

1998/99 Lottery Revenue Fund Expenditure Report

INTRODUCTION

Pursuant to Section 24.60 of the 1998/99 Budget Act, the following represents the California State University's Lottery Report to the Legislature. This report is divided into three sections. The first section contains information regarding budgeted and actual revenues and program expenditures for fiscal year 1998/99. The second section contains the 1999/00 projected revenues and proposed program expenditures. The last section includes lottery program descriptions.

SECTION I - 1998/99 REVENUES AND EXPENDITURES

Each year the California State University Board of Trustees' adopts a Lottery Revenue Budget. For the 1998/99 fiscal year, the Board adopted a budget totaling \$29.8 million as shown in Table 1. Revenue, below. The 1998/99 lottery budget was based on an estimated beginning balance of \$6.7 million, estimated receipts of \$27.3 million and a systemwide reserve of \$5.9 million.

Table 1. Revenue Fiscal Year 1998/99		
	Budgeted	Actual
Beginning Balance	\$6,700,000	\$8,366,002
Receipts	27,300,000	32,793,475
Interest Income	1,200,000	1,807,995
Total Available Revenue	35,700,000	42,967,472
Less: Systemwide Reserve	-5,900,000	-5,900,000
Available for Allocations	29,800,000	37,067,472

The CSU traditionally conservatively budgets lottery revenue due to the uncertain nature of this revenue source. The benefits of this conservatism are demonstrated upon reviewing the actual budget amounts. For instance, the actual receipts received were \$5,493,475 higher and interest earnings were \$607,995 higher than budgeted. This has resulted in providing needed cash surpluses to start the new fiscal year.

During 1998/99, the California State University (CSU) received a total of \$34.6 million in new lottery generated revenue. This includes both actual lottery revenue as transferred to the CSU by the State Controller's Office (SCO) and the State's Surplus Money Investment Fund Interest Earnings. Actual receipts generated from state lottery revenue for 1998/99 are as follows:

Quarter Earned Ending	Date Received	Amount Received
June 30, 1998	November 30, 1998	\$9,003,093
September 30, 1998	December 31, 1998	8,042,114
December 31, 1998	March 31, 1999	7,667,978
March 31, 1999	June 29, 1999	8,070,289
Total Lottery Revenue Received		\$32,793,475

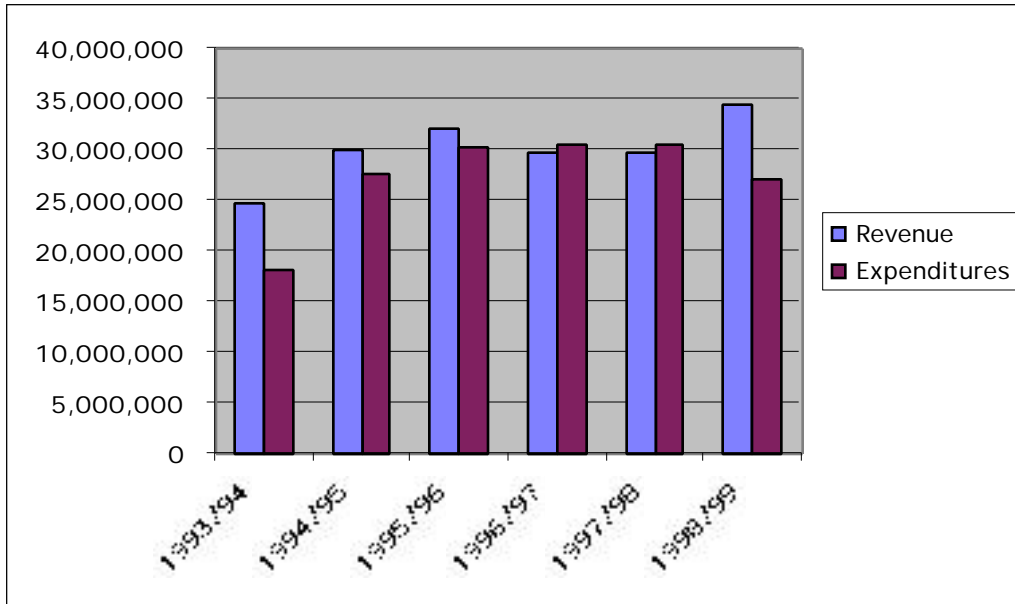
The CSU also earned interest on unexpended balances during 1998/99:

Amount Earned through 6/30/98	\$937,249
Amount Earned through 12/31/98	870,746
Total SMIF Interest	\$1,807,995

The total lottery budget for the 1998/99 fiscal year was \$29.8 million and was spread among the programs shown in the table below. From the \$29.8 million budgeted for lottery programs, the CSU expended \$27.0 million. The table below displays the amounts budgeted and expended per lottery program.

Lottery Program	1998/99 Original Budget	1998/99 Expenditures
Access and Academic Development	\$4,604,000	\$4,151,610
CSU Scholarship Program for Future Scholars	660,000	605,817
Forgivable Loan/Doctoral Incentive Program	3,525,000	31,615
Summer Arts	1,100,000	1,420,256
Teacher Recruitment	1,575,000	1,323,050
California Pre-Doctoral Program	573,000	357,625
Campus-Based Programs	17,322,000	16,609,711
Implementation	441,000	253,008
Technology	0	2,296,289
Total	\$29,800,000	\$27,048,981

The graph below demonstrates CSU's expenditures in relation to the revenue received in each of the past six years.



For fiscal year 2000/01, the CSU has significantly increased the campus-based program expenditure projections to more closely reflect recent actual lottery receipts.

Instances where the expended amounts are greater than the budgeted amounts are due to the CSU using unexpended balances from prior years to pay both current year expenses and prior year encumbrances.

SECTION II - PROPOSED 1999/00 REVENUES AND EXPENDITURES

Projected revenue was comprised of an estimated Beginning Balance of \$6.7 million, new Receipts projected to be \$27.3 million, System Interest Earnings of \$1.7 million and setting aside a Systemwide Reserve of \$5.9 million. The reserve serves as a cushion for economic uncertainties and cash flow variations due to fluctuations in lottery receipts and to provide funds for projects to be determined by the chancellor.

The table below illustrates the projected revenues for 1999/00.

Table 4. 1999/00 Projected Revenues	
Beginning Balance, Estimated	\$ 6,700,000
Receipts	27,300,000
Interest Earnings	1,700,000
Total Available Revenue	\$ 35,700,000
Less Systemwide Reserve	-5,900,000
Available for Allocation	\$29,800,000

Planned expenditures for 1999/00 total \$29.8 million as indicated in Table 5, below. This budget level is the same as in the 1998/99 budget.

Planned program expenditures for 1999/00 are displayed in table 5, below. The planned expenditures of \$29.8 million match expected revenues shown in table 4.

Table 5. 1999/00 Planned Expenditures	
Program	Fiscal Year 1999/00
Access & Academic Development	\$4,604,000
CSU Scholarship Program for Future Scholars	660,000
Forgivable Loan/Doctoral Incentive Program	2,525,000
Teacher Recruitment	1,575,000
California Pre-Doctoral Program	573,000
CSU Summer Arts Program	1,100,000
Campus-Based Programs	18,322,000
Implementation Costs	441,000
Total	\$29,800,000

SECTION III - LOTTERY PROGRAM DESCRIPTIONS

Access & Academic Development

Campuses have the discretion to determine how these funds are distributed among the educational equity functions of: outreach and access, transfer, basic skills and development, and retention and graduation.

Educational equity efforts and activities are defined as those conceived, designed, and established to increase college participation, retention, and graduation of students from educationally and economically disadvantaged backgrounds. Although these efforts and activities may provide services and information that promote access and retention of all students, a substantial portion of resources must be devoted to educationally and economically disadvantaged students.

CSU Scholarship Program for Future Scholars

The CSU Scholarship Program for Future Scholars is an effort to increase the college participation rates of disadvantaged students. The program provides scholarships for CSU students who meet regular CSU admission requirements and who are disadvantaged because of their economic or educational background. Indicators of educational disadvantages include little or no education in family beyond elementary or secondary school, first in family to attend college, lack of parental encouragement to attend college, low socioeconomic level of school population, low ranking of school on statewide tests, absence of counseling toward higher education, or graduation from a high school with a low college participation rate. Economic disadvantages may include low income, migrant family pattern and rural isolation, residence in a poverty area, or a high percentage of community receiving public assistance.

Awards are made to first-time freshman and transfer students on the basis of their potential to succeed in university study. Scholarship funds are awarded at an average of \$1,000 per student and are included as part of the student's financial aid package.

Forgivable Loan/Doctoral Incentive Program

The Forgivable Loan/Doctoral Incentive Program provides financial assistance to graduate students and is designed to increase the diversity of persons qualified to fill instructional faculty positions at campuses of the CSU. It is a competitive program directed by the CSU but open to doctoral students at accredited universities across the country.

Doctoral students in the program are sponsored by CSU full time tenure-track faculty. CSU faculty sponsorship is intended to establish early relationships between CSU academic departments and program participants, to encourage the students during their doctoral studies, and to provide experience that will stimulate interest in a teaching career in the CSU.

A major incentive for loan recipients to seek teaching positions in the CSU is that loans are forgiven at a rate of 20 percent for each year of full-time teaching in the CSU subsequent to completing the doctorate and successfully competing for a faculty position.

Teacher Recruitment (Teacher Diversity)

The CSU Teacher Recruitment Projects seek to make the teaching workforce serving in California's schools more inclusive. The goal of these projects is to attract teacher aides from K-12 schools who are interested in pursuing a teaching career, as well as secondary students and community college students from environments in which teaching has not been a common career goal, and help them succeed in qualifying for entrance to the teaching profession. This program provides funding to the campuses. Teacher Recruitment projects designed by each campus correspond to unique regional characteristics, target multiple audiences, and include strategies which have proven successful in recruiting students to teaching. Strategies employed range from the provision of academic support and academic advisement to career counseling and exposure to teaching. These projects are intersegmental and involve local districts and community colleges.

California Pre-Doctoral Program

The California Pre-Doctoral Program, initiated in the 1989/90 academic year, was developed cooperatively by the California State University and the University of California. It is designed to increase the pool of potential faculty by supporting the doctoral aspirations of California State University students who have experienced economic and educational disadvantages. Inculcation of students in the profession is stressed through mentoring by faculty, involvement in formal and informal scholarly and research opportunities, interaction with doctoral-granting institutions, membership in professional associations, and attendance at professional conferences. Students are supported to attend events designed to interest students in graduate study and scholarly careers.

A portion of the funding will help support the California Graduate Education Forum. The Forum, held for the first time in 1991, brings together promising juniors, seniors, and master's degree students for a series of workshops covering all aspects of doctoral work.

The California Pre-Doctoral Program will also promote efforts to improve coordination of CSU master's degree programs with the doctoral programs of other institutions so that a better pipeline will develop. As in prior years, a modest amount of faculty travel will be supported so that CSU faculty can accompany the selected students to visit Ph.D. granting institutions to learn more about opportunities for doctoral study and to establish ongoing faculty-to-faculty relationships with faculty at the doctoral granting institutions. Support for attendance at professional conferences may be provided for students and their faculty sponsors. Each CSU campus receives a modest amount for supplies and services so that the campus-designated Pre-Doctoral

Advisor can collect and disseminate information on doctoral study. A part-time systemwide Pre-Doctoral Program Coordinator will continue to coordinate these activities and to participate in and provide leadership for related programs, such as the California Graduate Education Forum.

CSU Summer Arts Program

The California State University Summer Arts program is a multidisciplinary systemwide program offering academic credit plus a festival in the visual, performing and literary arts. The academic component offers two to four-week residency workshops in arts education, creative writing, dance, music, film/video, theater, performance, visual arts, and new technology.

Campus-Based Programs

Funds used for Campus-Based Programs represent a significant source of funds that permit campuses and the CSU in general to fund instructional activities which lead to the enhancement of the quality of campus life. By using these funds, campus authority and managerial discretion is increased. The use of Campus-Based Program funds allows campuses maximum flexibility in meeting unique campus needs. In keeping with past lottery revenue budgets, such funds are allocated to achieve maximum impact in enhancing instruction. Purchases have included the new instructional equipment, instructional equipment replacement, curriculum development, scholarships, and the acquisition of new library materials including periodicals, serials, monographs, and other items directly related to the instructional program.