South Dakota Lottery Commission Meeting June 21, 2023

Secretary of Revenue Comments

Executive Director Comments

Executive Director Comments

- Personnel

- FY23 Audit

- $30 Instant Ticket

$30 Instant Ticket

- Instant Sales – More challenging
- $5, $10, $20 FY Instant Sales growth (See Chart)
  - FY17 = 53.98% of total Instant Sales
  - FY22 = 72.71% of total Instant Sales
- SD Weekly Top 10 Instant Ticket Sales
  - 4 - $20, 2 - $10, 2 - $5, 2 - $3
- Sales of $20 tickets
  - FY17 = $2.59mm; FY22 = $12.76mm

$30 Instant Ticket

- Industry Trend – Higher Price Point Tickets
  - $25 – 14 lotteries
  - $30 – 28 lotteries
  - $50 – 5 lotteries
  - $100 – Texas/Oklahoma
- $30 Ticket offers best chance to win $100 & $500 prizes
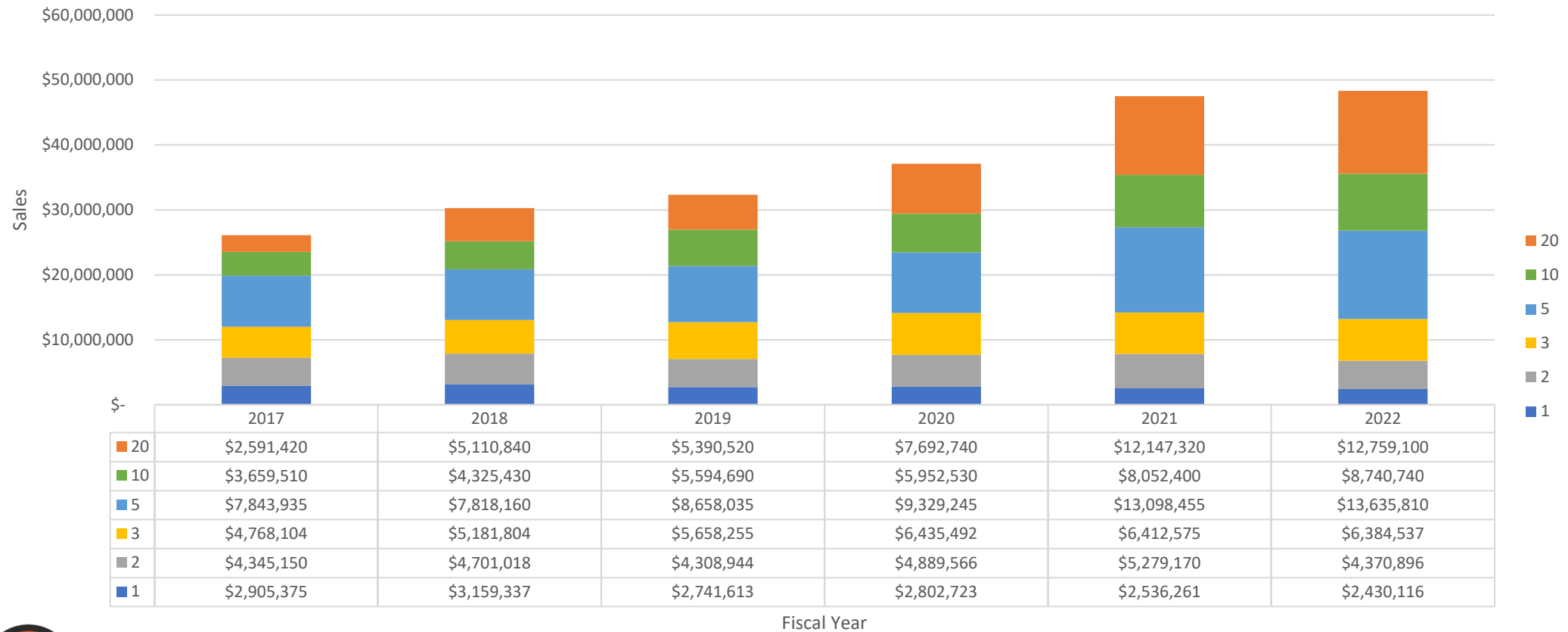- RFP Presentations – All vendors recommended $30 or $50

$30 Instant Ticket

- SD Player Survey
  - 58% survey participants reported interest in higher price point tickets (21% Very Interested, 37% Somewhat Interested)
  - $30 – 61% of participants
  - $50 – 18% of participants

- What SD Players are buying (Average Selling Price Instant Ticket)
  - FY17- $2.99
  - FY22 – $4.40 (+47.16% in six years)

$30 Instant Ticket

Instant Sales by FY and Pricepoint

	2017	2018	2019	2020	2021	2022
20	$2,591,420	$5,110,840	$5,390,520	$7,692,740	$12,147,320	$12,759,100
10	$3,659,510	$4,325,430	$5,594,690	$5,952,530	$8,052,400	$8,740,740
5	$7,843,935	$7,818,160	$8,658,035	$9,329,245	$13,098,455	$13,635,810
3	$4,768,104	$5,181,804	$5,658,255	$6,435,492	$6,412,575	$6,384,537
2	$4,345,150	$4,701,018	$4,308,944	$4,889,566	$5,279,170	$4,370,896
1	$2,905,375	$3,159,337	$2,741,613	$2,802,723	$2,536,261	$2,430,116

Fiscal Year

$30 Instant Ticket

- Weekly Sales Since Launch
  - High of $184k to a Low of $151k
  - Average weekly $30 Sales = $168k

- Instant Ticket Sales FY23 vs FY22
  - Since launch of $30 ticket – 6.7%

Compliance Testing & Consulting Services RFP Recommendation

Current Contract

- Gaming Laboratories International
- Contract – 4-Year Base with 3 1-year extensions
  - All extensions exercised
  - Expires – July 2023

Timeline

- RFP Issued – Nov 8, 2022
- Questions – Dec 9, 2022
- Answers to Questions – Dec 21, 2022
- Proposals Due – Jan 20, 2023

RFP Objectives

- Contract with a vendor who will test lottery products, gaming devices, and associated equipment for compliance with rules, regulations, and/or any directives issued by the South Dakota Lottery.

- 5-year base contract with three 1-year extensions

RFP Requirements

- Responsible for the testing of new software, cabinet, and hardware for video lottery terminals.

- Test the Central Monitoring, Control, and Online systems and related modules and hardware.

- Perform consulting services if requested by the South Dakota Lottery.

RFP Requirements

- Ensure testing is done in compliance with South Dakota laws, rules, and requirements.

- Test Random Number Generators as required by the Lottery.

- Pay for expenses of Vendor provided training opportunities.

Proposals Received

- Gaming Laboratories International

- BMM North America (DBA BMM Test Labs)

GLI Pricing

Required Services	Proposed Rate* ($USD)
1. Professional consulting fees at a dollar amount per hour.	$160 per hour
2. Gaming related peripherals; hardware, software and systems; and other gaming devices and equipment at a dollar amount per hour.	$160 per hour
3. User Acceptance Testing of Video Lottery Central Monitoring and Control System at a dollar amount per hour.	$160 per hour
4. User Acceptance Testing of Video Lottery Central Monitoring and Control System enhancements at a dollar amount per hour.	$160 per hour
5. Random Number Generator testing fee per RNG.	Minimum $5,000 per VLT RNG depending on complexity.

BMM Pricing

Item	Description	UOM	Cost ($)
1	Professional consulting fees at a dollar amount per hour		No Charge
2	Gaming related peripherals; hardware, software, and systems; and other gaming devices and equipment at a dollar amount per hour		
	Testing Engineers / Technical Compliance Engineers	P/Hr	$142.00
	Math, Source Code and Auditing Engineers	P/Hr	$150.00
3	User Acceptance Testing of Video Lottery Central Monitoring and Control System at a dollar amount per hour		
	QA Test Engineer	P/Hr	$65.00
	Test Lead (QA)	P/Hr	$75.00
	Test Manager (QA)	P/Hr	$90.00
	Automation Engineer / Performance / Stress / Load Engineer	P/Hr	$100.00
4	User Acceptance Testing of Video Lottery Central Monitoring and Control System enhancements at a dollar amount per hour		
	QA Test Engineer	P/Hr	$65.00
	Test Lead (QA)	P/Hr	$75.00
	Test Manager (QA)	P/Hr	$90.00
	Automation Engineer / Performance / Stress / Load Engineer	P/Hr	$100.00
5	Random Number Generator testing fee per RNG	P/RNG	$5,000

Scoring

Criteria	Maximum	GLI	BMM
Compliance with RFP	5	4.71	3.43
Expertise, capabilities, and technical competence	15	14.29	13.14
Resources to perform work and specialized services in time limit	15	14.29	13.29
Past performances	10	8.71	7.86
Availability for projects	10	10.00	9.71
Familiarity with projects	15	14.71	13.00
Project management techniques	15	13.57	14.00
Ability and history to perform special project constraints	10	9.29	8.71
Pricing	5	3.43	4.71
Total	100	93.00	87.86

Recommendation

Seeking approval to enter into final negotiations with GLI.

Sales Report
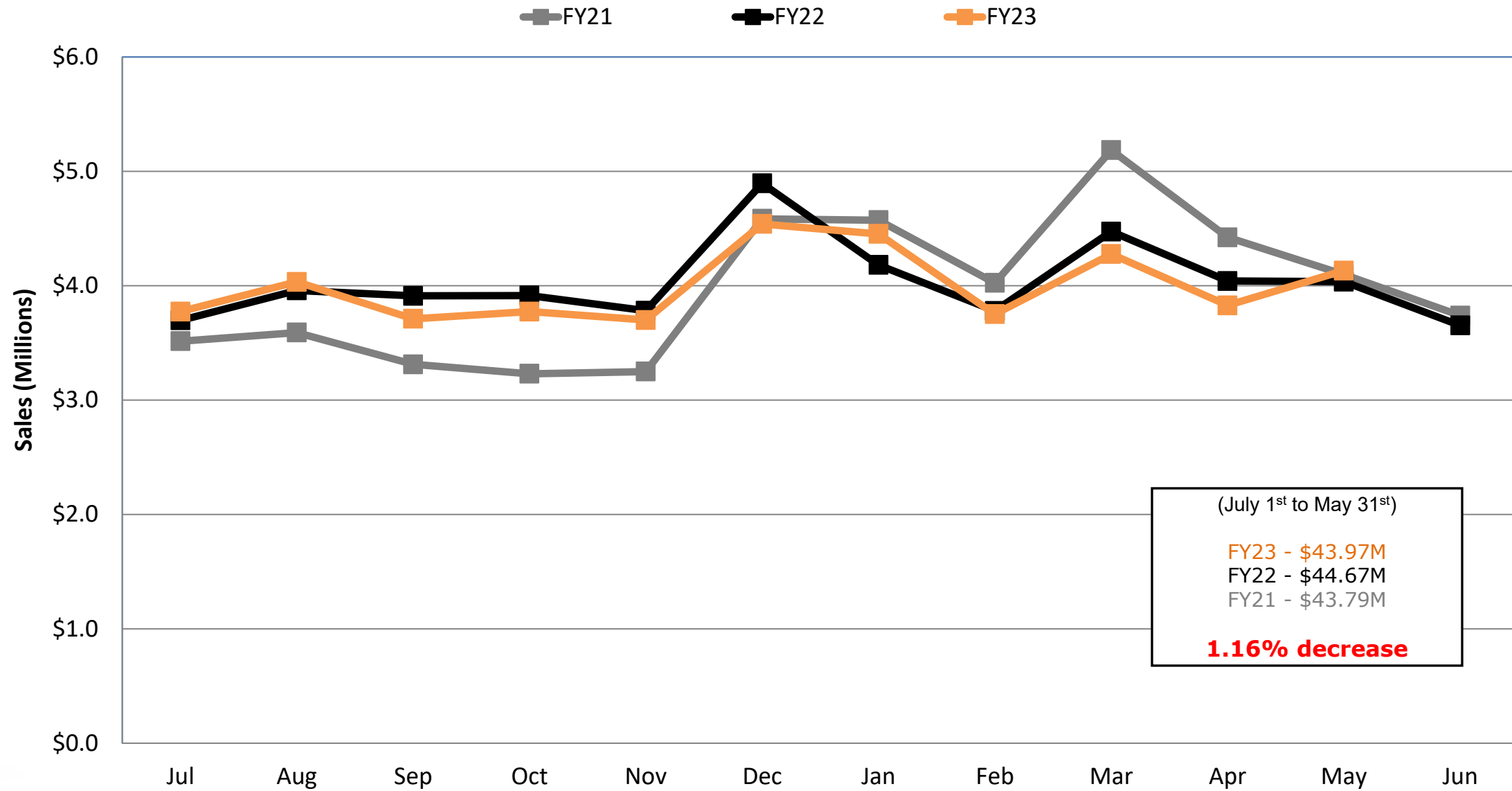
Instant Sales by Month And Fiscal Year

The New Neon Family

NEON 5s
$5

Reveal a "5" symbol in any play spot, win PRIZE shown for that symbol. Reveal a "5X" symbol, win 5 TIMES the PRIZE shown!

WIN UP TO $25,000!

SOUTH DAKOTA LOTTERY

$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE

NEON 2s
$2

Reveal a "2" symbol in any play spot, win PRIZE shown for that symbol. Reveal a "2X" symbol, win DOUBLE the PRIZE shown!

WIN UP TO $5,000!

SOUTH DAKOTA LOTTERY

$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE
$ PRIZE

NEON 1s
$1

Reveal a "1" symbol and win prize for that symbol.

$ $ $ $ $ $

WIN UP TO $1,000!

SOUTH DAKOTA LOTTERY

NEON 10s
$10

Reveal a "10" symbol in any play spot, win PRIZE shown for that symbol. Reveal a "10X" symbol, win 10 TIMES the PRIZE shown!

WIN UP TO $50,000!

SOUTH DAKOTA LOTTERY

$ PRIZE
$ PRIZE
$ PRIZE
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L

Instant Top Prize Winners

$25,000 Top Prize

Kayla Moss of Aberdeen
Daily Crossword
Casey's General Store – Aberdeen

$20,000 Top Prize

Samantha Blacksmith
Diamond Bingo
Hy Vee Gas – East 10 Street, Sioux Falls

Instant Top Prize Winners

- **$35,000 Power Shot (Rapid City)**

- **$27,777 Red, White and Blue 7's (Brookings)**

- **$27,777 Red, White and Blue 7's (Presho)**

- **$20,000 Bingo Night (Pine Ridge)**

- **7 - $10,000 Prizes**
  - **Casino Nights – Yankton**
  - **Casino Nights – Belle Fourche**
  - **10X - Brookings**
  - **10X – Sioux Falls**
  - **$250,000 Bonus – Rapid City (3)**

Over 500 - $500 Winners

Paid Out Over $30,312,700 Year to Date
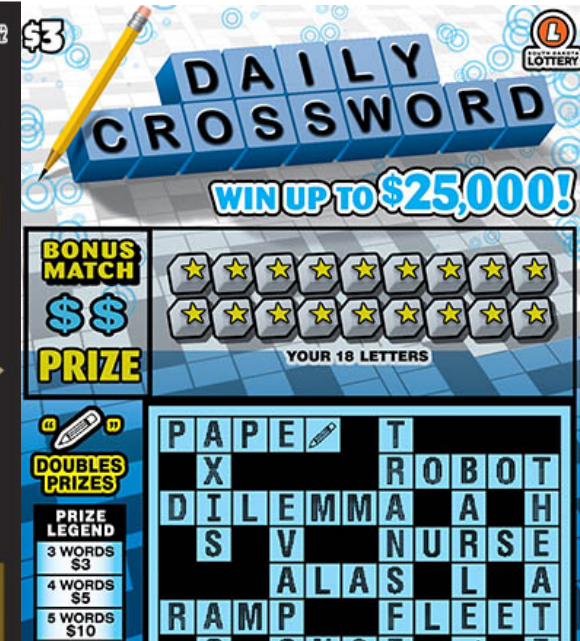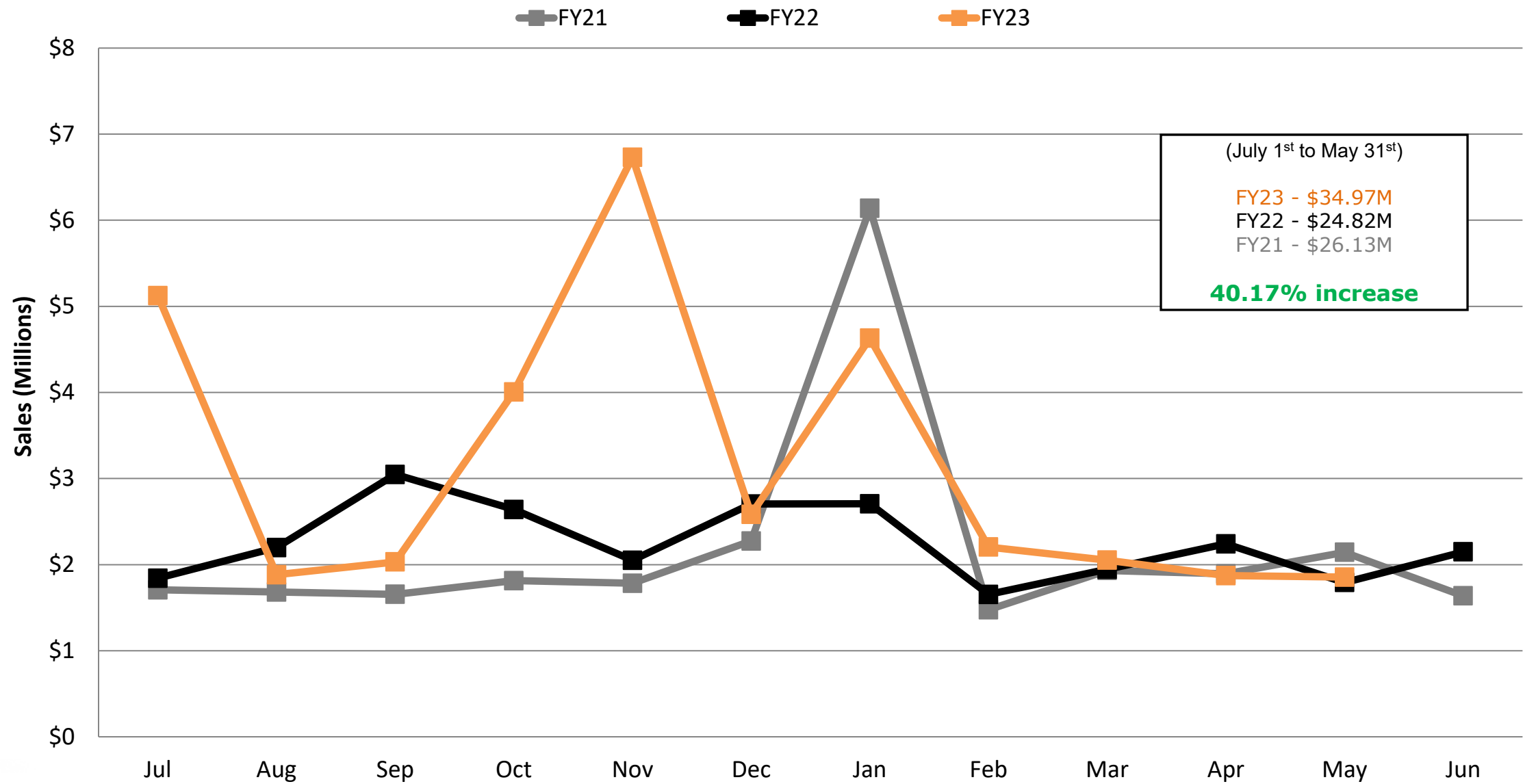
$ 1,000,000 Powerball Winner

Kessler's Inc
Aberdeen

Lotto Winners

Paid Out Over $14,263,100 in Lotto Prizes Year to Date

$390,000 Lucky for Life Winner
- DJ's Travel Center - Huron

$200,000 Powerball Winner
- Elk Creek Valley Market - Piedmont

$95,081 Dakota Cash Winner
- Cahoy's General Store - Bonesteel

$ 10,000 Mega Million Winners
- Hy-Vee Gas - Brookings

Instant and Online FY23 Revenue
Projections as of May 31, 2023

Millions

$14

$12

$10

$8

$6

$4

$2

$0

$5.91

$11.80

FY 2023 Estimates

$10.35

$7.59

FY 2022

■ Instant Games ■ Lotto Games

Video Lottery NMI

(July 1st to May 31st)

FY23 - $302.34M
FY22 - $299.41M
FY21 - $275.33M

0.98% increase
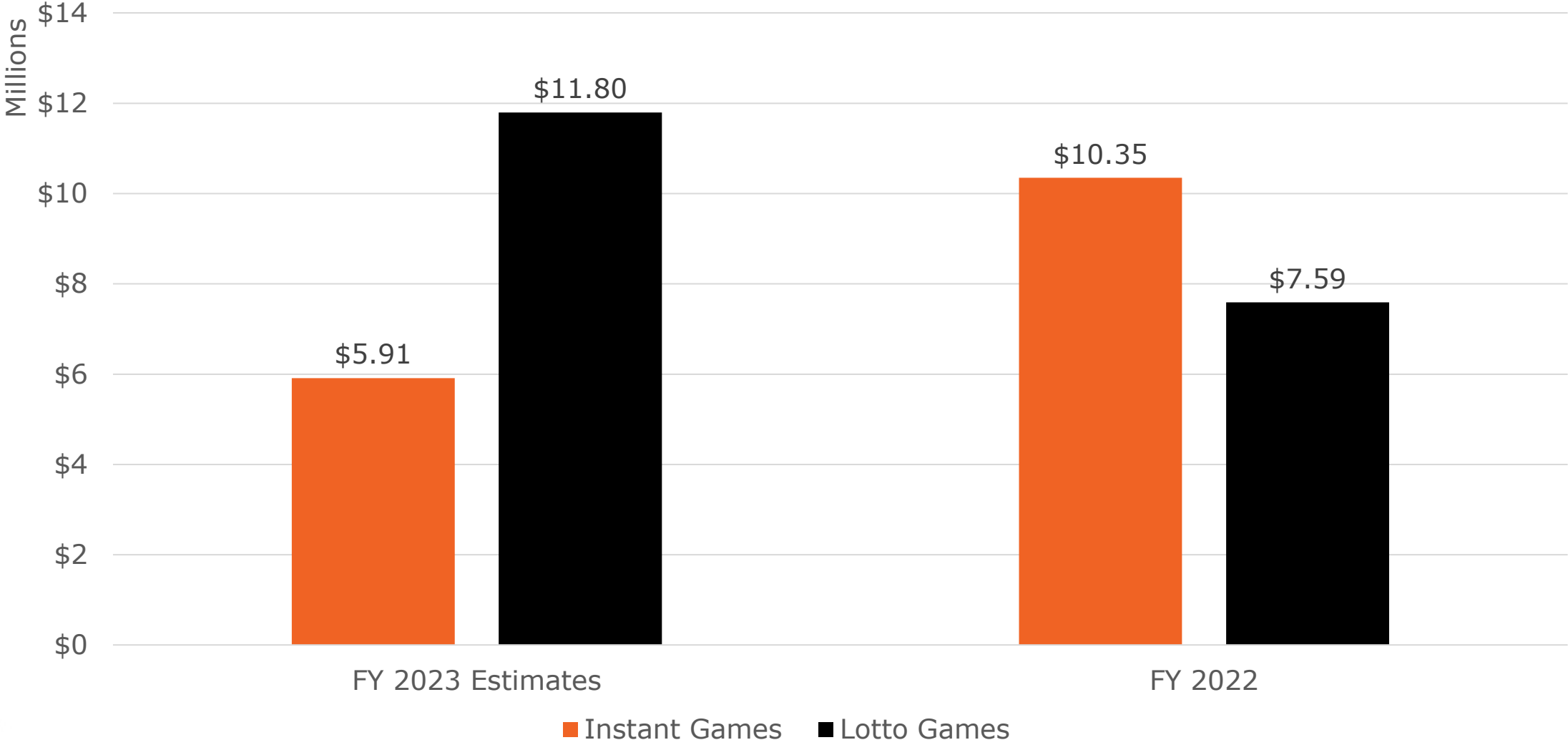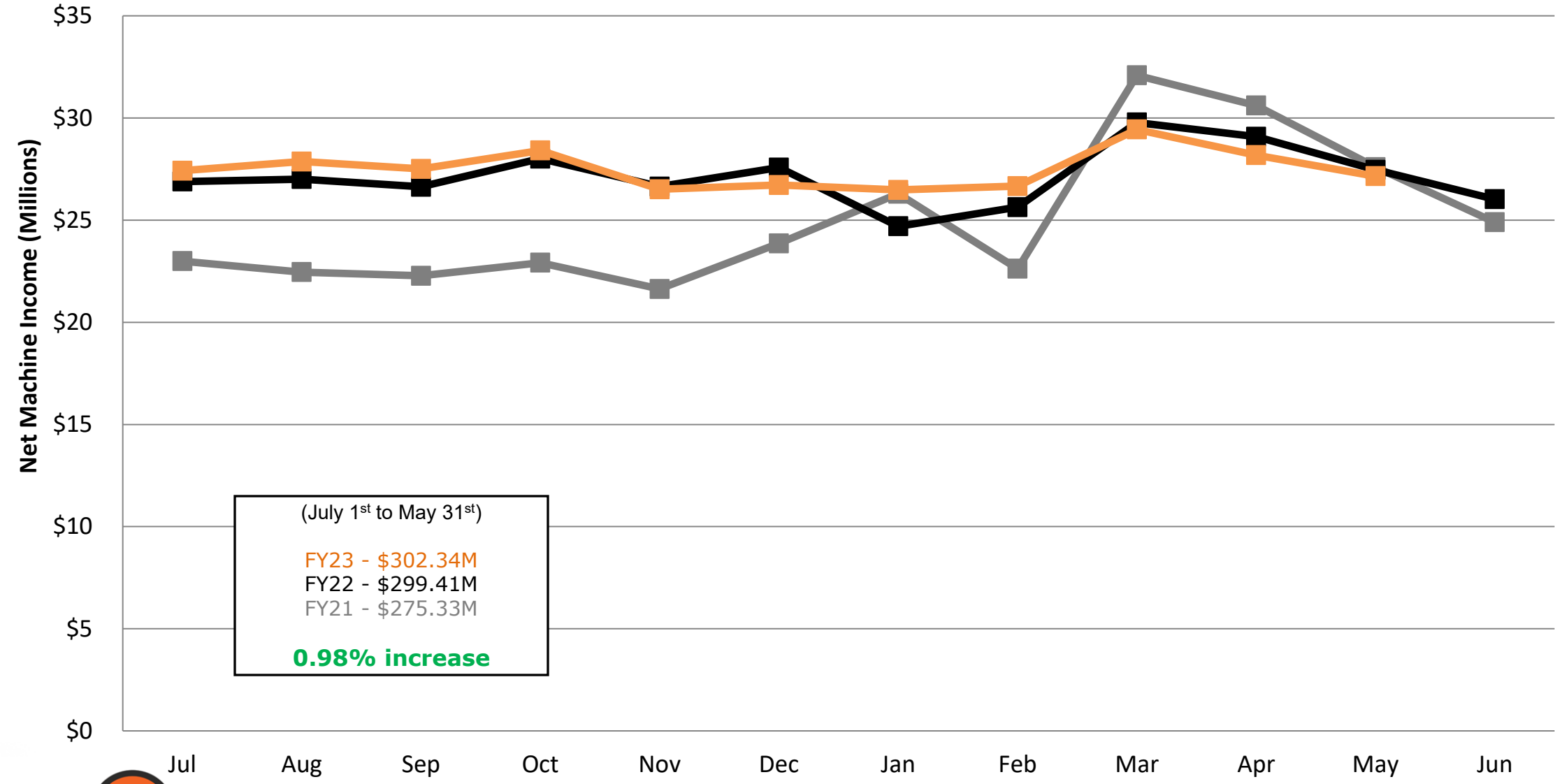
Video Lottery FY23 State Share Revenue Projection as of May 31, 2023
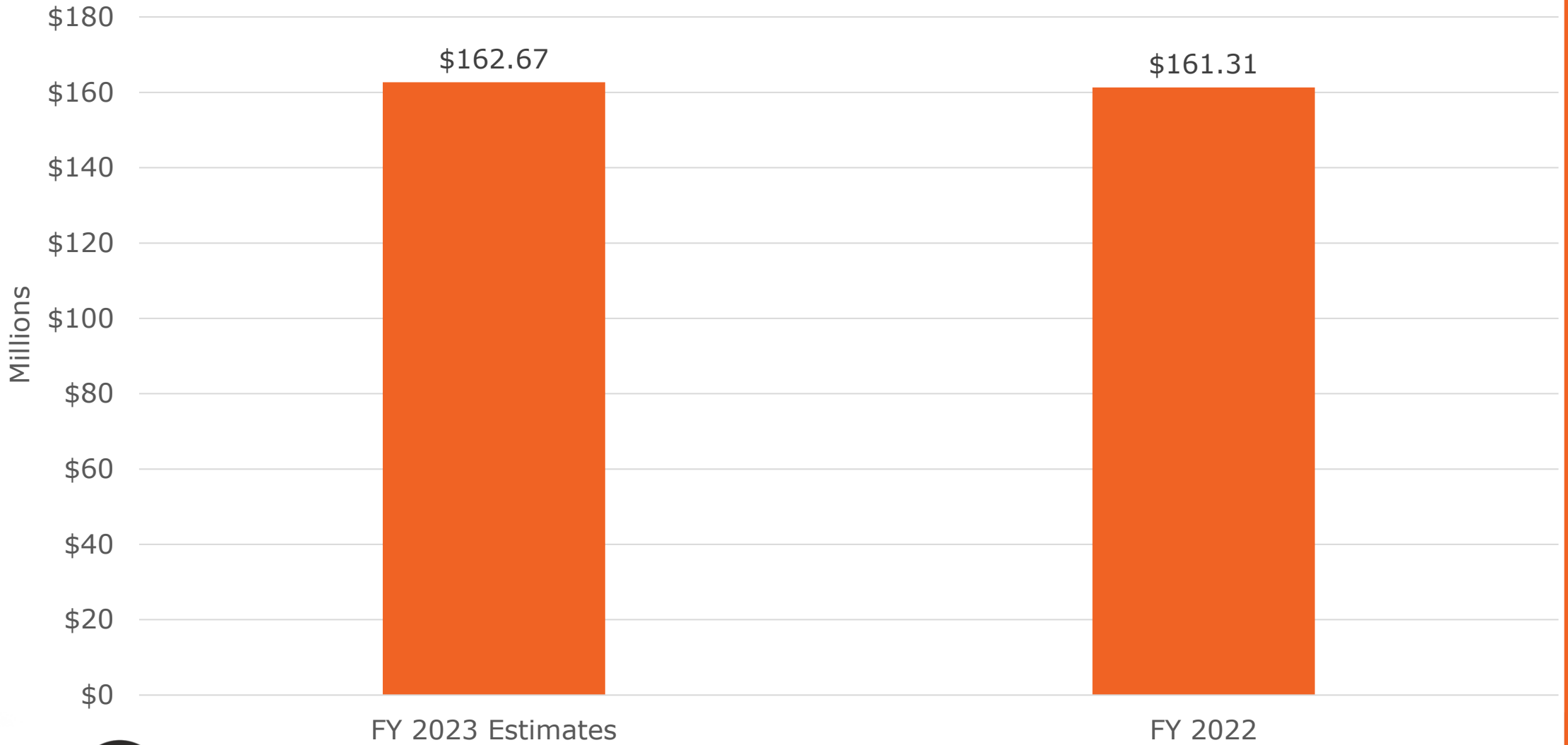
Total FY23 Revenue Projections as of May 31, 2023

$180.38
$11.80
$5.91
$162.67

$179.25
$7.59
$10.35
$161.31

FY 2023 Estimates

FY 2022

Millions

$200
$180
$160
$140
$120
$100
$80
$60
$40
$20
$0

■ Video Lottery   ■ Instant Games   ■ Lotto Games

Percent Change of Instant Sales YOY FY2023 over FY2022

Top Instant Ticket Markets

City	FY22	FY23	$ Change	% Change
Sioux Falls	$10,651,818	$10,743,063	$91,245	0.86%
Rapid city	$6,223,522	$6,619,368	$395,846	6.36%
Aberdeen	$1,728,722	$1,855,462	$126,740	7.33%
Watertown	$1,511,254	$1,515,017	$3,763	0.25%
Brookings	$1,069,288	$1,093,722	$24,434	2.29%
Yankton	$1,120,407	$1,037,314	-$83,093	-7.42%
Spearfish	$890,337	$937,456	$47,119	5.29%
Mitchell	$1,088,838	$1,075,224	-$13,614	-1.25%
Pierre	$1,090,045	$1,059,729	-$30,316	-2.78%
Huron	$909,346	$860,914	-$48,432	-5.33%
Other	$18,384,976	$17,353,189	-$1,031,787	-5.61%
Total	$44,668,553	$44,150,458	-$518,095	-1.16%

Instant Sales by Price Point

■ FY22 ■ FY23

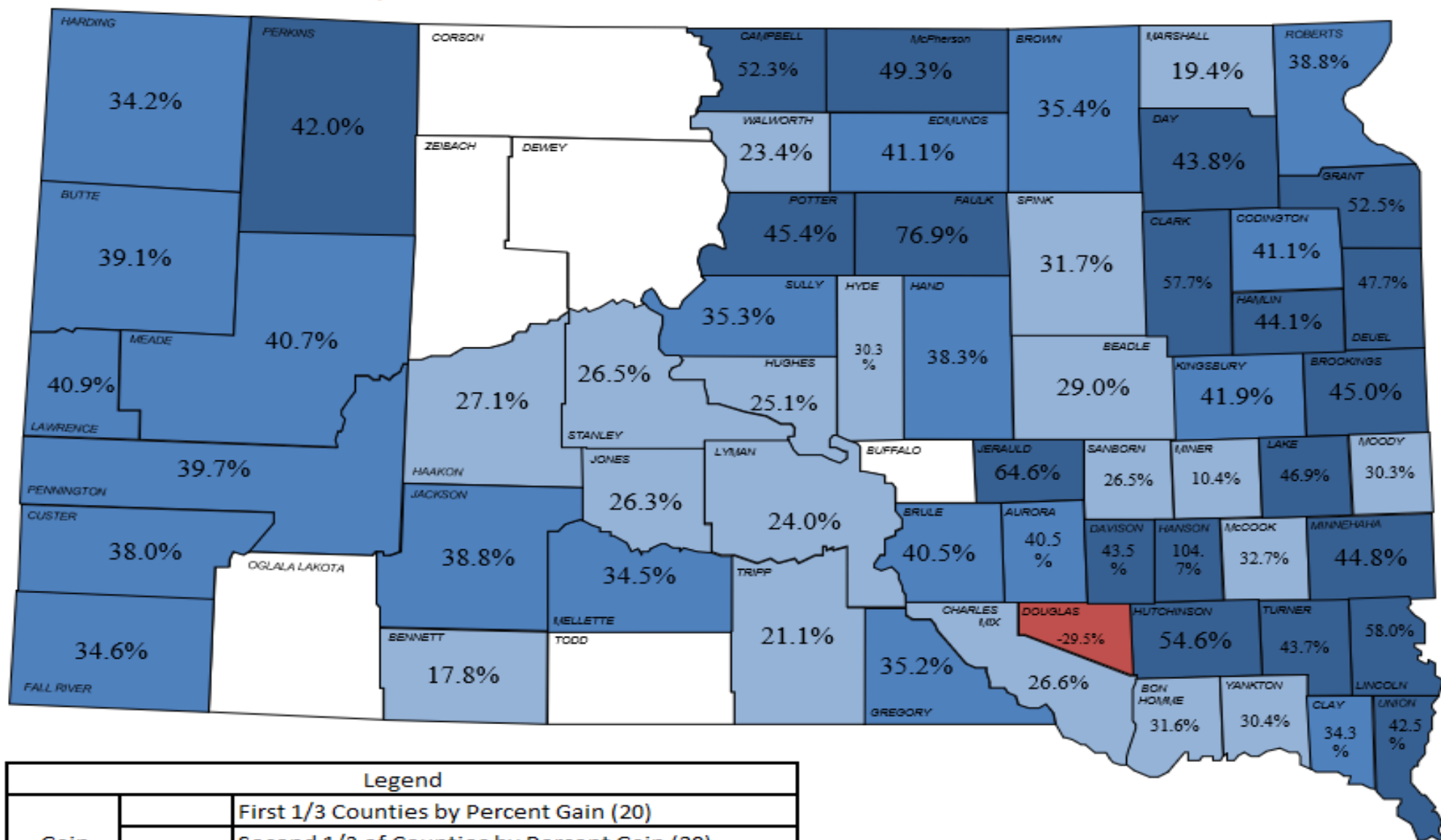| Price Point	% Change
$1	0.51%
$2	-16.24%
$3	-0.15%
$5	-14.82%
$10	8.96%
$20	5.44%

FY2023
Online Review
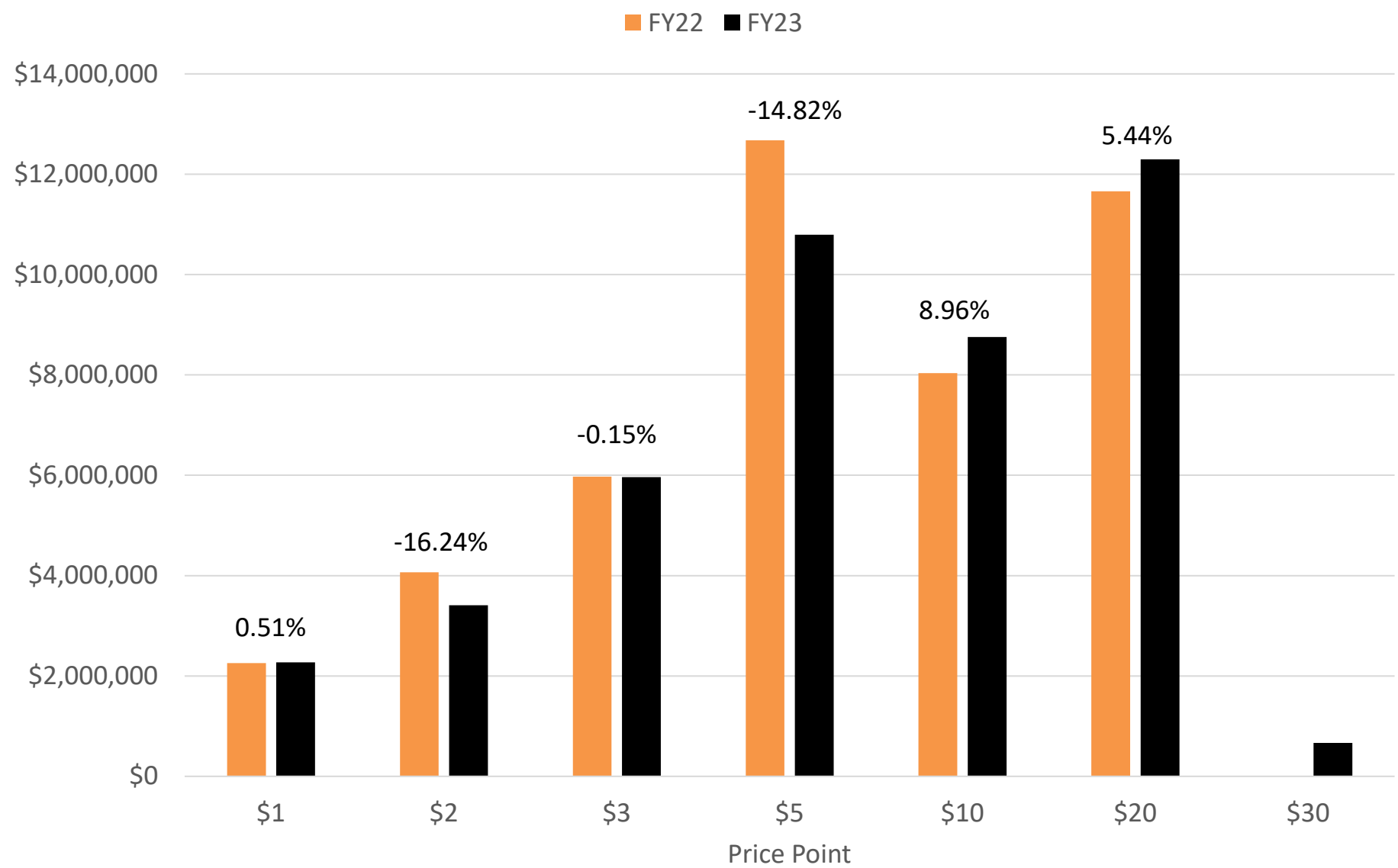
SOUTH DAKOTA LOTTERY
GOOD FUN

A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Percent Change of Lotto Sales YOY FY2023 over FY2022

Legend		
Gain		First 1/3 Counties by Percent Gain (20)
		Second 1/3 of Counties by Percent Gain (20)
		Last 1/3 of Counties by Percent Gain (19)
N/A		No Lotto Sales
Loss		Counties by Percent Loss (1)

Top Lotto Ticket Markets

City	FY22	FY23	$ Change	% Change
Sioux Falls	$5,640,107	$8,132,991	$2,492,884	44.20%
Rapid city	$3,345,099	$4,645,650	$1,300,551	38.88%
Aberdeen	$1,035,185	$1,383,376	$348,191	33.64%
Watertown	$1,093,690	$1,535,212	$441,522	40.37%
Pierre	$771,691	$962,747	$191,056	24.76%
Yankton	$771,877	$1,006,661	$234,784	30.42%
Mitchell	$680,042	$975,727	$295,685	43.48%
Spearfish	$564,170	$785,650	$221,480	39.26%
Brookings	$551,549	$787,676	$236,127	42.81%
Huron	$503,505	$660,968	$157,463	31.27%
Other	$9,863,211	$13,914,709	$4,051,498	41.08%
Total	$24,820,126	$34,791,367	$9,971,241	40.17%

Sales by Lotto Game
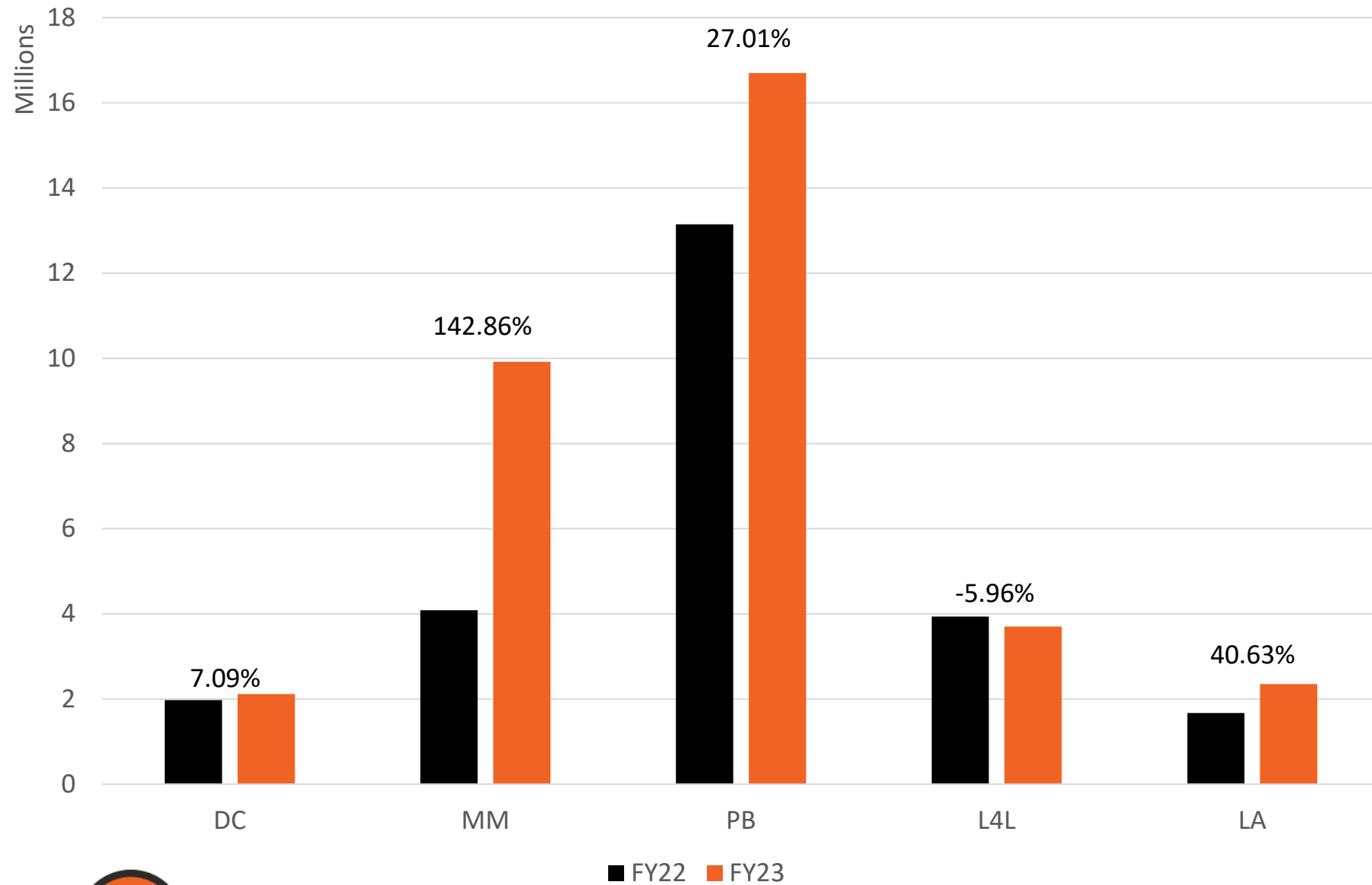
Marketing Report

Responsible Gambling Verification

- We received verification from the NASPL and the National Council on Problem Gambling.

- We received 2-year certification at the Planning Level.

- Focus will be on the Employee Training, Retailer Training and Research.

FY24 Marketing

- We met with Lawrence & Schiller in spring to discuss upcoming strategy.

- We discussed our core campaigns and potential adjustments to them.

- The teams also evaluated the marketing of specific products.

FY24 Marketing

- We also discussed Players Club strategy.

- We also identified potential sponsorship opportunities as digital platform improvements.

Other Initiatives

- Neon Family

- Lucky for Life Second Prize Winner

- $30 Ticket

- NASCAR Powerball Playoff

Video Lottery Report

Number of Terminals and Establishments as of May 31, 2023
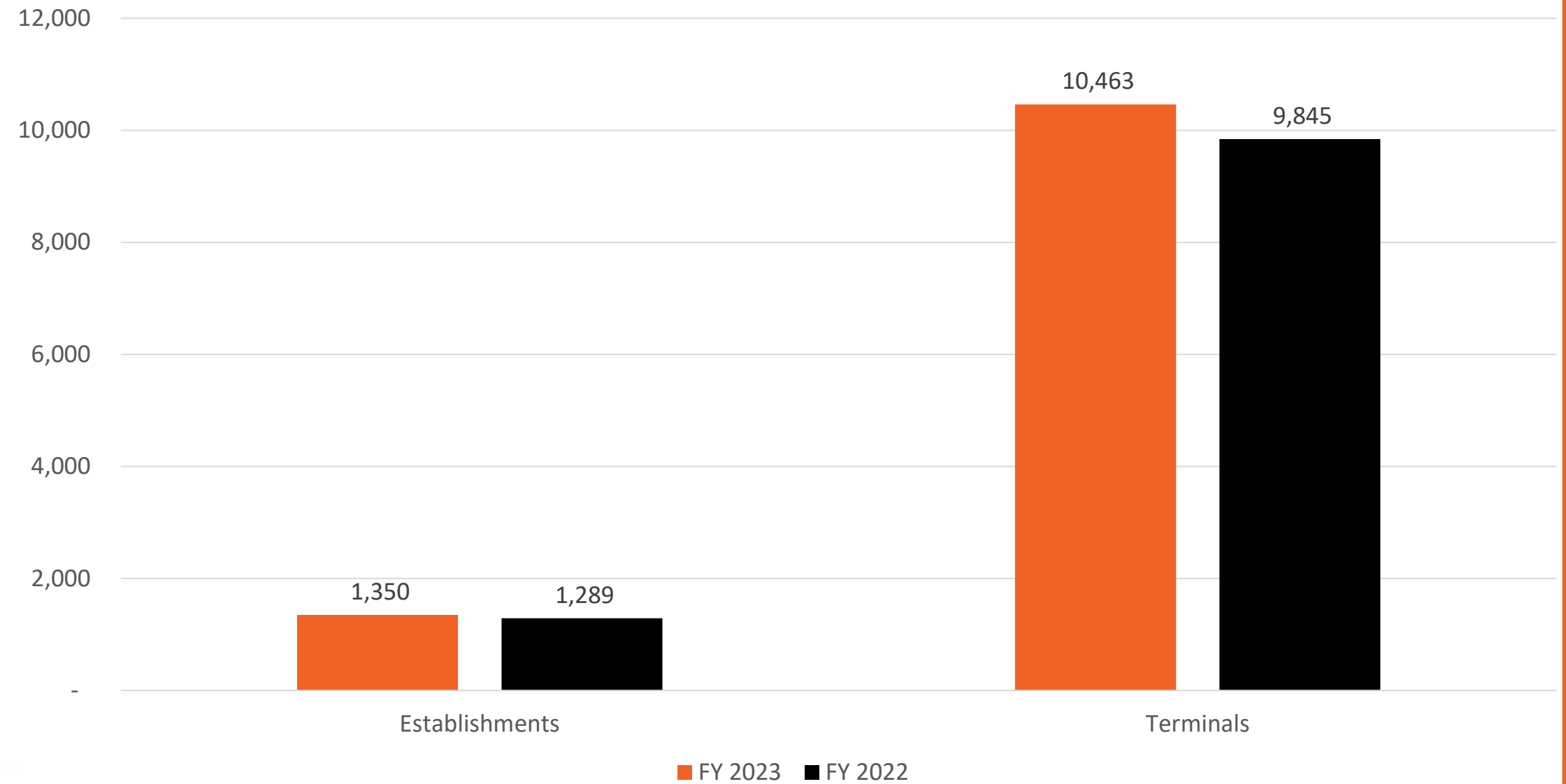
Terminal Counts - Legacy vs. Line
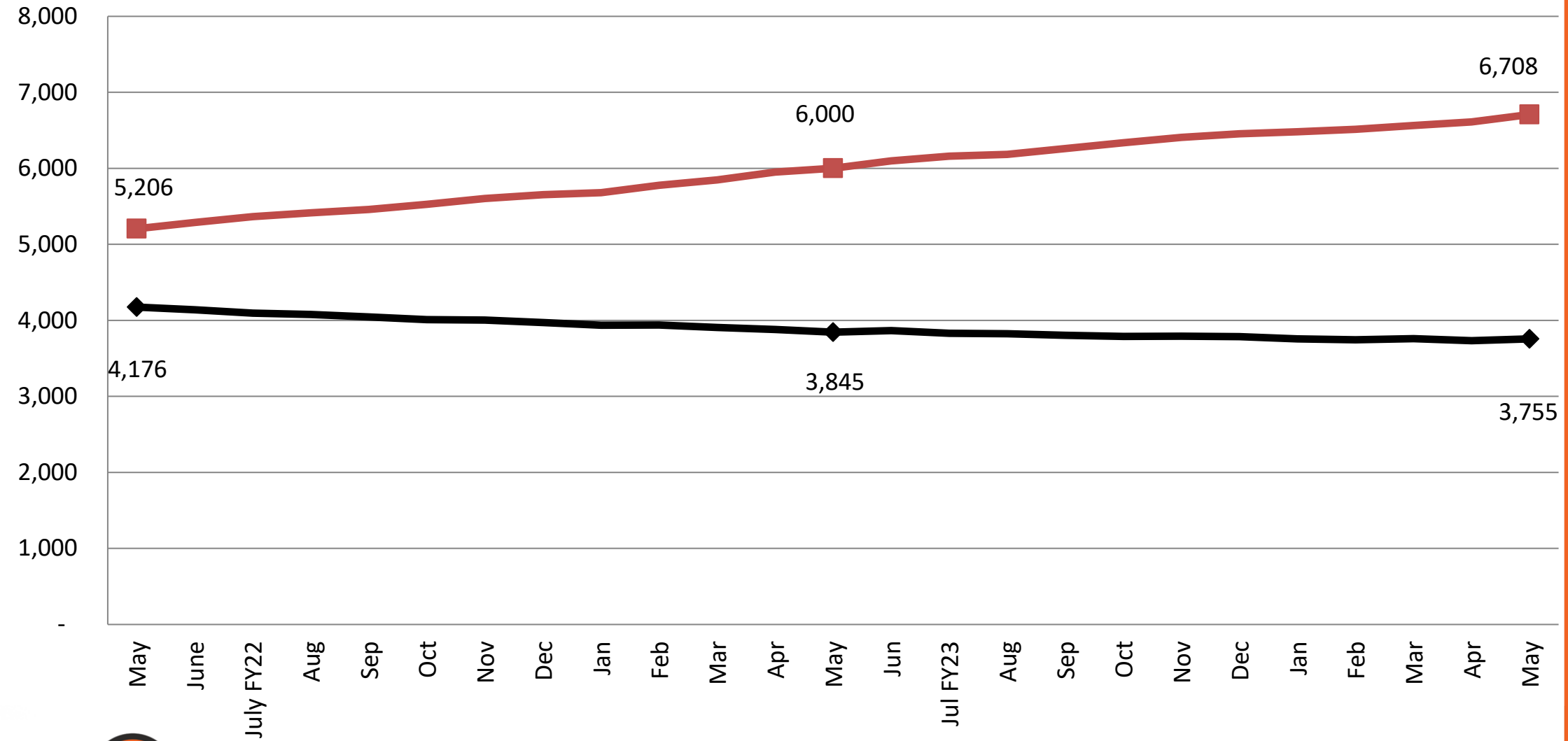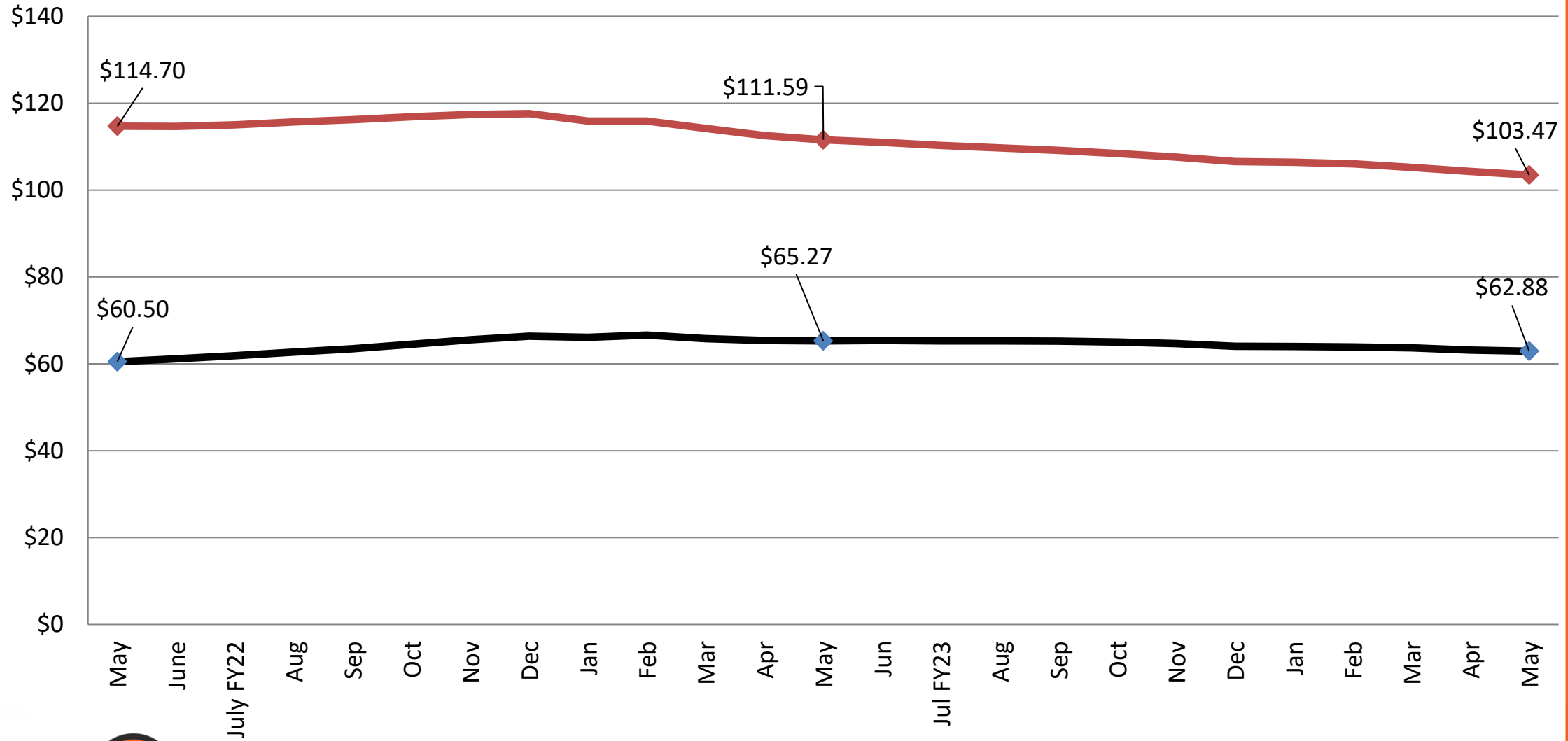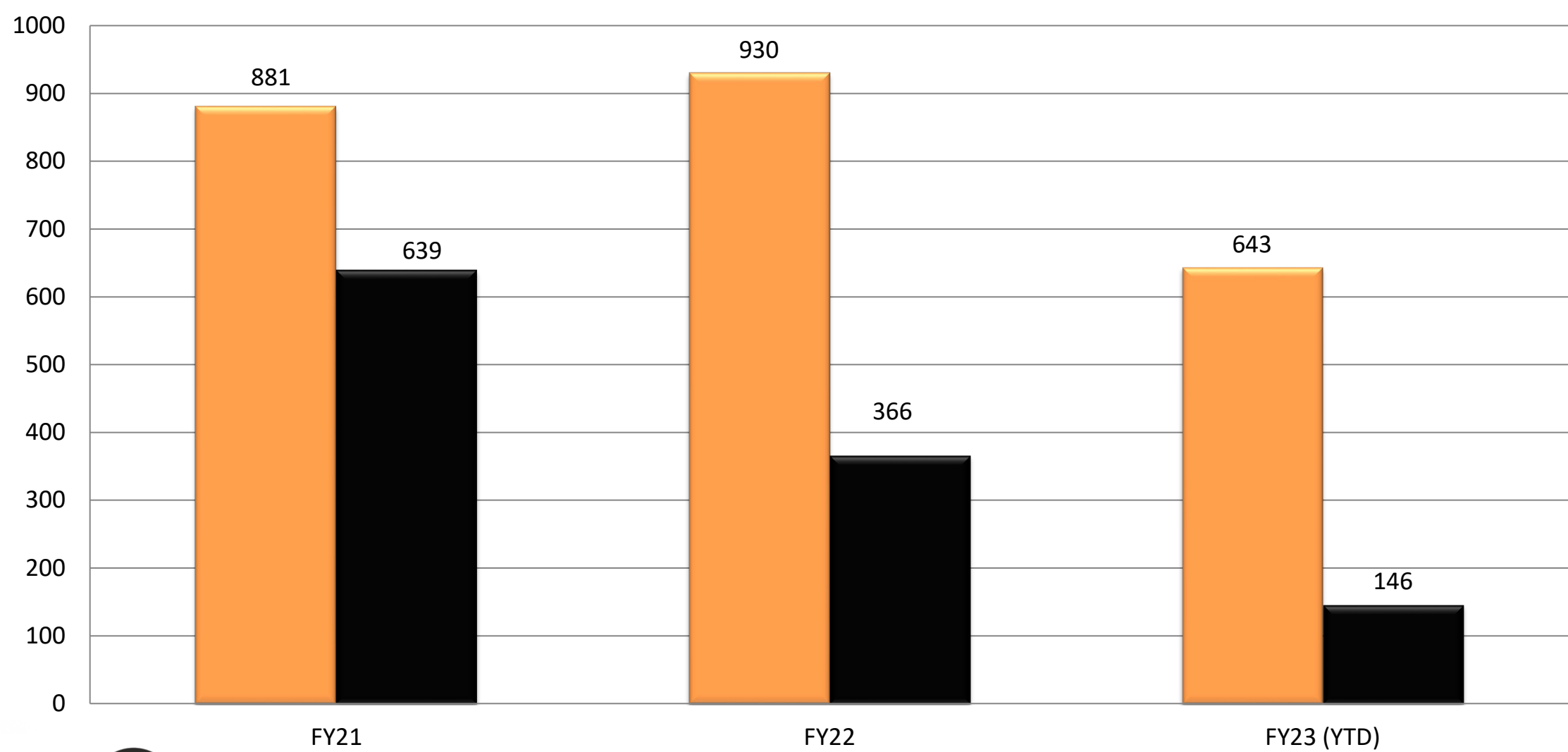
TITO Status

- Implementation
- Notices and Instructions for Operators, Establishments and Players Include:
  - One-Page instruction sheets
  - Website Updates
  - Videos
  - Stickers on Compatible Machines