

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, July 30, 2012
10:30 A.M.
ALC Conference Room
Third Floor
124 West Capitol Avenue
Little Rock, Arkansas

Chairman Ben Pickard called the meeting to order. Commissioners Dianne Lamberth, Steve Faris, Bruce Engstrom, Raymond Frazier, George Hammons, Smokey Campbell and Bruce Engstrom were present with Commissioners Mike Malone and Patty Shipp on conference call. A number of staff members were present including Director Bishop Woosley, Julie Baldrige, Jerry Fetzer, Mike Smith, Patti Vick, Valerie Basham, Robert Stebbins, Lance Huey, Jeremy Smith and Joanna Buntun. Derrick Smith, of Mitchell Williams law firm, was also in attendance as outside legal counsel.

The first order of business was consideration of the draft minutes of the June 18 and June 22, 2012, meetings. With three minor changes, incorporated in the posted document, a motion was made by Commission Frazier, seconded by Commission Malone to approve both and it was approved without dissent.

Next, Chairman Pickard recognized ADHE Director Shane Broadway for a report on the scholarships for the 2012-13 academic year (in file). Director Broadway thanked the ALC staff for their responsiveness and help. He noted that the amount requested for administration by ADHE was down more than \$450,000 from last year. He said should changes be made by the General Assembly, there likely would be a bump in costs to accommodate altered processes. He then presented a preliminary report as of July 30. In answer to a question by Commissioner Engstrom concerning nontraditional student funding, he noted that students near graduation receive higher consideration, along with a higher GPA, whether or not they are STEM (science, technology, engineering, math) majors. In response to a question from Commissioner Campbell, he said there was no way set up to determine what other scholarships the students received. He also said that tuition increases at the institutions of higher education were keeping pace with years past but not rising by a larger proportion since the advent of the Lottery-funded scholarships. He said retention was 70% overall and 52% for new traditional students. He said he anticipated that second figure would rise following summer school. He said retention of traditional students was a concern for all, including the legislature. He said that in the last academic year, students who had utilized \$27 Million in scholarships had lost their scholarships. Of those, he said \$21 Million were traditional scholarships. He said the amount as of today was \$18 Million. He said ADHE was seeking a method to track the individual causes of this attrition. Commissioner Faris commended the ADHE Director and staff for their responsiveness to students and families. Director Broadway said they were processing the forms more efficiently as they found new approaches and said they would strive to provide as much information as possible to the 2013 General Assembly. He said that although there was two years' data, a profile of a typical student who was retained and one that was not didn't present itself. Commissioner Faris mentioned that some leaders in the 2012 session had been interested in an idea for a formula determining the award each year. The Director said some Senators had asked about that recently. Chairman Pickard thanked him for his report.

Director Woosley was recognized for his regular report (included in file). He noted that net proceeds were up over last year for the Fiscal Year just ended, with sales of instants up, draw tickets up in every game, and prizes up. Commissioner Engstrom said he had gone by Aloha to see the party barge that is a future prize and that it was very high quality. In going over the figures, he noted that monthly communications fees for retailers had been reduced, and that licensing had changed from a once-a-year process to once every two years. The intricacies of the Decades of Dollars game and the effects it has on the bottom line were discussed. Director Woosley noted there were more than 50,000 entries for that drawing already. For the year, he noted, the Lottery produced a record \$97.6 Million for scholarships. He reviewed prizes that had been given away over the past months, showing end-of-game prizes and other drawings, for the Commissioners' information.

The Director noted that the Natural State Jackpot, the Arkansas-only draw game, would begin sales of the \$1 ticket August 27. He said there would be a draw six nights a week and an average jackpot expected at more than \$150,000. Each initial jackpot will be \$25,000, increasing \$5,000 for each draw it is not hit. There will be other levels of prizes. The Director said there would be broad advertising for the Jackpot. Commissioner Lamberth affirmed with the Director that it will be part of Points for Prizes and also that its information will be available on smart phones. Director Woosley said \$6 Million in sales had been projected for the game. Commissioner Engstrom asked how much of the \$2.5 Million unclaimed prizes fund had been budgeted for advertising and was told none.

Internal Auditor Matt Brown was recognized (information in file). He noted that the Audit and Legal Committee had approved his moving two items (15 and 16) currently in the FY2012 Plan into the 2013 Fiscal Year. He noted that the complete turnover in Internal Audit will by its nature produce a certain loss of efficiencies in projects that were underway, and said he would revisit today's Plan later in the year with the Committee, likely during the September 17 meeting. He also informed the Commission that the Personnel Committee and Audit and Legal Committee had approved upgrading the support position in his division from a C112 to a C122. He said that he believed a CPA or experienced accountant in that position was needed.

Assistant Attorney General Warren Readnour presented a review of information from and relating to the Board Members Handbook provided to the Commissioners at their previous meeting. He began by calling attention to the Freedom of Information Act and highlighted the section on Commission meetings, noting that two or more members talking about Commission business triggers the requirement for notification. He said written documents, including email, were public unless they are personnel records. He covered the rules for executive session. He noted that only the actual cost of reproduction for documents readily available can be charged when they are requested under the FOIA. He said a CD copy was more cost efficient. The only instance where employee time could be charged would be if a document had to be created in a different format. He brought up the conduct and compensation of Board members, noting that there were numerous statutes on gifts of more than \$100 to members of any Board or Commission. He also noted that some lottery information was considered proprietary and not required to be released. He agreed with Commissioner Engstrom that the Lottery's enabling legislation can limit the application, saying that was the case if the Lottery legislation was more specific. He also went over the conflicts of interest requirements. He noted that the agency is covered by sovereign immunity. He said that any lawsuit naming individual members of the Commission in their official capacity would entitle them to representation by the Attorney General's office in most cases. He brought up employment issues, noting that the Commission has two employees and that the Commissioners have oversight with the Director having day-to-day management of the agency. He said that employment matters should generally be treated

as confidential and discussed only in Executive Session. He noted that the Committees had delegated powers from the Commission, as does the Director. He noted that the attorney regularly assigned to the Commission is Meredith Rebsamen.

Chairman Pickard asked for a report from Audit and Legal Committee. Committee Chair Campbell noted that the Committee had met this morning, with all four members present (Campbell, Engstrom, Faris, Lamberth) and elected him Chair and Commissioner Engstrom Vice Chair. He said that they had approved a personnel matter, previously approved by the Personnel Committee, for a reclassification of a position for the Internal Auditor's operation, and had signed off on the Auditor moving two items from the FY2012 Audit to the FY 2013 Audit. Commissioner Frazier reported for the Higher Education Committee that the group had met this morning with all four members present (Frazier, Malone, Hammons, Shipp) and has elected him Chair and Commissioner Malone Vice Chair. Chairman Pickard called on the Personnel Committee. Commissioner Shipp reported that the Personnel Committee had met this morning with all four members present (Shipp, Lamberth, Faris, Hammons) and had elected her Chair and Commissioner Lamberth Vice Chair. She reported that the Committee had approved a request from the Director to promote an internal staff member to Licensing Manager, moving from a C112 to C115 at a salary of \$48,000, the amount the previous two managers had been paid. She also reported that the Committee had approved a request from the Internal Auditor to convert his assistant's position from a C112 to a C122 with the goal of hiring a CPA and so enhancing the Internal Audit staffing capabilities. Commissioner Frazier asked whether the audit staff position was secure even if the Internal Auditor left his job, and Commissioner Pickard said that the two positions were separate and the person in the secondary position would not leave under those circumstances. The Retail Committee has not met since the previous Commission meeting. The Commission accepted the actions of the Committees.

The Chair deferred consideration of a new committee to the next meeting. The Director noted that information about five retailer rallies later in the week in Little Rock, El Dorado, Jonesboro, and Fayetteville and invited them to attend.

Chairman Pickard announced tentative dates for upcoming meetings as follows:
Monday, August 20, in Little Rock, at 10:30 a.m. and September 17 at 1:30 p.m. in Fayetteville at the UA Campus.

There being no further business, the meeting was adjourned.