

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 26 years since sales began in October 1985 through June 30, 2011, the California State Lottery has raised more than \$24 billion for public education, including over \$1 billion in FY 2010-11.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2011-12 and 2012-13 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**

	2010-11*	2011-12*	2012-13*
Lottery sales	\$3,438,578	\$4,090,000	\$4,090,000
Less prizes	<u>1,904,787</u>	<u>2,390,010</u>	<u>2,390,010</u>
Sales after prizes	1,533,791	1,699,990	1,699,990
Less Game Costs:			
Retailer costs	233,571	280,714	280,714
Draw game costs	35,428	51,998	51,998
Instant ticket game costs	<u>20,706</u>	<u>24,340</u>	<u>24,340</u>
Total, Game Costs	\$289,705	\$357,052	\$357,052
Resources before operating expenses	\$1,244,086	\$1,342,938	\$1,342,938
Operating Expenses:			
Salaries, wages and benefits	52,085	56,437	56,437
Advertising	52,267	55,497	55,497
Promotion, public relations and point-of-sale	7,352	10,528	10,528
Other professional services	10,678	13,996	13,996
Depreciation and amortization	6,494	6,325	6,325
Other general and administrative expenses	<u>14,392</u>	<u>31,865</u>	<u>31,865</u>
Total, Operating Expenses	\$143,268	\$174,648	\$174,648
Income and Proceeds to Education	1,100,818	1,168,290	1,168,290
Interest Income	<u>2,043</u>	<u>2,000</u>	<u>2,000</u>
Net Resources	\$1,102,861	\$1,170,290	\$1,170,290
Unclaimed Prizes	<u>25,690</u>	<u>21,000</u>	<u>21,000</u>
TOTAL RESOURCES DUE TO EDUCATION FUND	\$1,128,551	\$1,191,290	\$1,191,290

* Dollars in thousands, except in Salary Range.

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

	2010-11*	2011-12*	2012-13*
Department of Education (K-12)	\$881,902	\$930,931	\$930,931
California Community Colleges	169,216	178,623	178,623
California State University/California Maritime Academy	45,320	47,839	47,839
University of California	31,148	32,880	32,880
Other Public Colleges and Universities	171	180	180
Miscellaneous Educational Institutions	794	837	837
TOTALS	\$1,128,551	\$1,191,290	\$1,191,290

* Dollars in thousands, except in Salary Range.

0850 California State Lottery Commission - Continued

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2010-11*	2011-12*	2012-13*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$403,375)	(\$408,000)	(\$531,700)
Revised estimated expenditures	<u>(29,598)</u>	<u>(123,700)</u>	<u>-</u>
TOTALS, EXPENDITURES	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$-	\$-	\$-

* Dollars in thousands, except in Salary Range.