

State of South Dakota

EIGHTY-NINTH SESSION
LEGISLATIVE ASSEMBLY, 2014

627V0055

HOUSE BILL NO. 1227

Introduced by: Representatives Hickey, Ecklund, Haggar (Jenna), Heinemann (Leslie), Latterell, Munsterman, and Wick and Senators Otten (Ernie), Omdahl, and Van Gerpen

1 FOR AN ACT ENTITLED, An Act to reduce state government reliance on video lottery
2 proceeds, to revise the distribution of video lottery proceeds, and to dedicate certain deposits
3 and income from the education enhancement trust fund.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 Section 1. That § 42-7A-63 be amended to read as follows:

6 42-7A-63. The commission shall maximize revenues to the state from video lottery. The
7 state's percentage of net machine income shall be fifty percent. The state's percentage of net
8 machine income shall be directly deposited to the property tax reduction fund and education
9 enhancement trust fund created by S.D. Const., Art. XII, § 6, except for one-half of one percent
10 of net machine income authorized for deposit into the video lottery operating fund. ~~The effective~~
11 ~~date of this section is July 1, 1996.~~

12 The revenue collected pursuant to this section shall be distributed in the following manner:

13 (1) During fiscal year 2015, eighty-nine and one-half percent shall be deposited in the
14 property tax reduction fund. During fiscal year 2016, seventy-nine and one-half



1 percent shall be deposited in the property tax reduction fund. During fiscal year 2017,
2 sixty-nine and one-half percent shall be deposited in the property tax reduction fund.
3 During fiscal year 2018, fifty-nine and one-half percent shall be deposited in the
4 property tax reduction fund. During fiscal year 2019, forty-nine and one-half percent
5 shall be deposited in the property tax reduction fund. During fiscal year 2020, thirty-
6 nine and one-half percent shall be deposited in the property tax reduction fund.
7 During fiscal year 2021, twenty-nine and one-half percent shall be deposited in the
8 property tax reduction fund. During fiscal year 2022, nineteen and one-half percent
9 shall be deposited in the property tax reduction fund. During fiscal year 2023, nine
10 and one-half percent shall be deposited in the property tax reduction fund. Beginning
11 in fiscal year 2024 and each year thereafter, no lottery proceeds shall be deposited in
12 the property tax reduction fund; and

13 (2) During fiscal year 2015, ten percent shall be deposited in the education enhancement
14 trust fund created by S.D. Const., Art. XII, § 6. During fiscal year 2016, twenty
15 percent shall be deposited in the education enhancement trust fund. During fiscal year
16 2017, thirty percent shall be deposited in the education enhancement trust fund.
17 During fiscal year 2018, forty percent shall be deposited in the education
18 enhancement trust fund. During fiscal year 2019, fifty percent shall be deposited in
19 the education enhancement trust fund. During fiscal year 2020, sixty percent shall be
20 deposited in the education enhancement trust fund. During fiscal year 2021, seventy
21 percent shall be deposited in the education enhancement trust fund. During fiscal year
22 2022, eighty percent shall be deposited in the education enhancement trust fund.
23 During fiscal year 2023, ninety percent shall be deposited in the education
24 enhancement trust fund. Beginning in fiscal year 2024, and each year thereafter,

1 ninety-nine and one-half percent shall be deposited in the education enhancement
2 trust fund.

3 Section 2. There is hereby created in the education enhancement trust fund the video lottery
4 revenue replacement subfund for the purpose of using the investment income from the deposits
5 to replace the revenue that was previously received from the video lottery. The deposits made
6 into the education enhancement trust fund pursuant to section 1 of this Act are designated for
7 the purpose of funding education through the property tax reduction fund created pursuant to
8 § 10-13-44. All distributions from the video lottery revenue replacement subfund are subject to
9 transfer to the general fund and appropriation by the Legislature through the General
10 Appropriations Act or special appropriations acts for education funding and reduction of taxes
11 on real property.

12 Pursuant to S.D. Const., Art. XII, § 6, the state investment officer shall determine the market
13 value of the education enhancement trust fund each calendar year less the investment expenses
14 transferred pursuant to § 4-5-30. The state investment officer shall calculate an amount equal
15 to four and one-half percent of that market value, without invading principal of the video lottery
16 revenue replacement subfund, as eligible for distribution. For the purpose of this section, the
17 term, principal, means the sum of all contributions to the subfund pursuant to section 1 of this
18 Act and the income from the investments until the subfund has accumulated seven hundred
19 million dollars. The market value shall be determined by adding the market value of the video
20 lottery revenue replacement subfund at the end of the sixteen most recent calendar quarters as
21 of December thirty-first, and dividing the sum by sixteen. Upon notice of that amount by the
22 state investment officer, the state treasurer shall transfer the amount from the video lottery
23 revenue replacement subfund to the property tax reduction fund as soon as practicable after July
24 first of the next fiscal year.

1 Section 3. That § 4-5-29.2 be amended to read as follows:

2 4-5-29.2. Pursuant to S.D. Const., Art. XII, § 6, the state investment officer shall determine
3 the market value of the education enhancement trust fund as of December 31, 2003, and each
4 calendar year thereafter less the investment expenses transferred pursuant to § 4-5-30 and the
5 funds designated for education pursuant to section 2 of this Act. The state investment officer
6 shall calculate an amount equal to four percent of that market value, without invading principal,
7 as eligible for distribution. For the purpose of this section, the term, principal, means the sum
8 of all contributions to the fund, except the funds dedicated by section 2 of this Act. Beginning
9 with the distribution in fiscal year 2008, the market value shall be determined by adding the
10 market value of the trust fund at the end of the sixteen most recent calendar quarters as of
11 December thirty-first, and dividing the sum by sixteen. Upon notice of that amount by the state
12 investment officer, the state treasurer shall transfer the amount from the education enhancement
13 trust fund to the state general fund as soon as practicable after July first of the next fiscal year.
14 Beginning in fiscal year 2015, the portion of the transfer to the general fund for the need-based
15 matching program, shall be calculated by the state investment officer based on the relative share
16 of the contributions made to the need-based grant fund created pursuant to § 13-55A-14 to the
17 most recently calculated total fair value of the education enhancement fund including the
18 contribution. The calculation shall be updated monthly to reflect any additional contributions
19 to the education enhancement trust fund and the portion of the transfer to the general fund for
20 the need-based matching program shall be based on the average of the monthly calculation.

21 Beginning in fiscal year 2015, a portion of the funds annually distributed to the general fund
22 pursuant to this section representing the percentage of the appropriation in SL 2013, ch 91, § 9,
23 when deposited, to the total fair value of the education enhancement fund applied to the
24 distribution amount shall be used to fund the critical teaching needs scholarship program created

1 in §§ 13-55-64 to 13-55-71, inclusive.