

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, December 3, 2012
1:00 P.M.
Arkansas Tech University
Rothwell Hall, Room 138
Russellville, Arkansas

Chairman Ben Pickard called the meeting to order. Commissioners George Hammons, Steve Faris, Smokey Campbell, Bruce Engstrom, Raymond Frazier, Dianne Lamberth, Mike Malone, and Patty Shipp were present. Staff present included Director Bishop Woosley, Internal Auditor Matt Brown, Julie Baldrige, Jean Block, Patti Vick, Maria Craig, Valerie Basham, Jerry Fetzer, and Robert Stebbins. Director Woosley affirmed that public notice had been made. The first order of business was consideration of the draft minutes of the October 15 and November 14 meetings. By motion of Commissioner Shipp, seconded by Commission Lamberth, the minutes of both meetings were approved without dissent.

Next, Chairman Pickard introduced Arkansas Tech President Robert Brown, who thanked the Commission for fulfilling the agency's scholarship mission, noting that 3,200 Tech students benefit from the scholarships to achieve their educational goals. He introduced Susie Nicholson, Vice President of Student Services, to recognize two of those Tech scholarship recipients: Lauren Reynolds of Searcy, a sophomore majoring in Music Education who also is part of the ATU Marching Band, and Clay Wyllia of Atkins, a junior Broadcast Journalism and Speech major who is on the Executive Board of the Student Government Association. The students spoke to the Commission about the benefits of their scholarships. (Remarks in file.)

The Chairman recognized ADHE Director Shane Broadway, who discussed the current status of the Arkansas Academic Challenge Scholarship program funded in large part by the Arkansas Scholarship Lottery proceeds. He presented a report on the scholarship distribution for the Academic Year 2012-13 by institution (included in file). He said they were beginning to analyze the previous academic year and that data would be available to the Commissioners. He presented documents on projected balances through 2018 for the education trust as well as a document laying out program variables such as retention rates, transfer rates, and growth. He noted that there was not yet enough information to adequately predict the number of students offered scholarships who will accept. There was discussion of the uncertainty of what the distribution method would be following the 2013 General Assembly. He noted that a serious likelihood of needing to use the reserves was for a time alleviated by the unexpected Powerball jackpot proceeds, pointing out that there are unpredictable factors impacting the funding. He also recalled that legislators during the early 2012 Fiscal Session had announced the awards would have to be looked at during the General Assembly next year. He also said that adding \$10 Million to the annual scholarship funding would not preclude dipping into the reserve in the near future under the current funding procedures.

Chairman Pickard commented that ADHE had done an excellent job of implementing a system to manage the scholarship program, and that those efforts along with the efforts of counselors, teachers and administrators in the public schools had resulted in a much larger applicant pool than expected. He thanked Director Broadway and Mr. Criswell for appearing. Commissioner Frazier expressed concern about the non-traditional scholarships. Commissioner Engstrom wondered how sensitive the number of total freshman applicants is to the amount of the award,

expressing concern that a lower award may prevent some students from beginning college. Director Broadway noted that changes to federal student loan and PELL grant programs currently under discussion or implementation in Washington could also have an impact. Commissioner Lamberth asked about the impact on changes in the award would be on two-year versus four-year institutions. Director Broadway said that contrary to discussion in 2009, the number of overall college students were divided pretty much as they are now before the Lottery-funded scholarships took effect. He said that Senator Key's incremental payment research was in part intended as a point to begin the discussion.

Director Woosley was recognized for his regular report (included in file). He welcomed the ALC's new Chief Legal Counsel Jean Block. Noting that it was good to be in Pope County, he reviewed scholarship statistics for Arkansas Tech and Pope County sales, prizes, retailer commissions. He announced that the amount of scholarship funding produced since ticket sales began Sept. 28, 2009, had surpassed the \$300,000,000 mark. He went through sales and revenues (which will be compiled by December 10), and noted that there had been a lowering of instant ticket sales. He said that while the October numbers were lower than had been hoped but that November was an excellent month and that it would be known December 10, but the net proceeds might very well meet or exceed expectations thanks to the Powerball run.

He presented information on when larger monthly transfers had been made and noted that February and March had historically been excellent months as well as months with larger jackpot runs. He also reviewed economic factors that impact sales. He said that a 42-cent per gallon drop in gasoline prices at the same time that lottery sales improved dramatically for those weeks. On the jackpot, he noted that Powerball-only sales for the October 4 to November 28 run exceeded \$10 Million for those weeks, with Powerball prizes in Arkansas exceeding \$1.2 Million and retailer profits escalating. He showed that three of the top ten retailers the last week of the Powerball run were in Lake Village, representing significant Mississippi border sales since that state currently has no lottery. He pointed out the \$8,000 in tickets per minute in the drive-time hours on the last day of the run.

He also reviewed instant and draw sales, prizes, and play-it-again prizes for the Commissioners. He complimented the Director of Sales for the 50-retailer increase since January 2012, only 30 less than the all-time high. He showed a report that Mississippi casinos were at a 15-year low in sales. He informed the Commissioners that the November promotion giving a free Hunting for Hundreds had worked out well, producing 50/50 sales more than 5 times higher than the figures from the previous two months. He complimented the sales and gaming teams for coming up with this promotion. He introduced the December promotion, wherein a player who buys \$5 in Cash 3 or Cash 4 receives a free Candy Cane Cash Fast Play ticket. He said the first two days pointed to great success for this promotion as well. Responding to a question from Commissioner Engstrom, the Director said the cost of the November promotion was \$15,853. Responding to Commissioner Malone, he said that 600 Player Advertising Displays (PADs) were set to be installed by January 16, 2013.

Internal Auditor Matt Brown was recognized for his report (in file). He said the Fiscal Year 2012 Audit Plan was very nearly complete, expected to be completed by the week of December 9. He provided information on out-of-state travel to give the Commissioners perspective, noting that the Lottery policy had proved to be more restrictive than the state's, causing unintended consequences. He said the policy was addressed to bring it in line with the state's policy, both for cost of flights and combining personal with business travel. He noted that in several of the cases, the entire cost had been reimbursed by Scientific Games as called for under the

contract. In response to a question from Commissioner Engstrom, he stated that there was no doubt these trips were business-related. Commissioner Malone thanked the Auditor for both his thoroughness in explaining these issues and the common-sense manner in which they had been resolved. In response to Commissioner Malone's question, Auditor Brown said that management had immediately made the suggested changes before the report was even issued to the Commission.

Chairman Pickard called on Personnel Committee Chair Patty Shipp for a report. She noted that the Personnel Committee had met on November 14 to formalize hiring guidelines for the agency. She distributed a written record of that meeting and said that all Commissioners had received the final draft the week before. She said that Committee approval of the draft constituted a motion for approval. The motion was seconded by Commissioner Faris and the Guidelines were approved as drafted without dissent. Commissioner Lamberth, Chair of the Vendor Committee, distributed a written record of and reported on the October 15 meeting of the Vendor Committee. She said that the only action was her election as Chair and the election of Commissioner Faris as Vice Chair.

Patrick Ralston, Bureau of Legislative Research and staff member to the Legislative Oversight Committee was recognized to report that the Co-Chairs of the Committee have written letters to the Arkansas Congressional delegation regarding the Reid-Kyl measure expected to be considered by the United States Senate during the lame duck session, to allow internet poker and limit states and their lotteries' operations, those letters mailed today. He noted that the next meeting of the LOC is on December 18 at 10 a.m. Commissioner Lamberth asked Mr. Ralston to convey thanks to the Chairs for acting on this important states' rights issue. Director Woosley also expressed appreciation to the LOC Chairs for this action and offered to write letters to the Arkansas Congressional delegation should the Commission wish. By motion of Commissioner Lamberth, seconded by Commissioner Shipp, without dissent the Commission approved the letter by the Director. Commissioner Shipp suggested the Congressmen and Senators be invited to visit Lottery headquarters to learn more about the endeavor, and Director Woosley said he would do so.

Commissioner Pickard noted that the Statement of Financial Interest form was at the seat of each Commissioner and asked that the forms be completed after January 1 and submitted before January 31, either through Ms. Baldrige or directly to the Secretary of State, keeping Ms. Baldrige posted.

Chairman Pickard again thanked Commissioner Shipp, as well as President Brown and the administration, faculty, and students at Arkansas Tech, for hosting the Commission meeting. He wished all present a happy holiday season. He announced that the next meeting of the Commission would be on January 28, 2013, at Arkansas State University in Jonesboro. There being no further business, the meeting was adjourned.