

## 0850 California State Lottery Commission

The California Constitution authorizes the establishment of a statewide lottery. An initiative statute, the California State Lottery Act of 1984 (Act), created the California State Lottery Commission and gave it broad powers to oversee the operations of a statewide lottery. The primary purpose of the Act is to provide supplemental monies to benefit public education without the imposition of additional or increased taxes. The Lottery is administered by a five-person Commission appointed by the Governor and confirmed by the State Senate.

The Act requires that 50 percent of total annual revenues be returned to the public in the form of prizes and at least 34 percent of total revenues be allocated to the benefit of public education. No more than 16 percent of total revenues are to be used for administrative costs. The Commission may also use a portion of its administrative funds to pay for prizes in order to increase sales and revenues to education. Those revenues are allocated to public education and placed in a special fund, known as the California State Lottery Education Fund, which is appropriated for the benefit of public education and which holds revenues until they are allocated on a per capita basis, using prior year certified Average Daily Attendance data, to the following categories: K-12 education, Community Colleges, the California State University, the University of California, and other educational entities. These funds are to be spent for instructional purposes, and may not be spent for acquisition of real property, construction of facilities, financing of research, or other non-instructional purposes.

The Act was amended by a legislative initiative in March 2000 to provide that one-half of the amount of the share allocated to public education in excess of the amount allocated to education in fiscal year 1997-98 be allocated to school and community college districts for the purchase of instructional materials.

In the 22 years since sales began in October 1985 through June 30, 2007, the California State Lottery has raised over \$19 billion for public education.

The Lottery forecasts revenue projections in May/June annually. However, because of the inherently variable nature of lottery ticket sales, revenue estimates for 2007-08 and 2008-09 cannot be made with certainty.

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### LEGAL CITATIONS AND AUTHORITY

#### DEPARTMENT AUTHORITY

Government Code, Title 2, Division 1, Chapter 12.5 (Sections 8880-8880.72).

**0850 California State Lottery Commission - Continued****Statement of Operations**

	<b>2006-07*</b>	<b>2007-08*</b>	<b>2008-09*</b>
Lottery sales	\$3,318,347	\$3,350,000	\$3,350,000
Less prizes	1,765,643	1,779,955	1,779,955
Sales after prizes	1,552,703	1,570,045	1,570,045
Less Game Costs:			
Total Retailer costs:	233,793	238,782	238,782
Draw game costs	37,820	41,128	41,128
Instant ticket game costs	17,725	19,640	19,640
Totals, Game Costs	<u>\$289,338</u>	<u>\$299,550</u>	<u>\$299,550</u>
Income before operating expenses	\$1,263,365	\$1,270,495	\$1,270,495
Operating Expenses:			
Salaries, wages and benefits	42,225	47,436	47,436
Advertising	33,338	31,600	31,600
Promotion, public relations and point-of-sale	8,894	8,400	8,400
Other professional services	5,661	7,807	7,807
Depreciation and amortization	9,100	7,818	7,818
Other general and administrative expenses	11,715	28,434	28,434
Totals, Operating Expenses	<u>\$110,933</u>	<u>\$131,495</u>	<u>\$131,495</u>
Operating income	1,152,432	1,139,000	1,139,000
Interest income	23,297	20,000	20,000
Other income	1,200	-	-
Net income	\$1,176,929	\$1,159,000	\$1,159,000
Unclaimed on-line prizes	\$29,218	\$26,000	\$26,000
<b>NET INCOME, DUE TO EDUCATION FUND</b>	<b>\$1,206,147</b>	<b>\$1,185,000</b>	<b>\$1,185,000</b>

Totals may not add due to rounding.

**0850 California State Lottery Commission - Continued****Distribution of State Lottery Education Fund Revenues**

	<b>2006-07*</b>	<b>2007-08*</b>	<b>2008-09*</b>
Department of Education (K-12)	\$971,672	\$954,635	\$954,635
California Community Colleges	164,991	162,098	162,098
California State University/California Maritime Academy	43,078	42,323	42,323
University of California	25,926	25,472	25,472
Hasting College of Law	160	157	157
California Department of Corrections and Rehabilitation - Division of Juvenile Justice	208	205	205
State Special Schools	112	110	110
<b>TOTALS</b>	<b>\$1,206,147</b>	<b>\$1,185,000</b>	<b>\$1,185,000</b>

Totals may not add due to rounding.

The figures above for FY 2006-07 are unaudited. Any changes resulting from the year-end audit will be reflected in FY 2007-08 first quarter.

\* Dollars in thousands, except in Salary Range.

## 0850 California State Lottery Commission - Continued

### DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

1 STATE OPERATIONS	2006-07*	2007-08*	2008-09*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$429,800)	(\$435,225)	(\$431,045)
Revised estimated expenditures	<u>(5,425)</u>	<u>(-)</u>	<u>-</u>
<b>TOTALS, EXPENDITURES</b>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

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\* Dollars in thousands, except in Salary Range.