

## 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 30 years since sales began in October 1985 through June 30, 2015, the California State Lottery has raised approximately \$29 billion for public education, including \$1.39 billion in FY 2014-15.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2015-16 and 2016-17 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>2014-15*</b>	<b>2015-16*</b>	<b>2016-17*</b>
Lottery sales	\$5,524,851	\$6,265,000	\$6,420,000
Less prizes	<u>3,501,746</u>	<u>3,983,865</u>	<u>4,133,612</u>
Sales after prizes	\$2,023,105	\$2,281,135	\$2,286,388
Less Game Costs:			
Retailer costs	380,345	437,509	451,918
Draw game costs	68,882	92,816	94,650
Instant ticket game costs	29,990	35,831	39,942
Total, Game Costs	<u>\$479,217</u>	<u>\$566,156</u>	<u>\$586,511</u>
Resources before operating expenses	\$1,543,888	\$1,714,979	\$1,699,878
Operating Expenses:			
Salaries, wages and benefits	70,654	78,464	84,742
Advertising	62,274	73,184	73,877
Promotion, public relations and point-of-sale	10,664	12,886	13,087
Other professional services	11,843	13,416	20,187
Depreciation and amortization	8,950	13,861	20,449
Other general and administrative expenses	16,435	19,758	35,748
Total, Operating Expenses	<u>\$180,820</u>	<u>\$211,571</u>	<u>\$248,089</u>
Income and Proceeds to Education	1,363,068	1,503,408	1,451,788
Interest Income	<u>1,301</u>	<u>2,500</u>	<u>2,500</u>
Net Resources	\$1,364,369	\$1,505,908	\$1,454,288
Unclaimed Prizes	27,177	30,000	35,000
Administrative Reserve	0	0	13,983
<b>TOTAL RESOURCES DUE TO EDUCATION FUND</b>	<b>\$1,391,546</b>	<b>\$1,535,908</b>	<b>\$1,503,271</b>

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

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

	<b>2014-15*</b>	<b>2015-16*</b>	<b>2016-17*</b>
Department of Education (K-12)	\$1,113,623	\$1,229,153	\$1,203,034
California Community Colleges	196,267	216,628	212,025
California State University	49,325	54,442	53,285
University of California	31,779	35,076	34,330
Other Public Colleges and Universities	121	134	131
Miscellaneous Educational Institutions	431	476	466
<b>TOTALS</b>	<b>\$1,391,546</b>	<b>\$1,535,908</b>	<b>\$1,503,271</b>

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