

Where the Money Goes

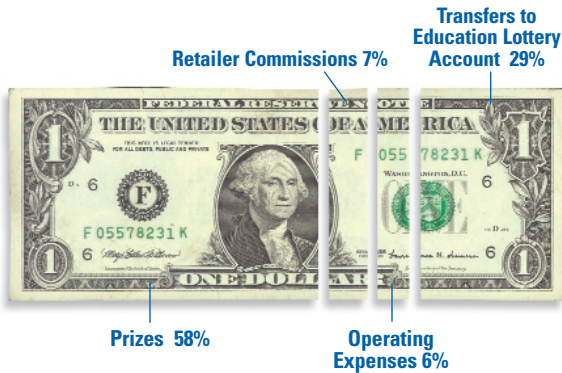


www.sceducationlottery.com

The ultimate purpose of the South Carolina Education Lottery (SCEL) is to support education in South Carolina, thereby building a better future for our state. Security and oversight are built into the process at every step to ensure ongoing integrity.



As an enterprise of state government, the SCEL has proven to be a very successful operation from startup.



Distribution of lottery revenue from January 7, 2002 – June 30, 2003

State Fiscal Year	Revenues**	Prizes	Retailer Commissions	Operating Expenses	Transfers to Education Lottery Acct.†
2001-2002	\$337,149,060	\$200,310,497	\$23,486,957	\$25,630,203	\$87,721,403
2002-2003*	726,912,112	414,683,229	50,700,663	41,753,831	219,774,389
TOTAL	1,064,061,172	614,993,726	74,187,620	67,384,034	307,495,792
%	100%	58%	7%	6%	29%

* June 30, 2003 financial statements are preliminary with respect to the audited financials to be issued October 15, 2003, in accordance with S.C. Code Ann. 59-150-320(4).

**Revenues include ticket sales, permit fees, retailer telephone fees and other additional costs.

†Includes Unclaimed Prizes

The Breakdown of SCEL Gross Proceeds

PRIZES

In accordance with the Education Lottery Act, the SCEL must contribute at least 45 percent from the actual sale of lottery ticket sales to players in the form of prize money. S.C. Code Ann. 59-150 -350 (A) (Supp. 2001). The SCEL has surpassed this requirement and has paid 58 percent of every gross dollar to winners. This figure is comparable to the prize payouts among other U.S. lotteries.

RETAILER COMMISSIONS

A typical SCEL retailer is a retail outlet that sells lottery tickets. The fee paid to retail outlets for selling lottery tickets is known as a commission. By state law, the SCEL must “provide for compensation to a lottery retailer in the form of commissions in an amount of not less than 7% of gross proceeds.” S.C. Code Ann. 59-150-150 (Supp. 2001). In addition to the 7% commission on the sale of each lottery ticket, retailers may receive an incentive for selling tickets that are awarded large prizes and for various programs introduced on a periodic basis.

OPERATING EXPENSES: CONTRACTS AND ADMINISTRATIONS

The Education Lottery Act requires that operating expenses cover all administrative expenses, including advertising and other contractual services. The Act states, “the amount spent on advertising must not exceed 7.5 million dollars during the initial year of operation of the lottery. During the second and subsequent years of operation of the lottery, the amount spent on advertising must not exceed one percent of the previous year’s gross sales.” S.C. Code Ann. 59-150-60 (A) (18) (Supp. 2001).

S.C. Code Ann. 59-150-350 (A) (Supp. 2001) states that the total amount of operating expenses and retailer commissions not exceed 15% of total sales. Operating expenses since startup have totaled 6%, permitting the remaining 2% as an additional allocation to the Education Lottery Account.

See below for a more detailed analysis of these costs.

Retailer Commissions	7%
Contract for Instant Gaming Vendor (scratch-off tickets)	1%
Contract for Online Gaming Vendor (number games).....	2%
Contract for Advertising.....	1%
Administrative Costs.....	2%
(capital costs, personnel costs, rental fees)	
Total.....	13%

EDUCATION LOTTERY ACCOUNT

The South Carolina Education Lottery Act §1(1) Act 59 of 2001 states, “proceeds of lottery games must be used to support improvements and enhancements for educational purposes and programs as provided by the General Assembly and that the net proceeds must be used to supplement, not supplant, existing resources for educational purposes and programs.”

On a monthly basis, the SCEL transfers the estimated net proceeds of all lottery sales to the Office of the State Treasurer’s Education Lottery Account. The responsibility for distributing lottery funds belongs to the State of South Carolina, not the SCEL.

In accordance with the Education Lottery Act, net proceeds consist of all revenue derived from the sale of lottery instant tickets and number games, less the cost of retailer commissions and operating expenses. From the start of lottery ticket sales on January 7, 2002, through the end of the fiscal year June 30, 2003, the SCEL has provided over \$300 million dollars to enhance educational opportunities for tens of thousands of South Carolinians.