

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 21 years since sales began in October 1985 through June 30, 2006, the California State Lottery has raised over \$18 billion for public education.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2006-07 and 2007-08 cannot be made with certainty.

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**

	2005-06*	2006-07*	2007-08*
Lottery sales	\$3,584,996	\$3,600,000	\$3,600,000
Less prizes	1,932,721	1,940,775	1,940,775
Sales after prizes	1,652,275	1,659,225	1,659,225
Less Game Costs:			
Total Retailer costs:	252,543	254,971	254,971
On-line game costs	37,277	43,434	43,434
Off-line game costs	21,145	16,744	16,744
Totals, Game Costs	<u>\$310,965</u>	<u>\$315,149</u>	<u>\$315,149</u>
Income before operating expenses	\$1,341,310	\$1,344,076	\$1,344,076
Operating Expenses:			
Salaries, wages and benefits	41,201	45,285	45,285
Advertising	25,495	25,650	25,650
Promotion, public relations and point-of-sale	9,307	10,402	10,402
Other professional services	5,960	8,813	8,813
Depreciation and amortization	8,745	9,698	9,698
Other general and administrative expenses	11,390	20,229	20,229
Totals, Operating Expenses	<u>\$102,098</u>	<u>\$120,077</u>	<u>\$120,077</u>
Operating income	1,239,212	1,224,000	1,224,000
Interest income	18,443	16,000	16,000
Other income	853	-	-
Net income	\$1,258,508	\$1,240,000	\$1,240,000
Unclaimed on-line prizes	\$27,019	\$30,000	\$30,000
NET INCOME, DUE TO EDUCATION FUND	\$1,285,527	\$1,270,000	\$1,270,000

Totals may not add due to rounding.

* Dollars in thousands, except in Salary Range.

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

	2005-06*	2006-07*	2007-08*
Department of Education	\$1,039,025	\$1,012,182	\$1,012,182
California Community Colleges	182,025	173,917	173,917
California State University/California Maritime Academy	39,015	51,084	51,084
University of California	25,000	31,370	31,370
Hasting College of Law	161	196	196
California Department of Corrections and Rehabilitation - Division of Juvenile Justice	169	277	277
State Special Schools	132	146	146
Department of Development Services	-	735	735
Department of Mental Health	-	95	95
TOTALS	<u>\$1,285,527</u>	<u>\$1,270,000</u>	<u>\$1,270,000</u>

Totals may not add due to rounding.

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0850 California State Lottery Commission - Continued

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

1 STATE OPERATIONS	2005-06*	2006-07*	2007-08*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$365,745)	(\$429,800)	(\$435,225)
Revised estimated expenditures	<u>(47,318)</u>	<u>(5,425)</u>	<u>-</u>
TOTALS, EXPENDITURES	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$-	\$-	\$-

* Dollars in thousands, except in Salary Range.