

MINUTES
ARKANSAS LOTTERY COMMISSION
Wednesday, April 7, 2010
1:30 p.m.
ALC Conference Room
Third Floor
124 West Capitol Avenue
Little Rock, Arkansas

The meeting was called to order by Chairman Thornton. Commissioners Thornton, Lamberth, Smith, Pickard, and White were present in person, and Commissioners Ward-Jones, Malone, and Shipp by teleconference. Director Ernie Passailaigue represented the staff, along with David Barden, Ernestine Middleton, Julie Baldrige, Bishop Woosley, Lance Huey, Patricia Vick and Philip Miley. Internal Auditor Michael Hyde and Auditor Whitnie Hall also were present.

The minutes from the January 20, 2010, meeting were reviewed and by motion of Commissioner Lamberth, seconded by Commissioner White, unanimously approved.

Director Passailaigue reported that, although a budget for Fiscal Year 2011 had been presented and passed at the March meeting, a change in the Lottery Act regarding unclaimed prizes, during the immediate past session of the Arkansas Legislature, necessitated a budget revision. He noted that in the previous budget, the forecasted lottery sales had depended upon the availability of the unclaimed prizes to accomplish the sales goals through such means as prize enhancements, marketing and promotions. The law change relative to unclaimed prizes now means the unclaimed prize fund will be transferred directly into the Lottery Educational Trust Fund and will not be available to the staff to use to generate incremental new sales dollars. He said that the Arkansas Scholarship Lottery staff remains resolute on providing scholarships in as large a number as possible, doing their best to manage the challenges presented by the change. He defined unclaimed prizes as winning prize amounts that are not validated 180 days after a winning draw ticket is sold, or 180 days after the notice to close the game is announced. He then reviewed the printed information presented to the Commissioners.

Commissioner Lamberth commented that this appeared to be a benign amendment with unanticipated ramifications and that she appreciated the comments from Legislative Lottery Oversight Committee Co-Chair Representative Barry Hyde that there may be a reversal of the change in early 2011. Other discussion followed. Mr. Passailaigue asked the Commissioners to approve the revised budget, and by motion of Commissioner White, seconded by Commissioner Pickard, the approval was unanimous.

Mr. Passailaigue then presented information on the issue of levying an add-on sales tax on lottery tickets. He reported that none of the 44 lottery jurisdictions in America impose an add-on sales tax on lottery tickets. He noted that a single experiment imposing a sales tax on lottery tickets by the Provincial Government of Saskatchewan in July 1989 resulted in an immediate decrease in sales of 13.7 per cent. The government of Saskatchewan repealed the sales tax four months later, in November. He said that the rules of both Powerball and Mega Millions require a fixed ticket price of one dollar. If Arkansas imposed such an add-on sales tax (adding the sales tax to the \$1) on multi-state jackpot lottery tickets, it would be banned from selling those two games. He estimated that a lottery sales tax would result in a minimum loss of \$37,500,000 every year in scholarships to Arkansas students.

Commissioner Lamberth reported for the Personnel Committee that the Employee Manual was sent to the Legislative Oversight Committee on March 28.

Chairman Thornton noted that the next meeting of the Commission was scheduled for 8:30 a.m. May 19, with a planning session gathering the evening before. There being no further business, the meeting was adjourned.