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CONSENT

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Bill No: SB 1434  
Author: Committee on Governmental Organization  
Introduced: 3/11/26  
Vote: 21

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SENATE GOVERNMENTAL ORG. COMMITTEE: 15-0, 4/14/26  
AYES: Rubio, Alvarado-Gil, Archuleta, Ashby, Blakespear, Cervantes, Choi,  
Dahle, Hurtado, Ochoa Bogh, Padilla, Richardson, Smallwood-Cuevas, Wahab,  
Weber Pierson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

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**SUBJECT:** California State Lottery: prize assignment

**SOURCE:** Author

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**DIGEST:** This bill authorizes the payment of a lottery prize if there is an appropriate judicial order, as specified.

**ANALYSIS:**

Existing law:

- 1) Authorizes, under the California State Lottery Act of 1984 (Act), the California State Lottery (Lottery) and provides for its operation and administration by the California State Lottery Commission (Commission). The Commission consists of five members and is required to promote and ensure the integrity, security, honesty, and fairness in the operation of the Lottery.
- 2) Establishes the State Lottery Fund as a continuously appropriated fund for carrying out the purposes of the Act and requires the fund to receive all proceeds from the sales of lottery tickets or shares, the temporary line of credit for initial startup costs, and all other moneys credited to the lottery from any other source.

- 3) Requires that no less than 87% of the total annual revenues of the Lottery be returned to the public in the form of prizes and net revenues to benefit public education, as specified, and requires at least 50% of annual lottery revenues to be returned to the public in the form of prizes.
- 4) Requires the California State Controller (SCO) to conduct quarterly and annual post-audits of all accounts and transactions of the Commission and other special post-audits, as the SCO deems necessary.
- 5) Prohibits the assignment of the right of any person to a prize, but authorizes assignment of the payment of a lottery prize, in whole or in part, under specified circumstances, including if there is a judicial order appointing a conservator or a guardian for the protection of the prizewinner, or for adjudicating rights to, or ownership of, the prize.

This bill authorizes assignment of the payment of a lottery prize if there is an appropriate judicial order issued for either (1) appointing a conservator or guardian for the protection of the prizewinner or (2) adjudicating rights to, or ownership of, the prize.

## **Background**

*Author Statement.* According to the author's office, "this bill makes a small change to the Lottery Act to provide clarity for the Lottery to be able to payout prizes to lottery winners if there is an appropriate judicial order."

*California State Lottery.* The Lottery was created by a ballot measure, Proposition 37, which was approved by 58% of voters on Nov. 6, 1984. The Act gave the Lottery a clear mission to provide supplemental funding to California public education on all levels from kindergarten through higher education, plus several specialized schools. The Act specifies that the Lottery shall be operated and administered by a commission appointed by the Governor. The Legislature has the authority to amend the Act by a two-thirds majority, if by doing so furthers the purposes of the Act.

On April 8, 2010, the Legislature amended the Act with AB 142 (Hayashi, Chapter 13, Statutes of 2010). That bill requires the Lottery to return at least 87% of revenues to the public in the form of prizes and contributions to education, and established a cap of 13% of revenues as the amount the Lottery may spend on

operating expenses. Prior to AB 142, the Lottery was required to return, 50% of revenues to the public in the form of prizes; at least 34% to public education; and allocate no more than 16% to administrative costs. The bill required the Controller to review the amount of revenue that was allocated to public education at the end of each year for five years. If the total amount of revenue to public education fell short of the amount allocated in the last full fiscal year prior to the enactment of the bill, the bill included a provision that would have repealed the change. Such a drop never happened, the change in allocation resulted in more money being allocated to education.

The Lottery has contributed approximately \$45 billion in funding to California's public schools since it was established in 1985. In Fiscal Year 2023–2024, the Lottery contributed about \$2.3 billion to public schools, or about 1.5% of the state's annual public school budget. Lottery funds are intended to supplement public education, not to replace state and local funding. Funds should only be used exclusively for educational purposes for students. Schools have used lottery allocations for computer labs, teacher training sessions, and programs like science, music, and art.

The Act also establishes the Commission, which consists of five members appointed by the Governor with the consent of the California Senate. The Commission is required to promote and ensure integrity, security, honesty, and fairness in the operation and administration of the Lottery. It is also responsible for approving the Lottery's budget and business plans. In addition, the Act requires the Commission to promulgate regulations that specify the types of games the Lottery can conduct and to establish a system for paying prizes.

The Controller's office determines how to allocate lottery funds to public education institutions. For K–12 and community college districts, funding is based on average daily attendance, while funding for higher education and other specialized institutions is based on full-time enrollment.

*Assignment of Lottery Prizes.* When proposition 37 was approved in 1984, lottery prize assignments were generally prohibited during a winner's lifetime, except pursuant to an appropriate judicial order, as specified in the Act. In the early 1990s, finance companies began offering lottery winners discounted lump-sum payments in exchange for future installments, relying on the judicial-order exception to seek court approval of voluntary assignments.

In *R & P Capital Resources, Inc. v. California State Lottery (1995)*, the court rejected this practice, holding that the Act did permit voluntary assignments, stating that an appropriate judicial order for purposes of the statute meant, “an order following a contested proceeding establishing ownership.” In response, the Legislature enacted AB 218 (Chapter 363, Statutes of 1995), which maintained the general prohibitions on assignments, subject to limited exceptions, including involuntary assignments. The bill sought to make it clear that the prize can only be assigned by judicial order appointing a conservator or guardian for the protection of the prizewinner, or for adjudicating rights to, or ownership of, the prize.

While there is no evidence that the Legislature intended for AB 218 to restrict the court’s power to assign a lottery prize based on an adjudication of ownership rights, nevertheless, in *Stone Street Capital v. California State Lottery Commission (2008)* the court interpreted the changes made by AB 218 to determine that the assignment exception applies only in connection with orders appointing a conservator or guardianship. Due to the drafting error in AB 218, although courts may adjudicate ownership, the Lottery lacks clear authority to issue the prize to the proper party.

This bill will correct the inadvertent drafting error by AB 218 to permit the assignment of lottery prizes based on an appropriate judicial order.

### **Related/Prior Legislation**

SB 859 (Committee on Governmental Organization, Chapter 332, Statutes of 2025) authorizes the Lottery to draw funds from its continuous appropriation for purposes of making immediate payment through its revolving fund to Lottery prizewinners of \$100,000 or less.

SB 1523 (Committee on Governmental Organization, Chapter 496, Statutes of 2024) clarifies that a business may place, operate, or send communications using electronic communication equipment, located within the State of California, relating to the operation of a lawful lottery conducted in any other state, as specified.

AB 218 (Richter, Chapter 363, Statutes of 1995) authorized court order assignment of Lottery prizes under specified conditions.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

**SUPPORT:** (Verified 4/27/226)

None received

**OPPOSITION:** (Verified 4/27/26)

None received

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4/28/26 16:33:44

\*\*\*\* **END** \*\*\*\*