

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

By Roger Lewis

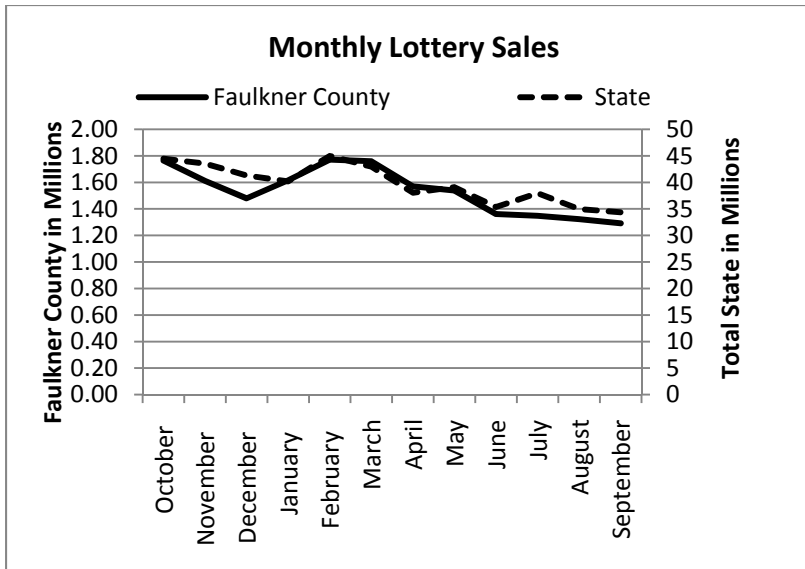
In operation for one year, September 28, 2009, through September 30, 2010, the Arkansas Scholarship Lottery has produced \$477million in sales. Approximately 22%, or \$105 million, of the revenue from lottery sales funds the Academic Challenge Scholarships. Faulkner County is one of the few counties where benefits received exceed the lottery sales.

Lottery sales in Faulkner County were \$18.4 million for the past year. Academic Challenge Scholarships valued at \$2.4 million were awarded to 520 Faulkner County residents for the 2010 -11 academic year. Arkansas students attending institutions of higher education in Faulkner County received 3,829 Arkansas Challenge Scholarships (UCA 3305, Hendrix 338, CBC 186) valued at \$19.3 million. There is some overlap in the \$2.4 million in scholarships received by Faulkner residents and the \$19.3 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 \$20.5 million when this overlap is factored out.

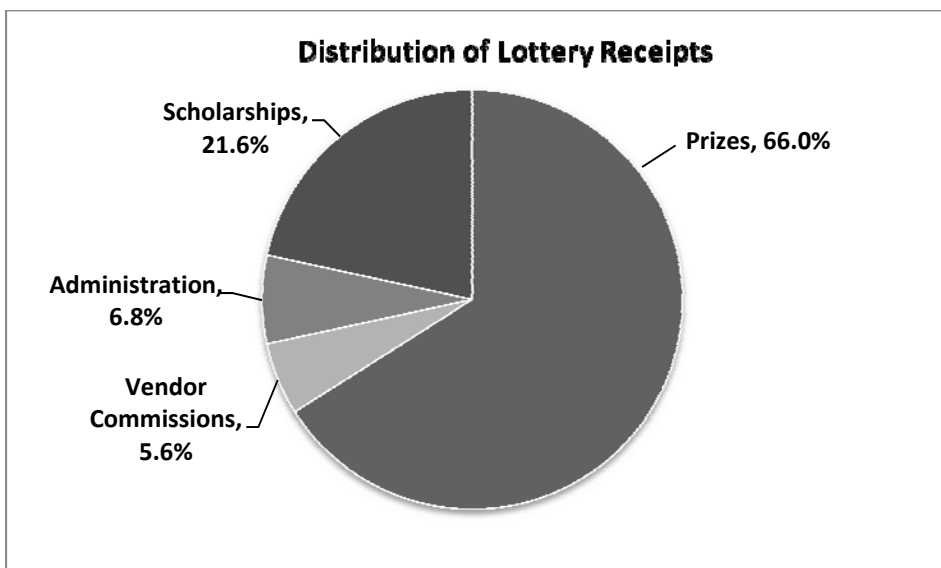
The Arkansas Challenge Scholarships are not entirely funded by lottery proceeds. The state continues to fund the program at \$20 million per year amounting to approximately 15% of the total scholarship awards. The estimate of \$20.5 million in scholarships that Faulkner County residents and colleges receive as a result of the lottery is reduced to \$17.6 million to reflect the portion funded by state general revenues.

Faulkner County, with its \$18.4 million in lottery sales, ranks fifth among the counties in sales. The rank in sales is related to the size of the population and location of the county. Faulkner County is also fifth in population among the counties. Located on Interstate 30, it is assumed that some of the sales are to visitors to the area. When comparing sales per capita, Faulkner County ranked 26th with \$172.46 in sales per capita compared to the state average of \$167.13. The range in county sales per capita ranged from \$44.70 for Montgomery County to \$428.31 for Dallas County. In terms of the percentage of per capita income that residents spend on the lottery, Faulkner County ranks 41, Dallas county ranks 1 and Montgomery County ranks 74.

Monthly lottery sales are in a slight decline both at the state level and in Faulkner County. October 2009 sales for Faulkner County were \$1.76 million and were just \$1.32 million in September 2010. The peak in sales, \$1.77 million, was in February 2010. The state's sales declined from \$44.45 million for October 2009 to \$34.38 million for September 2010. Even though additional games have been introduced, sales have not increased.



Approximately 66 percent of the sales are returned to the players through prizes, 5.6% is paid to point-of-sale vendors as a commission and 6.8% is used for administration, advertising and contracted services, leaving approximately 21.6% for scholarships. Based on the \$18.4 million in Faulkner County lottery sales, the players should have received approximately \$12 million in prizes. The fact that a Mayflower resident won \$25 million in a Power Ball game pushes the winnings in Faulkner County to an abnormal high. (This was the only Power Ball grand prize winner in the state since the inception of the lottery.)



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 \$92 thousand in sales tax revenue on \$18.4 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 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