

1 State of Arkansas As Engrossed: S2/25/25 S3/11/25

2 95th General Assembly

A Bill

3 Regular Session, 2025

SENATE BILL 232

4

5 By: Senator Hickey

6 By: Representative Cozart

7

8

For An Act To Be Entitled

9 AN ACT TO AMEND THE ARKANSAS SCHOLARSHIP LOTTERY ACT;
10 TO AMEND THE DEFINITION OF "LOTTERY PROCEEDS"; TO
11 AMEND THE DEFINITION OF "NET PROCEEDS"; TO AMEND THE
12 CONTENTS OF THE FINANCIAL REPORT; TO PROVIDE THAT THE
13 COSTS OF ADMINISTERING SCHOLARSHIP AWARDS ARE
14 EXPENSES OF THE DIVISION OF HIGHER EDUCATION THAT
15 WILL CONTINUE TO BE REIMBURSED BY THE OFFICE OF THE
16 ARKANSAS LOTTERY USING LOTTERY NET PROCEEDS; TO
17 ELIMINATE THE SCHOLARSHIP SHORTFALL RESERVE TRUST
18 ACCOUNT; TO DECLARE AN EMERGENCY; AND FOR OTHER
19 PURPOSES.

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Subtitle

23 TO AMEND VARIOUS PROVISIONS OF THE
24 ARKANSAS SCHOLARSHIP LOTTERY ACT; AND TO
25 DECLARE AN EMERGENCY.

26

27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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29 SECTION 1. Arkansas Code § 6-85-303(a), concerning funding for the
30 Arkansas Workforce Challenge Scholarship Program, is amended to read as
31 follows:

32 (a) For an academic year, the following shall be used to fund Arkansas
33 Workforce Challenge Scholarships under this subchapter:

34 (1) Excess funding returned to the Office of the Arkansas

35 Lottery under § 6-85-212(d)(2)(B)(i) from the previous academic year; and

36 (2) Net proceeds remaining from the previous academic year after



1 the office+

2 ~~(A) Transfers~~ transfers the funds requested by the
3 Division of Higher Education under § 23-115-801(c)(2); ~~and~~

4 ~~(B) Deposits the amount necessary to maintain the~~
5 ~~Scholarship Shortfall Reserve Trust Account under § 23-115-802 in an amount~~
6 ~~equal to twenty million dollars (\$20,000,000).~~

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8 SECTION 2. Arkansas Code § 6-85-404(b)(1), concerning funding for the
9 Arkansas Concurrent Challenge Scholarship, is amended to read as follows:

10 (b)(1) A scholarship under this subchapter shall not be awarded for an
11 academic year if+

12 ~~(A) Less~~ less than two hundred fifty thousand dollars
13 (\$250,000) is available under subsection (a) of this section; ~~or~~

14 ~~(B) The division received a loan from the Scholarship~~
15 ~~Shortfall Reserve Trust Account under § 23-115-802 for the Arkansas Academic~~
16 ~~Challenge Scholarship Program, § 6-85-201 et seq., for the previous academic~~
17 ~~year.~~

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19 SECTION 3. Arkansas Code § 6-85-603(b)(1), concerning funding for the
20 Arkansas Challenge Plus Scholarship, is amended to read as follows:

21 (b)(1) Arkansas Challenge Plus Scholarships under this subchapter
22 shall be funded by available net proceeds remaining from the previous
23 academic year after the Office of the Arkansas Lottery+

24 ~~(A) Transfers~~ transfers the funds requested by the
25 division under § 23-115-801(c)(2); ~~and~~

26 ~~(B) Deposits the amount necessary to maintain the~~
27 ~~Scholarship Shortfall Reserve Trust Account under § 23-115-802 in an amount~~
28 ~~equal to twenty million dollars (\$20,000,000).~~

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30 SECTION 4. Arkansas Code § 23-115-103(14), concerning the definition
31 of "lottery proceeds" under the Arkansas Scholarship Lottery Act, is amended
32 to read as follows:

33 (14) "Lottery proceeds" means all revenue derived from the sale
34 of tickets or shares and all other moneys derived from or in connection with
35 the operation of a lottery, including without limitation fees, offsets,
36 reimbursements, interest, insurance proceeds, damages, and liquidated damages

1 collected or imposed by the office under this chapter;

2
3 SECTION 5. Arkansas Code § 23-115-103(21), concerning the definition of
4 "net proceeds" under the Arkansas Scholarship Lottery Act, is amended to read
5 as follows:

6 (21)(A) "Net proceeds" means lottery proceeds less:

7 ~~(A)(i)~~ Operating expenses;

8 ~~(B)(ii)~~ The amount of fidelity fund revenue under § 23-115-603
9 that ~~exceeds~~ is required to increase the fidelity fund to five hundred
10 thousand dollars (\$500,000); and

11 ~~(C)(iii)~~ The undepreciated amount of capital assets; and amount
12 of any adjustments required for Multi-State Lottery Association reserves to
13 meet the Multi-State Lottery Association reserve requirements.

14 ~~(D)~~ Accruals that will not result in a cash outflow;

15 (B) "Net proceeds" includes fidelity fund revenue that
16 exceeds a fidelity fund balance of five hundred thousand dollars (\$500,000).

17 (C) "Net proceeds" shall be based on generally accepted
18 accounting principles in accordance with § 23-115-206(a)(6);

19
20 SECTION 6. Arkansas Code § 23-115-103(23)(I), concerning payments to
21 the Division of Higher Education as a cost under the definition of "operating
22 expenses" under the Arkansas Scholarship Lottery Act, is repealed.

23 ~~(I)~~ Payments to the Division of Higher Education to:

24 ~~(i)~~ Reimburse the division for the costs of
25 administering scholarship awards funded with net proceeds; and

26 ~~(ii)~~ Replenish nonlottery state educational
27 resources expended by the division on scholarship awards otherwise funded
28 with net proceeds;

29
30 SECTION 7. Arkansas Code § 23-115-206(a)(8)(D)(v), concerning the
31 statement of revenue, expenses, and changes in net assets portion of the
32 Office of the Arkansas Lottery's annual comprehensive financial report to the
33 Governor and the Legislative Council, is amended to read as follows:

34 (v) A statement of revenue, expenses, and changes in
35 net assets for each fiscal year ~~since inception~~ for the last ten (10) fiscal
36 years of the Arkansas Scholarship Lottery;

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SECTION 8. Arkansas Code § 23-115-206(a)(8)(D)(vii), concerning the contents of the fiscal year-end report, is amended to read as follows:

(vii) A fiscal year-end report on any information required to be reported by the office on a monthly basis, including without limitation:

(a) Unclaimed lottery prize money under § 23-115-403; and

~~(b) The Scholarship Shortfall Reserve Trust Account under § 23-115-802; and~~

~~(c)~~ Minority-owned business and female-owned business participation under § 23-115-401;

SECTION 9. Arkansas Code § 23-115-302(b)(9), concerning contents of the report by the Director of the Office of the Arkansas Lottery to the Legislative Council, is amended to read as follows:

(9) Annually by November 15, report to the Legislative Council the following:

(A) For the immediately preceding fiscal year+

~~(i)~~ The the total amount of net proceeds from the state lottery; and

~~(ii) The amounts deposited into and disbursed from the Scholarship Shortfall Reserve Trust Account under § 23-115-802; and~~

(B) The office's projection for net proceeds from the state lottery for the current fiscal year; and

SECTION 10. Arkansas Code § 23-115-801(b)(1)(B), concerning the establishment of the Lottery Scholarship Trust Account, is amended to read as follows:

(B)(i) The office shall establish the Lottery Scholarship Trust Account as required under subdivision (b)(1)(A) of this section to fund the Arkansas Academic Challenge Scholarship Program, § 6-85-201 et seq., the Arkansas Workforce Challenge Scholarship Program, § 6-85-301 et seq., the Arkansas Concurrent Challenge Scholarship Program, § 6-85-401 et seq., and any other scholarship funded with net proceeds from the state lottery in a financial institution into which the office shall transfer:

1 (a) Excess funding returned to the office
2 under § 6-85-212(d)(2)(B)(i) from the previous academic year; and

3 (b) Net proceeds remaining in the Lottery
4 Scholarship Trust Account from the previous academic year after the office+

5 ~~(1) Transfers~~ transfers under
6 subdivision (c)(2) of this section the funds requested by the Division of
7 Higher Education; and

8 ~~(2) Deposits the amount necessary into~~
9 ~~the Scholarship Shortfall Reserve Trust Account under § 23-115-802 to~~
10 ~~maintain an amount equal to twenty million dollars (\$20,000,000).~~

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12 SECTION 11. Arkansas Code § 23-115-801(d)(1), concerning findings of
13 the General Assembly related to lottery proceeds under the Arkansas
14 Scholarship Lottery Act, is amended to read as follows:

15 (d)(1) The General Assembly finds that+

16 ~~(A) The administration of scholarships with proceeds from~~
17 ~~the lottery are expenses of the office; and~~

18 ~~(B) Because~~ because the division has the expertise and
19 experienced staff needed to efficiently and appropriately administer the
20 scholarships, the office shall use the services of the division to administer
21 *scholarships funded with net proceeds from the lottery.*

22
23 SECTION 12. Arkansas Code § 23-115-801(d)(3)(C), concerning
24 *reimbursement to the Division of Higher Education by the Office of the*
25 *Arkansas Lottery, is amended to add an additional subdivision to read as*
26 *follows:*

27 (iii) Reimbursement under this subdivision (d)(3)(C)
28 shall be made from the Lottery Scholarship Trust Account.

29
30 SECTION 13. Arkansas Code § 23-115-802 is repealed.

31 ~~23-115-802. Scholarship Shortfall Reserve Trust Account.~~

32 ~~(a) The Office of the Arkansas Lottery shall maintain a Scholarship~~
33 ~~Shortfall Reserve Trust Account.~~

34 ~~(b)(1) An amount equal to four percent (4%) of the total amount of net~~
35 ~~proceeds disbursed during the preceding fiscal year in the form of~~
36 ~~scholarships and grants for higher education shall be deposited from lottery~~

1 ~~proceeds each year until the amount in the Scholarship Shortfall Reserve~~
2 ~~Trust Account equals twenty million dollars (\$20,000,000).~~

3 ~~(2) Thereafter, only the amount necessary to maintain the~~
4 ~~Scholarship Shortfall Reserve Trust Account in an amount equal to twenty~~
5 ~~million dollars (\$20,000,000) shall be deposited into the Scholarship~~
6 ~~Shortfall Reserve Trust Account.~~

7 ~~(3) Any amount in the Scholarship Shortfall Reserve Trust~~
8 ~~Account exceeding twenty million dollars (\$20,000,000) shall be considered~~
9 ~~net proceeds and shall be deposited annually into one (1) or more trust~~
10 ~~accounts at one (1) or more financial institutions by July 1 of each year.~~

11 ~~(c)(1)(A) Except as provided in subdivision (c)(2) of this section, if~~
12 ~~net proceeds in any year are not sufficient to meet the amount allocated for~~
13 ~~scholarships under the Arkansas Academic Challenge Scholarship Program, § 6-~~
14 ~~85-201 et seq., the Scholarship Shortfall Reserve Trust Account may be drawn~~
15 ~~upon to meet the deficiency according to the procedural requirements~~
16 ~~established under subdivision (c)(3)(B) of this section.~~

17 ~~(B) In the event that the funding available in the~~
18 ~~Scholarship Shortfall Reserve Trust Account is not sufficient to meet the~~
19 ~~remaining amount allocated for scholarships funded with net proceeds from the~~
20 ~~state lottery, up to the first twenty million dollars (\$20,000,000) of funds~~
21 ~~allocated in the Higher Education Grants Fund Account may be drawn upon to~~
22 ~~meet the deficiency.~~

23 ~~(2) Except as provided in subdivision (c)(3)(B) of this section,~~
24 ~~the Scholarship Shortfall Reserve Trust Account shall not be drawn upon to~~
25 ~~fund Arkansas Workforce Challenge Scholarships under the Arkansas Workforce~~
26 ~~Challenge Scholarship Program, § 6-85-301 et seq., Arkansas Concurrent~~
27 ~~Challenge Scholarships under the Arkansas Concurrent Challenge Scholarship~~
28 ~~Program, § 6-85-401 et seq., or any other scholarship funded with net~~
29 ~~proceeds from the state lottery.~~

30 ~~(3)(A) Determining the maximum amount of loans from the~~
31 ~~Scholarship Shortfall Reserve Trust Account to the Arkansas Academic~~
32 ~~Challenge Scholarship Program, § 6-85-201 et seq., the Arkansas Workforce~~
33 ~~Challenge Scholarship Program, § 6-85-301 et seq., or the Arkansas Concurrent~~
34 ~~Challenge Scholarship Program, § 6-85-401 et seq., is the prerogative of the~~
35 ~~General Assembly. This is usually accomplished by the General Assembly's~~
36 ~~delineating such funding allocations for the various scholarship programs,~~

1 with the approval of the Administrative Rules Subcommittee of the Legislative
2 Council and through oversight as required by law by the Lottery Oversight
3 Subcommittee of the Legislative Council. Further, the General Assembly
4 determines that the Division of Higher Education may operate more efficiently
5 with some flexibility, therefore it is both necessary and appropriate that
6 the General Assembly maintain oversight by requiring prior approval of the
7 Legislative Council or the Joint Budget Committee as provided by this
8 section.

9 (B) If the division determines it is necessary to borrow
10 from the Scholarship Shortfall Reserve Trust Account to fund scholarships
11 under the Arkansas Academic Challenge Scholarship Program, § 6-85-201 et
12 seq., the Arkansas Workforce Challenge Scholarship Program, § 6-85-301 et
13 seq., or the Arkansas Concurrent Challenge Scholarship Program, § 6-85-401 et
14 seq., the division shall first obtain review and approval from the
15 Legislative Council or, if the General Assembly is in session, the Joint
16 Budget Committee.

17
18 SECTION 14. DO NOT CODIFY. Transfer of funds.

19 (a) With the elimination of the Scholarship Shortfall Reserve Trust
20 Account, the twenty million dollars (\$20,000,000) currently in the account
21 shall be first transferred and applied to the Office of the Arkansas
22 Lottery's Unrestricted Net Position account to reduce the deficit to zero
23 dollars (\$0.00).

24 (b) Any funds remaining after the transfer under subsection (a) of
25 this section shall then be transferred to the Lottery Scholarship Trust
26 Account before December 31, 2025.

27 (c) The disbursement of funds under this section is a one-time
28 disbursement.

29
30 SECTION 15. EMERGENCY CLAUSE. It is found and determined by the
31 General Assembly of the State of Arkansas that modifications to accounting
32 procedures for certain funds of the Office of the Arkansas Lottery are needed
33 to improve the function of the lottery; that improvements in efficiency for
34 the office are critical to ensure the success of the lottery in Arkansas; and
35 that this act should become effective at the beginning of the state's fiscal
36 year so that the office can implement these critical changes. Therefore, an

1 emergency is declared to exist, and this act being necessary for the
2 preservation of the public peace, health, and safety shall become effective
3 on July 1, 2025.

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/s/Hickey