys in the Kentucky lottery trust account shall not lapse at the close of the state fiscal year.
- (3) Each fiscal year, three million dollars (\$3,000,000) from net lottery revenues from the sale of lottery tickets shall be credited from the general fund as follows:
 - (a) To the Collaborative Center for Literacy Development, one million two hundred thousand dollars (\$1,200,000); and
 - (b) To the reading diagnostic and intervention fund, one million eight hundred thousand dollars (\$1,800,000).

- (4) After the allocation of three million dollars (\$3,000,000) to literacy development, as provided in subsection (3) of this section, net lottery revenues from the sale of lottery tickets shall be credited from the general fund as follows:
 - (a) To the Wallace G. Wilkinson Kentucky educational excellence scholarship trust fund established in KRS 164.7877:
 - 1. Forty percent (40%) in fiscal year 2003-2004; and
 - 2. Forty-five percent (45%) in fiscal year 2004-2005 and each fiscal year thereafter; and
 - (b) To the College Access Program and the Kentucky Tuition Grants Program established in KRS Chapter 164:
 - 1. Forty percent (40%) in fiscal year 2003-2004;
 - 2. Forty-five percent (45%) in fiscal year 2004-2005; and
 - 3. Fifty-five percent (55%) of net lottery revenues in fiscal year 2005-2006 and each fiscal year thereafter.
- (5) The Auditor of Public Accounts shall be responsible for a financial postaudit of the books and records of the corporation. The postaudit shall be conducted in accordance with generally accepted accounting principles, shall be paid for by the corporation, and shall be completed within ninety (90) days of the close of the corporation's fiscal year. The Auditor of Public Accounts shall contract with an independent, certified public accountant who meets the qualifications existing to do business within the Commonwealth of Kentucky to perform the corporation postaudit. The Auditor of Public Accounts shall remain responsible for the annual postaudit and the corporation shall pay all audit costs. The Auditor of Public Accounts may at any time conduct additional audits, including performance audits, of the corporation as he deems necessary or desirable. Contracts shall be entered into for audit services for a period not to exceed five (5) years and the same firm shall not receive two (2) consecutive audit contracts. All audits shall be filed with the Governor, the President of the Senate, and the Speaker of the House of Representatives. The corporation shall reimburse the Auditor of Public Accounts for the reasonable costs of any audits performed by him. The corporation shall cooperate with the Auditor of Public Accounts by giving employees designated by any of them access to facilities of the corporation for the purpose of efficient compliance with their respective responsibilities. With respect to any reimbursement that the corporation is required to pay to any agency, the corporation shall enter into an agreement with that agency under which the corporation shall pay to the agency an amount reasonably anticipated to cover the reimbursable expenses in advance of the expenses being incurred.
- (6) By no later than December 31 of each year, in an advertisement at least one-fourth (1/4) of a page in size, the Kentucky Lottery Corporation shall publish the following information in every general-circulation daily newspaper published in Kentucky:
 - (a) The statements of revenue, expenses, and changes in retained earnings as shown in the most recent annual audit report. It shall be explained that the

transfer of dividends is the amount of lottery earnings transferred to the general fund;

- (b) A statement identifying the auditing firm;
- (c) A telephone number which citizens may call to obtain a complete copy of the annual audit report; and
- (d) The name of the president/chief executive officer of the Kentucky Lottery Corporation and a complete list of board members.

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

Effective: March 18, 2005

History: Amended 2005 Ky. Acts ch. 127, sec. 6, effective March 18, 2005. -- Amended 2000 Ky. Acts ch. 13, sec. 6, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 185, sec. 1, effective July 15, 1998; and ch. 575, sec. 7, effective July 15, 1998. -- Amended 1994 Ky. Acts ch. 170, sec. 8, effective July 15, 1994; and ch. 486, sec. 27, effective July 15, 1994. -- Created 1988 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 20, effective December 15, 1988.

Legislative Research Commission Note (3/18/2005). 2005 Ky. Acts ch. 127, which included an amendment to this section, KRS 154A.130, provides that the Act shall be cited as the "Read to Achieve Act of 2005."

Legislative Research Commission Note (1988). Although the compulsive gambling study fund was deleted by Senate floor amendment 28, inadvertently the reference to such fund in subsection (1) of this section was not deleted. The Reviser of Statutes, pursuant to KRS 7.136, has removed the language pertaining to this fund to conform.