

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. 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, including the California Schools for the Deaf and Blind.

In the 29 years since sales began in October 1985 through June 30, 2014, the California State Lottery has raised approximately \$28 billion for public education, including \$1.35 billion in FY 2013-14.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2014-15 and 2015-16 cannot be made with certainty.

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

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

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

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

	2013-14*	2014-15*	2015-16*
Lottery sales	\$5,034,661	\$5,400,000	\$5,400,000
Less prizes	<u>3,082,376</u>	<u>3,381,830</u>	<u>3,381,830</u>
Sales after prizes	1,952,285	2,018,170	2,018,170
Less Game Costs:			
Retailer costs	345,513	374,968	374,968
Draw game costs	72,071	81,532	81,532
Instant ticket game costs	<u>27,956</u>	<u>35,663</u>	<u>35,663</u>
Total, Game Costs	\$445,540	\$492,163	\$492,163
Resources before operating expenses	\$1,506,745	\$1,526,007	\$1,526,007
Operating Expenses:			
Salaries, wages and benefits	66,109	76,253	76,253
Advertising	63,699	68,541	68,541
Promotion, public relations and point-of-sale	14,507	14,563	14,563
Other professional services	13,331	14,683	14,683
Depreciation and amortization	6,075	6,201	6,201
Other general and administrative expenses	<u>16,371</u>	<u>29,596</u>	<u>29,596</u>
Total, Operating Expenses	\$180,092	\$209,837	\$209,837
Income and Proceeds to Education	1,326,652	1,316,170	1,316,170
Interest Income	<u>1,276</u>	<u>1,300</u>	<u>1,300</u>
Net Resources	\$1,327,928	\$1,317,470	\$1,317,470
Unclaimed Prizes	21,673	25,200	25,200
Administrative Reserve	<u>-</u>	<u>9,784</u>	<u>9,784</u>
TOTAL RESOURCES DUE TO EDUCATION FUND	\$1,349,601	\$1,352,454	\$1,352,454

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

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

	2013-14*	2014-15*	2015-16*
Department of Education (K-12)	\$1,089,016	\$1,091,319	\$1,091,319
California Community Colleges	182,465	182,851	182,851
California State University	46,676	46,774	46,774
University of California	30,856	30,921	30,921
Other Public Colleges and Universities	143	143	143
Miscellaneous Educational Institutions	445	446	446
TOTALS	<u>\$1,349,601</u>	<u>\$1,352,454</u>	<u>\$1,352,454</u>

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.
† Past year appropriations are net of subsequent budget adjustments.