

401 Golden Shore, 5th Floor
Long Beach, CA 90802-4210

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Steve Relyea
Executive Vice Chancellor
and Chief Financial Officer

562-951-4600
srelyea@calstate.edu

May 16, 2022

Nancy Skinner
Joint Legislative Budget Committee
1021 O Street, Suite 8630
Sacramento, CA 95814

Gabriel Petek
Legislative Analyst Office
925 L Street, #1000
Sacramento, CA 95814

Keely Bosler, Director
Department of Finance
1021 O Street, Suite 3110
Sacramento, CA 95814

Erika Contreras
Secretary of the Senate
State Capitol, Room 305
Sacramento, CA 95814

Cara L. Jenkins
Legislative Counsel
1021 O Street, Suite 3210
Sacramento, CA 95814

Sue Parker
Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

RE: 2020-21 Lottery Revenue Fund Receipts and Expenditures

The attached report provides an overview of current lottery programs, expenditures, and receipts for fiscal year 2020-21 and a projected lottery budget for 2021-22.

The Lottery Act authorizes the use of proceeds from lottery sales for public education, specifically in support of instructionally-related purposes. These lottery funds are used to support campus-based and systemwide programs for the benefit of CSU students.

Section 24.60 of the Budget Act of 2021 requires each state entity receiving lottery funds to annually report to the Governor and the Legislature the amount of lottery funds that the entity received and the purposes for which those funds were expended in the prior fiscal year, including administrative costs.

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

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Should you have any questions about this report, please contact Eric Bakke, Interim Assistant Vice Chancellor, Advocacy and State Relations at (916) 445-5983.

Sincerely,



Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

SR:dr

Full report posted to <https://www.calstate.edu/impact-of-the-csu/government/Advocacy-and-State-Relations/Pages/legislative-reports.aspx>

- c: Members, California State Legislature
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Lisa Qing, Senior Fiscal & Policy Analyst, Legislative Analyst Office
Jolene Koester, Interim Chancellor, California State University
Sylvia A. Alva, Executive Vice Chancellor, Academic and Student Affairs
Eric Bakke, Interim Assistant Vice Chancellor, Advocacy and State Relations
Ryan Storm, Assistant Vice Chancellor for Budget
Jeni Kitchell, Executive Budget Director

2020-21 Lottery Revenue Fund Receipts and Expenditure Report

May 2022

INTRODUCTION

Each year, pursuant to Section 24.60 of the Budget Act, the California State University (CSU) must report on lottery receipts and expenditures for the prior fiscal year to the Governor and the Legislature. This report satisfies the statutory requirement and is divided into two sections. The first section contains information regarding budgeted and actual revenues and program expenditures for fiscal year 2020-21. The second section contains projected revenues and program expenditures for fiscal year 2021-22.

SECTION I – 2020-21 REVENUES AND EXPENDITURES

The CSU Board of Trustees traditionally adopts the lottery budget each November. In fiscal year 2020-21, the Board of Trustees approved a budget of \$58.9 million. The CSU takes a cautious approach when budgeting lottery funds based on the inconsistent nature of lottery receipts. Table 1 below shows the budgeted and actual revenues and expenditures.

The budget includes a lottery reserve of \$5 million. Since fiscal year 2010-11, the Board of Trustees has voted to maintain a reserve to manage the distribution of lottery revenue to campuses pending quarterly receipts from the State Controller's Office and to address unforeseen budgetary challenges that require immediate action. Allowing for a systemwide reserve of \$5 million, the approved lottery budget available for allocation for various campuses and systemwide programs is \$53.9 million.

Table 1: Approved and Actual Lottery Revenues and Expenditures for FY 2020-21

	Approved	Actual
Beginning Reserve	5,000,000	5,000,000
Receipts Available for Allocation	53,872,000	65,311,000
Total Revenues	58,872,000	70,311,000
Lottery Reserve	5,000,000	5,000,000
Campus-based Programs	35,644,000	39,228,000
Early Start Program - Financial Aid	5,000,000	-
Forgivable Loan/Doctoral Incentive Program	2,000,000	-
CSU Summer Arts Program	1,500,000	582,000
DREAM Loan Program	2,000,000	1,777,000
California Pre-Doctoral Program	1,038,000	851,000
Electronic Core Collection	6,000,000	6,000,000
Lottery Fund and System Programs Administration	690,000	730,000
Total Expenditures	58,872,000	54,168,000

Actual revenues in fiscal year 2020-21 totaled \$70.3 million, which includes \$5 million in carryforward funds for the lottery reserve and \$65.3 million in receipts from the state. The latter represents an increase of \$11.4 million due to higher than anticipated lottery receipts.

As shown in Table 1, the CSU expended a total of \$54.2 million (including \$5 million for the reserve), about \$4.7 million below the approved expenditures. Due to remote instruction and temporary disruptions caused by the pandemic, certain programs did not fully expend their funds. Additionally, the Chancellor's Office and campuses used carryforward balances from 2019-20 to support several systemwide and campus programs, such as Early Assessment Program support, technology initiatives, and other academic programs.

All programs funded with lottery receipts follow the CSU lottery guidelines, which are consistent with the California Lottery Act. Detailed program information is provided below.

Forgivable Loan/Doctoral Incentive Program

The Forgivable Loan/Doctoral Incentive Program provides financial assistance to graduate students and is designed to increase the pool of individuals who show promise of becoming strong candidates for CSU instructional faculty positions. It is a highly competitive program directed by the CSU and open to applicants who will be new or continuing full-time students in doctoral programs at accredited universities anywhere in the United States. Individuals in the program, however, must be sponsored by CSU full-time, tenure-track faculty for a number of reasons: one, to establish early relationships between doctoral students and CSU academic departments; two, to encourage students during their doctoral studies; and three, to provide experience that will stimulate interest in a teaching career in the CSU. A major incentive for participants in the program is the opportunity to pursue full-time doctoral studies underwritten by loans that can be forgiven at a rate of 20 percent for each year of full-time teaching at the CSU after completing their doctoral studies.

Although this forgivable loan program has been historically funded through lottery allocations, in recent years, a number of doctoral students who received loans through the program have not completed their doctoral studies or defaulted on loans, resulting in the collection of original loan dollars. Those collected dollars have been held in trust, which have successfully funded the forgivable loan program in subsequent years. If and when the trust is exhausted, lottery funding will supplement available funds on an as-needed basis. The CSU remains committed to maintaining the availability of the full \$2 million program fund allocation each year in case the trust is ever exhausted.

California Pre-Doctoral Program

Beginning in 1989-90, the California Pre-Doctoral Program was developed cooperatively by the CSU and the University of California. It is designed to increase the pool of potential CSU and UC faculty by supporting the doctoral aspirations of CSU students who have experienced economic and educational disadvantages. The plan is tailored to the specific goals and career objectives of the student. Students are motivated to enter the profession 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.

Each of the applicants selected is designated as a "Sally Casanova Pre-Doctoral Scholar" as a tribute to Dr. Sally Casanova. The scholars work closely with California State University faculty sponsors to develop an overall plan, which leads ultimately to enrollment in a doctoral program. Students are

supported to attend events designed to interest them in graduate study and scholarly careers. A major component of the program is the summer research experience wherein scholars have the opportunity to participate in a structured eight to ten week fully funded research project under the supervision of a professor at a prominent doctoral granting institution.

The California Pre-Doctoral Program is designed to improve coordination between CSU master's degree programs and participating doctoral institutions, so that a better pipeline of potential academic talent will develop. As in prior years, a modest amount of faculty travel was supported so that CSU faculty could accompany the selected students visiting Ph.D. granting institutions. This enables the students to learn more about opportunities for doctoral study and to establish ongoing relationships with faculty at the doctoral granting institutions.

In fiscal year 2020-21, the program had 76 scholars. Of these scholars, 30 are currently enrolled in doctoral programs throughout the United States, including nine in the UC system.

CSU Summer Arts Program

CSU Summer Arts began in 1986 as a dance program housed on the campus of CSU Long Beach and has since developed into 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. Students from throughout the CSU system, as well as from other colleges and universities throughout the nation, are encouraged to apply, as are practicing teachers, arts professionals, and serious amateurs in various arts areas. Scholarships are available to those who qualify. All courses are coordinated by members of the CSU faculty and are taught by guest artists at the top of their fields. The CSU Summer Arts Program gives students the opportunity to come together and share what they have in common-creative expression.

Since 2017, the CSU Summer Arts Program has been held at Fresno State. The program incurred a cost of \$582,000 in the summer of 2020.

Campus-Based Programs

At \$39 million, about 72 percent of the lottery expenditures in 2020-21 supported campus-based programs. These funds support new and replacement instructional equipment, curriculum development, scholarships, library materials and subscriptions, and other instructionally-related items.

Prior to fiscal year 2000-01, campuses designated specific funding levels for access and academic development, CSU Scholarship Program for Future Scholars, and teacher diversity and recruitment. Subsequently, campus-based program funding became mostly undesignated to allow campuses maximum flexibility to meet unique campus needs while maintaining the CSU's efforts to increase outreach and teacher recruitment. This also provides discretionary authority for resource managers to respond quickly to changes in campus needs.

Early Start Program—Financial Aid

In May 2009, the Board of Trustees adopted a resolution authorizing the development of an Early Start Program (ESP). The program serves first-time, full-time freshmen students who are deficient in math

and/or English skills through corequisite or developmental instruction during the summer term prior to matriculation at any of the CSU campuses. The program successfully launched in summer 2012. The Board of Trustees authorized the use of \$5 million in lottery funds for the summer 2014 program to provide financial aid to students demonstrating need who enroll in the ESP. The summer 2020 program was suspended due to the pivot to remote instruction and uncertainty of summer plans. The summer instructional component will continue in the future.

DREAM Loan Program

In 2014, Senate Bill 1210 was signed into law, creating the California DREAM Loan Program. Starting with the 2015-16 academic year, this program provides loans to undergraduate students who satisfy specified academic, enrollment, and high school graduation requirements. An eligible student can borrow up to \$4,000 per year, with maximum aggregate limit of \$20,000 at any one institution. Interest does not accrue while the student is enrolled at least half-time, has an approved deferment, or during the six-month grace period before scheduled repayment begins.

In 2020-21, 464 students received a DREAM loan for a total cost \$1.8 million.

Lottery Fund and System Programs Administration

In 2020-21, a total of \$730,000 supported Lottery Fund and System Programs Administration. These funds support administrative functions for the lottery program. Chancellor's Office staff are responsible for recording state receipts, issuing allocations, preparing the budget and reports, and other administrative tasks.

Over the past few years, this budget line item was not adjusted to more accurately align anticipated and actual salary, benefit, and other administrative costs. Going forward, it is CSU's intention to better align the budgeted and actual costs.

SECTION II – 2021-22 PROJECTED REVENUES AND EXPENDITURES/ALLOCATIONS

In November 2020, the Board of Trustees approved the 2021-22 lottery budget of \$58.9 million, which includes a budgetary reserve of \$5 million. The reserve is also available for special instructionally-related projects the chancellor may determine are necessary during the fiscal year. Thus, the amount available for allocation and expenditure is \$53.9 million.

Table 2 below identifies the projected revenues for 2021-22 and the total approved for allocation.

Table 2: 2021-22 Approved Lottery Revenue Budget	
Beginning Reserve	\$5,000,000
Receipts Available for Allocation	53,893,000
Total Revenues	\$58,893,000

Table 3 below identifies the 2021-22 Board of Trustees-approved expenditure plan of \$58.9 million, which matches the revenue budget approved in Table 2. The plan adds \$21,000 for Lottery Fund and System Programs Administration to keep up with increasing health benefit costs.

Table 3: 2021-22 Approved Lottery Expenditure Plan

Lottery Reserve	\$5,000,000
Campus-based Programs	35,644,000
Early Start Program - Financial Aid	5,000,000
Forgivable Loan/Doctoral Incentive Program	2,000,000
CSU Summer Arts Program	1,500,000
DREAM Loan Program	2,000,000
California Pre-Doctoral Program	1,038,000
Electronic Core Collection	6,000,000
Lottery Fund and System Programs Administration	711,000
Total Planned Expenditures	\$58,893,000
