

South Dakota Lottery Commission
March 24, 2017 – 9:30 a.m.
Room 412, State Capitol, Pierre, SD

**Please read all materials provided in the packet
and print and bring the Agenda and all Exhibits*

Listen live at <http://www.sd.net/room412/>



MEETING AGENDA

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- | | |
|---|--------------------------------------|
| 1. Roll Call | Jennifer Baker |
| 2. Welcome | Jim Putnam |
| 3. Approval of Agenda | Jim Putnam |
| 4. Approval of Minutes – Dec. 2, 2016 meeting | Jim Putnam |
| 5. Conflict of Interest | Jim Putnam |
| 6. Election of Chair and Vice Chair | Jim Putnam |
| 7. Secretary of Revenue Comments | Andy Gerlach |
| 8. Executive Director Comments | Norm Lingle |
| 9. Lucky For Life Rules Hearing – 10:00 a.m. | Norm Lingle |
| 10. Declaratory Ruling 17-2: Lotto Retailer Incentives | Norm Lingle |
| 11. GLI Security Review | Robyn Seibel & Michael Capen |
| 12. Code of Conduct | Clark Hepper |
| 13. Administrative Hearing on License Denial
– The Pour House LLC – 11:30 a.m. | Catherine Duenwald, Hearing Examiner |
| 14. Video Lottery Report [Exhibits A-B] | Robyn Seibel |
| 15. Public Relations/Advertising Report | Kelly Thompson |
| 16. Sales Report [Exhibits C-D-E-F] | Justin Pierson |
| 17. Next Meeting Date | Norm Lingle |
| 18. Adjournment | Jim Putnam |

Expiration Dates of Commissioner Terms

Cheryl Laurenz Bogue	01/16/2019	Dave Mickelson	01/01/2020
Brent Dykstra	01/15/2018	Jim Putnam	01/01/2020
Robert Faehn	01/01/2018	William Shorma	01/01/2019
Joe Kafka	01/01/2020		

*Individuals wanting to testify before the Lottery Commission must sign the attendance sheet
and in prefacing their remarks, state their name and the entity they represent.*

NOTE: This meeting is being held in a physically accessible location. Individuals needing assistance, pursuant to the Americans with Disabilities Act, should contact the South Dakota Lottery at 605.773.5770 in advance of the meeting to make any necessary arrangements.

**South Dakota Department of Revenue
South Dakota Lottery Commission
Notice of Public Hearing to Adopt Rules**

A public hearing will be held in Room 412, 4th floor, State Capitol, Pierre, South Dakota, on March 24, 2017, at 10:00 a.m., Central Time, to consider the adoption of proposed rules numbered:

Chapter 48:03:18 including §§ 48:03:18:01 to 48:03:18:06, inclusive.

The reasons for the rules are to authorize and establish the parameters for the Lottery to offer the Lucky for Life game in South Dakota.

In effect, the rules will allow the South Dakota Lottery and its licensed retailers to sell the Lucky for Life lotto game.

Persons interested in presenting data, opinions, and arguments for or against the proposed rules may do so by appearing in person at the hearing or by sending them to the South Dakota Department of Revenue - Legal Division, 445 East Capitol Avenue, Pierre, South Dakota 57501-3185. Material sent by mail must reach the Department by March 23, 2017, to be considered.

After the hearing, the South Dakota Lottery Commission will consider all written and oral comments it receives on the proposed rules. The Commission may modify or amend a proposed rule at that time to include or exclude matters that are described in this notice.

Notice is further given to individuals with disabilities that this hearing is being held in a physically accessible place. Please notify the Department of Revenue at least 48 hours before the public hearing if you have special needs for which special arrangements must be made. The telephone number for making special arrangements is (605) 773-4701.

The text of the above-proposed rules is available on the Department of Revenue's website at: http://dor.sd.gov/Publications/Public_Notices/PDFs/LuckyforLiferules2017.pdf and on South Dakota's Administrative Rules website at: <http://rules.sd.gov/>. Paper copies of the proposed rules may be obtained without charge from:

South Dakota Department of Revenue
Legal Division
445 East Capitol Avenue
Pierre, South Dakota 57501-3185

Published at the approximate cost of \$_____.

Article 48:03

ON-LINE LOTTERY REQUIREMENTS

Chapter

- 48:03:01 General Provisions.
- 48:03:02 Sale and distribution of on-line tickets.
- 48:03:03 On-line ticket payment and validation.
- 48:03:04 On-line drawings.
- 48:03:05 On-line ticket sales on Indian reservations.
- 48:03:06 Powerball game.
- 48:03:07 Dakota Cash game.
- 48:03:08 Tri-West Lotto game, Repealed.
- 48:03:09 Daily Millions game, Repealed.
- 48:03:10 Wild Card game.
- 48:03:11 Cash 4 Life game, Repealed.
- 48:03:12 Rolldown game, Repealed.
- 48:03:13 Hot Lotto game.
- 48:03:14 Raffle game.
- 48:03:15 Mega Millions game.
- 48:03:16 MONOPOLY Millionaires' Club game.
- 48:03:17 EZ Match instant win option.
- 48:03:18 Lucky for Life game.

CHAPTER 48:03:18
LUCKY FOR LIFE GAME

Section

- 48:03:18:01 Participation in Lucky for Life game authorized.
- 48:03:18:02 Purchase of Lucky for Life tickets.
- 48:03:18:03 Ineligible players.
- 48:03:18:04 Lucky for Life game rules
- 48:03:18:05 Top prize liability limits
- 48:03:18:06 Second prize liability limits

48:03:18:01. Participation in Lucky for Life game authorized. The lottery may offer and participate in the Lucky for Life game.

Source:

General Authority: SDCL 42-7A-21(1).

Law Implemented: SDCL 42-7A-4(4)(13), 42-7A-21(1).

48:03:18:02. Purchase of Lucky for Life tickets. A player may purchase a Lucky for Life ticket for up to nine future drawing dates.

Source:

General Authority: SDCL 42-7A-21(1)(6)(17).

Law Implemented: SDCL 42-7A-4(13), 42-7A-21(1)(6).

48:03:18:03. Ineligible players. A Lucky for Life ticket may not be purchased by or a prize paid to any of the following persons:

- (1) A member of the commission or an employee of the lottery;
- (2) An officer or employee of a company or business that currently supplies equipment, supplies, or services being used directly in the operation of the lottery's on-line games; or
- (3) An immediate family member of an individual described in subdivision (1) and (2) of this section who reside in the same household.

Source:

General Authority: SDCL 42-7A-21(2)(3)(17).

Law Implemented: SDCL 42-7A-33.

48:03:18:04. Lucky for Life game Rules. The Lucky for Life official game rules of the “New England Lotteries” published as “Official Game Rules ‘Lucky for Life,’” revised February 24, 2017, are the rules of the lottery for the Lucky for Life game.

Source:

General Authority: SDCL 42-7A-21(1).

Law Implemented: SDCL 42-7A-4(4)(13), 42-7A-21(1).

Reference: Copies of the Lucky for Life Rules may be obtained at no cost from the South Dakota Lottery, 711 East Wells Avenue, Pierre, South Dakota 57501-7107.

48:03:18:05. Top prize liability limits. The winner or winners of the top prize who are not required to receive a lump sum cash payment and who do not request the cash option shall be paid their appropriate prize share on an annual basis for a minimum period of twenty years. The initial prize payment shall be made when the prize is claimed at the lottery's office; subsequent prize payments shall be made annually thereafter.

Source:

General Authority: SDCL 42-7A-21(1)(3)(17).

Law Implemented: SDCL 42-7A-21(3), 42-7A-23.

48:03:18:06. Second prize liability limits. The winner or winners of the second prize who are not required to receive a lump sum cash payment and who do not request the cash option shall be paid their appropriate prize share on an annual basis for a minimum period of twenty years. The initial prize payment shall be made when the prize is claimed at the lottery's office; subsequent prize payments shall be made annually thereafter.

Source:

General Authority: SDCL 42-7A-21(1)(3)(17).

Law Implemented: SDCL 42-7A-21(3), 42-7A-23.

IN RE:**DECLARATORY RULING
BY THE SOUTH DAKOTA
LOTTERY COMMISSION****RULING 17-2****ARSD 48:03:02:10****Lotto Retailer Incentive Commissions**

Ruling: Incentive commissions are authorized for on-line retailers who sell certain valid winning tickets for on-line games. Such incentive commissions are authorized in formula below. Retailers must be actively engaged in the sale of on-line tickets and current in Lottery obligations to qualify for incentive commissions which will be paid only after winning tickets have been claimed and paid. If multiple tickets eligible for incentive commissions to retailers are sold in the same drawing, incentive commissions will be paid, limited and divided equally per the formula below.

The incentives below are effective December 2, 2016, and supersedes Ruling 16-1.

Prize Commission Pay, Limit, and Equal Division of Incentive Commission

Powerball®

Jackpot	\$50,000	Pay 1; over 1 divide \$50,000 and pay all equally.
\$1,000,000	\$20,000	Pay 1; over 1 divide \$20,000 and pay all equally.
\$50,000	\$1,000	Pay 2; over 2 divide \$2,000 and pay all equally.

Powerball Power Play®

\$2,000,000	\$25,000	Pay 1; over 1 divide \$25,000 and pay all equally.
\$50,000	\$1,000	Pay 2; (\$1,000 x the Power Play number) over 2 divide 2x (\$1,000x the Power Play number) and pay all equally.

Mega Millions®

Jackpot	\$50,000	Pay 1; over 1 divide \$50,000 and pay all equally.
\$1,000,000	\$25,000	Pay 1; over 1 divide \$20,000 and pay all equally.
\$5,000	\$500	Pay 2; over 2 divide \$1,000 and pay all equally.

Megaplier®

\$1,000,000	\$25,000	Pay 1; over 1 divide \$25,000 and pay all equally.
\$5,000	\$500	Pay 2 (\$500 x the Megaplier number); over 2 divide 2 x (\$500 x the Megaplier) and pay all equally.

Hot Lotto

Jackpot	\$10,000	Pay 1; over 1 divide \$10,000 and pay all equally.
\$30,000	\$3,000	Pay 5; over 5 divide \$15,000 and pay all equally.
\$3,000	\$300	Pay 5; over 5 divide \$1,500 and pay all equally.

Hot Lotto Sizzler

\$90,000	\$9,000	Pay 2; over 2 divide \$18,000 and pay all equally
\$9,000	\$900	Pay 2, over 2 divide \$1,800 and pay all equally

Lucky for Life®

<u>Top Prize</u>	<u>\$5,000</u>	<u>Pay 2;over 2 divide \$10,000 and pay all equally</u>
<u>Second Prize</u>	<u>\$500</u>	<u>Pay 5;over 5 divide \$2,500 and pay all equally</u>

Dakota Cash

Jackpot	5% of prize	Pay 1; over 1 divide commission and pay all equally. Capped @ \$5,000.
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Dated this 24th day of March, 2017.

J.E. Putnam, Chairperson

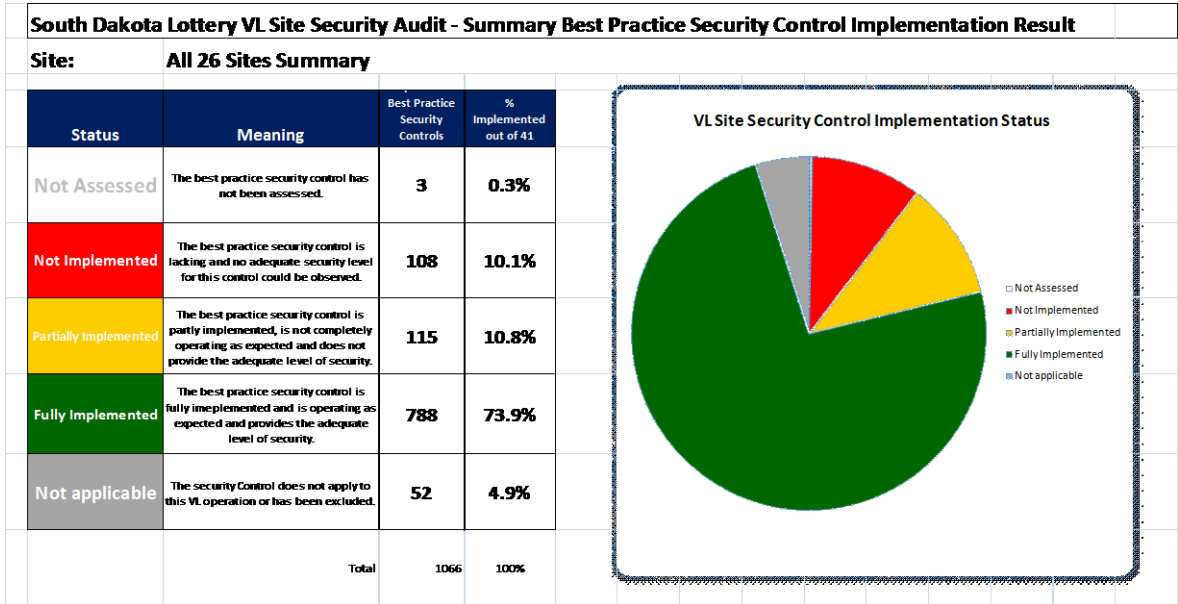
VL Site Security Audit Approach and Scope

- GLI conducted a security site audit of 26 SD Lottery selected VL sites between January 9th and January 12th, 2017 in Sioux Falls (9), North Sioux City (5), Aberdeen (7), Rapid City (5).
- The audit was conducted by two teams in the field, each consisting of a GLI resource accompanied by SD Lottery staff.
- The objective of the audit was to obtain a benchmark in VL site physical security maturity and to develop a baseline for best practice recommendations for site holders.
- The audit scope encompassed 41 physical security best practice controls (security policies and procedures, security measures and practices)
- The audit approach and methodology was the assessment of the implementation levels of the 41 controls through on-site observation and interviews.

Audit Conclusions

- While the relatively small sample size (26 sites of a population of around 1,300) provides a good status snapshot, audits of larger sample sizes would be required for more detailed analysis with geographical and metadata trending.
- Multiple external factors influence the risk profile of VL Site operations (socio-economic, environmental and demographic factors)
- The key Physical Security measures and best practices are preventive (deterrent) and detective but cannot eliminate the residual risk of e.g. armed robberies. All best practices and measures only “go so far”.
- The overall level of best practice implementation as measured is at around 74%.
- The audit provided the baseline for a list of Top Ten VL Site Security Best Practices as well as key observations and opportunities for improvement for individual sites.
- The security maturity levels vary between the VL site categories (C-Store, Restaurant/Bar, VL only sites)
- VL only sites under multi-site ownership tend to exhibit higher maturity levels through corporate policies, while single site security is more ad-hoc.
- SD Lottery can use the results and best practices to develop a continuous audit and monitoring program.

Maturity and Levels of Implementation and Summary Result



The Top Ten Best Security Practices at Video Lottery Sites

#	Best Practice
1	Visible security measures and deterrents (cameras / signs)
2	Floor layout enables detection/visibility of persons entering
3	Alarm System installed and monitored
4	Alarm and Safe codes regular change policy and procedure and key management
5	Staff trained on emergency and security procedures
6	Door chime(s) implemented and operational
7	Door lock and buzz in capability implemented
8	Panic Buttons
9	Security policies and procedures documented
10	Periodical review / update of security policies and procedures

**RESOLUTION NUMBER 17-1
CODE OF CONDUCT**

AT A MEETING OF THE SOUTH DAKOTA LOTTERY COMMISSION HELD ON
MARCH 24, 2017,

RESOLUTION - ADOPTING THE CODE OF CONDUCT AS CONTAINED IN THE
BUREAU OF HUMAN RESOURCES EMPLOYEE HANDBOOK.

WHEREAS, the Lottery Commissioners of the State of South Dakota, does hereby
adopt the Code of Conduct as contained in the Bureau of Human Resources Employee
Handbook as set forth on page 3-11 attached hereto as the Code of Conduct for South
Dakota Lottery employees.

WHEREAS, the Lottery Commissioners of the State of South Dakota, does hereby
also adopt those sections of the Code of Conduct pertaining to acceptance of gratuities,
rebates, reward points and other perquisites, anti-harassment and discrimination,
conflicts of interest laws, and fraud or theft in the workplace, attached hereto, as set
forth on pages 4-11 to apply to members of the Commission and non-employees.

Dated: _____ South Dakota Lottery Commission

Motion: _____

Second: _____

Vote: For _____ Against _____

Personal Responsibility Basics

Accepting Gratuities, Rebates, Reward Points and Other Perquisites - State employees shall not accept gratuities, money, or any type of gift or service from a company that does business or that actively aspires to do business with the State. State employees shall not accumulate reward points or receive rebates, from any source, related to the purchase of goods, services from any vendor to be redeemed for personal use.

Anti-Harassment/Discrimination Policy - Harassment, discrimination or offensive behavior based on race, color, religion, national origin, sex, age, genetic info, disability or other legally protected status or characteristic will not be tolerated. An employee who has a complaint of harassment, discriminatory or offensive behavior by a supervisor, co-worker, or non-employee, should immediately notify his or her supervisor, a higher-level supervisor, the agency's human resource manager, or BHR's EEO officer at (605) 773-4918.

Conflict of Interest – Laws apply to state employees and officers who recommend approval, approve, award or administer contracts or supervise someone who does and would derive a benefit from a contract. Deriving a benefit means the employee or officer or others with whom the person lives and commingles or has combined assets cannot:

- receive a benefit from a contract that is within that person's scope of duties while in office
- derive contract benefit for a year after leaving office
- enter into a contract with any state agency, except an employment contract, for a year after leaving office

A waiver process exists for employees and officers.

Outside Employment -You may have outside employment provided that, in the opinion of your supervisor, there is not conflict with your working hours, your work efficiency, or with the interests of state government. You must check with your supervisor before accepting other employment.

Political Activity - Civil service employees are not allowed to use official authority to influence or coerce political action by person or group. Participation in campaigns or political management is allowed outside of working hours.

Disciplinary Action- Disciplinary action may include suspension without pay, reduction in salary, demotion, or termination. Just cause for disciplinary action includes, but is not limited to:

- violating statutes, rules, policy, directives, and work rules;
- sex offense, any crime involving illegal drugs, or a felony;
- insubordination;
- disrupting the efficiency or morale of the department;
- being under the influence of a controlled drug or alcohol at work;
- misuse or abuse of leave;
- engaging in outside or personal activities on State time, or using state property for non-government purposes;
- conduct reflecting unfavorably on state, destroys confidence in operations of services, or adversely affects public trust;
- negligence with state money or property;
- poor attendance;
- and discrimination and harassment.

Use of Technology – Employees may not use State technology to engage in outside business interests, inappropriate, offensive or illegal activities. Employees should not expect privacy or confidentiality when using State resources.

Workplace Fraud or Theft– State Laws and Administrative Rules establish control and aid in the prevention and detection of fraud against State property and apply to any actual or suspected employee fraud or theft. These laws include prohibition of the following:

- salaried officers retaining money received by theft
- dual salaries for state employees (limited exceptions)
- dual compensation for state duties
- outside employment without proper approval
- negligence with money or other State property belonging to anyone receiving services from the State
- attempt to steal or stealing from anyone receiving services from the State

Employees who suspect fraud, theft should report it to their supervisor or the attorney general's office immediately.

Please report potential violations of these policies to your supervisor, department's internal control officer or human resource manager.

Policy on Acceptance of Gratuities, Rebates, Reward Points and Other Perquisites by State Employees

This policy prohibits the acceptance of personal gratuities, rebates, reward points and perquisites by state government employees in the performance of their duties.

POLICY REQUIREMENTS

1. State employees shall not accept gratuities, money, or any type of gift or service from a company that does business or that actively aspires to do business with the state of South Dakota. This section does not apply to promotional items or activities associated with business conferences where vendors provide promotional gifts and food.
2. State employees shall not accumulate reward points or receive rebates, from any source, related to the purchase of goods or services from any vendor which can be redeemed for the employee's personal use.
3. Any vendor program offering rebates or award points to the State of South Dakota related to the purchase of goods and services must be reviewed and approved by the Bureau of Administration. Rebate payments and award program points must be made payable to the "State of South Dakota", or otherwise as determined by the Commissioner of Administration.
4. This policy does not apply to frequent flier miles or lodging reward points accumulated by state employees for their State sponsored or reimbursed travel expenses. State employees using a personal credit card to pay travel expenses may accumulate frequent flier miles, reward points and rebates offered by their credit card company. In making travel decisions however, state employees must make arrangements that provide the best value for the State of South Dakota.

Rewards offered to a State officer or employee for purchasing supplies or services for the agency could reasonably be viewed as a means of influencing or rewarding the State officer or employee in how he or she carries out his or her official duties for the agency. Under these circumstances, such rewards would constitute gifts that influence or reward a State officer or employee for his or her official actions. Therefore, the redemption of these rewards by a State employee eligible to receive them as a result of their responsibilities on behalf of the State agency would violate this policy and state law. (See SDCL 3-8-3; SDCL 4-3-9)

Anti-Harassment/Discrimination Policy

The State of South Dakota will not tolerate harassment, discrimination or offensive behavior based on race, color, religion, national origin, sex (including pregnancy), age (40 years or older), genetic information, disability or any other legally protected status or characteristic.

Employees must not engage in harassment, discriminatory or offensive behavior. Additionally, because of the State's strong commitment to keeping the workplace free from harassing, discriminatory, and offensive behavior, employees must avoid any conduct that could be viewed as harassing, discriminatory or offensive even if the conduct does not violate federal or state law.

Harassment includes conduct that creates a hostile work environment or that results in a "tangible employment action," such as hiring, firing, promotion or failure to promote, demotion, work assignments, benefits, or compensation decisions. This prohibition against

harassment and discrimination also encompasses sexual harassment. Sexual harassment includes unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexually harassing nature, when: (1) submission to the harassment is made either explicitly or implicitly a term or condition of employment; (2) submission to or rejection of the harassment is used as the basis for employment decisions affecting an individual, or (3) the harassment has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

Harassment, discriminatory or offensive behavior may take different forms and may be verbal, nonverbal, or physical in nature. To aid employees in identifying inappropriate conduct, the following examples of harassment, discriminatory or offensive behavior are provided (these examples are not all-inclusive):

- unwelcome physical contact such as kissing, fondling, hugging, or touching;
- demands for sexual favors; sexual innuendoes, suggestive comments, jokes of a sexual nature, sexist put-downs, or sexual remarks about a person's body; sexual propositions, or persistent unwanted courting;
- swearing, offensive gestures, or graphic language made because of a person's race, color, religion, national origin, sex, age or disability;
- slurs, jokes, or derogatory remarks, email, or other communications relating to race, color, religion, national origin, sex, age, or disability;
- calendars, posters, pictures, drawings, display, cartoons, images, lists, e-mails, or computer activity that reflects disparagingly upon race, color, religion, national origin, sex, age or disability; or
- refusing to hire someone because you know the applicant has the breast cancer gene.

An employee who has a complaint of harassment, discriminatory or offensive behavior by anyone, including supervisors, co-workers, or non-employees, should immediately notify his or her supervisor, a higher-level supervisor, the agency's human resource manager, or the EEO officer for the Bureau of Human Resources at (605) 773-4918. The person who receives a harassment or discrimination complaint shall immediately report the matter to his or her supervisor (or a higher-level supervisor if his or her supervisor is allegedly involved in the harassment) and the agency's human resource manager.

The State will investigate all complaints. If the investigation supports charges of harassment, discrimination, a violation of this policy, or inappropriate behavior, appropriate corrective action will take place. The employee engaging in the improper behavior will be subject to discipline, up to and including termination.

The State will protect the confidentiality of harassment/discrimination allegations to the maximum extent possible, and information will only be shared with those individuals who need to know about it. While the State cannot guarantee complete confidentiality because it cannot conduct an effective investigation without revealing certain information to the alleged harasser and potential witnesses, it will keep information as confidential as possible.

The State will not tolerate adverse treatment of employees because they report harassment, oppose discrimination in the workplace, participate in the complaint process, or provide information related to complaints. If an employee feels that he or she has been subjected to retaliation, the employee should immediately report the alleged retaliation

to his or her supervisor, a higher-level supervisor, the agency's human resource manager, or the EEO officer for the Bureau of Human Resources.

In addition to reporting alleged harassment or discrimination to the State, an employee may file a charge of discrimination based on race, color, religion, national origin, sex, disability, or protected activity with the South Dakota Division of Human Rights (Human Rights) or may file a charge of discrimination based on race, color, religion, national origin, sex, age, disability, genetic information, or protected activity with the United States Equal Employment Opportunity Commission (EEOC). A charge of discrimination based on race, color, religion, national origin, sex, disability, or protected activity must be filed with Human Rights or with the EEOC within 300 days of the violation. A charge of age discrimination or discrimination based on genetic information must be filed with the EEOC within 180 days of the violation. These deadlines run from the last date of unlawful conduct and not from the date of the complaint to the State if resolved. Please contact the EEO officer for the Bureau of Human Resources at 605.773.4918 if you have any questions about harassment, unlawful discrimination, or this policy.

Conflict of Interest Laws

There are laws associated with conflict of interests for state employees and officers in the area of contracts. These laws apply to state officers and employees who:

- Approve, award or administer a contract
- Recommend the approval or award of a contract
- Supervise persons who approve, award or administer a contract
- Former state officers and employees for a period of one year after they leave state employment

Those who fit within the categories above cannot:

- Receive a benefit from a contract that is within that person's scope of duties while in office
- Derive a benefit from a contract for a period of one year after they leave office
- Enter into a contract with any state agency, except an employment contract for a period of one year after they leave office

The phrase administer a contract is decision making or substantive influence on decision making concerning the manner, method or means of a contract's performance or enforcement. Administer a contract does not include performing clerical tasks such as posting payments or communicating decisions made by others.

What does derive a benefit mean? A state officer or employee or *the officer's or employee's spouse, or other persons with whom the person lives and commingles or combines assets cannot:*

- Have more than a five percent ownership or other interest in an entity that is a party to the contract
- Take income, compensation or commission directly from the contract or entity that is a party to the contract;
- Acquire property under the contract

- Serve on the board of a for-profit entity that derives income or commission directly from the contract or acquires property under the contract

Waiver Process: A waiver process has been set up, which if approved, would allow the state officer or employee to a contract with state government or benefit from a contract state agency. The waiver may be granted if:

- A waiver is requested in writing. The form can be found in Conflict of Interest Waiver Instructions and Form document posted at BHR's website;
- The relevant terms of the contract or transaction are provided in writing;
- The officer reviewing the waiver has reviewed the essential terms of the contract or transaction;
- The officer reviewing the waiver has reviewed the requesting party's role in the contract or transaction; and
- The terms of the contract are fair, reasonable and not contrary to the public interest

An employee or officer who wants to request a waiver, must provide the waiver request to the cabinet secretary or commissioner with responsibility for the person's agency (or the former agency for former officers and employees). The secretary or commissioner is to act on the request within five working days of receipt. If the state officer or employee disagrees with the secretary's or commissioner's decision, the state officer or employee can submit a written appeal to the Governor's Office. A person can submit an appeal by hand delivering or emailing the request form, the secretary's or commissioner's decision and a short statement of your reason for disagreeing with the decision to Chris Houlette, Bureau of Human Resources, 500 East Capitol Avenue, Pierre, SD 57501-5070 or email Chris.Houlette@state.sd.us. The Governor will act on all appeals within five working days of receipt. The request for waiver form will be filed with the Bureau of Human Resources and is a public record.

Persons who on or after July 1, 2015, derive a benefit from a state contract in which they played a role prior to July 1, 2015, should go through the waiver process. These conflict of interest restrictions apply to those who administer contracts on or after July 1, 2015, even if the contract was awarded prior to July 1, 2015.

Transactions of \$200.00 or Less: Effective July 1, 2015, the Governor granted a blanket waiver for all transactions of \$200.00 or less. Therefore, it is not necessary to seek a waiver for otherwise covered transactions, as long as the amount is \$200.00 or less.

However, purchasing card and other small transactions are reviewed from time to time. A series of pattern of transactions that would otherwise be covered by the law may result in further inquiry and possible disciplinary action if found to be inappropriate.

Agency Specific Conflict Statutes: There may be more specific conflict of interest statutes or regulations that are agency specific. Employees are encouraged to ask supervisors as to the existence of any such regulations.

Penalties for Noncompliance: There are penalties for not complying with these conflict of interest restrictions. If a waiver is necessary but is not sought or granted, the contract that was involved may be voided and the state officer or employee may be subject to disciplinary action.

If the contract was the result of a quid pro quo, or promise for something such as a cash payment or promise of future employment, the current or former officer or employee may be removed from office and/or be subject to criminal prosecution. If the current or former state officer or employee failed to seek and obtain a waiver knowing one was likely required, the person could be removed from his or her office or position, and/or be subject to criminal prosecution.

State officers and employees may not solicit or accept any gift, favor, reward, or promise of reward, including any promise of future employment, in exchange for recommending, influencing or attempting to influence the award of a state contract. This prohibition is absolute and cannot be waived.

Resources and Questions: For more information about these restrictions and the waiver process, please see the document Conflict of Interest Waiver Instructions and Form available on the BHR website at <http://bhr.sd.gov/forms/>. To assist present or past state officers or employees to determine whether it is necessary to seek a waiver, the person can answer questions in the Conflict of Interest Waiver Decision Matrix posted on the BHR website. The matrix serves as guide and not determinative of whether a conflict exists. A Conflict of Interest PowerPoint is also available on the BHR website.

For questions about the applicability of the laws and the process for requesting a waiver, state officers and employees are encouraged to contact Bureau of Human Resources at 605.773.3148 or Chris.Houlette@state.sd.us.

Outside Employment

You may have outside employment provided that, in the opinion of your appointing authority, there is not conflict with your working hours, your work efficiency, or with the interests of state government. You must check with your supervisor before accepting other employment.

Political Activity

Civil service employees are prohibited from using their official authority to influence or coerce the political action of a person or group of people. Active participation is allowed in political management or in political campaigns except during working hours. Employees may also hold an elective office in political clubs or organizations which does not interfere with the normal performance of job responsibilities, except as prohibited by law. Employees whose positions are partially or wholly funded by federal monies are restricted from political activity by the Hatch Act. Neither state nor federal law prevents activity of a nonpartisan type not specifically identified with a national or state political party. Questions relating to constitutional amendments, referendums, approval of state laws, and other issues of similar character are not deemed specifically identified with a national or state political party. For example, school board elections and many city elections are nonpartisan.

Disciplinary Action

Disciplinary action may include suspension without pay, reduction in salary, demotion, or termination. A status employee may be disciplined for cause at any time or for unsatisfactory performance after a work improvement plan to address performance issues. Before you are disciplined, you will be notified verbally or in writing of the specific reasons for the proposed actions and provided an opportunity to present reasons why you should not be disciplined.

Discipline for Cause

Just cause for disciplinary action includes, but is not limited to:

- violating statutes, rules, policy, directives, and work rules;
- committing any sex offense, any crime involving illegal drugs, or a felony;
- insubordination;
- disrupting the efficiency or morale of the department;
- being under the influence of a controlled drug or alcohol while at work;
- misuse or abuse of leave;
- engaging in outside business or personal activities on government time, or using state property for non-government purposes;
- engaging in conduct that reflects unfavorably on the state, destroys confidence in the operations of state services, or adversely affects public trust in the state;
- poor attendance;
- negligence with state money or property; and
- discrimination and harassment.

These examples indicate the types of conduct that may be cause for disciplinary action, but is not an exhaustive list. If you have specific questions regarding causes for discipline or want to review the entire list of causes, contact your human resource representative.

Discipline for Performance

If a status employee's work performance is unsatisfactory, the employee will be notified in writing that disciplinary action may be taken unless the employee's performance improves. The employee may be placed on a work improvement plan that will last a minimum of 30 calendar days. The work improvement plan will tell the employee where the employee's performance is unsatisfactory and the level of performance that is expected. If the employee's performance does not improve to an acceptable level, or at a later date performance falls below standard, disciplinary action may be taken. Employees may be disciplined for just cause during the work improvement period.

Technology Use Policy

Employees shall use state technology (telephones, computers, Internet, email, etc.) at their disposal in an appropriate manner. As it applies to the state's e-mail and phone system(s), emergency communications are allowed. Reasonable and appropriate personal communications are allowed. Under no circumstances are employees allowed to use the state's technology to engage in outside business interests, inappropriate, offensive, or illegal activities. Abuse of the system is not acceptable. Employees should not expect privacy or confidentiality when using state resources. Use common sense. If in doubt, do not use state resources.

Statewide Remote Technology Access Policy

- Hourly employees are not required or expected to check email while outside normal or assigned working hours. Unless hourly employees are directed to provide an immediate response, emails or phone calls should be responded to only during the individual's normal working hours.
- Hourly employees, who are required to work outside of their normal work hours using mobile technology, are required to record and submit to their manager all time spent responding to emails or answering phone calls while out of the office. This must be reported to the manager the next business day.
- Hourly employees must have overtime approved by their manager. If overtime is not approved, the employees are required to flex the time.
- Employees must receive pre-approval from their manager for remotely accessing any non-public state government technology resource during the individuals' non-standard business hours. This includes state-owned or non-state owned devices. (Once approved by manager, all employees must submit a Remote Access Device (RAD) approval form for having this privilege during the individuals' non-standard business hours. The form is located at <http://intranet.bit.sd.gov/forms/rad/> and is submitted to the BIT Help Desk.)

Fraud or theft in the work place

The State of South Dakota prohibits fraud and theft in the work place.

Fraud or fraudulent means an intentional deception designed to obtain a benefit or advantage or to cause denial of some benefit that is lawfully due. Examples of fraud include:

- Forgery or alteration of a check, bank draft, or any other financial document;
- Theft of a check or other diversion of a payment made to the State;
- Improper or dishonest handling of funds, supplies, or other assets;
- Improper handling or reporting of financial transactions;
- Profiteering as a result of insider knowledge of State operations; and
- Selling or using confidential State information in the conduct of an outside business activity.

Theft means the act of taking something from someone unlawfully. An example of theft is taking equipment or supplies belonging to the State and keeping it for personal use.

The Bureau of Human Resources relies on South Dakota Codified Law and the Administrative Rules of discipline regarding what constitutes fraud in the workplace. These laws establish control and aid in the prevention and detection of fraud against State property. These laws apply to any actual or suspected fraud or theft an employee. These laws include: salaried state officers are prohibited from retaining money received by theft (SDCL 3-8-3); dual salaries for state employees are prohibited with limited exceptions (SDCL 3-8-4); dual compensation for state duties is also prohibited (ARSD 55:10:01:07); outside employment for state employees may occur with proper approval (ARSD:10:01:06); and employees who are negligent with money or other state property belonging to any person receiving services from the state or have stolen or attempted to steal money or property of the state or property belonging to any person receiving services from the state will be disciplined and or terminated (ARSD 55:10:07:04).

Responsibility to Report

Employees who suspect fraud or theft is happening in the work place should report the matter immediately to their supervisor or the attorney general's office. SDCL 3-6D-22 provides whistleblower protections for the employee who reports fraud in the work place.

3-6D-22. Grievance for retaliation against whistleblower. An employee may file a grievance with the Civil Service Commission if the employee believes that there has been retaliation because of reporting a violation of state law through the chain of command of the employee's department or to the attorney general's office or because the employee has filed a suggestion pursuant to this section.

Handbook Disclaimer

This handbook is intended to provide general information to state employees. The policies and information described in this handbook are not conditions of employment, and the language is not intended to, nor does it, create a contract between the State and the employee. The State reserves the right to change or eliminate any of the policies or information in this manual at its discretion with or without notice. Also, some of the statements in this handbook are general in nature and should not be read as including all the details on the subject discussed. The State reserves the right to discipline status employees in accordance with the state laws and rules and to discipline all other employees (who are at-will employees) at any time and for any reason.

Any employee handbook or manuals previously distributed by the Bureau of Human Resources are revoked and rescinded, and the provisions are null and void.

This handbook is not an exhaustive list of all employee obligations. In addition to the handbook, employees must also abide by federal and state laws, regulations, and administrative rules as well as other statewide and internal agency orders, policies, guidelines, directives, and instructions.

If you have questions about the employee handbook or this disclaimer, please contact your human resource representative.

The State of South Dakota Employee Handbook is updated regularly by the Bureau of Human Resources. To receive or review a current copy of the handbook, please contact your human resource representative at the Bureau of Human Resources or access the handbook on the Bureau of Human Resources' intranet website.

Net Machine Revenue & Terminal and Establishment Averages

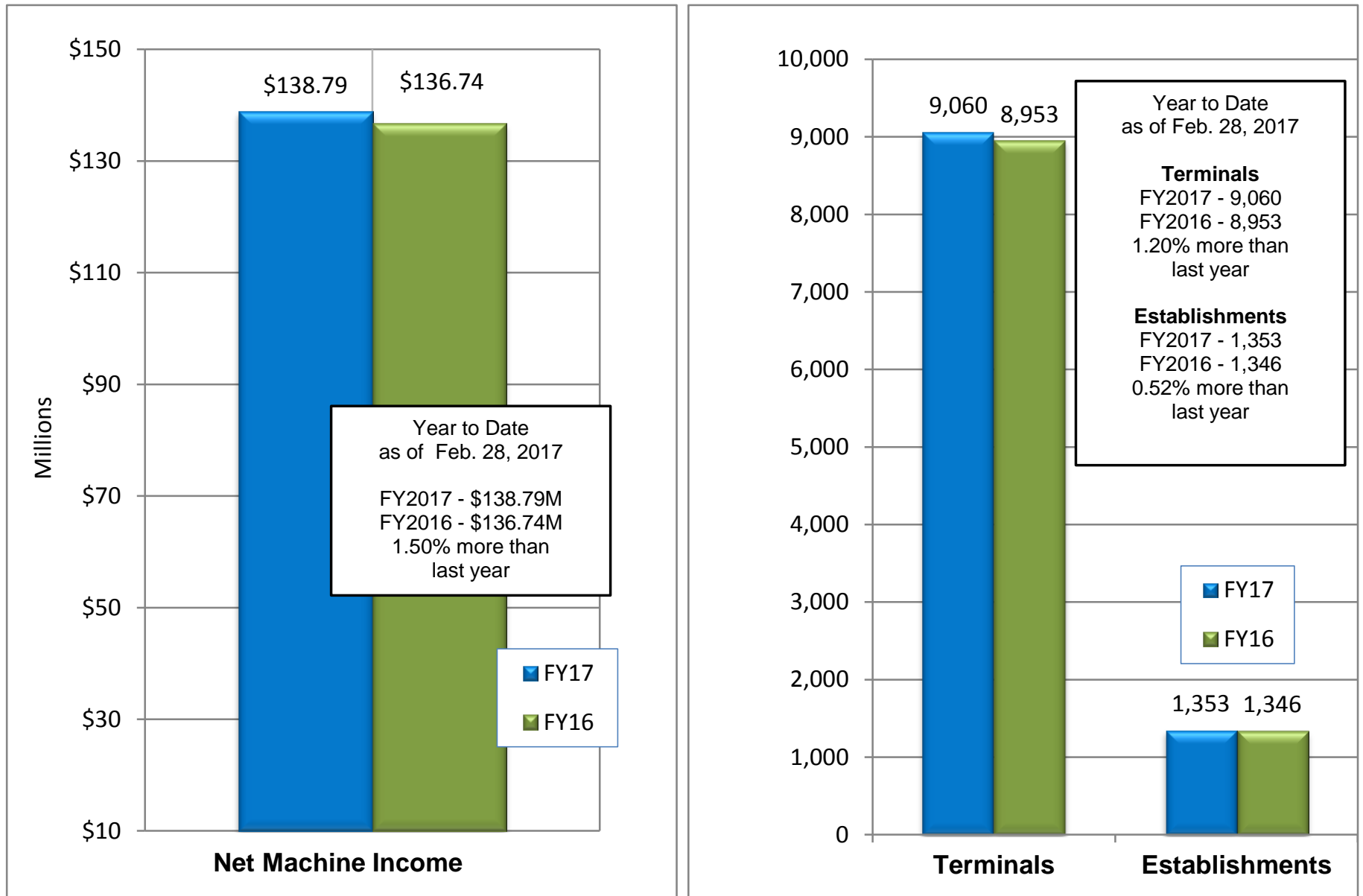
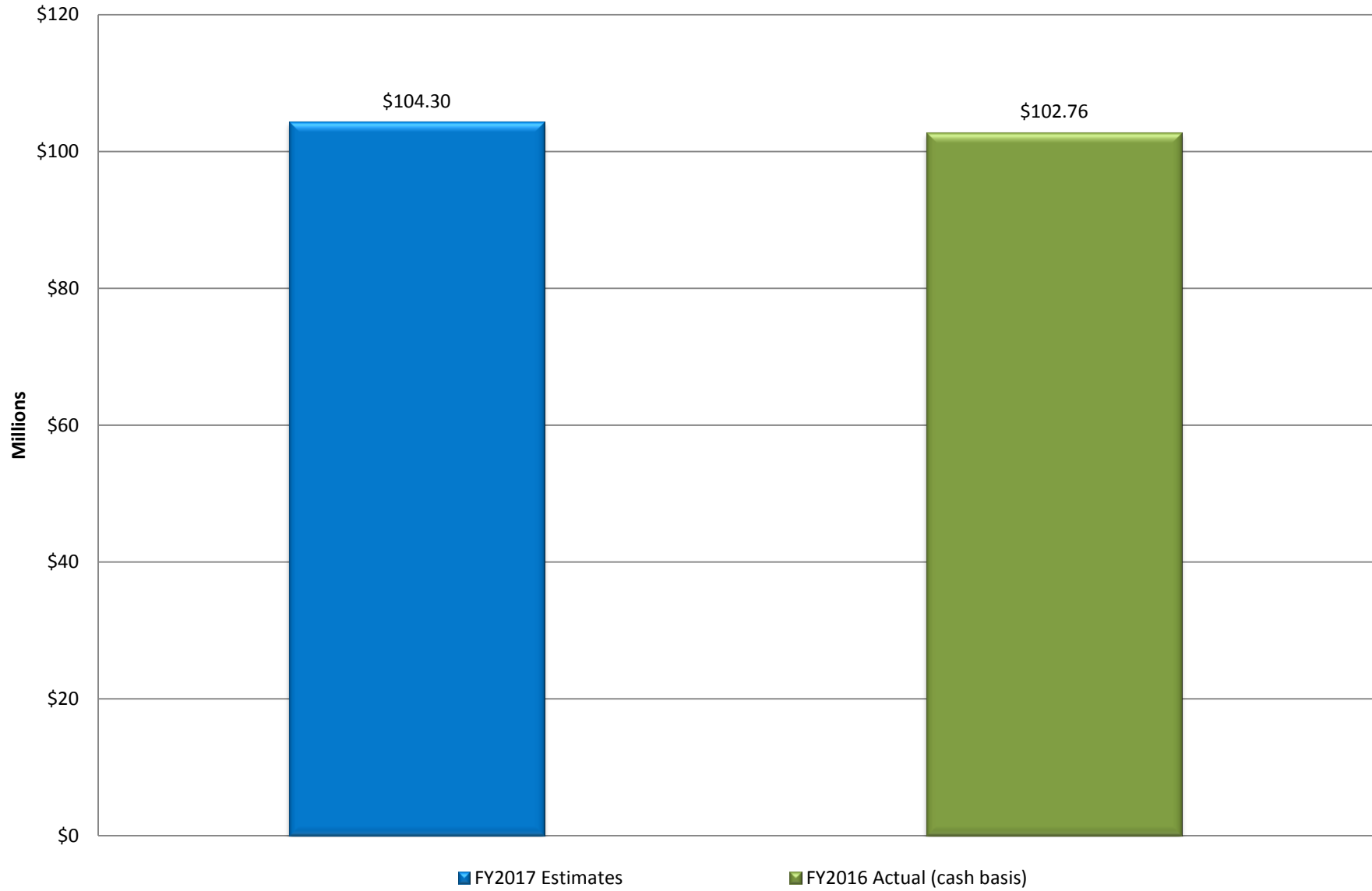
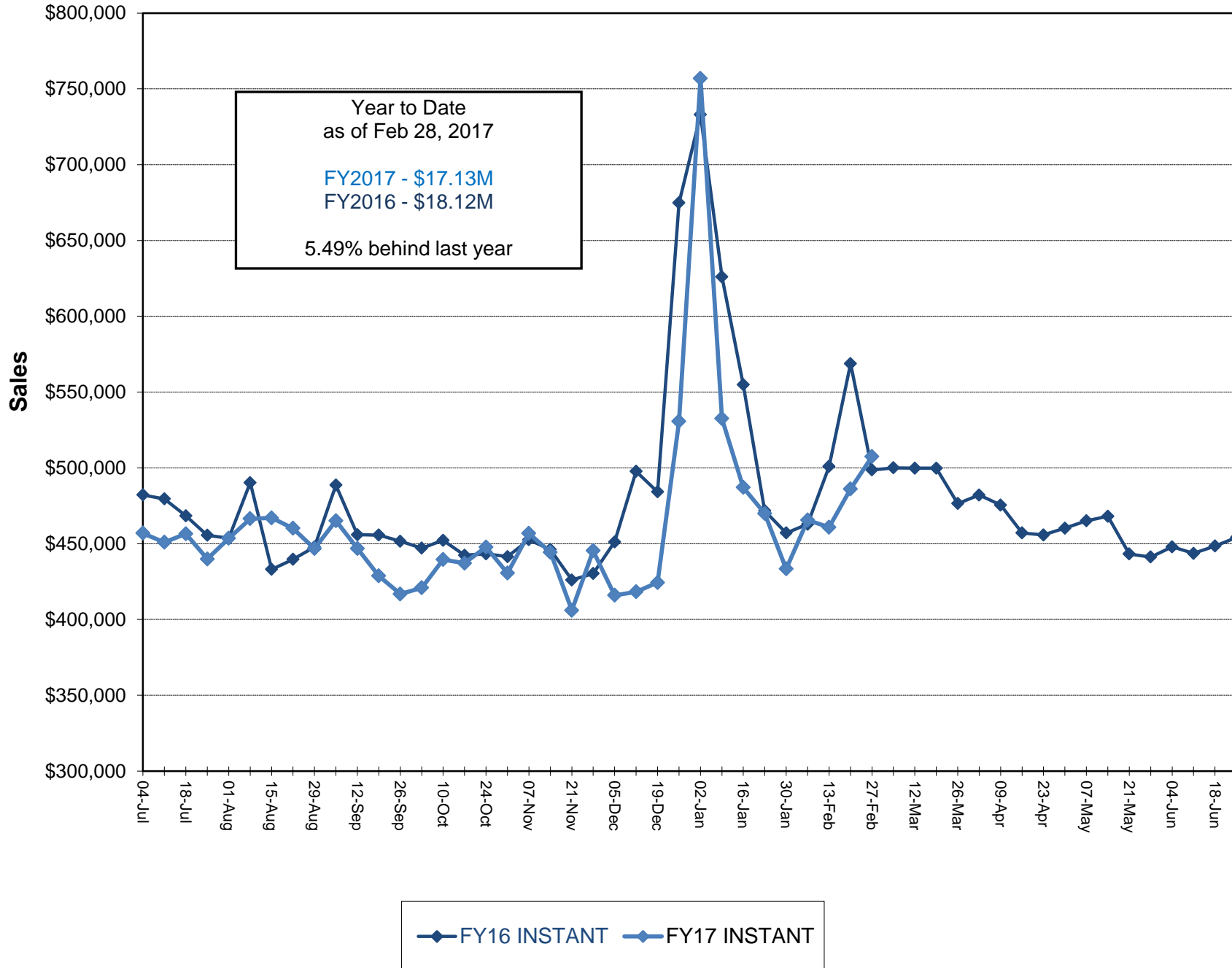


Exhibit B

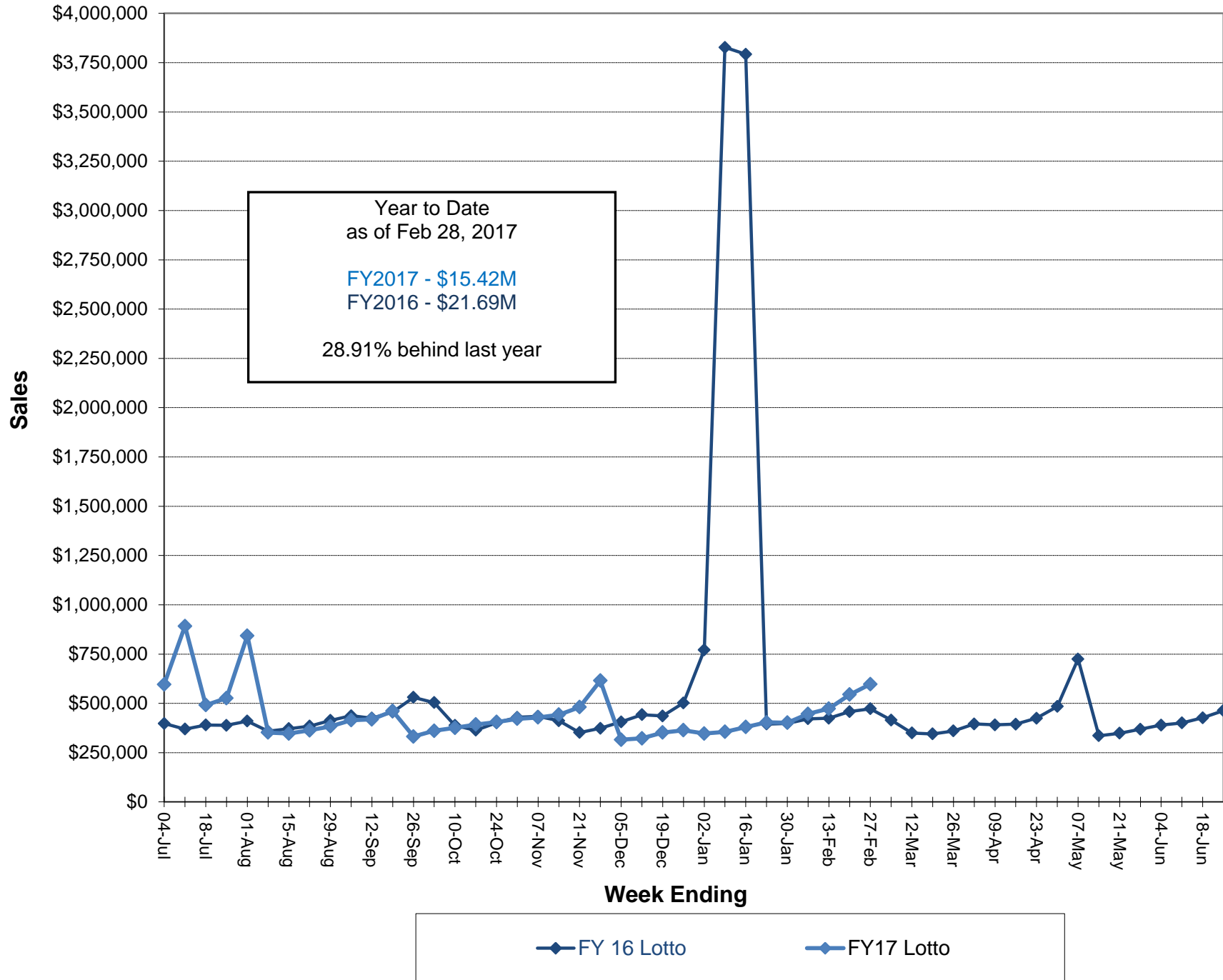
Video Lottery FY17 State Share Revenue Projection As of Feb 28, 2017



Instant Ticket Sales



Lotto Sales



Instant and Online FY17 Revenue Projections As of Feb 28, 2017

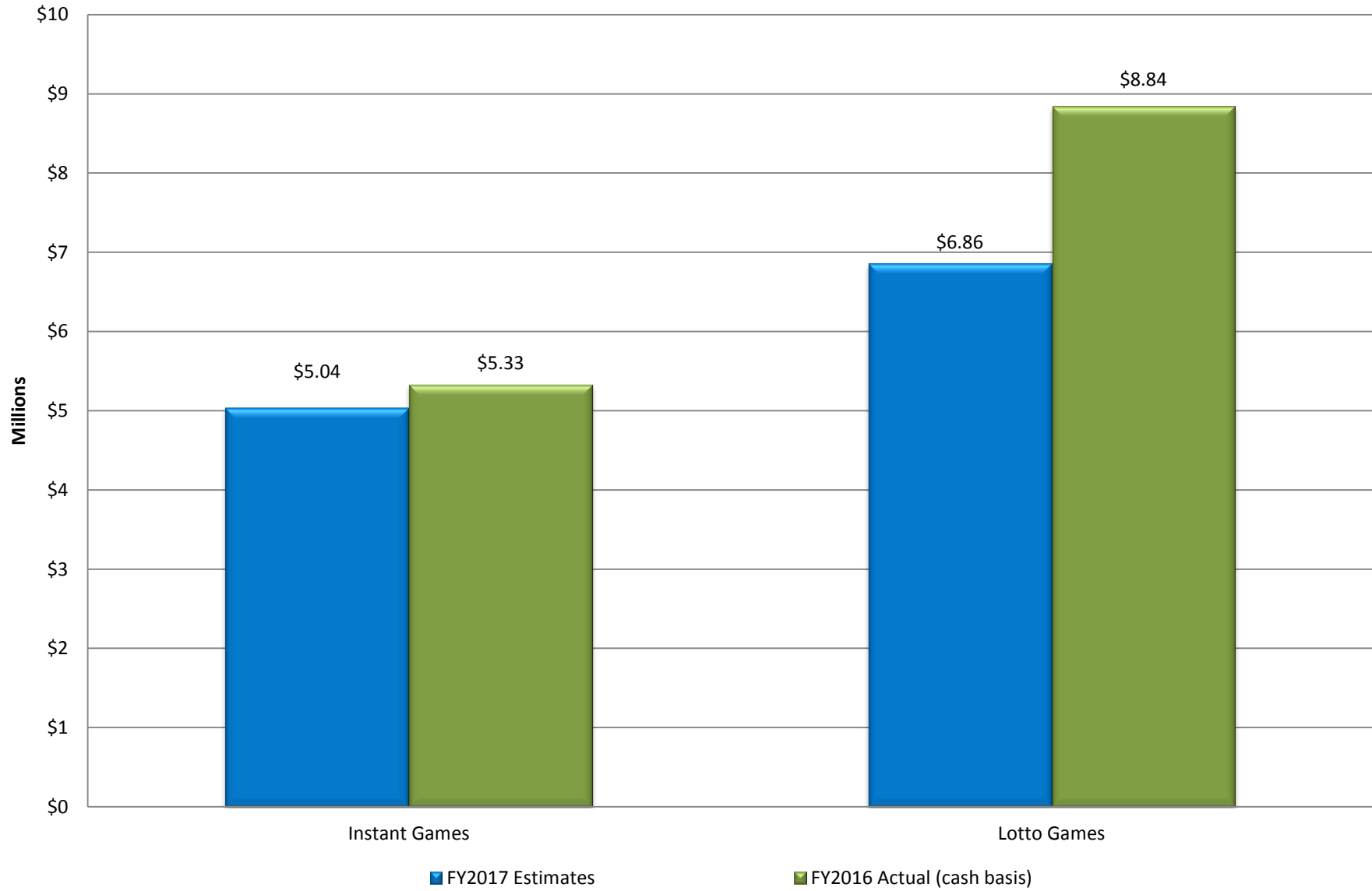


Exhibit F

Total FY17 Revenue Projections As of Feb 28, 2017

