

South Dakota Lottery Commission
September 17, 2015 – 10:00 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://sdpb.sd.gov/player/412.html>



Meeting Agenda

- | | |
|---|------------------|
| 1. Welcome | Chuck Turbiville |
| 2. Approval of Agenda | Chuck Turbiville |
| 3. Approval of Minutes from July 30, 2015 meeting | Chuck Turbiville |
| 4. Secretary of Revenue Comments | Andy Gerlach |
| 5. Executive Director Comments | Norm Lingle |
| 6. Strategic Plan | Norm Lingle |
| 7. FY17 Budget Request | Norm Lingle |
| 8. Video Lottery Performance Reports | Clark Hepper |
| 9. Video Lottery Manufacturer Licensing Process | Clark Hepper |
| 10. Video Lottery Report [Exhibit A-B] | Robyn Seibel |
| 11. Lawrence and Schiller Market Research Project | John Keyes |
| 12. Public Relations/Advertising Report | John Keyes |
| 13. Declaratory Ruling 16-1: Lotto Retailer Incentive | Joe Willingham |
| 14. Sales Report [Exhibits C-D-E-F] | Joe Willingham |
| 15. Next Meeting Date – December 10, 2015 | Norm Lingle |
| 16. Adjournment | Chuck Turbiville |

Expiration Dates of Commissioner Terms

Bob Hartford	01/01/2017	Chuck Turbiville	01/01/2016
Doyle Estes	01/01/2017	Brent Dykstra	01/01/2018
Jim Putnam	01/01/2017	Roger Novotny	01/01/2018
Jim Towler	01/01/2016		

*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.



UNAPPROVED

Minutes of the Commission Meeting

View 34 – Pierre, SD

Thursday, July 30, 2015

Chairman Chuck Turbiville called the July 30, 2015 meeting of the South Dakota Lottery Commission to order at 10:04 am.

MEMBERS PRESENT: Jim Putnam, Chuck Turbiville, Brent Dykstra, Roger Novotny, and Bob Hartford were present. Jim Towler and Doyle Estes were present by teleconference.

SUPPORT STAFF PRESENT: Jennifer De Hueck, Andrew Fergel, Norm Lingle, Kelly Thompson, Joe Willingham, John Keyes, Sherry Lauseng, Jennifer Baker, and Robyn Seibel. Clark Hepper was present by teleconference.

APPROVAL OF THE AGENDA

Commissioner Putnam moved that the agenda be approved. Commissioner Hartford seconded. Roll was called: Aye - Dykstra, Estes, Hartford, Novotny, Towler, Putnam, and Turbiville. Motion carried.

APPROVAL OF JUNE 11, 2015 COMMISSION MEETING MINUTES

Commissioner Hartford moved that the minutes be approved. Commissioner Dykstra seconded. Roll was called: Aye - Dykstra, Estes, Hartford, Novotny, Towler, Putnam, and Turbiville. Motion carried.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

Director Lingle gave an update on the 18 game set policy saying that it would be put on hold until an unanticipated issue can be resolved.

Next Lingle discussed the licensed manufacturers and distributors in South Dakota. For fiscal year 2016 (FY16), there are five licensed manufacturers and six licensed distributors. Techlink is no longer a licensed manufacturer or distributor and MTD switched from distributor to manufacturer.

Director Lingle updated the Commission on the Restoration of America's Wire Act. Senator Graham of South Carolina submitted a bill that allows lotto, instant and video lottery, but would prohibit online/internet gaming. The Lottery will work with the North American Association of State and Provincial Lotteries (NASPL) and continue to support that this is a state's rights issue.

POWERBALL GAME CHANGE – 10:15 a.m.

Executive Director Lingle reported on the following:

The Powerball game group voted to make a change to the Powerball game. The primary reason for the change is that sales have become stagnant. Sales in South Dakota were down about 18% in FY15 when

compared to FY14. Powerball accounts for close to 50% of Lotto sales in South Dakota. The game hasn't been changed since 2012 when the price was increased to \$2 per play. Powerball has historically been refreshed every three to five years. This change is the eighth time it's been revamped since it began in 1992.

The game would change to a matrix of 5 of 69 plus 1 of 26; currently it's 5 of 59 plus 1 of 35. The number of white balls would increase by 10 and the number of red balls would decrease by 9. Jackpot odds would go to 1:292,000,000 from 1:175,000,000. The overall odds of winning a prize would change from 1:31 to 1:25. Key features include a higher average jackpot, a faster growing jackpot, the match 4 plus 1 prize goes from \$10,000 to \$50,000, and in the Power Play portion of the game a 10 times multiplier would be included on jackpots between \$40,000,000 and \$150,000,000. The matrix change is scheduled to take effect on October 4, 2015. If the change is not adopted, South Dakota will be required to stop selling the game when the change takes effect.

If approved, the change will be presented to the Legislative Rules Review Committee for approval on August 17, 2015.

Chairman Turbiville opened the floor to public testimony, but no one came forward and no written comments were submitted.

Commissioner Novotny moved to approve the proposed Powerball game changes. Commissioner Dykstra seconded. Roll was called: Aye - Dykstra, Estes, Hartford, Novotny, Towler, Putnam, and Turbiville. Motion carried.

EXECUTIVE DIRECTOR'S COMMENTS (CONTINUED)

Executive Director Norm Lingle reported on the following:

The Dakota Cash drawing process will now be conducted by the Multi-State Lottery Association (MUSL). Director Lingle gave some background to explain how this decision was made. In 2005, MUSL paid for auditors to be present at each lottery to verify that all drawings were conducted correctly. MUSL can now oversee the drawings through a connection with all the vendor and state systems. This eliminated a need to have auditors at all drawing locations. MUSL continues to have auditors at their office in Des Moines, IA and South Dakota utilizes those auditors for its services. Once the need for the MUSL auditors went away, a request for proposals (RFP) for auditor services was issued, but there were no responses. Lottery had auditors from the Department of Revenue and Regulation serve as auditors for Dakota Cash, but it became increasingly difficult to get people to perform those duties.. MUSL already had auditors, so Lottery reached out to have MUSL conduct the draw for Dakota Cash.

Hartford asked if the audit from MUSL is done electronically. Lingle explained that it will be similar to how the Multi-State games are handled. MUSL will receive a fee for performing the Dakota Cash drawing.

The Lottery's Sioux Falls office is moving from the corner of Western and 49th to a space in the same area near the Western Mall. Remodeling will be done to make the warehouse space into an office complex. The new space will give the Lottery access to electronic signage on 41st and Western Avenue and will have a warehouse space and loading dock to unload, store and ship tickets to retailers.

Commissioner Turbiville suggested that once the Sioux Falls office is complete, a meeting should be held in that office. Lingle said that around October 15, the Lottery anticipates moving into that space. Commissioner Dykstra wondered if the Lottery was the only tenant in the new building. Lingle responded that Scheels also has storage there. Turbiville asked whether there will be enough room to have a meeting in the new Sioux Falls location. Lingle answered that there are plans to create a nice sized meeting room in the new Sioux Falls office.

STRATEGIC PLAN

Executive Director Norm Lingle reported on the following:

The Lottery staff went through a webinar proposal with Scientific Games regarding their management system and concluded that upgrading the management system should be put on hold since real time connectivity is such an important component of the system.

Lingle talked about the real time communication objective. DSL real time hasn't been very successful. The Lottery is working with SGI on using Interface Protocol (IP) cellular to make real time connections. A pilot project of around 6-10 establishments will be started in August and by the time the Commission meets in September those sites should be connected.

Shared performance reports will start in August. The July data will be posted within the first two weeks of August. Agreements with Grand Vision, International Gaming Technology (IGT), and Spielo have been signed, but all other manufacturers have indicated that they will sign.

A focus group report on progressives and increasing the maximum bet was completed. In the draft report, the participants were supportive of progressives in the \$10-\$15,000 range and not opposed to increasing the max bet if needed.

ELECTION OF COMMISSION CHAIR AND VICE CHAIR

Commission Chair Chuck Turbiville reported on the following:

Commissioner Turbiville asked for nominations for Chair. Hartford moved to re-elect Commissioner Turbiville, Dykstra seconded. Roll was called: Aye - Dykstra, Estes, Hartford, Novotny, Towler, Putnam, and Turbiville. Motion carried.

Commissioner Turbiville called for nominations for Vice Chair. Hartford moved to re-elect Commissioner Putnam, Novotny seconded. Roll was called: Aye - Dykstra, Estes, Hartford, Novotny, Towler, Putnam, and Turbiville. Motion carried.

FY15 SALES

Director Lingle reported on the following:

Director Lingle reported instant sales were up 1.2%, with a total of \$25.8 million. This is the second highest level since lottery began – just under the first year at \$26 million. \$2 and \$10 games had the greatest increase in sales. \$5 games had the largest decline.

Lotto sales were down 11.3%, finishing at \$25.3 million. Powerball had the highest sales at just over \$12 million, which was a decrease of 18% since last year. Dakota Cash was up 15% and Hot Lotto was up 7%.

Video Lottery was up 7.5% over last fiscal year. Line games seem to be a significant factor in driving those sales increases.

MULTI-CHANNEL COMMUNICATION DEVICE (MCD) PURCHASE

Director of Video Lottery and Security Robyn Seibel reported on the following:

Multi-channel communication devices (MCDs) are distributed to establishments so that the slot accounting system (SAS) protocol can connect to the central system. The Lottery retains ownership of the MCDs and provides them to the establishments. As of July 29, 2015, there were 797 active MCDs installed and 2,432 line games connected to the central system. Around this time last year there were 682 active MCDs and 1,927 line games connected. Seibel asked the Commission for authorization to purchase 100 more MCDs at a cost of \$52,580.

The Lottery has a total of 900 MCDs, 797 of them are active, five are in the Lottery office to ship out, 15 are being repaired, and 41 are active but waiting to be hooked up.

Director Lingle stated that the Lottery has encouraged establishments to invest in new machines and that helping them out by providing MCDs is important.

Dykstra moved to allow Lottery to purchase 100 MCDs, Hartford seconded. Roll was called: Aye - Dykstra, Estes, Hartford, Novotny, Towler, Putnam, and Turbiville. Motion carried.

VIDEO LOTTERY REPORT

Director of Video Lottery and Security Robyn Seibel reported on the following:

Video lottery's net machine income (NMI) is at \$13.62 million as of July 25, 2015. Last year at this time it was at \$12.72 million, so the NMI is up 7% over last year.

In comparing the number of terminals, the Lottery currently has 8,935 terminals and at this time last year there were 8,990, making the number of terminals .61% behind last year.

There are currently 1,365 establishments and at this time last year there were 1,388.

The revenue projection for FY16 is \$105.55 million, at this time last year we were at \$98.29 million.

Next, Seibel provided an update on e-statements project. The pilot project started in May went well, so Seibel set up most of the remaining operators with access to the system. The Lottery has been receiving positive feedback from all but a few operators. At this time, 116 operators are set up, three are closing their business, and six have yet to be set up. Operators will receive paper copies through October 2015 and the Lottery will be sending email reminders as time gets closer to going paperless.

SALES REPORT

Sales Director Joe Willingham reported on the following:

INSTANT GAMES

The Instant Games are up 6.86%, \$1.89 million versus \$1.76 million, led by our \$20 game and new \$10 game \$100K No Tax, and Mega Fortune.

COMING SOON

In late August Lucky Dog Doubler, Black & White, and Big Money Cashword will be available. In mid-September Beginners Luck Bingo and Diamond Slingo make their debut.

Play It Again – UPDATE FOR AUGUST DRAWING

This is the Lottery's second chance drawing for all \$2 and \$3 non-winning tickets. Top prize is \$30,000 for a late August drawing. Kelly will have further details.

- 67,000 tickets are entered so far, which is on par with first drawing
- 64% are female
- \$3 games make up 56% of all entries
- 69 out of state players (3.82% of the total) from 13 states: WY(27), ND(14), MN(7), IA(6), NE(5), MI(2), CO(2), ID(1), IN(1), NY(1), MT(1), NC(1), OK(1).

OTHER SECOND CHANCE – CAESARS

This is our \$5 game that offers two trips for two to Las Vegas including rooms, airfare, meals, and spending money. All non-winning tickets for this game are eligible for entry.

- Over 6,644 entries to date – 7% of all non-winners – Drawing in January
- 1,116 different players

OTHER SECOND CHANCE – MONOPOLY MILLIONAIRES' CLUB scratch ticket game

Non-winning tickets from this \$5 game allows players to win a trip for two to Las Vegas and appear on the MMC game show with a chance to win up to \$1,000,000.

- 16,617 tickets have been entered – 24% of all non-winners – Next Drawing August 18.

Instant ticket request for information (RFI) saw presentations from Scientific Games (SGI), IGT, and Pollard (PB). The RFI is the prelude to the instant ticket Request for Proposal (RFP). The RFI's purpose in part is to find out what each vendor offers exclusively and whether or not to ask for any of these exclusives. The RFI also helps us to word and format the RFP to help ensure that we get the best possible offers from all vendors. The RFP target date is November 1 and the contract is due in a year. Starting on the RFI-RFP now gives the Lottery plenty of time to prepare and plenty of time for vendors to read and respond and makes a small contract such as ours more attractive as there is less pressure and resources diverted from big states that may also be bidding contracts at the same time.

LOTTO GAMES

The Lotto Games are down 9.33%, \$1.55 million versus \$1.71 million. No big jackpots was the main reason for this.

GAME BY GAME

- Powerball - \$744,000 versus \$892,000, down 16.6%
- Mega Millions - \$308,000 versus \$220,000, up 40%
- Hot Lotto - \$207,000 versus \$327,000, down 58%
- Dakota Cash - \$153,000 versus \$131,000, up 16.8%
- Wild Card - \$135,000 versus \$136,000 – almost Unchanged

Novotny asked if our numbers coincide with other states' numbers. Willingham responded in the affirmative, saying all the states are in the same boat with low jackpots and low ticket sales.

REVENUE PROJECTIONS

- Instant - \$5.79 million
- Lotto - \$7.14 million
- Video - \$105.55 million
- Total - \$118.48 million

ADVERTISING SERVICES CONTRACT

Director of Public Relations and Advertising Kelly Thompson reported on the following:

The advertising and related services contract was signed and filed July 2, making Lawrence & Schiller of Sioux Falls our advertising agency of record.

A fiscal year 2016 marketing planning meeting was held in Pierre July 9-10, 2015.

Discussion included:

- Projects that need to be accomplished within the next three to six months – (State Fair, Powerball branding campaign (joint campaign among all states), signage for new Sioux Falls office, holiday scratch tickets)
- Researching who our players are and how to reach them better
- Rebranding the Lottery with a new logo, new website design, and a new image. The Lottery has had the same logo for 10-12 years.

Work has already started on a study that would look at why people don't currently play the lottery – and the public's perception of the Lottery as a brand and what messages about our agency resonate with potential players.

Lottery staff met with Lawrence & Schiller on July 29 to discuss potential changes to the Lottery logo, ideas for the Lottery website, and how to make it a better resource yet more engaging for visitors. The re-branding will launch January 2016.

PUBLIC RELATIONS/ADVERTISING REPORT

Director of Public Relations and Advertising Kelly Thompson reported on the following:

BIG WINNERS (SINCE 6/11/15)

LOTTO GAMES

5 Non-jackpot high winners:

- Mega Millions with Megaplier - \$25,000 – Spearfish
- Hot Lotto with Sizzler - \$9,000 (2) – Pierre – Rapid City
- Hot Lotto - \$3,000 (2) – Fort Pierre - White

INSTANT GAMES

There have been 12 top prize winners of \$2,500 to \$100,000 since the last Commission meeting in 12 different games. The biggest winners were two \$100,000 winners, one on 20x the Money, and one on Mega Fortune.

VIDEO LOTTERY MAILING

A video lottery mailing was sent to about 1,370 establishments statewide. Each received an updated poster (rules of play, where to find odds information, problem gambling contact information), a copy of the promotions policy, information on the marketing tool kit, and an order form for premium items (t-shirts, can koozies, coasters). The Lottery has received several emails thanking them for the information.

53 requests for premium items have already been processed and three requests for the tool kit (poster and ad templates, as well as radio ads) have been received. The Lottery is capturing email addresses from these premium orders so the establishments can start receiving the bi-weekly Video Lottery E-Newsletter to keep them better informed.

PLAY IT AGAIN/MONOPOLY MILLIONAIRES' CLUB DRAWINGS

PLAY IT AGAIN

There have been two Play it Again (PIA) mini drawings since the last meeting, held June 16 and July 14. Five winners were randomly drawn from among all entrants for each drawing.

Each winner received a \$100 gift card from the participating lottery retailer of their choice. As of the July 14 drawing, about 260 retailers from 80 communities were participating.

The next PIA grand prize drawing for \$30,000 is August 28. All \$2 and \$3 games currently available for purchase are eligible. Beginning August 29, we'll be promoting the first PIA promotion for 2016 called "Lucky Leap". The \$30,000 grand prize drawing for that promotion will take place on Leap Day, February 29, 2016.

MONOPOLY MILLIONAIRES' CLUB

A Vegas trip drawing was held on June 30. Three South Dakota players were drawn to win a trip to Las Vegas and a chance to appear on the televised MONOPOLY Millionaires' Club game show. Winners in the June 30 drawing were from Clear Lake, Hartford, and Watertown. Their trip is August 9-13.

The next MONOPOLY Millionaires' Club drawing is August 18.

STURGIS BILLBOARDS

One million people are expected to attend the 75th Annual Sturgis Motorcycle Rally. The Lottery has 10 digital billboards in the Rapid City area, running July 27 thru August 10. The billboards are rotating Lottery branding messages on non-draw days with jackpot alerts for Mega Millions and Powerball on draw days.

NEXT MEETING DATE – SEPTEMBER 17, 2015

Commissioner Turbiville set the next meeting date for September 17, 2015 at LRC room 412.

ADJOURNMENT

Commissioner Turbiville moved to adjourn the meeting. Commissioner Hartford seconded. Motion carried. Chairman Turbiville adjourned the meeting at 11:11 a.m.

0281 - Instant/Online Informational Budget

	FY2014 <u>Actual Exp</u>	FY2015 Actual Exp (Unaudited)	FY2015 <u>Budget</u>	FY2015 Budget (Over) Under	FY2016 <u>Budget</u>	FY2017 <u>Request</u>	FY2017 <u>Inc./Dec.</u>
1 Personal Services							
2 Salaries	\$899,843	\$874,757	\$1,038,327	\$163,570	\$1,081,611	\$1,081,611	\$0
3 Benefits	307,812	287,987	323,755	35,768	329,889	329,889	0
4 Total Personal Services	<u>1,207,655</u>	<u>1,162,744</u>	<u>1,362,082</u>	<u>199,338</u>	<u>1,411,500</u>	<u>1,411,500</u>	<u>0</u>
5							
6 FTE:	20.3	19.7	21.0	1.3	21.0	21.0	0.0
7							
8 Travel							
9 In-State	111,932	108,882	139,000	30,118	139,000	139,000	0
10 Out-of-State	9,497	8,391	6,300	(2,091)	6,300	6,300	0
11 Board/Comm.	2,346	1,737	1,384	(353)	1,384	1,384	0
12 Total Travel	<u>123,775</u>	<u>119,010</u>	<u>146,684</u>	<u>27,674</u>	<u>146,684</u>	<u>146,684</u>	<u>0</u>
13							
14 Contractual Services							
15 Dues & Subscriptions	11,823	20,557	12,300	(8,257)	12,300	12,300	0
16 Consulting				0			
17 Legal	125	750	0	(750)	0	0	0
18 Computer - GTECH	2,111,264	1,868,271	2,325,000	456,729	2,325,000	2,325,000	0
19 Registration Fees	3,147	3,740	1,000	(2,740)	1,000	1,000	0
20 Computer Services - BIT	229,803	358,150	226,967	(131,183)	244,367	244,367	0
21 Advertising	574,955	584,925	675,000	90,075	675,000	675,000	0
22 Marketing	125,426	95,781	152,000	56,219	152,000	152,000	0
23 Central Services	42,073	48,258	33,615	(14,643)	36,481	36,481	0
24 Equipment Maintenance	0	0	2,160	2,160	2,160	2,160	0
25 Janitorial Services	3,148	4,136	10,179	6,043	17,042	17,042	0
26 Equipment Rental	2,027	2,033	2,000	(33)	2,000	2,000	0
27 Telephone	18,909	19,338	16,000	(3,338)	16,000	16,000	0
28 GTECH - Comm. Fees	410,424	412,216	410,000	(2,216)	410,000	410,000	0
29 Office Rent	89,859	98,697	97,200	(1,497)	97,200	97,200	0
30 Utilities	11,985	10,999	12,000	1,001	12,000	12,000	0
31 Freight	11,596	3,936	4,000	64	4,000	4,000	0
32 Instant Ticket Delivery	97,530	116,389	95,000	(21,389)	95,000	95,000	0
33 Insurance Premiums	2,565	2,531	5,000	2,469	5,000	5,000	0
34 Storage/Microfilm Costs	2,714	1,666	2,600	934	2,600	2,600	0
35 Payments to MUSL	61,958	204,251	67,000	(137,251)	67,000	67,000	0

0281 - Instant/Online Informational Budget

	FY2014 Actual Exp	FY2015 Actual Exp (Unaudited)	FY2015 Budget	FY2015 Budget (Over) Under	FY2016 Budget	FY2017 Request	FY2017 Inc./.(Dec.)
36 Other Contractual Services	23,853	19,147	36,868	17,721	36,868	36,868	0
37 Audit Services-State	32,046	25,169	22,000	(3,169)	22,000	22,000	0
38 Retailer Commission	3,001,556	2,820,399	2,868,600	48,201	2,868,600	2,868,600	0
39 Prize Expense	31,971,732	29,398,287	28,838,000	(560,287)	28,838,000	28,838,000	0
40 Total Contractual Services	<u>38,840,518</u>	<u>36,119,626</u>	<u>35,914,489</u>	<u>(205,137)</u>	<u>35,941,618</u>	<u>35,941,618</u>	0
41							
42 Supplies & Materials							
43 Office Supplies	13,354	12,383	16,000	3,617	16,000	16,000	0
44 Ticket Printing	535,620	415,483	625,000	209,517	625,000	625,000	0
45 Printing-State	1,481	3,832	3,000	(832)	3,000	3,000	0
46 Printing-Commercial	1,924	933	2,000	1,067	2,000	2,000	0
47 Postage	2,940	6,442	3,300	(3,142)	3,300	3,300	0
48 Promotional Supplies	106,050	56,924	78,000	21,076	78,000	78,000	0
49 Other Supplies	63	170	1,700	1,530	1,700	1,700	0
50 Total Supplies & Materials	<u>661,432</u>	<u>496,167</u>	<u>729,000</u>	<u>232,833</u>	<u>729,000</u>	<u>729,000</u>	0
51							
52 Capital Assets							
53 Computer Hardware,							
54 Software, Other Assets	35,288	37,399	40,000	2,601	40,000	40,000	0
55 Total Capital Assets	<u>35,288</u>	<u>37,399</u>	<u>40,000</u>	<u>2,601</u>	<u>40,000</u>	<u>40,000</u>	0
56							
57 Other							
58 Escrow to Reservations	68,184	65,143	79,000	13,857	79,000	79,000	0
59 Total Other	<u>68,184</u>	<u>65,143</u>	<u>79,000</u>	<u>13,857</u>	<u>79,000</u>	<u>79,000</u>	0
60							
61 Total Operating Expenditures	<u>39,729,197</u>	<u>36,837,345</u>	<u>36,909,173</u>	<u>71,828</u>	<u>36,936,302</u>	<u>36,936,302</u>	0
62							
63 Instant/On-Line Total	<u><u>\$40,936,852</u></u>	<u><u>\$38,000,089</u></u>	<u><u>\$38,271,255</u></u>	<u><u>\$271,166</u></u>	<u><u>\$38,347,802</u></u>	<u><u>\$38,347,802</u></u>	<u><u>\$0</u></u>
64							
65 Video Lottery Total	<u>\$1,895,323</u>	<u>\$2,204,670</u>	<u>\$2,584,434</u>	<u>\$379,764</u>	<u>\$2,612,459</u>	<u>\$2,612,459</u>	<u>\$0</u>
66							
67 Lottery Grand Total	<u><u>\$42,832,175</u></u>	<u><u>\$40,204,759</u></u>	<u><u>\$40,855,689</u></u>	<u><u>\$650,930</u></u>	<u><u>\$40,960,261</u></u>	<u><u>\$40,960,261</u></u>	<u><u>\$0</u></u>

0282 - Video Lottery Budget

	FY2014 <u>Actual Exp</u>	FY2015 Actual Exp (Unaudited)	FY2015 <u>Budget</u>	FY2015 Budget (Over) Under	FY2016 <u>Budget</u>	FY2017 Request	FY2017 <u>Inc./Dec.</u>
1 Personal Services							
2							
3 Salaries	\$428,655	\$491,475	\$496,624	\$5,149	\$513,681	\$513,681	\$0
4 Benefits	154,056	163,041	158,677	(4,364)	158,677	158,677	0
5 Total Personal Services	<u>582,711</u>	<u>654,516</u>	<u>655,301</u>	<u>785</u>	<u>672,358</u>	672,358	0
6							
7 FTE:	10.2	11.0	10.0	(1.0)	10.0	10.0	0.0
8							
9 Travel							
10							
11 In-State	5,892	5,619	7,700	2,081	7,700	7,700	0
12 Out-of-State	3,528	1,714	5,118	3,404	5,118	5,118	0
13 Board/Comm.	2,463	2,233	2,800	567	2,800	2,800	0
14 Total Travel	<u>11,883</u>	<u>9,566</u>	<u>15,618</u>	<u>6,052</u>	<u>15,618</u>	15,618	0
15							
16							
17 Contractual Services							
18							
19 Dues & Subscriptions	5,028	12,066	6,100	(5,966)	6,100	6,100	0
20 Consulting - Legal	0	250	0	(250)	0	0	0
21 Registration Fees	426	2,114	2,000	(114)	2,000	2,000	0
22 Computer Services	21,464	20,296	46,558	26,262	49,177	49,177	0
23 Comp Services-VL System	771	30,404	8,500	(21,904)	8,500	8,500	0
24 Central Services	17,122	18,541	23,095	4,554	24,301	24,301	0
25 Janitorial Services	134	176	4,541	4,365	11,684	11,684	0
26 Advertising	101,174	87,610	100,500	12,890	100,500	100,500	0
27 Equipment Rental	578	671	4,500	3,829	4,500	4,500	0
28 Telephone	147,210	168,648	165,500	(3,148)	165,500	165,500	0
29 Office Rent	37,686	40,602	39,500	(1,102)	39,500	39,500	0
30 Utilities	542	504	1,470	966	1,470	1,470	0
31 Freight	0	28	500	472	500	500	0
32 Insurance Premiums	3,135	3,093	3,000	(93)	3,000	3,000	0
33 Equipment Maintenance	0	130	1,000	870	1,000	1,000	0
34 Computer Consulting - SGI	553,618	595,698	803,998	208,300	803,998	803,998	0
35 Inspection Services provided							

0282 - Video Lottery Budget

	FY2014 Actual Exp	FY2015 Actual Exp (Unaudited)	FY2015 Budget	FY2015 Budget (Over) Under	FY2016 Budget	FY2017 Request	FY2017 Inc./Dec.
36 by Dept. of Public Safety	186,851	200,014	200,000	(14)	200,000	200,000	0
37 Other Contractual Services	39,168	14,177	54,137	39,960	54,137	54,137	0
38 Audit Services-State	9,489	27,608	25,000	(2,608)	25,000	25,000	0
39 Total Contractual Services	<u>1,124,396</u>	<u>1,222,630</u>	<u>1,489,899</u>	<u>267,269</u>	<u>1,500,867</u>	<u>1,500,867</u>	<u>0</u>
40							
41 Supplies & Materials							
42							
43 Office Supplies	6,619	10,325	10,000	(325)	10,000	10,000	0
44 Printing-State	1,140	3,642	3,000	(642)	3,000	3,000	0
45 Printing-Commercial	2,508	0	3,000	3,000	3,000	3,000	0
46 Postage	5,659	9,208	13,000	3,792	13,000	13,000	0
47 Miscellaneous	16	12	616	604	616	616	0
48 Lottery Promo Items	0	4,212	0	(4,212)	0	0	0
49 Total Supplies & Materials	<u>15,942</u>	<u>27,399</u>	<u>29,616</u>	<u>2,217</u>	<u>29,616</u>	<u>29,616</u>	<u>0</u>
50							
51 Capital Assets							
52							
53							
54 Computer Hardware,							
55 Software, Other Assets	<u>7,738</u>	<u>85,512</u>	<u>180,000</u>	<u>94,488</u>	<u>180,000</u>	<u>180,000</u>	<u>0</u>
56 Total Capital Assets	<u>7,738</u>	<u>85,512</u>	<u>180,000</u>	<u>94,488</u>	<u>180,000</u>	<u>180,000</u>	<u>0</u>
57							
58 Other							
59							
60 Operating Transfers Out							
61 DSS Gambling Treatment	<u>152,653</u>	<u>205,047</u>	<u>214,000</u>	<u>8,953</u>	<u>214,000</u>	<u>214,000</u>	<u>0</u>
62 Total Other	<u>152,653</u>	<u>205,047</u>	<u>214,000</u>	<u>8,953</u>	<u>214,000</u>	<u>214,000</u>	<u>0</u>
63							
64 Total Operating Expenditures	<u>1,312,612</u>	<u>1,550,154</u>	<u>1,929,133</u>	<u>378,979</u>	<u>1,940,101</u>	<u>1,940,101</u>	<u>0</u>
65							
66							
67 Video Lottery Total	<u><u>\$1,895,323</u></u>	<u><u>\$2,204,670</u></u>	<u><u>\$2,584,434</u></u>	<u><u>\$379,764</u></u>	<u><u>\$2,612,459</u></u>	<u><u>\$2,612,459</u></u>	<u><u>\$0</u></u>

Net Machine Revenue & Terminal and Establishment Averages

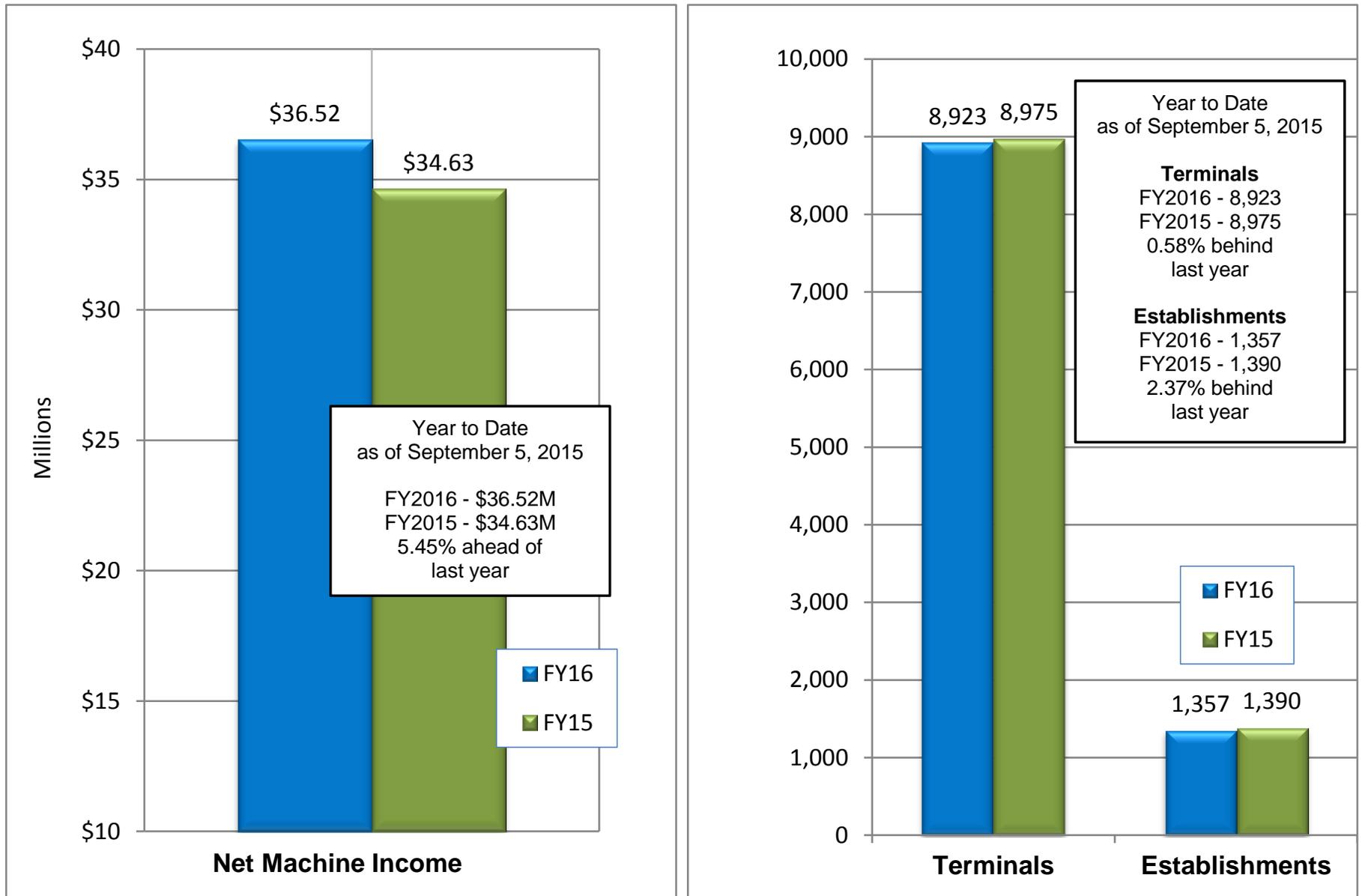
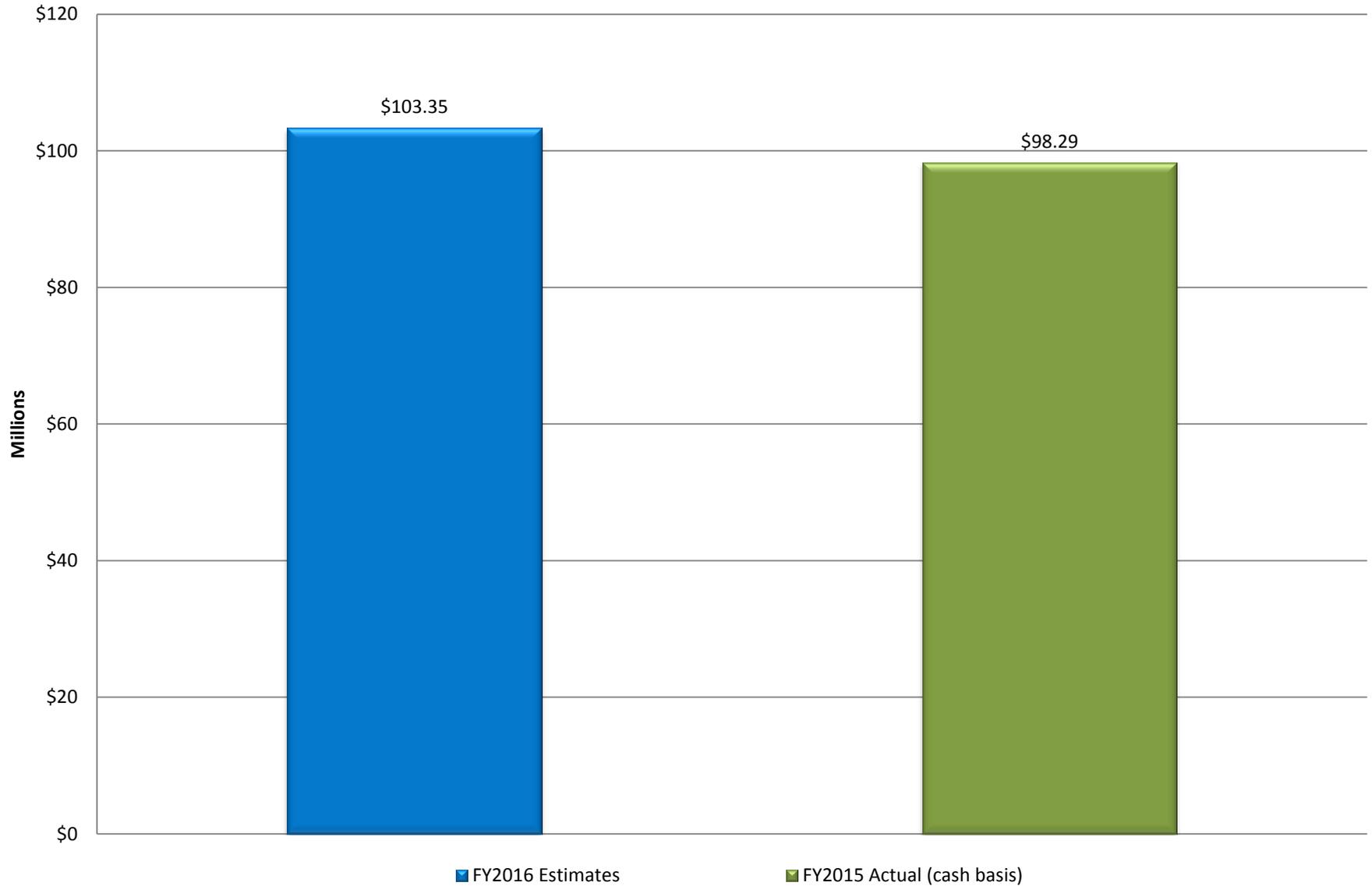


Exhibit B

Video Lottery FY16 Revenue Projection Through August 31, 2015



IN RE:**DECLARATORY RULING
BY THE SOUTH DAKOTA
LOTTERY COMMISSION****RULING 16-1****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 formula below is effective October 7, 2015, and supersedes Ruling 14-1.

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®

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

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

Jackpot	\$10,000	Pay 1; over 1 divide \$10,000 and pay all equally.
\$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

Wild Card 2

Jackpot	1% of prize	Pay 1; over 1 divide commission and pay all equally. Capped @ \$10,000.
\$6,000	\$600	Pay 10; over 10 divide \$6,000 and pay all equally.

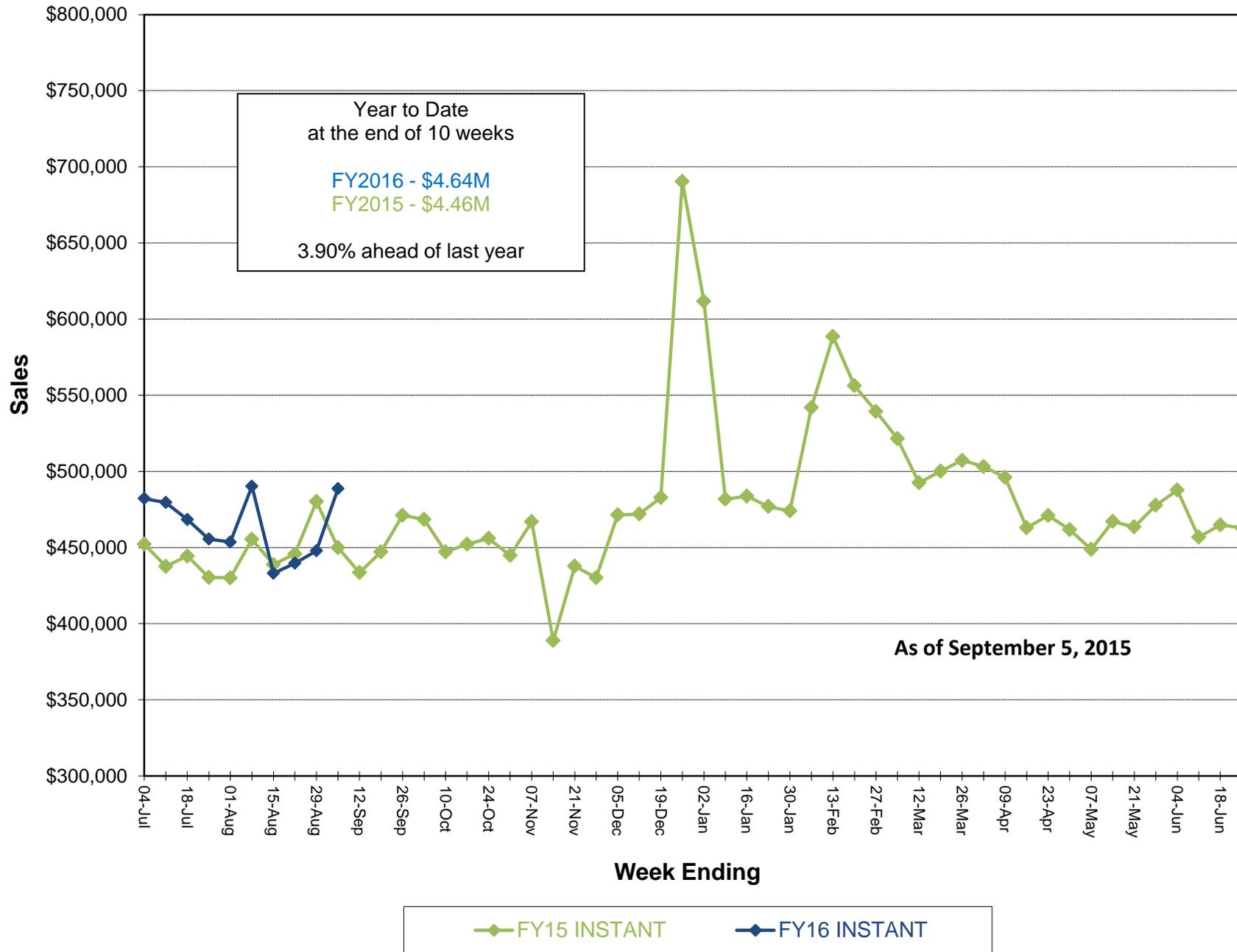
Dakota Cash

Jackpot	5% of prize	Pay 1; over 1 divide commission and pay all equally. Capped @ \$5,000.
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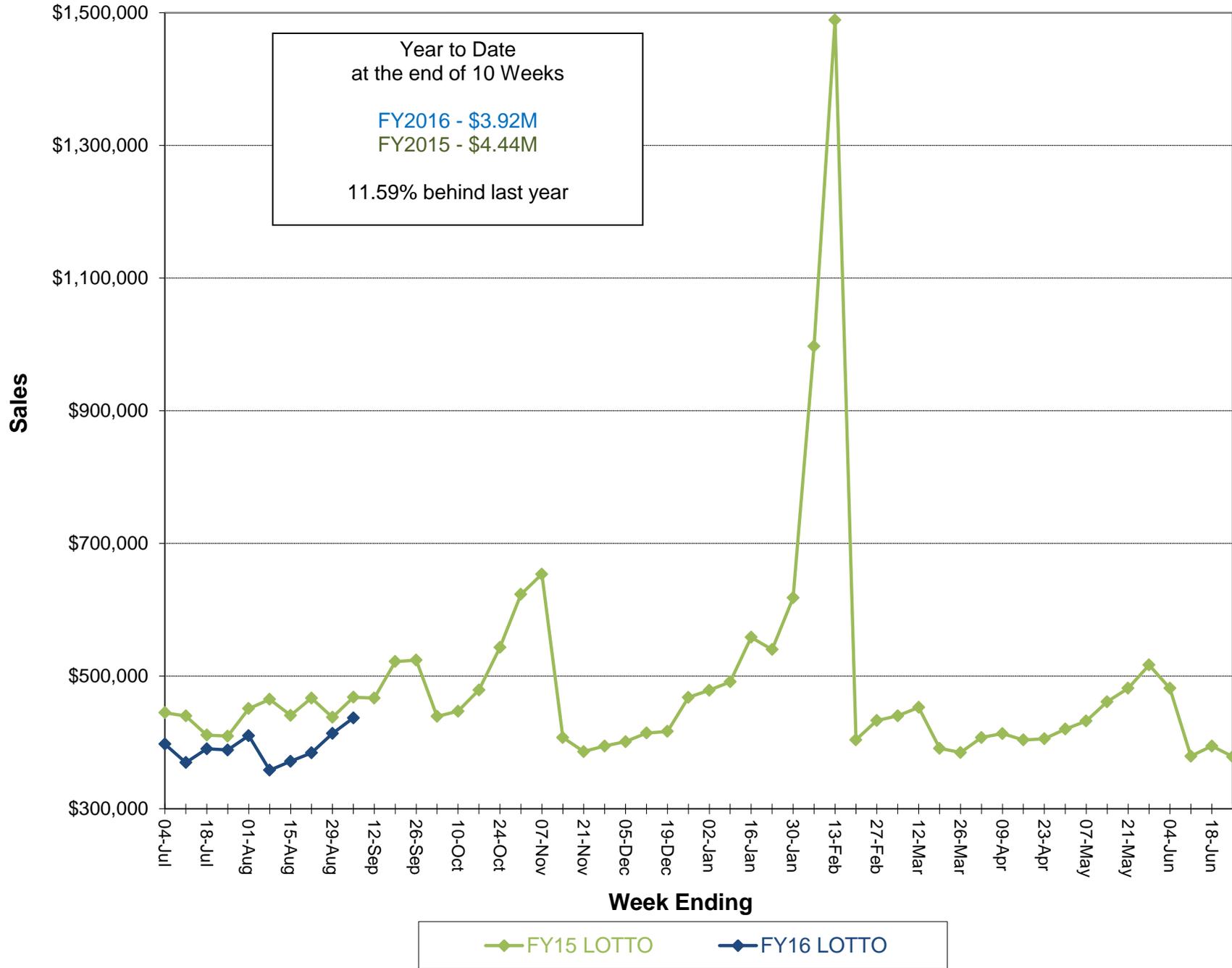
Dated this 17th day of September, 201.

Chuck Turbiville, Chairperson

Instant Ticket Sales



Lotto Sales



Instant and Online FY16 Revenue Projections Through August 31, 2015

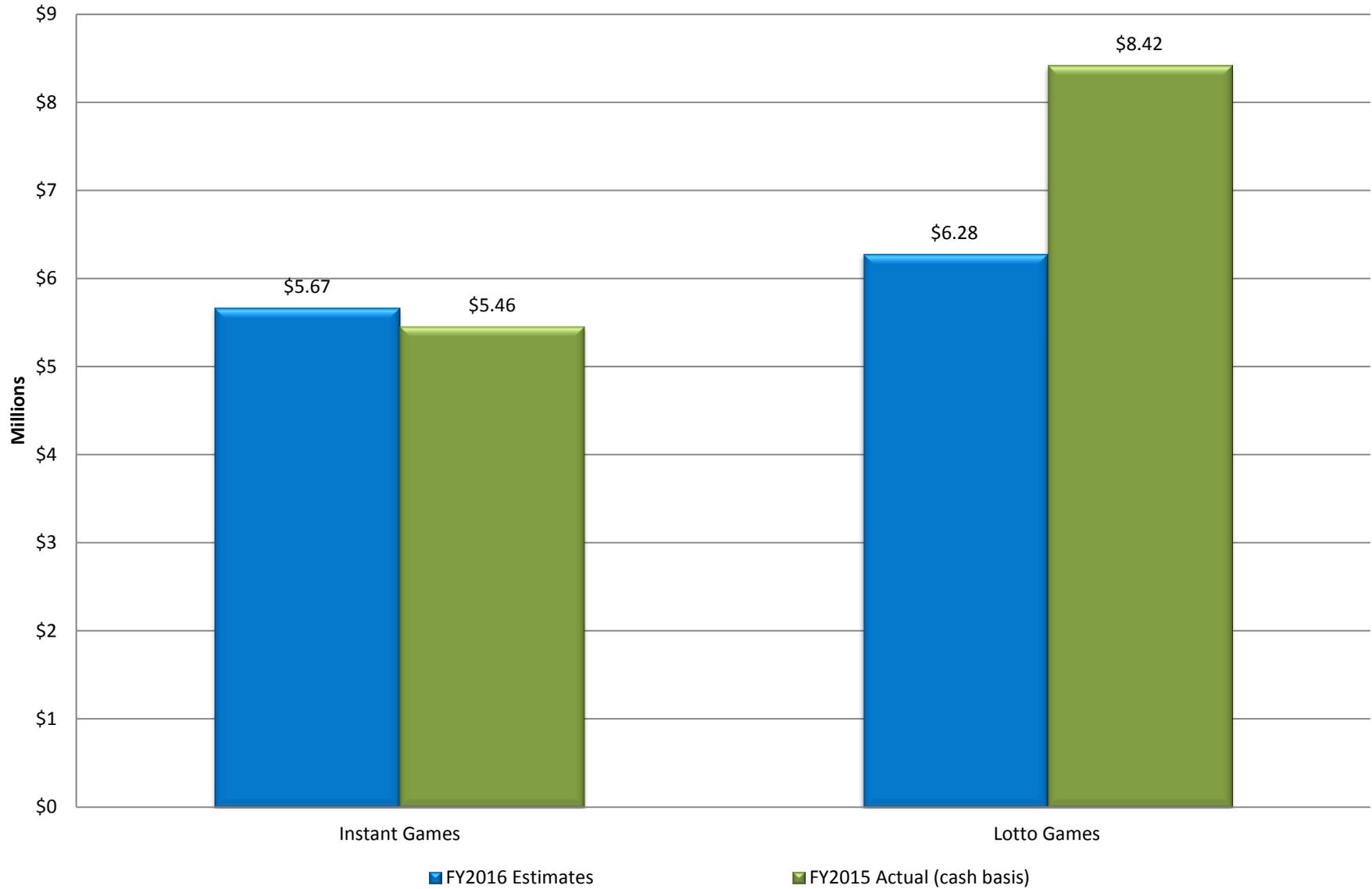


Exhibit F

Total FY16 Revenue Projections Through August 31, 2015

