



Commission Members

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

Minutes of the Commission Meeting

Meeting was conducted in person
Thursday, June 13, 2024 – 9:30 a.m.

UNAPPROVED

Chair Ahrendt called the June 13, 2024, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Commissioner Donohue attended via Microsoft Teams.

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

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Michael Houdyshell, Jason Evans, Ali Schaeftbauer, Nick Ramos, Wade LaRoche, Nathan Remmich, Kirsten Jasper, and David Dahl.

MEMBERS OF THE PUBLIC PRESENT

Deb Mortenson, Meghan Kiss, Bob Mercer.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES FROM THE March 21, 2024, MEETING

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

CONFLICT OF INTEREST

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

SECRETARY OF REVENUE'S COMMENTS

Department of Revenue Secretary Michael Houdyshell reported on the following:

- The Department of Revenue's motor vehicle system implementation process has continued and is on track.
- The new system is scheduled to go live February 2025.
- The Legislature will begin a summer study on methodologies used to assess property values.
- Sales Representative Matt Piersall recently received the Department's Spirit of Revenue award.
- This is the highest honor that DOR awards and exemplifies qualities that DOR looks for in employees.
- Commissioner Harding asked if this was a new award, and Secretary Houdyshell noted that this has been done for about six years.
- After David Wiest's retirement, Jason Evans has been named the new Deputy Secretary of the Department of Revenue.
- Commissioner Ahrendt asked how the new motor vehicle system will affect a consumer. Secretary Houdyshell noted that the new system will improve online motor vehicle registration renewal.
- This could also include text message reminders for motor vehicle registration renewals.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

- Sales Representative Jane Aasby retired June 8. Jane had worked for the Lottery out of the Rapid City office for 18 years.
- Jane's position has been posted and will close on June 20.
- The Lottery, IGT, BFM, and Fjorge continue to make progress on mobile cashing.
- Software requirements have been approved, and the API testing will occur by the end of June.
- Mobile Cashing is still scheduled for an October launch.
- Lottery sales are forecasted to end the fiscal year in positive territory.
- Lotto sales were driven by large jackpots, while instant ticket sales had a good year going up against the launch of a \$30 ticket last fiscal year.
- The Lottery will need to amend admin rules for mobile cashing. This will be done at a special meeting potentially in August.
- The Lottery will also look to clean up some other rules included in the proposed amendments.
- Executive Director Lingle also congratulated Matt Piersall on winning the Spirit of Revenue award.

Attorney General Opinion

Staff Attorney Ali Schaeffbauer reported on the following:

- The Music and Vending Association submitted a request for a declaratory ruling on residency, which was submitted to the Attorney General for an opinion.
- The residency requirements were related to partnerships and promotions and if they apply to other entities.
- The Attorney General noted that the Lottery's current process to determine residency during the licensing process is sufficient.
- The Attorney General noted that the residency requirements for video lottery operators do not apply to LLCs.
- The Lottery will continue to monitor these applications as they come in.

South Dakota Lottery and Scientific Games

Meghan Kiss of Scientific Games reported the following:

- Scientific Games has been around since 1973 and printed the first instant ticket.
- Scientific Games is the world's largest provider of instant games.

- Scientific Games generated \$1.2 billion in revenue through instant tickets, digital tickets and Lottery specific sports betting.
- Scientific Games is the sole instant ticket print vendor for 16 of the top 20 performing lotteries in the country.
- South Dakota has shown great instant ticket sales growth since 2018.
- Instant ticket sales grew throughout the country in 2020 due to the lack of casinos and other competition.
- Throughout the country, lower price points have shown a decline since 2016.
- The \$20 and up instant tickets are driving growth throughout the industry.
- The average selling price in South Dakota is a little above \$5.
- In the last several years, South Dakota has had great growth in per capita sales.
- South Dakota's growth has outpaced many other lotteries in terms of per capita sales.
- Chair Ahrendt asked if there was a particular reason why South Dakota's growth has been so high. Kiss noted that the South Dakota Lottery's long-term strategy has paid off in focusing on instant tickets.
- Commissioner Kafka asked if sales of a particular ticket drop off once a last top prize is hit. Executive Director Lingle noted that once a last top prize is claimed, the Lottery pulls the game from retail locations.

SALES REPORT

Sales Manager David Dahl reported on the following:

- Instant ticket sales have increased 1.92 percent compared to the previous fiscal year.
- Lotto sales are currently 4.16 percent above than last fiscal year, thanks to large jackpots.
- The Lottery has paid out more than \$31 million in instant ticket prizes this fiscal year.
- The Lottery has paid more than \$9 million in lotto prizes.
- The Lottery will launch a pair of crossword games in the upcoming months.
- Revenue projections are pacing slight above Fiscal Year 2023's total.
- Chair Ahrendt noted that the Powerball jackpot reversed trends from a previous meeting in a positive direction.

FY24 Instant Report

Business Analyst Nathan Remmich reported on the following:

- Hyde and Clark counties showed the most growth between Fiscal Year 2024 and 2023.
- The middle of the state showed a lot of growth in general due to construction.
- Yankton and Brookings had the most growth among cities.
- A lot of South Dakota's growth is from the \$30 ticket, which had one month of sales the previous fiscal year.
- The \$1 and \$10 instant ticket price points have also seen increases.
- South Dakota performed well in terms of sales growth in Q3 and Q4 of the fiscal year, ranking 12th in the nation.

FY24 Online Report

Business Analyst Nathan Remmich reported on the following:

- Hyde and Sully counties showed the most growth between Fiscal Year 2024 and 2023.
- Aberdeen, Yankton and Sioux Falls showed the most growth among cities.
- Mega Millions sales were down, but that was due to FY23 having two large jackpot runs.
- A Leap Day promotion helped Lucky for Life increase sales not only on that day, but throughout April.

- Powerball sales have grown thanks in part to a large jackpot run.

MARKETING REPORT

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

- The Lottery's summer marketing efforts will focus on a new winner awareness campaign.
- The campaign reminds players that all lottery wins should be celebrated and can be meaningful, which is different than previous campaigns that focus on jackpot dreams.
- This features three new television ads produced by Lawrence & Schiller.
- The Lottery's mobile app has been downloaded on 27,840 devices.
- In May, the ticket scanner was used 27,155 times.
- 39,139 different people visited the Lottery website in May.
- The Lottery's Players Club has 42,831 members.

VIDEO LOTTERY REPORT

Deputy Executive Director Clark Hepper reported on the following:

- The number of video lottery establishments and terminals have slightly increased year over year.
- To date, there are 7,346-line machines in the field compared to 3,621 legacy machines.
- There should be close to 600 new machines purchased by the end of the fiscal year.
- The Lottery is in the process of collecting Fiscal Year 2025 securities from Video Lottery Operators.
- The securities are 1/18 of the State's share of NMI from that Operator. This is computed every year.
- The Lottery has asked each Operator to provide updated security documents. Most of these are surety bonds.
- Scientific Games recently conducted an audit of security controls to produce instant tickets.
- This is done to ensure that the instant tickets are produced under secure measures.
- The review of the audit was positive, and the overall security of Scientific Games is strong.
- One of South Dakota's instant tickets was also audited. The results were very positive.

PUBLIC COMMENT

Chair Ahrendt asked about public comments. There were none.

NEXT MEETING DATE

Executive Director Lingle stated the next quarterly meeting will be September 26, 2024. There will also more than likely be a special meeting.

ADJOURNMENT

The meeting adjourned at 11:06 a.m.

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