LOTTERY FUND POLICY AND PROCEDURES

Lottery Policy

Overview

The California State Lottery Act of 1984 states:

- . . . "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 non-instructional purpose."
- Intent of lottery funds is to provide monetary support aligned with an instructional purpose for the education of pupils and students.
- Instructional purposes must principally reflect educational programs, services, and supplies that benefit students.

CSU lottery fund allocations to campuses and system-managed programs supplement the instruction and instructional-related expenditures of the CSU Operating Fund (CSU Fund 485). Lottery funds allocated to campuses are governed by state law and CSU lottery policies. Funds are allocated for instructional activities to achieve maximum impact in enhancing education. This means that lottery revenue should be used to "supplement" instruction and education beyond the expected level of state support and should not be used to replace programs and activities receiving state funds. Great care should be exercised to ensure that lottery revenue usage is clearly consistent with the intent of the California State Lottery Act of 1984 (CA Government Code Sec. 8880).

Fund Specifics

CSU Fund 481, Lottery Education Fund, is used to record lottery allocations and related expenditures. The activity funded must represent a bona fide educational experience for students that results in the development of materials to be used with students or leads to the development of a program or course.

The following is a non-comprehensive list of how lottery funds can and cannot be used:

a. Lottery funds **shall not** be used to substitute funds but rather shall supplement the total amount of money allocated to the CSU Operating Fund (CSU Fund 485).
b. Lottery funds may be used within CSU Fund 481 to augment and supplement state-funded educational programs for students so that Lottery revenue is not used to replace current or prospective state funding.
c. Lottery funds may **not** be used to pay faculty salaries or salary related expenses for state-funded classroom instruction.

d. Lottery funds may **not** be used to finance increases in the contracted rate of state-funded compensation paid to existing staff; thus, lottery funds may **not** be used to finance general employee compensation increases, bonuses, stipends, honoraria, and grants.
e. Lottery funds may **not** be used to finance faculty overloads. However, existing faculty may work a summer period under a personal services contract.
f. Any payment made to faculty or staff for contracted lottery fund services must be in accordance with collective bargaining agreements.
g. Lottery funds may **not** be used for the construction of facilities including the building or renovation of a facility, structure, or space.
h. Lottery funds may be used to purchase equipment and supplies that complement the construction of a building and are used for instructional purposes that benefit the education of students within a facility (i.e. instructional technology such as audio-visual equipment, computing equipment, chalkboards/smart-boards, student desks, acoustical materials, seating, etc.)
i. Lottery funds may **not** be used for financing research for faculty, staff, students, or external parties.
j. Lottery funds may be used to support student travel or attendance to a research symposium, conference, or sponsored program that directly relates to student education.

Carryforward

Campuses are expected to spend all Lottery funds during the fiscal year in which they are allocated. Once allocated to campuses, lottery funds will remain at the campus level and in compliance with CSU carryforward policy.

Campuses are expected to spend 100 percent of the allocation received each fiscal year. If any campus intends to carry-forward a Lottery Fund balance in any fiscal year, the carry-forward amount shall not exceed 80 percent of that fiscal year's allocation. Carry-forward balance in excess of the 80 percent threshold is subject to de-allocation by the Chancellor's Office. Fiscal year balances that continuously equal or exceed 80 percent of fiscal year lottery allocations may result in modifications to campus-based program allocations. Campuses must ensure that the carry-forward balance be used for the enhancement of the instructional program and that expenditure of the balance is clearly consistent with the intent of the California State Lottery Act of 1984.

Lottery Procedures and Guidelines

Accounting of Lottery Funds

a. The Academic Affairs Division determines the use of Lottery funds for educational support.
b. Lottery funds are awarded annually and must be expended prior to June 30 of the fiscal year received.
c. To ensure that funds are expended in the appropriate fiscal year, all encumbrances must be processed no later than March 31st of the fiscal year.
d. Lottery funds cannot be encumbered for use in the following fiscal year, except upon approval by the President of the University.
e. All expenditures exceeding the Lottery awards must be transferred to the Operating Fund through expenditure transfers.
f. Unexpended Lottery funds will remain in the Lottery Education Trust fund.

Finance & Administrative Services

a. The Academic Affairs Division provides accounting information (dollar amount and PeopleSoft chartfield string) to the University Budget Office for each Lottery award.
b. Upon receipt of the chartfield information, the University Budget Office posts the budget to the chartfield string provided.
c. Departments may begin expending funds as soon as the award is received.
d. Mid-year and year-end analysis are performed by the Divisions to identify budget balances available, and these reports are submitted to the Budget Office for further review.
e. Any deficit balance in department Lottery funds is the responsibility of the department.
f. Funds not expended by June 30th of the fiscal year will be returned to the Lottery Education Fund and are no longer available for use by the departments.
    a. Exceptions:
        i. Encumbered funds will be rolled forward into the next fiscal year if the goods or services have not been received by June 30.
        ii. If extenuating circumstances exist, the department can request to carryforward any Lottery funds remaining at June 30th of the current fiscal year by completing the 'Request for Restoration of Lottery Funds' form.

ARTICLE 1. General Provisions and Definitions [8880 - 8880.14]

(Article 1 added November 6, 1984, by initiative Proposition 37.)

8880.5.

Allocations for education:

The California State Lottery Education Fund is created within the State Treasury, and is continuously appropriated for carrying out the purposes of this chapter. The Controller shall draw warrants on this fund and distribute them quarterly in the following manner, provided that the payments specified in subdivisions (a) to (g), inclusive, shall be equal per capita amounts.

(a) (1) Payments shall be made directly to public school districts, including county superintendents of schools, serving kindergarten and grades 1 to 12, inclusive, or any part thereof, on the basis of an equal amount for each unit of average daily attendance, as defined by law and adjusted pursuant to subdivision (l).

(2) For purposes of this paragraph, in each of the 2008–09, 2009–10, 2010–11, 2011–12, 2012–13, 2013–14, and 2014–15 fiscal years, the number of units of average daily attendance in each of those fiscal years for programs for public school districts, including county superintendents of schools, serving kindergarten and grades 1 to 12, inclusive, shall include the same amount of average daily attendance for classes for adults and regional occupational centers and programs used in the calculation made pursuant to this subdivision for the 2007–08 fiscal year.

(b) Payments shall also be made directly to public school districts serving community colleges, on the basis of an equal amount for each unit of average daily attendance, as defined by law.

(c) Payments shall also be made directly to the Board of Trustees of the California State University on the basis of an amount for each unit of equivalent full-time enrollment. Funds received by the trustees shall be deposited in and expended from the California State University Trust Fund or, at the discretion of the trustees, deposited in local trust accounts in accordance with subdivision (j) of Section 89721 of the Education Code.

(d) Payments shall also be made directly to the Regents of the University of California on the basis of an amount for each unit of equivalent full-time enrollment.

(e) Payments shall also be made directly to the Board of Directors of the Hastings College of the Law on the basis of an amount for each unit of equivalent full-time enrollment.

(f) Payments shall also be made directly to the Department of the Youth Authority for educational programs serving kindergarten and grades 1 to 12, inclusive, or any part thereof, on the basis of an equal amount for each unit of average daily attendance, as defined by law.

(g) Payments shall also be made directly to the two California Schools for the Deaf, the California School for the Blind, and the three Diagnostic Schools for Neurologically Handicapped Children, on the basis of an amount for each unit of equivalent full-time enrollment.

(h) Payments shall also be made directly to the State Department of Developmental Services and the State Department of State Hospitals for clients with developmental or mental disabilities who are enrolled in state hospital education programs, including developmental centers, on the basis of an equal amount for each unit of average daily attendance, as defined by law.

(i) No Budget Act or other statutory provision shall direct that payments for public education made pursuant to this chapter be used for purposes and programs, including workload adjustments and maintenance of the level

of service, authorized by Chapters 498, 565, and 1302 of the Statutes of 1983, Chapter 97 or 258 of the Statutes of 1984, or Chapter 1 of the Statutes of the 1983–84 Second Extraordinary Session.

(j) School districts and other agencies receiving funds distributed pursuant to this chapter may at their option utilize funds allocated by this chapter to provide additional funds for those purposes and programs prescribed by subdivision (i) for the purpose of enrichment or expansion.

(k) As a condition of receiving any moneys pursuant to subdivision (a) or (b), each school district and county superintendent of schools shall establish a separate account for the receipt and expenditure of those moneys, which account shall be clearly identified as a lottery education account.

(l) Commencing with the 1998–99 fiscal year, and each year thereafter, for purposes of subdivision (a), average daily attendance shall be increased by the statewide average rate of excused absences for the 1996–97 fiscal year as determined pursuant to the provisions of Chapter 855 of the Statutes of 1997. The statewide average excused absence rate, and the corresponding adjustment factor required for the operation of this subdivision, shall be certified to the Controller by the Superintendent of Public Instruction.

(m) It is the intent of this chapter 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.

(Amended by Stats. 2016, Ch. 227, Sec. 1. (AB 2215) Effective January 1, 2017. Note: This section was added on Nov. 6, 1984, by initiative Prop. 37 (the California State Lottery Act of 1984).)

CHAPTER 13 CSU LOTTERY FUND CSU FUND: 481 FUND TYPE: CSU Proprietary – Enterprise Trust Fund AUTHORITY: Government Code Section 8880.1, 8880.5 Education Code (EC) 89721(j) and EC 89722.5 1.0 OVERVIEW AND DEFINITIONS Lottery funds for the CSU are managed by the Systemwide Budget Office. For details regarding the Lottery Fund, please refer to the Systemwide Budget Office website, Lottery. See link provided in Section 7.0, Resources. 2.0 FUND SPECIFICS Please refer to the Systemwide Budget Office website, Lottery. See link provided in Section 7.0, Resources. 3.0 FUND MANAGEMENT AND ACCOUNTING PRACTICES 3.1 Campus-Based Program Allocations As described on the Systemwide Budget Office website, campus-based lottery revenue allocated to the campuses is intended to permit maximum flexibility to meet unique needs, which ultimately lead to enhancing the quality of students' campus life and academic environment. The specific uses of campus based program funds must be consistent with the policies of the lottery revenue as expressed in law and CSU guidelines and procedures. Campus-based program allocations are distributed to the campuses quarterly via an ADNOAT (Accounting Department Notice of Accounting Transaction). Planned Annual Allocation Schedule2 Month Distributed Percentage of Annual Allocation October 15% January 35% April 30% June 20% The lottery allocation will be administered by the SCO using a transfer request. Campuses will record the transactions with a credit to FIRMS object code 506121, Transfers in From CSU Lottery Education Fund (Interagency) and an offset to Fund Balance Clearing, FIRMS object code 305022. Legal Accounting & Reporting Manual 138 Financial Services 2 The Planned Annual Allocation Schedule may be adjusted to reflect actual receipt of lottery fund allocations from the State. (Note: For the Chancellor's Office

only, the offset is to FIRMS object code 101004, Cash in State Treasury). These entries will result in a credit balance in object code 101100, CSU Consolidated Investment Pool (CIP)because expenses are disbursed using 101100 while revenue is recorded to 305022. To resolve the abnormal balance in 101100, the campus should make the following entries: In CSU Fund 481 Debit 101100 Credit 305022 In CSU Fund 485 (using the campus central sweep fund) Debit 305022 Credit 101100 At the state fund level, 0948 remains correctly stated. See chapter 34, Banking and Investments, for more information. 3.2 Special Allocations Although Lottery Fund allocations are typically accomplished via a SCO transfer request, there will be events that require the Systemwide Budget Office to distribute lottery revenue via an Interagency Financial Transaction. These occur in instances when lottery carryforward balances, reserve funds or revenues set aside for supplemental purposes, are drawn upon for distribution. For example, funding for the Early Start Waiver Reimbursement Program and the CO system programs (e.g. the CSU Summer Arts Program and CO administrative costs) will continue to be issued through an IFT. In general, IFTs for special allocations will be recorded with a debit to FIRMS object code 101100, CSU Consolidated Investment Pool (CIP), and a credit to FIRMS object code 571000, Transfer In within the Same CSU Fund within state fund 0948. However, for the Early Start Waiver Reimbursement Program, the debit will be to FIRMS object code 131481, Due From CSU 481 - TF Lottery Education Fund within state fund 0948. The Pre-Doctoral (Pre-Doc) Program is a lottery-funded program. The Pre-Doc Department at the Chancellor's Office transfers lottery funds to applicable campuses for Sally Casanova Scholars summer internships. The CO prepares an Interagency Financial Transaction (IFT) request to initiate the transaction indicating that money has been subtracted from the CO's CIP account and has been added to the campus account. The campus is instructed to debit 101100 and credit 206701, Depository Accounts Current, in CSU fund 436. Upon issuing the scholarship, campuses are to offset this same liability account. No revenue or expenses are to be recorded in conjunction with these types of transactions by the campus. The CO is instructed to debit 609005, Other Student Scholarships/Grants, and credit 101100, in CSU fund 481. See Chapter 32, Financial Assistance - Campus/Local/Non-governmental, for more detailed accounting instructions for scholarship agency transactions. Request for Cash Transfer Order (RCTO) is used when a Chancellor's Office department (e.g., Academic Senate) initiates a transfer in support of a specific campus program. These IFTs are issued by the Chancellor's Office Budget Department. RCTO may only be recorded in the Lottery Fund (CSU fund 481) or the CSU Operating Fund (CSU fund 485). In 485, the campus will always record the transactions in FIRMS object code 572000, Transfer In – RMP SWAT and in 481 the transactions will be recorded in the transfer object codes, 571000, Transfer In, and 671000, Transfer Out. Legal Accounting & Reporting Manual 139 Financial Services 3.3 Unique FIRMS Object Codes For object code definitions, please see the Tables of Object Code and CSU Fund Definitions at the SFSR website. 130000 - Due From the same CSU Fund in 0948 131000 - Due From the same CSU Fund in 0948 (Inter-agency) 230000 - Due to the same CSU Fund in 0948 231000 - Due to the same CSU Fund in 0948 (Inter-agency) 506021 - Transfers In

From CSU Lottery Education Fund (CO only) 571000- Transfers In within the same CSU Fund 0948 between Campus and CO/Campus (except SWAT) 671000- Transfers Out within the same CSU Fund 0948 between Campus and CO/Campus (except SWAT) A listing of valid accounts for 481 can be found in the FIRMS Legal Edits Table at the SFSR website. See link provided in Section 7.0, Resources. 3.4 Scholarships Lottery funds may be used for scholarships on a limited basis. The CO has established project numbers for the various programs funded by lottery monies (see the link in Section 7.0 for Lottery Project Codes) and determines the amounts allocated to the campuses for each program. The amount allocated to General Campus-Based Programs can be used at the discretion of the campus, including for scholarships. Scholarships funded by lottery monies must specifically be for an instructional purpose, such as attracting students who enhance the academic community through diversity or other demonstrable measures. Further information pertaining to campus-based programs is located on the Systemwide Budget Office website, Lottery. See link provided in Section 7.0, Resources. 4.0 REPORTING REQUIREMENTS For reporting requirements, please reference the Systemwide Budget Office website, Lottery. See link provided in Section 7.0, Resources. 5.0 FUND BALANCE The campus reserve policy is recorded in the Designated Balances and Reserves policy, which is located on the CSU Policy Library website. See link provided in Section 7.0, Resources. For further instructions for recording the reserves in the ledger, please see Chapter 4, Year End, Section 5.0, Fund Balance. 6.0 GAAP IMPACT There is no GAAP impact. 7.0 RESOURCES California State Lottery Act of 1984 Legal Accounting & Reporting Manual 140 Financial Services Education Code 89721 and 89722.5 Government Code Section 8880.1 and 8880.5 Executive Order 1000 Systemwide Budget Website SW Budget Office, SW Lottery Policy, Procedures and Guidance Campus-Based Programs Lottery Project Codes Designated Balances and Reserves Legal Edits Tables Legal Accounting & Reporting Manual 141 Financial Services REVISION CONTROL Document Title: CHAPTER 13 – Lottery