

RECORD

RETAIL & MARKETING COMMITTEE

3.19.2014, 9:30 a.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, Engstrom, and Baldrige. Staff members present included Director Woosley, Internal Auditor Brown, Chief Fiscal Officer Fetzer, Gaming Director Smith, Block, Stebbins, Bunten, Huey, Craig, Vick, and others.

The first order of business was approval of the record of the committee meeting held on February 19, 2014. Commissioner Frazier made a motion to approve the record and Commissioner Scott seconded the motion. The motion passed unanimously.

The next item on the agenda was the continued discussion of debit cards. Commissioner Pierce recognized Director Woosley, who reported that he and Sale Director Stebbins had recently met with Steve Ferren of the Arkansas Oil Marketers Association and Polly Martin, of the Arkansas Grocers & Retail Merchants Association, to hear their concerns about debit cards. He stated that [the organizations] were opposed to the idea of debit cards, as were most retailers. He said he explained ALC's argument for debit cards and the meeting ended with a cordial difference of opinion. He said he had been invited to speak at an Oil Marketers Association board meeting in May, adding that at that time he would discuss with them possible retailer incentives and ways that ALC could improve its relationship with retailers. He said that ALC's intent was to try to accommodate them to the greatest extent possible, assuming there was some sort of vote from the commission regarding debit cards and, further, a positive vote from the legislature during the next session .

Commissioner Pierce said the largest issue regarding debit cards centered on the expense of the swipe fee. He stated that retailers lose money on every debit card transaction and with lottery ticket purchases, the retailers could not control the profit margin. He said that he had reviewed the information regarding debit cards and had come to a few conclusions: (1) The hypothesis was that accepting debit cards would drive more players to the lottery and increase revenues and (2) currently 75% of the states that play lottery accept debit cards and the larger retailers in Arkansas have stores in other states that accept debit cards for lottery sales. He said that the ability to accept debit cards would open up additional avenues in which to sell tickets. However, he added, decreased retailer commissions were a big concern. He said that, based on a very rough estimate, for every ten percent of lottery business that shifted from cash to debit cards, it would require an additional six percent in lottery ticket sales for the retailer to stay whole. Commissioner Pierce said that it was his belief that the debit card issue should move forward and that the committee needed to make a decision about whether or not it was an avenue they needed to pursue.

Commissioner Scott made a motion that the committee recommend to the full commission that they empower the ALC Director to pursue, through the legislative process, the ability of lottery retailers to accept, on a voluntary basis, the use of debit cards for lottery ticket purchases. Commissioner Frazier seconded the motion. There was continued discussion regarding fees and the need for the commission to find middle ground. Commissioner Lamberth asked if the motion was essentially to ask the legislature for the definition of the word, “cash,” and she said that she wanted to ensure that even if the language was changed statutorily, the commission would revisit the subject of debit cards before taking further action. She stated that she was fully in favor of Director Woosley trying to find middle ground and added that the decision to accept debit cards needed to be a “win-win” situation. Commissioner Scott stated that the next step would be for the full commission to engage in that sort of discussion. With that final comment, the motion passed without dissent.

Commissioner Scott asked Director Woosley about the potential for having a ticket sales center location at one of Arkansas’s three commercial airports, or perhaps even the feasibility of installing claim centers in the airports. Director Woosley responded that there would be discussion of alternatives regarding the claim centers in April or May.

There being no further business, the meeting was adjourned.