

**Arkansas Department of Finance and Administration Office of the Arkansas Lottery Summary
of Proposed Rule Changes to Arkansas Scholarship Lottery Retailer Rules**

1. In **Section 2.3 (e)**, the word *surety* was deleted. The sentence as it read prior to the revision, with the deleted word **IN BOLD** is shown below, followed by the Section as it reads after the deletion:

Previous language:

(e) Set fidelity fund and **surety** bond amounts for retailers; and

Revised language:

(e) Set fidelity fund and bond amounts for retailers; and

2. In **Section 4.4, Retailer Loss Coverage**, the second sentence of the first paragraph was revised. The words *obtain and maintain a surety bond listing the ALC as principal in an amount determined by the Director for each sales location, using an insurance company acceptable to the ALC*, were deleted and replaced by the words *post an appropriate bond as determined by the ALC*. The sentence as it read prior to the revision is shown below, with the deleted words **IN BOLD** followed by the revised version:

Previous language:

A retailer is required to **obtain and maintain a surety bond listing the ALC as principal in an amount determined by the Director for each sales location, using an insurance company acceptable to the ALC.**

Revised language:

A retailer is required to post an appropriate bond as determined by the ALC.

3. Also in **Section 4.4, Retailer Loss Coverage**, immediately after the first paragraph, four paragraphs were added, as follows:

All retailers shall be bonded through ALC's Self-Bond Program, and shall pay a \$100.00 bond fee for each Retailer location. The bond shall be renewed annually for each retailer location. The ALC Director may increase or decrease the annual bond fee as warranted by the annual amount of defaulted obligations. In any event, the bond fee shall not be less than \$75.00 or more than \$200.00.

A retailer's failure to abide by its financial obligations to the ALC per the Retailer Contract shall constitute a default. ALC will pay a retailer's defaulted obligation from the pool of self-bond fees. Upon said payment, retailer shall be obligated to reimburse ALC for the full amount of the defaulted obligation immediately. ALC may institute any and all legal actions authorized by law to collect a defaulted obligation from a retailer.

ALC may suspend a retailer's authority to sell Lottery Tickets for any period in which a retailer does not pay the bond required under this section or a defaulted obligation. A retailer's authority to sell Lottery Tickets may be reinstated upon payment of an outstanding bond or defaulted obligation. A retailer's failure to pay the bond or defaulted obligation may result in the termination of its license.

Section 4.4, Retailer Loss Coverage, paragraphs two through six, as revised:

All retailers shall be bonded through ALC's Self-Bond Program, and shall pay a \$100.00 bond fee for each Retailer location. The bond shall be renewed annually for each retailer location. The ALC Director may increase or decrease the annual bond fee as warranted by the annual amount of defaulted obligations. In any event, the bond fee shall not be less than \$75.00 or more than \$200.00.

A retailer's failure to abide by its financial obligations to the ALC per the Retailer Contract shall constitute a default. ALC will pay a retailer's defaulted obligation from the pool of self-bond fees. Upon said payment, retailer shall be obligated to reimburse ALC for the full amount of the defaulted obligation immediately. ALC may institute any and all legal actions authorized by law to collect a defaulted obligation from a retailer.

ALC may suspend a retailer's authority to sell Lottery Tickets for any period in which a retailer does not pay the bond required under this section or a defaulted obligation. A retailer's authority to sell Lottery Tickets may be reinstated upon payment of an outstanding bond or defaulted obligation. A retailer's failure to pay the bond or defaulted obligation may result in the termination of its license.

At the end of each fiscal year, the Director may authorize inclusion of all or a portion of the unused bond fees in the revenues of the OAL for the fiscal year.

The Director may also allow a retailer to deposit and maintain with the ALC securities that are interest bearing or accruing. The securities shall be held in trust in the name of the commission. Securities eligible are limited to:

- (A) Certificates of deposit in an amount fully insured by the Federal Deposit Insurance Corporation issued by solvent banks or savings associations organized and existing under the laws of this state or under the laws of the United States;
- (B) United States Government bonds, notes, and bills for which the full faith and credit of the United States Government is pledged for the payment of principal and interest; or
- (C) Federal agency securities by an agency or instrumentality of the United States Government.

4. In Section 6.2 (h), the words *Within thirty (30) days prior to a cancellation of retailer's surety bond; or* were deleted and replaced with the words *Immediately upon receiving damaged or misprinted lottery tickets*. The section as it read prior to the revision is shown below, with the deleted words **IN BOLD** followed by the revised version:

Previous language:

- (h) **Within thirty (30) days prior to a cancellation of retailer's surety bond; or**

Revised language:

- (h) Immediately upon receiving damaged or misprinted lottery tickets.

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2.3 Authority of Director. The Director may:

- (e) Set fidelity fund and ~~surety~~ bond amounts for retailers; and

4.4 Retailer Loss Coverage. A retailer shall be assessed an annual fee of up to one hundred dollars (\$100) per sales location to be deposited into the ALC's fidelity fund. ~~A retailer is required to obtain and maintain a surety post an appropriate bond as determined by the ALC. bond listing the ALC as principal in an amount determined by the Director for each sales location, using an insurance company acceptable to the ALC.~~

All retailers shall be bonded through ALC's Self-Bond Program, and shall pay a \$100.00 bond fee for each Retailer location. The bond shall be renewed annually for each retailer location. The ALC Director may increase or decrease the annual bond fee as warranted by the annual amount of defaulted obligations. In any event, the bond fee shall not be less than \$75.00 or more than \$200.00.

A retailer's failure to abide by its financial obligations to the ALC per the Retailer Contract shall constitute a default. ALC will pay a retailer's defaulted obligation from the pool of self-bond fees. Upon said payment, retailer shall be obligated to reimburse ALC for the full amount of the defaulted obligation immediately. ALC may institute any and all legal actions authorized by law to collect a defaulted obligation from a retailer.

ALC may suspend a retailer's authority to sell Lottery Tickets for any period in which a retailer does not pay the bond required under this section or a defaulted obligation. A retailer's authority to sell Lottery Tickets may be reinstated upon payment of an outstanding bond or defaulted obligation. A retailer's failure to pay the bond or defaulted obligation may result in the termination of its license.

At the end of each fiscal year, the Director may authorize inclusion of all or a portion of the unused bond fees in the revenues of the OAL for the fiscal year.

The Director may also allow a retailer to deposit and maintain with the ALC securities that are interest bearing or accruing. The securities shall be held in trust in the name of the commission. Securities eligible are limited to:

- (A) Certificates of deposit in an amount fully insured by the Federal Deposit Insurance Corporation issued by solvent banks or savings associations organized and existing under the laws of this state or under the laws of the United States;
- (B) United States Government bonds, notes, and bills for which the full faith and credit of the United States Government is pledged for the payment of principal and

interest; or

(C) Federal agency securities by an agency or instrumentality of the United States Government.

6.2 Notices. The retailer must notify the ALC if the following occurs:

~~(h) Within thirty (30) days prior to a cancellation of retailer's surety bond; or~~

~~(i)~~ (h) Immediately upon receiving damaged or misprinted lottery tickets.