

**Minutes  
Executive Committee  
South Carolina Education Lottery Commission  
April 8, 2008  
11 a.m.**

A meeting of the Executive Committee of the South Carolina Education Lottery was held via teleconference on Tuesday, April 8, 2008, at 11 a.m. originating from the Third Floor Conference Room at 1333 Main Street, Columbia, South Carolina.

The following members participated via teleconference:

Timothy Madden, Chairman  
Jimmy Bailey, Jr., Vice-Chairman  
Moffatt Burriss, Treasurer  
Ashley Landess, Secretary  
Lisa Stevens, At-Large

The Chair called the meeting to order. The only agenda item related to the 2009 fiscal year budget.

**Fiscal Year 2009 Budget**

Dusty Rhodes, Director of Finance, presented an overview of the staff budget recommendations for FY09 and noted the budget summary which contained supporting information (distributed prior to the Executive Committee meeting). Mr. Rhodes noted that the budget was prepared based upon a detailed analysis of each department.

The budget is based on projected total revenue of \$946 million and net income of \$252.4 million. Advertising (media and placement) is budgeted at \$8.9 million, the same as the current year's budget. Operating expenses, not including retailer commissions, are budgeted at approximately 5.5% of total revenue. This percentage is in the 80th percentile of cost effectiveness among U.S. lotteries. Total expenses, including retailer commissions, equal about 12.5% of revenue which is within the statutory limit of 15% of revenue.

Chairman Madden thanked Mr. Rhodes and his staff for the level of detail and manner in which the budget documents presented the information to be reviewed by the Committee. He then opened the floor to questions. Commissioner Burriss asked for an explanation of the underlying reasoning for the \$7.8 million increase in revenue given the general state of the economy and the suggestion of a recession. Executive Director Ernie Passailaigue explained that gasoline prices and the economy at-large certainly factored into the revenue forecast. Given the recent improvement in instant ticket sales and the new popularity of the MegaMatch 6™ game, he believes the FY09 revenue estimate of \$946,066,440 is conservative, especially taking into consideration FY08 revenues may exceed \$970 million.

Mr. Passailaigue briefed the Committee on FY08 revenue and expressed his intention to inform the Board of Economic Advisors (BEA) that the forecast for remaining transfers into the Education Lottery Account (ELA) for FY08 could reasonably be adjusted to \$262 million. The original BEA forecast is \$252.4 million. Due to the uncertainties mentioned by Commissioner Burriss, Mr. Passailaigue will strongly encourage the BEA to keep the projected FY09 ELA transfer at \$252.4 million.

Commissioner Bailey asked whether the net transfer ratio to the ELA in relation to gross sales would be higher or lower in FY09. Mr. Passailaigue explained that prize expenses are budgeted to be \$7.4 million higher in FY09, but revenue enhancements and other reductions should result in the same net transfer total of \$252.4 million. Staff closely monitors prize payout levels which is one of the more significant variables in determining the transfer ratio. Failure to meet player expectations for winning experiences would cause gross revenue to decrease over time and thus negatively impact aggregate net transfers.

Commissioner Landess noted that operating costs were projected to be approximately \$1.9 million less in FY09, which may enhance the net transfer ratio. She also asked for clarification on the increase in salaries. Mr. Passailaigue explained that the decrease in operating expenses was primarily due to the non-cash expense based on accrual accounting for depreciation. The increase in salaries is primarily due to the addition of four new positions, the 4% allocated for potential merit increases (which is in-line with the other state enterprise agencies), and approximately \$25,000 for adjustments based on the Milliman compensation study.

### **Motion Adopted**

Commissioner Bailey made a motion to recommend the Commission approve the FY09 budget as presented. Commissioner Burriss seconded the motion, which was unanimously adopted.

**Other Business**

As information only, Hogan Brown gave an update on the commercial grade digital printer procurement for the Marketing and Product Development Department. Pursuant to a motion adopted by the Board at the November 14, 2007, Commission meeting, authority was given to staff to issue a Request for Proposals (RFP) to lease a digital printer. Efforts to lease a copier have been unsuccessful for various reasons. New avenues are being considered that suggest a purchase may be more advantageous to SCEL than a lease. This matter is being brought to the Committee’s attention because broader authorization may be needed at the upcoming Board meeting on May 14, 2008.

**Adjournment**

There being no further business, the meeting was adjourned.

\_\_\_\_\_/s/\_\_\_\_\_  
Timothy E. Madden, Chairman

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Date

As required by Section 30-4-80, notification for this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Commission bylaws, the meeting notice and agenda were also posted on the SCEL website, sceducationlottery.com, and sent via facsimile transmission pursuant to requests made by media outlets and other organizations. These notifications included the time, date, place and agenda of the meeting.