



SUMMARY



A Review of the State's Use of South Carolina Education Lottery Proceeds

SPENDING OF LOTTERY PROCEEDS

INTRODUCTION

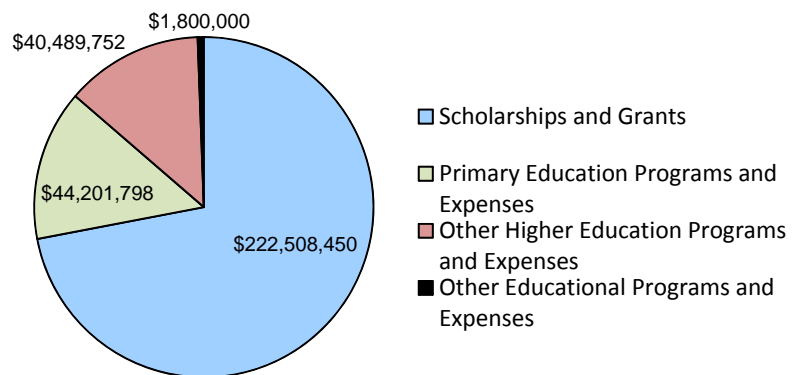
Sections 59-150-30(B) and 2-15-63(A) of the S.C. Code of Laws require the Legislative Audit Council to conduct a management audit of the South Carolina Education Lottery (SCEL) every three years.

We reviewed controls to ensure that lottery proceeds transferred to the Education Lottery Account are spent as the General Assembly intended. This is not the responsibility of the SCEL, but of other agencies designated by the General Assembly. A review of the operations of the SCEL has been published in a separate report.

Our audit objectives were to determine whether the funds from the education lottery account have been spent in compliance with the law.

We reviewed the state's use of lottery proceeds transferred to the Education Lottery Account. This is not the responsibility of the lottery, but of other agencies designated by the General Assembly. In the FY 13-14 appropriations act, \$309,000,000 in lottery proceeds, including \$8,000,000 in unclaimed prizes, was appropriated.

APPROPRIATION OF LOTTERY FUNDS FY 13-14



We examined how the funds are spent and the controls over the expenditures.

COMMISSION ON HIGHER EDUCATION (CHE)

CHE is responsible for transferring lottery funds to colleges and universities for recipients of Palmetto Fellows, LIFE, and HOPE scholarships, Lottery Tuition Assistance for two-year colleges, and need-based scholarships for public colleges. The Commission on Higher Education does not currently have a regular program to verify that lottery-funded scholarships are going to students who are eligible to receive them.

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FOR MORE
INFORMATION

Our full report, including comments from relevant agencies, is published on the Internet. Copies can also be obtained by contacting our office.

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STATE BOARD FOR COMPREHENSIVE AND TECHNICAL EDUCATION (SBCTE)

SBCTE disburses funds for students through the Lottery Tuition Assistance Program to the state's 15 technical colleges and 1 community college. The board is in the process of implementing a review of scholarship data for institutions that have scholarship disbursements that exceed the system average by plus or minus 10%, but has not yet conducted a review.

CAPITAL PROJECTS

CHE disbursed \$8,090,000 from lottery funds for capital projects at institutions. There are no procedures in place for CHE to notify SBCTE when funds are transferred to technical or community colleges for capital projects.

SOUTH CAROLINA DEPARTMENT OF EDUCATION (SDE)

In FY 13-14, \$29,891,798 in lottery funds were allocated by the South Carolina Department of Education (SDE) to South Carolina school districts, the South Carolina Charter School District, the Felton Lab School at South Carolina State University, the South Carolina School for the Deaf and Blind, and the Department of Juvenile Justice. These funds are required by SDE to be spent to enhance programs for kindergarten through grade 5 (K-5) programs and also to enhance programs for grades 6 through 8 (6-8).

SDE has not followed state law for distributing lottery funds to school districts. Funds are awarded based on SDE's funding formula, which does not involve a grant process. SDE does not use an evaluation component in disbursing the funds. Although SDE does provide funds to every school district, it does not give first priority to schools rated as below average or unsatisfactory.

The formula that SDE uses to distribute the lottery funds to the school districts is not consistent. For FY 13-14, the formula includes a base amount per school district, a per-pupil amount that is based on the number of students in grades K-5, and a portion based on the poverty level of each district. SDE should allocate the lottery funds in compliance with state law. This would include implementing a grant program to distribute the funds as directed by S.C. Code §59-1-525. Any formula that SDE uses as part of this grant program should be designed to help schools achieve the goals expressed in S.C. Code §59-1-525.

SDE does not have a consistent program for monitoring the spending of funds by the school districts and other recipient institutions. The appropriations act requires that the funding to school districts be spent on grades K-8, and SDE has guidelines for the spending of lottery proceeds. A program to monitor the spending of lottery funds sent to the school districts and other recipient institutions could ensure that the funds are being spent according to the law and SDE guidelines.