

May Status Update:

Department of Finance and Administration Office of the Arkansas Lottery Monthly Report-
Administrative Rules-May 2, 2022

Office of the Arkansas Lottery Act 636 of 2021: This Act amends the Arkansas Academic Challenge Scholarship Program and establishes procedures and funding requirements for the creation or amendment of scholarships funded with net revenue available. The Department of Finance and Administration Office of the Arkansas Lottery shall promulgate rules to determine the manner in which the net proceeds from the state lottery are deposited and disbursed based on what is most financially prudent. (Hickey, Sen.)

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Status: Previously we sent over a proposed administrative rule set forth below to be added as a new section to the Operational Rules of the Arkansas Scholarship Lottery. I have conferred with DFA legal counsel as to the process to seek approval of this specific administrative rule and in accordance with procedure the proposed rule has been sent to the Governor's Office for their review and approval before further action is taken. Further, as the rule involves a matter of accounting procedure, I have been advised by our accounting department that the measures called for in the legislation have been in place for several months now and that the accounting procedures set forth in the legislation have been implemented.

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“Section 13. Processing Net Proceeds and Funding of Scholarships

13.1 By Act 636 of 2021, the Arkansas Legislature amended the Arkansas Scholarship Lottery Act and established procedures and funding requirements for the creation or amendment of scholarships funded with net revenue available. The Office of the Arkansas Lottery (OAL) was charged with promulgating rules to determine the manner in which the net proceeds from the lottery are deposited and disbursed based on what is most financially prudent. The provisions in

this Section of the Operational Rules of the Arkansas Scholarship Lottery are adopted pursuant thereto.

13.2 The OAL shall establish the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program, the Arkansas Concurrent Challenge Scholarship Program, and any other scholarship funded with net proceeds from the lottery at a financial institution into which the OAL shall transfer:

- (a) Excess funding returned to the OAL under Ark. Code Ann. §6-85-212(d)(2)(B)(i) from the previous academic year; and
- (b) Net proceeds remaining in Lottery Scholarship Trust Account from the previous academic year after the OAL:
 - 1. Transfers funds requested by the Division of Higher Education, and
 - 2. Deposits the amount necessary into the Scholarship Shortfall Reserve Trust Account to maintain an amount equal to twenty million dollars (\$20,000,000).

13.3 On or before the fifteenth day of each month, the OAL shall deposit the net proceeds from the OAL into the Lottery Scholarship Trust Account at one or more financial institutions.

13.4 The OAL shall follow the investment policy guidelines of the State Board of Finance in selecting a financial institution and managing the net proceeds from the OAL deposited into the Lottery Scholarship Trust Account.

13.5 The funds transferred by the OAL into the Lottery Scholarship Trust Account for the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program, the Arkansas Concurrent Challenge Scholarship Program and any other scholarship program shall be used for:

- (a) The Arkansas Academic Challenge Scholarship Program,
- (b) The Arkansas Workforce Challenge Scholarship Program,
- (c) The Arkansas Concurrent Challenge Scholarship Program,
- (d) Any other scholarship funded with net proceeds from the OAL, and
- (e) Any management fees charged by the financial institution to manage the trust account.

13.6 The Director of the Division of Higher Education shall certify to the OAL the amount of net proceeds from the OAL needed to fund scholarships awarded to recipients for each semester of the academic year based on the contents of the Lottery Scholarship Trust Account at the end of the immediately preceding fiscal year.

13.7 The OAL shall transfer the funds requested by the Director of Division of Higher Education into one or more trust accounts at one or more financial institutions maintained by Division of Higher Education.

13.8 Annually, the Division of Higher Education shall transfer to the OAL the unused funds from the previous academic year, if any, that were transferred by the OAL to fund the Arkansas Academic Challenge Scholarship Program, Ark. Code Ann. §6-85-201 *et seq.*, the Arkansas Workforce Challenge Scholarship Program, Ark. Code Ann. §6-85-301 *et seq.*, the Arkansas Concurrent Challenge Scholarship Program, Ark. Code Ann. §6-85-401 *et seq.*, and any other scholarship program.

13.9 Ark. Code Ann. §23-115-802 (b) and (c), concerning the amount deposited into the Scholarship Shortfall Reserve Trust Account and loans made to the Division of Higher Education for the Arkansas Academic Challenge Scholarship Program, shall be administered as follows pursuant to the OAL's operational rules:

(a) An amount equal to four percent (4%) of the total amount of net proceeds disbursed during the preceding fiscal year in the form of scholarships and grants for higher education shall be deposited from lottery proceeds each year until the amount in the account equals twenty million dollars (\$20,000,000); thereafter, only the amount necessary to maintain the account in an amount equal to twenty million dollars (\$20,000,000) shall be deposited into the account. Any amount in the account exceeding twenty million dollars (\$20,000,000) shall be considered net proceeds and shall be deposited annually into one or more trust accounts at one or more financial institutions by July 1st of each year.

(b) If net proceeds in any year are not sufficient to meet the amount allocated for scholarships under the Arkansas Academic Challenge Scholarship Program, Ark. Code Ann. §6-85-201 *et seq.*, the account may be drawn upon to meet the deficiency.”