



Commission Members

Jason Ahrendt –Chair
Jamie Huizenga- Vice Chair
Joe Kafka
Tona Rozum

Minutes of the Commission Meeting

Meeting was conducted in person
Wednesday, June 21, 2023 – 9:30 a.m.

Chair Ahrendt called the June 21, 2023, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Chair Ahrendt, Vice Chair Huizenga, and Commissioner Kafka participated in person. Commissioner Rozum participated online. The public was able to participate in person, by dialing in or listening on the internet.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, David Wiest, Trevor Wiebe, Wade LaRoche, Nathan Remmich, Shawna Shaw, David Dahl, Kyle Peterson, and Megan Switzer.

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 Huizenga, and seconded by Commissioner Kafka. A voice vote was taken. All in favor. Motion carried.

APPROVAL OF THE MINUTES FROM THE March 16, 2023, MEETING

Chair Ahrendt asked for a motion to approve the minutes, motioned by Vice Chair Huizenga, and seconded by Commissioner Kafka. A voice vote was taken. All in favor. Motion carried.

CONFLICT OF INTEREST

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

DEPUTY SECRETARY OF REVENUE'S COMMENTS

Deputy Secretary David Wiest reported on the following:

- The Department of Revenue is focusing on legislative bills that take effect July 1.
- House Bill 1035 appropriated funds to the Department of Revenue for a new motor vehicle system.
- The RFP for the new system has been issued and responses are due at the end of the month.
- House Bill 1137 lowers the state sales tax to 4.2 percent, and the department is working with the business community on implementing the change.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

- Kyle Peterson joined the Lottery as a sales rep.
- Kyle will cover the south-central part of the state and began on April 11.
- Megan Switzer joined the Lottery as an information officer.
- Megan is a Pierre native and began May 24.
- The Fiscal Year 2023 audit has begun.
- The Lottery team has been providing documents to Legislative Audit.
- The Lottery launched its first \$30 instant ticket on May 1.
- The industry is trending towards higher price point instant tickets.
- Twenty-eight lotteries have launched a \$30 ticket.
- Research showed that players are ready for this new price point.
- The Lottery is seeing some cannibalization of the \$20 ticket but overall, our YOY sales since the \$30 has launched has been positive.
- Commissioner Kafka asked if there has been any thought about getting rid of the \$1 tickets. Executive Director Lingle noted that this is discussed at game planning sessions and that some lotteries are migrating away from the \$1 ticket.
- The Lottery has concluded that it can scale back \$1 ticket quantities, but the Lottery still thinks its an important part of the portfolio.
- Chair Ahrendt asked if video lottery is trending towards any desire to increase bets. Executive Director Lingle said that there has been a slight increase in average bet per game but that the growth has been slow.

Compliance Testing and Consulting Services RFP Recommendation

Deputy Executive Director Clark Hepper reported on the following:

- The objective of the RFP was to 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.
- This is a 5-year base contract with three 1-year extensions.
- The Lottery received proposals from Gaming Laboratories International and BMM North America.
- Gaming Laboratories International had a 93.00 score compared to BMM's 87.86.
- Gaming Laboratories International also has an extensive history with the South Dakota Lottery.
- BMM has done work with the South Dakota Gaming Commission but has less lottery experience.
- The Lottery is seeking approval to enter final negotiations with GLI.
- Commissioner Kafka asked if the rate would only apply to the 5-year contract. Deputy Director Hepper confirmed.
- Chair Ahrendt asked for a motion to approve the recommendation and enter in to an agreement with GLI, motioned by Commissioner Kafka and seconded by Vice Chair Huizenga.
- Roll call vote was taken. All in favor. Motion Carried.

SALES REPORT

Sales Manager David Dahl reported on the following:

- Using a three-year comparison Instant Ticket Sales have decreased 1.16%.
- The Lottery is launching its Neon Family of tickets in June.
- The Lottery has had more than 500 \$500 instant ticket winners.
- To date, \$30,312,700 has been paid out in instant ticket prizes this year.
- Lotto sales have increased 40.17 percent due in part to large jackpots.
- A \$1 million Powerball winner was purchased in Aberdeen.
- This year, the Lottery has paid out more than \$14 million in lotto prizes.

- Video Lottery Net Machine Income is up .98 percent.
- Revenue projections are currently at \$180.38 million for FY23.

FY23 Instant Ticket Review

Business Analyst Nathan Remmich reported on the following:

- Hand and Potter counties have seen the largest growth in terms of instant ticket sales year over year.
- Sales have trended up throughout the state after the launch of the \$30 ticket.
- Aberdeen and Rapid City have seen the greatest growth among the top instant ticket markets with 7.33 percent and 6.36 percent increases respectively.
- Sales among the \$2 and \$5 price points have dropped due to possible transition to higher price points.
- The new \$30 ticket is taking some sales from the \$10 and \$20 tickets.

FY23 Online Review

Business Analyst Nathan Remmich reported on the following:

- Hanson and Faulk counties have had the biggest growth in terms of sales year over year.
- Sales have been aided by large jackpots.
- This year has featured a pair of \$1 billion jackpots and a \$2 billion jackpots.
- We've seen major growth across the board among the top lotto markets.
- Sioux Falls has seen a 44.20 percent increase in sales.
- Powerball and Mega Millions jackpots have driven sales increases.

MARKETING REPORT

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

- The Lottery received Responsible Gambling verification from NASPL and the National Council on Problem Gambling.
- This is 2-year certification at the planning level, giving the Lottery team two years to put their plan into action.
- The Lottery will focus on employee training, retailer training and research in the coming months.
- The Lottery team met with Lawrence & Schiller to discuss its upcoming marketing strategies.
- The team discussed its core campaigns such as beneficiary awareness, winner awareness and responsible gambling.
- The Lottery and Lawrence & Schiller concluded that a heavier emphasis will be put on marketing specific instant tickets.
- Fiscal Year 2024 will also feature an additional emphasis on marketing our Players Club.
- The Lottery's marketing team will also focus on items such as the Neon family of instant tickets, the new \$30 ticket and the NASCAR Powerball Playoff second chance drawing.

VIDEO LOTTERY REPORT

Director of VL and Security Trevor Wiebe reported on the following:

- We've seen an increase in video lottery establishments and terminals in Fiscal Year 2023.
- Line machines outnumber legacy machines 6,708 to 3,755.
- Line machines are outperforming legacy machines in terms of Net Machine Income per day.
- The Lottery team is in the process of implementing Ticket In, Ticket Out (TITO)
- The Lottery has sent notices and instructions to operators and establishments.
- The Lottery has also provided operators with stickers for compatible machines.
- The Grand Vision Gaming machines are the only ones that will have the required software at the time of TITO's launch.

- The Lottery has five Beta test sites for TITO.
- Light & Wonder is providing a list of required parts for the system. This list includes pricing for each of the parts that can be provided to operators.
- Commissioner Kafka asked if TITO would apply to legacy machines. Wiebe noted that TITO will not apply to legacy machines.
- Commissioner Rozum asked if there is a market for destroyed machines. Executive Director Lingle noted usable parts on machines are stripped out before the cabinet is destroyed.

PUBLIC COMMENT

Chair Ahrendt asked about public comments.

No emails, phone-in questions, or comments from the public.

NEXT MEETING DATE

Executive Director Lingle stated the next meeting will be Thursday, September 21.

ADJOURNMENT

Commissioner Rozum made a motion to adjourn at 11:15 a.m. Commissioner Kafka seconded the motion. A voice vote was taken. All in favor. Motion carried.

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