

# Systems Analysis of the California Lottery Initiative For Funding Education

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## I. INTRODUCTION

For understanding and analyzing the political life around us, David Easton (1975) developed a framework for political analysis as a heuristic scheme. This framework is most often called "systems analysis". In this analysis, the link between the political system and other subsystems is a key element because other subsystems reciprocally interact with the political system. During this interaction stress in other

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subsystems of the social environment generates inputs of demands and supports of the political system. The political system then reduces or convert these inputs into public decisions or outputs. The outputs in turn feedback allocated values into the society whence the process.

This paper analyzes the passage of proposition 37 whose official title is STATE LOTTERY : INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE for educational funding in view of the systems model. Following the framework of systems analysis, the aspects of the environment, demands, support, political system, output, implementation, outcome and new inputs of the California State Lottery will be described and analyzed in order. A summary will be a conclusion to the paper.

## II. ENVIRONMENT

There were several events which brought forth the California lottery proposition. Some of these events function as stresses to induce most California residents to accept the decision as binding.

To begin with, it was reported (Policy Analysis for California Education, 1984 : 7-8) that in 1983 large proportions (24-61%) of all California public school students failed one or more of the state-mandated, locally-administered proficiency tests. Also the average California public school twelfth grader ranked at only the 39th to 46th percentile nationally, depending on the subject. Even worse, California seniors scored below the national average on Scholastic Aptitude Test's verbal test and achievement batteries .

Second, teachers in California have earned higher salaries than teachers nationally for several years, and in 1982-83 ranked seventh among states and the District of Columbia in average teacher salaries. Considering the teacher salaries as a percentage of each state's personal income, however, California is tied with Florida for the lowest in the nation.

Third and most significantly, since the passage of Proposition 13 of 1978, the most significant trend in California school finance had been a steady decline in inflation-adjusted school support over the following 5 years. As a result of this decline per pupil school expenditures in California had dropped below the national average. It was really shocking to hear the fact that California ranked second to last among all states and the District of Columbia in terms of school expenditures as a proportion of per capita income (Policy Analysis for California Education, 1984: 26). Also, Proposition 13, by reducing school revenues, had affected curriculum through the lowered availability of current textbooks and other supplies.

Fourth, California experienced the huge increase of immigrants from foreign countries around the 1980's. Consequently, California public schools had to be responsible for the Limited English Proficient (LEP) students to open the bilingual classes and English language instruction.

Reduction of federal budget in education since 1981 by Reagan's administration was the fifth event to trigger the California Lottery Proposition.

Sixth and finally, while the State needed more fund for education, it could not raise the property tax rate, simply because of proposition 13's limit. The taxpayers did not want to pay more taxes for public education.

### III. DEMAND

It goes without saying that stresses in the environment generated many demands which the political systems should accommodate and convert into outputs.

First of all, for the state department of education and the local schools more money was needed for public education to raise students' performance and per student expenditures above the level of national average. Also, additional expenditures were needed to open bilingual and ESL classes for the immigrant children.

Second, most of school districts were demanding that local control be assured

even under the circumstance when the State could provide hundreds of millions of additional dollars for public education without raising taxes a penny.

Third, teachers group, centered by Teachers Association and National School Board Association, were demanding for better education for California, including the raise of teachers' salary.

Fourth, the alliance between Californians for Better Education, which was the chief backers of the lottery, and Scientific Games, a subsidiary of the East Coast-based Vally Corporation for lottery product, was inciting the California residents' curiosity, by advertising the other states' lotteries. Consequently, people increasingly became to demand the State lottery. In fact, it was reported that \$1.1 million was spent by these two allied-groups to qualify the measure for the ballot. Most of that money—\$941,500 in contributions and \$100,000 in loans had come from Scientific Games, Inc.

Fifth, California state PTA, the California Church Council, and the California Police Chiefs Associations formed an alliance to rebut the lottery backers' argument. They demanded that the state lottery initiative not be passed for some reasons :

- \* Proposition 37 provides no tax relief.
- \* There is no real guarantee that the schools will end up with any additional money for long-term needs.
- \* The lottery is an unstable source of funds, unreliable for improvement of regular educational programs.
- \* Experience in other states shows that lotteries breed more crime problem for communities.

Despite of some rebuttals to argument in favor of proposition 37, one interesting demand to mention was that, according to a field poll taken in 1983, 77% of Californians favored a state lottery (L. A. Times, August 17, 1984, I-1-1).

Reviewing all the demands, therefore, the initiative of the State lottery was inevitable, even though it was doomed not to be the perfect solution to educational funding.

## IV. SUPPORT FOR POLITICAL SYSTEM

In California, the State Constitution guarantees the electorate the right to make basic decisions themselves through the initiative, referendum and recall—devices which provide for direct democracy as compared to the usual method of governing through elected representatives. In this analysis, the primary concern is on the initiative, simply because the proposition 37 was an initiative. The initiative gives the power to place local or State measures on the ballot by obtaining the required number of signatures. To qualify for the ballot, a statewide constitutional initiative requires signatures equal to 8 percent of the voter cast in the previous gubernatorial election (595,479 signatures during the four years following the 1986 ; initiative statutes require 5 percent (372,175 for the same period). For the proposition 37, the initiative group named “California for Better Education” hired a firm to begin the expensive process of paying workers to stand in shopping center parking lots and other well-frequented locations to collect the roughly 756,000 signatures needed to ensure that makes it to the ballot (L. A Times, February 22, 1984, I-1-1).

## V. POLITICAL SYSTEM

In case of the proposition 37, the political system was the voters' direct voting, which could convert the demands into the output with the help of support described earlier. Voting results for initiative on Proposition 37 was that 58% was on “Yes”, while 42% on “No” (L. A Times, Nov. 5, 1984, I-1-2).

## VI. OUTPUT

Through the voters' direct voting, "The California State Lottery Act of 1984" brought to a birth as an output. The California State Lottery Act was to amend the California Constitution to authorize the establishment of a statewide lottery in California. In addition, the measure was to amend the constitution to prohibition in California gambling casinos of the type that existed in Nevada and New Jersey (Casino gambling was prohibited within the State by a statute but not by the Constitution).

According to the measure, a California State Lottery Commission should be established and the commission would have broad powers to oversee the operations of the statewide lottery, The commission was to be responsible for determining the type of lotteries to be held, the frequency of lottery drawings, the price of lottery tickets, the number and amount of lottery prizes, and the locations where lottery tickets are sold. The commission was also to begin public sale of lottery tickets no later than 135 days after the effective date of measure (that is, by April 1985). Lottery tickets could be purchased only by individuals aged 18 years or older.

The measure required that 50 percent of the proceeds from lottery ticket sales be paid out as lottery prizes, and that no more than 16 percent be used for administrative costs (including commissions to sellers of lottery tickets). The remainder of the proceeds from ticket sales—at least 34 percent of the total was to be placed into the area for the benefit of public education.

The measure required that the funds made available for public education be divided among the following four categories of public education: approximately 80 percent of the State's share of the lottery revenues was to go to K-12 schools, 13 percent to community colleges, 5 percent to the California State University, and 2 percent to the University of California. The measure stated that the lottery funds for public education should be supplementary and that the funds were also to be

spent exclusively for instructional purposes.

## VII. IMPLEMENTATION

A month after the passage of the Proposition 37, legislation for implementation of the lottery was introduced by Assemblyman Richard Alatorre (D-Los Angeles). The Alatorre bill was to (L. A Times, December 4, 1984, I-i-1) :

- Ensure that lottery profits should be used to add to public education funding and not be a substitute for other funding.
- Make it a crime to sell lottery tickets to anyone under 18.
- Exclude as ticket sellers individuals convicted of gambling offenses or felonies unless they could prove they had been rehabilitated.
- Require legislative approval of the commission's operating budget.
- Strip the governor of his authority to remove commission members at his pleasure.

Under the initiative, the Legislature could amend the lottery statute but only to fulfill the intent of the measure.

How successful has the State lottery been implemented? Based on the first six months of sales alone : 1) The lottery business was ranked 51st among 500 list of top corporations' in the United States by the Fortune magazine, 2)an average of about \$78 worth of tickets per adult resident of California was sold, 3) More "instant" game tickets were sold than the rest of the country's lotteries did in the entire year of 1984, combined, 4) 70 to 80 percent of the adult residents of California was participated in the lottery games, 5) In the history of American marketing, according to many experts, no other service or product-government or private-has ever come close to having as many as 70 percent of such a large population of people pay money to voluntarily participate in such a short period of time (Wiegand, 1986 : 287).

Thereafter, to pick up the pace of sales, the Lottery Commission innovated the

“Big spin” television show in which the name of some ticket buyers are drawn at random and the players given a chance to spin a wheel for cash prizes that range from \$10,000 into the millions. Also, the Lottery Commission introduced a new kind of games in summer of 1986. In the new game, called “Lotto”, players pick six numbers from a field of 49 numbers. Since this Lotto game, the lottery sales have been hitting higher and higher.

### VIII. OUTCOME AND NEW INPUTS

Since the California Lottery was implemented, some effects began to appear as outcomes which would generate another set of inputs (new demands) to the new political system. The impacts are generally classified into two areas :

#### 1) Social area

As the promoter of the Lottery, the State itself has been confronted with a moral paradox : Suddenly, what had been (and, in many forms, still is) prohibited by the state is now not only acceptable, but encouraged – namely gambling. Moreover, many claim the lottery voluntary or not, is a kind of regressive tax, its burden falling primarily on those who can least afford to pay. It is reported that an average of 31 percent of all lottery players make less than \$15,000 per year. And for some, this is the income for an entire family, not just one player (Chapman, 1986 : 292).

In line with that, a California poll found that a disproportionate share of “heavy” Lottery players were from poor, under – educated groups. The perception of the Lottery being carried by the poor was heightened during the first few weeks of the “Big Spin” when a relatively large percentage of the spinners were unemployed, in low – paying jobs or on welfare. The Lottery Commission admitted that many of the “ big spinners” came from minority or lower – income groups (Wiegand, 1985 : 288).



## 2) Educational area

For educator, the Lottery is a double-edged sword (Chan, 1986 : 295). More money is going to schools, but not enough to make much of a difference. Educators say they are worried that publicity about the Lottery's success will lull the public, and legislators, into thinking the economic problems of schools are over. Bill Honig, the chief of state schools, said, "People see these large numbers and people think schools are taken care of. But it's only 3 to 4 percent of the entire budget" (Wiegand, 1986 : 289).

Then, how much money was allocated in education? Because of the Lottery's subsequent success, schools received about \$572 million for the 1985-86 fiscal year. Elementary and secondary schools got \$463 million, or 81 percent for the 1985 fiscal year. Community colleges received 12 percent or \$69 million, CSU 4.5 percent or \$26 million, and UC 2.5 percent or \$14 million (Chan, 1986 : 295).

So, what were the schools doing with the allocated money? Based on a survey conducted by the California School Boards Association, the vast majority of school officials were spending the money on one-time items such as computers, books and salary bonuses for teachers (Chan, 1986 : 296).

Concerning the part of higher education, although officials at the community colleges, state universities and the University of California welcome Lottery money, they say the amount received makes no significant impact on their budgets. "Personally, I like the idea of extra money," said Mernoy Harrison, associate vice president of finance at CSU in Sacramento, "The Lottery is going to help the school, but it's a very small part of the education pie" (Chan, 1986 : 296).

As a new demand, the Legislature was trying several ways to alter the lottery law in order to allow construction with lottery money. As of 1986, school districts were prohibited from using allocated money to schools for school construction by law. To this change, the school districts were welcome. However, not everyone wanted this change. For one, the California Teachers Association was fighting it, arguing that it was the responsibility of the state, not the Lottery, to provide money for school construction. The CTA feared that once schools start using Lottery

money for construction, legislators would provide less state money for this purpose.

The California School Boards Association would have liked the money spent on one-time expenses like computers or textbooks. Although they didn't oppose legislative efforts to extend the use of lottery money to construction, they required that individual not depend on a set amount of Lottery money in any given quarter because those revenues are too unpredictable.

The one thing that both the teacher's association and school board's association agreed on was maintaining local control over how Lottery money was spent. They didn't want the Legislature to dictate where the money was to go.

A dozen bills, part of demands which were caused by outcomes, are already pending in the Legislature to change the lottery, including measures that would :

- \* require elementary and high school districts to use lottery funds to reduce class size and require community colleges to spend their share on remedial programs :
- \* raise the minimum age for buying lottery tickets from 18 to 21 :
- \* require that lottery revenues be used to build new schools and senior-citizens centers.

## IX. CONCLUSION

In this paper, the question of how the systems model applies to the California State Lottery Initiative for educational funding has been pursued, linking politics with education. Leading the conclusion that the systems model is basically cyclical, it has shown that the decline of the students' performance and the limit of State educational revenue due to the proposition 13, the increasing necessity of bilingual and ESL education for LEP immigrant students, reduction of federal budget in education, and no more tax raising movement by taxpayers functioned as stresses which generated several demands, such as the necessity of more state-aid money without raising tax, the assurance of local control, and better

education for Californians, most of California resident's curiosity in favor of the lottery, etc. These demands were converted into the input, the proposition 37, through the political system, that is, the voters' direct voting which is supported by the resident's initiative guaranteed by the State constitution. This proposition 37, during the process of implementation, brought some impacts: social and educational. These impacts would generate new set of inputs with the form of new bills to the legislature, which could possibly be the new political system in next cycle for the systems model.

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## 국문초록

## 교육재원 확보를 위한 캘리포니아 교육복권 실시에 대한 체제분석

최은수

본 논문의 목적은 체제분석 모델이 어떻게 교육과 정치를 연결하면서 캘리포니아주의 교육복권 실시에 적용이 되는가를 분석하는 데에 있다. 기본적으로 순환적인 특성을 견지하는 체제분석 모델에서는 학생들의 학업 성취도의 저하, 프로포짓션 13으로 야기된 주정부의 교육재원 확보의 한계, 이중언어교육과 이민학생을 위한 영어교육의 점증적인 필요성, 연방정부의 교육재정 지원비의 감소, 그리고 납세자들에 의한 세금인상 거부운동 등이 환경적 압력 작용을 하였다. 이러한 압력들은 여러가지 사회 정치적 요구를 불러 일으켰는데, 즉 세금을 인상하지 않고서도 주 정부로부터 보조금을 더 얻어야 할 필요성, 지방정부의 통제력 강화, 캘리포니아 주민에 대한 더 나은 양질의 교육, 그리고 교육복권에 대한 캘리포니아 주민들의 호기심 등이 바로 그것이다. 이러한 요구들은 투입작용을 하면서 곧바로 캘리포니아주의 헌법에 보장된 주민발의 제도에 근거하는 유권자 직접 투표라는 정치적 장치를 통하여 프로포짓션 37이라는 산출물이 나타나게 된다. 이 프로포짓션 37은 집행과정을 거치면서 몇 가지 사회적 및 교육적인 결과를 빚어내는데 이러한 결과들은 투입작용으로 나타나 새로운 법안이 제정되고, 결과적으로 새로운 제2의 순환을 가져오는 정치적 체제를 구성하게 되는 것이다.