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Systemwide Lottery Policy, Procedures, and Guidance

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I. Policy

CSU lottery policy is aligned with the provisions of the California State Lottery Act of 1984, Section 8880 of the California Government Code. This Systemwide Lottery Policy, Procedures and Guidance is consistent with policy established for the fiscal management of lottery funds in the Delegation of Fiscal Authority and Responsibility

Government Code Section 8880.5 declares California legislative intent that "all funds allocated from the California State Lottery Education Fund be used exclusively for the education of pupils and students" and requires that "**...no funds shall be spent for acquisition of real property, construction of facilities, financing of research, or any other non-instructional purpose.**"

II. Procedure

A. Instructional Purpose

The 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 or supplies that benefit students. Costs may cross any of the following six program categories used to determine the marginal cost of instruction: Instruction (01), Academic Support (04), Student Services (05), Institutional Support (06), Operations and Maintenance of Plant (07) and Scholarships and Fellowships (08).

B. Supplemental

Government Code Section 8880.1 declares the intent of the People of the State of California that "**net revenues of the California State Lottery shall not be used to substitute funds but rather shall supplement the total amount of money allocated for public education in California.**"

The CSU receives "net revenues" from State Lottery Fund 0839, which is revenue from lottery receipts

adjusted for expenses to administer the state lottery program. The CSU allocates lottery revenue received from the state to universities and system-managed programs after an annual allowance for chancellor's office (CO) expenses related to the management of CSU Lottery Education Fund. As such, no costs are incurred by the CO's Operating Fund (CSU Fund 485) for services, products and facilities related to the Lottery Education Fund (CSU Fund 481).

CSU lottery fund allocations to universities and system-managed programs supplement the instruction and instructional-related expenditures of the CSU Operating Fund (CSU Fund 485). The chancellor is delegated authority by the Board of Trustees to utilize any and all lottery fund allocations received from the state to fulfill or adjust the approved annual lottery budget expenditure plan, as well as instructional and instructional-related activities. The chancellor shall report on how unallocated receipts were used in compliance with this authority as part of the annual lottery expenditure report to the Board of Trustees.

C. Construction of Facilities

The CSU defines the restriction on the use of lottery funds for "construction of facilities" to include all expenses that support building or renovation of a facility, structure or space. 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 are not restricted and may be funded with lottery revenue. These include, but are not limited to, instructional technology such as audio-visual equipment, computing equipment, whiteboards or smart-boards, as well as student desks, acoustical materials, and seating. Additionally, "construction of facilities" does not prohibit the pledge of lottery funds to secure the payment of debt obligations issued by the Trustees of the CSU (see Education Code Section 89770).

D. Financing Research

The CSU defines the restriction on the use of lottery funds for "financing research" as financial support for any independent or group activity by faculty, staff, students or external parties to the CSU that involves investigation or experimentation aimed at the discovery and interpretation of facts, revisions of accepted theories or laws, or the application of new or revised theories or laws. The definition of "financing research" does not include expenses that support student travel or attendance to a research symposium, conference or sponsored program that is directly related to student education.

E. Fund Specifics

CSU Fund 481, Lottery Education Fund, is used to record lottery allocations and related expenditures. Except as otherwise noted for the CO annual administrative allowance, the activity funded 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.

1. Substitution/Supplanting

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). Lottery funds may be used within CSU Fund 481 to augment and supplement state-funded educational programs for students.

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2. Rate of Compensation

Lottery funds shall not be used to finance increases in the contracted rate of state-funded compensation paid through the CSU Operating Fund to existing staff.

3. Faculty Salaries for State Funded Classroom Instruction

Lottery funds shall not be used to pay faculty salaries or salary-related expenses for state-funded classroom instruction. Lottery funds may be used within CSU Fund 481 for expenses related to the development or enhancement of state-funded classroom instruction and educational programs for students.

4. Merit Based Pay for State-Funded Service Activities

Lottery funds may not be used for meritorious state-funded service (e.g., to finance general employee compensation increases or to distribute monetary awards such as bonuses, stipends, grants, honoraria).

Lottery funds may be used within CSU Fund 481 to augment and supplement compensation for lottery-funded activities. An example includes, but is not limited to, the provision of supplemental pay for faculty participating in the Pre-Doctoral Program. Any payment made to faculty or staff for contracted lottery fund services from the lottery fund (CSU Fund 481) must meet the criteria for lottery funds as stated in Section 1 above and must be in accordance with collective bargaining agreements, as applicable. When appropriate, approvals should be obtained prior to the start of assigned work being funded with lottery revenues including consultation with the Systemwide Human Resources office to ensure the proper payment method is utilized.

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F. Principles

It is appropriate to allocate funds to enhance student education based on needs and opportunities unique to individual universities, as well as needs and opportunities common to most, if not all, of the universities and the CSU system as a whole. All determinations of lottery revenue usage, whether by university presidents, the chancellor, or the Board of Trustees, will employ the following principles:

1. Creation of Endowment Accounts

The creation or maintenance of university lottery endowment accounts may not occur.

2. Program Expenditures

Lottery funds allocated to universities are governed by state law and CSU lottery policies. Funds will be 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 (Government Code Section 8880).

3. Systemwide Reserve & Receipt Variances

The CSU makes a concerted effort to accurately anticipate annual lottery receipts. Of the total funds estimated to be available, a reasonable amount will 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 designated at the system level to allow for potential fluctuation in lottery revenue receipts without disrupting the approved program expenditure plan. If funds in excess of the established systemwide reserve are received during the fiscal year, they shall remain uncommitted at the system level and available for expenditure at the discretion of the chancellor as described in this section.

4. Campus-Based Programs

Lottery revenue allocated to the universities 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 lottery revenue as expressed in law and CSU guidelines and procedures.

Adjustments to lottery fund allocations will be based upon university enrollment and available revenue.

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G. Fund Management and Accounting

Each year, lottery revenue funds will be allocated to programs designated by the CSU in the Lottery Revenue Budget and distributed to universities and system-programs upon adoption of the budget by the Board of Trustees and receipt of funds from the state. Lottery activities must be managed separately from other state or CSU funds. Once allocated to universities, lottery funds will remain at the university level and in compliance with CSU Designated Balances and Reserves policy. Fund management and accounting shall follow policies and procedures identified in the CSU Legal Accounting and Reporting Manual.

H. Reporting Requirements

The following list identifies various reports required annually:

1. Required by the State of California

Control Section 24.60 of the annual state budget act requires the CSU to report to the governor and legislature, no later than May 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

A report of actual university expenditures for the past fiscal year and planned expenditures for the current fiscal year is reported to the CO each year. The CO uses this information to prepare reports to the

Board of Trustees, as requested, on actual and planned lottery expenditures.

3. Campus Program Reporting Requirements

Financial Information Records Management System (FIRMS) reporting instructions are furnished by the CO to the university each year. FIRMS budget submissions are due from each university to the CO in August of each fiscal year.

4. Chancellor's Office Reporting Requirements

The CO maintains a report that provides a description of how unallocated and one-time lottery funds have been used each fiscal year. The report describes the purpose and expenditure of funds and provides sufficient documentation authorizing the allocation of funds.

I. Fund Balance

Universities are expected to spend all lottery funds during the fiscal year in which they are allocated. See CSU Designated Balances and Reserves policy for information related to campus lottery fund balances.

J. Resources

For additional information on lottery program funding, please reference the following resources:

- Education Code Sections 89721 – 89725.1
- CSU Lottery Webpage
- Lottery Project Codes

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III. Authority

This policy is issued pursuant to Section II of the Standing Orders of the Board of Trustees of the California State University as further delegated by the Standing Delegations of Administrative Authority. The president may delegate authority and responsibility described in this policy to other university officials pursuant to Section VI of the Standing Orders of the Board of Trustees of the California State University.

All Revision Dates

9/17/2024, 7/31/2023, 5/12/2022, 12/10/2019

Approval Signatures

Step Description	Approver	Date

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Area Manager	Bradley Wells: Assoc VC, Business & Finance	9/17/2024
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