

## 0850 California State Lottery Commission

In 1984, Proposition 37 amended the California Constitution to authorize the establishment of a statewide lottery. As an initiative statute, the California State Lottery Act (Act) of 1984 created the California State Lottery Commission and gave it broad powers to oversee the operations of a statewide lottery. The purpose of the Act was to provide supplemental monies to benefit public education without the imposition of additional or increased taxes. The Lottery is overseen by a five-person Commission appointed by the Governor and confirmed by the State Senate.

The Act initially required 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 were to be used for administrative costs.

In 2010, the Act was changed to allow the Lottery flexibility to pay out more money in prizes and reduce the administrative cost limit to 13 percent of total revenues. Along with that flexibility, the new law requires the Lottery to meet minimum levels of contribution to public education. Revenues to education are placed in a special fund, known as the California State Lottery Education Fund, 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.

In the 28 years since sales began in October 1985 through June 30, 2013, the California State Lottery has raised more than \$26 billion for public education, including nearly \$1.3 billion in FY 2012-13.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2013-14 and 2014-15 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>2012-13*</b>	<b>2013-14*</b>	<b>2014-15*</b>
Lottery sales	\$4,445,874	\$5,100,000	\$5,100,000
Less prizes	<u>2,652,095</u>	<u>3,151,287</u>	<u>3,151,287</u>
Sales after prizes	1,793,779	1,948,713	1,948,713
Less Game Costs:			
Retailer costs	302,946	351,238	351,238
Draw game costs	51,553	70,304	70,304
Instant ticket game costs	<u>25,598</u>	<u>30,657</u>	<u>30,657</u>
Total, Game Costs	\$380,097	\$452,199	\$452,199
Resources before operating expenses	\$1,413,682	\$1,496,514	\$1,496,514
Operating Expenses:			
Salaries, wages and benefits	56,781	70,452	70,452
Advertising	56,044	65,054	65,054
Promotion, public relations and point-of-sale	7,855	15,637	15,637
Other professional services	12,651	14,431	14,431
Depreciation and amortization	5,980	6,870	6,870
Other general and administrative expenses	<u>13,581</u>	<u>38,357</u>	<u>38,357</u>
Total, Operating Expenses	\$152,892	\$210,801	\$210,801
Income and Proceeds to Education	1,260,789	1,285,713	1,285,713
Interest Income	<u>1,269</u>	<u>1,500</u>	<u>1,500</u>
Net Resources	\$1,262,058	\$1,287,213	\$1,287,213
Unclaimed Prizes	22,313	25,000	25,000
Administrative Reserve	<u>0</u>	<u>19,119</u>	<u>19,119</u>
<b>TOTAL RESOURCES DUE TO EDUCATION FUND</b>	<b>\$1,284,371</b>	<b>\$1,331,332</b>	<b>\$1,331,332</b>

\* Dollars in thousands, except in Salary Range.

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

	<b>2012-13*</b>	<b>2013-14*</b>	<b>2014-15*</b>
Department of Education (K-12)	\$1,038,836	\$1,076,819	\$1,076,819
California Community Colleges	168,726	174,895	174,895
California State University	46,209	47,898	47,898
University of California	29,917	31,011	31,011
Other Public Colleges and Universities	164	170	170
Miscellaneous Educational Institutions	519	539	539
<b>TOTALS</b>	<b><u>\$1,284,371</u></b>	<b><u>\$1,331,332</u></b>	<b><u>\$1,331,332</u></b>

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## 0850 California State Lottery Commission - Continued

### DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2012-13*	2013-14*	2014-15*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$531,700)	(\$633,100)	(\$633,000)
Revised estimated expenditures	<u>(1,289)</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.