



Commission Members

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

Minutes of the Commission Meeting

Meeting was conducted in person
Thursday, March 24, 2022 – 9:30 a.m.

Vice Chair Ahrendt called the March 24, 2022, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Vice Chair Ahrendt, Commissioner Huizenga, and Commissioner Rozum participated in person. Commissioner Kafka participated online, and Chair Shorma was not in attendance. The public was able to participate in person, by dialing in or listening on the internet.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Jim Terwilliger, David Wiest, Michael Houdyshell, Jordon Kitts, Wade LaRoche, Nathan Remmich, Lindsey Evens, Patty Kirby, Shawna Shaw and Megan Gross.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES FROM THE DECEMBER 9, 2021, MEETING

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

CONFLICT OF INTEREST

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

SECRETARY OF REVENUE'S COMMENTS

Secretary Jim Terwilliger reported on the following:

Department of Revenue Update

- Legislative Session has ended. Approximately 20% of the bills were dealt with by the Department of Revenue.
- Secretary Terwilliger will begin his new position as the Commissioner of the Bureau of Finance and Management April 1.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

The budget was adjusted to reflect expenditures on the FY21 budget, as requested. However, due to the budget system, they won't be reflected until next year's budget.

Legislative Session Lottery Bills

- HB 1138 - Increases the dollar limits related to play on video lottery machines.
 - The max bet for video lottery would increase from \$2 to \$4 and the max award from \$1,000 to \$4,000.
 - The bill was defeated in House Energy and Commerce by 10-3.
- SB 76 - Revises certain provisions regarding the minimum amount of a lottery prize subject to a setoff.
 - The amount of instant and online prizes that can be claimed at a retailer would increase from \$100 to \$599.
 - The bill was vetoed by the Governor, and the veto override failed 9-15 in the Senate.
- SB 152 - Provides for ticket-in, ticket-out video lottery.
 - Currently, video lottery is cash-in and ticket-out. This bill would allow for cash-out tickets on newer terminals to be inserted into another terminal at the same establishment.
 - The bill is waiting for the Governor's action.
- SB 183 - Increases the limit on the number of video lottery machines in a licensed establishment.
 - This bill would increase the maximum number of video lottery terminals per establishment from no more than 10 to 12.
 - The bill was defeated on the Senate floor by 23-11.

Chair Shorma and Vice Chair Ahrendt were reappointed to another term.

On January 7, 2022, the Lottery issued an RFP for instant ticket print vendors. Proposals for the RFP are due April 1. The Lottery's goal is to be in the position to make a recommendation during the June 2022 Lottery Commission Meeting.

Video Lottery Establishments were offered a payment plan for new video lottery site controllers, and the final \$1,000 was collected in January.

After 25 years with the Lottery, Patty Kirby will be retiring April 22. Shawna Shaw joined the Lottery on March 14 and will take over the accountant position.

Rob Polasky was hired on February 9 as a Video Lottery Specialist 1.

Lotto America Game Change

- For multi-state games, the Lottery adopts the Multi-State Lottery Association's rules as its rules. Therefore, if the new Lotto America rules are not approved, the Lottery will need to drop the game from its portfolio.
- Beginning Monday, July 18, 2022, Lotto America will add a Monday draw to the current Wednesday and Saturday draws.
- The Lottery expects the change to increase net transfers and retailer bonuses by \$27,500 and \$4,700, respectively.
- If approved, the next step is the Legislative Rules Review Committee on April 5, 2022.

No public testimony. Vice Chair Adherent made the commented that the game change is a good thing.

Vice Chair Ahrendt asked for a motion to approve the Lotto America game change, motioned by Commissioner Rozum, and seconded by Commissioner Huizenga. A roll call vote was taken. All in favor. Motion carried.

Lotto Retailer Incentive Commission

Declaratory Ruling 23-1 will add a Powerball Double Play retailer incentive to the current structure. Vice Chair Ahrendt asked for a motion to approve Ruling 23-1, motioned by Commissioner Huizenga, and seconded by Commissioner Rozum. A roll call vote was taken. All in favor. Motion carried.

Marketing Report

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

In conjunction with the National Council of Problem Gambling's Problem Gambling Awareness Month, the Lottery is conducting its annual Responsible Gambling Campaign. The campaign includes broadcast TV, digital TV, traditional and digital radio, billboards, and social media.

Campaigns and Promotions

- The Rock your World scratch ticket, a \$5 extended play game, launched on March 7.
- A new Instant ticket campaign will launch in April.
- March 17 was the Lucky Leprechaun promotion which generated more than \$58,000 in sales.
- A new \$2 State Fair scratch ticket will launch June 1. Promotions will include second chance drawings and the ability for player to present a non-winning ticket at the front gate for a dollar off the State Fair entry fee.

Sales Report

Deputy Executive Director Clark Hepper reported on the following:

Sales (as of February 28)

- Instant sales are up 6.78% over FY21.
- Lotto sales are up 1.69% over FY21.
- Instant - \$6.28 million in net transfers vs. \$5.06 million in FY21
- Lotto - \$8.51 million in net transfers vs. \$7.97 million in FY21
- Net Machine Income – 15.15% over FY21
- State share revenue - \$171.13 million vs. \$148.85 million in FY21
- Dakota Cash is projecting lower than FY21 due to smaller jackpots, shorter jackpot runs, and smaller jackpots on the nationwide games
- Although Powerball is projecting higher than FY21, there have been fewer jackpot runs
- Mega Millions is projecting lower because there have not been jackpots comparable to FY21's \$1.6 billion
- Lucky for Life has sustained a 48% increase since the game change, the promotional sales also help with sales
- Lotto America is 1% year over year. The game change may improve that.

Commissioner Huizenga asked, and Deputy Director Hepper confirmed, that what the Lottery is experiencing is essentially the end of the drastic sales increases which occurred during COVID.

In October 2021, the Lottery requested bids for two new GLI certified digital draw machines. The agreement included installation, training, and five years of support. The total contract would not exceed \$147,100. Smart Play International was the company selected.

FY22 Video Lottery Review

Business Analyst Nathan Remmich reported on the following:

Legacy vs Line NMI

- Legacy machines have shown a 13.52% increase totaling \$87.11 million and Line machines show a 32.04% increase totaling \$173.73 million over FY2.
- The increases in Net Machine Income are driven by a 3% daily increase in machine usage.
- McPhearson showed the highest percentage increase of NMI at 67.4% and Winner showed the lowest with a 40.9% decrease.
- All of the top cities have shown increases in NMI, the largest was Vermillion at 27.36%, and the smallest was Aberdeen at 6.37%.

Video Lottery Report

Director of Video Lottery and Security Jordon Kitts reported on the following:

Establishments (As of February 28)

- The number of active video lottery establishments for FY22 is 1,274 compared to 1,232 in FY21, an overall increase of 3.41% from last February.
- Video lottery has 9,714 terminals, or 76% of the available terminals in the current market, a 5.35% increase over FY21.
- Line machines have steadily increased by 16.73% over the last two years, while Legacy machines have decreased by 7.84%.
- Line machines bring in \$115.88 per machine per day, compared to Legacy machines at \$66.61 per machine per day.
- Line machines have continued to show steady growth, making up 59% of the total machines in our market and producing over 71% of the overall net machine income statewide.

The Lottery purchased an Uninterruptible Power Service (UPS), as required by the Multi-State Lottery Association (MUSL). The UPS provides reserve power to the ICS servers that secure daily transactions and winner data for a minimum of 90 minutes. The UPS includes expert remote monitoring, real-time status updates, and predicts component failure.

Public Comment

Vice Chair Ahrendt asked about public comments.

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

NEXT MEETING DATE

Vice Chair Ahrendt stated Thursday, June 16, 2022, at 9:30 a.m. central time is the next meeting.

ADJOURNMENT

Vice Chair Ahrendt adjourned the meeting at 10:45 a.m.

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