

State of Arkansas *As Engrossed: S2/25/25 S3/11/25 S3/18/25*

95th General Assembly

## A Bill

Regular Session, 2025

SENATE BILL 232

By: Senator Hickey

By: Representative Cozart

### For An Act To Be Entitled

AN ACT TO AMEND THE ARKANSAS SCHOLARSHIP LOTTERY ACT;  
TO AMEND THE DEFINITION OF "LOTTERY PROCEEDS"; TO  
AMEND THE DEFINITION OF "NET PROCEEDS"; TO AMEND THE  
CONTENTS OF THE FINANCIAL REPORT; TO PROVIDE THAT THE  
COSTS OF ADMINISTERING SCHOLARSHIP AWARDS ARE  
EXPENSES OF THE DIVISION OF HIGHER EDUCATION THAT  
WILL CONTINUE TO BE REIMBURSED BY THE OFFICE OF THE  
ARKANSAS LOTTERY USING LOTTERY NET PROCEEDS; TO  
ELIMINATE THE SCHOLARSHIP SHORTFALL RESERVE TRUST  
ACCOUNT; TO DECLARE AN EMERGENCY; AND FOR OTHER  
PURPOSES.

### Subtitle

TO AMEND VARIOUS PROVISIONS OF THE  
ARKANSAS SCHOLARSHIP LOTTERY ACT; AND TO  
DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 6-85-303(a), concerning funding for the  
Arkansas Workforce Challenge Scholarship Program, is amended to read as  
follows:

(a) For an academic year, the following shall be used to fund Arkansas  
Workforce Challenge Scholarships under this subchapter:

(1) Excess funding returned to the Office of the Arkansas  
Lottery under § 6-85-212(d)(2)(B)(i) from the previous academic year; and

(2) Net proceeds remaining from the previous academic year after



1 the office+

2 ~~(A) Transfers~~ transfers the funds requested by the  
3 Division of Higher Education under § 23-115-801(c)(2), ~~and~~

4 ~~(B) Deposits the amount necessary to maintain the~~  
5 ~~Scholarship Shortfall Reserve Trust Account under § 23-115-802 in an amount~~  
6 ~~equal to twenty million dollars (\$20,000,000).~~

7  
8 SECTION 2. Arkansas Code § 6-85-404(b)(1), concerning funding for the  
9 Arkansas Concurrent Challenge Scholarship, is amended to read as follows:

10 (b)(1) A scholarship under this subchapter shall not be awarded for an  
11 academic year if+

12 ~~(A) Less~~ less than two hundred fifty thousand dollars  
13 (\$250,000) is available under subsection (a) of this section, ~~or~~

14 ~~(B) The division received a loan from the Scholarship~~  
15 ~~Shortfall Reserve Trust Account under § 23-115-802 for the Arkansas Academic~~  
16 ~~Challenge Scholarship Program, § 6-85-201 et seq., for the previous academic~~  
17 ~~year.~~

18  
19 SECTION 3. Arkansas Code § 6-85-603(b)(1), concerning funding for the  
20 Arkansas Challenge Plus Scholarship, is amended to read as follows:

21 (b)(1) Arkansas Challenge Plus Scholarships under this subchapter  
22 shall be funded by available net proceeds remaining from the previous  
23 academic year after the Office of the Arkansas Lottery+

24 ~~(A) Transfers~~ transfers the funds requested by the  
25 division under § 23-115-801(c)(2), ~~and~~

26 ~~(B) Deposits the amount necessary to maintain the~~  
27 ~~Scholarship Shortfall Reserve Trust Account under § 23-115-802 in an amount~~  
28 ~~equal to twenty million dollars (\$20,000,000).~~

29  
30 SECTION 4. Arkansas Code § 23-115-103(14), concerning the definition  
31 of "lottery proceeds" under the Arkansas Scholarship Lottery Act, is amended  
32 to read as follows:

33 (14) "Lottery proceeds" means all revenue derived from the sale  
34 of tickets or shares and all other moneys derived from or in connection with  
35 the operation of a lottery, including without limitation fees, offsets,  
36 reimbursements, interest, insurance proceeds, damages, and liquidated damages

collected or imposed by the office under this chapter;

SECTION 5. Arkansas Code § 23-115-103(21), concerning the definition of "net proceeds" under the Arkansas Scholarship Lottery Act, is amended to read as follows:

(21)(A) "Net proceeds" means lottery proceeds less:

~~(A)(i)~~ Operating expenses;

~~(B)(ii)~~ The amount of fidelity fund revenue under § 23-115-603 that ~~exceeds~~ is required to increase the fidelity fund to five hundred thousand dollars (\$500,000);

~~(C)(iii)~~ The ~~undepreciated amount of capital assets; and amount of any adjustments required for Multi-State Lottery Association reserves to meet the Multi-State Lottery Association reserve requirements; and~~

(iv) The amount of any accrual or other accounting adjustment that will result in a debit or credit balance in the Office of the Arkansas Lottery's Unrestricted Net Position account, except for any restricted net position account.

~~(D) Accruals that will not result in a cash outflow;~~

(B) "Net proceeds" includes fidelity fund revenue that exceeds a fidelity fund balance of five hundred thousand dollars (\$500,000).

(C) "Net proceeds" shall be based on generally accepted accounting principles in accordance with § 23-115-206(a)(6);

SECTION 6. Arkansas Code § 23-115-103(23)(I), concerning payments to the Division of Higher Education as a cost under the definition of "operating expenses" under the Arkansas Scholarship Lottery Act, is repealed.

~~(I) Payments to the Division of Higher Education to:~~

~~(i) Reimburse the division for the costs of administering scholarship awards funded with net proceeds; and~~

~~(ii) Replenish nonlottery state educational resources expended by the division on scholarship awards otherwise funded with net proceeds;~~

SECTION 7. Arkansas Code § 23-115-206(a)(8)(D)(v), concerning the statement of revenue, expenses, and changes in net assets portion of the Office of the Arkansas Lottery's annual comprehensive financial report to the

1 Governor and the Legislative Council, is amended to read as follows:

2 (v) A statement of revenue, expenses, and changes in  
3 net assets for each fiscal year ~~since inception~~ for the last ten (10) fiscal  
4 years of the Arkansas Scholarship Lottery;

5  
6 SECTION 8. Arkansas Code § 23-115-206(a)(8)(D)(vii), concerning the  
7 contents of the fiscal year-end report, is amended to read as follows:

8 (vii) A fiscal year-end report on any information  
9 required to be reported by the office on a monthly basis, including without  
10 limitation:

11 (a) Unclaimed lottery prize money under § 23-  
12 115-403; and

13 (b) ~~The Scholarship Shortfall Reserve Trust~~  
14 ~~Account under § 23-115-802; and~~

15 ~~(c)~~ Minority-owned business and female-owned  
16 business participation under § 23-115-401;

17  
18 SECTION 9. Arkansas Code § 23-115-302(b)(9), concerning contents of  
19 the report by the Director of the Office of the Arkansas Lottery to the  
20 Legislative Council, is amended to read as follows:

21 (9) Annually by November 15, report to the Legislative Council  
22 the following:

23 (A) For the immediately preceding fiscal year+

24 ~~(i) The~~ the total amount of net proceeds from the  
25 state lottery; and

26 ~~(ii) The amounts deposited into and disbursed from~~  
27 ~~the Scholarship Shortfall Reserve Trust Account under § 23-115-802; and~~

28 (B) The office's projection for net proceeds from the  
29 state lottery for the current fiscal year; and

30  
31 SECTION 10. Arkansas Code § 23-115-801(b)(1)(B), concerning the  
32 establishment of the Lottery Scholarship Trust Account, is amended to read as  
33 follows:

34 (B)(i) The office shall establish the Lottery Scholarship  
35 Trust Account as required under subdivision (b)(1)(A) of this section to fund  
36 the Arkansas Academic Challenge Scholarship Program, § 6-85-201 et seq., the

1 Arkansas Workforce Challenge Scholarship Program, § 6-85-301 et seq., the  
2 Arkansas Concurrent Challenge Scholarship Program, § 6-85-401 et seq., and  
3 any other scholarship funded with net proceeds from the state lottery in a  
4 financial institution into which the office shall transfer:

5 (a) Excess funding returned to the office  
6 under § 6-85-212(d)(2)(B)(i) from the previous academic year; and

7 (b) Net proceeds remaining in the Lottery  
8 Scholarship Trust Account from the previous academic year after the office+

9 ~~(1) Transfers~~ transfers under  
10 subdivision (c)(2) of this section the funds requested by the Division of  
11 Higher Education; ~~and~~

12 ~~(2) Deposits the amount necessary into~~  
13 ~~the Scholarship Shortfall Reserve Trust Account under § 23-115-802 to~~  
14 ~~maintain an amount equal to twenty million dollars (\$20,000,000).~~

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16 SECTION 11. Arkansas Code § 23-115-801(d)(1), concerning findings of  
17 the General Assembly related to lottery proceeds under the Arkansas  
18 Scholarship Lottery Act, is amended to read as follows:

19 (d)(1) The General Assembly finds that+

20 ~~(A) The administration of scholarships with proceeds from~~  
21 ~~the lottery are expenses of the office; and~~

22 ~~(B) Because~~ because the division has the expertise and  
23 experienced staff needed to efficiently and appropriately administer the  
24 scholarships, the office shall use the services of the division to administer  
25 *scholarships funded with net proceeds from the lottery.*

26  
27 SECTION 12. Arkansas Code § 23-115-801(d)(3)(C), concerning  
28 reimbursement to the Division of Higher Education by the Office of the  
29 Arkansas Lottery, is amended to add an additional subdivision to read as  
30 follows:

31 (iii) Reimbursement under this subdivision (d)(3)(C)  
32 shall be made from the Lottery Scholarship Trust Account.

33  
34 SECTION 13. Arkansas Code § 23-115-802 is repealed.

35 ~~23-115-802. Scholarship Shortfall Reserve Trust Account.~~

36 ~~(a) The Office of the Arkansas Lottery shall maintain a Scholarship~~

1 ~~Shortfall Reserve Trust Account.~~

2 ~~(b)(1) An amount equal to four percent (4%) of the total amount of net~~  
3 ~~proceeds disbursed during the preceding fiscal year in the form of~~  
4 ~~scholarships and grants for higher education shall be deposited from lottery~~  
5 ~~proceeds each year until the amount in the Scholarship Shortfall Reserve~~  
6 ~~Trust Account equals twenty million dollars (\$20,000,000).~~

7 ~~(2) Thereafter, only the amount necessary to maintain the~~  
8 ~~Scholarship Shortfall Reserve Trust Account in an amount equal to twenty~~  
9 ~~million dollars (\$20,000,000) shall be deposited into the Scholarship~~  
10 ~~Shortfall Reserve Trust Account.~~

11 ~~(3) Any amount in the Scholarship Shortfall Reserve Trust~~  
12 ~~Account exceeding twenty million dollars (\$20,000,000) shall be considered~~  
13 ~~net proceeds and shall be deposited annually into one (1) or more trust~~  
14 ~~accounts at one (1) or more financial institutions by July 1 of each year.~~

15 ~~(c)(1)(A) Except as provided in subdivision (c)(2) of this section, if~~  
16 ~~net proceeds in any year are not sufficient to meet the amount allocated for~~  
17 ~~scholarships under the Arkansas Academic Challenge Scholarship Program, § 6-~~  
18 ~~85-201 et seq., the Scholarship Shortfall Reserve Trust Account may be drawn~~  
19 ~~upon to meet the deficiency according to the procedural requirements~~  
20 ~~established under subdivision (c)(3)(B) of this section.~~

21 ~~(B) In the event that the funding available in the~~  
22 ~~Scholarship Shortfall Reserve Trust Account is not sufficient to meet the~~  
23 ~~remaining amount allocated for scholarships funded with net proceeds from the~~  
24 ~~state lottery, up to the first twenty million dollars (\$20,000,000) of funds~~  
25 ~~allocated in the Higher Education Grants Fund Account may be drawn upon to~~  
26 ~~meet the deficiency.~~

27 ~~(2) Except as provided in subdivision (c)(3)(B) of this section,~~  
28 ~~the Scholarship Shortfall Reserve Trust Account shall not be drawn upon to~~  
29 ~~fund Arkansas Workforce Challenge Scholarships under the Arkansas Workforce~~  
30 ~~Challenge Scholarship Program, § 6-85-301 et seq., Arkansas Concurrent~~  
31 ~~Challenge Scholarships under the Arkansas Concurrent Challenge Scholarship~~  
32 ~~Program, § 6-85-401 et seq., or any other scholarship funded with net~~  
33 ~~proceeds from the state lottery.~~

34 ~~(3)(A) Determining the maximum amount of loans from the~~  
35 ~~Scholarship Shortfall Reserve Trust Account to the Arkansas Academic~~  
36 ~~Challenge Scholarship Program, § 6-85-201 et seq., the Arkansas Workforce~~

1 ~~Challenge Scholarship Program, § 6-85-301 et seq., or the Arkansas Concurrent~~  
2 ~~Challenge Scholarship Program, § 6-85-401 et seq., is the prerogative of the~~  
3 ~~General Assembly. This is usually accomplished by the General Assembly's~~  
4 ~~delineating such funding allocations for the various scholarship programs,~~  
5 ~~with the approval of the Administrative Rules Subcommittee of the Legislative~~  
6 ~~Council and through oversight as required by law by the Lottery Oversight~~  
7 ~~Subcommittee of the Legislative Council. Further, the General Assembly~~  
8 ~~determines that the Division of Higher Education may operate more efficiently~~  
9 ~~with some flexibility, therefore it is both necessary and appropriate that~~  
10 ~~the General Assembly maintain oversight by requiring prior approval of the~~  
11 ~~Legislative Council or the Joint Budget Committee as provided by this~~  
12 ~~section.~~

13 ~~(B) If the division determines it is necessary to borrow~~  
14 ~~from the Scholarship Shortfall Reserve Trust Account to fund scholarships~~  
15 ~~under the Arkansas Academic Challenge Scholarship Program, § 6-85-201 et~~  
16 ~~seq., the Arkansas Workforce Challenge Scholarship Program, § 6-85-301 et~~  
17 ~~seq., or the Arkansas Concurrent Challenge Scholarship Program, § 6-85-401 et~~  
18 ~~seq., the division shall first obtain review and approval from the~~  
19 ~~Legislative Council or, if the General Assembly is in session, the Joint~~  
20 ~~Budget Committee.~~

21  
22 SECTION 14. DO NOT CODIFY. Transfer of funds.

23 (a) With the elimination of the Scholarship Shortfall Reserve Trust  
24 Account, the twenty million dollars (\$20,000,000) currently in the account  
25 shall be first transferred and applied to the Office of the Arkansas  
26 Lottery's Unrestricted Net Position account to reduce the deficit to zero  
27 dollars (\$0.00).

28 (b) Any funds remaining after the transfer under subsection (a) of  
29 this section shall then be transferred to the Lottery Scholarship Trust  
30 Account before December 31, 2025.

31 (c) The disbursement of funds under this section is a one-time  
32 disbursement.

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34 SECTION 15. EMERGENCY CLAUSE. It is found and determined by the  
35 General Assembly of the State of Arkansas that modifications to accounting  
36 procedures for certain funds of the Office of the Arkansas Lottery are needed

1 to improve the function of the lottery; that improvements in efficiency for  
2 the office are critical to ensure the success of the lottery in Arkansas; and  
3 that this act should become effective at the beginning of the state's fiscal  
4 year so that the office can implement these critical changes. Therefore, an  
5 emergency is declared to exist, and this act being necessary for the  
6 preservation of the public peace, health, and safety shall become effective  
7 on July 1, 2025.

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9 /s/Hickey  
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