

South Dakota Lottery Commission Meeting September 12th, 2019



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Secretary of Revenue Comments



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Video Lottery Rules Hearing



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Why the Rule Change

- Licensed manufacturer requested the rule change.
- Rule change will not replace the current method, but will include another way of determining winning outcomes.
- Still required to adhere to SDCL 42-7A and ARSD 48:02.
- There is no change to the player, just a different way of programming the machine that determines the outcome.



Current Methodology

- Random Number Generator selects a minimum of 3 numbers, or symbols that meets the randomness of ARSD 48:02:08:02.
- These combinations of numbers or symbols displayed will determine the winning or non-winning outcomes.
- Winning combination may be vertical, horizontal or diagonal lines or other specified shapes.
- It randomly generates each reel independently.



Proposed Rule Changes

On line 26 **add** paragraph number “(7) Notwithstanding any other requirement of this section, the game may determine the outcome by randomly drawing from a pre determined pool of prize values to determine win or loss and displaying all wins as a winning combination on the screen. Each outcome contained in the predetermined pool of prize values must be available to be drawn on each play of the game.”



New Methodology

- Random Number Generator Selects Prize Value to determine win or non-win.
- The RNG randomly selects from a list of every combination of outcomes, instead of an individual reel on each spin. (Win or non-win)
- All wins or non-wins will then be displayed as winning or non-win combinations on the terminal screen.
- List of values in determining outcome could range between 40,000 to 100,000 different outcomes depending on the game theme and denomination.
- Selected value for each spin is added back to the pool after each spin.



Example of a Win Values Chart

Number	Corresponding Win Value
1	\$0.00
2	\$1.00
3	\$0.00
4	\$6.00
5	\$5.75
6	\$4.00
7	\$0.00
8	\$4.25
9	\$0.00
10	\$0.00
11	\$5.00
12	\$3.50
13	\$0.00
14	\$0.00
15	\$2.00



Example of a Win Values Chart

Number	Corresponding Win Value
1	\$0.00
2	\$1.00
3	\$0.00
4	\$6.00
5	\$5.75
6	\$4.00
7	\$0.00
8	\$4.25
9	\$0.00
10	\$0.00
11	\$5.00
12	\$3.50
13	\$0.00
14	\$0.00
15	\$2.00



Example of a Win Values Chart

The screenshot shows a slot machine game with 5 reels and 4 rows. The reels are currently displaying the following symbols from left to right:

- Reel 1: VAMPS (top 3 rows), VAMPS (bottom row)
- Reel 2: Q (top row), J (second row), [Vampire Man Image] (third row), Q (bottom row)
- Reel 3: Q (top row), [Vampire Woman Image] (second row), K (third row), 10 (bottom row)
- Reel 4: K (top row), VAMPS (top 3 rows), VAMPS (bottom row)
- Reel 5: Q (top row), K (second row), Q (third row), J (bottom row)

A horizontal line of 'Q' symbols is highlighted across the top row of Reels 2, 3, and 5. A 'VAMPS' symbol in the top row of Reel 1 is also highlighted. Colored lines (yellow, blue, white) connect these symbols to the 'WIN 600' value in the bottom right of the interface.

SPINS REMAINING: 3 SPINS PLAYED: 2

Free Spin Pays 250 Playing Bonus Reels

1¢ DEMO BET 200 CREDIT \$154.08 WIN 600 12:06AM



Example of a Win Values Chart

Number	Corresponding Win Value
1	\$0.00
2	\$1.00
3	\$0.00
4	\$6.00
5	\$5.75
6	\$4.00
7	\$0.00
8	\$4.25
9	\$0.00
10	\$0.00
11	\$5.00
12	\$3.50
13	\$0.00
14	\$0.00
15	\$2.00



Example of a Win Values Chart

The screenshot displays a slot machine game interface. The main play area is a 5x3 grid of symbols. The symbols are arranged as follows:

Character 1	A	Character 1	WILDS	9
10	Character 1	J	WILD	Q
A	K	Character 2	A	Character 2
Q	Character 3	J	Character 4	K

Below the grid, the game status is displayed:

- Playing 40 lines at 5 credits per line
- Game Pays 500
- Line Win Pays 500

The control panel at the bottom includes the following elements:

- 1¢ (Coin value)
- GAME MENU (Button)
- BET 200 (Current bet)
- CREDIT \$151.72 (Current credit balance)
- WIN 000 (Current win amount)
- 13:08 AM (Time)
- STOP (Button)



Summary of Changes

- Rule change will not replace the current method, but will include another way of determining winning outcomes.
- Still required to adhere to SDCL 42-7A and ARSD 48:02.
- Uses a Random Number Generator to select prize value to determine win or non-win.
- All wins will then be displayed as winning combinations on the terminal screen.
- List of values in determining outcome could range between 40,000 to 100,000 different outcomes depending on the game theme and denomination.
- Selected value for each spin is added back to the pool after each spin.



Executive Director Comments



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Executive Director Comments

- FY19 Sales (Unaudited)
 - Instant - \$32.29 Million (8.1%)
 - Lotto - \$30.71 Million (11.8%)
 - Video Lottery - \$113.97 Million (4.5%)
- Audits
 - Annual Audit
 - MUSL Rule 2
- Personnel



Lotto System Conversion Update



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Lotto System Conversion Update

- Project Kickoff - January 15
- Requirements Gathering
 - Weekly Change Control Board
- New Terminal and Peripherals
 - Installation began July 22
- Customer Acceptance Testing (CAT)
- Host, Navigator, Claims and Payments, Biz Apps



Lotto System Conversion Update

- Parallel Processing
 - October 13 to November 3 (Daily Data Dumps)
- Training
 - Both Retailers and Lottery Staff
 - Scheduled to begin on September 23
- Conversion Date
 - Tuesday, November 5, 2019 (Align to lottery billing period)
 - 7 Weeks



Video Lottery Contracts



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Current Contract

- Scientific Games
- Expires November 2019
- 5 1-year extensions available



Objectives of RFP

- Updated Technology
- Efficiencies
- Enhanced Analytical Tools



Timeline

- Publish RFP January 31, 2018
- Vendors Submit Questions February 23, 2018
- Lottery Responds to Questions March 9, 2018
- Vendors Submit 2nd Round of Questions March 16, 2018
- Lottery Responds to 2nd Round of Questions March 30, 2018
- Proposals Submission Deadline April 20, 2018
- Evaluate Proposals-including demonstrations and site visits
May-August, 2018
- South Dakota Lottery Commission meeting September 12, 2019



Proposals Received

- Intralot
- IGT
- Pollard Bank Note – Loyalty Program Only
- Scientific Games



Scoring

Section Number	Category	Number of Points
5.1	System Design	18
5.4	Operations	18
5.3	Overall Network and Communications	12
5.6	Reporting	12
5.2	Site Controller	10
5.7	Conversion	8
5.8	Training	7
5.5	Interfaces	5
5.9	Acceptance Testing	5
	Cost	5
Total Possible Video Lottery Score		100



Video Lottery RFP Scoring

Section Number	Category	IGT	SGI	Intralot
5.1	System Design	13.80	13.20	12.80
5.4	Operations	13.80	13.60	13.00
5.3	Overall Network & Communications	9.40	9.40	8.00
5.6	Reporting	9.80	9.00	8.60
5.2	Site Controllers	7.60	7.20	5.60
5.7	Conversion	5.80	6.40	5.20
5.8	Training	4.00	4.00	5.20
5.5	Interfaces	3.00	3.60	3.60
5.9	Acceptance Testing	3.40	3.60	3.60
	Cost	1.00	4.00	2.40
	Total Video Lottery Score	71.60	74.00	68.00

The scores above are based on the average of the team members' scores.



Recommendation

- Scientific Games
 - Microsoft SQL Server Reporting
 - Ease of Conversion
 - Price



Base System Cost Comparison

SGI Base

\$2,966,985

	FY13	FY14	FY15	FY16	FY17
Basic License and Service Fee (0.3%)	\$553,922	\$555,740	\$597,386	\$622,808	\$637,129
Advanced Asset Tracking - 5.4.9.9	\$0	\$0	\$0	\$0	\$0
Advanced Establishment Licensing - 5.4.10.3	\$0	\$0	\$0	\$0	\$0
Advanced Establishment Compliance - 5.4.10.5	\$0	\$0	\$0	\$0	\$0
SAS Based Progressives - 5.4.1	\$0	\$0	\$0	\$0	\$0
Advanced Communication Technologies - 5.3.1.9	\$0	\$0	\$0	\$0	\$0
Total	\$553,922	\$555,740	\$597,386	\$622,808	\$637,129

SGI Enhanced

\$9,395,452

	FY13	FY14	FY15	FY16	FY17
Basic License and Service Fee (0.3%)	\$553,922	\$555,740	\$597,386	\$622,808	\$637,129
Advanced Asset Tracking - 5.4.9.9	\$0	\$0	\$0	\$0	\$0
Advanced Establishment Licensing - 5.4.10.3	\$0	\$0	\$0	\$0	\$0
Advanced Establishment Compliance - 5.4.10.5	\$0	\$0	\$0	\$0	\$0
SAS Based Progressives - 5.4.1	\$0	\$0	\$0	\$0	\$0
Advanced Communication Technologies - 5.3.1.9	\$0	\$0	\$0	\$0	\$0
System Operation (0.65%)	\$1,200,164	\$1,204,104	\$1,294,337	\$1,349,417	\$1,380,445
Total	\$1,754,085	\$1,759,844	\$1,891,724	\$1,972,225	\$2,017,574



IGT System Cost Comparison

IGT	\$10,156,978				
	FY13	FY14	FY15	FY16	FY17
Basic License and Service Fee (0.8842%)	\$1,632,592	\$1,637,952	\$1,760,697	\$1,835,623	\$1,877,830
Advanced Asset Tracking - 5.4.9.9 (0.0354%)	\$65,363	\$65,577	\$70,492	\$73,491	\$75,181
Advanced Establishment Licensing - 5.4.10.3 (0.0345%)	\$63,701	\$63,910	\$68,699	\$71,623	\$73,270
Advanced Establishment Compliance - 5.4.10.5 (0.0318%)	\$58,716	\$58,908	\$63,323	\$66,018	\$67,536
SAS Based Progressives - 5.4.1 (0.0411%)	\$75,887	\$76,136	\$81,842	\$85,325	\$87,287
Total	\$1,896,259	\$1,902,484	\$2,045,053	\$2,132,079	\$2,181,104



Site Controllers

SGI

	Purchase	Lease
Site Controller	\$3,395	\$4,340
Cellular (\$70/month)	\$5,880	\$5,880
One Time Connection Fee	\$125	\$125
Total 7 year Cost	\$9,400	\$10,345

IGT

	Purchase	Lease
Site Controller	\$1,520	\$1,632
I-Link Installation	\$455	\$455
Cellular	\$4,200	\$4,200
Total 7 year Cost	\$6,175	\$6,287



Negotiated Price

Connexus System

\$2,769,189

	FY13	FY14	FY15	FY16	FY17
Basic License and Service Fee (0.28%)	\$516,994	\$518,691	\$557,564	\$581,287	\$594,653
Total	\$516,994	\$518,691	\$557,564	\$581,287	\$594,653

SGI

	Purchase
Site Controller	\$2,395
Cellular (\$45/month)	\$3,780
One Time Connection Fee	\$125
Total 7 year Cost	\$6,300



New System Benefits

- Handles multiple communication protocols
- Ticket Validations by Site Controller
- One user interface – single point of entry, one click configuration
- Monitors both VLT's and Site Controllers
- Real Time Communications
 - Download of software upgrades
 - Remote configuration of site controllers
- Robust reporting and business intelligence tools
- One System Conversion
- Duplex Primary and Duplex Backup Systems



Site Controller Benefits

- Multiple communication protocols
- Ticket Validations
- Real Time Communications
 - Download of software upgrades
 - Remote configuration of site controllers
- Messages/Reports
 - Messages to Site Controller
 - Reports/Redemption Tickets
- SG Support



1 Year Extension

- Extend current agreement for one year
- Extension will include validation software and ability to use new site controller.
- Payment of \$1.3 million (Payment for Validation Software)
 - \$800K upon execution of amendment
 - \$500K upon 30 days successful performance of site controller in 25 establishments
- New Site Controllers will work with current system



Recommendation

- 1 Year Extension to current agreement
- 7 Year agreement for SG Connexus Central Monitoring and Control System



Instant Ticket Contract Extensions



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Instant Ticket Print Contract Extension

- Original Contract terms
 - 3 years with the possibility of (3) 1 year extensions.
- Original Contract Recipients
 - Scientific Games International
 - Pollard Banknote
- Recommend to extend the Instant ticket print contract with both companies.
 - Extension recommendation is to award each company with the 3 additional years.
- Additional Considerations to the Lottery based on the extensions.
 - Scientific Games
 - Credit of \$12,000 per contract year for the Lottery to utilize in the Lottery's sole discretion.
 - Pollard Banknote
 - Credit of 5% off entire print costs of next Scratch FX game when Lottery prints 3 instant ticket games of 180,000 tickets within calendar year

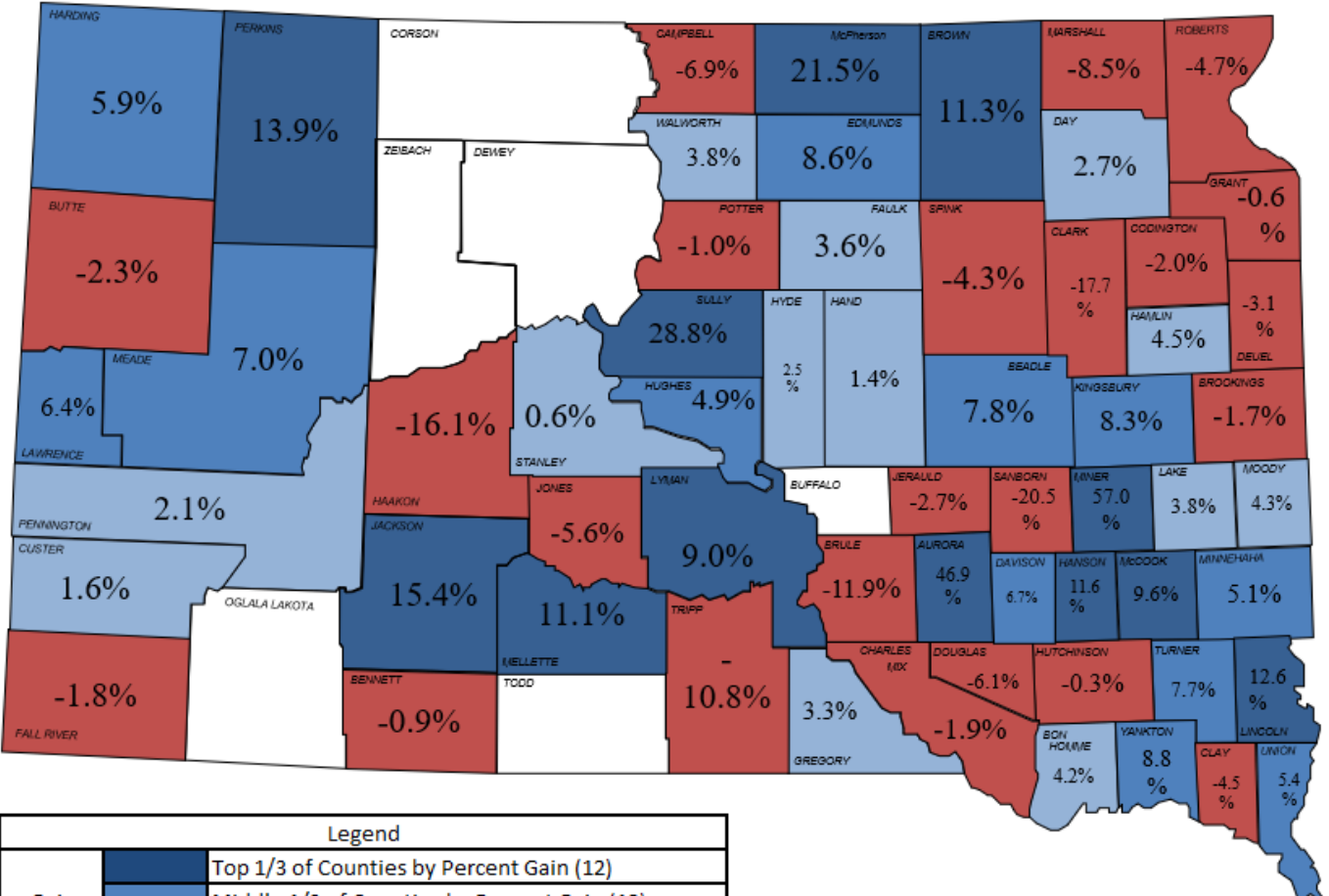


FY19 Video Lottery Review



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

YoY % Change in Net Machine Income



City	FY18 NMI	FY19 NMI	\$ Change	% Change
Sioux Falls	\$56,712,533.22	\$60,180,814.62	\$3,468,281.40	6.12%
Rapid City	\$26,978,172.90	\$27,664,986.75	\$686,813.85	2.55%
North Sioux City	\$13,175,742.73	\$14,081,450.01	\$905,707.28	6.87%
Aberdeen	\$12,435,320.65	\$13,935,047.02	\$1,499,726.37	12.06%
Yankton	\$8,166,657.94	\$8,794,944.38	\$628,286.44	7.69%
Mitchell	\$7,031,286.27	\$7,481,189.88	\$449,903.61	6.40%
Watertown	\$8,322,509.17	\$8,183,262.38	-\$139,246.79	-1.67%
Pierre	\$5,590,992.72	\$5,870,049.27	\$279,056.55	4.99%
Huron	\$6,358,644.35	\$6,860,605.89	\$501,961.54	7.89%
Brookings	\$4,587,652.73	\$4,533,055.99	-\$54,596.74	-1.19%
Box Elder	\$2,473,000.87	\$2,443,277.69	-\$29,723.18	-1.20%
Vermillion	\$2,260,037.74	\$2,173,221.71	-\$86,816.03	-3.84%
Hot Springs	\$2,180,528.34	\$2,184,883.37	\$4,355.03	0.20%
Sturgis	\$1,951,994.82	\$2,213,744.80	\$261,749.98	13.41%
Brandon	\$2,441,604.00	\$2,766,754.71	\$325,150.71	13.32%
Rest of the state	\$59,229,466.39	\$60,352,727.03	\$1,123,260.64	1.90%
State Total	\$219,896,144.84	\$229,720,015.50	\$9,823,870.66	4.47%

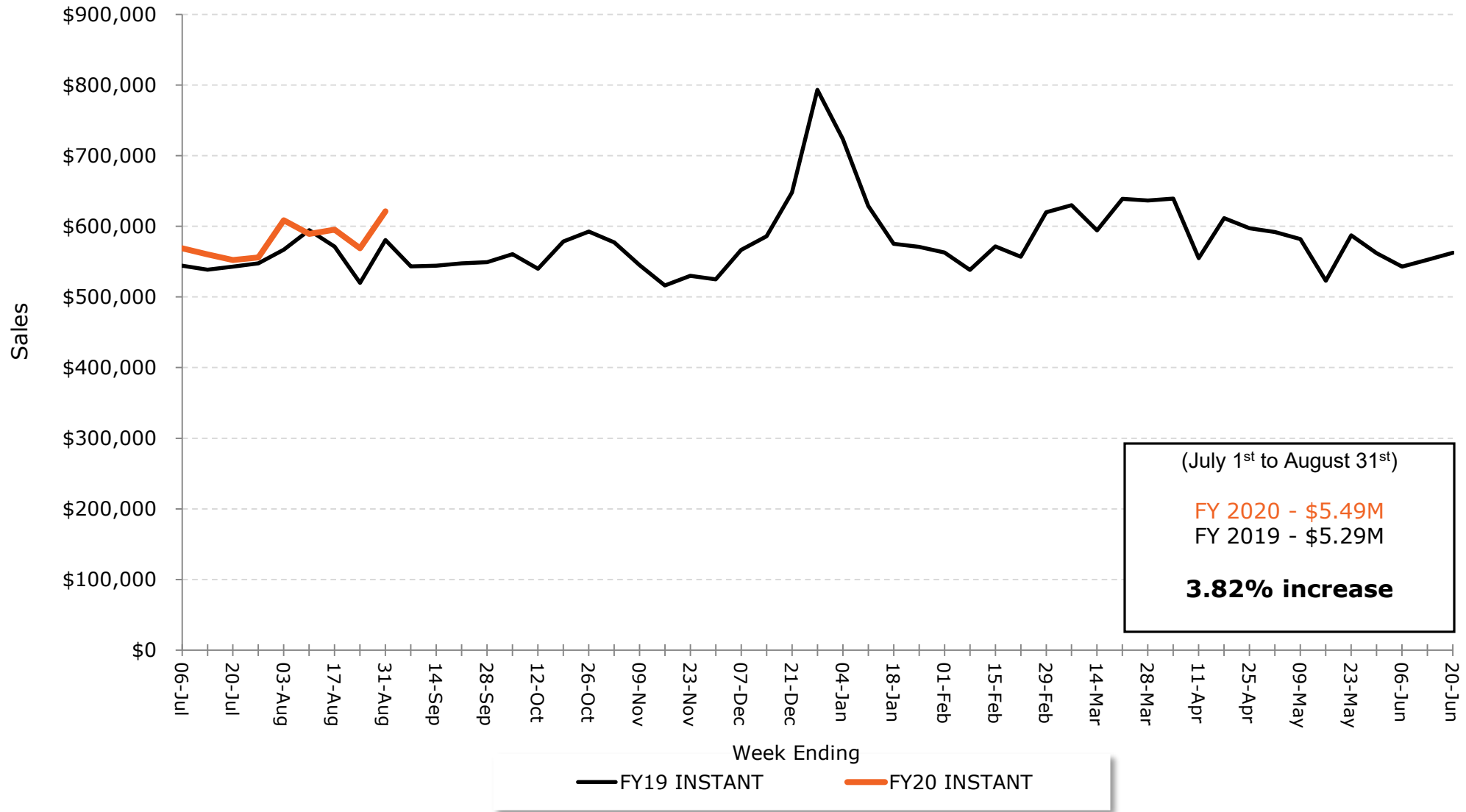


Sales Report



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Instant Ticket Sales



\$65,000 Truck



**Helen Arpan
Mobridge
\$5 Trucks & Bucks**

Instant Top Prize Winners

\$50,000



**Wesley Simonton
Watertown
\$5 20X**

\$50,000



**John Kopp
Watertown
\$5 \$50,000 Bonus Play**

\$50,000



**Larry Darcy
Aberdeen
\$5 Tripler Cashword**



\$30,000 Instant Top Prize Winners



**Kaylie Blakey
Mitchell**

\$3 Naughty or Nice



**Scott Halling
Watertown**

\$3 Gold Mine



**Michelle Antil
Aberdeen**

\$3 Extra, Extra Cashword



**Laura Klenk
Harrisburg**

\$3 Naughty or Nice



Instant Prize Winners

- **\$300,000 \$300,000 Series (Watertown)**
- **\$50,000 Makin Bacon (Aberdeen)**
- **\$30,000 Fireball Bingo (Belle Fourche)**
- **\$30,000 Slingo Tripler (Brandon)**
- **\$10,000 \$250,000 Multiplier (Chamberlain)**
- **\$10,000 Payday Multiplier (Rapid City)**
- **\$10,000 \$300,000 Series (Sioux Falls)**
- **\$5,000 5x (Watertown)**
- **\$5,000 \$300,000 Series (Madison)**
- **\$5,000 Makin Bacon (Sioux Falls)**
- **\$5,000 Goat Load of Cash (Sturgis)**
- **\$5,000 Snow Me The Money (Rapid City)**
- **\$5,000 Polaris Dollars N Dirt (Spencer)**

**Over 58
\$1,000 Winners**

**Over 425
\$500 Winners**

**18 Top Prize
Winners**



Launched 7/24



**Over 70
\$500
prizes
already
paid out!**

Launched 8/07



**Over 34
\$500
prizes
already
paid out!**



Polaris Dollars 'N' Dirt

Polaris Ranger 570 Winner!



**Kimberly
and Rickie
Moore
Casper WY**





**Paid Out Over
\$5,700,000
Since June 13th!**



Christmas Tickets

\$1 TO: _____ FROM: _____

Naughty

20 TOP PRIZES OF \$500

Reveal a symbol, win prize shown for that symbol. Reveal a symbol, win DOUBLE the prize shown for that symbol!

WIN UP TO 6 TIMES!

L SOUTH DAKOTA LOTTERY

\$1 TO: _____ FROM: _____

Nice

20 TOP PRIZES OF \$500

Reveal a symbol, win prize shown for that symbol. Reveal a symbol, win DOUBLE the prize shown for that symbol!

WIN UP TO 6 TIMES!

L SOUTH DAKOTA LOTTERY

\$2

A CHRISTMAS STORY

WIN UP TO \$2,000

WIN UP TO \$2,000

WINNING NUMBERS

YOUR NUMBERS

WIN UP TO \$2,000!

Match any of YOUR NUMBERS to either WINNING NUMBER, win PRIZE shown for that number. Get a symbol and win DOUBLE the PRIZE shown. Get a symbol and win ALL 10 PRIZES shown!

L SOUTH DAKOTA LOTTERY

\$3

CANDY CANE CASHWORD

WIN UP TO \$30,000!

PRIZE LEGEND

3 WORDS	\$3
4 WORDS	\$5
5 WORDS	\$10
6 WORDS	\$20
7 WORDS	\$50
8 WORDS	\$500
9 WORDS	\$1,000
10 WORDS	\$30,000

Uncover two identical letters in the BONUS MATCH box, win the PRIZE shown. Use the uncovered letters below as bonus letters in the CASHWORD PUZZLE.

BONUS MATCH

\$ | \$

PRIZE

SEE TICKET BACK FOR COMPLETE PLAY INSTRUCTIONS.

YOUR 18 LETTERS

P	A	P	E	R	T												
X					R	O	B	O	T								
D	I	L	E	M	M	A	A	H									
S	V				N												
		A	L	A	S	L	L	A									
R	A	M	P		F	L	E	E	T								
G	O	N	C	E	Y	E											
W	E	A	R		R												
N	A	L	L		A	L	P										
E	D	I	T		I	S	I										
A		E	L	E	P	H	A	N	T								

\$5

SNOWFLAKE

WIN UP TO \$50,000!

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number. Reveal a symbol, win 7 TIMES the PRIZE shown for that symbol. Reveal a symbol, win 20 TIMES the PRIZE shown for that symbol.

WINNING NUMBERS

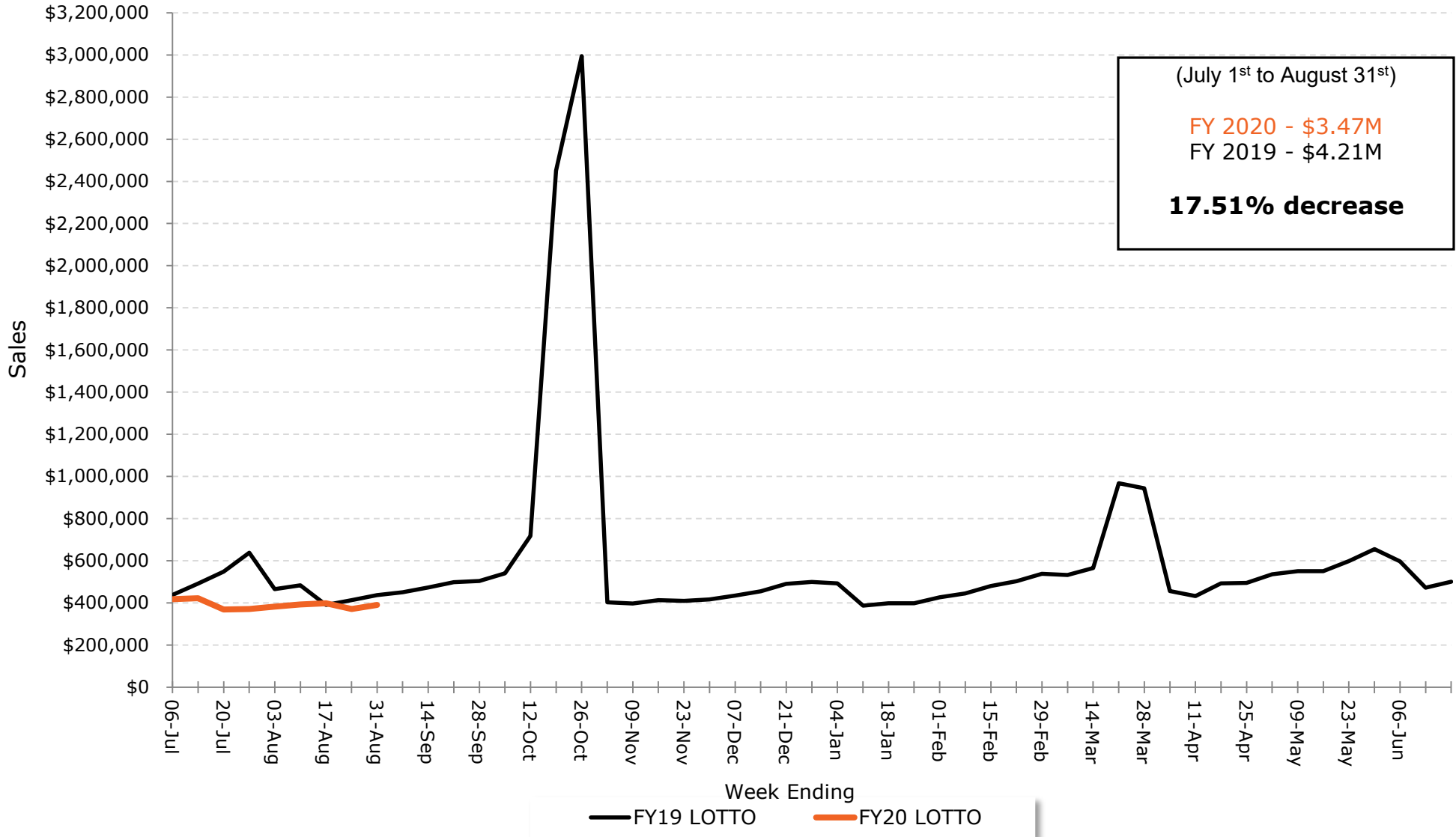
YOUR NUMBERS

WIN UP TO 15 TIMES!

L SOUTH DAKOTA LOTTERY



Lotto Sales





\$594,260 Winner



Patricia Nerison (Sisseton)
Dakota Cash



\$50,000 Winner

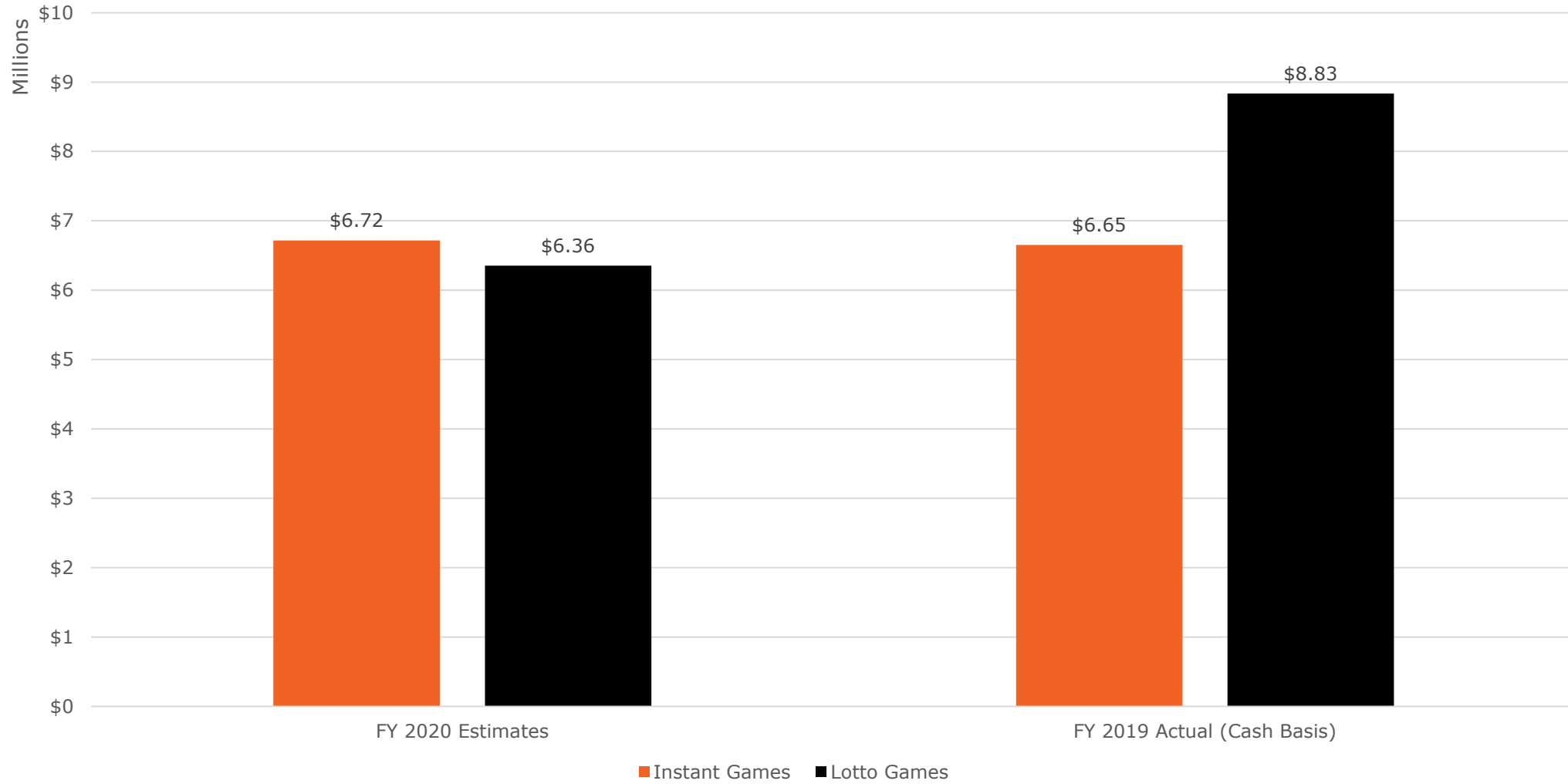


Lynda Fratzke (Pierre)
Powerball

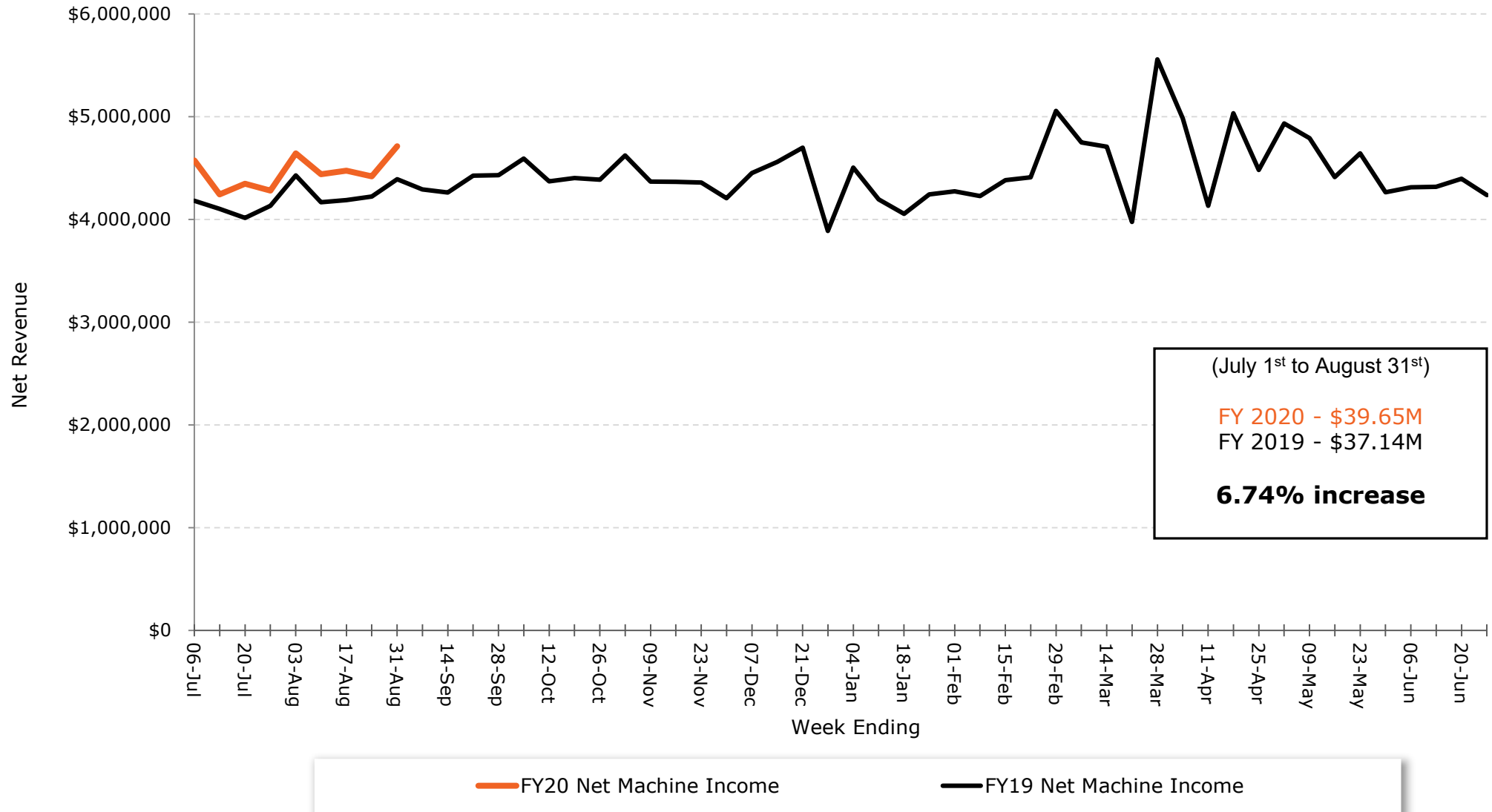
**Lotto
Winners**



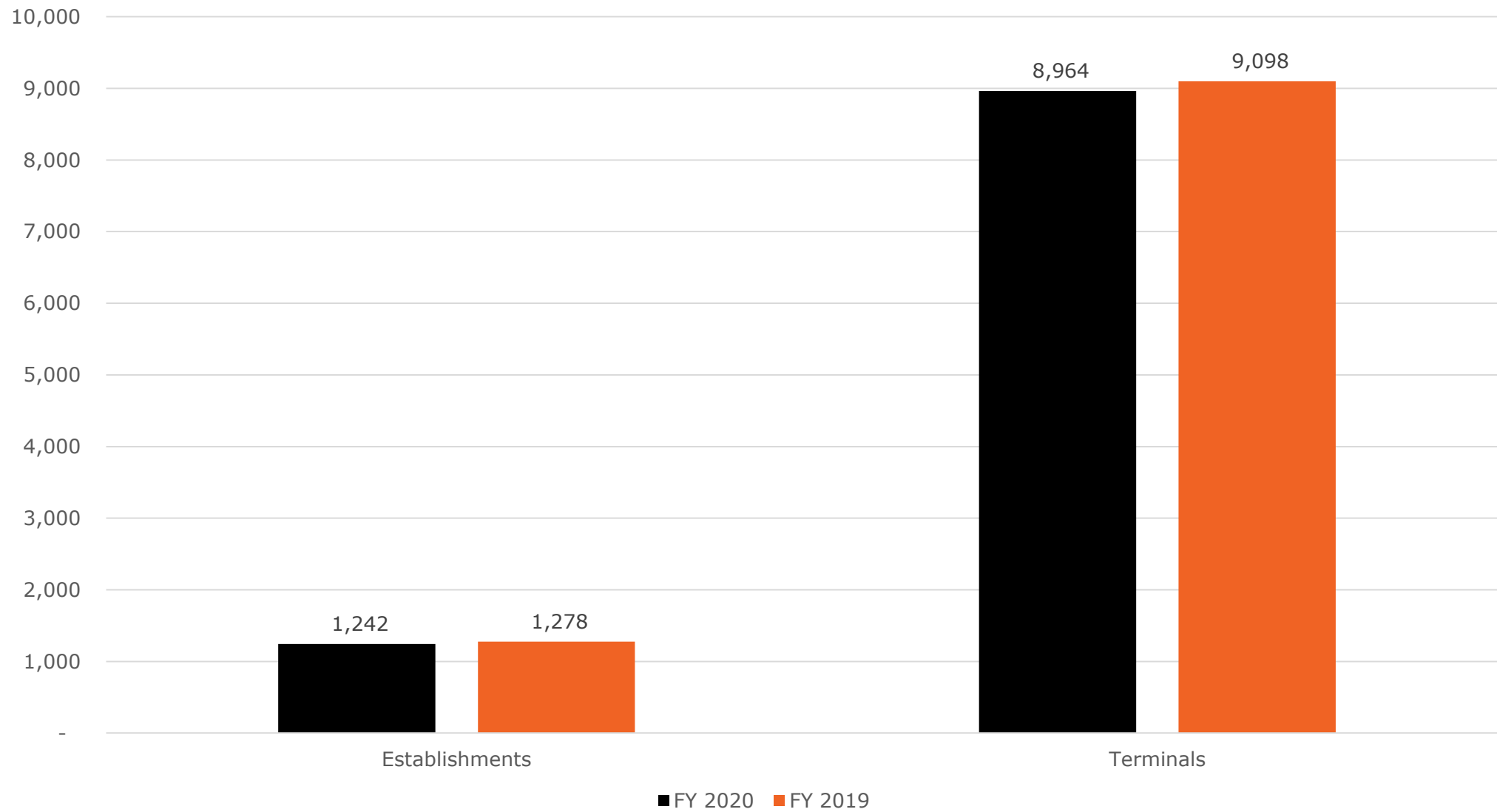
Instant and Online FY 20 Revenue Projections as of August 31, 2019



Net Machine Income



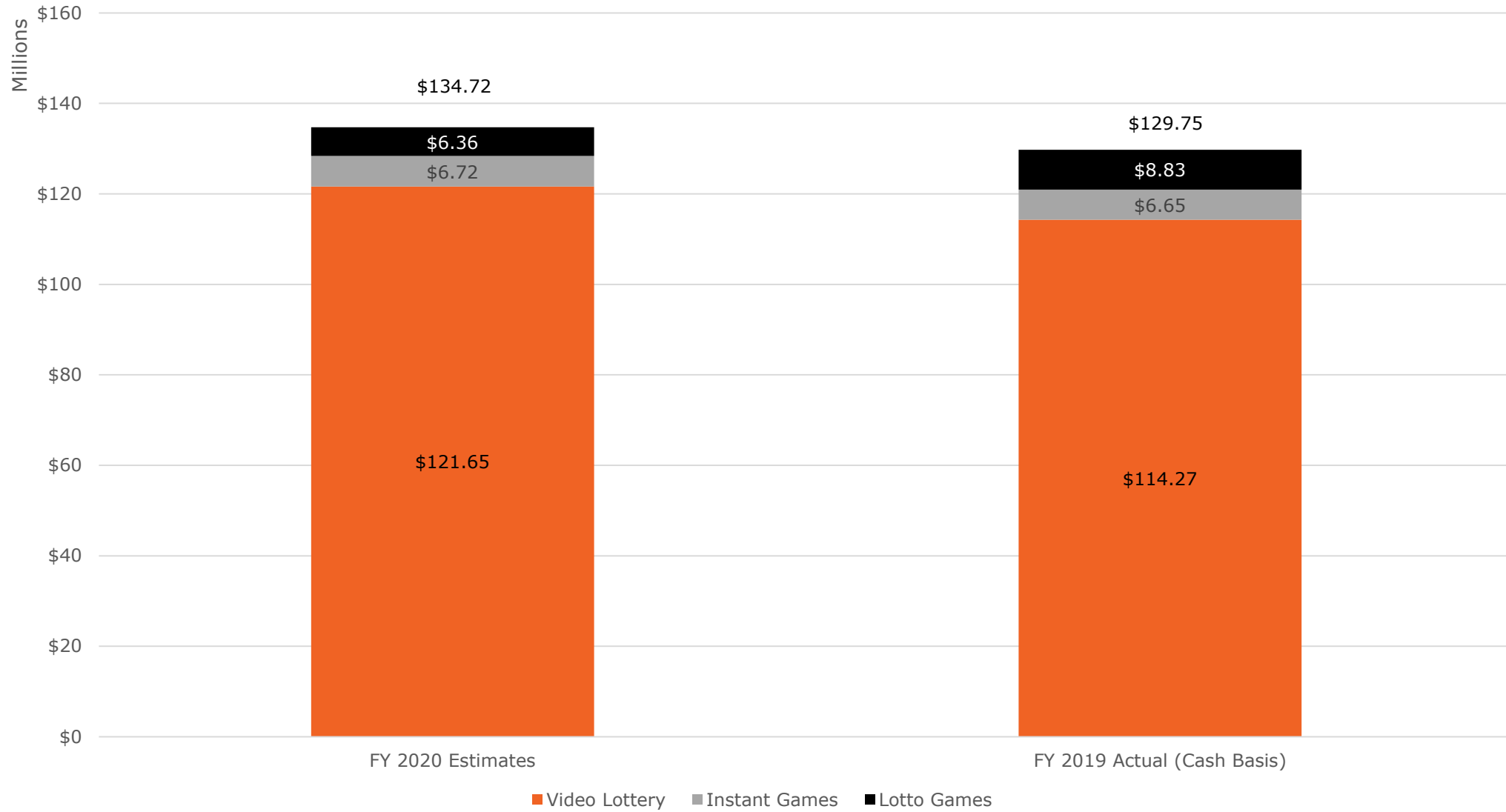
Number of Terminals and Establishments as of August 2019



Video Lottery FY 20 State Share Revenue Projection as of August 31, 2019



Total FY 20 Revenue Projections as of August 31, 2019



Marketing Report



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE



PLAYERS CLUB

27,000+ Members



Players Club

- Game/Promo Notifications
- Ticket Scanning
- 2nd Chance Drawing



**GOOD
2 FUN**





New Year's Rockin' Eve

- 13,000+ Entries
- Draw on 9/20
- PR Opportunities



HIT PAY DIRT

You could win a
Polaris Ranger® 570



SOUTH DAKOTA
LOTTERY



Polaris

- Campaign Begins 9/16
- 3,000 Entries to Date
- 1st Winner





**JOLLY
GOOD FUN**



**JOLLY
GOOD
FUN**

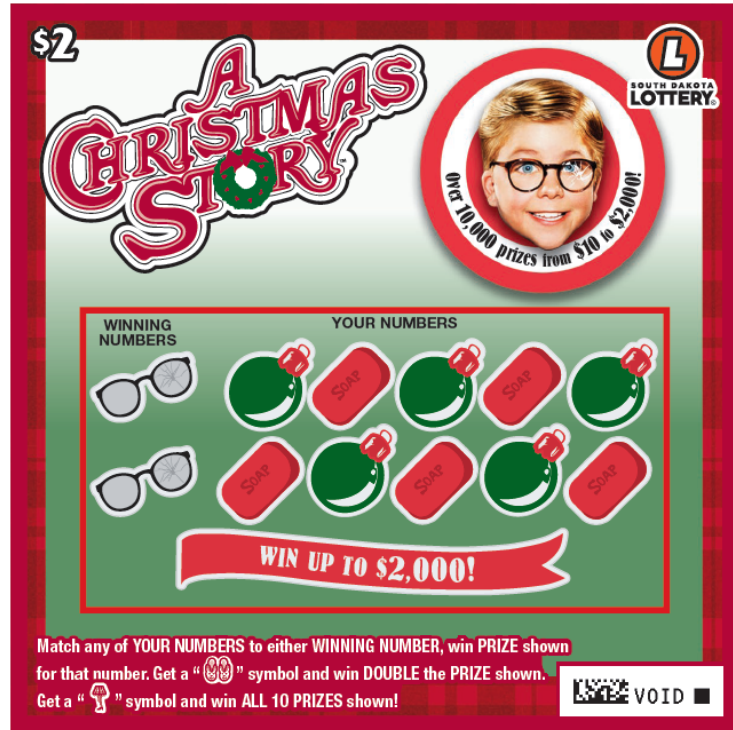
Scratch everyone off your list with \$1, \$2, \$3 and \$5 holiday tickets.

L SOUTH DAKOTA
LOTTERY
JollyGoodFunSD.com

Must be 18 to play. Please play responsibly.

- October Ticket Rollout
- November Campaign Rollout
- In-Store: Cling, Dangler, Poster
- Campaign: TV, Radio, Digital, Outdoor





- Christmas Story Game
- Second Chance
- Movie Prize Packages





- Slippers
- Lamp
- Blanket
- Mugs





SOUTH DAKOTA
LOTTERY™