

MINUTES

ARKANSAS LOTTERY COMMISSION
LEGISLATIVE OVERSIGHT COMMITTEE

December 18, 2012

The Arkansas Lottery Commission Legislative Oversight Committee met on Tuesday, December 18, 2012, at 10:00 a.m., in Room B-Big Mac Building, Little Rock, Arkansas.

Committee members present: Senators Johnny Key, Chair; Jonathan Dismang, and Mary Anne Salmon; Representatives Mark Perry, Chair; Barry Hyde, Matthew Shepherd, Mary Lou Slinkard, and Darrin Williams.

Other legislators attending: Senators Gilbert Baker, Missy Irvin, and Jason Rapert; Representative Kim Hammer.

The meeting was called to order by Representative Mark Perry.

Approval of Minutes from November 20, 2012 (Exhibit B)

Without objection, the Minutes from the November 20, 2012, were approved.

Lottery Update (Exhibit C)

Bishop Woosley, Director, Arkansas Lottery Commission, stated the agency transferred \$8.4 million to the Arkansas Department of Higher Education (ADHE) in November--\$1 million more than projected. The \$550 million Powerball Jackpot helped to reduce the Lottery's deficit; currently, net proceeds are \$8.4 million for November 2012 compared to \$7.9 million in November 2011 (does not include an \$80,000 unclaimed prize expense). In the previous 9-10 months, sales from the \$2.00 Powerball have produced at least three jackpots of more than \$300 million. Mr. Woosley said Instant ticket sales are down, however, with the introduction of a new \$20 ticket in February, hopefully, sales will improve. The comparative income statement from November 2012 is \$33.6 million compared to \$37.7 million in Nov 2011; net proceeds in 2012 excludes unclaimed prize expense of \$2,076,851.

Academic Challenge Scholarship Report (Exhibits D.1 & D.2)

Shane Broadway, Interim Director; and Harold Criswell, Interim Deputy Deputy, Arkansas Department of Higher Education (ADHE), provided an update on the Academic Challenge Scholarship. Mr. Broadway said that effective January 1, 2013, ADHE will open the application process for all scholarships administered by the department. The new application will include a disclaimer box that must be checked by the student before they can progress to the remainder of the application. The disclaimer will indicate that all programs/awards/eligibility are subject to change by legislative action. Mr. Broadway referenced a previously discussed ADHE handout with fiscal 2012 variables. The total number of recipients of the Academic Challenge Scholarship is 32,782; 1,218 additional students were accepted, and enrolled this past year. Also included in the handout was Fiscal 2009-2018 Projected Balances revised variables for December 18, 2012. He said ADHE cannot predict if the numbers will continue, and until there is additional data, there is not enough information to determine when it will level off. Mr. Broadway recommended setting the scholarship amounts at \$3,000 for a four-year school and \$1,500 for a two-year school.

Upon questioning by Representative Barry Hyde regarding the amount of scholarship awards, Mr. Broadway stated that setting the amount at \$3,000/\$1500 would ensure that funding would be available for the next class of students. He said if the awards are set higher, the cost to maintain the scholarships will exceed the program's balance and ADHE's \$20 million reserve. If lottery proceeds are increased (\$90-100 million) between now and end of June 2013, the amounts could be increased to \$3300/\$1650.

Cheryl Reinhart, Committee Attorney, Bureau of Legislative Research, presented a report on the proposed amendments to the Arkansas Scholarship Lottery Act. **Motions** on the recommended changes are listed below:

S-01

Change the semester hour requirements to 12 hours for both semesters in the first year of a traditional student (to eliminate confusion and reduce the loss of scholarships) (requested by ADHE)

Representative Williams made a motion to remove S-01 from the recommended changes and the motion carried without objection.

S-07

Clarify that a scholarship recipient may earn back a lost scholarship only one-time in the same academic year in which they lose the scholarship and that a nontraditional student can reapply after losing a scholarship (requested by ADHE)

Senator Salmon made a motion to keep hours at 15 and the motion carried without objection.

S-08

Limit Use of Scholarship Award for Remedial Courses

Representative Williams made a motion to remove S-08 from the recommended changes and the motion carried without objection.

After discussion by the Committee, Senator Key made a motion to adopt the proposed amendments with the above changes.

Heather Tackett, Legislative Analyst, Bureau of Legislative Research, referenced her report of November 20, 2012, and presented a comparison of traditional students for the 2010 and 2011 academic year. Ms. Tackett stated that 11.5% score less than a 19 on ACT and less than a 2.5 GPA. In 2010, 21% of the total number of students in two-year institutions were scholarship recipients; 79% of the total number of students in four-year institutions were scholarship recipients.

In 2010, 1,400 students were making less than a score of 19; in 2011, 1,700 were making less than 19, and 77% of students earning less than 19 are dropping out. Ms. Tackett said that an average of 24% are enrolled in two-year institutions and 76% enrolled in four-year institutions. As a projection for a first year payout using an average of three-year awards, exclusive of any growth, including 76% in four-year institutions and 24% in two-year institutions for an estimated average payout of \$51 million per year. If an ACT score of 19 is required, 1,677 students would be eliminated with a reduction of \$6.2 million.

With regard to a question by Representative Hyde, Ms. Tackett stated the state could set the scholarships at \$3,300/\$1650 without exhausting the \$20 million reserve.

After discussion by the Committee, Representative Hyde made a motion to set the 2013-2014 academic year scholarship awards at a maximum of \$3,300 for students attending four-year institutions, and \$1,650 for students attending two-year institutions.

The recommendations will be included in the referral to the General Assembly prior to the 2013 legislative session.

With no further business, the meeting adjourned at 12:30 p.m.