



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

**EXHIBIT D2**  
**OFFICE OF THE ARKANSAS LOTTERY**  
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November 10, 2020

The Honorable Joyce Elliot, Co-Chair  
The Honorable Laurie Rushing, Co-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

Dear Senator Elliot and Representative Rushing:

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

1. The total amount of FY 2020 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 2019; 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 'J. Hagler', written over a horizontal line.

J. Eric Hagler  
Director

Enclosures

cc: Mr. Larry Walther, Secretary of the 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 the Year Ended June 30, 2020**

<b>Operating revenues:</b>	
Instant ticket sales	\$ 452,281,204
Online ticket sales	79,161,657
Retailer application, fidelity, bond and service fees	489,153
Other revenue	<u>69,221</u>
 Total operating revenues	 <u>532,001,235</u>
 <b>Operating expenses:</b>	
Instant game prizes	325,816,713
Online game prizes	43,791,459
Retailer commissions	30,108,024
Gaming contract costs	26,360,780
Compensation and benefits	5,400,746
Marketing, advertising and promotions	7,801,436
General and administrative expenses	3,846,386
Services provided by Arkansas Department of Higher Education	500,335
Services provided by Arkansas Legislative Audit	128,160
Legal and professional services	1,226
Depreciation	<u>409,285</u>
 Total operating expenses	 <u>444,164,550</u>
 Operating income	 87,836,685
 <b>Non-operating revenue:</b>	
Interest income	<u>2,123,634</u>
 Income before transfers	 89,960,319
 <b>Transfers to:</b>	
Education Trust Account	(73,000,000)
Workforce Challenge Trust Account	<u>(16,265,394)</u>
 Total Transfers	 <u>(89,265,394)</u>
 Change in net position	 694,925
 Total net position - beginning	 <u>10,236,867</u>
Total net position - ending	<u>\$ 10,931,792</u>

**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
Scholarship Shortfall Reserve Trust Account (Unaudited)  
Fiscal Year Ended June 30, 2020**

	<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>

DFA Office of the Arkansas Lottery (BA 0613)  
Budget Detail Schedules  
For the Fiscal Year Ending June 30, 2021

	FY2019 Audited		FY 2020 Budget		FY 2021 Budget		% of Revenue		% of Revenue		Explanation for Change in Budget Amounts
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	
<b>Operating Revenues:</b>											
Instant ticket revenues	\$ 407,825,514	79.00%	\$ 407,400,000	81.96%	\$ 406,200,000	87.20%	\$ 406,200,000	87.20%	\$ 406,200,000	87.20%	Slight decrease due to possible impacts of Corona virus pandemic
Online ticket revenues	107,893,223	20.90%	89,600,000	18.03%	59,600,000	12.80%	59,600,000	12.80%	59,600,000	12.80%	Decrease in line with FY2020 sales and structural changes to Powerball and MegaMillions jackpots
Less: Promotions discount	(225,230)	-0.04%	(500,000)	-0.10%	(500,000)	-0.11%	(500,000)	-0.11%	(500,000)	-0.11%	Promotional discounts set at FY2020 budget level.
Retailer application and bonding fees	728,897	0.14%	550,000	0.11%	500,000	0.11%	500,000	0.11%	500,000	0.11%	Decrease in retailer fees due to forbearance of some fees due to Corona virus pandemic
Other revenue	14,439	0.00%	12,000	0.00%	6,000	0.00%	6,000	0.00%	6,000	0.00%	Decrease in line with FY2020 other revenue.
<b>Total Operating Revenues</b>	<b>516,236,843</b>	<b>100.00%</b>	<b>497,062,000</b>	<b>100.00%</b>	<b>465,806,000</b>	<b>100.00%</b>	<b>465,806,000</b>	<b>100.00%</b>	<b>465,806,000</b>	<b>100.00%</b>	
<b>Operating Expenses:</b>											
Instant games prizes	293,635,992	56.88%	292,468,000	58.84%	291,389,000	62.56%	291,389,000	62.56%	291,389,000	62.56%	Slight decrease is in line with the slight decrease in instant sales.
OnLine games prizes	56,240,230	10.89%	46,892,000	9.43%	32,354,000	6.95%	32,354,000	6.95%	32,354,000	6.95%	Decrease is in line with the anticipated decrease in online sales.
Retailer commissions	29,062,835	5.63%	28,004,000	5.63%	26,318,000	5.65%	26,318,000	5.65%	26,318,000	5.65%	Decrease is in line with the forecast overall decrease in sales.
Gaming contract costs	23,691,567	4.59%	22,338,000	4.49%	21,800,000	4.68%	21,800,000	4.68%	21,800,000	4.68%	Decrease is in line with the forecast overall decrease in sales.
Staff compensation & benefits	4,829,725	0.94%	5,550,000	1.12%	5,400,000	1.16%	5,400,000	1.16%	5,400,000	1.16%	A slight decrease is forecast for FY2021 due to anticipated lower pension and OPEB costs
Advertising and marketing	7,251,773	1.40%	8,000,000	1.61%	7,500,000	1.61%	7,500,000	1.61%	7,500,000	1.61%	Decrease is in line with the forecast overall decrease in sales.
General and administrative expenses	5,621,315	1.09%	5,421,000	1.09%	2,519,000	0.54%	2,519,000	0.54%	2,519,000	0.54%	Forecast decrease in sales and income will significantly reduce fees paid to Camelot Global
Services provided by other agencies:	559,264	0.11%	585,000	0.12%	585,000	0.13%	585,000	0.13%	585,000	0.13%	No changes anticipated in services provided by other agencies.
Legal and professional services	1,400	0.00%	6,000	0.00%	6,000	0.00%	6,000	0.00%	6,000	0.00%	Estimate approximately the same amount as FY2020.
Capital asset depreciation	123,426	0.02%	410,000	0.08%	383,000	0.08%	383,000	0.08%	383,000	0.08%	No significant change in net capital assets in FY2021.
<b>Total Operating Expenses</b>	<b>421,017,527</b>	<b>81.56%</b>	<b>409,674,000</b>	<b>82.42%</b>	<b>388,254,000</b>	<b>83.35%</b>	<b>388,254,000</b>	<b>83.35%</b>	<b>388,254,000</b>	<b>83.35%</b>	
<b>Operating Income</b>	<b>95,219,316</b>	<b>18.44%</b>	<b>87,388,000</b>	<b>17.58%</b>	<b>77,552,000</b>	<b>16.65%</b>	<b>77,552,000</b>	<b>16.65%</b>	<b>77,552,000</b>	<b>16.65%</b>	
<b>Non-Operating Revenue (Expense):</b>											
Interest income	2,569,816	0.50%	2,000,000	0.40%	670,000	0.14%	670,000	0.14%	670,000	0.14%	Decrease reflects anticipated lower interest rates.
Other non-operating income	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	No non-operating income for FY2021 is anticipated.
<b>Income before Transfers</b>	<b>\$ 97,789,132</b>	<b>18.94%</b>	<b>\$ 89,388,000</b>	<b>17.98%</b>	<b>\$ 78,222,000</b>	<b>16.79%</b>	<b>\$ 78,222,000</b>	<b>16.79%</b>	<b>\$ 78,222,000</b>	<b>16.79%</b>	
Transfers To:											
Education Trust Account	(68,205,096)	-13.21%	(82,750,000)	-16.65%	(71,000,000)	-15.24%	(71,000,000)	-15.24%	(71,000,000)	-15.24%	This is the amount of the expected monthly transfers of Net Proceeds to ADHE for FY2021.
Workforce Challenge Trust Account	(23,639,040)	-4.58%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	No surplus in net proceeds is anticipated for FY2021 to go to the Workforce Challenge Trust Account
Unclaimed Prizes Reserve-transferred at June 30	(6,794,904)	-1.32%	(6,600,000)	-1.33%	(7,200,000)	-1.55%	(7,200,000)	-1.55%	(7,200,000)	-1.55%	This amount is for the unclaimed prizes accumulated during FY2021 which, by statute, will transfer as of the last day of the fiscal year.
<b>Total Transfers to ADHE</b>	<b>(98,639,040)</b>	<b>-19.11%</b>	<b>(89,350,000)</b>	<b>-17.98%</b>	<b>(78,200,000)</b>	<b>-16.79%</b>	<b>(78,200,000)</b>	<b>-16.79%</b>	<b>(78,200,000)</b>	<b>-16.79%</b>	
<b>Change in Net Assets</b>	<b>(\$ 849,908)</b>	<b>-0.16%</b>	<b>\$ 38,000</b>	<b>0.01%</b>	<b>\$ 22,000</b>	<b>0.00%</b>	<b>\$ 22,000</b>	<b>0.00%</b>	<b>\$ 22,000</b>	<b>0.00%</b>	