

Oklahoma Lottery Commission
Minutes of Regular Meeting
September 16, 2008 – 1:30 p.m.

Members Present:

Mr. William Paul, Chairman
Mr. George Charlton, Vice-Chairman
Ms. Charlotte Edwards, Treasurer
Mr. Thomas Riley, Secretary
Ms. Cindy Ball, Trustee

Members Absent:

Mr. James Orbison, Trustee
Mr. Pete Wilson, Trustee

Others Present:

Jim Scroggins, OLC	Gay Tudor, AG's Office
Rollo Redburn, OLC	Allen Blankinship, SGI
Terri Jackson, OLC	Erin Boeckman, eCapitol
Bonnie Presley, OLC	Tony Thornton, The Oklahoman
Carl Selby, OLC	

ITEM 1

Call to Order. Roll Call and Announcement of Quorum

Mr. Paul called the meeting to order at 1:32 p.m.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul were present. Mr. Paul declared a quorum.

Mr. James Orbison and Mr. Pete Wilson were absent.

ITEM 2

Announcement of Filing of Regular Meeting Notice and Posting of the Agenda in Accordance With the Open Meeting Act

Posting of Regular Meeting Notice and Posting of the agenda were confirmed, in accordance with the Open Meeting Act.

ITEM 3

Approval of Minutes of the June 10, 2008 Regular Meeting

Mr. Charlton made a motion to approve the minutes of the June 10, 2008 regular meeting. Ms. Ball seconded the motion.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried.

ITEM 4

Executive Director's Report

Mr. Paul announced that Mr. Pete Wilson resigned his position as Trustee of the Board and expressed appreciation for his service.

Mr. Scroggins reported the lottery is continuing their efforts to recruit retailers. Currently the staff is working with two grocery store chains and a travel plaza, representing 15 locations. As of today's date, the lottery has 2,157 selling locations.

Mr. Scroggins stated the lottery initiative will be on the ballot for the November election in Arkansas. If the lottery is approved by voters, the law will be written during the 2009 legislative session, which runs from the first Monday in January to mid April, meaning sales could start as early as the fall of 2009. Lt. Governor Halter has made it clear he does not want a profit restriction, if this is the case Arkansas games would have a higher prize percentage pay out. We estimate \$10 to \$11 million in lost sales the first year which equates to \$3.5 million less for our beneficiary and this estimate could be conservative.

Mr. Scroggins announced the results from the Oklahoma Department of Mental Health and Substance Abuse Services hotline report for July. The hotline received 448 calls, of which 85 were lottery related. The report did not state the nature of the 85 calls.

Mr. Scroggins announced that the NASPL Annual Conference will take place September 23 - 27, 2008 in Philadelphia, PA if any board members would like to attend. October 6-9, 2009 the NASPL Annual Conference will be hosted by Oklahoma City. All costs are paid by NASPL with the exception of time worked by Oklahoma Lottery staff. NASPL anticipates approximately 800-900 visitors. The Convention and Visitors Bureau stated the estimated value of the conference to Oklahoma City is \$1.1 million.

Mr. Paul asked for the current status of winners that have used a trust to claim the jackpot. Mr. Scroggins stated that the Oklahoma Lottery has had three Powerball jackpot winners and two of the jackpots were claimed by trusts. Under the State of Oklahoma Open Records Act the lottery is required to release the name and address of those claiming prizes in excess of \$600. If a trust claims the prize, only the name of the trust and trustee is made public, but the beneficiaries of the trust are made known to the Executive Director to initiate the check for unpaid child support or back taxes. The names of the beneficiaries are not subject to the Open Records Act.

ITEM 5

Report of Audit & Finance Committee

Mr. Riley stated that the Audit and Finance Committee met prior to the Board Meeting. The committee visited with the external auditors, Cole and Reed, and received the fiscal year end 2008 financial statement and audit report which reflected an unqualified favorable opinion. Carl Selby (recently promoted from the Internal Auditor position to Controller for the lottery), reported that for the first quarter of FY2009, three audits were successfully completed according to the annual audit plan; test of payrolls, test of stop sales ticket stock, and, super retailers. All three audits had a favorable outcome with very minor exceptions and no issues. Mr. Riley stated that the OLC is required to have a SAS 70 audit each year which is an in-depth audit of

control objectives and activities and it was completed this quarter. The committee received the fiscal year to date financial statements from Carl Selby. An audit was performed on the status of transfers to the Oklahoma Education Lottery Trust Fund (OELTF) and the transfers were found to be in compliance with recent legislation requiring transfers to the State Treasurer on a monthly basis versus a quarterly basis. Mr. Riley stated that Mr. Selby is currently wearing two hats, one as the outgoing Internal Auditor and another as the incoming Controller and has been doing an exceptional job.

ITEM 6

Discussion and Possible Action Regarding the FY2008 Financial Report

After the discussion above, Mr. Riley stated the Audit and Finance Committee recommends the FY2008 Financial Report be accepted as presented.

A motion was made by Ms. Edwards to accept and approve the FY2008 Financial Report. The motion was seconded by Ms. Ball.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried.

ITEM 7

Discussion and Possible Action Regarding the FY2009; FY2010 and FY2011 Budget for the Oklahoma Lottery Commission

Mr. Scroggins stated the lottery is required to provide the Office of State Finance the budget for subsequent years and any revisions in the current year's budget. Eleven weeks into this fiscal year sales figures show a decrease from previous year's in all products. Mr. Scroggins cited some of the reasons for the decrease as the normal summer slump, the Powerball jackpot timing and gas prices, but feels that our sales goal of \$208 million and profit projection of \$72.7 million for the year will be met. Week one through eight of last year Powerball was building to a \$315 million jackpot and this year the jackpot didn't reach over \$100 million until last week. The fiscal year-to-date transfers to the OELTF have been \$10.6 million. Since the inception of the Oklahoma Lottery, \$220.6 million has been transferred to the OELTF. Mr. Scroggins proposed that a final decision on adjustments to the FY2009 budget be deferred until the December meeting. By that date, 23 weeks of data will be compiled compared to 11 weeks currently, allowing for a more reliable projection. Having proposed the above, Mr. Scroggins asked the board to consider moving the December 16th meeting to December 9th to allow sufficient time to complete OLC review, receive board approval and report to OSF in a timely manner.

A motion was made by Mr. Charlton to defer action on approval of the FY2009, FY2010 and FY2011 budgets to the December meeting and change the date of the December meeting from the 16th to the 9th at 1:30 p.m. The motion was seconded by Ms. Ball.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried.

ITEM 8

Discussion and Possible Action Regarding a Plan to Address the Profit Restriction in the Current Lottery Act

Mr. Paul stated that much effort was made by lottery staff and commission members during the last legislative session to eliminate the mandated minimum 35% profit restriction. By increasing prizes in lottery games, greater sales can be achieved and even though the profit percentage achieved may be smaller, the level of real, spendable dollars will increase. A smaller percentage of a whole lot of money is more money than a higher percentage of not so much money.

After much discussion it was decided the staff and board members will schedule meetings with all the educational groups and try to enlist their support and discuss any issues they may have. Once the election is over and the House and Senate leadership is established, they will be approached.

After discussion on various ideas and strategies for an effective campaign, Mr. Riley made a motion to assign to the Government and Citizens Relations Committee the task of establishing a plan of action to ease or eliminate the profit restriction in the current law and to pre-file bills, as appropriate, and report back at the December 9 board meeting. The motion was seconded by Ms. Ball.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried.

The Government and Citizens Relations Committee consists of Chair, Ms. Charlotte Edwards, and member Mr. George Charlton. Mr. Pete Wilson, a member of the committee, has resigned. The committee agreed to establish a plan of action.

ITEM 9

Discussion and Possible Action on the Appointment of a Nominating Committee to Recommend Board Officers for Calendar Year 2009

Mr. Paul stated that this board has traditionally had a Nominating Committee to recommend officers for the next calendar year. The by-laws state special committees may be appointed by the Chair as deemed necessary, with the approval of the Board. Mr. Paul recommended the Nominating Committee consist of Mr. George Charlton as Chair, Cindy Ball and Jim Orbison as members. The committee was asked to make recommendations at the December 9, 2008 meeting.

A motion was made by Mr. Riley to approve the Chair's recommendation to appoint Mr. George Charlton as Chair, Cindy Ball and Jim Orbison as members of the Nominating Committee. The motion was seconded by Ms. Edwards.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried.

ITEM 10

**Discussion and Possible Action Regarding Calendar Year 2008 Lottery
Commission Board of Trustees Committee Membership**

Mr. Paul stated that with the resignation of Mr. Pete Wilson, there is a vacancy on the Government and Citizens Relations Committee. The remaining committee members feel there is no need at this time to appoint a replacement. Board members and OLC staff have agreed to assist with any and all tasks associated with current issues.

Mr. Paul asked the OLC staff to contact the Governor's office and inquire about Mr. Wilson's replacement.

ITEM 11

**Discussion and Possible Action Regarding Calendar Year 2008 and 2009 Board
Meeting Dates for the Lottery Commission Board of Trustees**

Mr. Riley made a motion to schedule the regular Board Meetings for calendar year 2009 at 1:30 p.m. on March 17, June 9, September 15 and December 8. The motion was seconded by Ms. Edwards.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried.

ITEM 12

New Business

Mr. Paul stated the Board has no new business at this time.

ITEM 13

Adjournment

With no additional business, Mr. Charlton made a motion to adjourn. The motion was seconded by Ms. Edwards.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. Thomas Riley and Mr. William Paul voted to approve the motion. The motion carried and the meeting adjourned at 2:36 p.m.

Submitted by:



William Paul, Chairman



Tom Riley, Secretary