



711 E. Wells Avenue • Pierre, SD 57501 • Phone: 605-773-5770 • Fax: 605-773-5786 • <http://lottery.sd.gov>

To: South Dakota Lottery Commission

From: Norman Lingle
Executive Director

Re: June 13, 2024 Lottery Commission Meeting

Date: June 7, 2024

The June 13, 2024, meeting of the South Dakota Lottery Commission will begin at 9:30 a.m. in room 412 of the State Capitol. The meeting audio will be streamed on the South Dakota Public Broadcasting's website. A link to the audio stream is included on the agenda.

A couple of highlights on the agenda.

Secretary Houdyshell will provide an update on the Department of Revenue followed by Executive Director comments.

Ali Schaeftbauer will make some remarks on an Attorney General Opinion that was requested regarding the licensing of Video Lottery Operators.

The commission will receive a presentation from Meghan Kiss with Scientific Games regarding instant tickets. The presentation will include a review of instant ticket sales of U.S. lotteries.

The agenda also includes the normal marketing, sales and video lottery reports.

Please contact Clark or me if you have any questions, comments or if there is anything else you would like addressed during the meeting.

South Dakota Lottery Commission
Thursday, June 13, 2024 – 9:30 a.m.
Room 412, State Capitol, Pierre, SD

**Please read all materials provided in the packet and print and bring the Agenda and all Exhibits*

Listen live at <http://www.sd.net/room412/>



MEETING AGENDA

1. Welcome Chair Ahrendt
2. Roll Call Executive Director Norm Lingle
3. Approval of Agenda Chair Ahrendt
4. Approval of Minutes – March 21, 2024, meeting Chair Ahrendt
5. Conflict of Interest Chair Ahrendt
6. Secretary of Revenue Comments Mike Houdyshell, Secretary
7. Executive Director Comments Executive Director Norm Lingle
8. Attorney General Opinion Ali Schaeftbauer, Legal Division
9. Scientific Games Presentation Meghan Kiss, Vice President Scientific Games
10. Sales Report Sales Manager David Dahl
11. FY24 Instant/Online Review Business Analyst Nathan Remmich
12. Marketing Report Director of Advert and PR Wade LaRoche
13. Video Lottery Report Dep. Executive Director Clark Hepper
14. Public Comment Chair Ahrendt
15. Next Meeting – September 26, 2024 Executive Director Norm Lingle
16. Adjournment Chair Ahrendt

Expiration Dates of Commissioner Terms

Tim Donohue	01/01/2025	Tona Rozum	01/01/2027
Jason Ahrendt	01/01/2025	Steve Harding	01/01/2027
Joe Kafka	01/01/2026		

Individuals wanting to testify before the Lottery Commission must sign the attendance sheet and in prefacing their remarks, state their name and the entity they represent.

NOTE: This meeting is being held in a physically accessible location. Individuals needing assistance, pursuant to the Americans with Disabilities Act, should contact the South Dakota Lottery at 605.773.5770 in advance of the meeting to make any necessary arrangements in advance of the meeting to make any necessary arrangements.



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, March 21, 2024 – 9:30 a.m.

UNAPPROVED

Chair Ahrendt called the March 21, 2024, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Commissioner Kafka 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, Ali Schaeftbauer, Nick Ramos, Trevor Wiebe, Wade LaRoche, Nathan Remmich, Katie Jones, and David Dahl.

MEMBERS OF THE PUBLIC PRESENT

Deb Mortenson, Jess Wright, Matt Hammer, Dara Klatt.

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 December 7, 2023, MEETING

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

CONFLICT OF INTEREST

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

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

- Senate Bill 35, which focuses on Lottery winner anonymity was signed into law and will take effect July 1, 2024.
- The bill states that personal information for a Lottery prize winner may only be used in advertising or promotion with the written consent of the winner. Personal information means name, address, gender, age and photograph.
- Personal information of winners from promotional drawings may be used. This includes second chance drawings or public contests.
- The bill was amended in the house, removing a provision that prevents this information to be obtained via open records request.
- The bill will not make substantial changes to the Lottery's current process.
- The Lottery will continue to release the name of the selling retailer when a big prize is won.
- There were also three bills related to video lottery that were tabled by the request of their respective sponsors.
- The Lottery welcomed Katie Jones as the Sioux Falls Sales Manager in February.
- Katie is a Yankton, SD native and she has previous retail management experience.
- Future commission meetings will incorporate presentations from various Lottery vendors.

Role of Legal Counsels

Secretary Michael Houdyshell reported on the following:

- The Department of Revenue plans to have delineation between the legal representation of the Lottery commission and the day-to-day operations of the Lottery.
- This will be done because the Commission may be in a position to make decisions on a contested case.
- Nick Ramos will serve as the counsel for the Lottery Commission, while Ali Schaeffbauer will advise the Lottery on day-to-day operations.

SCAN AND REDEEM

Deputy Executive Director Clark Hepper reported on the following:

- Scan and Redeem is a method for players to claim prizes \$101 through \$5,000 through the Lottery's mobile app.
- This would allow players to receive prizes through an ACH transaction, but this will not make online sales available.
- The Lottery is currently working with IGT to develop business requirements and functional requirements.
- The Lottery is aiming to roll this functionality out to players in October 2024.
- Commissioner Donohue asked how many players have won between \$100 and \$4,999. Executive Director Lingle noted that in 2023 there were around 5,400 prizes at that level.
- Commissioner Kafka asked how long it would take to process a set off check. Deputy Executive Director Hepper noted that this is done immediately when the player's information is entered into the IGT system.

Legal Update/Code of Conduct

Staff Attorney Ali Schaeffbauer reported on the following:

- There is one contested hearing set for the middle of April.
- The Code of Conduct governs of the State boards of South Dakota, establishing ethics guidelines.
- She noted that commissioner may recuse themselves from an action or a vote if they believe they have a conflict of interest.

- The board is required to complete an annual disclosure of any contracts that they may have.

Advertising Analytics

Matt Hammer and Dara Klatt of Lawrence & Schiller reported the following:

- Lawrence & Schiller began its partnership with the South Dakota Lottery in Fiscal Year 2015.
- The Lawrence & Schiller team has focused on marketing instant tickets and lotto games.
- L&S also provides research, strategy, media, digital and creative support to the South Dakota Lottery.
- Since the launch of the Good Fun brand, the South Dakota Lottery has seen favorable results in perception studies.
- The research conducted by Lawrence & Schiller has helped the Lottery make data driven decisions and determining key performance indicators for advertising campaigns.
- As the Lottery and Lawrence & Schiller plan media campaigns, they examine market data such as traffic trends, retailer counts and audience evaluation.
- The audience trends also determine which mediums would be best used to appeal to certain demographics.
- The audience intelligence also includes television ratings to determine when it's an optimal time for traditional TV ad buy.
- These strategies have not only contributed to positive instant and lotto ticket sales, but they've also led to increases in Players Club membership and mobile app downloads.
- The Lottery recently won two awards for ads produced by Lawrence & Schiller.
- Lawrence & Schiller developed a central character who incorporates humor into all the Lottery's ads.
- Chair Ahrendt asked how old the Lottery's mobile app was. Matt Hammer noted that after an extensive research project, the Lottery launched a new website and app with updated functionality.

SALES REPORT

Sales Manager David Dahl reported on the following:

- Instant ticket sales have increased 2.83 percent compared to the previous fiscal year.
- The Lottery has paid out more than \$23 million in instant ticket prizes this fiscal year to date.
- The Lottery has paid out more than \$7 million in lotto sales this fiscal year to date.
- Lotto sales are currently 7 percent less than last fiscal year, but they are trending up recently due to rising jackpots.
- The Lottery launched 25 new instant tickets in Fiscal Year 2023 and will launch another 26 instant tickets by the end of Fiscal Year 2024.
- Revenue projections are pacing very close to Fiscal Year 2023's total.

FY24 Video Lottery Report

Business Analyst Nathan Remmich reported on the following:

- Sully and Hand counties showed the most growth in terms of video lottery net machine income.
- Legacy machines have lost 6 percent of their net machine income throughout the fiscal year.
- Watertown has had the most growth in terms of Net Machine income throughout the fiscal year at 11.48 percent.
- Players across the state are betting more, but playing less on video lottery terminals.

MARKETING REPORT

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

- The Lottery is focusing paid advertising efforts on Responsible Gambling with March being Problem Gambling Awareness Month.
- This includes paid media efforts in television, radio, social media, billboards and more.
- The Lottery has efforts in Responsible Gambling throughout the year.
- South Dakota launched its Lady Luck scratch ticket on April 1.
- The ticket also has a special second chance offering with two winners receiving a trip to Dollywood for a private concert with Martina McBride.
- The second chance winners will also have the chance to win additional prizes up to \$500,000.
- The Lottery had a partnership at the 2024 men's and women's Summit League Tournaments in Sioux Falls.
- The partnership included signage and nine promotional segments.

VIDEO LOTTERY REPORT

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

- The number of video lottery establishments and terminals have slightly increased year over year.
- To date, there are 7,180-line machines in the field compared to 3,662.
- The Lottery recently conducted a security update by replacing its current Gguard system with Surelock, which is a new more robust ticket validation system.

PUBLIC COMMENT

Chair Ahrendt asked about public comments. There were none.

NEXT MEETING DATE

Executive Director Lingle stated the next meeting will be June 13, 2024.

ADJOURNMENT

The meeting adjourned at 11:13 a.m.

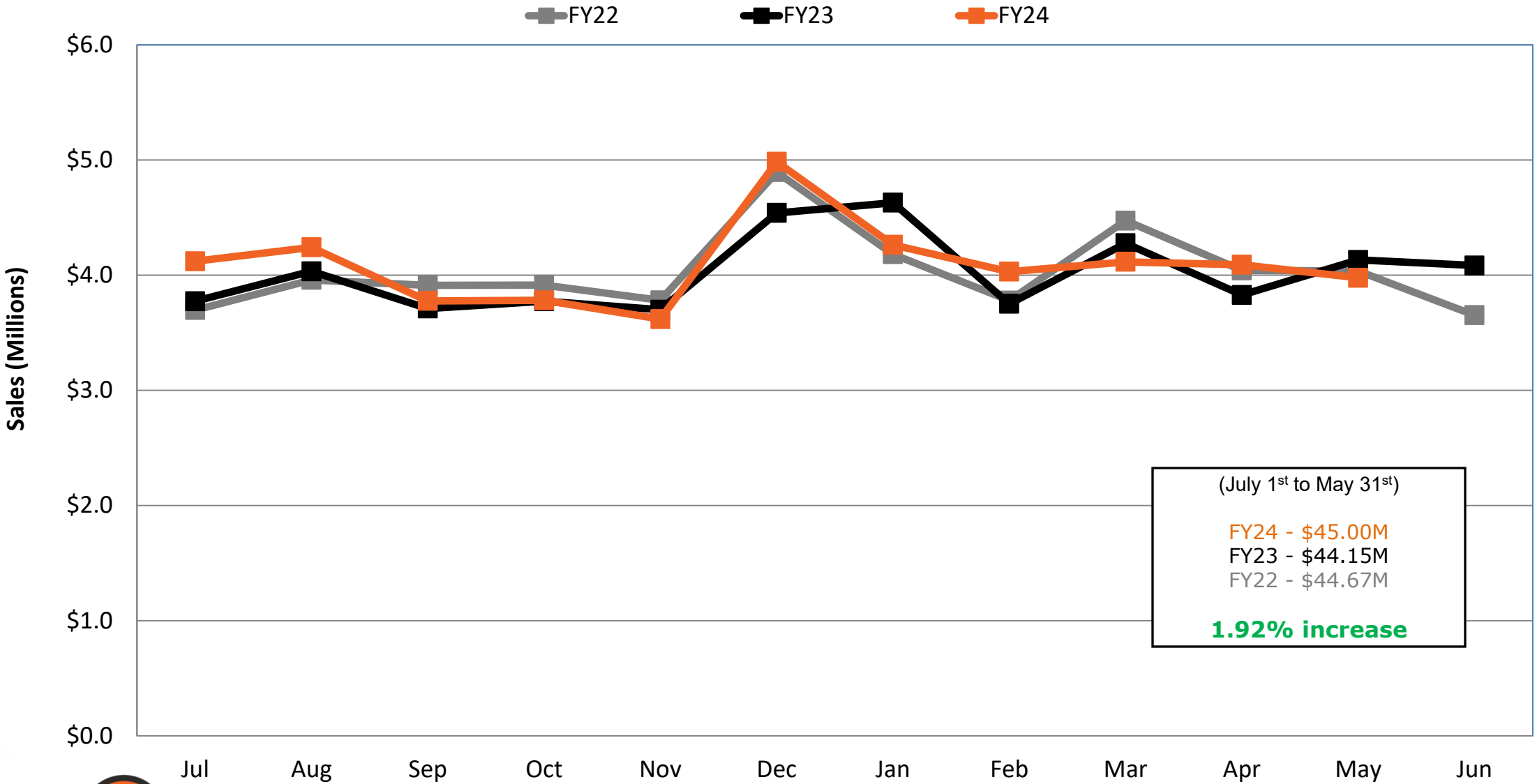
*Please listen to the audio on the South Dakota Lottery Website: <https://Lottery.sd.gov/about/commission/> for additional details.

Sales Report



A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Instant Sales

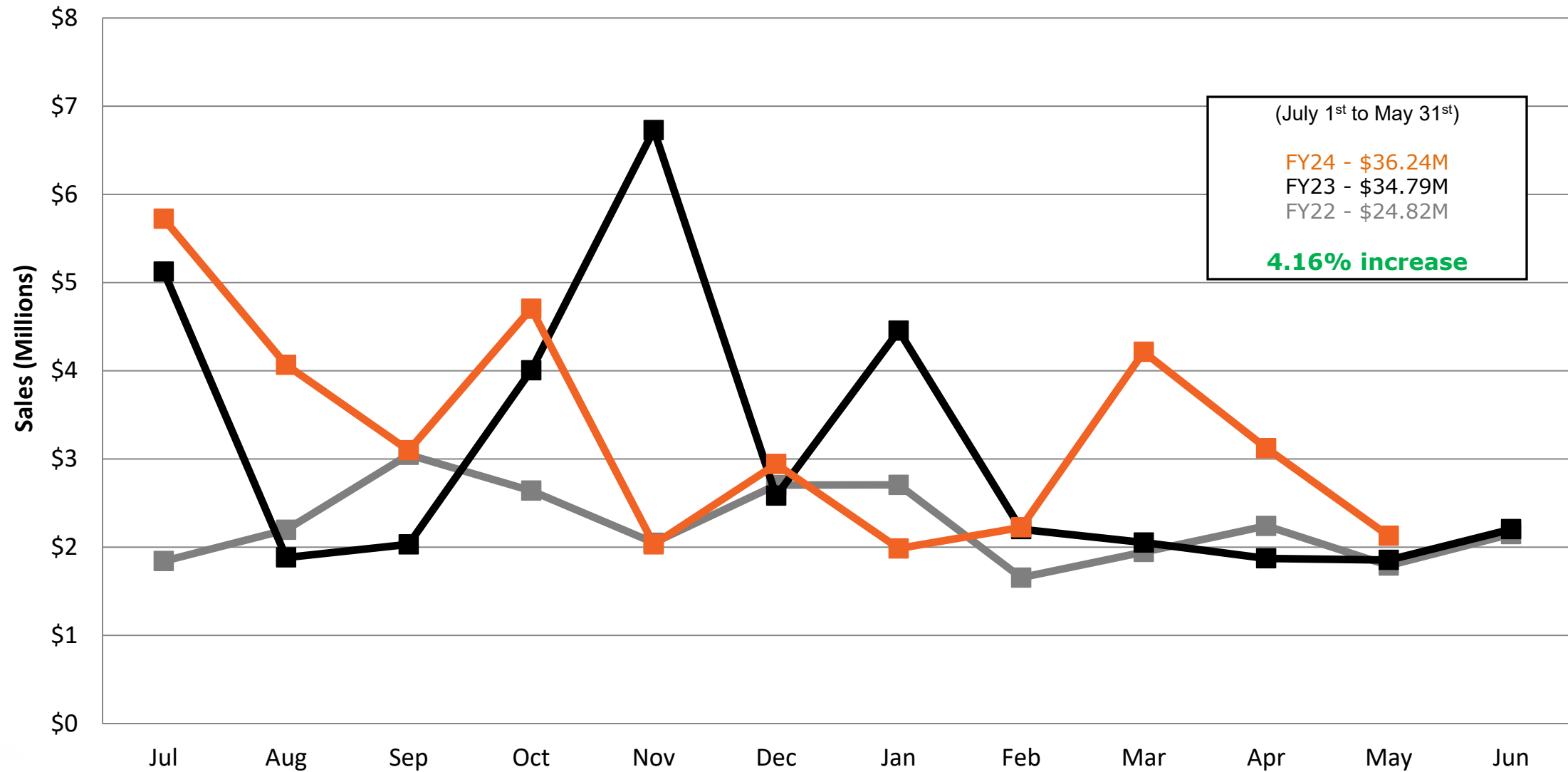


Lotto Sales

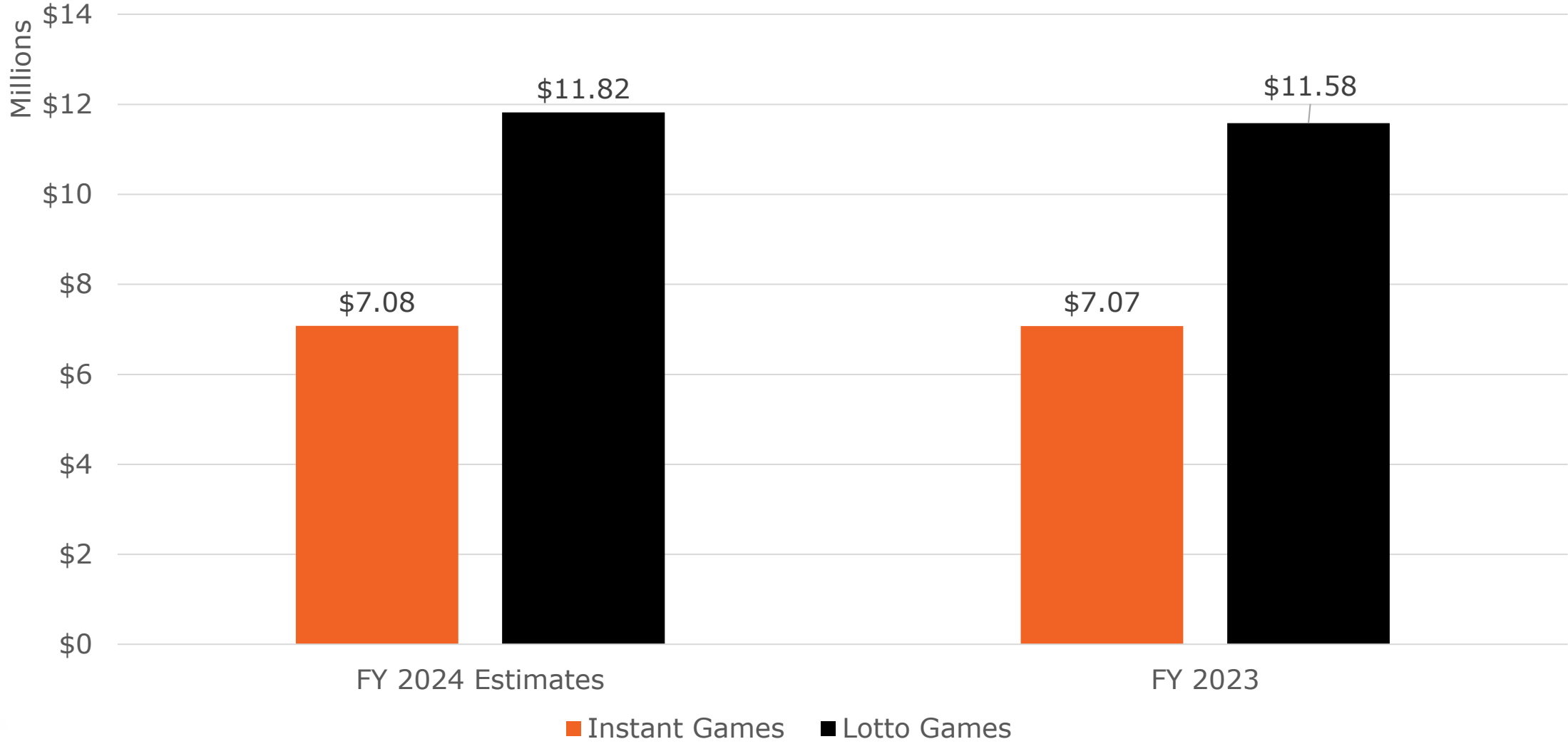
FY22

FY23

FY24

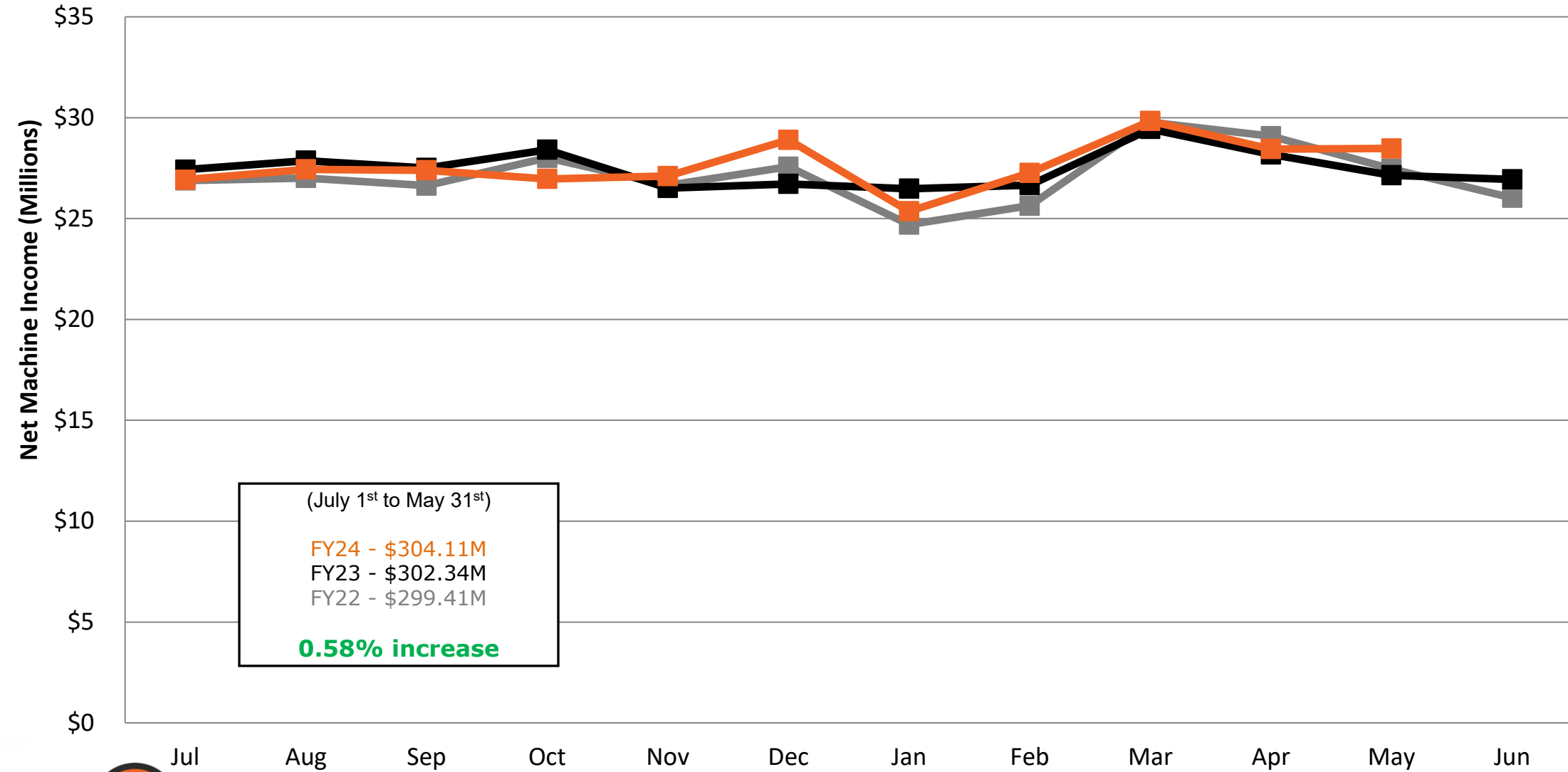


Instant and Online FY24 Revenue Projections as of May 31, 2024



Video Lottery NMI

FY22 FY23 FY24



Video Lottery FY24 State Share Revenue Projection as of May 31, 2024



Total FY24 Revenue Projections as of May 31, 2024

