



### **Commission Members**

**William Shorma - Chair**  
**Jason Ahrendt – Vice Chair**  
**David Wheeler**  
**Joe Kafka**  
**Jamie Huizenga**

### **Minutes of the Commission Meeting**

Meeting was conducted telephonically  
Thursday, March 26, 2020 – 9:30 a.m.

## **UNAPPROVED**

Chair William Shorma called the March 26, 2020 meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Chair Shorma, Commissioners Wheeler, Ahrendt, Huizenga and Kafka participated via phone.

#### **SUPPORT STAFF PRESENT**

Norm Lingle, Clark Hepper, Wade LaRoche, Jim Terwilliger and David Wiest

#### **Others**

Outside of support staff and commissioners, the meeting had seven callers who joined the conference call.

#### **APPROVAL OF THE AGENDA**

Chair Shorma asked for a motion to approve the agenda. Commissioner Ahrendt motioned to approve the agenda. Commissioner Wheeler seconded. Motion passed with no objection with a voice vote.

#### **APPROVAL OF THE MINUTES FROM THE December 5, 2019 MEETING**

Chair Shorma asked for a motion to approve the minutes. Commissioner Huizenga motioned to approve the minutes. Commissioner Wheeler seconded. Motion passed with no objection with a voice vote.

#### **CONFLICT OF INTEREST**

Chair Shorma asked if there were any conflicts of interest and there were none.

#### **EXECUTIVE DIRECTOR'S COMMENTS**

*Executive Director Norm Lingle reported on the following:*

##### **FY 2019 Session**

- Commissioner Kafka was reappointed to the SD Lottery Commission by the Governor.
- House Bill 1021 reduces the number of lottery commissioners from seven to five. The bill was signed by the governor and will take effect on July 1, 2020.
- House Bill 1249 would have revised certain provisions of the operation of the SD Lottery. The House State Affairs Committee sent the bill to the 41<sup>st</sup> day on a 7-6 vote.
  - Would have included a transfer of \$1 million yearly from the Instant and lotto proceeds into the video lottery repeal and recovery fund.
  - Would have prohibited the promotion or advertising of any lottery products.
- House Bill 1250 would have increased the state's percentage of video lottery revenues and provide for the deposit of certain excess revenues and repeal provisions regarding video lottery. The House State Affairs Committee sent the bill to the 41<sup>st</sup> day on an 8-4 vote.
  - Would have repealed the video lottery program on or before July 1, 2029
  - Would have created a video lottery repeal and recovery fund
  - Would have increased the state's share of net machine income from 50% to 55%
  - Would have capped the amount of the state's share of net income at a certain level
  - Excess dollars would have gone to the video lottery repeal and recovery fund

- House Bill 1282 would have created the video lottery repeal and recovery fund. The House Appropriations Committee tabled the bill on a five to four vote.
  - Would have created the video lottery repeal and recovery fund
  - No funds would have been extended from this fund until playing a video lottery machine in SD is prohibited
  - Would have capped the state's share of net machine income at the 2019 level, any additional funds would flow over to the repeal and recovery fund

### **COVID-19 update**

- All Lottery staff is working remotely, while limited staff is rotated into the office on different days and at different times.
- All staff has access either remotely or through email access.
- Sales reps are not visiting retailers but are communicating to retailers by phone.
- Sales Reps are using iPad provided through IGT project to stay current on tickets at retailers.
- Video lottery daily operations are be serviced through remote desktop access. They are coming into the office at 8 p.m. to do the nightly lottery drawings.
- Ticket shipments have started again from the Sioux Falls warehouse.
- Finance staff is rotating into the office to maintain the payment of invoices, sweeps for instant online retailers, and video lottery
- Instant and lotto claims are still being processed by mail. Lottery staff is looking into providing an option for big winners to make claims by appointment.
- We are asking operators to contact the Lottery and notify us of locations temporarily closing so we can fetch meters and properly disable the machines.
- Executive Director Lingle thanked the SD Lottery Team, BIT staff, and custodian Joe (Dolly Reed Building) for their hard work during this busy and dynamic time.
- Commissioner Huizenga asked about tending lottery activity and monitoring activities. Executive Director Lingle said there is a bit of a downward trend, but no definitive answer. He noted that the Lottery will continue to monitor and report.
- Secretary Terwilliger added that since end of session, significant changes have occurred quickly. He said revenue going down is expected but with only a small amount of data we are unable to provide a lot of answers. The proposed stimulus package and incoming data is being monitored.
- Chair Shorma noted that Beano's & Sherrie's is shutting down in N. Sioux City. He credited the operators in N Sioux City have been great in their distancing, cleaning, and preventative measures.

### **Video Lottery Migration**

*Executive Director Clark Hepper reported on the following:*

- Beginning August 1, 2019, the site controller pilot project has been integrated with the current system along with the new ticket redemption process. They have been installed in 25 sites.
- A lot of success shown from the end of August to the end of October in the ticket validation and redemption for SAS protocol machines.
- 79% redemption rate average among the 25 sites. 99.4% at the highest, and 16% at the lowest.
- Casino style only sites showed the highest percentage, while restaurants and bar style co-businesses showed the lowest.
- In December 2019, we received all 1,300 site controllers and they are currently stored in a Sioux Falls warehouse. They will be shipped when the migration process begins.
- In January, Lottery met with Scientific Games to specify the scope of the business requirements process. Currently, the processes have been in place, the documents have been completed and we are in the review process.
  - On January 28, Scientific Games and SD Lottery held town hall meeting with 60 participants in Sioux Falls, and 20 participants in the Rapid City meeting on January 30. We are trying to identify a NE location and time, but we expect a possible delay due to the COVID 19 situation.
  - They identified new features and benefits to the operators and the establishments in the meetings. The IP communication network was thoroughly discussed as well as the new operator portal.
  - Conversion process and plan is rolling out an expectation of everything needs to be done. They discussed the following: what may need to be done before installation, contracts and contract processes, the service process, pricing options, and payment processes.
  - Slide show and FAQs will be available on the website.
- The Lottery is working with Scientific Games in February and March to complete business and functional requirement documents. They will identify how it will operate with our partners in the field, how the games will work for the Lottery, and the expectations of the reporting process.

- Of the 53 FRD documents, 49 have been signed off by the lottery as of yesterday. Four documents are waiting on changes.
- Deputy Executive Director Hepper provided the following timeline:
  - Next- testing process with GLI
  - March- identifying the scope of the testing process with GLI
  - April- Scientific Games will initiating contacts with operators for contracts
  - Mid-July- GLI testing, Lottery staff training, training of operators in the portal and site controllers all complete
  - First part of August- going live with Connexus system, pilot project part two with the 25 sites, where they will be running off the new network and the new Connexus system.
  - End of August- successful pilot project part two
  - By December-rolling out new site controllers and communication network across the state, including, the completion of installation of the sties.
  - January 25- shut down the current Aegis systems and communication systems. *(dates subject to change due to COVID 19)*
- Chair Shorma asked about the expectation of increased dependability. Hepper noted that with real-time communication and the new site controllers, the network should be more dependable by allowing Lottery staff to communicate with the machines on a quicker more reliable basis. Lottery is expecting a significant decrease on the number of non-reporting terminals which will reduce the work for operators.

### **Public Comment**

Chair Shorma asked for public comment.

No emails for questions/comments from the public.

Chair Shorma asked, "How many establishments are shutting down?"

Executive Director Lingle said it is 25-30 range. This number increased the day before the meeting.

### **NEXT MEETING DATE**

*Executive Director Norm Lingle reported on the following:*

Executive Director Lingle stated June 11, Sept 10, and Dec 3 are the next quarterly meetings. The Lottery will reach out to schedule a special meeting if needed.

### **ADJOURNMENT**

Chair Shorma adjourned the meeting, Adjourned at 10:15 a.m.

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