

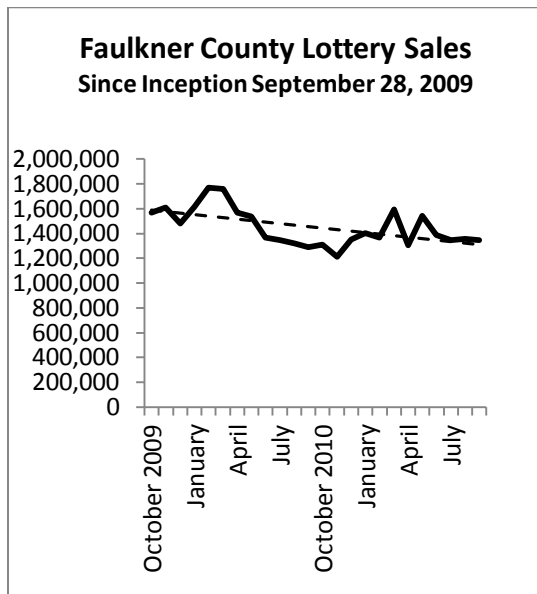
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Arkansas Scholarship Lottery's Impact on Faulkner County's Economy

By Roger Lewis

In operation for two years, September 28, 2009, through September 30, 2011, the Arkansas Scholarship Lottery has produced \$950.7 million in state wide sales. Approximately 20%, or \$190 million, of the revenue from lottery sales funds the Academic Challenge Scholarships. Faulkner County is one of the few counties where benefits received exceed the lottery sales.

Lottery sales for the state were \$477.2 million for the first year and declined slightly (.8%) to \$473.5 for the second year. Lottery sales in Faulkner County were \$18.4 million for the first year and declined 9.5% to \$16.5 million for the second year for a total of \$34.8million. The chart below illustrates this decline and plotting a trend line to monthly sales indicates a continuing decline for future sales. Although new games have been introduced, sales have continually declined. This may be due to people having less discretionary money to spend on the lottery because of the recession.



Faulkner County lottery sales, rank fifth among the counties. The rank in sales is related to the size of the population and location of the county on a major highway. Faulkner County is also fifth in population among the counties. Located on Interstate 40, it is assumed that some of the sales are to visitors and this is substantiated by the fact that the two vendors with the highest sales among 55 Faulkner County vendors are in Mayflower near interstate 40.

When comparing sales per capita in the most recent year, Faulkner County ranked 37th with \$146 sales per capita compared to the state average of \$165. The range in county sales per capita ranged from \$39 for Montgomery County to \$372 for Nevada County.

Approximately 66.2 percent of the sales are returned to the players through prizes, 5.6% is paid to point-of-sale vendors as a commission and 8% is used for administration, advertising and contracted services, leaving 20.2% for scholarships. Based on the \$34.8 million in Faulkner County lottery sales,

the players should have received approximately \$23 million in prizes, of courses, not all of these recipients are Faulkner County residents. The fact that a Mayflower resident won \$25 million in a Powerball game pushes the winnings in Faulkner County to an abnormal high. (This was the only Powerball grand prize winner in the state since the inception of the lottery.)

Academic Challenge Scholarships valued at \$2.4 million were awarded to 520 Faulkner County residents for the 2010 -11 academic year. Unfortunately, data for this academic year (2011-12) is not yet available. Arkansas students attending institutions of higher education in Faulkner County during 2010-11 received 4,218 Arkansas Challenge Scholarships (UCA 3639, Hendrix 351, CBC 228) valued at \$18.8 million. There is some overlap in the \$2.4 million in scholarships received by Faulkner residents and the \$18.8 million in scholarships received by the colleges since many of the Faulkner county residents receiving scholarships attend one of the three local colleges. The total impact of scholarships received by Faulkner County's residents and the colleges is approximately \$20 million when this overlap is factored out. Preliminary figures for this academic year indicate that the level of Academic Challenge Scholarships will be about the same for the 2011-2012 academic year, making the awards for the two years approximately \$40 million.

The Arkansas Challenge Scholarships are not entirely funded by lottery proceeds. The state continues to fund the program at \$20 million per year, amounting to approximately 10.5% of the total scholarship awards. Thus only \$35.8 million of the \$40 million in scholarships over two years is from lottery proceeds.

Local governmental officials have been concerned that lottery sales negatively impact sales tax collections. Lottery sales are not subjected to sales tax levies. Faulkner County's sales tax rate of .5% would generate \$174 thousand in sales tax revenue on \$34.8 million lottery sales if the money spent on lottery tickets were spent on taxable goods. This revenue would be slightly more than one percent of the County's annual sales tax revenue. Likewise for Conway and other cities in Faulkner County, the tax revenue on lottery sales would account for about only 1% of the sales tax collections. Lottery sales do not substantially impact sales tax revenues.

Faulkner County has a net gain in terms of the return on lottery sales. Scholarships awarded to residents, student with scholarships attending the three institutions of higher education, and prizes received by players substantially exceed the amount spent on the lottery. The fact that Faulkner County has three colleges and a \$25 million prize made this situation possible.

More information on Arkansas Scholarship Lottery can be found at Pulse of Conway website, pulseofconway.com