

RECORD

RETAIL & MARKETING COMMITTEE

9.16.2013, 1:30 p.m., Little Rock Headquarters

The meeting was called to order by Commissioner Pierce, who noted the presence of members Commissioners Scott, Campbell and Frazier. Also present were ALC Chairman Hammons and Commissioners Lamberth and Engstrom. Staff members present included Director Woosley, Auditor Brown, Chief Fiscal Officer Fetzer, Stebbins, Block, Bunten, Meredith, Vick, and others.

The first item on the agenda was the consideration of the increase of mileage reimbursement for ALC Marketing Sales Representatives (MSRs) from the state rate of 42¢ per mile to the Federal [General Services Administration, or "GSA"] rate of 56.5¢ per mile. Chairman Pierce discussed the research he had done on the mileage subject since the last committee meeting and presented his thoughts. He stated that there was a difference between the Lottery and other agencies, in that ALC generates \$90 Million in revenue and other state agencies are supported by taxpayer dollars. He determined that the increase would constitute expense reimbursement, rather than compensation and the increased expense of approximately \$70,000 would be negligible (0.07%). He added that the Lottery had done nothing to increase the mileage rate for the MSRs even though the price of gas had risen 28% since start-up. He stated that he understood the employee turn-over was very low and the salaries fair, but that he had made a decision that raising the mileage rate was the right thing to do. He then opened the floor for discussion.

Commissioner Campbell asked Commissioner Engstrom to explain whether or not employees could take advantage of claiming mileage on their tax returns at the end of the year. Commissioner Engstrom explained that he doubted very seriously whether anyone could take advantage of it, because to do so, it would have to qualify as "other business expenses" on itemized deductions, and the deductions were limited only to amounts in excess of 10% of the employee's annual gross income [Commissioner Engstrom later corrected this figure to 2%]. The employee would have to cross that threshold to reap any tax benefit - and only if the employee could itemize. He added that the mileage rate of 56.5¢ comes from an annual survey that the IRS commissions and that the amount of 56.5¢ is subject to change.

Mr. Fetzer suggested that because the IRS changes the reimbursable amount at the beginning of every year there should be a stipulation that the mileage be based on the *current* IRS rate rather than on a fixed rate. He warned that if ALC reimbursed at the fixed rate of 56.5¢ a mile and the current IRS rate fell below that amount, anything above the IRS rate would become compensation to the employee. Commissioner Engstrom agreed with Mr. Fetzer, and also suggested that, as an alternative, ALC reimburse at the mileage rate of the Arkansas legislature.

Commissioner Frazier said that he was totally in favor of raising the mileage amount, but recommended that the increased mileage rate be part of the budget for the *next* fiscal year.

Commissioner Scott stated for the record that he was against raising the rate because, although it might be the right thing to do for the employees, it was not the right thing to do for scholarship recipients. He added that income was \$250,000 less than projected and that the timing was not right to make the change.

Commissioner Campbell asked Director Woosley if a change to the current budget would have to go before the Legislative Oversight Committee. Director Woosley replied that it would have to be submitted to the LOC as an amended budget.

Commissioner Scott asked if the increased mileage reimbursement would be available to all employees and commissioners. Commissioner Engstrom commented that reimbursement for mileage was voluntary, i.e., an employee or commissioner could request reimbursement at a lesser rate. Commissioner Pierce asked whether the increased mileage could be made available only to MSRs. Mr. Fetzer stated that under the ALC Qualified Reimbursement Plan, that rate is currently set for all employees.

Commissioner Campbell moved to raise the ALC mileage rate to the most current GSA (U.S. General Services Administration) rate, to begin next fiscal year. Commissioner Frazier seconded the motion. Commissioner Pierce voted yes for the motion, Commissioner Scott voted no, and the motion carried 3-1. The motion moved to the full commission for consideration and discussion.

There being no further business, the meeting was adjourned.