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AB-2884 California State Lottery: revenue allocation. (2019-2020)

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Assembly Bill No. 2884

CHAPTER 294

An act to amend Section 8880.4 of the Government Code, relating to the California State Lottery, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 29, 2020. Filed with Secretary of State September 29, 2020.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2884, Berman. California State Lottery: revenue allocation.

(1) The California State Lottery Act of 1984, an initiative measure approved by the voters at the November 6, 1984, statewide general election, authorizes a California State Lottery and provides for its operation and administration by the California State Lottery Commission and the Director of the California State Lottery, with certain limitations. The act establishes the State Lottery Fund as a continuously appropriated fund for carrying out the purposes of the act.

Existing law requires that not less than 87% of the total annual revenues of the state lottery be returned to the public in the form of prizes and net revenues to benefit public education, as specified, and that no more than 13% be used for lottery expenses. Existing law, to become operative following notification from the Controller to the Legislature and the Governor that certain events have occurred, as specified, changes the revenue allocation formula so that not less than 84% of the total annual revenues of the state lottery be returned to the public in the form of prizes and net revenues to benefit public education, as specified, and that no more than 16% be used for lottery expenses.

Existing law requires, with respect to a specified percentage of total annual lottery revenues to be allocated for public education, that 50% of any increase over an amount calculated in the 1997–98 fiscal year be allocated to school districts and community college districts for the purchase of instructional materials.

This bill would make legislative findings and declarations relating to the allocation of lottery funds to community colleges. The bill would express the intent of the Legislature to ensure that restricted lottery funding allocated to community colleges is spent in full for the benefit of students.

This bill would additionally authorize the allocation of this amount for housing assistance and food assistance for community college students. By authorizing this allocation, the bill would change the purposes for which the funds of a continuously appropriated fund may be appropriated, and thereby make an appropriation.

(2) The California State Lottery Act of 1984 provides that its provisions may not be changed except to further its purpose by a bill passed by a $\frac{2}{3}$ vote of each house of the Legislature and signed by the Governor.

This bill would declare that its provisions further the purposes of the act.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) The California Community Colleges is the nation's largest system of higher education and a critical entry point to higher education and opportunities for upward mobility.

(2) Since 2017, the California Community Colleges Chancellor's Office has implemented its "Vision for Success" as a framework for ensuring that students from all backgrounds succeed in reaching their goals and improving their families and communities. However, the most significant barriers to California community college students' ability to stay in class and achieve their educational goals are housing and food insecurity.

(3) If the California Community Colleges system were to provide housing assistance and food assistance to community college students, the system's ability to meet instructional goals would increase significantly. As defined in the "Vision for Success," these systemwide goals include the following: significantly increasing the numbers of students transferring to a University of California or California State University campus; increasing the numbers of students earning degrees and certificates and completing career education programs leading to good jobs; reducing the number of unnecessary units many students are taking to get their degrees; and eliminating achievement gaps once and for all.

(4) While the bulk of community college funding comes from Proposition 98 general funds and property taxes, community college districts also receive restricted and unrestricted lottery funds. Community college districts are prohibited from using restricted lottery funds for anything beyond instructional materials pursuant to Section 8880.4 of the Government Code.

(5) According to the California Community Colleges Chancellor's Office 2019 Lottery Expenditure Report, \$87,894,078 went unused in the 2017–18 fiscal year. Most of that money falls into the restricted lottery funding category.

(6) Community colleges do not have the same needs for supplies traditionally found in K–12 school districts. As a result, some community college districts have a surplus of restricted lottery funds.

(7) Sections 2 and 3 of this act do not change the scope or effect of, and further the purposes of, the California State Lottery Act of 1984 because housing assistance and food assistance for community college students would directly and positively impact their academic success by reducing the most significant barriers to their ability to stay in class and achieve their educational goals, and as a result would serve an instructional purpose.

(b) Therefore, it is the intent of the Legislature to ensure that restricted lottery funding allocated to community colleges is spent in full for the benefit of students.

SEC. 2. Section 8880.4 of the Government Code, as amended by Section 1 of Chapter 56 of the Statutes of 2011, is amended to read:

8880.4. Revenues of the state lottery shall be allocated so as to maximize the amount of funding allocated to public education, including from the first full fiscal year following enactment of the act adding Section 8880.4.5, as follows:

(a) Not less than 87 percent of the total annual revenues from the sale of state lottery tickets or shares shall be returned to the public in the form of prizes and net revenues to benefit public education.

(1) The commission shall determine the percentage of total annual revenues that shall be returned to the public in the form of prizes as described in this chapter, however the percentage shall not be less than 50 percent of the total revenues.

(2) (A) The percentage of the total annual revenues to be allocated to the benefit of public education, as specified in Section 8880.5, shall be established by the commission at a level that maximizes the total net revenues allocated to the benefit of public education.

(B) However, for the 1998–99 fiscal year and each fiscal year thereafter, 50 percent of any increase in the amount calculated pursuant to this paragraph from the amount calculated in the 1997–98 fiscal year shall be allocated to school districts and community college districts for the purchase of instructional materials and for housing assistance and food assistance for community college students on the basis of an equal amount per unit of average daily attendance, as defined by law, and through a fair and equitable distribution system across grade levels.

(3) All unclaimed prize money shall revert to the benefit of public education, as provided for in subdivision (e) of Section 8880.321.

(4) All of the interest earned upon funds held in the State Lottery Fund shall be allocated to the benefit of public education, as specified in Section 8880.5. This interest is in addition to, and shall not be considered as any part of, the total annual revenues that are required to be allocated for the benefit of public education, as specified in paragraph (2).

(5) No more than 13 percent of the total annual revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 13 percent of the total annual revenues, any surplus funds also shall be allocated to the benefit of public education, as specified in this section or in Section 8880.5.

(b) Funds allocated for the benefit of public education pursuant to subdivision (a) are in addition to other funds appropriated or required under existing constitutional reservations for educational purposes. No program shall have the amount appropriated to support that program reduced as a result of funds allocated pursuant to subdivision (a). Funds allocated for the benefit of public education pursuant to subdivision (a) shall not supplant funds committed for child development programs.

(c) None of the following shall be considered revenues for purposes of this section:

(1) Revenues recorded as a result of a nonmonetary exchange. "Nonmonetary exchange" means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.

(2) Reimbursements received by the lottery for the cost of goods or services provided by the lottery that are less than or equal to the cost of the same goods or services provided by the lottery.

(d) Reimbursements received in excess of the cost of the same goods and services provided by the lottery, as specified in paragraph (2) of subdivision (c), are not a part of the total annual revenues required to be allocated for the benefit of public education, as specified in paragraph (2) of subdivision (a). However, this amount shall be allocated for the benefit of public education, as specified in Section 8880.5.

(e) This section shall become inoperative on April 1 of the year following notification from the Controller to the Legislature and the Governor that the events described in paragraphs (1) and (2) of subdivision (c) of Section 8880.4.5 have occurred, and as of the following January 1 is repealed, unless a later enacted statute, that is enacted before January 1 of that following year, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 3. Section 8880.4 of the Government Code, as amended by Section 2 of Chapter 56 of the Statutes of 2011, is amended to read:

8880.4. Revenues of the state lottery shall be allocated as follows:

(a) Not less than 84 percent of the total annual revenues from the sale of state lottery tickets or shares shall be returned to the public in the form of prizes and net revenues to benefit public education.

(1) Fifty percent of the total annual revenues shall be returned to the public in the form of prizes as described in this chapter.

(2) (A) At least 34 percent of the total annual revenues shall be allocated to the benefit of public education, as specified in Section 8880.5.

(B) However, for the 1998–99 fiscal year and each fiscal year thereafter, 50 percent of any increase in the amount calculated pursuant to this paragraph from the amount calculated in the 1997–98 fiscal year shall be allocated to school districts and community college districts for the purchase of instructional materials and for housing assistance and food assistance for community college students on the basis of an equal amount per unit of average daily attendance, as defined by law, and through a fair and equitable distribution system across grade levels.

(3) All unclaimed prize money shall revert to the benefit of public education, as provided for in subdivision (e) of Section 8880.321.

(4) All of the interest earned upon funds held in the State Lottery Fund shall be allocated to the benefit of public education, as specified in Section 8880.5. This interest is in addition to, and shall not be considered as any part of, the 34 percent of the total annual revenues that is required to be allocated for the benefit of public education, as specified in paragraph (2).

(5) No more than 16 percent of the total annual revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 16 percent of the total annual revenues, any surplus funds also shall be allocated to the benefit of public education, as specified in this section or in Section 8880.5.

(b) Funds allocated for the benefit of public education pursuant to subdivision (a) are in addition to other funds appropriated or required under existing constitutional reservations for educational purposes. No program shall have the amount appropriated to

support that program reduced as a result of funds allocated pursuant to subdivision (a). Funds allocated for the benefit of public education pursuant to subdivision (a) shall not supplant funds committed for child development programs.

(c) None of the following shall be considered revenues for the purposes of this section:

(1) Revenues recorded as a result of a nonmonetary exchange. "Nonmonetary exchange" means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.

(2) Reimbursements received by the lottery for the cost of goods or services provided by the lottery that are less than or equal to the cost of the same goods or services provided by the lottery.

(d) Reimbursements received in excess of the cost of the same goods and services provided by the lottery, as specified in paragraph (2) of subdivision (c), are not a part of the 34 percent of total annual revenues required to be allocated for the benefit of public education, as specified in paragraph (2) of subdivision (a). However, this amount shall be allocated for the benefit of public education, as specified in Section 8880.5.

(e) This section shall become operative on April 1 of the year following notification from the Controller to the Legislature and the Governor that the events described in paragraphs (1) and (2) of subdivision (c) of Section 8880.4.5 have occurred.

SEC. 4. The Legislature finds and declares that this act furthers the purpose of the California State Lottery Act of 1984, enacted by Proposition 37 at the November 6, 1984, general election.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In light of the COVID-19 pandemic and the resulting economic crisis, it is critical that community colleges have greater flexibility to spend surplus lottery funds now. California community college students were already struggling with hunger, housing insecurity, and homelessness before the COVID-19 pandemic. Now, campus closures have created new expenses at the same time that students or their families may have lost their jobs, and community colleges must respond swiftly to this crisis for their vulnerable students. It is therefore necessary that this act take effect immediately.