

MINUTES

ARKANSAS LOTTERY COMMISSION

Wednesday, October 15, 2014

11:00 a.m.

Black Gold Room

L.A. Davis Student Union

University of Arkansas at Pine Bluff

Pine Bluff, AR

Call to Order

Chairman Campbell called the meeting to order. Commissioners Hammons, Lamberth, Frazier, Streett and Pierce were also present. ALC employees Director Woosley and Internal Auditor Brown were present, as were staff members Block, M. Smith, Ralston, Bunten, Backes, Vick, Fetzer, Stebbins, Basham, Craig, J. Smith, and others.

Opening Remarks

University of Arkansas at Pine Bluff Chancellor, Dr. Laurence B. Alexander, welcomed the Arkansas Lottery Commissioners to the campus. Dr. Alexander introduced two UAPB students, Taylor Reodus, a freshman Biology major, and Carlton Brewer, a Senior majoring in Political Science. The students discussed their academic goals and how the Arkansas Academic Challenge Scholarship has made it easier to achieve them.

Approval of Minutes

The first order of business was the approval of the minutes of the meeting held on August 20, 2014. Commissioner Frazier made a motion to accept the minutes, Commissioner Streett seconded the motion, and the motion passed unanimously.

Report from the Internal Auditor

Mr. Brown was recognized to give his monthly Internal Audit Update (in file). Mr. Brown said that six audits had recently been completed and final reports issued (in file). Four of those audits had no observations or recommendations to report. An observation was noted in the Background Checks Audit, recommendations were made, and additional follow-up will be necessary in order to consider the observation cleared. There was also an observation noted in an audit follow-up for Federal and State Tax Withholding and Reporting Follow-Up Procedures, and additional follow-up will be necessary to consider the observation cleared.

Report from the Director

Director Woosley was recognized to give his report (in file). He gave an update on the Beneficiary Campaign, which began in August. He discussed the Comparative Income Statements, noting that the numbers reflect a downward trend in online ticket sales and an upward trend for instant ticket sales. Online ticket sales for September 2014 were down over \$2.6 Million compared to September 2013, but instant tickets were up \$1.5 Million compared to the same period last year. In reviewing the September 2014 Actual vs. Budget,

sales in both instant and online ticket sales were a little less than anticipated. Overall ticket sales were down \$2 Million from the budgeted amount.

Director Woosley said that transfers to ADHE were currently \$1.4 Million under budget, but that instant ticket sales were continuing to improve, a new advertising campaign had kicked off at the end of September, and a new \$10 instant ticket was doing very well, and he hoped to see the deficit slowly chipped away.

He reported that Powerball continues to struggle and that in September the MUSL group had voted to make changes to the game. The changes include rolling the \$1 PowerPlay option into the \$2 cost of the ticket; increasing the odds to win the top prize (from one and 175 million to one and over 260 million); and adding an option to pay \$1 for a second-chance drawing. The changes will occur in mid-April 2015.

Director Woosley reminded the Commissioners that Pollard Banknote and GTech had recently met with ALC to discuss games [from those vendors] that ALC could add to its instant ticket catalog. Pollard Banknote offered Scratch FX and Playbook and Bejeweled was the property offered by GTech. He presented comparisons, against SGI, of printing costs/fees and inventory levels for those games.

There was discussion of Pollard Banknote's \$20 Playbook. Director Woosley said that the Lottery was reducing its \$20 instant ticket catalog. One \$20 ticket would be introduced in January 2015. The earliest that ASL could introduce Pollard Banknote's Playbook would be September or October 2015 and that would be ASL's second and final \$20 ticket for the year. Commissioner Lamberth asked what the arguments were, for and against, going with the Playbook. Director Woosley said that an argument for the game was that it was somewhat new. It also offered value to the player by combining several games for the price of one \$20 booklet. An argument against was that it could possibly negatively impact the sales of the \$5 and \$10 tickets. Director Woosley said that he was not yet prepared to bring anything to the Commission for approval, but wanted to be sure there was general consensus for him to continue discussion with the two vendors.

Commissioner Hammons asked if there were statistics for Playbook ticket sales. Director Woosley said that game had been sold by Iowa, Missouri, Minnesota, and Ohio and he would get those statistics for the Commissioners. Commissioner Lamberth asked that he also provide the percent of return for the proposed games.

Director Woosley presented a Proposed Play it Again program change (in file), which would be implemented in December. He said that currently the program offers four \$1 million prizes per year, which has become very expensive to sustain. The proposed program change would be to hold two generic Play it Again drawings annually, rather than having a drawing at the end of each individual game. The program change would free up millions of dollars that could be put back into games annually as instant scratch off prizes rather than being tied up in a second-change prize, that is, there would be more actual cash available to apply to the scratch off games. **Commissioner Lamberth made a motion to approve the**

Play It Again program change and Commissioner Pierce seconded the motion. The motion passed unanimously.

Reports from ALC Committees

Audit and Legal Committee: Commissioner Lamberth reported that the Audit & Legal Committee had voted to approve a revised draw game audit proposal, which she now brought to the Commission for consideration. She explained that the draw game audit proposal was revised because the Commission had approved two Internal Audit classified employee positions, C118 and C121, but that those positions were no longer available to fill. Mr. Brown revised the proposal to reflect that the part-time draw auditor position would be a grade C120 rather than C118 as originally approved, and the Assistant Auditor would be hired as a C122 rather than C121. **Commissioner Hammons made a motion to approve the revised draw game audit proposal and Commissioner Frazier seconded the motion. The motion passed unanimously.**

Retail and Marketing Committee: Commissioner Pierce reported that the Retail and Marketing Committee had voted to approve a bonding change proposal and he made the following motion:

The Retail and Marketing Committee recommends that the ALC allow the Director to present to the Arkansas Lottery Commission Legislative Oversight Committee a bonding change proposal which would include a statutory change (language deletion) to A.C.A. § 23-115-603(c)(1). The proposal would also include the establishment of a self-bonding process that would allow the ALC to self-bond retailers at an amount of \$100 annually, or at an amount the Arkansas Lottery Commission Legislative Oversight Committee deemed appropriate.

Commissioner Frazier seconded the motion and the motion passed unanimously.

Personnel Committee: Nothing to report.

Vendor Committee: Nothing to report.

Higher Education Committee: Nothing to report.

Other Business

Director Woosley stated that Scientific Games/MDI had presented a proposal to reduce the Points for Prizes billing rate and that he would be bringing the proposal to the Commission at a later date.

Meeting Date

Chairman Campbell stated that the next Commission meeting would be held on November 19, but that the location was yet to be determined.

There being no further business, the meeting was adjourned.