



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE ARKANSAS LOTTERY

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November 14, 2018

The Honorable Keith Ingram, Chair
The Honorable Chris Richey, Chair
Arkansas Legislative Council Lottery Oversight Subcommittee
One Capitol Mall, Room R-501
Little Rock, AR 72201

RE: A.C.A. § 23-115-302 Reports

Gentlemen:

Pursuant to A.C.A. § 23-115-302, the following information is enclosed:

1. The total amount of FY 2018 net proceeds from the Lottery;
2. The amount deposited into and disbursed from the Scholarship Shortfall Reserve Trust Account under § 23-115-802 in FY 2018; and
3. The office's projection for net proceeds from the state lottery for the current fiscal year.

Please call me if you have any questions or need additional information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bishop Weesley".

Bishop Weesley
Director

Enclosures

cc: The Honorable Asa Hutchinson, Governor
Mr. Larry Walther, Director, Arkansas Department of Finance and Administration

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For Year Ended June 30, 2018

	Current month	Year to date
Operating revenues:		
Instant ticket sales	\$ 31,655,727.90	\$ 407,604,790.90
Online ticket sales	5,976,146.50	92,103,185.00
Retailer application, fidelity, bond and service fees	53,655.68	776,503.00
Other revenue	<u>344.89</u>	<u>5,732.64</u>
Total operating revenues	<u>37,685,874.97</u>	<u>500,490,211.54</u>
Operating expenses:		
Instant game prizes	22,133,446.91	292,489,286.14
Online game prizes	3,177,813.71	49,406,134.23
Retailer commissions	2,118,149.41	28,196,968.73
Gaming contract costs	1,589,759.69	21,966,750.35
Compensation and benefits	412,417.18	4,990,977.83
Marketing, advertising and promotions	289,744.41	6,502,482.23
General and administrative expenses	444,458.39	5,022,312.01
Services provided by Arkansas Department of Higher Education	37,000.00	443,666.00
Services provided by Arkansas Legislative Audit	0.00	139,200.00
Legal and professional services	154.72	2,106.28
Depreciation	<u>8,730.67</u>	<u>104,011.19</u>
Total operating expenses	<u>30,211,675.09</u>	<u>409,263,894.99</u>
Operating income (1)	7,474,199.88	91,226,316.55
Non-operating revenue:		
Interest income	<u>134,639.97</u>	<u>1,269,082.67</u>
Income before transfers	7,608,839.85	92,495,399.22
Transfers to:		
Education Trust Account (2)	<u>(13,364,612.64)</u>	<u>(91,991,041.37)</u>
Change in net position	<u>\$ (5,755,772.79)</u>	504,357.85
Total net position - beginning		11,820,546.30
Total net position - ending		<u>\$ 12,324,904.15</u>

1) Includes all GAAP related accounting items including unclaimed prizes.

2) Reflects adjustment of sales and prizes expense to a modified cash basis and includes unclaimed prizes.

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Scholarship Shortfall Reserve Trust Account (Unaudited)
Fiscal Year Ended June 30, 2018**

	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

Office of the Arkansas Lottery
Budget Detail Schedules
For the Fiscal Year Ending June 30, 2019

	FY2017 Audited	% of Revenue	FY 2018 Budget	% of Revenue	FY 2019 Budget	% of Revenue	Explanation for Change in Budget Amounts
Operating Revenues:							
Instant Games	\$ 368,454,561	81.894%	\$ 377,100,000	82.067%	\$ 398,600,000	82.533%	Increase in line with FY2018 actual sales.
Online Games	81,076,046	18.020%	82,000,000	17.845%	84,047,000	17.403%	Online Games sales increase is due to revision of Mega Millions game
Less: Promotions Discount	(389,579)	-0.087%	(500,000)	-0.109%	(500,000)	-0.104%	FY2019 promotional discount amount at FY2018 level
Retailer application, fidelity and bonding fees	769,959	0.171%	888,000	0.193%	800,000	0.166%	No increase anticipated for revenues from retailer bonding fees
Non-Gaming Revenue	5,749	0.001%	12,000	0.003%	12,000	0.002%	Other miscellaneous revenues are consistent with estimated FY2018
Total Operating Revenues	449,916,736	100.000%	459,500,000	100.000%	482,959,000	100.000%	
Operating Expenses:							
Instant Games Prizes	263,190,873	58.498%	269,846,900	58.726%	285,518,000	59.118%	Instant Games prizes are forecast to increase in line with the increase in sales.
OnLine Games Prizes	43,238,515	9.610%	43,415,000	9.448%	44,915,000	9.300%	Online Games prizes are forecast to increase in line with the increase in sales.
Retailer Commissions	25,315,020	5.627%	25,905,900	5.638%	27,203,000	5.633%	Increase in the amounts paid to retailers is in line with sales increase
Gaming Contract Costs	19,090,227	4.243%	20,567,100	4.476%	22,505,000	4.660%	Increase in the amounts paid to lottery systems and tickets vendors is in line with sales increase.
Staff Compensation & Benefits	5,024,854	1.117%	5,550,000	1.208%	5,450,000	1.128%	Compensation and benefits reflect no significant change from FY2018
Marketing, Advertising & Promotions	5,861,130	1.303%	6,500,000	1.415%	7,500,000	1.553%	Increased the FY2019 amount per the Camelot Global business plan.
General and Administrative Expenses	3,799,935	0.845%	3,930,000	0.855%	4,530,000	0.938%	Camelot Global fees are estimated at \$400,000 plus incentive fees of \$2,250,000. Additional costs for the FY2019 business plan include \$585,000 for retailer promotions and support.
Services Provided by Other Agencies:	581,077	0.129%	570,000	0.124%	585,000	0.121%	No significant change in services provided by other agencies.
Legal and Professional Services	1,864	0.000%	6,000	0.001%	6,000	0.001%	Estimated approximately the same amount as FY2018
Capital Asset Depreciation	96,917	0.022%	100,000	0.022%	215,000	0.045%	Increase reflects increase in fixed asset additions in FY2018 of \$1.5 million
Total Operating Expenses	366,200,412	81.393%	376,390,900	81.913%	398,427,000	82.497%	
Operating Income	83,716,324	18.607%	83,109,100	18.087%	84,532,000	17.503%	
Non-Operating Revenue (Expense):							
Interest Income	489,046	0.109%	500,000	0.109%	1,380,000	0.286%	Reflects higher maintained monthly balances and anticipated increases in interest rates.
Other Non-Operating Income	-	0.000%	-	0.000%	-	0.000%	No non-operating income for FY2019 is anticipated
Income before Transfers	\$ 84,205,370	18.716%	\$ 83,609,100	18.196%	\$ 85,912,000	17.789%	
Transfers To:							
Education Trust Account	(64,629,059)	-14.365%	(77,600,000)	-16.888%	(79,900,000)	-16.544%	This is the amount of the expected transfer of monthly Net Proceeds to ADHE for FY2019.
Workforce Challenge Trust Account	(14,157,060)	-3.147%	-	0.000%	-	0.000%	
Unclaimed Prizes Reserve-transferred at June 30 by statute	(6,370,941)	-1.416%	(6,000,000)	-1.306%	(6,000,000)	-1.242%	This amount is for the unclaimed prizes accumulated during FY2019 which, by statute, will transfer as of the last day of the fiscal year.
Total Transfers to ADHE	(85,157,060)	-18.927%	(83,600,000)	-18.194%	(85,900,000)	-17.786%	
Change in Net Assets	(\$ 951,690)	-0.212%	\$ 9,100	0.002%	\$ 12,000	0.002%	