

**INTER-OFFICE CORRESPONDENCE**  
**Los Angeles Unified School District**

**MEMORANDUM**

**TO:** Amy Cooper  
Director of Policy, Board of Education District 2

Date: December 6, 2007

**FROM:** Rima Zobayan  
Program Analyst, Independent Analysis Unit

**SUBJECT: California Lottery Education Funds**

Per your request for information about Proposition 37, below is information regarding California's and LAUSD's use of lottery funds for education.

**Overview of California Lottery Funds for Education**

The California Lottery was established after voters approved Proposition 37, the *California State Lottery Act*, in November 1984. According to this act, at least 34% of lottery revenues will be directed to public education, from the kindergarten to the state college and university levels, to be used exclusively for instructional purposes<sup>1</sup>. Of the remaining lottery revenues, 50% are given as winnings and no more than 16% are to be used to administer the lottery.

In March 2000, California voters passed Proposition 20, the *Cardenas Textbook Act of 2000*, which amended Proposition 37 by adding further stipulations for the use of the lottery money set aside for education. The *Textbook Act* requires that 50% of the *increase* in lottery revenues for education over the revenue amount in fiscal year 1997-98 must be allocated specifically for the purchase of instructional materials.<sup>2</sup>

An example might help illustrate how lottery funds are distributed based on Propositions 37 and 20. If in FY 2008-09, the California Lottery's total revenue was \$1 billion, a minimum of \$340 million would be directed to public education, as required by Proposition 37. Let's assume for simplicity's sake that the 1997-98 lottery apportionment for education was \$300 million. This would mean that half of the \$40 million increase between 1997-98 and 2007-08 must be set aside for instructional materials per Proposition 20. This would result in \$20 million for instructional materials and \$320 million for other instructional purposes.

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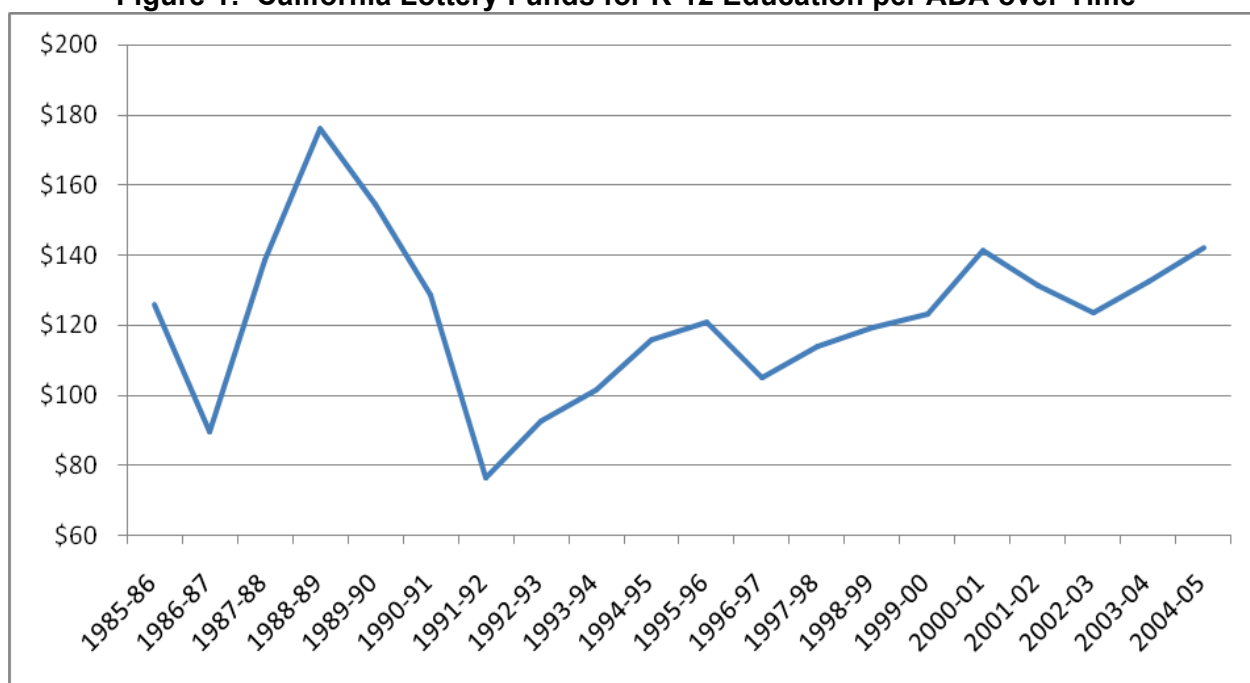
<sup>1</sup> Source: *Report on Lottery Expenditures for K-12 Education, 2005-06: A Report to the Governor and the Legislature as required by Control Section 24.60 of the 2006 Budget Act*, May 2007, California Department of Education,

<sup>2</sup> Source: *Report on Lottery Expenditures for K-12 Education, 2005-06*

## California Lottery Funds

Because lottery proceeds are based on how many tickets are sold, lottery revenue – and thus the payout to public education – changes each year. Additionally, because each district receives its lottery funds based on student enrollment, increases or decreases in the state’s student population can affect how much money there is on an average daily attendance (ADA) basis. As seen in Figure 1 below, the K-12 share of lottery revenue per ADA could shift upwards or downwards by almost \$100 within a few years.

**Figure 1: California Lottery Funds for K-12 Education per ADA over Time<sup>3</sup>**



Appendix A lists the specific total and per ADA (average daily attendance) lottery amounts apportioned for K-12 education. The average amount per ADA that the lottery has contributed to K-12 education per year is \$123.

### LAUSD Lottery Funds

While lottery funds provide LAUSD with a sizeable amount of money, they comprise only a small portion of the District's funding. For example, according to a previous IAU analysis, we found that LAUSD's average elementary school budget in 2006-07 was around \$7,800 per student<sup>4</sup>; the average per ADA lottery fund (\$123) comes out to only about 1.5% of this average school budget.

<sup>3</sup> Source: *Fact Book 2006: Handbook of Education Information*, California Department of Education <http://www.cde.ca.gov/re/pn/fb/documents/factbook2006.pdf>

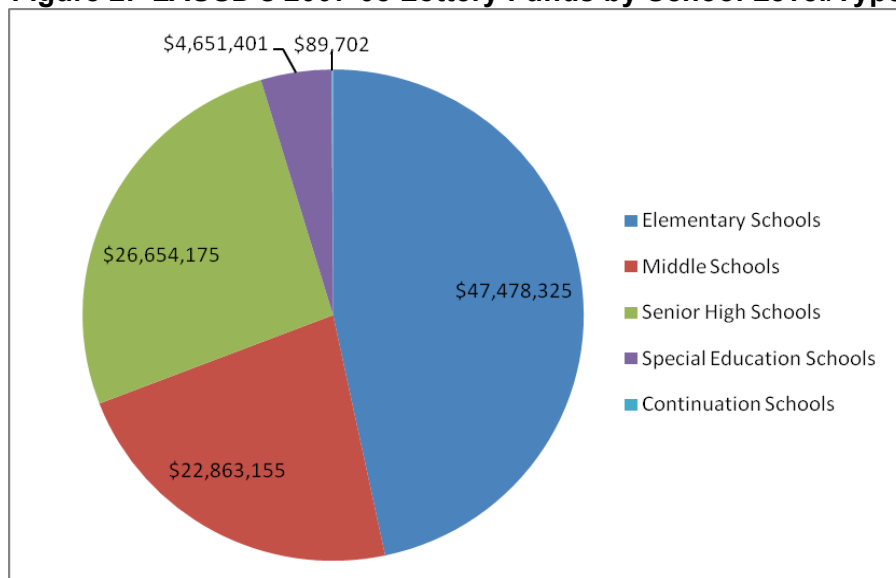
<sup>4</sup> See *Through the Looking Glass: School Budgets and Staffing* presentation made to the Staffing for School Success Committee by Randy Ross and Rima Zobayan on March 22, 2007. In this analysis, we found that the average elementary school budget in 2006-07 was about \$7,800 when including funds not yet distributed to specific schools.

## California Lottery Funds

The 2007-08 LAUSD budget includes almost \$102 million in lottery funds, estimated at about \$137 per ADA<sup>5</sup>. According to our analysis, about \$14 million (or \$19 per student) is set aside for instructional materials per Proposition 20; the remaining \$88 million (about \$118 per student) is for instructional needs per Proposition 37.

Our analysis of LAUSD's 2007-08 budget database shows that all of the lottery funds are intended for elementary, middle, senior high, special education, and continuation school campuses. Figure 2 below shows how the lottery funds are divided among school levels/types. As can be expected, more money is intended for elementary schools because there are more elementary schools within the District than other types of schools.

**Figure 2: LAUSD's 2007-08 Lottery Funds by School Level/Type**



We found through our analysis that two “objects” (the code that describes what money is budgeted for) that come under the lottery’s program funds are teacher’s salaries and instructional materials. The unrestricted lottery funds (Proposition 37) are budgeted for teachers’ salaries and the restricted lottery funds (Proposition 20) are budgeted for instructional materials. However, these funds are not assigned to specific school campuses.

In speaking with School Fiscal Services and Budget Services and Financial Planning personnel, we found that these funds are spent *for* schools, but not directly at the school sites. This is consistent with the majority of spending for the District’s schools. For example, while each school has its own teaching staff and equipment, the budgeting and expenditures to pay for the

<sup>5</sup> Source: Superintendent’s Adopted 2007-08 Final Budget. The ADA amount might change slightly based on enrollment shifts during the year.

## California Lottery Funds

majority of personnel and items occur at the central office. (The school, of course, has categorical funds that it can use to purchase additional teachers and/or equipment).

### **Resources**

There are several resources where you can find out more information about lottery funds for education. The California Department of Education published its *Report on Lottery Expenditures for K-12 Education, 2005-06: A Report to the Governor and the Legislature as required by Control Section 24.60 of the 2006 Budget Act*. This brief report concludes that 64% of the lottery funds are spent on salaries and benefits, mostly for teachers. This report, and previous years' reports, can be accessed via this URL: <http://www.cde.ca.gov/fg/fr/lo/>

Another helpful resource is the California School Finance web site ([www.californiaschoolfinance.org](http://www.californiaschoolfinance.org)), hosted by EdSource. This site includes much descriptive information about California's school finance system.

Within the District, Didi Nubla of the Budget Services and Financial Planning branch oversees the lottery spending and would be the best resource to answer specific questions regarding LAUSD's lottery funds.

**Appendix A**  
**California Lottery Funds for K-12 Education from 1985-85 to 2005-06<sup>6</sup>**

Fiscal Year	Proposition 37	Proposition 20	Total K-12 Lottery Funds	Per ADA Proposition 37	Per ADA Proposition 20	Total K-12 Per ADA Lottery Funds
1985-86	\$555,457,022	---	\$555,457,022	\$125.67	---	\$125.67
1986-87	\$410,880,929	---	\$410,880,929	\$89.68	---	\$89.68
1987-88	\$647,361,315	---	\$647,361,315	\$138.78	---	\$138.78
1988-89	\$843,557,516	---	\$843,557,516	\$176.08	---	\$176.08
1989-90	\$783,026,959	---	\$783,026,959	\$154.47	---	\$154.47
1990-91	\$645,693,335	---	\$645,693,335	\$128.64	---	\$128.64
1991-92	\$400,869,886	---	\$400,869,886	\$76.55	---	\$76.55
1992-93	\$495,625,449	---	\$495,625,449	\$92.51	---	\$92.51
1993-94	\$556,290,312	---	\$556,290,312	\$101.63	---	\$101.63
1994-95	\$642,689,584	---	\$642,689,584	\$115.83	---	\$115.83
1995-96	\$691,363,263	---	\$691,363,263	\$120.71	---	\$120.71
1996-97	\$610,907,801	---	\$610,907,801	\$105.10	---	\$105.10
1997-98	\$675,117,674	---	\$675,117,674	\$113.67	---	\$113.67
1998-99	\$701,247,002	\$26,386,933	\$727,633,935	\$114.69	\$4.50	\$119.19
1999-00	\$723,561,511	\$45,846,953	\$769,408,464	\$115.45	\$7.53	\$122.98
2000-01	\$788,283,761	\$113,586,258	\$901,870,019	\$123.41	\$18.07	\$141.48
2001-02	\$754,825,838	\$98,921,311	\$853,747,149	\$116.13	\$15.24	\$131.37
2002-03	\$724,398,500	\$81,987,888	\$806,386,388	\$110.81	\$12.55	\$123.36
2003-04	\$757,542,932	\$115,444,731	\$872,987,663	\$114.81	\$17.44	\$132.25
2004-05	\$798,071,559	\$150,062,564	\$948,134,123	\$119.69	\$22.34	\$142.03
<b>Average</b>			<b>\$691,950,439</b>			<b>\$122.60</b>

<sup>6</sup> Source: *Fact Book 2006: Handbook of Education Information*