



California Lottery

REPORT TO THE PUBLIC

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

*enhancing
education*



*supporting
communities*



*responsible
gaming*



Los Angeles
Teacher of the Year
Barbara
Genovese-Fraracci

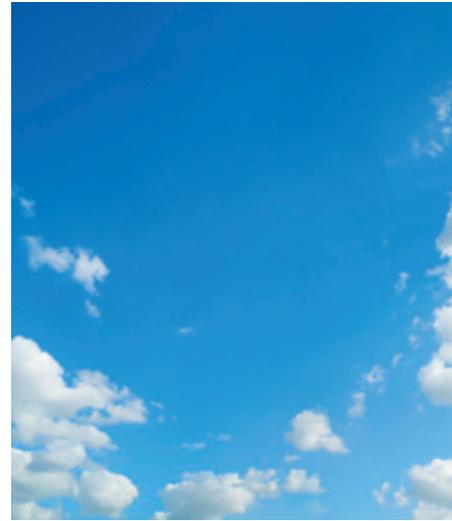


*protecting
consumers*





Lottery seeks to build on past successes



These are exciting times at the California Lottery. We have a new law that allows us to improve our products by offering more prizes and a new business plan that helps us operate more effectively.

Most of all, as we celebrate our 25th anniversary, we have a heightened enthusiasm for our core mission: earning as much money for our public schools as we can.

Everyone who plays the Lottery gets a chance to dream, and last year many lucky winners had their dreams come true.

Beverly and Jim Evens, a couple in Anderson, won \$2 million from a Scratchers® ticket and they plan to use their winnings to upgrade the farm that they operate to rescue neglected or abused animals.

Gilbert and Jackie Cisneros were the biggest winners of the year. During the last fiscal year the couple won a \$266 million MEGA Millions jackpot with a ticket they bought in Pico Rivera. They've already begun donating a portion of their winnings to good causes, including the University of Southern California, the Chicano News Media Association, the Hispanic Scholarship Fund and Georgetown University.

The retailer where they purchased their ticket, L & L Hawaiian Barbecue, also won big, getting the maximum \$1 million retail bonus.

During the last fiscal year, the Lottery kicked off the Renew Project, which helped us develop a new business plan that is charting a path toward a better future.

The project allows us to examine our business practices in detail and to make improvements. It has helped us bring best practices to the Lottery, improve our decision-making processes, streamline our sales operations and become more efficient.

The Lottery also benefited from a new law that allows us to create more winners and earn more money for education. The law, signed by the Governor in April 2010, gives us the flexibility to pay out more money in prizes in a way that maximizes the funds we earn for education.

The law is a triple win.

Players win because there is more money in prizes. Education wins because the law will help increase sales, which will allow the Lottery to contribute more money to public schools and colleges. Retailers win too because they will sell more products and earn more money in commissions.

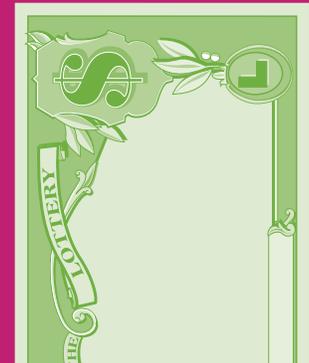
Lottery players also get to take advantage of an innovative program that gives players a second chance to win. It's called the Replay Program. During the past year nearly one million Lottery players have registered their Scratchers tickets and Fantasy 5 tickets on *calottery.com*, the Lottery website, for a second chance to win more prizes, including cash, music downloads, concert tickets and football season tickets.

It's been a year of improvement and innovation at the Lottery. The rest of this report highlights our plans and achievements.



How Your Lottery Dollar Is Spent...

SALES	FY 2009/2010	25 YEARS
Scratchers®	\$ 1,661,288,087	\$ 26,579,433,517
SuperLotto Plus®	\$ 463,065,667	\$ 24,363,975,182
MEGA Millions	\$ 484,704,181	\$ 2,109,129,944
Fantasy 5	\$ 144,382,030	\$ 2,880,942,687
Daily 3	\$ 128,835,256	\$ 1,828,963,934
Hot Spot®	\$ 117,904,491	\$ 3,945,457,333
Raffle	\$ —	\$ 25,815,927
Daily Derby®	\$ 10,084,277	\$ 485,448,162
Daily 4	\$ 30,695,878	\$ 76,580,997
Total sales	\$ 3,040,959,866	\$ 62,295,747,684
Investment proceeds from portfolio restructuring	\$ 45,250,979	\$ 61,383,162
Total sales and proceeds from portfolio restructuring	\$ 3,086,210,845	\$ 62,357,130,846
PRIZE EXPENSE		
Total expenses	\$ 1,611,371,074	\$ 32,156,165,476
ADMINISTRATIVE EXPENSES		
Retailer compensation	\$ 214,484,059	\$ 4,081,526,006
Direct costs	\$ 54,199,143	\$ 1,452,111,522
Operating expenses	\$ 136,740,073	\$ 2,893,576,073
Less bartered operating expenses	\$ (65,810)	\$ (105,810)
Total administrative expenses	\$ 405,357,465	\$ 8,427,107,791
REVENUES TO EDUCATION		
Legal minimum (34% of sales & proceeds from portfolio restructuring)	\$ 1,049,311,687	\$ 21,201,424,488
Interest income	\$ 2,732,562	\$ 411,205,063
Administrative savings	\$ 20,170,619	\$ 572,433,092
Unclaimed prizes	\$ 17,250,466	\$ 703,291,079
Other income	\$ 347,694	\$ 9,276,688
Less bartered income	\$ (65,810)	\$ (105,810)
Total to education	\$ 1,089,747,218	\$ 22,897,524,599



52.22¢
prizes



34.65¢
contributions to public education



6.94¢
retailer bonuses & contributions



4.44¢
operating expenses



1.75¢
game costs

* As required by law, each year an independent accounting firm audits the California Lottery's financial statements. KPMG LLP conducted an independent audit of the Lottery's annual financial statements and issued an unqualified opinion on those statements as of and for the fiscal year ending June 30, 2010. The State Controller's Office and other independent accounting firms also audit various aspects of the Lottery's operations. For a copy of the audited financial statements, contact the California Lottery Communications Office, 600 North 10th Street, Sacramento, CA 95811. For comprehensive financial information about the California Lottery, log on to www.calottery.com.

The California Lottery provides supplemental funds for public education by the sale of creative and entertaining lottery products. (Graphic represents actual allocation of revenue for fiscal year 2009/2010.)

Lottery funding: where the money goes



HOW SCHOOLS SPEND THEIR MONEY

The Lottery is proud to have contributed \$1 billion a year to public schools and colleges in each of the last 10 years. All public education institutions in California get Lottery funds, including Community Colleges, the University of California system, the California State University system, Adult Education, Charter Schools and even the schools at the Department of Corrections and Rehabilitation - Division of Juvenile Justice.

These institutions are not required to tell us how they spend their funds, but in 2006/2007, the state Department of Education conducted a study showing that schools spend 61 percent of Lottery funds on salaries and benefits for instructors, 24 percent on classroom materials and the remainder in other areas.



We have contributed \$1 billion a year to public schools and colleges in each of the last 10 years.



Lottery Funds at Work

MARE ISLAND TECHNOLOGY ACADEMY (MIT) IN VALLEJO

Used Lottery funds to enhance curriculum by providing field trips that are related to the courses taught. Also used funds to purchase supplemental instructional materials that the school budget could not cover.

JOHN MUIR ELEMENTARY SCHOOL

When the library needed new books, Lottery funds were used to purchase the updated materials.

KEYES UNION ELEMENTARY SCHOOL DISTRICT

Used Lottery funds for classroom technology, instructional materials, art and music programs and field trips. Lottery money is the only way field trips can be funded.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

Used Lottery funds for elementary school music programs, physical education, crossing guards and copiers.

ETIWANDA SCHOOL DISTRICT

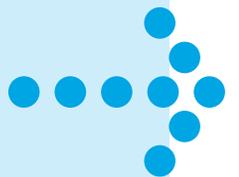
Lottery funds are mainly used for classroom technology but also go toward art and music programs, student and school improvement, staff development and training.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

Lottery money is being utilized to furnish its new high school with desks and chairs.

LA MESA — SPRING VALLEY SCHOOL DISTRICT

Lottery funds are used to provide counseling for elementary school students.



Emil & Joe Lunardi
Fantasy 5
\$188,000



Fantasy 5 jackpot is all in the family for two San Francisco brothers!

Brothers Emil and Joe Lunardi have a lot of things in common: they look alike, they live in the same city and they both enjoy playing the Lottery. Now they can add California Lottery winners to that list because on August 16, 2009 the Lunardi brothers were the winners of a \$188,374 Fantasy 5 jackpot.

The brothers pooled their money and bought their winning ticket from their favorite retail spot, Hillcrest Market in San Francisco. Emil checked their numbers the morning after the draw, and when he discovered they had all five, he excitedly called his brother who also checked the paper and then decided to go to the store to “make sure it wasn’t a misprint.”

United in victory, the brothers are also united in their plan of how they will spend their prize money. Both brothers wish to put their money in the bank and see what the future holds before making any large purchases.

Beverly & Jim Evens
Scratchers
\$2 Million Extravaganza



“Bucky” the goat inspires move that leads to Lottery fortune

In May of 2009 Beverly and Jim Evens purchased a \$5 “\$2,000,000 Extravaganza” ticket and won \$2 million.

The source of their good fortune? Their pet goat: Bucky.

Bucky was the goat that inspired them to start an animal rescue farm in Riverside County several years ago. After rescuing and bottle feeding Bucky, the couple began rescuing other animals, including horses and chickens. But two and half years ago, with 46 goats and six horses on their farm, Riverside County officials threatened to shut down their operations, forcing them to relocate to Anderson.

“It all started with Bucky,” said Beverly Evens. “If it wasn’t for him we wouldn’t have started rescuing animals and we wouldn’t have moved up here. It’s because of him that we are here and we bought this ticket!”

Beverly and Jim plan to use a portion of their prize money on their animal rescue operation by building new horse fences, fixing stables, and improving their goat pens. “We are very low-maintenance people,” said Beverly Evens. “The way we look at it, as long as the animals are happy, so are we.”

Top 10 Millionaires FY 09-10

DRAW DATE	GAME	AMOUNT	NAME	CITY
05/04/10	MEGA Millions	\$ 266,000,000	Gilbert Cisneros	Pico Rivera
08/28/09	MEGA Millions	\$ 168,000,000	Kevyn Ogawa	San Gabriel
03/05/10	MEGA Millions	\$ 134,000,000	John Dalkos	Long Beach
12/23/09	SuperLotto Plus	\$ 47,000,000	Josefina Landeros	Fontana
11/10/09	MEGA Millions	\$ 38,500,000	Lourdes Salinas	S. San Francisco
04/03/10	SuperLotto Plus	\$ 37,000,000	Mitsuko Higashi	Salinas
09/19/09	SuperLotto Plus	\$ 32,000,000	Michelle Dickerson	San Leandro
06/02/10	SuperLotto Plus	\$ 23,000,000	Paul Mershon	Santee
02/06/10	SuperLotto Plus	\$ 20,000,000	Roxana & Liliana Ortiz	San Jose
10/10/09	SuperLotto Plus	\$ 12,000,000	Lucy Vasquez	Walnut



**Michele Dickerson
SuperLotto Plus
\$32 million**



**Jackpot winner vows that
\$32 million won't change her**

Michele Dickerson plays the Lottery regularly. Like many players, she hoped that one day she would hit the big one. But when Michele dropped into Model Liquors in San Lorenzo to buy a SuperLotto Plus ticket, she never suspected that her dream was about to come true.

After nearly two years of playing the same set of six numbers, Michele hit the \$32 million jackpot on September 19, 2009. "My husband looked up the winning numbers online to check the ticket," said Dickerson, "We could hardly believe our eyes when the numbers matched. We sat in front of the computer for a half hour in disbelief."

When reality finally soaked in, instead of rushing in to claim her prize, Michele did what many people would not have done: she went to work. However, her co-workers knew something was different when the normally duteous Michele was unable to focus on her work. Finally unable to contain her excitement, she broke down and admitted that she had won the California Lottery.

Michele says she will use a portion of her prize money to buy a new home and take her family on a vacation. She also intends to continue working. "This money is not going to change me," she said. "It's not about the things, it's about the memories you make with the people you love."



**Dynamic Details IT Group
MEGA Millions
\$667,000**



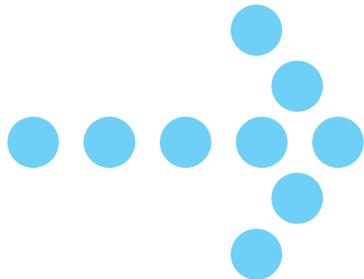
**Co-workers split MEGA Millions
prize and take home \$667,357**

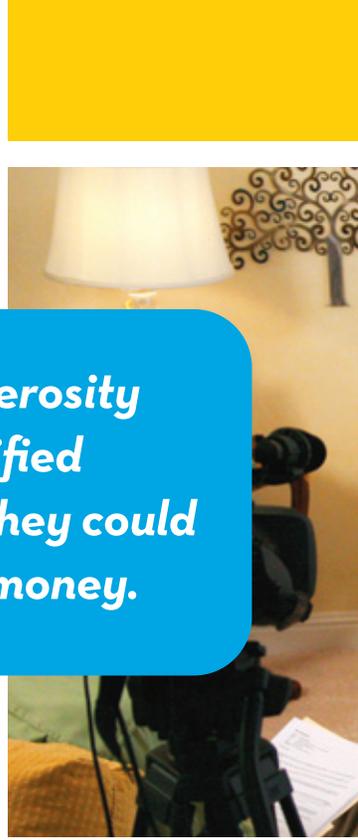
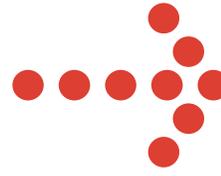
Co-workers that play together win together! At least that is what employees of Dynamic Details Inc. in Anaheim are saying after they won a MEGA Millions prize worth \$667,352.

The group of 20 workers, who had been playing together for three months, matched five of six numbers in the August 20, 2009 draw and missed only the MEGA number of 36.

Chris Roxas of Anaheim, the leader of the group, said at first he couldn't believe he had won. But Roxas said he had a premonition. A week before the drawing, he took his brother to lunch and his brother asked about the reason for his generosity. Roxas quickly blurted out: "Because I'm going to win the Lottery."

The winners, which include a lab technician, a purchasing agent and a quality control official at the PC board manufacturing company, will use their prize money in a variety of ways. At the top of their lists: a new refrigerator, a trip to the Virgin Islands, a down payment on a Mercedes SL 500 and a big check to a child's college fund.





***Their generosity
was amplified
because they could
now give money.***

The Castellanos: A life of giving

It's well known that June 23, 2001 was a lucky day for Alcario and Carmen Castellano. The San Jose couple won a \$141 million SuperLotto Plus jackpot.

But that day also brought luck to hundreds of charities and Latino arts groups in the Bay Area and throughout the state.

As soon as the Castellanos won the gigantic jackpot, they immediately began to think of ways they could give the money away.

"We thought 'Oh how exciting, there's all this money,'" said Carmen. "There's no way we can spend it all. Who can we give it away to?"

For the Castellanos, giving had already become a way of life.

"It was a natural inclination because we had already been doing it at some level," she said.

Throughout their lives the retired couple with three children had supported Latino arts groups and charities throughout Santa Clara County.

They had taken leadership roles on some of these groups by serving as directors, but they had also been rank-and-file members. They regularly attended the plays, concerts and art exhibits staged by these groups, but they also did the behind-the-scenes work required to make these performances happen.

The couple supported charities and non-profits financially, but could only do so much. Al was retired from the grocery business, while Carmen was a retired administrative assistant.

Within 20 minutes of finding out that they had won the gigantic jackpot, however, they quickly put together a list of groups they could now support in a big way.

"Their generosity was amplified because they could now give money," said Susan Cashon, co-founder of Los Lupenos, a Mexican-American dance company.

Both of the Castellano's daughters had performed in the dance group when they were children. Like many arts groups, however, it was struggling financially.

During the past four years, the Castellanos have given the group \$98,000, which has paid the rent for the performance room and the salary of the group's artistic leader.

"We have a director and a space because of the Castellanos," said Cashon, who was speaking at a Los Lupenos rehearsal that featured colorfully-dressed dancers perfecting their routines for the next performance.

The donations to Los Lupenos came through the Castellanos Family Foundation. Soon after winning the jackpot, the couple decided that setting up a foundation was the most effective way to distribute their money.



To stretch their dollars even further, they decided that Carmen would be the one foundation staff member. Her experience as an administrative assistant and non-profit board member gave her the skills to do the job.

In addition, the Castellanos decided to focus their philanthropy in an area they thought was undeserved: Latino arts groups.

Those groups are the focus of their giving, but they also donate to other groups, including the California Primary Care Association, a trade group of health clinics that serve the poor and the uninsured. The organization, headed by their daughter, Carmela Castellano-Garcia, represents 600 non-profit clinics.

In total, the Castellanos have given out \$2.6 million to 113 groups, including theater companies, counseling groups, scholarship funds, museums, a film festival, a Latino lawyer's group, the San Jose library and the Women's foundation.

One group, the Movimiento de Arte y Cultura Latino-Americana (MACLA), has a special relationship with the Castellanos. The couple had been long-time supporters of the organization, which has an art exhibition room in downtown San Jose featuring Latin American artists, including painters, weavers and sculptors.

Alcario Castellano had some of his first contacts with the group when their staff helped him put on an art show for a veteran's organization.

"The Castellanos are folks who have always been very engaged in the community," said Anjee Helstrup-Alvarez, executive director of MACLA.

Helstrup-Alvarez said that the \$228,000 that the Castellanos has given the group has enabled them to build a performance theater where they stage poetry readings, plays and other community events. The organization, which displays art work, also provides art programs for 30,000 San Jose children.

"If they weren't here, we wouldn't be able to do as much," said Helstrup-Alvarez. "Their impact on Silicon Valley has been huge."

The Castellanos have used their jackpot to help their children and grandchildren, to travel the world and to collect Latino art.

"It's given us a sense of security," said Alcario Castellano.

But most importantly the jackpot has given the Castellanos a new mission: to give out their money in a way that helps their community the most.

"I had to have something to do for the rest of my life," said Carmen Castellano. "I hadn't figured it out until we won the Lotto. Now I know what I was meant to do."

Higher Prize Payouts Will Earn More Money for Schools

*More winners,
more prizes,
more money
for education.*

One of the biggest changes to come to the Lottery in recent years happened this year and is certain to result in more winners, more prizes, more money for education and more commissions for our 21,000 retailers.

That's what the California Lottery expects in its future now that critical legislation has been enacted that will trim administrative caps and give Lottery commissioners the flexibility to pay out more money to players.

Assembly Bill 142, sponsored by Assemblywoman Mary Hayashi, D-Hayward, allows the California Lottery to adopt best practices that have helped other lotteries around the country steadily increase their sales and earn more money for their beneficiaries.

The legislation has long been sought by the California Lottery, which has had to operate for years under restrictions that have held back sales. Until now, the California Lottery has had the lowest per capita sales

and the lowest prize percentage payout of any of the ten most populous Lottery states.

Under this legislation, administrative expenses, which were previously capped at 16 percent of sales, are now limited to 13 percent. As a result of the new law, 87 percent of the money generated from sales has to go back to the public either in the form of prizes or payments to education.

The bill gives the Lottery Commission the ability to determine the percentage of money that goes into prizes, but they have to do so in a way that maximizes funding to education.

When lotteries increase the percentage of money going into prizes, players notice. They win more often. They buy more tickets. Sales go up and the Lottery can make more money for education.

Prior to the signing of the new legislation, California paid out about 58 percent of sales in Scratchers prizes. The plan now is to use the new flexibility to gradually increase the prize percentage and to carry popular games throughout the year.

For example, one of the most popular Scratchers tickets is the \$5 ticket. The old rules prevented the Lottery from offering this game all year around. Now, the Lottery plans to offer this high-selling ticket throughout the year.

The first of those \$5 tickets is called "Millions in Cash," which offered to give out more prize money than any Scratchers game in Lottery history.

The California Lottery is proud that it has contributed more than \$1 billion to public schools and colleges each year for the past nine years and more than \$22 billion since it first began 25 years ago. We expect that to increase in the years to come.





Makeover Helps Lottery Retailers Sell More Products

As part of the Lottery's efforts to improve its business practices and inspire retailers to sell more products, the Lottery launched an exciting new program called "Retailer Makeover." It replaces the Lottery "Retailer of the Month" program.

The theme for the program is based on a variety of reality shows that allow experts to provide help in several different areas. The Lottery's program is aimed at helping local retailers do a better job of marketing and showcasing Lottery merchandise.

The program works like this: each Lottery District Office selects a retailer with a positive attitude toward Lottery products, but with a need for improvement.

A team of Lottery employees and contractors then goes into the selected store and gives that store a makeover, helping the retailer to spruce up their display area and make it more appealing to customers.

Sometimes the help involved something as simple as installing a shiny new countertop. In other cases, Lottery sales experts review the placement of equipment, clean the store, add enticing new point of sale items and change the placement of flags and banners.

Lottery employees and retailers are tracking the success of the makeovers to see how much they are improving sales.

So far all of the owners of the nine stores have been grateful for the Lottery's help.

The program is yet another example of the Lottery's continuous search for improvement. But it also provides an example of the Lottery's new analytical business culture.

As part of this culture, the program will be analyzed to see whether it provides a sufficient return on investment to be continued.

Retailers have reported increased sales because of their makeover.

SEE WHAT WE'RE UP TO!



facebook.com/calottery



[Twitter @ Lottery](https://twitter.com/Lottery)



youtube.com/californialottery



This exciting new program attracted more than two million entries.

Lottery's Replay Program Gives Players a Second Chance



In 2009, the California Lottery unveiled an innovative web-based program designed to give players a second chance to win cash and prizes. The program started out only applying to non-winning Scratchers® tickets and was later expanded to tickets from other games, regardless of whether they won the first time.

Scratchers players can enter tickets on the Lottery's Replay website at replay.calottery.com for a chance to win cash and great experiential prizes.

This exciting new program attracted more than two million entries for the Lottery's first drawing, which awarded \$1000 to 10 lucky winners from all across California. And since that first drawing, the Lottery has gone on to award even more cash to lucky players via second-chance drawings.

But it's not just the cash prizes that keep Lottery players entering their ticket codes on the Replay website. In the Fall of 2009, the Lottery and Warner Bros. Records announced a unique partnership on a music-themed

Scratchers ticket that offered players the opportunity to win cash prizes, but also music downloads and concert tickets.

Four Warner Bros. Records artists were featured on the Scratchers: internationally-acclaimed musician Seal, singer and songwriter Michelle Branch, veteran rockers The Goo Goo Dolls and buzz band Taking Back Sunday.

"Partnering with the California Lottery was a perfect match," said Warner Bros. Records Brand Partnerships Vice President Andrea Kinloch. "It's always nice to be first—and since this is the first music-based promotion that the California Lottery has done we are even more thrilled to make this happen."

Later in 2009, the Lottery once again joined forces on a promotion with Warner Bros. - this time Warner Bros. Pictures - to offer Lottery players a Scratchers ticket commemorating the exciting action-adventure mystery movie Sherlock Holmes.

The movie-themed Scratchers game represented a first-time, direct partnership between Warner Bros. Pictures and the California Lottery. Sherlock Holmes was directed by Guy Ritchie and stars Robert Downey Jr. as the legendary detective, and Jude Law as his trusted colleague, Dr. Watson.

The promotion offered players the opportunity to win cash prizes up to \$15,000, but also included second-chance prizes. One of those was a trip for two to the red carpet premiere screening of Sherlock Holmes in New York. Other





prizes up for grabs included tickets to the Warner Bros. VIP Studio Tour, autographed Sherlock Holmes movie posters, Sherlock Holmes DVDs, and tickets to advance screenings of Sherlock Holmes in select markets.

Based on the success of the Warner Bros. partnerships, the Lottery was eager to attract a new group of players from an already fired-up fan base – pro football. The California Lottery and California’s pro football franchises – the San Francisco 49ers, Oakland Raiders, and San Diego Chargers – teamed up to present fans with the opportunity to win fantastic football-themed prizes through the Lottery’s Replay Program.

Fans who purchased Scratchers tickets from the California Lottery could enter to win suites to games, autographed helmets and jerseys from Hall of Famers and current players, and VIP ticket packages. Players simply had to click on the logo of their favorite team for a chance to win that team’s available prizes.

In total, 1,777,364 ticket codes were entered by 38,377 people for this drawing. Wondering which NFL team reigned supreme? Leading the pack were the 49ers with 13,606 fans, followed by the Chargers with 13,503, and then the Raiders with 11,268.

The California Lottery plans to continue its innovative Replay Program in the coming year, and looks forward to offering even more cash prizes, as well as exciting themed prizes for players to win.



Renew Program

One of the most important things the Lottery did in 2009/2010 was to devise a new business plan to chart a path for future growth.

The project was called Renew because it was intended to renew our commitment to our mission and to carry it out in the most effective way possible.

The idea behind Renew was to take a collective step back from our day-to-day work and to take a systematic look at how we could do that work better.

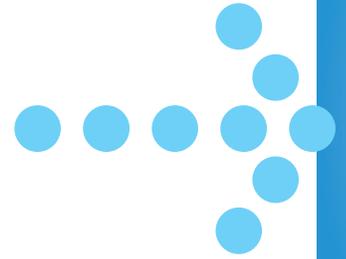
Lottery employees, with the help of experts, broke into committees to look at advertising, products, Scratchers distribution and the Lottery’s sales program. After meeting for several months, these committees came up with concrete ways that the Lottery could streamline its operations and make its business operate more efficiently.

A good example of the kind of work that came out of these sessions is a pilot project that helps sales representatives in the field make the most effective visits they can to retailers.

The project also helped the Lottery compile and distribute information on sales in a more timely fashion and helped the Lottery develop a new emphasis on looking at all business activities with a strict return on investment analysis. That means that the Lottery will rigorously analyze its activities to make sure that it’s doing the best it can to earn money for public schools and colleges.

The business plan also led directly to a Lottery report card that lets players and the public know about the progress on important Lottery initiatives.

Leading the way in Consumer Protection



Lottery employees take pride in having one of the largest and most sophisticated law enforcement operations of any state or provincial lottery in North America and one of the most effective consumer protection programs in the nation.

The Lottery's Security/Law Enforcement Division is in charge of making sure that all of our games are handled with the utmost integrity. They have numerous procedures and protocols to ensure fairness. In addition, independent auditors look at all of our games, including our Scratchers tickets, to make sure they are conducted in a fair manner.

Consumer protection is critical to our success as a Lottery. Players must trust our games and our representatives across the state, or they won't play and the Lottery will not earn as much money as it can for our public schools and colleges.

Our program has attracted national publicity.

This program, which has been featured twice on Dateline NBC, a well known national television show, lets retailers know that they have to treat customers fairly. Undercover agents posing as customers ask retailers and their clerks about a ticket that they know is a winner. The overwhelming majority of retailers and their employees treat these agents and all of their customers in an honest and fair way. Most are extremely helpful to their customers.

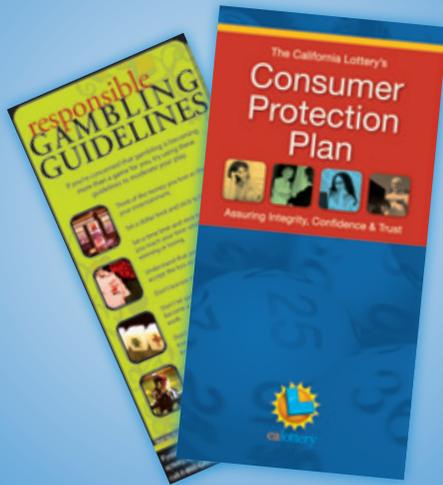
A few retail employees, however, are not honest. Lottery investigators work with other law enforcement

agencies to build cases against these employees, and they are prosecuted by local district attorney's offices. In addition, these arrests get so much coverage in the media that other retail owners and their employees get the word quickly that the Lottery is watching out for its customers.



Our program has attracted national publicity.

**21,000 retailers
distribute consumer
protection information.**



EMPOWERING AND PROTECTING CONSUMERS

The Lottery works hard to empower consumers to protect themselves. We publish consumer protection brochures that go to all 21,000 retailers. Further, we consistently remind players that the best way to protect themselves from theft or fraud is very simple: sign the back of the ticket. In addition, the Lottery provides Check-a-Ticket devices at retail locations to give players the ability to verify their own winning tickets. In-store electronic signs and other devices are used to help keep consumers informed.

The Lottery also helps local law enforcement agencies protect the public through partnerships with our many retailers statewide. It does this by allowing messages about missing children to go out on electronic point of sale screens that are located in nearly every retailer that sells Lottery products.

We believe our commitment to consumer protection also requires us to protect the vulnerable. We continually remind customers not to spend more money than their entertainment budget allows through public service announcements that run statewide throughout the year. Further, we

provide critical financial support for counseling programs and hotlines that are set up to aid those with gambling problems.

During the past year, Lottery investigators have played a key role in prosecuting embezzlers, shutting down an illegal lottery scheme and helping stop fraudulent schemes that use the promise of lottery winnings to entice people to give these fraudsters their money.

In addition to our retailer compliance program, investigators work closely with local law enforcement officials throughout the state to investigate any illegal operations associated with the Lottery, including embezzlement or illegal, informal lotteries.





How the Lottery works

The Lottery is overseen by the Lottery Commission, whose five members are appointed by the Governor and confirmed by the California State Senate. They are charged with making sure the Lottery achieves its mission of providing supplemental funding for education and doing so in a fair and socially responsible way.

The 2009-2010 Commissioners include: John Mass, Chairperson; John Menchaca, Commissioner; and Margaret Mims, Commissioner.

LOTTERY BEGINNINGS

The Lottery Act, which created the Lottery, was approved by 58 percent of voters in 1984. We are proud to be celebrating our 25th year of operations in 2010/2011.

The Act, which was known as Proposition 37, specified that at least 34 percent of revenues must go to public education. It also gave the Security and Law Enforcement Division a key role, which has led to the Lottery's leadership in consumer protection.

Over time, Lottery officials found that the rigid formula for allocating profits toward education was holding back sales and constraining efforts to earn more money for education. Further, other lotteries around the nation that had gradually spent more money on prizes found that sales went up dramatically and they ended up earning more money for their beneficiary.

In April of 2010, Governor Arnold Schwarzenegger signed AB 142, which trimmed administrative caps at the Lottery and gave Lottery Commissioners the authority to put more money into prizes.

This year, the Lottery has begun to implement the new law with a variety of Scratchers games that are creating more winners, giving out more prizes and earning more money for education.



We are proud to be celebrating our 25th year of operations in 2010/2011.





**THE 2009-2010
COMMISSIONERS:**



JOHN MASS
Chairperson



JOHN MENCHACA
Commissioner



MARGARET MIMS
Commissioner



Lottery supports outstanding educators and students

The Lottery exists for just one purpose: to provide supplemental funding for schools. Everything else flows from that. Our mission motivates us to sell fun and entertaining products, to improve our business practices and to work closely with retailers and players.

For the past 10 years, the Lottery is proud to have contributed more than \$1 billion a year to public schools and colleges. Some of these funds go to pay teachers' salaries, while others pay for special field trips, band instruments, innovative courses and even special supplies like a set of novels that supplement junior high English classes.



For years the Lottery has been a sponsor of two inspiring and important statewide programs that honor the best educators in the state: the Teachers of the Year program and the Distinguished Schools program.

The Lottery has teamed up with State Superintendent of Public Instruction Jack O'Connell to provide recognition for the teachers and administrators who are judged to be the best in the state each year. These teachers of the year are chosen after a rigorous and highly competitive nomination process.

Distinguished Schools must also meet a variety of eligibility criteria, including designated federal and state accountability measures. These schools must demonstrate that they have implemented innovative programs that help teach the next generation of students, and they have to be willing to share these programs with other schools.

Our commitment extends to students as well. Last year, the Lottery sent 13 spelling bee champions and a parent to the national spelling bee held each year in Washington, D.C. These are people like Anvita Mishra, a Sacramento-area spelling bee champion.





Preserving the environment for the next generation



Our commitment to minimize our impact on the environment has a lot in common with our core mission of earning money for public schools and colleges. Both show our dedication to helping the next generation.

One way we put our ideals into action is by requiring that our vendors print 100% of our tickets on recyclable paper.

Another way we demonstrate our concern for the environment is by operating an aggressive recycling program that calls on employees to recycle as much material as possible and by calling on our customers to recycle our Scratchers tickets.

Our California Replay program allows players to register Scratchers tickets online for a second chance at winning great prizes. As a result, customers can reuse and recycle their tickets rather than throw them away.

In the future, our impact on the environment will be even less than it is today. Next year we plan to open a new headquarters building that will reduce our use of water, electricity and CO₂ emissions. The building's many environmentally-friendly features will allow it to be certified as a LEED Gold (Leadership in Energy and Environmental Design) building.

The Lottery does its part every day to minimize its environmental impact.

- The 2009/2010 CA Lottery Baseline Usage:**
- **100%** of Scratchers are recyclable
 - **100%** of all paper stock comes from SFI/FSC certified companies
 - **321** tons of Scratchers tickets were shredded and recycled
 - **175.50** cubic yards of recycled content has been picked up
 - **62%** of Lottery supplies are from recycled content
 - **190,595** gallons of fuel used
 - **2.7** million kilowatts of gas consumed
 - **9,749** therms of electricity used



Important Phone Numbers

Customer Service
1-800-LOTTERY

Corporate Communications
(916) 324-9639



DISTRICT OFFICES

San Francisco
(650) 875-2200

Inland Empire
(909) 806-4126

Sacramento
(916) 830-0292

Santa Fe Springs
(562) 906-6356

East Bay
(510) 670-4630

Santa Ana
(714) 708-0540

Central Valley
(559) 449-2430

San Diego
(858) 492-1700

Van Nuys
(818) 901-5006

The California Lottery provides a help line for individuals or families to provide information, counseling and assistance for problem gambling.

PROBLEM GAMBLING HOTLINE

1-800-GAMBLER

CALIFORNIA LOTTERY

600 North 10th Street
Sacramento, CA 95811
www.calottery.com

