

South Dakota Lottery Commission Meeting March 21st, 2019



**SOUTH DAKOTA
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A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Secretary of Revenue Comments



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2019 Legislative Session



**TRACKED ALMOST 1 OUT OF EVERY
4 BILLS INTRODUCED DURING THE
2019 SESSION.**

(111 OUT OF 475)

ACTIVELY WORKED 56 BILLS:

- 9 DOR Sponsored Bills
 - 7 Passed
 - 2 Failed
- 27 Opposed
- 8 Change/Amend
- 12 Involved in Various Capacities (Testify, Support, Draft, etc.)

Department Bills

DOR Bill	Bill Subject	1 st Committee	1 st Floor	2 nd Committee	2 nd Floor
HB 1014	Business Tax: Application of Bank Franchise Tax Payments	House Taxation <i>DP 11-0, Consent</i>	House <i>DP 69-0</i>	Senate Taxation <i>DP 32-0, Consent</i>	Senate <i>DP 32-0</i>
HB 1015	Business Tax & Property Tax: Internal Revenue Code Dates	House Taxation <i>DP 11-0, Consent</i>	House <i>DP 69-0</i>	Senate Taxation <i>DP 7-0, Consent</i>	Senate <i>DP 32-0</i>
HB 1016	Business Tax: Alcohol Laws Cleanup	House Commerce <i>DP 13-0, Consent</i>	House <i>DP 68-0</i>	Senate Commerce <i>DP 6-0, Consent</i>	Senate <i>DP 35-0</i>
HB 1017	Business Tax: Destruction of Contraband Cigarettes	House Commerce <i>DP 13-0</i>	House <i>DP 68-0</i>	Senate Taxation <i>DP 7-0, Consent</i>	Senate <i>DP 33-0</i>
HB 1018	Administration: Collection of Various Fees from DOR to DENR	House Taxation <i>DP 11-0, Consent</i>	House <i>DP 69-0</i>	Senate Ag <i>DP 8-0, Consent</i>	Senate <i>DP 33-0</i>
SB 25	Legal: Update Authority of DOR Special Agents	Senate Taxation <i>DP 7-0, Consent</i>	Senate <i>DP 34-0</i>	House Taxation <i>DP 11-0, Consent</i>	House <i>DP 67-0</i>
SB 26	Gaming: Gaming Laws Cleanup	Senate State Affairs <i>DP 8-1</i>	Senate <i>DP 34-1</i>	House State Affairs <i>10-0, Consent</i>	House <i>DP 66-0</i>
SB 27	Business Tax: Repeal Fees for Coin Operated Washers and Dryers	Senate Taxation <i>Def 41st 6-1</i>			
SB 28	Business Tax: Repeal Amusement Device Tax and Registration	Senate Taxation <i>Def 41st 5-2</i>			

FY 2020 Budget

Adopted General Fund Revenue Amount = \$1.7 billion

- Up \$5.6 million from Governor Noem's Budget Address
- \$55.7 million growth from FY 2019 revised budget to FY 2020 budget

Core Funding Proposals

- 2.5% for State Employee Salaries
 - Additionally, no monthly surcharge for health insurance
- 2.5% for K-12 per Student Allocation (Includes Technical Institutes)
- Medicaid Service Providers
 - Nursing Homes: 10% Increase
 - Community Support Providers: 6.5% Increase
 - Other Community-Based Providers: 3 – 4% Increase
 - Non-Community-Based Providers: Average of 1.5% Increase

DOR Budget

- \$75,518,971 & 254.5 FTE
- 4 New FTE: Revenue Agents (2) & Auditors (2)

TO VIEW BUDGET DOCUMENTS,
VISIT [HTTPS://BFM.SD.GOV/BUDGET](https://bfm.sd.gov/budget)

Executive Director Comments



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Executive Director Comments

- Staffing
 - Marla Gruber – Director of Sales
 - Tom Helland – Director of Marketing
 - Brandi Hoerner – Director of Security and Video Lottery



Executive Director Comments

- Legislation
 - HB 1211 – An Act to revise provisions regarding lottery winner confidentiality
 - HB 1252 – An Act to increase the state’s percentage of video lottery revenues and provide for deposit of certain excess revenues
 - HB 1253 – An Act to provide funding for advertising that addresses the negative aspects of gambling
 - HR 1006 - Recognizing the deleterious effects of gambling and video lottery.
 - Lottery Commission Confirmation Hearings



IGT Online and Related Services Project Update



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IGT Online and Related Services Project Update

- Project Kickoff - January 15
- Requirements Gathering
 - Weekly Reviews
 - On-site and Remotely
 - Job Shadowing
- Data Conversion
- Acceptance Testing
 - New Terminal – June 3 to July 12
 - Aurora System – August 19 to October 11



IGT Online and Related Services Project Update

- New Terminal and Peripherals
 - Installation begins July 22
- Parallel Processing
 - October 13 to November 3
- Conversion Date
 - Sunday, November 3, 2019

Lottery, DOR – Admin and BIT staff support has been critical. Thank You!!!



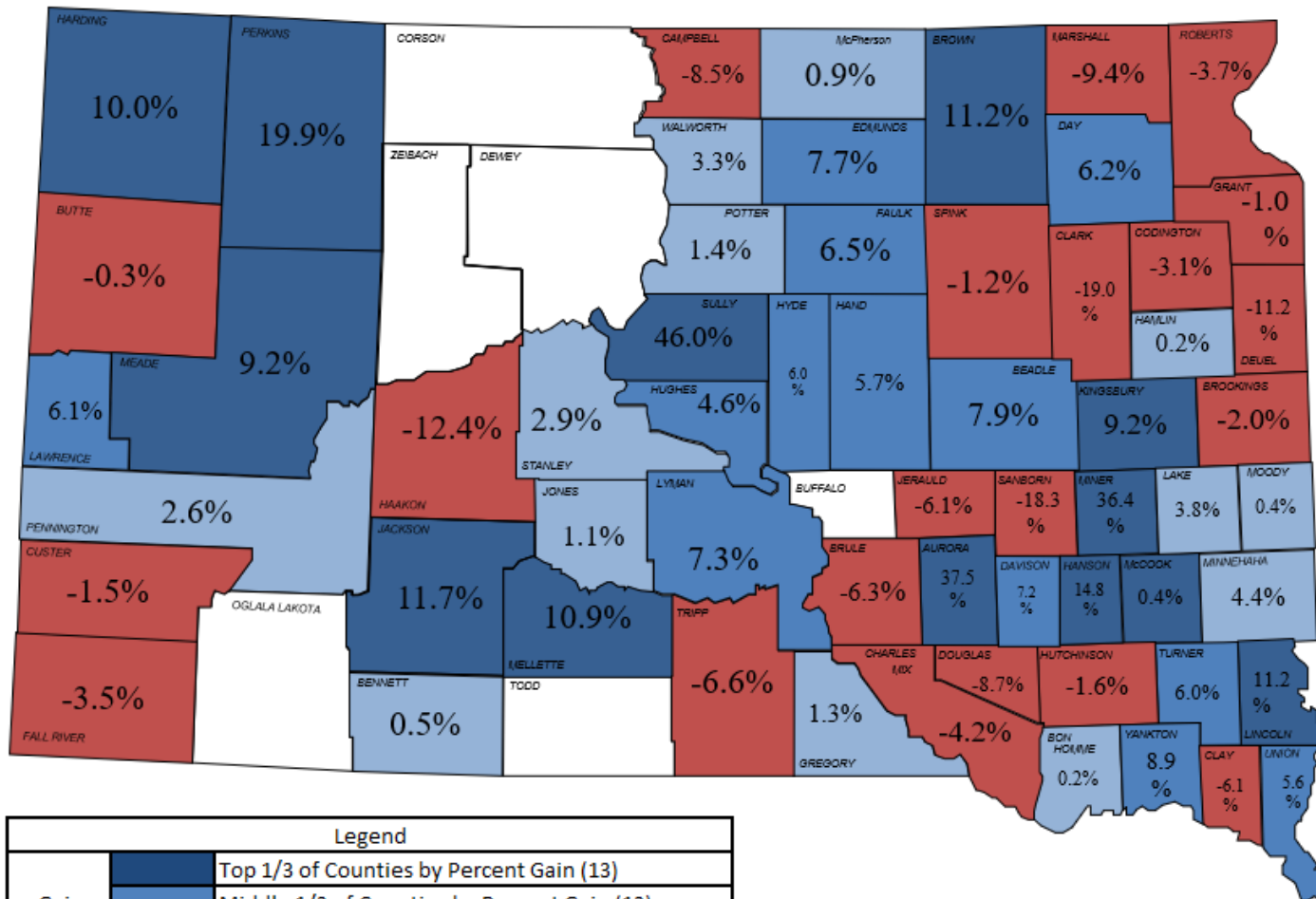
FY 19 Video Lottery Review



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YoY % Change in Net Machine Income



Legend	
Gain	Top 1/3 of Counties by Percent Gain (13)
	Middle 1/3 of Counties by Percent Gain (13)
	Bottom 1/3 of Counties by Percent Gain (13)
N/A	No Video Lottery
Loss	Counties by Percent Loss (21)



City	FY18 NMI	FY19 NMI	\$ Change	% Change
Sioux Falls	\$37,177,696.36	\$38,940,412.40	\$1,762,716.04	4.74%
Rapid City	\$17,595,018.42	\$18,192,337.56	\$597,319.14	3.39%
North Sioux City	\$8,653,483.98	\$9,150,770.91	\$497,286.93	5.75%
Aberdeen	\$8,121,577.87	\$9,099,152.62	\$977,574.75	12.04%
Yankton	\$5,318,924.78	\$5,794,455.06	\$475,530.28	8.94%
Watertown	\$5,572,107.22	\$5,397,591.59	-\$174,515.63	-3.13%
Mitchell	\$4,578,031.48	\$4,900,309.52	\$322,278.04	7.04%
Huron	\$4,205,585.99	\$4,543,982.73	\$338,396.74	8.05%
Pierre	\$3,625,806.74	\$3,787,166.79	\$161,360.05	4.45%
Brookings	\$2,956,907.45	\$2,885,875.30	-\$71,032.15	-2.40%
Brandon	\$1,538,219.58	\$1,856,697.18	\$318,477.60	20.70%
Box Elder	\$1,644,556.00	\$1,577,353.06	-\$67,202.94	-4.09%
Sturgis	\$1,254,587.41	\$1,490,125.54	\$235,538.13	18.77%
Hot Springs	\$1,430,801.70	\$1,423,719.81	-\$7,081.89	-0.49%
Vermillion	\$1,470,804.88	\$1,403,266.58	-\$67,538.30	-4.59%
Rest of the state	\$38,902,643.04	\$39,494,857.62	\$592,214.58	1.52%
State Total	\$144,046,752.90	\$149,938,074.27	\$5,891,321.37	4.09%



FY 18 Net Machine Income by Establishment Size



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NMI by Establishment Size

Number of Machines Per Establishment	Number of Establishments	Percentage of GMMS Machines	Percentage of Line Machines	Percentage of SAS Machines	Total NMI	Percentage of NMI
1-2	96	87.91%	3.30%	8.79%	\$951,518.94	0.43%
3-4	285	74.60%	7.53%	17.87%	\$7,582,638.37	3.45%
5-6	235	66.00%	6.41%	27.59%	\$14,261,112.02	6.49%
7	92	62.73%	6.52%	30.75%	\$8,827,657.32	4.01%
8	99	63.64%	6.44%	29.92%	\$13,294,318.99	6.05%
9	60	61.30%	7.78%	30.93%	\$11,790,575.66	5.36%
10	542	54.08%	7.82%	38.10%	\$163,182,853.35	74.21%



GMMS

Number of Machines Per Establishment	Number of Establishments	Percentage of Machines	Percentage of NMI	Average NMI Per Establishment	Total NMI
1-2	96	87.91%	84.66%	\$8,950.95	\$805,585.60
3-4	285	74.60%	61.37%	\$16,443.89	\$4,653,620.39
5-6	235	66.00%	49.34%	\$30,328.88	\$7,036,299.54
7	92	62.73%	47.74%	\$46,312.77	\$4,214,462.35
8	99	63.64%	49.86%	\$67,643.31	\$6,629,043.98
9	60	61.30%	43.59%	\$85,665.04	\$5,139,902.45
10	542	54.08%	45.03%	\$136,330.47	\$73,482,122.38



Line

Number of Machines Per Establishment	Number of Establishments	Percentage of Machines	Percentage of NMI	Average NMI Per Establishment	Total NMI
1-2	96	3.30%	4.47%	\$7,083.17	\$42,499.00
3-4	285	7.53%	6.69%	\$6,857.50	\$507,455.29
5-6	235	6.41%	4.87%	\$8,570.89	\$694,242.26
7	92	6.52%	3.87%	\$9,233.34	\$341,633.45
8	99	6.44%	5.30%	\$14,993.78	\$704,707.85
9	60	7.78%	7.01%	\$23,614.19	\$826,496.70
10	542	7.82%	5.52%	\$27,636.47	\$9,009,487.93



SAS

Number of Machines Per Establishment	Number of Establishments	Percentage of Machines	Percentage of NMI	Average NMI Per Establishment	Total NMI
1-2	96	8.79%	10.87%	\$7,956.49	\$103,434.34
3-4	285	17.87%	31.94%	\$16,816.41	\$2,421,562.69
5-6	235	27.59%	45.79%	\$33,150.10	\$6,530,570.22
7	92	30.75%	48.39%	\$52,092.21	\$4,271,561.52
8	99	29.92%	44.84%	\$65,500.74	\$5,960,567.16
9	60	30.93%	49.40%	\$102,178.54	\$5,824,176.51
10	542	38.10%	49.45%	\$154,877.63	\$80,691,243.04



Average NMI per Machine per Day

Model	NMI/Machine/Day
GMMS	\$49.91
Line and SAS	\$92.68



NMI by Model

Model	NMI
GMMS	\$101,961,036.69
Line	\$12,126,522.48
SAS	\$105,803,115.48
Total	\$219,890,675



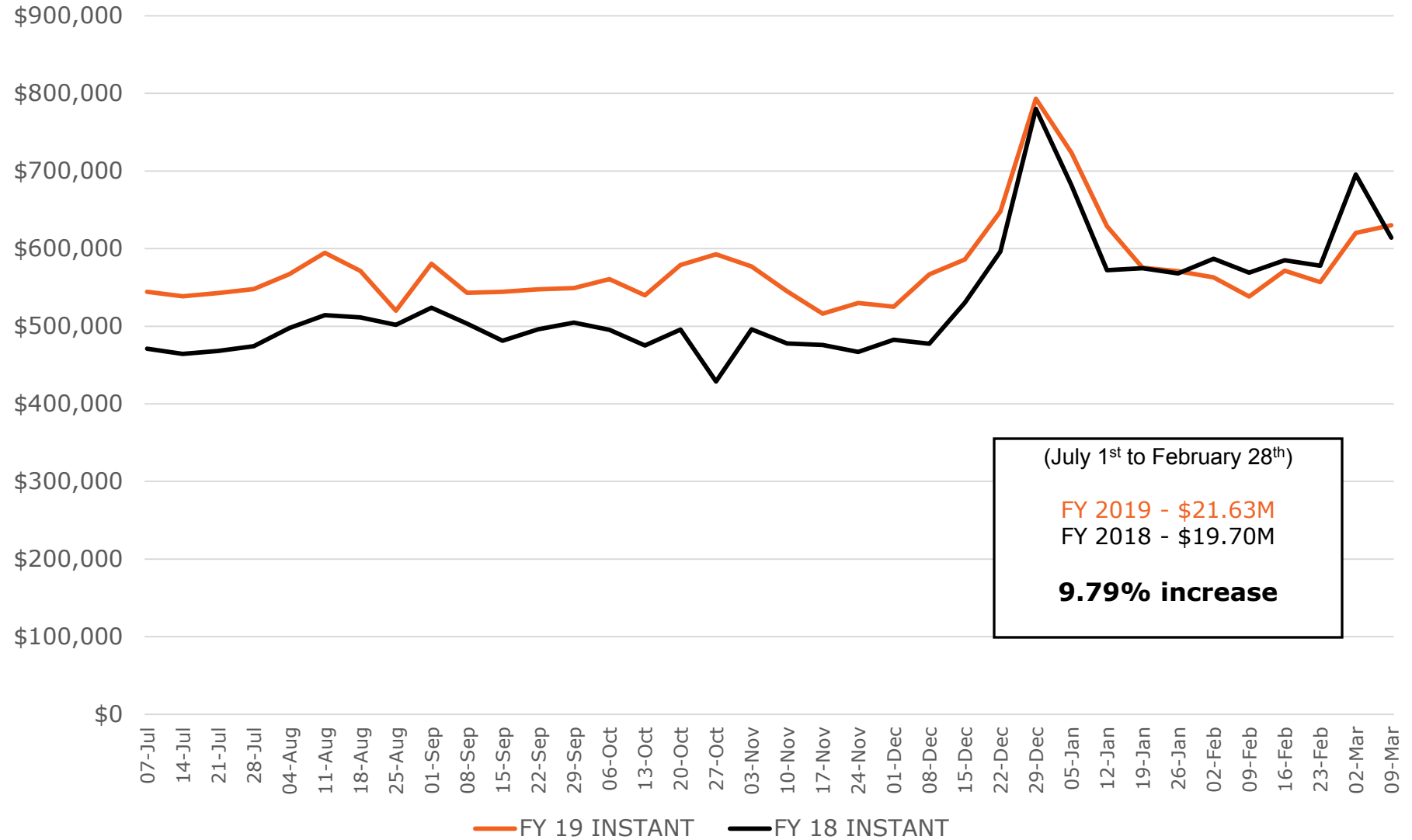
Sales Report



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Instant Ticket Sales



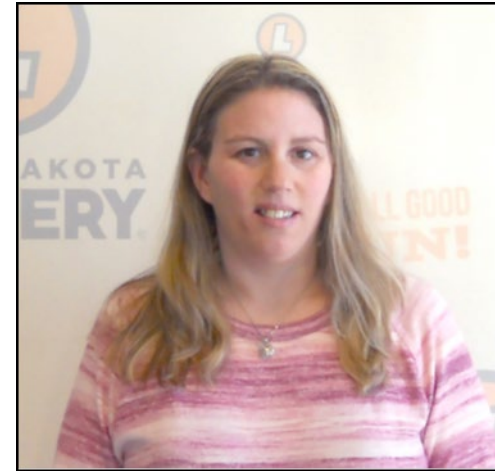
\$250,000 Top Prize



Stuart Laabs
\$20 Show Stopper

Instant Top Prize Winners Since January

\$50,000 Top Prize



Brittany Osborne
\$5 Frogger

\$10,000 Top Prize



Charlotte Kolb
\$2 Cashing Thru the Snow

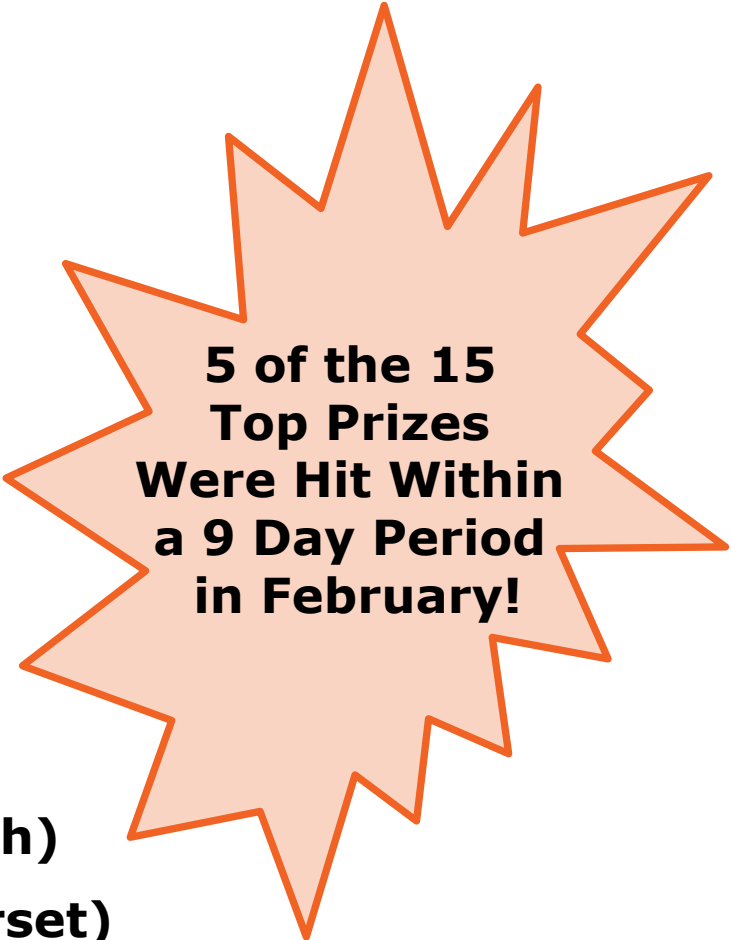
**15
Top Prizes
Have Been
Claimed!**

**Totaling
\$740,554
In Payouts!**



Instant Top Prize Winners Continued

- **\$100,000 Taxes Paid (Rapid City)**
- **\$57,777 Holiday 7's (Sioux Falls)**
- **\$57,777 Holiday 7's (Rapid City)**
- **\$55,000 Rockin' 5's (Pierre)**
- **\$30,000 Cashword (Rapid City)**
- **\$30,000 Fireball (Sioux Falls)**
- **\$30,000 Bonus Ball Bingo (Huron)**
- **\$30,000 Pac-Man (Madison)**
- **\$10,000 Money Bags (Yankton)**
- **\$10,000 Money Multiplier (Spearfish)**
- **\$10,000 Money Multiplier (Summerset)**
- **\$10,000 10X (Mission)**



**5 of the 15
Top Prizes
Were Hit Within
a 9 Day Period
in February!**



New Pollard FX Design



- ❖ **Launched Week of 2/18**
- ❖ **First “FX” Ticket to Launch in South Dakota**
 - ❖ FX is created by printing four colors on top of cold foil, ticket graphics come to life with the appearance of colored holographic foil.
- ❖ **Last 3 Weeks of Sales Averaged over \$51,000 in Weekly Sales!**
 - ❖ 50X generated an Average of \$42,000 in weekly sales.



Launching This Week



- Launching This Week
- 2nd Scratch My Back Ticket

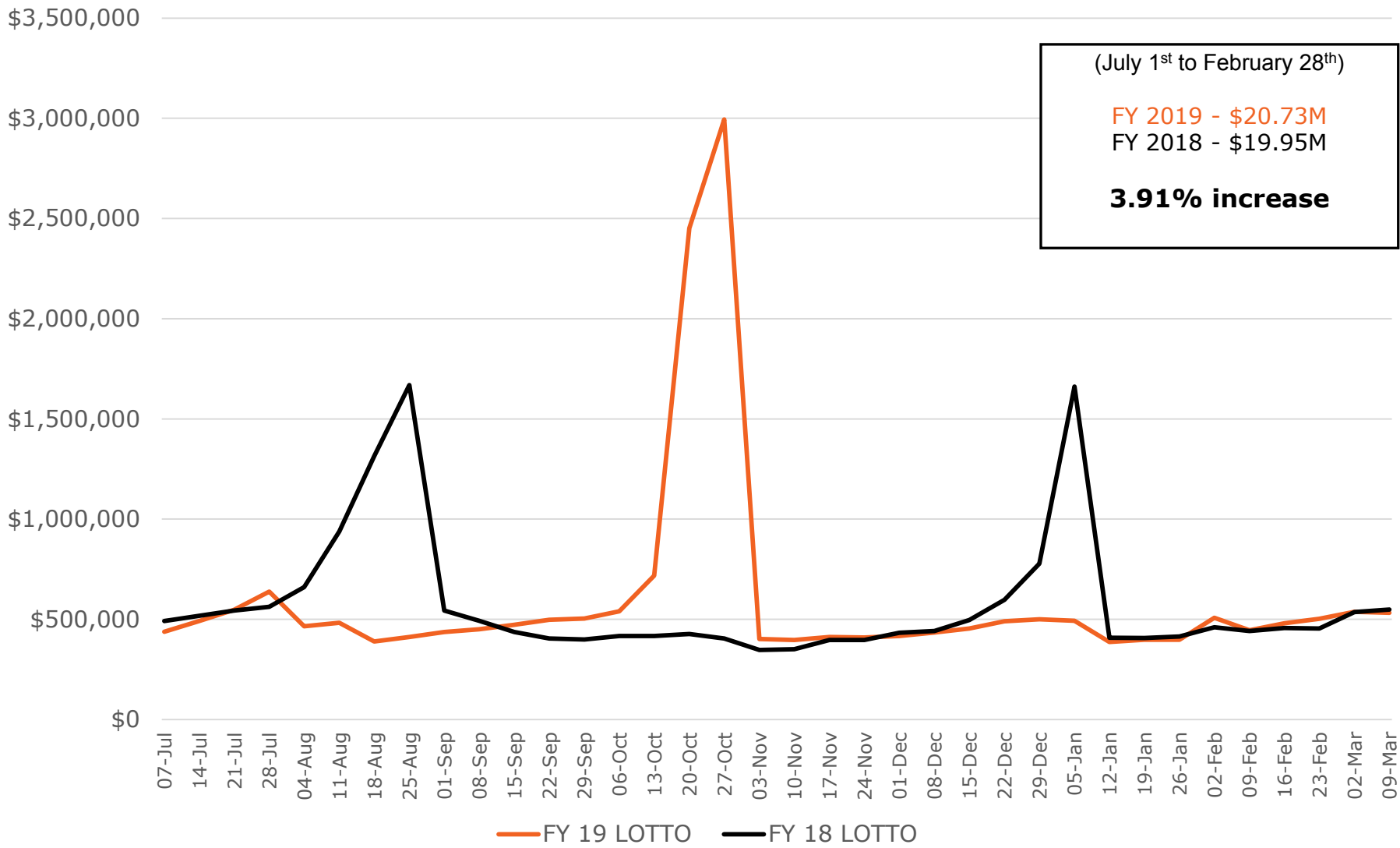


Lotto Sales

(July 1st to February 28th)

FY 2019 - \$20.73M
 FY 2018 - \$19.95M

3.91% increase



Lucky For Life Top Prize Winner



**Brandi Hanson
Won A
\$1,000 A Day
For Life**

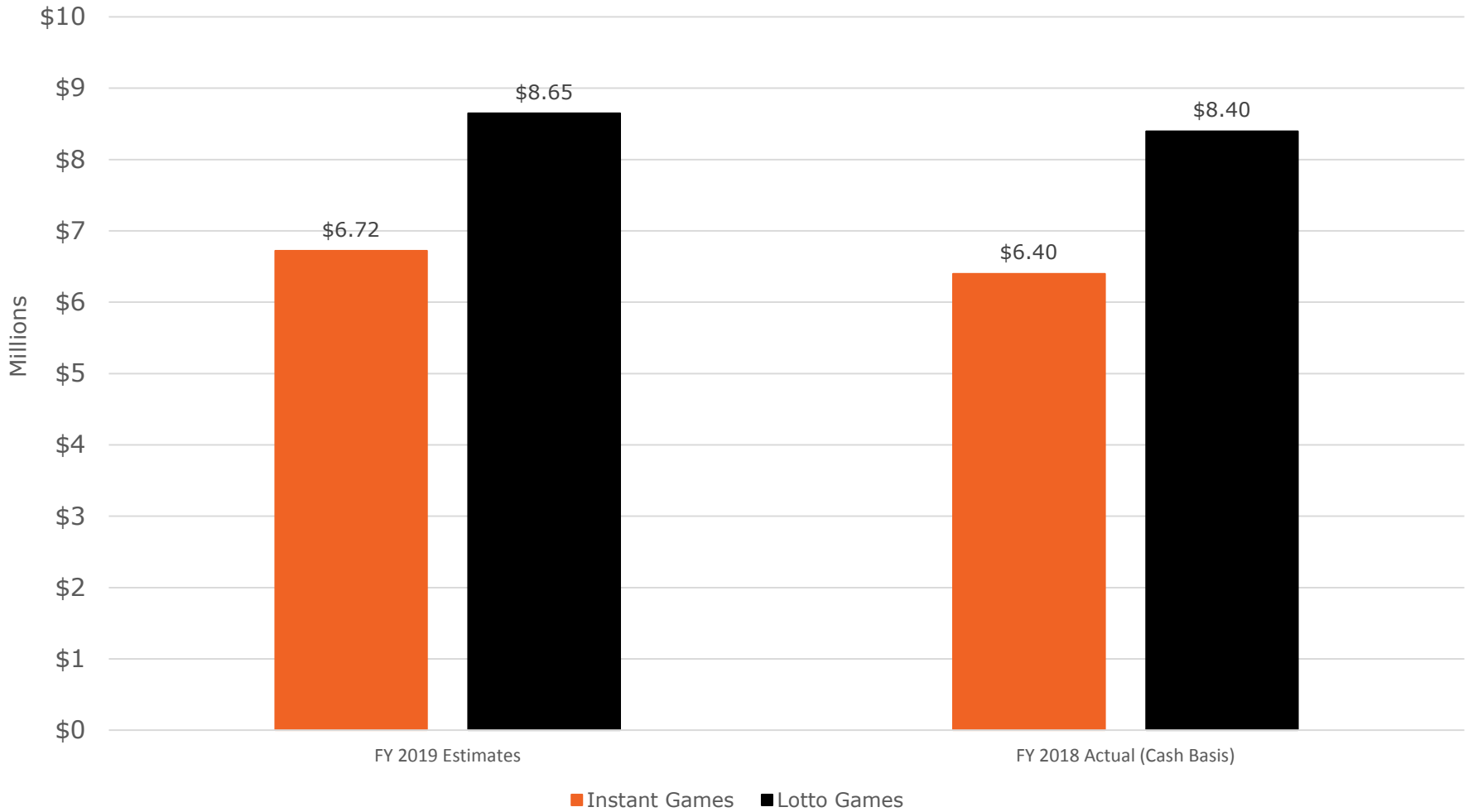
*This ticket was purchased
at **KEN'S SUPERFAIR
FOODS** in Aberdeen*

Other Major Lotto Winners would include:

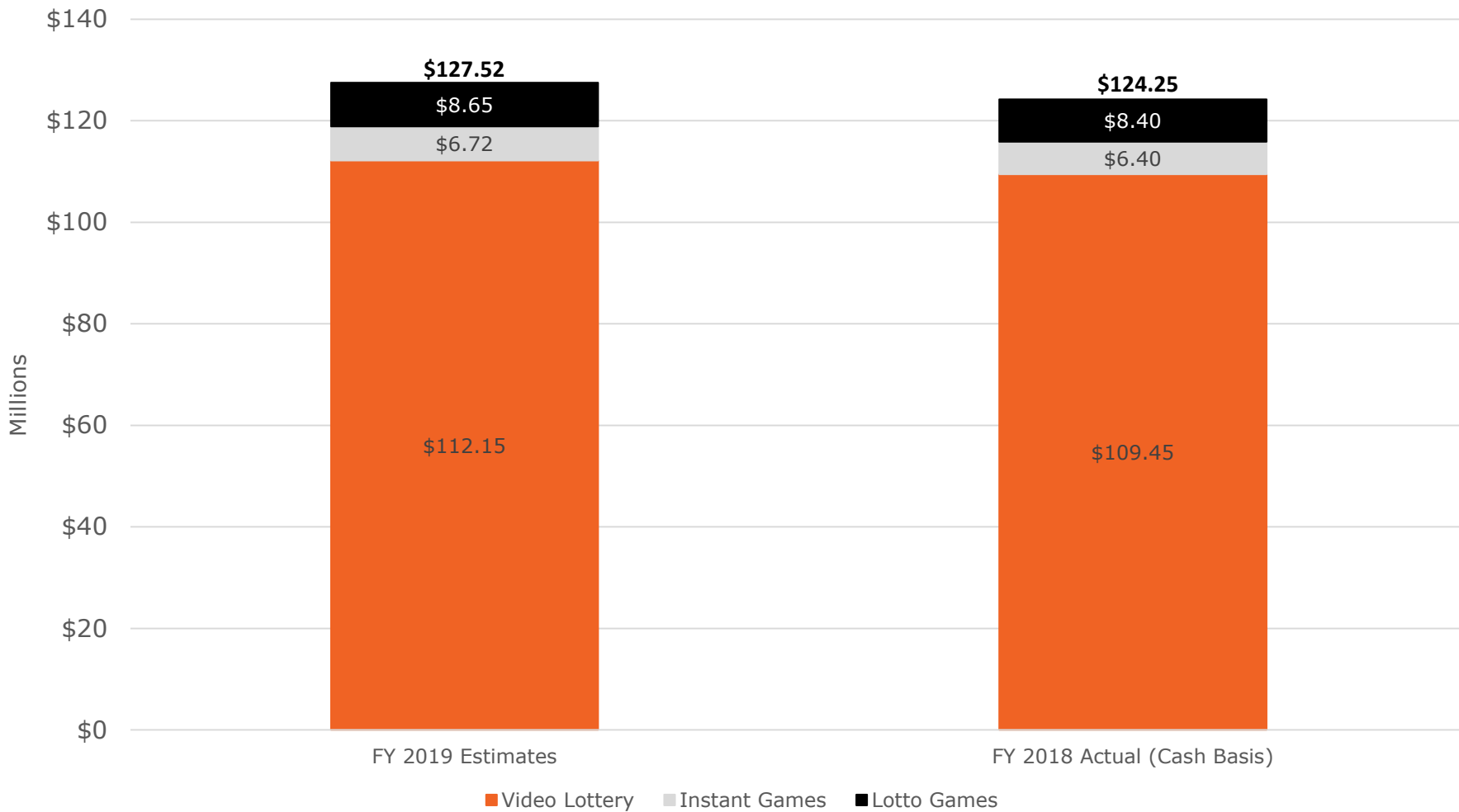
- ✓ \$50,000 Powerball (North Sioux City)
- ✓ \$30,000 Mega Play (Faith)



Instant and Online FY19 Revenue Projections as of February 28, 2019



Total FY19 Revenue Projections as of February 28, 2019



Marketing/Advertising Report



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Marketing Report

- Responsible Gaming Month
- New Encore Score 2nd Chance Promotion
- Makin' Bacon Launch & 2nd Chance Promotion
- New Year's Rockin' Eve – Powerball Promotion



New Encore Score 2nd Chance Promotion

- Debuted with 02/28 draw
- \$300 in tickets for 5 winners
- Special event tickets feature



Makin' Bacon Launch & 2nd Chance Promotion

- \$5 ticket launch on 4/1
- 2nd Chance promotion for FREE pork
- Partnership with SDPPC

2ND CHANCE DRAW

Enter non-winning Makin' Bacon for a chance to win

FREE pork for a year
OR
\$100 worth of Makin' Bacon

Drawings at the end of April, May, and June

 **SOUTH DAKOTA LOTTERY**
lottery.sd.gov

 **South Dakota Pork Producers Council**
www.sdppc.org



New Year's Rockin' Eve

- Powerball 2nd Chance (4/15-09/15)
- Two SD winners drawn on 09/20
- VIP experience in NYC... chance at being first \$1M winner of 2020



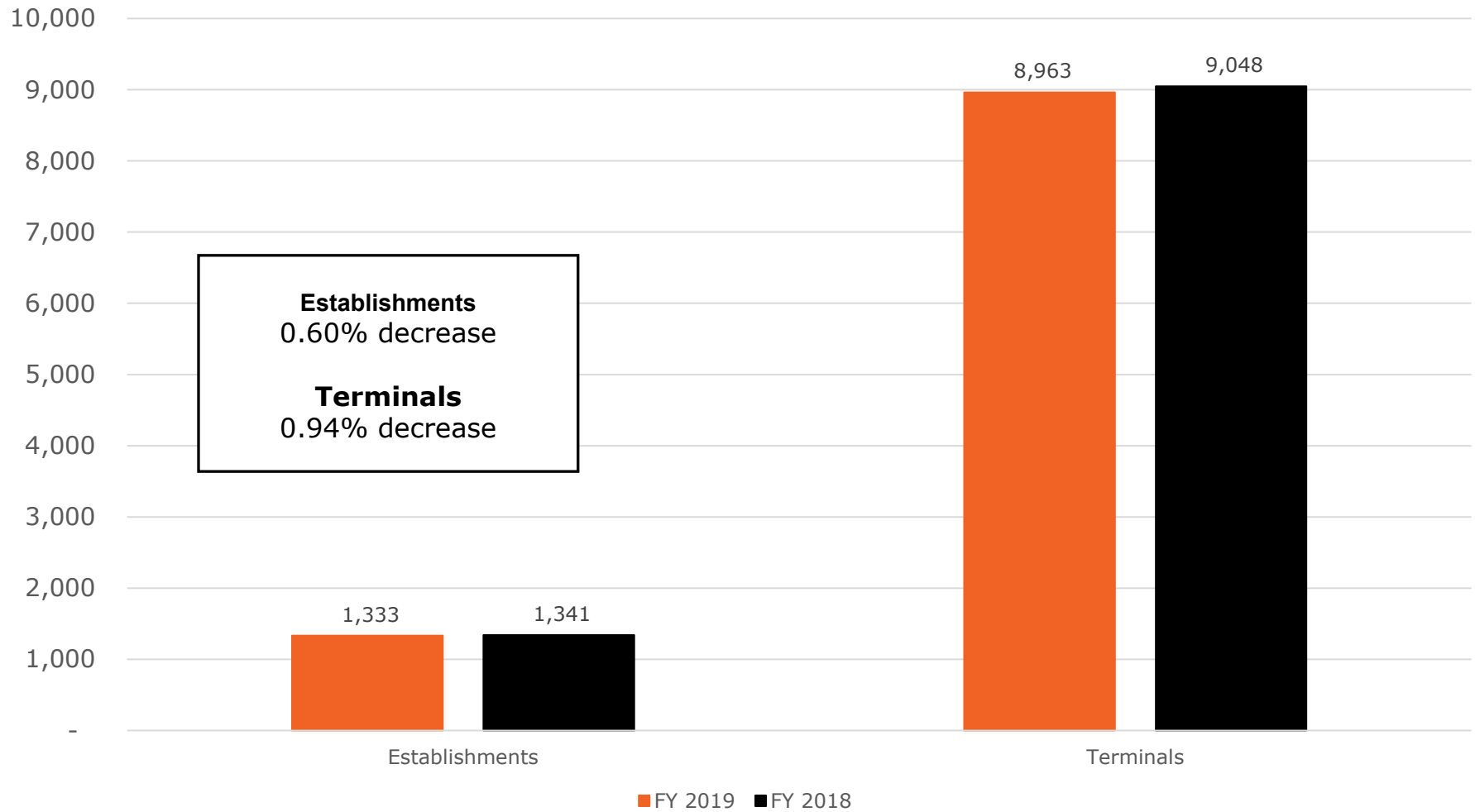
Video Lottery Report



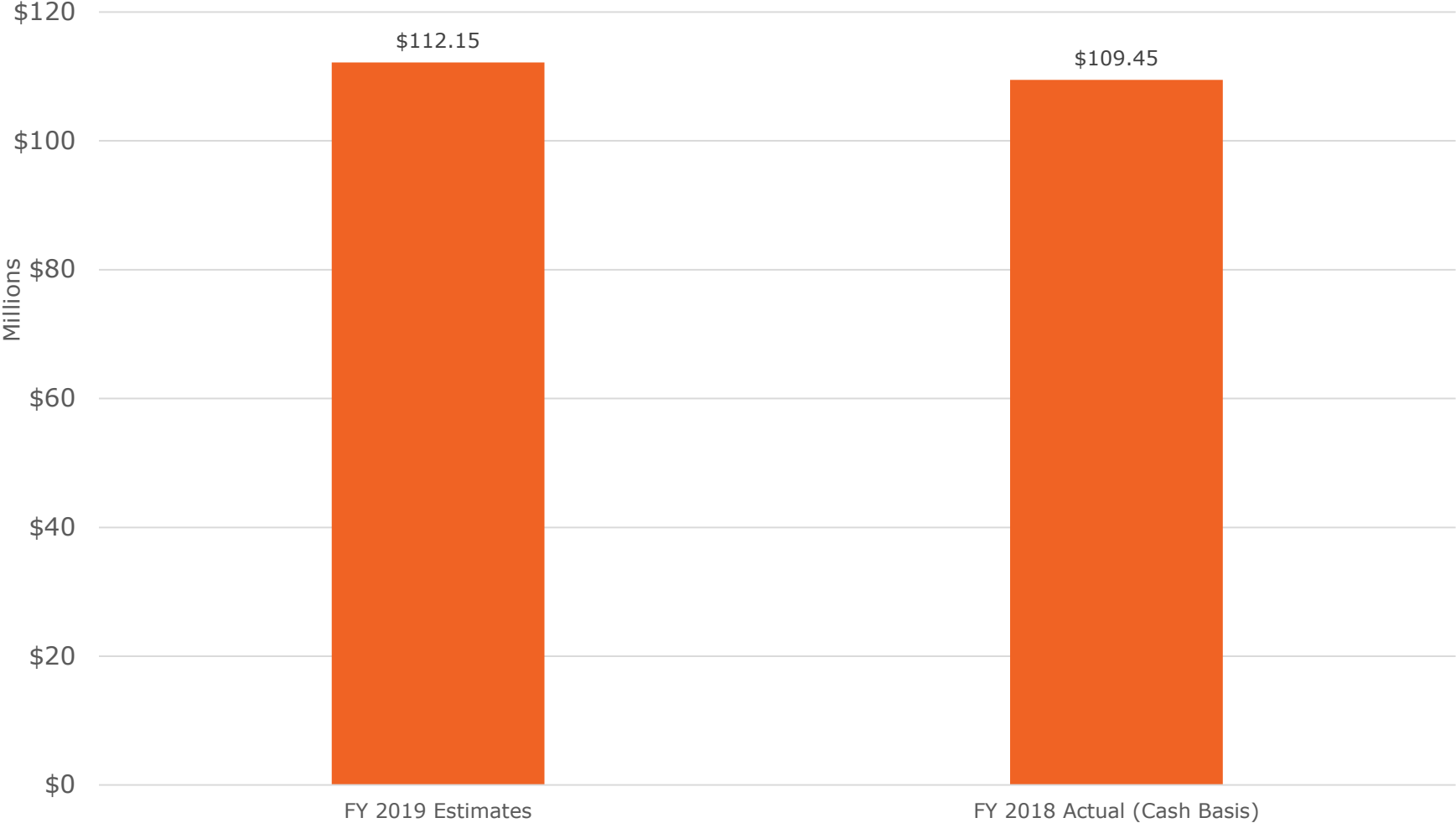
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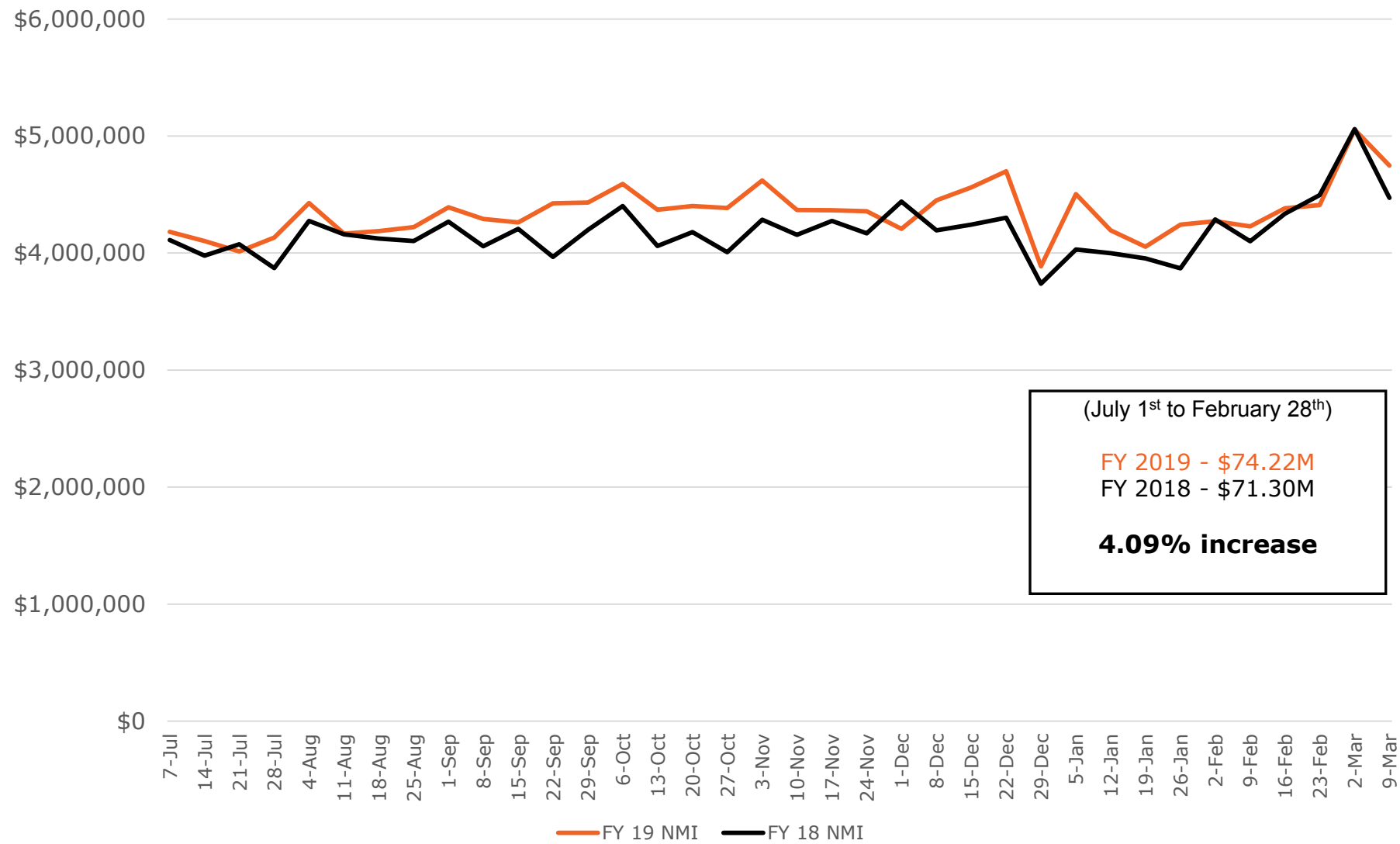
Number of Terminals and Establishments as of February 2019



Video Lottery FY 19 State Share Revenue Projection as of February 28, 2019

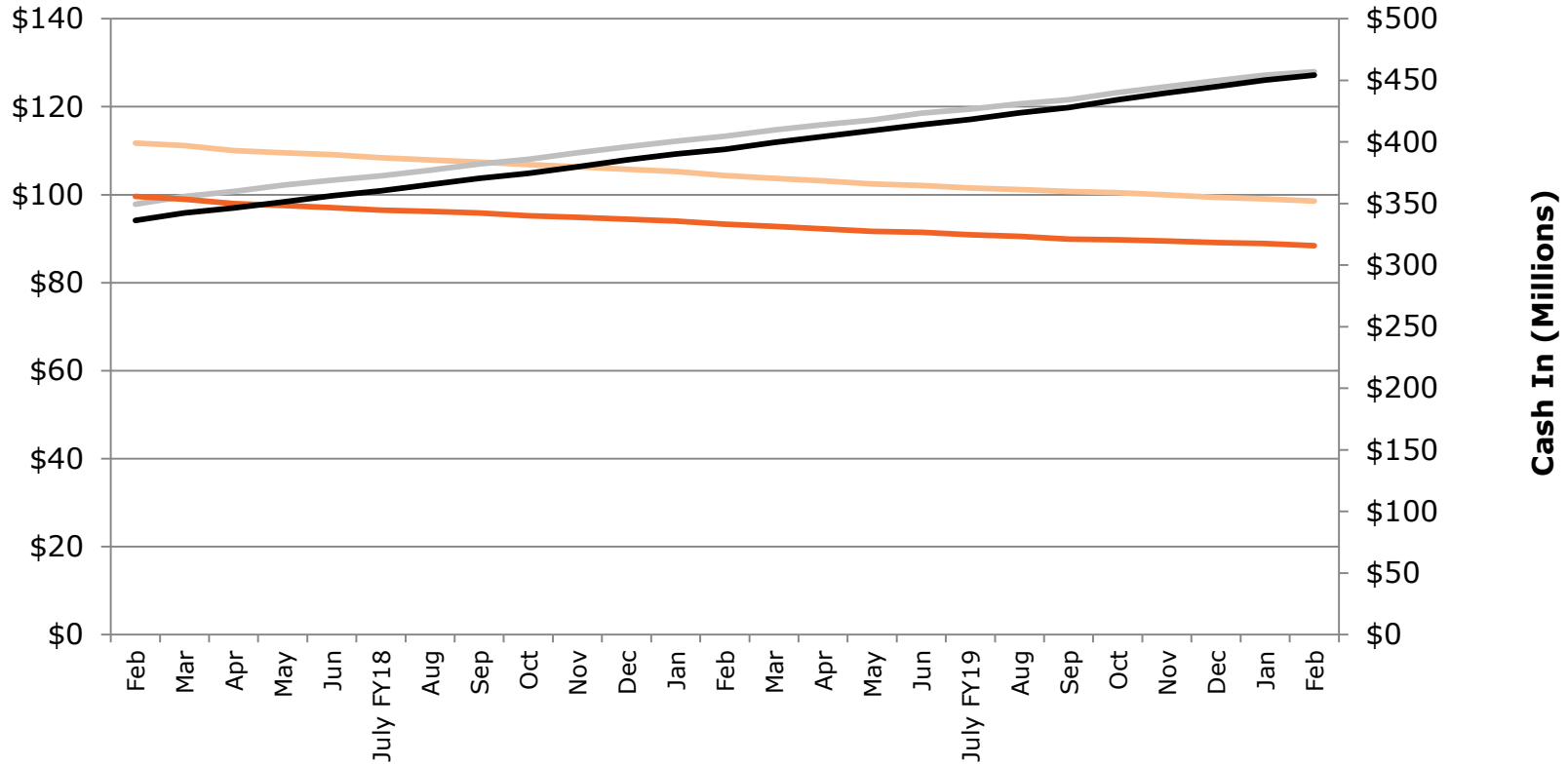


Net Machine Income



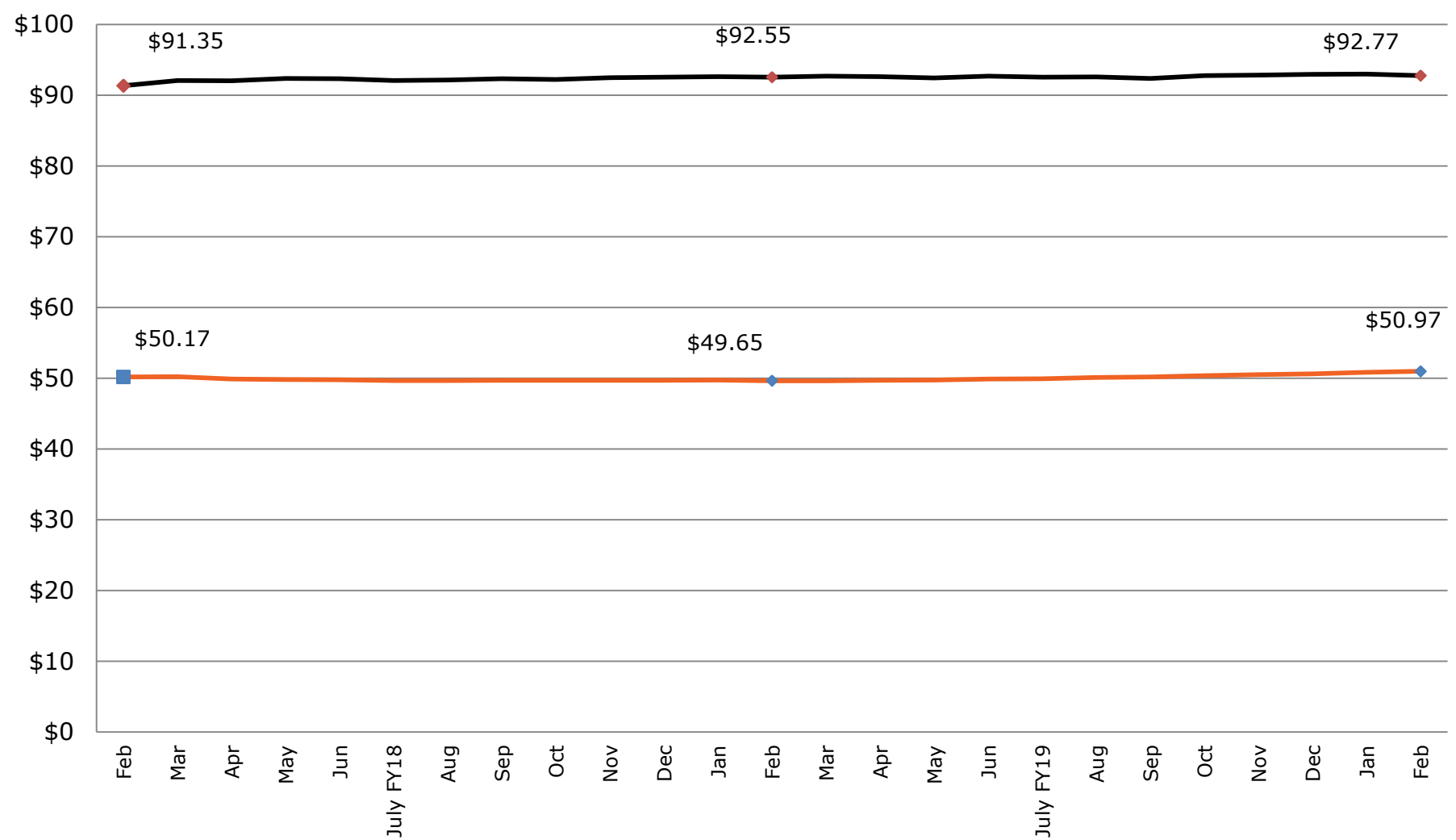
Cash In & NMI - Legacy vs. Line

Legacy NMI Line NMI Legacy Cash In Line Cash In



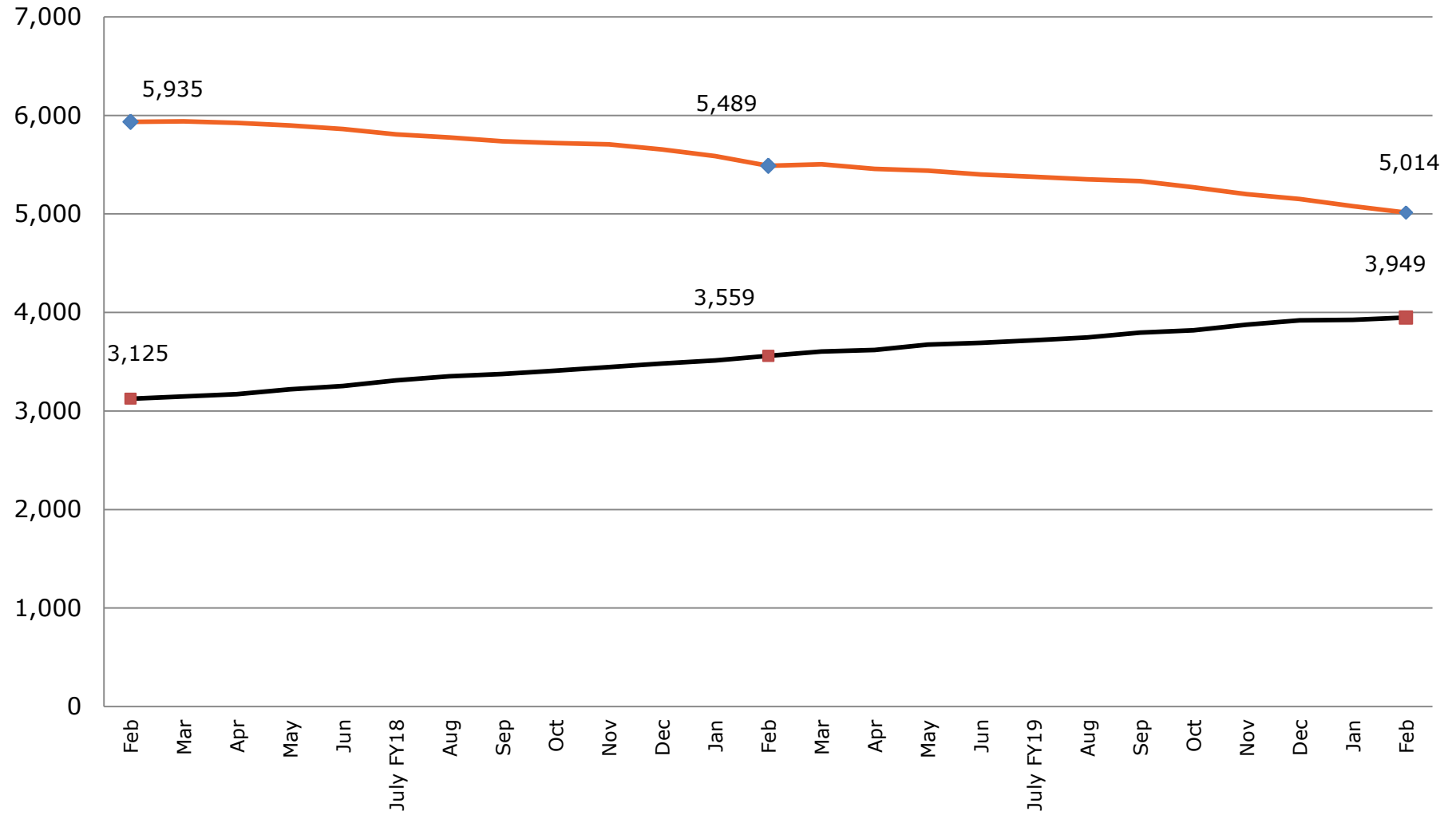
NMI/Terminal/Day - Legacy vs. Line

— Legacy NMI per Machine per Day — Line NMI per Machine per Day



Terminal Counts - Legacy vs. Line

— Legacy Machines — Line Machines





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