

0850 California State Lottery Commission

In 1984, the California Constitution authorized 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 primary purpose of the Act was 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 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. Those revenues were allocated to public education and placed in a special fund, known as the California State Lottery Education Fund, which was appropriated for the benefit of public education and which held revenues until they were 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 23 years since sales began in October 1985 through June 30, 2008, the California State Lottery has raised over \$20 billion for public education.

A June 2009 Special Election will contain a ballot measure making various changes to the Act that will help to improve the Lottery's financial performance, with the General Fund ultimately benefiting from this improved performance. The measure will replace annual payments from Lottery revenues to K-12 and higher education with allocations from the General Fund, beginning in 2009-10. General Fund allocations to K-12 and higher education would be based on the amount of Lottery revenues received in 2008-09, adjusted for inflation and changes in attendance. The measure would also make several changes to the Lottery, including authorizing an increase in prizes as a share of Lottery revenues and authorizing securitization of a portion of future Lottery revenues. The securitization proceeds will be deposited into a newly-created Debt Retirement Fund and available for various purposes that will help offset future General Fund expenditures.

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**

	2007-08*	2008-09*	2009-10*
Lottery sales	\$3,049,621	\$3,200,000	\$3,620,000
Less prizes	1,619,473	1,694,050	2,049,250
Sales after prizes	1,430,148	1,505,950	1,570,750
Less Game Costs:			
Total Retailer Costs	213,022	226,179	257,449
Game Costs	53,031	55,451	61,736
Totals, Game Costs	<u>\$266,053</u>	<u>\$281,630</u>	<u>\$319,185</u>
Income before Operating Expenses	\$1,164,095	\$1,224,320	\$1,251,565
Less Operating Expenses	<u>114,193</u>	<u>136,320</u>	<u>157,914</u>
Operating income	\$1,049,902	\$1,088,000	\$1,093,651
Interest income	18,576	20,000	25,000
Other income	850	-	-
Net income	\$1,069,328	\$1,108,000	\$1,118,651
Unclaimed on-line prizes	25,617	26,000	25,000
Less: Transfer to Office of Problem and Pathological Gambling	-	-	1,000
NET INCOME, DUE TO EDUCATION FUND	\$1,094,945	\$1,134,000	
NET INCOME, DUE TO LOTTERY ASSETS FUND			\$1,142,651

* Dollars in thousands

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

	2007-08*	2008-09*	2009-10*
Department of Education (K-12)	\$865,141	\$895,999	-
California Community Colleges	162,023	167,802	-
California State University/California Maritime Academy	42,270	43,778	-
University of California	25,150	26,047	-
Hasting College of Law	141	146	-
California Department of Corrections and Rehabilitation - Division of Juvenile Justice	125	129	-
State Special Schools	95	99	-
TOTALS	\$1,094,945	\$1,134,000	-

Totals may not add due to rounding.

The figures above for FY 2007-08 are unaudited. Any changes resulting from the year-end audit will be reflected in FY 2008-09 first quarter.

Beginning in 2009-10, Lottery proceeds will be deposited in the Lottery Assets Fund and General Fund resources will be used to support the education segments.

0850 California State Lottery Commission - Continued

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

1 STATE OPERATIONS	2007-08*	2008-09*	2009-10*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$435,225)	(\$431,045)	(\$417,950)
Revised estimated expenditures	<u>(-43,652)</u>	<u>(-13,095)</u>	<u>-</u>
TOTALS, EXPENDITURES	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$-	\$-	\$-

* Dollars in thousands