

**SOUTH CAROLINA EDUCATION LOTTERY
BOARD OF COMMISSIONERS MEETING
MINUTES
May 12, 2010
10 A.M.**

A meeting of the Board of Commissioners of the South Carolina Education Lottery was held on Wednesday, May 12, 2010, at 10 a.m., in the Meridian Building, 17th Floor, Ashley and Broad Conference Room, 1320 Main Street, Columbia, South Carolina, with the following Commissioners participating:

Tim Madden, Chairman
Jimmy Bailey, Vice Chairman*
Moffatt Burriss, Treasurer
Marvin Quattlebaum*
Dr. Edward Keith
Lisa Stevens
Boykin Rose
Nathaniel Spells, Sr.*
Eddie Rodgers

The Chairman called the meeting to order. Due to a scheduling conflict that was discovered just prior to the meeting, the location was changed from 1333 Main Street to the site noted above. The Chairman asked Hogan Brown, Director of Legal Services, to explain the steps taken to ensure compliance with the requirements of the Freedom of Information Act. A location change notice was posted at the Columbia office, 1333 Main Street, and sent via facsimile transmission to media outlets and other organizations. SCEL personnel were also available outside the original meeting location to direct members of the public to the new location which was across the street.

Approval of Minutes

On motion of Commissioner Burriss, seconded by Commissioner Stevens, the minutes of the February 10, 2010, meeting were unanimously approved.

*These Commissioners participated via teleconference.

Special Recognition

The Chairman recognized Paula Harper Bethea to introduce sales staff and selected SCEL retailers from each region of the state. Jamin Shaw (JK's Food Mart, Blacksburg), Chris Corn (Little Giant Food Stores, Rock Hill), Ahsu Shah (Eagle Express, Lexington), Henry Goodwin (Henry's, Orangeburg), Ronak Patel (Maruti Food Mart, Hardeeville), Tom Patel (Speedy Mart, Florence), and Mohamed Makkey (Regional Director, Worsley, 176 locations, Lil' Cricket, Scotchman and Young's). These individuals and others who were not in attendance, are essential in the collaborative effort to enhance the educational opportunities in South Carolina.

Mrs. Bethea introduced David Jordan, President of the South Carolina Association of Convenience Stores (SCACS). His company, Jordan Oil, owns 41 Hot Spot stores. Mr. Jordan thanked the lottery for the partnership and professionalism throughout the years.

Chairman Madden thanked all the guests for their continued commitment and dedication, and noted that it is essential to SCEL's success.

Fiscal Year 2011 Budget

A copy of the proposed budget for FY11 was distributed to Board members in the meeting materials packet provided prior to the meeting. Mrs. Bethea explained that the FY11 budget projected an internal operating expenses decrease of approximately \$877,000. Salaries decreased by \$286,000 (3.34%) with an additional \$71,800 reduction in fringe benefits. Online gaming costs were reduced by \$675,500. Projected revenue increased by \$31.3M to reflect sales trends of the past two years and internal costs savings measures. Transfers to the Education Lottery Account (ELA) for FY11 are projected to increase by \$8.3M. The Chairman opened the floor for questions and comments.

Motion Adopted

After discussion, Commissioner Keith moved to adopt the Fiscal Year 2011 Budget as presented. Commissioner Rose seconded the motion.

Reports

Marketing and Retailer Relations Committee Report

Committee Chair, Moffatt Burriss, summarized the matters presented and discussed at the committee meeting held on April 16, 2010, relating to the potential uses of social media for SCEL, instant ticket concepts and beneficiary messages. No action was taken during the committee meeting and no Board action is required at this time. The Marketing and Retailer Relations Committee plans to meet again later in the year and will bring a report to the Board with recommendations. Minutes from the meeting were included in the meeting materials packet.

Marketing Report and Quarterly Advertising Review

Jay Johnson, Interim Director of Marketing and Product Development, called the Commissioners attention to the print advertising material that was provided in advance on DVDs in the meetings materials packet. The DVDs also included the television and radio spots in this quarterly review:¹

- Television Broadcast: Mega Millions® jackpot, Domino Instant Ticket – “May Games,” SCTRAC.org, Wheel of Fortune®, and Seasonal Instant Ticket – “April Games”
- Play station posters: Mega Millions® and Powerball® Draw Dates, Mega Millions® with Megaplier, “Play Responsibly,” Powerball® 10X Promotion, and a Ric Flair™ Woooooo!™

One DVD also included: Ric Flair™ Woooooo!™ ticket topper, window sign, t-shirt, “March New Games” and “April New Games” play station writing surface, and a Retailer Winning ticket poster.

No objection or concern was expressed regarding the advertising materials submitted to the Commissioners for review. It was therefore the consensus of the Board that SCCEL’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

Dusty Rhodes, Director of Finance, reported gross revenue of \$749M for the first nine months of FY10 (July 2009 through March 2010). This amount is in line with the previous year during the same period. Since the printing of the meeting materials packet, the financial books for the month of April have closed. Total fiscal year gross sales through April 30, 2010, were approximately \$837M, an increase of \$3M from the previous fiscal year during the same period of time.

Through the first nine months of FY10, SCCEL transferred \$201M to the Education Lottery Account (ELA), an increase of approximately \$10M from the previous fiscal year at the same point in time. The transfers represent 80 percent of the Board of Economic Advisors’ (BEA) estimate for FY10 of \$252.4M.

¹ SCCEL’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 percentage allocation of total revenue, “The Lottery Dollar,” for FY10, from July 1, 2009, through March 31, 2010, is distributed as follows:

- 62.0% Prizes
- 27.3% Net Proceeds
- 7.0% Retailer and Sales Commissions
- 1.5% Gaming Costs (Vendor)
- 1.5% SCEL Internal Administrative Costs
- 0.7% Advertising

Quarterly Director’s Update

Mary Margaret Hopkins, Director of Internal Operations, presented an update on the Internal Operations Department and the recent RFP for human resource and payroll services. She summarized the events from October 2008, through April 2009, when the staff determined it was not feasible to participate in the South Carolina Enterprise Information System (SCEIS), which was designed to consolidate payroll services for many entities within state government. It was noted that SCEL’s counterparts, Santee Cooper and the S.C. Ports Authority, have also chosen not to participate in SCEIS. Retaining the payroll services provided by the State Comptroller, which had performed these services since 2001, was not an option after 2009.

In January 2010, SCEL converted to Microsoft© Great Plains which has been used for general ledger and other accounting services since 2003. After implementation, payroll services proved to better suited for outsourcing. SCEL drafted a RFP (published on April 16, 2010) under the guidelines for small purchases (less than \$50,000). Staff anticipates a new human resources and payroll system will be implemented by the end of the summer.

Executive Director’s Report

Mrs. Bethea reported on the status of a “National Game.” A committee comprised of representatives from MUSL and the original Mega Millions states are reviewing various game designs. It is anticipated that this game will launch in the spring of 2011. It is probable that it will not be a jackpot-driven game to avoid jackpot fatigue as seen in Powerball® and Mega Millions®. Discussions continue regarding a regional game for the southeast.

Mrs. Bethea reported on several other items. The Ric Flair™ Wooooo™ ticket has been a huge success. Staff is reviewing all items purchased for promotional events to achieve a better balance between quantity and quality. Staff is involved in a collaborative effort with the Commission on Higher Education and SCETV to communicate the education resources available to South Carolinians in a more effective manner. Mrs. Bethea also updated the Board regarding her recent attendance at the La Fleur’s conference in Washington D.C. as a guest speaker.

Other Business

There being no further business, the meeting was adjourned.

_____/s/
Timothy E. Madden, Chairman

Marvin Quattlebaum, Secretary

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 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.