



### **Commission Members**

Steve Harding –Chair  
Tona Rozum–Vice Chair  
Jason Ahrendt  
Tim Donohue  
Joe Kafka

### **Minutes of the Commission Meeting**

Meeting was conducted in person  
Thursday, December 12, 2024 – 9:30 a.m.

## **UNAPPROVED**

Vice Chair Rozum called the December 12, 2024, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Commissioner Kafka attended via Microsoft Teams and Chair Harding was excused.

The public was able to participate in person or by listening on the internet.

#### **SUPPORT STAFF PRESENT**

Norm Lingle, Clark Hepper, Ali Schaeffbauer, Nick Ramos, Michael Houdyshell, Wade LaRoche, Trevor Wiebe, Shawna Zebroski, Nathan Remmich, Aric Frost, and David Dahl.

#### **MEMBERS OF THE PUBLIC PRESENT**

Lloyd LaCroix, Troy Erickson, and Bob Mercer.

#### **APPROVAL OF THE AGENDA**

Vice Chair Rozum asked if there were any changes to the agenda. There were none. Vice Chair Rozum asked for a motion to approve the agenda, motioned by Commissioner Donohue, and seconded by Commissioner Ahrendt. A voice vote was taken. All in favor. Motion carried.

#### **APPROVAL OF THE MINUTES FROM THE September 26, 2024, MEETING**

Vice Chair Rozum asked for a motion to approve the minutes. Commissioner Donohue moved to approve the minutes and seconded by Commissioner Ahrendt. All in favor. Motion carried.

#### **CONFLICT OF INTEREST**

Vice Chair Rozum asked if there were any conflicts of interest; there were none.

#### **SECRETARY OF REVENUE COMMENTS**

*Department of Revenue Secretary Michael Houdyshell reported on the following:*

- The implementation of the new motor vehicle administration system is proceeding well and is expected to go live in February.
- This is a system that is used by the Department of Revenue, county treasurers and motor vehicle dealers.
- The system will feature a lot of user-friendly features for all South Dakotans.
- The Department of Revenue is preparing for legislative session, which begins January 15.
- It will be a lean budget year for state government, but the Department of Revenue is prepared to provide legislators with any information needed to set the budget.

### **EXECUTIVE DIRECTOR'S COMMENTS**

*Executive Director Norm Lingle reported on the following:*

- The annual legislative audit has been completed for Fiscal Year 2024. The audit did not have any findings.
- The Lottery has not had any audit findings in more than 20 years.
- Instant, lotto, and video lottery sales were all up, as were transfers.
- Total transfers for Fiscal Year 2024 were \$183,691,691.
- The Lottery couldn't do business without its partners at the retail level.
- The Lottery will have some challenges this year to meet and exceed these totals.
- IGT will be presenting information on economic factors affecting the Lottery industry and sales trends.
- 2025 Lottery Commission meeting dates are tentatively scheduled for March 27, June 18, September 25 and December 11.
- The Lottery thanks Commissioner Ahrendt for his tenure on the commission.
- Vice Chair Rozum gave credit to the team on the successful audit.

### **IGT Update**

*Nat Worley of IGT reported the following:*

- IGT is grateful to have South Dakota's business as a service provider.
- IGT is deeply committed to developing technology that makes the business easy to monitor and sell.
- IGT is dedicated to market research from both players and retailers who sell lottery products. This research includes 151,621 responses from North Americans.
- In the spring of 2023, nationwide Lottery sales started to soften.
- IGT found that there was a perfect storm of price increases for products at retail locations such as supermarkets and convenience stores.
- IGT's research also found that there were other economic factors such as real hardships and consumer confidence.
- IGT's research shows that disposable income is returning to pre-pandemic levels, which should aid lottery sales.
- The Lottery industry as a whole declined by 2.2 percent in Fiscal Year 2024.
- Mega Millions and Powerball sales declined due to the lack of large jackpots compared to Fiscal Year 2023.
- The South Dakota Lottery has sustained its success thanks in part to strong prize structures and the popularity of high price point games.
- South Dakota's continued growth was not shared by peers in the lottery industry.
- Some enhancements to Mega Millions in particular the better odds should aid sales moving forward.
- The Mega Millions change will have a higher price point, but the move can be justified through better odds, larger jackpots, and its differentiation from Powerball.

- IGT continues to look at ways lotteries can mix their scratch ticket portfolio to keep it exciting for players.
- South Dakota has had a continued evolution of \$30 and \$20 tickets, which gives players a unique experience.
- South Dakota is far over the national averages for growth in \$5, \$10, and \$20 tickets.
- Commissioner Donohue asked if there are any tech advancements that can help the business. Worley noted that the mobile cashing functionality will help.

### **FY26 Instant/Online and Video Lottery Budget Approval**

*Accounting Manager Aric Frost reported the following:*

- The Lottery operates under two budgets—instant/online and video lottery.
- The instant/online budget is informational only. The Lottery may spend where necessary without strict budget constraints.
- Lottery prizes were the largest expense from the instant/online budget in Fiscal Year 2024. This total was at \$51.8 million.
- The high prizes and other contractual services can be the product of strong sales.
- The Fiscal Year instant/online 2026 budget will remain at \$63,136,978.
- The video lottery budget is part of the Department of Revenue's overall budget. This is approved by the state legislature.
- The Lottery was under most budgeted amounts on the video lottery budget.
- Vice Chair Rozum asked why the Capital Outlay budgeted amount was so much greater than what was spent. Executive Director Lingle noted that this was an insurance policy in case the Lottery needs to make a large change to the central system.
- The proposed Fiscal Year 2026 video lottery budget is \$2,995,987.
- Commissioner Ahrendt made a motion to approve the budget. Commissioner Donohue seconded. All were in favor.

### **Mobile Cashing Update**

*Deputy Executive Director Clark Hepper reported the following:*

- The Lottery had a slight delay in implementing mobile cashing. This was due to the sharing of information between the State of South Dakota and financial institutions.
- The Lottery is aiming to launch mobile cashing on January 30, 2025.
- Mobile cashing will allow players to claim prizes from \$101 to \$5,000 through the Lottery's mobile app.
- This will keep the Lottery's debt setoff process in place.
- The Lottery has prepared marketing materials for the launch of mobile cashing.
- This includes rack cards at retail locations, changes to the back of instant tickets, a mobile cashing landing page and a tutorial video.

### **SALES REPORT**

*Sales Manager David Dahl reported on the following:*

- Instant ticket sales have decreased 2.07 percent compared to last fiscal year.
- Lotto sales have decreased 45.55 percent compared to last year.
- The last top prize for the \$550,000 Jackpot ticket was claimed. Lottery moved swiftly to launch its next \$30 ticket, the \$600,000 Cash Spectacular.
- The Lottery will also launch its X Family of scratch tickets in February.

- In conjunction with the launch of mobile cashing, the Lottery will launch it's \$50, \$150 or \$250 scratch ticket. This ticket's prize structure is geared to giving players opportunities to win prizes within the mobile claiming threshold.
- The Lottery is currently projected to have more than \$180 million in revenue.

#### **FY24 INSTANT/ONLINE REVIEW**

*Business Analyst Nathan Remmich reported on the following:*

- Miner and Hyde counties showed the most growth in terms of instant ticket sales between Fiscal Year 2024 and 2023.
- Yankton and Brookings had the largest increases among cities.
- The \$30 ticket took away some of the growth away from the \$20 price point.
- The \$1 and \$10 saw growth throughout the fiscal year.
- Hyde and Sully counties had the most growth among lotto sales.
- Powerball was South Dakota's strongest performer with 15.34 percent growth.
- The Lottery's leap day promotion helped boost Lucky for Life sales.

#### **FY25 INSTANT/ONLINE REVIEW**

*Business Analyst Nathan Remmich reported on the following:*

- So far, Tripp and Hamlin counties have the most growth for instant ticket sales in 2025.
- The \$10 price point continues to perform well with 26.37 percent growth.
- The \$1 and \$10 instant ticket price points continue to see the most growth.
- Lotto America has had the most growth among lotto games thanks to a strong jackpot run.
- Lotto sales are down due in part to several large jackpots during Fiscal Year 2024. Fiscal Year 2025 has not had any billion-dollar jackpots yet.

#### **MARKETING REPORT**

*Director of Advertising and Public Relations Wade LaRoche reported on the following:*

- The Lottery is amid its holiday campaign, which began the week of Thanksgiving.
- Marketing efforts include a full-page ad in the Rapid City Journal and Argus Leader, a new television spot, billboards, digital display ads and more.
- The Lottery is also conducting disruptive marketing efforts through its Good Fun Santa. The Good Fun Santa will distribute holiday scratch tickets to adults throughout the Rapid City area.
- The holiday campaign also features Gift Responsibly messaging. This reminds players that scratch tickets are not suitable gifts for children.
- In January, the Lottery will conduct its 60 Days of WINter campaign. The promotion will feature weekly drawings.
- The goal of the campaign is to get more eyes on the Lottery brand and create engagement on our digital properties.
- The spring marketing efforts also feature our annual responsible gambling campaign, which coincides with Problem Gambling Awareness Month in March.

#### **VIDEO LOTTERY REPORT**

*Director of Video Lottery and Security Trevor Wiebe reported on the following:*

- The Lottery has 1,398 video lottery establishments which is slightly up from last year.
- Line machines average \$94.67 of net machine income per day, while legacy machines average \$59.64.
- There have been 131 new terminals in Fiscal Year 2025.

- Commissioner Donohue asked about the decrease in Net Machine Income per day online machines. Wiebe noted that this is due to more line machines being out in the field.

#### **PUBLIC COMMENT**

Vice Chair Rozum asked about public comments.

- Troy Erickson of MG Oil and the South Dakota Licensed Beverage Dealers informed the commission that they will bring legislation to increase the number of video lottery terminals per establishment to 15 and increase the bet limit to \$4.
- Erickson noted that he believes that these bills would increase revenue.
- Commissioner Donohue asked if Deadwood maximum betting limits have increased. Erickson noted that he believes these have increased.
- Pennington County Commissioner Lloyd LaCroix he noted that his wife has worked in the video lottery industry for 35 years. He said that video lottery has done a great job of re-inventing themselves and that combining licenses would decrease the list of locations.

#### **NEXT MEETING DATE**

Executive Director Lingle stated the next quarterly meeting will be March 27, 2025.

#### **ADJOURNMENT**

The meeting adjourned at 11:36 a.m.

\*Please listen to the audio on the South Dakota Lottery Website: <https://Lottery.sd.gov/about/commission/> for additional details.