



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

OFFICE OF THE ARKANSAS LOTTERY

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April 29, 2016

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

RE: Proposed Fiscal Year 2017 Annual Budget

Dear Senator Hickey and Representative Richey:

On behalf of the Arkansas Department of Finance and Administration Office of the Arkansas Lottery, please accept the attached Proposed FY 2017 Annual Budget pursuant to A.C.A § 23-115-206(a)(10)(A). The following information is provided:

1. Arkansas Planning Budgeting and Administrative System Form
2. Budget Detail Schedule
3. Compensation and Benefits
4. Detailed Schedule of General and Administrative Expenses

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bishop Woosley", with a long horizontal flourish extending to the right.

Bishop Woosley
Director

Enclosures

cc: Mr. Larry Walther, Director, Arkansas Department of Finance and Administration
Mr. Duncan Baird, State Budget Administrator, Arkansas Department of Finance and Administration

ARKANSAS PLANNING BUDGETING & ADMINISTRATIVE SYSTEM

Appropriation Summary

Appropriation: 610U - Lottery Commission - Operations

Funding Sources: 700 - Lottery Commission Fund

Appropriation		2014-2015	2015-2016	2015-2016	2016-2017		
		Actual	Budget	Authorized	Legislative Recommendation	Agency Request	Executive Recommendation
Regular Salaries	5010000	\$4,052,694	\$3,916,689	\$3,916,689		\$3,869,572	
	#Positions		66	66		69	
Personal Services Matching	5010003	\$979,623	\$1,453,311	\$1,453,311		\$1,530,428	
Operating Expenses	5020002	\$766,193	\$1,513,000	\$1,513,000		\$3,901,000	
Conference & Travel Expenses	5050009	\$251,490	\$0	\$0		\$249,000	
Professional Fees	5060010	\$680,975	\$640,000	\$640,000		\$570,000	
Data Processing	5090012	\$256,320	\$0	\$0		\$270,000	
Instant Games	5900046	\$241,758,220	\$236,406,000	\$236,406,000		\$275,471,000	
On-Line Games	5900047	\$38,708,574	\$39,492,900	\$39,492,900		\$42,229,000	
Retailer Commissions	5900048	\$23,253,196	\$23,352,500	\$23,352,500		\$26,400,000	
Gaming Contracts	5900049	\$20,622,707	\$19,249,200	\$19,249,200		\$22,000,000	
Advertising & Promotions	5900050	\$5,382,544	\$5,000,000	\$5,000,000		\$6,000,000	
Capital Outlay	5120011	\$158,363	\$237,000	\$237,000		\$120,000	
Total		\$336,870,899	\$331,260,600	\$331,260,600		\$382,610,000	
Funding Sources							
Instant Gaming		\$335,000,613	\$333,500,000			\$383,380,000	
Online Games		\$73,662,767	\$76,990,000			\$79,238,000	
Retailer Applications & Fees		\$550,952	\$560,000			\$788,000	
Non Gaming Revenue		\$20,346	\$10,000			\$12,000	
Other Income		\$0	\$0			\$0	
Interest Income		\$224,546	\$140,000			\$120,000	
Transfer to Department of Health		(\$200,000)	\$0			\$0	
Transfer to ADHE Education Trust		(\$67,378,254)	(\$74,500,000)			(\$75,468,000)	
Transfer to Unclaimed Prizes Reserve		(\$5,241,115)	(\$5,086,000)			(\$5,432,000)	
Total Funding		\$336,639,855	\$331,614,000			\$382,638,000	
Excess Appropriation/(Funding)		\$231,044	(\$353,400)			(\$28,000)	
Grand Total		\$336,870,899	\$331,260,600			\$382,610,000	

DFA Office of the Arkansas Lottery
Budget Detail Schedules
For the Fiscal Year Ending June 30, 2017

	FY2015 Audited	% of Revenue	FY 2016 Budget	% of Revenue	FY 2017 Budget	% of Revenue	Explanation for Change in Budget Amounts
Operating Revenues:							
Instant Games	\$ 335,051,448	81.873%	\$ 333,500,000	81.132%	\$ 383,380,000	82.729%	Instant Games sales are forecast to increase per the Camelot Global business plan.
Online Games	74,042,899	18.093%	77,240,000	18.790%	79,488,000	17.153%	Online Games sales increase is forecast per the Camelot Global business plan.
Less: Promotions Discount	(430,967)	-0.105%	(250,000)	-0.061%	(250,000)	-0.054%	Promotional discounts remain at the same level as FY2016.
Retailer application, fidelity and bonding fees	550,952	0.135%	560,000	0.136%	788,000	0.170%	Increase is due to anticipated revenues from retailer bonding fees
Non-Gaming Revenue	20,346	0.005%	10,000	0.002%	12,000	0.003%	Other miscellaneous revenues are consistent with estimated FY2016.
Total Operating Revenues	409,234,678	100.000%	411,060,000	100.000%	463,418,000	100.000%	
Operating Expenses:							
Instant Games Prizes	241,758,220	59.076%	236,405,820	57.511%	275,471,000	59.443%	Instant Games prizes are forecast to increase in line with the increase in sales per the Camelot Global business plan.
OnLine Games Prizes	38,708,574	9.459%	39,492,760	9.608%	42,229,000	9.113%	Online Games prizes are forecast to increase in line with the increase in sales per the Camelot Global business plan.
Retailer Commissions	23,253,196	5.682%	23,102,541	5.620%	26,400,000	5.697%	No significant change in the percentage paid to retailers. Forecast increase is consistent with increase in revenues.
Gaming Contract Costs	20,622,707	5.039%	19,249,234	4.683%	22,000,000	4.747%	No significant change in the percentage paid to lottery systems and tickets vendors. Increase is consistent with increase in revenues.
Staff Compensation & Benefits	5,382,544	1.315%	5,730,000	1.394%	5,400,000	1.165%	No significant change in the compensation budget for FY 2017. The OAL is at a minimum staffing level and additional staff increases may be needed to support revenue growth per the Camelot Global business plan.
Marketing, Advertising & Promotions	5,032,317	1.230%	5,000,000	1.216%	6,000,000	1.295%	Increased the FY2017 amount per the Camelot Global business plan.
General and Administrative Expenses	1,274,003	0.311%	1,513,000	0.368%	4,420,000	0.954%	Increase for FY 2016 is primarily related to the Camelot Global business plan and fees. Camelot Global fees are estimated at \$750,000 plus incentive fees of \$1,550,000. Additional costs for the FY2017 business plan include \$555,000 for research and \$375,000 for retailer support.
Services Provided by Other Agencies:	668,447	0.163%	630,000	0.153%	550,000	0.119%	The ADHE administrative fees are forecast to decrease due to a change in the statute. Legislative Audit fees for the annual audit are forecast at the same level as for FY2016.
Legal and Professional Services	12,528	0.003%	10,000	0.002%	20,000	0.004%	Estimated approximately the amount for FY2016
Capital Asset Depreciation	158,363	0.039%	237,000	0.058%	120,000	0.026%	Decrease reflects that most of the OAL's fixed assets exceed their estimated useful lives and are fully depreciated.
Total Operating Expenses	336,870,899	82.317%	331,370,355	80.614%	382,610,000	82.563%	
Operating Income	72,363,779	17.683%	79,689,645	19.386%	80,808,000	17.437%	
Non-Operating Revenue (Expense):							
Interest Income	224,546	0.055%	140,000	0.034%	120,000	0.026%	Based upon an anticipated average monthly balance of approximately \$18 million at 55 basis points
Other Non-Operating Income	-	0.000%	-	0.000%	-	0.000%	No non-operating income for FY2017 is anticipated
Income before Transfers	\$ 72,588,325	17.738%	\$ 79,829,645	19.420%	\$ 80,928,000	17.463%	
Transfers To:							
Arkansas Department of Human Services	(200,000)	-0.049%	\$ -	0.000%	\$ -	0.000%	This amount is no longer required due to a change in the statutes.
ADHE Education Trust Account (Regular)	(67,378,254)	-16.464%	(74,700,000)	-18.173%	(75,468,000)	-16.285%	This is the amount of the expected transfer of monthly Net Proceeds to ADHE for FY2017
Unclaimed Prizes Reserve-transferred at June 30 by statute	(5,241,115)	-1.281%	(5,086,000)	-1.237%	(5,432,000)	-1.172%	This amount is for the unclaimed prizes accumulated during FY2017 which, by statute, will transfer as of the last day of the fiscal year.
Total Transfers to ADHE Education Trust Account	(72,619,369)	-17.745%	(79,786,000)	-19.410%	(80,900,000)	-17.457%	
Change in Net Assets	(\$ 231,044)	-0.056%	\$ 43,645	0.011%	\$ 28,000	0.006%	

DFA Office of the Arkansas Lottery

Compensation

Budget F2017

14.50%

Career	Grades	Eme-M	Position Title	Race	Budgeted Gross	Annual Taxes	Annual APERS	Total Compensation
C112	A	L	Administrative Support Specialist III	BF	\$ 26,026.09	\$ 1,991.00	\$ 3,773.78	\$ 31,790.87
C120	B	D	Marketing Sales Representative	CF	\$ 39,224.99	\$ 3,000.71	\$ 5,687.62	\$ 47,913.32
C120	B	A	Marketing Sales Representative	CM	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
N906	B	D	Marketing Director	CF	\$ 91,636.88	\$ 7,010.22	\$ 13,287.35	\$ 111,934.44
U129U	B	D	Internal Auditor	CM	\$ 117,888.77	\$ 9,018.49	\$ 17,093.87	\$ 144,001.14
C130	B	S	Sr. Database Administrator	CM	\$ 71,625.79	\$ 5,479.37	\$ 10,385.74	\$ 87,490.90
C122	B	J	Internal Auditor	BM	\$ 42,817.79	\$ 3,275.56	\$ 6,208.58	\$ 52,301.93
C120	C	B	Marketing Sales Representative	CF	\$ 40,009.32	\$ 3,060.71	\$ 5,801.35	\$ 48,871.38
C120	C	C	Marketing Sales Representative	CF	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
C120	C	L	Marketing Sales Representative	CF	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
N910	C	B	Sales Director	CM	\$ 107,202.27	\$ 8,200.97	\$ 15,544.33	\$ 130,947.57
C121	C	R	Draw Manager	CM	\$ 17,483.69	\$ 1,337.50	\$ 2,535.14	\$ 21,356.33
C128	C	B	QA Systems Analyst	CM	\$ 59,111.60	\$ 4,522.04	\$ 8,571.18	\$ 72,204.82
C120	C	R	Marketing Sales Representative	CM	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
N910	F	J	Chief Fiscal Officer	OM	\$ 105,028.38	\$ 8,034.67	\$ 15,229.11	\$ 128,292.16
C120	F	I	Marketing Sales Representative	CF	\$ 38,452.01	\$ 2,941.58	\$ 5,575.54	\$ 46,969.13
C120	F	J	Marketing Sales Representative	CM	\$ 43,647.55	\$ 3,339.04	\$ 6,328.89	\$ 53,315.48
C120	F	M	Marketing Sales Representative	BM	\$ 43,647.55	\$ 3,339.04	\$ 6,328.89	\$ 53,315.48
C120	F	C	Marketing Sales Representative	BM	\$ 43,647.55	\$ 3,339.04	\$ 6,328.89	\$ 53,315.48
N910	G	A	Security Director	CM	\$ 103,494.20	\$ 7,917.31	\$ 15,006.66	\$ 126,418.17
C122	G	M	Accountant	CF	\$ 45,915.70	\$ 3,512.55	\$ 6,657.78	\$ 56,086.03
C113	G	S	Administrative Support Specialist III	OM	\$ 28,213.90	\$ 2,158.36	\$ 4,091.02	\$ 34,463.28
C120	H	M	Marketing Sales Representative	CF	\$ 43,647.55	\$ 3,339.04	\$ 6,328.89	\$ 53,315.48
C120	H	D	Marketing Sales Representative	BF	\$ 43,322.76	\$ 3,314.19	\$ 6,281.80	\$ 52,918.75
N901	H	M	Regional Sales Manager	BM	\$ 71,054.84	\$ 5,435.70	\$ 10,302.95	\$ 86,793.49
C113	H	E	Computer Operator	CM	\$ 36,781.36	\$ 2,813.77	\$ 5,333.30	\$ 44,928.43
N904	J	A	Product Developer	BF	\$ 78,359.57	\$ 5,994.51	\$ 11,362.14	\$ 95,716.21
C115	K	T	Administrative Support Supervisor	BF	\$ 35,632.61	\$ 2,725.89	\$ 5,166.73	\$ 43,525.24
C120	K	S	Marketing Sales Representative	CF	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
C117	K	S	Publication Specialist	CM	\$ 43,726.17	\$ 3,345.05	\$ 6,340.29	\$ 53,411.51
C122	L	W	Accountant	CM	\$ 47,763.10	\$ 3,653.88	\$ 6,925.65	\$ 58,342.62
N904	M	K	Sales Training & Retail Coordinator	CM	\$ 87,452.13	\$ 6,690.09	\$ 12,680.56	\$ 106,822.78
C122	M	A	Claims Center Manager	BF	\$ 48,479.51	\$ 3,708.68	\$ 7,029.53	\$ 59,217.73
C112	M	J	Claims Assistant	CF	\$ 31,208.77	\$ 2,387.47	\$ 4,525.27	\$ 38,121.52
C120	M	G	Security Specialist	CM	\$ 43,604.05	\$ 3,335.71	\$ 6,322.59	\$ 53,262.35
C120	M	A	Marketing Sales Representative	OM	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
C120	N	W	Marketing Sales Representative	CF	\$ 48,121.30	\$ 3,681.28	\$ 6,977.59	\$ 58,780.17
C117	O	M	Graphic Web Coordinator	CM	\$ 42,868.57	\$ 3,279.45	\$ 6,215.94	\$ 52,363.96
C120	P	C	Payroll Specialist	CM	\$ 40,009.32	\$ 3,060.71	\$ 5,801.35	\$ 48,871.38
N903	P	T	Banking Claims & Licenses Mgr	CM	\$ 76,853.03	\$ 5,879.26	\$ 11,143.69	\$ 93,875.97
C128	P	T	IT Security Analyst	CM	\$ 72,120.68	\$ 5,517.23	\$ 10,457.50	\$ 88,095.41
C128	R	C	QA Systems Analyst	OM	\$ 71,587.66	\$ 5,476.46	\$ 10,380.21	\$ 87,444.32
C115	R	A	Administrative Analyst	OM	\$ 34,198.91	\$ 2,616.22	\$ 4,958.84	\$ 41,773.97
C112	R	R	Claims Assistant	CM	\$ 38,691.11	\$ 2,959.87	\$ 5,610.21	\$ 47,261.19
C112	R	A	Administrative Support Specialist III	BM	\$ 34,294.90	\$ 2,623.56	\$ 4,972.76	\$ 41,891.22
C120	S	E	Marketing Sales Representative	CF	\$ 39,224.99	\$ 3,000.71	\$ 5,687.62	\$ 47,913.32
C120	S	D	Marketing Sales Representative	CM	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
N919	S	M	IT Gaming Director	CM	\$ 163,972.65	\$ 12,543.91	\$ 23,776.03	\$ 200,292.60
C112	S	J	Administrative Support Specialist III	CF	\$ 26,286.39	\$ 2,010.91	\$ 3,811.53	\$ 32,108.83
C114	S	R	Graphic Specialist	OM	\$ 36,448.01	\$ 2,788.27	\$ 5,284.96	\$ 44,521.25
N904	S	A	Security Deputy Director	BF	\$ 76,823.03	\$ 5,876.96	\$ 11,139.34	\$ 93,839.34
C121	S	J	Draw Manager	BM	\$ 18,195.23	\$ 1,391.93	\$ 2,638.31	\$ 22,225.47
C120	S	D	Marketing Sales Representative	CF	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
N901	T	L	Regional Sales Manager	CF	\$ 71,054.84	\$ 5,435.70	\$ 10,302.95	\$ 86,793.49
C120	T	S	Marketing Sales Representative	CM	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46
C124	T	L	Promotions & Events Manager	CF	\$ 59,111.60	\$ 4,522.04	\$ 8,571.18	\$ 72,204.82
C120	T	R	Marketing Sales Representative	BF	\$ 15,534.62	\$ 1,188.40	\$ 2,252.52	\$ 18,975.54
C126	V	P	Paralegal	CF	\$ 58,926.93	\$ 4,507.91	\$ 8,544.40	\$ 71,979.24
C115	W	J	Administrative Analyst	CM	\$ 44,476.22	\$ 3,402.43	\$ 6,449.05	\$ 54,327.71
C120	W	L	Marketing Sales Representative	BF	\$ 43,972.54	\$ 3,363.90	\$ 6,376.02	\$ 53,712.46

DFA Office of the Arkansas Lottery								
Compensation								
Budget F2017								
							14.50%	
Career				Budgeted				
Grades	Eme-M	Position Title	Race	Gross	Annual Taxes	Annual APERS	Total Compensation	
N901	WT	Controller	CM	\$ 69,661.64	\$ 5,329.12	\$ 10,100.94	\$ 85,091.69	
U128U	WW	Lottery Commission Director	CM	\$ 169,950.00	\$ 13,001.18	\$ 24,642.75	\$ 207,593.93	
Total -Active Emp[loyees				\$ 3,424,243.52	\$ 261,954.63	\$ 496,515.31	\$ 4,182,713.46	
<u>Vacant-New Positions</u>								
N910	Vac	Chief Legal Counsel (Vacant)		\$ 111,416.13	\$ 8,523.33	\$ 16,155.34	\$ 136,094.80	
C130	Vac	Network Engineer (Vacant)		\$ 72,505.16	\$ 5,546.64	\$ 10,513.25	\$ 88,565.05	
C125	Vac	Application Support Specialist (Vacant)		\$ 55,565.32	\$ 4,250.75	\$ 8,056.97	\$ 67,873.04	
C122	Vac	Lottery Accountant (Vacant)		\$ 45,915.70	\$ 3,512.55	\$ 6,657.78	\$ 56,086.03	
C112	Vac	Administrative Support Specialist (Vacant)		\$ 26,026.09	\$ 1,991.00	\$ 3,773.78	\$ 31,790.87	
Not determined	New	Financial Analyst (New)		\$ 66,950.00	\$ 5,121.68	\$ 9,707.75	\$ 81,779.43	
Not determined	New	New Accounts Sales Manager (New)		\$ 66,950.00	\$ 5,121.68	\$ 9,707.75	\$ 81,779.43	
Total Vacant-New				\$ 445,328.40	\$ 34,067.62	\$ 64,572.62	\$ 543,968.64	
TOTALS				\$ 3,869,571.92	\$ 296,022.25	\$ 561,087.93	\$ 4,726,682.10	
							Employer Health Premium	\$ 342,720.00
							Other Post Employment Benefits	\$ 300,000.00
							Career Service bonuses	\$ 8,080.00
							subtotal	\$ 5,377,482.10
								\$ 5,400,000.00
Total employees - 62				<u>By group/gender</u>	<u>Total by group</u>			
Employee breakdown								
BF=black female				8				
BM=black male				6	14			
CF=caucasian female				17				
CM=caucasian male				25	42			
OM=other minority				6	6			
				62	62			

DFA Office of the Arkansas Lottery
Detailed Schedule of General and
Administrative Expenses
For Budget Fiscal Year 2017

Account	FY2017 Estimate	General Description
Office Lease & Improvements	\$ 430,000	Little Rock office includes annual rent increases
Office Parking	14,000	LR building parking
Retailer background checks	6,000	Background checks for new retailers
Equipment Lease	24,000	Copiers and postage machine
Maintenance & Repairs	27,000	Building maintenance
Lottery Vehicle expenses	5,000	Vehicle gas, oil, maintenance
Postage & Freight	15,000	Postage & Package Delivery
Office Supplies & Expense	40,000	Common office supplies
Office Expense	5,000	General Office Expense
Mobil Telephones	30,000	Cell phones and air cards
Dues and Memberships	20,000	Professional licenses and association dues
Property Insurance	3,000	For office equipment and vehicles
Other Administrative Costs	1,000	Cost of Annual CAFR
Other Operating Expenses	1,000	Other Oper Costs
Camelot Global Base Fee	750,000	Consulting fee for lottery business plan and execution.
Camelot Global Incentive Fee	1,550,000	Per Camelot Global Contract based on estimated revenue increase
Retailer Promotions Allowance	250,000	Estimated per Sales Director
Sales Promotions Items	75,000	Estimated per Sales Director
Lottery Sales Research	555,000	Estimated per Camelot Global
Est. DFA Expense Charge Back	100,000	Est. DFA charges
Sub-total for Oper. & Admin Exp	3,901,000	
Equipment-Low Value	30,000	Replace PCs and printers
Data Processing supplies	25,000	Data processing supplies
Data Processing support & srvc	10,000	IT Maintenance contracts
Software Costs	30,000	Software, upgrade Windows version
Data & Telephone/DIS	175,000	Paid to DIS for data processing and phone service
Sub-total for Data Processing Exp	270,000	
Travel and Mileage expense	15,000	Business travel & Conference travel
Travel and Mileage expense	224,000	MSR Mileage Reimbursements
Education and Training	10,000	Lottery conference fees and continuing education costs
Sub-total for Conf & Travel Exp	249,000	
Total Gen & Admin Exp	\$ 4,420,000	