

SOUTH DAKOTA LOTTERY OPERATING FUND



South Dakota Legislative Research Council

Frequently Asked Questions

The purpose of this FAQ sheet is to provide information to the Joint Committee on Appropriations regarding *Informational Budgets* in the South Dakota budgetary system. The information was compiled by the Legislative Research Council with assistance from the Department of Legislative Audit and the Government Operations and Audit Committee.

When and why was this fund created?

In November 1986, South Dakotans approved a statewide referendum to amend the state constitution to allow for a state-operated lottery. The Lottery Operating Fund was created by the 1987 Legislature through SB 254 which created the South Dakota State Lottery. (1987 SB 254; SDCL 42-7A-22) On September 30, 1987, twenty years ago, the first instant lottery ticket was sold.

Two lottery games are included in this fund: "Instant Lottery" is defined as a game that offers preprinted tickets that indicate immediately whether the player has won a prize (scratch tickets). "On-line lottery" is a game linked to a central computer and a player selects a specified group of numbers or symbols and tries to match them to the central computer drawing (Powerball).

Where does the revenue come from?

SCL 42-7A-23 states that no less than 50% of the projected revenue from the sale of lottery tickets shall be used for the payment of prizes. The remaining portion is used for expenses of the lottery and also provides funding for the general fund and the Capital Construction Fund. In FY2007, total sales were \$39,700,000, of which \$21,189,000, just over 53%, were paid out in prizes. The fund had an ending balance of \$3,845,000 on June 30, 2007, which was almost \$1,000,000 higher than one year previous.

Has the original purpose of the fund changed?

The original purpose was to accept all net proceeds from the sale of lottery tickets, the initial start-up funding (\$1,500,000), interest received on moneys in the lottery operating fund, and all other fees and moneys collected. Since the fund's inception, the Legislature added on-line lottery game revenue as a revenue source.

What spending restrictions exist on the fund?

The fund is continuously appropriated and the commission must submit an informational budget through the Department of Revenue and Regulation. The fund is disbursed according to SDCL 42-7A-22, 42-7A-23, and 42-7A-24. The distribution for FY2007 revenue was as follows:

40,132,177	FY2007 Total Revenue
\$21,188,688	Prize payments (SDCL 42-7A-22(1))
8,806,006	Expenses of the lottery (SDCL 42-7A-22(2))
5,819,476	Transfer to the General Fund (SDCL 42-7A-22(3) and SDCL 42-7A-24)
<u>4,297,285</u>	Transfer to the Capital Construction Fund (SDCL 42-7A-24)
\$40,111,455	Total Distribution from the Lottery Operating Fund
\$20,722	Net Increase

Is the fund on the state accounting system? What is the timing of the Fiscal Year?

The fund is on the state accounting system and uses the same fiscal year as state government, which is from July 1 to June 30. The informational budget is included in the Department of Revenue and Regulation's section of the budget.

When was the last audit or review completed on this fund?

The Appropriations Committee has an annual budget hearing for the Department of Revenue and Regulation including the Lottery Operating Fund. The informational budget is included in the Governor's budget request and the General Appropriations Bill which is acted on by the Legislative Body.

2007 Government Operations and Audit Committee "Blue Book"

Prepared by the Department of Legislative Audit

Other Fund Information

Department of Revenue and Regulation

State Accounting System - Other Fund Balances

Company 6516 - Lottery Operating Fund

	FY2004	FY2005	FY2006	FY2007
1 Cash Pooled with State Treasurer	3,719,176.20	2,959,837.02	3,430,590.68	3,671,357.16
2 Cash and Cash Equivalents	8,217.76	13,194.20	14,933.36	19,558.13
3 Restricted Receivables	-	-	-	976,243.25
4 Accounts Receivable	22,642.52	15,669.18	18,216.85	16,256.98
5 Total Assets	<u>3,750,036.48</u>	<u>2,988,700.40</u>	<u>3,463,740.89</u>	<u>4,683,415.52</u>
6				
7 Accounts Payable	311,198.21	318,451.92	615,053.39	836,932.64
8 Due to Other Funds	1,600.00	1,452.17	476.90	1,418.00
9 Due to Other Governments	-	-	(2,500.00)	-
10 Total Liabilities	<u>312,798.21</u>	<u>319,904.09</u>	<u>613,030.29</u>	<u>838,350.64</u>
11				
12 Reserve for Encumbrances	-	6,337.50	21,248.57	9,952.56
13 Unreserved Fund Balance	3,437,238.27	2,662,458.81	2,829,462.03	3,835,112.32
14 Total Fund Equity	<u>3,437,238.27</u>	<u>2,668,796.31</u>	<u>2,850,710.60</u>	<u>3,845,064.88</u>
15 Total Liabilities and Fund Equity	<u>3,750,036.48</u>	<u>2,988,700.40</u>	<u>3,463,740.89</u>	<u>4,683,415.52</u>
16				
17				
18 Licenses, Permits and Fees	69,850.00	70,650.00	89,300.00	80,750.00
19 Use of Money and Property	252,184.88	206,476.78	187,347.30	222,938.63
20 Sales and Services	33,925,501.65	32,391,752.02	39,212,971.63	39,700,293.09
21 Other Revenue	275.00	12,815.63	43,866.90	128,195.04
22 Total Operating Revenue	<u>34,247,811.53</u>	<u>32,681,694.43</u>	<u>39,533,485.83</u>	<u>40,132,176.76</u>
23				
24 Personal Services and Benefits	885,920.74	905,379.28	908,749.39	959,736.53
25 Travel	110,634.80	118,701.08	122,136.49	122,681.25
26 Contractual Services	6,363,445.72	5,909,569.91	6,778,482.44	7,064,435.94
27 Supplies and Materials	558,419.27	802,133.52	920,199.75	569,205.98
28 Capital Outlay	19,323.69	281,284.41	174,874.61	39,048.32
29 Other Expense	50,147.00	43,599.79	46,017.03	50,623.00
30 Bad Debts Expense	-	8,014.32	-	-
31 Insurance Claims	-	-	-	275.01
32 Lottery Prizes	18,100,249.62	17,840,245.08	21,423,893.83	21,188,687.75
33 Total Operating Expenditures/Expenses	<u>26,088,140.84</u>	<u>25,908,927.39</u>	<u>30,374,353.54</u>	<u>29,994,693.78</u>
34				
35 Operating Transfers In	-	-	-	-
36 Operating Transfers Out	(7,577,796.00)	(7,541,209.00)	(8,977,218.00)	(10,116,761.00)
37 Net Transfers In (Out)	<u>(7,577,796.00)</u>	<u>(7,541,209.00)</u>	<u>(8,977,218.00)</u>	<u>(10,116,761.00)</u>
38				
39 Net Change	581,874.69	(768,441.96)	181,914.29	20,721.98
40				
41 Beginning Fund Equity	2,855,363.58	3,437,238.27	2,668,796.31	2,850,710.60
42 Prior Period Adjustment	-	-	-	973,632.30
43 Ending Equity	<u>3,437,238.27</u>	<u>2,668,796.31</u>	<u>2,850,710.60</u>	<u>3,845,064.88</u>

Company: 6516

Company Name: State Lottery Operating Fund

Fund Name: Lottery Operating Fund

Fund Type: Enterprise

Purpose: SDCL 42-7A-22 created the Lottery Operating Fund. Source: All revenues from the sale of lottery tickets, interest received on moneys in the lottery operating fund, and all other fees and moneys collected. Use: Moneys are continuously appropriated for payment of prizes, expenses of the lottery, and transfers of net proceeds to the state general fund.

Budget Information: Included in the General Appropriations Bill as an informational budget.

Condition Statement Prepared by the Bureau of Finance and Management 10/15/2007

**DEPARTMENT OF REVENUE AND REGULATION
INSTANT/ON-LINE LOTTERY FUND CONDITION STATEMENT**

	ACTUAL FY2006	ACTUAL FY2007	ESTIMATED FY2008
TOTAL REVENUE	<u>\$ 39,533,486</u>	<u>\$ 40,132,177</u>	<u>\$ 41,242,700</u>
TOTAL EXPENDITURES	<u>\$ 39,351,572</u>	<u>\$ 40,111,455</u>	<u>\$ 41,082,000</u>
NET (Revenues Less Expenditures)	<u>\$ 181,914</u>	<u>\$ 20,722</u>	<u>\$ 160,700</u>
BEGINNING CASH BALANCE	<u>\$ 2,973,031</u>	<u>\$ 3,445,524</u>	<u>\$ 3,683,571</u>
ENDING CASH BALANCE	<u><u>\$ 3,154,945</u></u>	<u><u>\$ 3,466,246</u></u>	<u><u>\$ 3,844,271</u></u>
Adjustment	<u>\$ 290,579</u>	<u>\$ 217,325</u>	<u>\$ -</u>
ENDING CASH BALANCE	<u><u>\$ 3,445,524</u></u>	<u><u>\$ 3,683,571</u></u>	<u><u>\$ 3,844,271</u></u>