

**SOUTH CAROLINA EDUCATION LOTTERY  
BOARD OF COMMISSIONERS MEETING  
MINUTES  
May 11, 2011  
10 A.M.**

A meeting of the Board of Commissioners of the South Carolina Education Lottery was held on Wednesday, May 11, 2011, at 10 a.m., in the first-floor conference room located at 1333 Main Street, Columbia, South Carolina, with the following Board of Commissioners participating:

Tim Madden, Chairman  
Jimmy Bailey, Vice Chairman  
Moffatt Burriss, Treasurer  
Dr. Edward Keith  
Karen Ballentine  
Nancy Latham  
Sam Litchfield  
Deedee Vaughters

Commissioner Peter Bristow was unable to attend due to a scheduling conflict.

The Chairman called the meeting to order.

**Approval of Minutes**

On motion of Commissioner Burriss, seconded by Commissioner Latham, the Board unanimously approved the minutes of the March 22, 2011, meeting.

**Election of Secretary**

Due to the vacancy in the office of Secretary, the Chairman opened the floor for nominations. Commissioner Litchfield expressed interest in the position.

Commissioner Bailey moved to elect Commissioner Litchfield as Secretary of the Board by acclamation, which was adopted.

## **Standing Committees**

A list of the SCEL Commission Standing Committees and the current vacancies was included in the meeting materials provided prior to the meeting. The Chairman asked each Board member to contact him if any member would like to serve on a particular committee.

## **Reports**

### **Fiscal Year 2012 Budget**

Chairman Madden reported the Executive Committee met via teleconference on Tuesday, May 10<sup>th</sup> to review the FY12 budget prepared by the Executive Director. The Committee adopted the budget as presented in the meeting packet mailed to Board members prior to the meeting. The Chairman asked Mrs. Bethea to brief the Board.

FY12 gross revenue is projected to be \$977M and the transfer to the Education Lottery Account (ELA) is projected to be \$262M. Mrs. Bethea noted that through attrition and the closing of the Greenville and Mt. Pleasant Claims Centers, there was an overall budget decrease from FY11 of approximately \$1.3M in operating expenses. Additional budget reductions were made in every department as staff is striving to enhance productivity.

The Chairman opened the floor for comments and questions. Following Board member questions and comments, the Chairman suggested staff present an in depth review of advertising and marketing strategies and expenditures at the next Board meeting.

### **Motion Adopted**

The Board unanimously agreed to adopt the FY12 budget as recommended by the Executive Committee on May 10, 2011.

### **Marketing Report and Quarterly Advertising Review**

Jay Johnson, Director of Marketing and Product Development, reviewed the advertising material presented to the Board in advance of the meeting. One DVD for this quarterly review<sup>1</sup> included:

- Television Broadcast: Bass Pro Shop® and Jeep® Instant Tickets;
- Player Information Display: Bass Pro Shop® and Jeep® Instant Tickets;
- Play Station Poster: Jeep® Instant Ticket, Strike it Rich, and Online Game Winners; and
- Radio: Bass Pro Shop® and Jeep® Instant Tickets.

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<sup>1</sup> SCEL's enabling legislation requires a quarterly review by the Board of "all past lottery advertising and proposed concepts for major media campaigns to ensure that the advertising did not and does not target with the intent to exploit specific ethnic groups or economic classes of people, and that the content is accurate and not misleading."

The second DVD included: Jeep® Instant Ticket buckslip, ticket topper, and window poster; May Games play station writing surface; play slip ticket holder; and a 2011 Heritage Golf Tournament Program Advertisement.

No objections or concerns were expressed regarding the advertising materials submitted to the Commissioners for review. It was therefore the consensus of the Board that SCEL's past advertising and proposed concepts for major media campaigns did not and do not target, with the intent to exploit, specific ethnic groups or economic classes of people, and that the content is accurate and not misleading.

### **Financial Update**

Dale M. Rhodes, Director of Finance, was recognized to brief the Board. FY11 gross revenue through April is approximately \$32.6M above FY10 for the same period. Instant sales are \$42.6M above and online sales are \$10M below FY10 for the same period. The online decrease is primarily due to a \$28.5M drop in Powerball® sales.

Through April of FY11, SCEL transferred \$219.8M to the ELA compared to \$227.5M for the same period in FY10. The difference is due primarily to an overall increase in sales of instant games and, in particular, sales of higher price point instant tickets (\$5 and \$10 games) which have a higher prize payout. An increase in payouts for online games also caused part of the decline in transfers.

The percentage allocation of total revenue (The Lottery Dollar) in FY11 from July 1 – April 30, 2011, was:

- 63.7% Prizes
- 25.7% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.5% Gaming Costs (Vendor)
- 1.4% SCEL Internal Administrative Costs
- 0.7% Advertising

### **Executive Director's Report**

As the new Treasurer and Chairman of Finance of the North American Association of State and Provincial Lotteries (NASPL), Mrs. Bethea reported that she will be attending the Summer Directors Conference in Dallas next month. The Powerball® Group will also be meeting during this time. Enhancements to the Powerball® game are expected to be discussed. The annual NASPL meeting will be held in October in Indianapolis.

Mrs. Bethea reported that staff is in the process of drafting a Request for Proposals (RFP) for banking services which should be completed prior to the next Board meeting. The current contract is set to expire in November.

**Other Business**

The Chairman congratulated Mrs. Bethea for receiving an honorary doctorate from the University of South Carolina.

There being no further business, the meeting was adjourned.

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/s/  
Timothy E. Madden, Chairman

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Sam Litchfield, Secretary

As required by § 30-4-80, notification for this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Board 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.