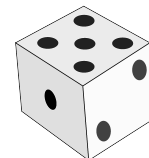




# Creating State Lotteries to Support Higher Education Scholarships and Grants



## PROPOSED CONSTITUTIONAL AMENDMENT NO. 3

(Proposed by Petition of the People)

**POPULAR NAME:** A constitutional amendment authorizing the General Assembly to establish, operate, and regulate state lotteries to fund scholarships and grants for Arkansas citizens enrolled in certified two-year and four-year colleges and universities in Arkansas.

**BALLOT TITLE:** An amendment to the Arkansas Constitution authorizing the General Assembly to enact laws to establish, operate, and regulate state lotteries; requiring lottery proceeds to be used solely to pay the operating expenses of lotteries, including all prizes, and to fund or provide for scholarships and grants to citizens of this state enrolled in public and private non-profit two-year and four-year colleges and universities located within the state that are certified according to criteria established by the General Assembly; requiring the General Assembly to establish criteria to determine who is eligible to receive the scholarships and grants; declaring that lottery proceeds shall not be subject to appropriation by the General Assembly; declaring lottery proceeds to be cash funds held in trust separate and apart from the State Treasury to be managed and maintained by the General Assembly or an agency or department of the State as determined by the General Assembly; requiring lottery proceeds remaining after payment of operating expenses and prizes to supplement, not supplant, non-lottery educational resources; declaring that this amendment does not repeal, supersede, amend or otherwise affect Amendment 84 to the Arkansas Constitution or games of bingo and raffles permitted therein; prohibiting lotteries and the sale of lottery tickets except as herein specifically provided.

### Why is the issue on the ballot of a general election?

Amendment 7 of the Arkansas Constitution allows a process by which voters may propose legislative measures, laws and amendments to the Constitution. To place a measure on the ballot, it is necessary for a sponsor group to submit petitions with the signatures of citizens registered to vote in Arkansas. The number of signatures needed is equal to 10 percent of the total number of votes cast for the office of governor in the previous general election. The last gubernatorial election was held in 2006. Ten percent of the total number of votes cast in that election is 77,468. HOPE for Arkansas was formed to promote the proposal. The group submitted petitions to the Secretary of State's

Office with 123,961 verifiable signatures. Of those, 91,149 were found to be valid.

### What does this amendment do?

The proposal would amend the Constitution of the State of Arkansas to establish state lotteries to fund scholarships and grants for Arkansas citizens enrolled in two-year and four-year colleges and universities located in the state.

The initiative specifically prohibits lotteries and the sale of lottery tickets except as provided in the proposed amendment, meaning no other entity other than the State of Arkansas would have authority to run a lottery operation.

**Conflict of Interest:** The University of Arkansas Division of Agriculture's Cooperative Extension Service is a recognized unit of the University of Arkansas System and is funded in part by State of Arkansas appropriations. As such, any legislation affecting general revenues of the state has the potential to influence the Division of Agriculture and the Cooperative Extension Service's financial well-being. We are obligated to divulge potential conflicts of interest and to recognize their influence on the educational programs and material we produce. As professional faculty of the University of Arkansas Division of Agriculture's Public Policy Center, we are committed to full disclosure and open recognition of our potential for bias. We strive to present Arkansas citizens with a fair and balanced representation of the issues brought to the ballot and welcome any constructive criticism toward that effort.

If passed by voters in November, the Arkansas General Assembly would be responsible for developing a framework of state laws to establish, operate and regulate state lotteries.

### Do other states have lotteries?

State-run lotteries have been in existence for more than 40 years. In 1964, New Hampshire adopted the first state lottery. It is now the largest type of commercial gambling in the United States. Arkansas is one of eight states that currently does not have a lottery. The other states are Alabama, Mississippi, Wyoming, Nevada, Hawaii, Alaska and Utah. All but one of the six states surrounding Arkansas offer a lottery. Mississippi does not have a lottery but does allow casino gambling.

Currently, five key games are offered by state lotteries. They are instant games, daily numbers games, lotto, electronic terminals for keno and video lottery. Lotto, and its variation "Powerball," is the most recognized game currently associated with state lotteries because of its potential for large cash prizes.

### Lottery Tickets Sales in States Bordering Arkansas

State	*Population	First Year of Sales	**FY 2007 Gross Lottery Sales	FY 2007 Sales Per Capita
Louisiana	4.3 million	1991	\$354.2 million	\$82.37
Missouri	5.9 million	1986	\$934.3 million	\$158.35
Oklahoma	3.6 million	2005	\$215.1 million	\$59.75
Tennessee	6.2 million	2004	\$1,058.4 million	\$170.70
***Texas	24 million	1992	\$3,774.2 million	\$157.25

\* Based on U.S. Census Bureau Population Estimates for 2007.

\*\* Figures represent actual sales. Additional revenue sources, such as interest or investment income, were not incorporated into total sales figures.

\*\*\* The Texas Lottery Commission's fiscal year ended August 31, 2007. The end of FY 2007 for the other states listed was June 30, 2007.

(Sources: Louisiana Lottery Corporation Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2007 and 2006; Missouri State Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007; Oklahoma Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007; Tennessee Education Lottery Corporation 2007 Annual Report; Texas Lottery Commission Annual Financial Report for the Year Ended August 31, 2007 and Independent Auditors' Report.)

### How do neighboring states use lottery revenue?

While all of the states bordering Arkansas use lottery revenues to fund education, each state allocates its funds differently. In Louisiana, lottery revenue is used to support general educational programs. The Missouri governor's office and the legislature determine where lottery funds will be appropriated within the state's public educational institutions. In Oklahoma, the net proceeds

of lottery games are used to support improvements and enhancements for educational purposes and programs from pre-K to higher education, and the Oklahoma Education Lottery Trust Fund has specific allocations for lottery revenue.

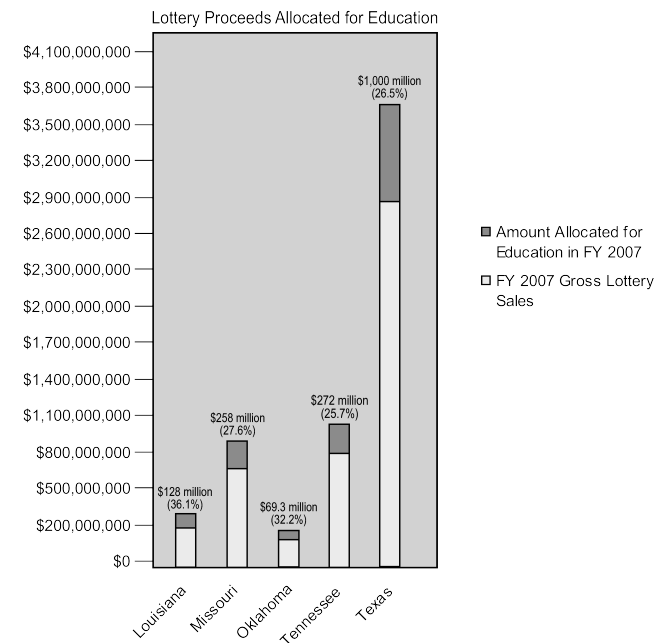
The Tennessee Education Lottery Corporation oversees the state's lottery. Its primary objective is to create funds for new education programs designed to help students attend college and to encourage graduates to remain in the state. Texas established a Foundation School Fund in 1997, and all lottery revenue is placed in the fund to support public education.

The remaining lottery revenue in each state goes toward prize payouts, operational expenses and retailer commissions and incentives.

State	FY 2007 Gross Lottery Sales	FY 2007 Lottery Proceeds Allocated for Education	Percent of Total Proceeds Allocated for Education
Louisiana	\$354.2 million	\$128 million	36.1%
Missouri	\$934.3 million	\$258 million	27.6%
Oklahoma	\$215.1 million	\$69.3 million	32.2%
Tennessee	\$1,058.4 million	\$272 million	25.7%
*Texas	\$3,774.2 million	\$1,000 million	26.5%

\*The Texas Lottery Commission's fiscal year ended August 31, 2007. The end of FY 2007 for the other states listed was June 30, 2007.

(Sources: Louisiana Lottery Corporation Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2007 and 2006; Missouri State Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007; Oklahoma Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007; Tennessee Education Lottery Corporation 2007 Annual Report; Texas Lottery Commission Annual Financial Report for the Year Ended August 31, 2007 and Independent Auditors' Report.)



## **How much revenue would a lottery generate?**

The amount of revenues generated by a state lottery would depend in large part on how it would be implemented if passed by voters in November. Lawmakers would have to write enabling legislation in the next regular legislative session if the proposed amendment is approved. Among the issues the legislators would need to consider is the percent of lottery funds that would be allocated for education, prize payouts and other expenses. While some states mandate the amount of lottery sales that must go towards prizes, other states require a certain percentage of sales be set aside for its intended use before prize payouts and other expenses.

Estimates from several sources show a range from \$55 million to \$100 million could be generated annually by a state lottery. The Arkansas Department of Finance and Administration's estimate of \$55 million was based on a comparison of Kansas, which has a state lottery and approximately the same population as Arkansas. The \$100 million figure is the estimate used by the HOPE for Arkansas Committee, which supports the initiative, and was based on per capita lottery ticket sales of neighboring states. A June 2008 report issued by Arkansas Advocates for Children and Families, which opposes the initiative, estimates \$61.5 million in annual revenue could be generated by a state lottery.

**The following statements are what supporters and opponents have made public either in media statements and literature or on web sites. The University of Arkansas does not endorse or in any way validate these statements.**

### **What do supporters say?**

Supporters of the proposed amendment say that Arkansans have historically purchased millions of dollars in lottery tickets in surrounding states and that establishing a lottery could keep that money in Arkansas. In addition, supporters claim the state loses revenue from gasoline and convenience store sales.

The Missouri Lottery Commission estimated in July 2008 that Missouri could lose more than \$25 million in lottery ticket sales in the first fiscal year if Arkansas implements a state lottery. The organization based its estimate on an analysis of lottery revenue in similar and surrounding states, less the cost of prizes and administrative costs. It also considered any tax implications for each state's revenue overall.

Supporters note that Arkansas ranks 49th of the 50 states in the percentage of adults with a bachelor's degree and claim that lottery-generated proceeds would exceed the total institutional scholarship aid provided by public colleges and universities in Arkansas in 2007 and quadruple the tuition assistance awarded by the

state-funded Academic Challenge and Governor's Scholars scholarships.

### **What do opponents say?**

Opponents of the proposed constitutional amendment argue that it is a regressive tax – a system of collecting funds that discriminates against those who come from low-income backgrounds. They reference studies that show lottery sales are often disproportionately concentrated in low-income and minority communities.

Opponents say the measure would drain millions of dollars from the state's economy. Opponents argue that Arkansas does not have enough jobs for the current number of college graduates and that increasing the number of college graduates would not change this circumstance.

Pointing out that the proposed state lotteries amendment contains no definition of a lottery, opponents have stated that the proposal could serve as a gateway for casino gambling. Opponents have also noted concern that the amendment does not put a limit on the number of lotteries that could be established.

### **When does the legislation take effect, if passed?**

The proposed constitutional amendment would go into effect after the General Assembly passed enabling legislation in the 2009 regular session.

### **What does a "FOR" vote mean?**

A "FOR" vote would amend the state constitution to allow the creation of state lotteries to fund college scholarships and grants.

### **What does an "AGAINST" vote mean?**

If the amendment does not receive a majority of the votes, the state constitution will not be amended. Arkansas will not implement state lotteries.

### **Where can I find more information?**

The complete and official text of each ballot measure can be obtained through the Arkansas Secretary of State's Office:

- Phone: 501-682-1010
- Web site: <http://www.votenaturally.org>

For additional information, including links to major support and opposition groups, please visit the University of Arkansas Division of Agriculture's Public Policy Center web site at <http://ppc.uaex.edu> or contact your county Cooperative Extension Service office.

The following is information regarding this proposed citizen-initiated constitutional amendment as it will appear on the state's November 4 general election ballot.

**(Popular Name)**

A CONSTITUTIONAL AMENDMENT AUTHORIZING THE GENERAL ASSEMBLY TO ESTABLISH, OPERATE, AND REGULATE STATE LOTTERIES TO FUND SCHOLARSHIPS AND GRANTS FOR ARKANSAS CITIZENS ENROLLED IN CERTIFIED TWO-YEAR AND FOUR-YEAR COLLEGES AND UNIVERSITIES IN ARKANSAS.

**(Ballot Title)**

AN AMENDMENT TO THE ARKANSAS CONSTITUTION AUTHORIZING THE GENERAL ASSEMBLY TO ENACT LAWS TO ESTABLISH, OPERATE, AND REGULATE STATE LOTTERIES; REQUIRING LOTTERY PROCEEDS TO BE USED SOLELY TO PAY THE OPERATING EXPENSES OF LOTTERIES, INCLUDING ALL PRIZES, AND TO FUND OR PROVIDE FOR SCHOLARSHIPS AND GRANTS TO CITIZENS OF THIS STATE ENROLLED IN PUBLIC AND PRIVATE NON-PROFIT TWO-YEAR AND FOUR-YEAR COLLEGES AND UNIVERSITIES LOCATED WITHIN THE STATE THAT ARE CERTIFIED ACCORDING TO CRITERIA ESTABLISHED BY THE GENERAL ASSEMBLY; REQUIRING THE GENERAL ASSEMBLY TO ESTABLISH CRITERIA TO DETERMINE WHO IS ELIGIBLE TO RECEIVE THE SCHOLARSHIPS AND GRANTS; DECLARING THAT LOTTERY PROCEEDS SHALL NOT BE SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY; DECLARING LOTTERY PROCEEDS TO BE CASH FUNDS HELD IN TRUST SEPARATE AND APART FROM THE STATE TREASURY TO BE MANAGED AND

MAINTAINED BY THE GENERAL ASSEMBLY OR AN AGENCY OR DEPARTMENT OF THE STATE AS DETERMINED BY THE GENERAL ASSEMBLY; REQUIRING LOTTERY PROCEEDS REMAINING AFTER PAYMENT OF OPERATING EXPENSES AND PRIZES TO SUPPLEMENT, NOT SUPPLANT, NON-LOTTERY EDUCATIONAL RESOURCES; DECLARING THAT THIS AMENDMENT DOES NOT REPEAL, SUPERSEDE, AMEND OR OTHERWISE AFFECT AMENDMENT 84 TO THE ARKANSAS CONSTITUTION OR GAMES OF BINGO AND RAFFLES PERMITTED THEREIN; PROHIBITING LOTTERIES AND THE SALE OF LOTTERY TICKETS EXCEPT AS HEREIN SPECIFICALLY PROVIDED.

**FOR** Proposed Initiative Amendment No. 3

**AGAINST** Proposed Initiative Amendment No. 3

**Exercising Your Voting Privilege**

We live in a democratic society where voting is a privilege of citizenship. Democracy works best when informed citizens exercise their voting privilege. Please vote November 4, 2008.

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