

LOTTERY TRUST FUND TASK FORCE

Minutes of the 2nd Meeting of the 2023 Interim

July 20, 2023

Call to Order and Roll Call

The 2nd meeting of the Lottery Trust Fund Task Force was held on Thursday, July 20, 2023, at 3:00 PM, in Room 171 of the Capitol Annex. Representative Bobby McCool, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Matthew Deneen, Co-Chair; Representative Bobby McCool, Co-Chair; Senators Gary Boswell, Lindsey Tichenor, and Mike Wilson; Representatives Daniel Grossberg, Steve Rawlings, Steve Riley, and Killian Timoney.

Guests: Dr. Aaron Thompson, President, Council on Postsecondary Education; Travis Muncie, Executive Director of Data, Research and Advanced Analytics, Council on Postsecondary Education; Representative James Tipton, House District 53; Mary Harville, President and Chief Executive Office, Kentucky Lottery Corporation; Jennifer Luhrs, Vice President, General Counsel, Kentucky Lottery Corporation; Maggie Garrison, Vice President, Chief Financial Officer, Kentucky Lottery Corporation; Diana Barber, Interim Executive Director, Kentucky Higher Education Assistance Authority; and Becky Gilpatrick, Director of Student Aid, Kentucky Higher Education Assistance Authority.

LRC Staff: Joshua Collins, Cynthia Brown, Katy Jenkins, Haley Webb, Justin Smith, and Mariah Derringer-Lackey

Approval of the Minutes

On a motion from Senator Boswell, a second from Representative Timoney, the minutes from the June 8, 2023, meeting were approved.

Recognition of Special Guests

Representative Riley recognized his son, Kevin.

Council on Postsecondary Education

Dr. Aaron Thompson, President, Council on Postsecondary Education, and Travis Muncie, Executive Director of Data, Research and Advanced Analytics, Council on Postsecondary Education (CPE), gave a presentation that discussed the overview of the council's goals, statistics on enrollment and tuition trends, main sources of financial aid, reviewed facts, and offered strategies for improving unmet need.

In response to Representative McCool, Mr. Muncie explained the different data sources CPE uses for research and would share the exact regions CPE analyzes with the committee. CPE typically uses the area development districts because it is easier to compare to data received from the Census Bureau.

In response to Representative Grossberg, Mr. Muncie said the first-generation college applicant is a population set CPE follows closely but was not portrayed in the presentation. CPE gathers this information either from the Free Application for Federal Student Aid (FAFSA) or the Student Financial Aid profile which lists the mother and father's highest level of education. Dr. Thompson added there is a correlation between the father's education and family income. This can be the biggest predictor of a person going to college.

In response to Representative Grossberg, Mr. Muncie discussed how institutions are held accountable. If the institution does not meet targets set by CPE, the institution can be stopped from providing new programs and receiving funds. Dr. Thompson discussed the performance funding model.

In response to Representative Grossberg about graduation rates, Dr. Thompson answered there are multiple targets, and it depends on the population of students and type of institution. To help raise retention rates, CPE requires that an institution with a student having a 2.50 grade point average (GPA), must provide wraparound services to help increase that student's GPA.

In response to Representative Riley, Dr. Thompson gave his opinion on what could be done to change how people think about the definition of college. CPE is focused on encouraging universities to connect employers with students, allowing a student to know what job opportunities are available. Mr. Muncie explained there are no current published research studies; however, it is a dataset CPE observes.

In response to Representative Tipton about tuition increases, Dr. Thompson confirmed that around 2009, CPE began to approve all tuition increases.

In response to Representative Tipton, Mr. Muncie confirmed that the net cost data included all sources of aid: federal, state, and institutional. Representative Tipton made several comments about the coordination of advising and counseling for services, and offering wraparound services for transfer or non-traditional students. Dr. Thompson responded with his thoughts about financial aid, how to think about it more creatively, and how to align it with policy.

In response to Senator Boswell regarding the effect of single parent homes, Dr. Thompson responded that the more education someone has, there is less of a chance

children will be born out of wedlock. Dr. Thompson thought Kentucky had done a pretty good job of increasing the minority participation, but hadn't done enough for low-income participation.

In response to Senator Boswell regarding diversity, Mr. Muncie said when looking at equity and diversity, it should be put in a Kentucky context. He believed it was subgroups of the population where the support mechanisms are not the same and what strategies can be utilized to create the support needed.

Kentucky Lottery Corporation

Mary Harville, President and Chief Executive Office, Kentucky Lottery Corporation; Jennifer Luhrs, Vice President, General Counsel, Kentucky Lottery Corporation; and Maggie Garrison, Vice President, Chief Financial Officer, Kentucky Lottery Corporation, provided a presentation on the mission, operational background, information on the money from ticket sells allocated by the lottery, the payments to the state of Kentucky, and the strategic plan to continue the lottery.

In response to Senator Wilson regarding the \$1 billion jackpot, Ms. Harville explained 50 percent of every ticket sale stays with the state.

In response to Senator Wilson, Ms. Harville clarified that each state participating contributes to the jackpot according to the state's respective sales.

In response to Senator Wilson regarding the percentages for the lottery, Ms. Garrison confirmed that it is not set in statute but is based on the mix of games offered, the payout, and what games the players are gravitating toward.

In response to Senator Tichenor regarding statistics, Ms. Harville confirmed the Lottery Corporation does have some demographic information of players but it is difficult to track unless a focus group is compiled. In general, the average player is age 35-54 at the traditional retailer outlet, and approximately 65 percent have some college education.

In response to Senator Boswell regarding vendor expense, Ms. Garrison explained vendor expense was located other direct costs portion of the pie chart, and the vendor partnership compensations are based on a percentage of sales.

In response to Senator Boswell regarding increased volume in sales, Ms. Garrison explained the trends are seasonality, and not necessarily based around a certain time during the month.

In response to Senator Deneen regarding strategic planning and the recent passage of sports betting, Ms. Harville explained the Lottery Corporation will not be implementing or regulating sports wagering but will monitor how sports wagering impacts the lottery.

Kentucky Higher Education Assistance Authority

Diana Barber, Interim Executive Director, Kentucky Higher Education Assistance Authority, and Becky Gilpatrick, Director of Student Aid, Kentucky Higher Education Assistance Authority (KHEAA), discussed the allocation of lottery revenue to various KHEAA programs. Graphs were presented to show different undergraduate tuition rates and how it has increased. Ms. Gilpatrick discussed what KHEAA's options are when the funds are exhausted.

In response to Representative McCool regarding reserves, Ms. Gilpatrick confirmed that each program's statute allows appropriations to move forward.

In response to Representative McCool regarding percentages for funds appropriated to KHEAA programs, Ms. Gilpatrick explained the budget process and that KHEAA does not determine the percentages.

Representative Tipton requested KHEAA send information regarding the amount in the reserve accounts.

In response to Representative Tipton regarding the increase in the College Access Program (CAP), Ms. Gilpatrick confirmed KHEAA has funded all the students who applied in the last three years.

In response to Representative Tipton regarding the passage of 2023 Regular Session SB 54, Ms. Gilpatrick explained there are not issues from a funding perspective, but it does make it harder to explain how the Kentucky Educational Excellence Scholarship (KEES) works.

In response to Representative Tipton regarding the 2023 Regular Session SB 24, Ms. Gilpatrick explained that students who attend non-certified private or home schools can receive KEES monies for an ACT score but not for the GPA base award. She believed KHEAA did a financial analysis on the bill, but did not recall what the numbers were.

In response to Senator Deneen, Ms. Gilpatrick confirmed the KEES base reward amount of \$2,500 has not been increased since the program began.

In response to Senator Deneen regarding the Work Ready KY Scholarship funding, Ms. Gilpatrick explained how the program is developed; and other financial aid is applied prior to the Work Ready KY scholarship. She mentioned possibly looking at income levels of the recipients because students who receive the full scholarship, do not receive other aid, which could indicate upper- and middle-class income families.

In response to Representative Timoney, Ms. Gilpatrick explained that KHEAA does not have any research on the completion of certificates or degree work. She clarified that KHEAA's programs are focused on college access. The KEES program does have renewal components such as GPA and is one of the few that tracks the student through college.

In response to Representative Timoney, Ms. Gilpatrick confirmed that the veterinarian, optometry, and teacher scholarships are in statute. Representative Timoney made comments about being focused on getting a return on our investments.

In response to Senator Deneen, Ms. Garrison, Kentucky Lottery Corporation, explained what determines the percentages. The biggest distribution goes back to the players in the form of prizes, and that allotment is determined by what the players are gravitating toward. She also discussed the budgeting process.

The meeting adjourned at 4:51 p.m.