April 29, 2024

The Honorable Gavin Newsom
Governor of California
State Capitol
Sacramento, CA 95814

RE: California Community Colleges Receipts and Expenditures of Lottery Proceeds for Fiscal Year 2022-23

Dear Gov. Newsom:

Pursuant to Section 24.60 of the Budget Act of 2022, please find enclosed the summary of lottery receipts and expenditures as reported by our local community college districts for the 2022-23 fiscal year.

If you have any further questions on this report, please contact Vice Chancellor of College Finance and Facilities, Wrenna Finche at wfinche@cccco.edu.

Sincerely,

Sonya Christian,
Chancellor

Enclosure: Report
2022-23 RECEIPTS AND EXPENDITURES OF LOTTERY PROCEEDS FISCAL YEAR

Prepared By

California Community Colleges Chancellor’s Office
College Finance and Facilities Planning Division
CALIFORNIA COMMUNITY COLLEGES RECEIPTS AND EXPENDITURES OF LOTTERY PROCEEDS FISCAL YEAR 2022-23

Control Section 24.60 of the Budget Act of 2022 requires the California Community Colleges Chancellor’s Office to report to the Governor and Legislature the amount of lottery funds received by community college districts and the purposes for which those funds were expended.

California community college districts receive a pro rata share of the lottery based on prior-year student workload measure, full-time equivalent students (FTES). For 2022-23, districts received a total of $364.7 million in lottery revenues (unrestricted and restricted). Total FTES in 2021-22 was 1,137,244\(^1\) providing approximately $321 of lottery revenue per FTES. These proceeds, plus the beginning balance of $147.0 million provide a total of $511.8 million of lottery revenue to districts throughout the fiscal year. In 2022-23, community colleges spent $322.3 million of the available lottery funds, resulting in an ending balance of $189.5 million (see Table 1). For a further breakdown of receipts and expenditures, see Tables 2 and 3.

In September 2020, significant legislative strides were made with the passing of Senate Bill 820 (the budget Omnibus bill) and Assembly Bill 2884. These bills not only refined the definition of “instructional materials” but also widened the scope of lottery fund applications. The revised definition now includes crucial resources like laptops and hotspots for students, teachers, and faculty, alongside provisions for basic student necessities such as housing and food assistance, as well as direct student aid. During the 2022-23 fiscal year, the effects of these legislative changes became apparent as districts reported utilizing $1.7 million (as detailed in Table 4) in accordance with the expanded instructional materials framework.

Furthermore, in the preceding fiscal years of 2019-20 and 2020-21, districts experienced a significant influx of over $4.7 billion in one-time federal funding, primarily designated for direct student aid. A portion of this funding was also allocated for institutional operations and support. To meet federal stipulations regarding fund utilization timelines, most districts prioritized the expenditure of federal stimulus funds while simultaneously preserving lottery funds for future allocation. However, with the gradual depletion of federal stimulus funds, lottery revenue funds are anticipated to emerge as a vital resource.

Table 1: 2022-23 Lottery Balance Summary

<table>
<thead>
<tr>
<th>Source</th>
<th>Unrestricted</th>
<th>Restricted (Prop 20)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Beginning Balance</td>
<td>$14,576,002</td>
<td>$132,461,701</td>
<td>$147,037,703</td>
</tr>
<tr>
<td>Lottery Proceeds</td>
<td>247,900,485</td>
<td>116,812,294</td>
<td>364,712,779</td>
</tr>
<tr>
<td>Total Lottery Funds Available</td>
<td>262,476,487</td>
<td>249,273,995</td>
<td>511,750,482</td>
</tr>
<tr>
<td>Less Total Expenditures</td>
<td>245,202,752</td>
<td>77,092,228</td>
<td>322,294,980</td>
</tr>
<tr>
<td><strong>Ending Balance, June 30, 2023</strong></td>
<td><strong>$17,273,735</strong></td>
<td><strong>$172,181,767</strong></td>
<td><strong>$189,455,502</strong></td>
</tr>
</tbody>
</table>

\(^1\) Final 2021-2022 FTES reported as of October 18, 2023
### Table 2: 2022-23 Lottery Expenditures–Unrestricted

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Instructional Activities</th>
<th>Support Activities</th>
<th>Other Activities¹</th>
<th>Total</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$13,161,021</td>
<td>$56,471,949</td>
<td>$594,103</td>
<td>$70,227,073</td>
<td>29%</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>279,158</td>
<td>2,327,548</td>
<td>408,947</td>
<td>3,015,653</td>
<td>1%</td>
</tr>
<tr>
<td>Operating Expenses and Services</td>
<td>7,709,201</td>
<td>148,439,506</td>
<td>9,288,236</td>
<td>165,436,943</td>
<td>68%</td>
</tr>
<tr>
<td>Other Expenses²</td>
<td>2,652,718</td>
<td>3,867,794</td>
<td>2,571</td>
<td>6,523,083</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$23,802,098</strong></td>
<td><strong>$211,106,797</strong></td>
<td><strong>$10,293,857</strong></td>
<td><strong>$245,202,752</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

### Table 3: 2022-23 Lottery Expenditures–Proposition 20 (Restricted)

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Instructional Activities</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies and Materials</td>
<td>$51,916,535</td>
<td>67%</td>
</tr>
<tr>
<td>Operating Expenses and Services</td>
<td>10,510,093</td>
<td>14%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>14,665,600</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$77,092,228</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

### Table 4: 2022-23 Expanded Uses of Proposition 20 Lottery Funds

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Instructional &amp; Support Restricted</th>
</tr>
</thead>
</table>
| Instructional Supplies and Materials:  
  For laptops, hotspots, internet devices | $30,000                             |
| Noninstructional Supplies and Materials:  
  For basic needs - food           | 34,058                              |
| Noninstructional Supplies and Materials:  
  For basic needs - housing        |                                    |
| Other Outgo:  
  Direct Aid to Students          | 1,682,434                           |
| **Total Expenditures**            | **$1,746,492**                     |

¹ Other Activities include community services, ancillary services, auxiliary operations, etc.
² Other Expenses include additional equipment, library books, etc.
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