

MINUTES

ARKANSAS LOTTERY COMMISSION

Monday, September 16, 2013

10:00 a.m.

**124 West Capitol Avenue, Third Floor
Little Rock, Arkansas**

Call to Order

Chairman George Hammons called the meeting to order. Commissioners Smokey Campbell, Ben Pickard, Dianne Lamberth, Raymond Frazier, Bruce Engstrom, Mark Scott, Doug Pierce and Julie Baldrige were also present. Staff members present included Director Bishop Woosley, Matt Brown, Jean Block, Jerry Fetzer, Robert Stebbins, Joanna Bunten, Angela Meredith, Jeremy Smith, Valerie Basham and Justin Rogers.

Chairman Hammons introduced special guests of the Commission, Mary Kate Snow, President, Arkansas Association of Student Assistance Programs; Dr. Constance Nowell, TRIO Coordinator, ASU-Beebe, Ms. Melissa Rust, V.P. Governmental Relations, representing Dr. Donald Bobbitt, University of Arkansas System; Robert S. Evans, Director Governmental Relations, representing Dr. Charles Welch, Arkansas State University System; Mr. Rex Nelson, President, Arkansas Independent Colleges & Universities; Dr. Edward Franklin, Executive Director, Arkansas Association of Two Year Colleges; Mr. Shane Broadway, Interim Director, Arkansas Department of Higher Education; and Harold Criswell, also of the Arkansas Department of Higher Education. He also introduced lottery vendor representatives Steve Beck of Intralot and Toben Molica, of Scientific Games.

Upward Bound Donation Announcement

Chairman Hammons recognized Commissioner Pickard to present the first order of business, the Upward Bound donation announcement. Commissioner Pickard thanked all of the commissioners for their support, especially Commissioner Baldrige, who brought to Commissioner Pickard's attention a similar program in Missouri, and Commissioner Frazier for his leadership and support as Chair of the ALC Higher Education Committee, and for his suggestion that the Lottery consider Arkansas Upward Bound programs as recipients of donations from the vendors. He also thanked ALC staff for their work in preparing for the donation announcement and the Department of Higher Education for their assistance. Commissioner Pickard said that, most of all, he would like to thank ALC vendors Intralot and Scientific Games. He announced that Intralot and Scientific Games had each agreed to donate \$20,000 each year, on a continuing basis, to supply much-needed technology assistance to Upward Bound programs and introduced Steve Beck of Intralot and Toben Molica of Scientific Games, who came forward to present the donations. Ms. Mary Kate Snow and Dr. Connie Nowell came forward to accept the vendor donations on behalf of the Upward Bound programs. Both expressed their gratitude and excitement and Ms. Snow added that she was told by the Council for Opportunity in Education, an organization based in Washington, D.C.

that this was the first gift of its kind to an Upward Bound program. She said that the Council for Opportunity in Education would be covering the donation on a national level. Director Woosley announced the recipients of the individual donations (in file).

Approval of Minutes

The first order of business was the approval of the minutes of the meeting held on August 26, 2013. Commissioner Campbell made a motion to approve, Commissioner Lamberth seconded the motion, and the minutes were approved unanimously.

ADHE Scholarship Update

Chairman Hammons recognized Shane Broadway, Interim Director of ADHE, to provide the Commission lottery scholarship update (in file). Mr. Broadway stated that the report was very preliminary, with enrollment numbers due to be received by ADHE on September 18. He said that he was glad to report that there was no longer a waiting list for Non-Traditional Student scholarships. Commissioner Campbell asked Mr. Broadway if it was correct that over the last three years ADHE had transferred back to the the Lottery \$20 Million that had not been used, then the Lottery moved it back to ADHE, and if it was because there were students not qualifying. He also asked if students were continuing to stack their scholarships. Mr. Broadway assured Commissioner Campbell that all monies sent to ADHE had been spent, and that it was just an accounting issue. Regarding scholarship stacking, he explained that a student could stack scholarship funds up to the cost of attendance, and that once the student's scholarships had reached that amount, the lottery scholarship would be the first to be returned. He added that to change the stacking policy, the law would have to be rewritten. Mr. Campbell asked Mr. Broadway about ADHE charging the lottery for its administration. Mr. Broadway stated that administrative costs have been going down. He added that some of the amount was mandated by the General Assembly for ADHE to purchase a new software system, but that it was ADHE's goal to continually try to get the administrative costs lower.

Chairman Hammons noted that there were areas of concern in the new enrollment figures, including drops in male and African American enrollment and there were counties showing declines in applications. Mr. Broadway responded that the figures were preliminary, but ADHE would try to identify and analyze the trends once the final numbers were in.

Commissioner Pickard asked Mr. Broadway if he knew the approximate percentage of students who do not retain their scholarships from year one to year two. Mr. Broadway responded that the figure was around 30%. He said the ADHE budgets the scholarships on the premise that some students will not retain theirs. Chairman Hammons thanked Mr. Broadway for his report.

Report from the Director

Director Woosley was recognized to give his regular report (in file). In a comparison between August 2012 and August 2013, he noted that sales were down approximately \$1.4 million, mostly because of a drop in instant ticket sales, but that online ticket sales had increased over 11%. He said the major difference was in instant and online prizes, with \$853K more paid out

this August compared to last August, and some of that difference could be attributed to the addition of Natural State Jackpot, which was just getting started in August 2012.

On the Actual versus Budget Comparison for August 2013, the Lottery came close to reaching the anticipated amount of net proceeds, the main difference being that the unclaimed prizes were significantly lower than anticipated, mostly based on the fact that not as many games were closed. From an instant ticket standpoint, again sales were a little less than budgeted, but overall, there was not much difference between last August and this August.

Mr. Woosley said that, year to date, the budgeted net proceeds were a little lower than expected, but there were three growing jackpots: Natural State Jackpot's grand prize was currently at \$120 Thousand, the Mega Millions jackpot was \$120 Million, and Powerball had grown to \$400 Million. He said that based on sales from last week, the lottery should make up any deficit, bringing the lottery back to even or exceed the anticipated amount, especially if the jackpots kept rolling.

Commissioner Lamberth asked Director Woosley how the the [Arkansas Million Dollar] Raffle was doing so far. Director Woosley said it was going well, with a little bit of a slow start, but he anticipated that each month sales would pick up as the monthly drawing drew closer, with sales especially increasing toward the end of the raffle. Sales could also be affected by the large jackpots currently going on, with people purchasing the jackpot tickets over anything else.

Director Woosley announced that ALC Security Specialist Angela Meredith was the new ALC Deputy of Security.

Report from the Internal Auditor

Internal Auditor Brown was recognized to give his status report (in file). He gave status updates on several FY14 audits which were ongoing. He also reported that the Human Resources Processes audit was complete and a report was issued on September 4, 2013. This audit centered on controls and procedures relative to the hiring, termination, employee benefits and performance evaluation processes and also included a monitoring of employees' annual affirmation of understanding/compliance with ALC's *Code of Ethics and Mission, Vision, and Values* statement. He observed that there were inconsistencies in the timeliness of employee performance evaluations, including the annual affirmation documents. While many evaluations were completed in a timely fashion, others were completed at various intervals throughout FY 2013, resulting in inconsistent timing of the process. Internal Audit suggested to Management that it establish a more stringent monitoring program relative to the performance evaluations and affirmations, including meaningful follow-up related to past-due evaluations. Management responded that a more stringent monitoring program would be adopted and updates provided to the Director regarding progress. Follow-up audit procedures will be required to consider the observation cleared.

Reports from ALC Committees

Retail and Marketing Committee Chair Doug Pierce was recognized to give his report. He noted that the committee had met this morning, with all members present. He reported that at this meeting the committee had voted three to one in favor of bringing a proposal to the full commission for consideration. He presented the proposal as follows:

I make a motion to increase the ALC mileage reimbursement rate of 42¢ a mile to match the most current GSA (U.S. General Services Administration) rate, to become effective next fiscal year.

After much discussion, Commissioner Lamberth made a substitute motion that Commissioner Pierce's motion be tabled until it could be brought before the Arkansas Lottery Commission Legislative Oversight Committee [LOC] for review. The motion was seconded by Commissioner Engstrom. There was a vote to allow a substitute motion, which passed in a count of five to three. There was another vote to accept the content of the substitute motion, which passed five to three. Commissioner Engstrom asked Patrick Ralston, Legislative Committee Analyst, the proper way to bring the matter before the LOC. Mr. Ralston advised the Commission to send the LOC a written letter requesting discussion, advice, and review.

Chairman Hammons recognized Personnel Committee Chair Ben Pickard, who reported that the Personnel Committee had met last month to discuss the employee evaluation process and would be discussing the matter again in the meeting to be held immediately following the adjournment of the Commission meeting.

Other Business

Commissioner Pickard again thanked ALC vendors Intralot and Scientific Games for their generous support for the Upward Bound programs.

Meeting Date

Chairman Hammons reminded the commission that there had been a discussion last month to change the commission meeting date. Commissioner Pickard made a motion to change the meeting date to the 3rd Wednesday of each month, Commissioner Frazier seconded the motion, and the motion passed without dissent. The next commission meeting was set for 10:00 a.m. on Wednesday, October 16, 2013.

There being no further business, the meeting was adjourned.