

Lottery Budgeting and Allocation Process

Definitions

Instruction Program

According to Government Code Section 8880.5 the use of lottery funds are limited to instructional purposes by stating that "...no funds shall be spent for...any other noninstructional purpose."

Currently, the support budget of the California State University is represented by the four "Program" categories:

- Instruction
- Academic Support
- Student Services and,
- Institutional Support

Lottery-funded instructional costs can best be defined as the program categories included in Instruction, Academic Support and in very limited instances to Institutional Support, since they represent costs most directly related to classroom instruction and systemwide implementation costs.

Supplemental

It is the clear intent of the California State Lottery Act of 1984 "...that the net revenues of the California State Lottery shall not be used as substitute funds but rather shall supplement the total amount of money allocated for public education in California." See Government Code Section 8880.1.

Government Code Section 8880.5 states:

"It is the intent...that all funds allocated from the California State Lottery Education Fund shall be used exclusively for the education of pupils and students and no funds shall be spent for acquisition of real property, construction of facilities, financing of research, or any other noninstructional purpose." Therefore, capital outlay, research, and noninstructional activities are specifically prohibited by the Lottery Act.

To summarize, the most important criteria governing use of lottery revenue are as follows:

- Must supplement, not supplant, state funding of instruction.
- Must be widely acknowledged as a valuable enhancement of the instructional program.
- [Must be widely acknowledged as consistent with the provisions of the California State Lottery Act of 1984 \(.doc\).](#)
- Must not make long-term funding commitments.

Principles

All determinations of lottery revenue usage, whether by campus Presidents, the Chancellor, or the Board of Trustees, will employ the following principles:

1. Creation of Endowment Accounts

The creation and/or maintenance of campus lottery endowment accounts may not occur. Lottery funds allocated to campuses are governed by state law and CSU lottery policies. Lottery funds allocated to campuses should be used for the purposes outlined in the lottery budget.

2. Program Expenditures

Funds should be allocated to a select group of instructional activities to achieve maximum impact in enhancing instruction. This means that lottery revenue should be used to "supplement" instruction beyond the expected level of state support and should not be used to replace state funding of budget.

Certain instructional activities should be improved and enhanced on a systemwide basis.

A portion of the funds should be allocated to the campuses to be used for campus specific needs, consistent with the criteria described above.

[Great care should be exercised to ensure that lottery revenue usage is widely acknowledged as a significant enhancement of the instructional program and is clearly consistent with the intent of the California State Lottery Act of 1984 \(.doc\).](#)

Representatives of the faculty, students, and staff should be involved in the campus development of specific expenditure plans for Campus-Based Programs.

3. Fund Management

Lottery revenue collection, accounting, disbursement, budgeting, allocation, expenditure, and reporting should be managed separately from state funds. However, the procedures adopted by the California State University will be the same as those existing for General Fund and Special Fund financial management. Once allocated to campuses, lottery funds will remain at the campus level until expended.

Reporting Requirements

1. Required by the State Budget Act

Section 24.60 of the State Budget Act requires the CSU to report to the Governor and Legislature no later than January 15 of each fiscal year, the amount of lottery funds received and the purposes for which the funds were expended, including administrative costs. This report must include proposed expenditures for the next fiscal year.

2. Required by the Board of Trustees

To satisfy the state requirement and to respond to other interests of the Board of Trustees, the Trustees will receive a report of actual expenditures for the past fiscal year and planned expenditures for the current fiscal year. The annual expenditure report required to be submitted to the Chancellor's Office on or before August 15 of each fiscal year is located under the section entitled Annual Expenditure Report.

3. Campus Program Reporting Requirements

Following each program description are campus program reporting requirements. All reports are due on or before August 15 of each fiscal year.

Types of Allocations

The specific types of allocations of lottery revenue are described below.

Systemwide Reserve

Of the total funds estimated to be available, an amount of at least \$5,000,000 should be maintained for economic uncertainties, cash flow variations and potential fluctuations in projected receipts and to provide funds for projects to be determined by the chancellor. These funds will remain uncommitted at the system level in order to allow for potential fluctuation in lottery revenue receipts without adjusting the approved program expenditure plan. Amounts in excess of the established Systemwide Reserve may be made available in the next fiscal year's lottery revenue budget.

Should campuses decide to establish a campus reserve, it is recommended that the reserve not exceed 10 percent of the prior year's level of lottery funds received and should be maintained for cash-flow purposes only. This section should not be construed to mean that campuses are required to maintain or establish a lottery fund reserve.

Program Allocations

As set forth in the Principles section above, it is appropriate to allocate funds to enhance instruction based on needs and opportunities unique to individual campuses, as well as needs and opportunities common to most, if not all, the campuses. Each year, lottery revenue funds will be allocated to programs designated by the CSU in the Lottery Revenue Budget which will be allocated to campuses upon adoption by the Board of Trustees.

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These program allocations should be distributed on an equitable basis consistent with Trustee policy (enrollment targets) or other stated methodology. There will be no prescription or further subdivision or pre-audit of the campus detailed plans for use of the funds. The allocations will require only that the campus implementation:

- Comply with the full intent of the California State Lottery Act of 1984 as well as with other laws;
- Comply with the restrictions imposed relative to all lottery revenue use as set forth in this document;
- Comply with the specific intent of the program for which the funds are allocated; and,
- Comply with year-end reporting requirements.

All systemwide program allocations will be well defined, programmatically and budgetarily, at the time of approval by the Board of Trustees.

Campus-Based Program Funds

A portion of annual lottery revenue will be allocated to the campuses and to the Chancellor's Office for discretionary purposes. These funds are intended to permit maximum flexibility in order to meet unique campus needs which ultimately lead to enhancing the quality of campus life. The specific uses of Campus-Based Program Funds must be consistent with the policies of lottery revenue as expressed in law and with the policy guidelines and procedures adopted by the Board of Trustees. Campuses must report on the expenditure of these funds based on project or program as contained in the next section entitled "Campus-Based Programs."

Adjustments to these funds will be based upon campus enrollment and available revenue.

Implementation Costs

The California State University Lottery Education Fund is a Special Fund separate from the state's General Fund. Therefore, fund management must be as separate from the management of the General Fund as possible. Specific provision for implementation costs for systemwide purposes must be made from lottery revenue in order to insure that the California State University Lottery Education Fund is effectively managed consistent with the California State Lottery Act of 1984 and with the policies of the Board of Trustees.