



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 16, 2022, Lottery Commission Meeting

Date: June 10, 2022

The June 16, 2022, meeting of the South Dakota Lottery Commission will begin at 9:30 a.m. in room 412 of the State Capitol. This will be an in-person meeting. 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.

The meeting will begin with an update on the Department of Revenue from Secretary Houdyshell. This will be followed by comments from me.

As mentioned at previous meetings, we have been working through the RFP process for Instant Game Tickets and Related Services. We plan to make a recommendation for your consideration regarding the proposals that were received.

We will also provide an overview of instant and online lottery sales for FY2022 which will include a comparison to FY2021.

The agenda also includes the normal sales, marketing 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 16, 2022 – 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 Shorma
2. Roll Call Megan Gross
3. Approval of Agenda Chair Shorma
4. Approval of Minutes – March 24, 2022 meeting Chair Shorma
5. Conflict of Interest Chair Shorma
6. Dept of Revenue Update Secretary Michael Houdyshell
7. Executive Director Comments Executive Director Norm Lingle
8. Instant Game Tickets and Related Services RFP Recommendation Director of Sales Marla Gruber
9. Sales Report Director of Sales Marla Gruber
10. Marketing Report Director of Advert and PR Wade LaRoche
11. FY22 Instant and Online Review Business Analyst Nathan Remmich
12. Video Lottery Report Director of Sec and VL Jordon Kitts
13. Public Comment Chair Shorma
14. Next Meeting – Thursday, September 22, 9:30 AM Executive Director Norm Lingle
15. Adjournment Chair Shorma

### *Expiration Dates of Commissioner Terms*

William Shorma	01/01/2025	Tona Rozum	01/01/2024
Jason Ahrendt	01/01/2025	Jamie Huizenga	01/01/2024
Joe Kafka	01/01/2023		

*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**

**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.

## **UNAPPROVED**

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 Adherent 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 Jordan 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.

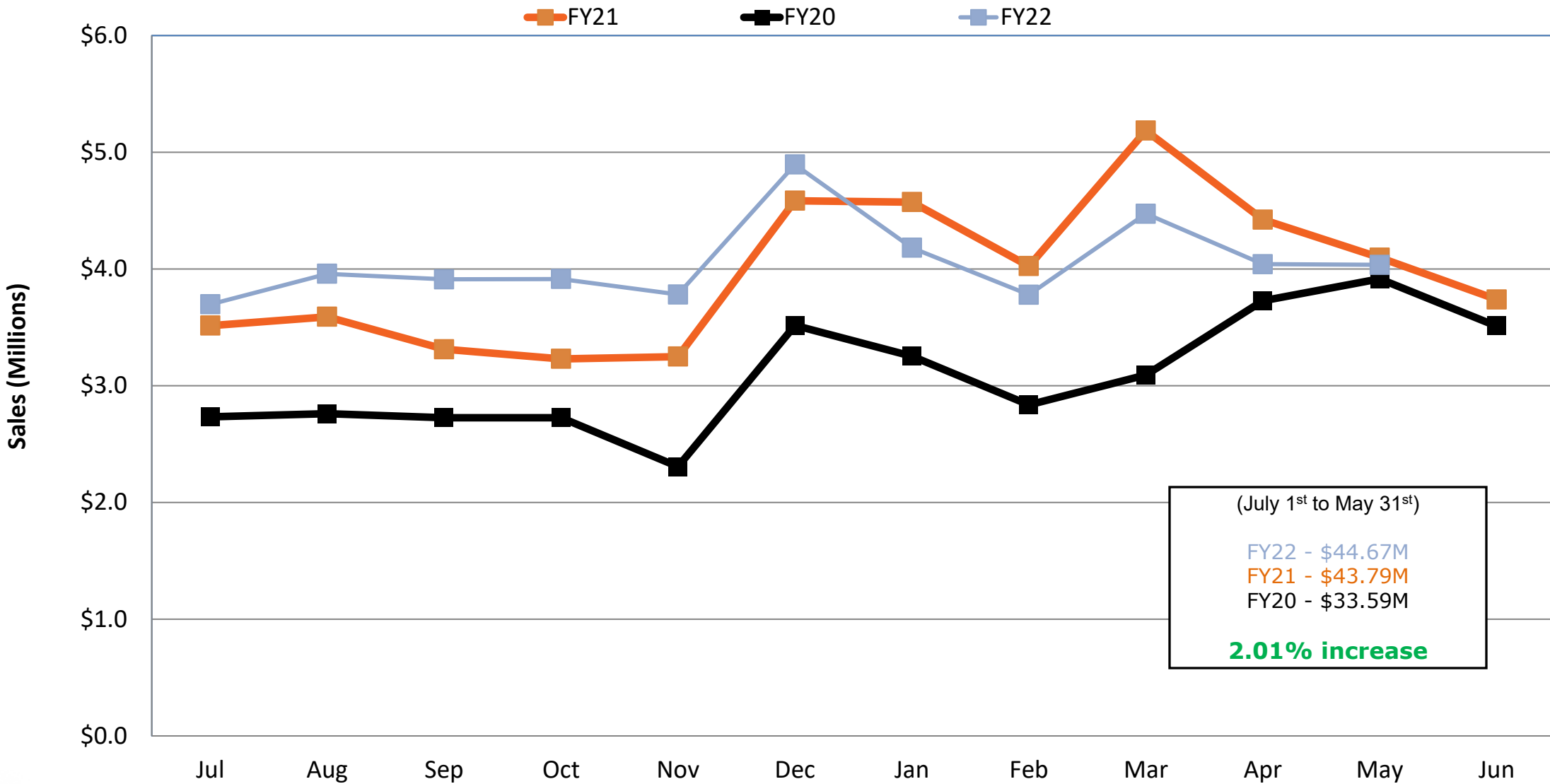
\*Please listen to the audio on the South Dakota Lottery Website:  
<https://Lottery.sd.gov/about/commission/> for additional details.

# Sales Report



*A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE*

# Instant Sales



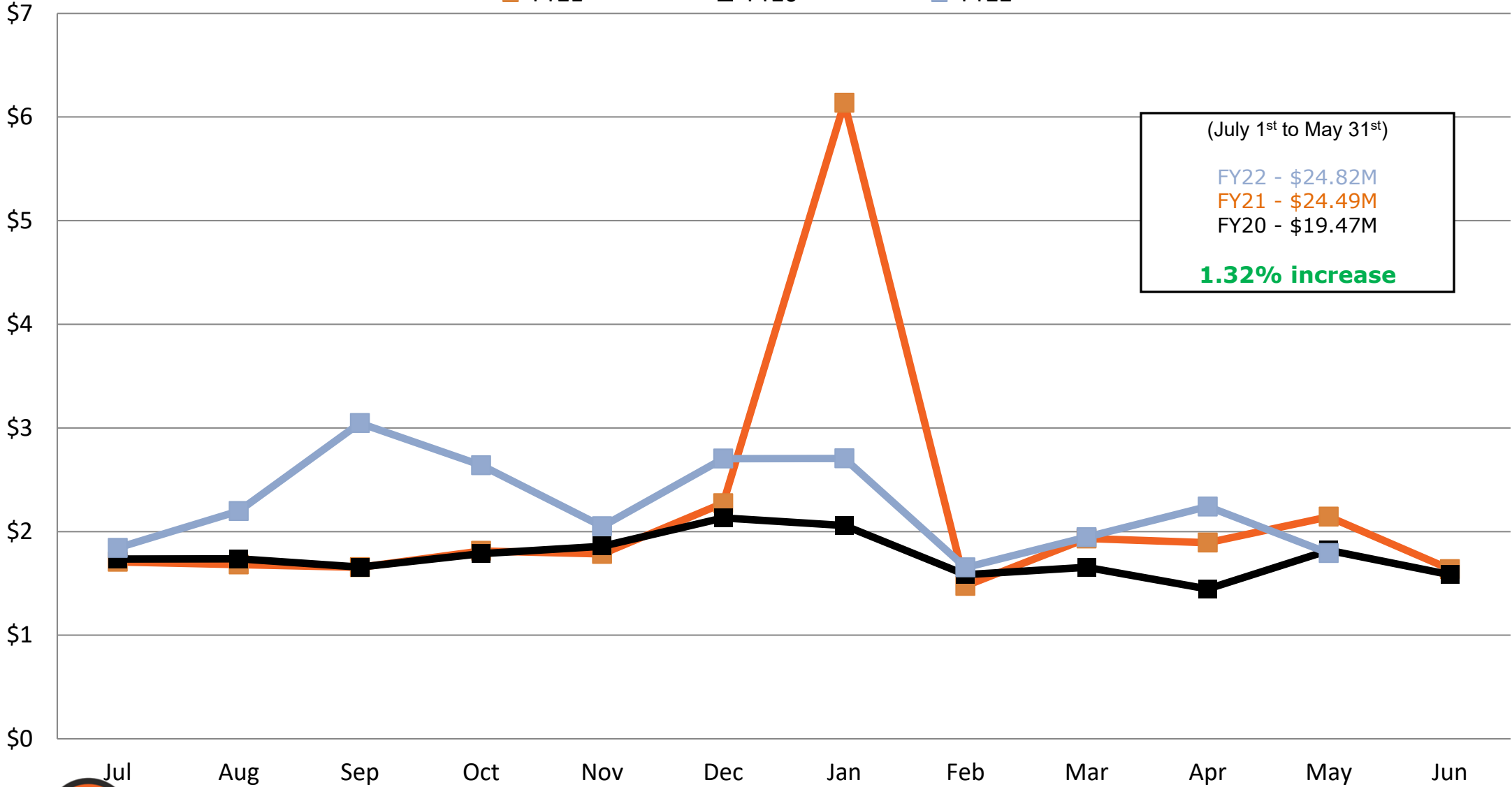


# Lotto Sales

FY21

FY20

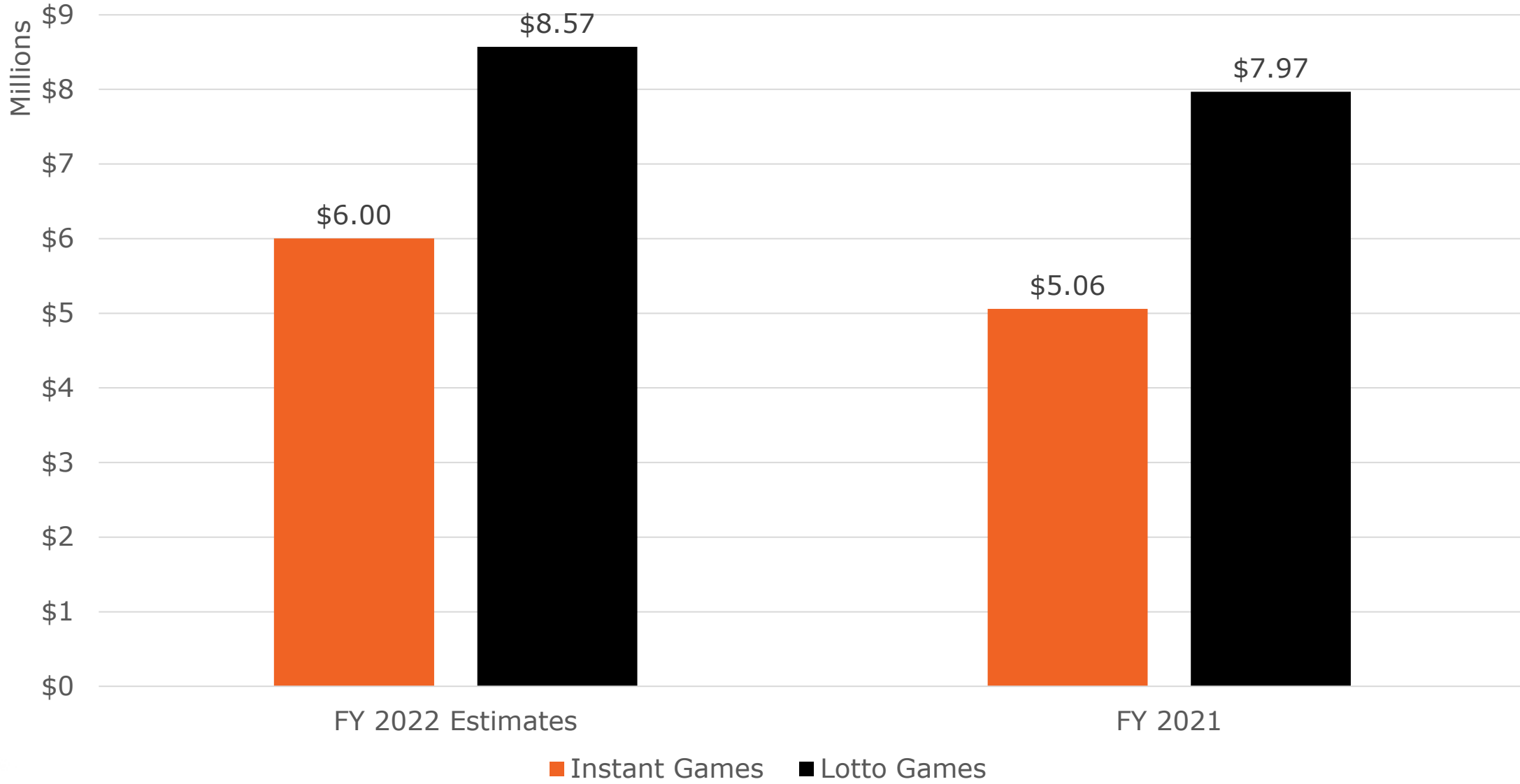
FY22



(July 1<sup>st</sup> to May 31<sup>st</sup>)  
FY22 - \$24.82M  
FY21 - \$24.49M  
FY20 - \$19.47M  
**1.32% increase**

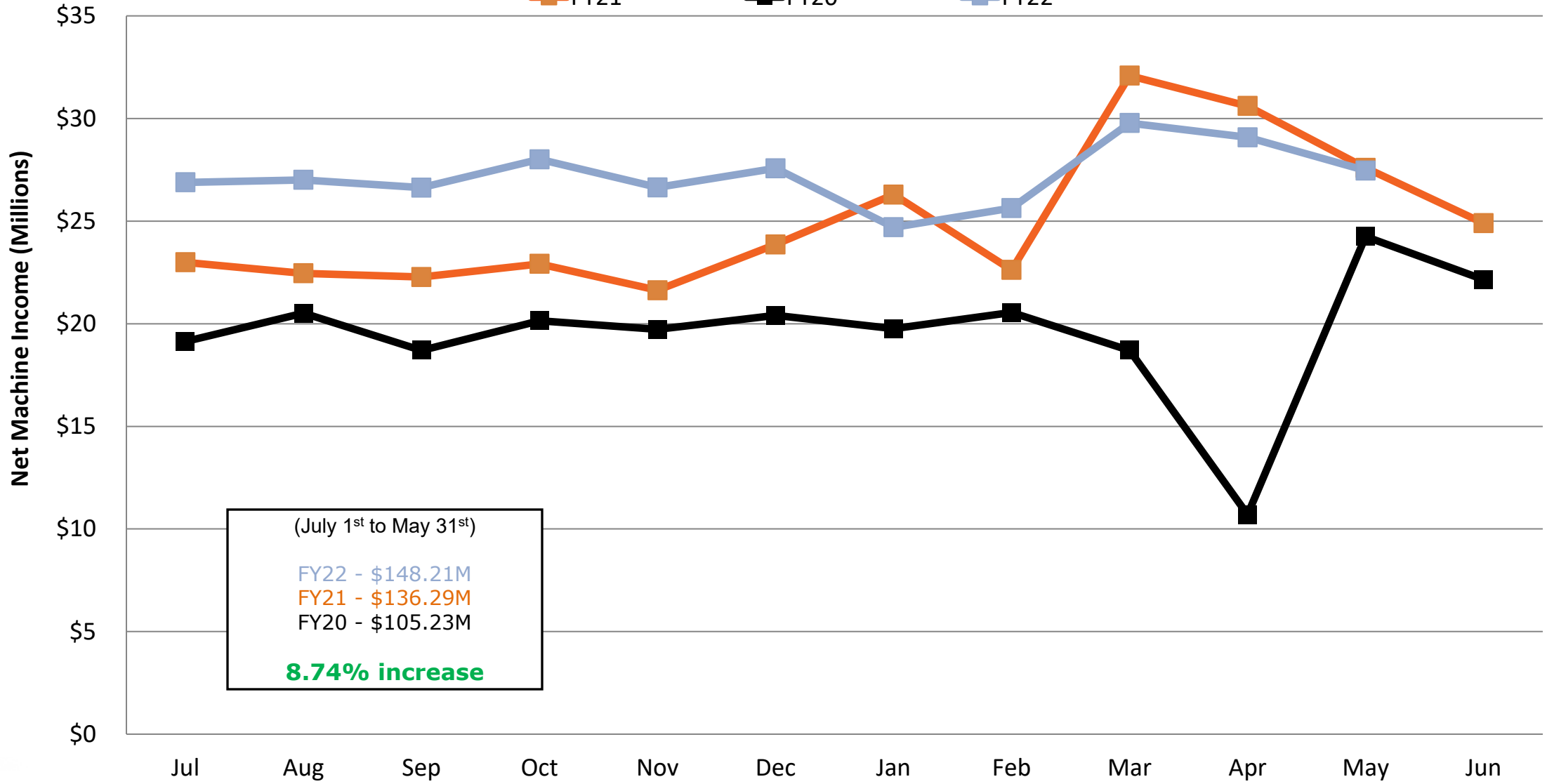


# Instant and Online FY22 Revenue Projections as of May 31, 2022



# Video Lottery NMI

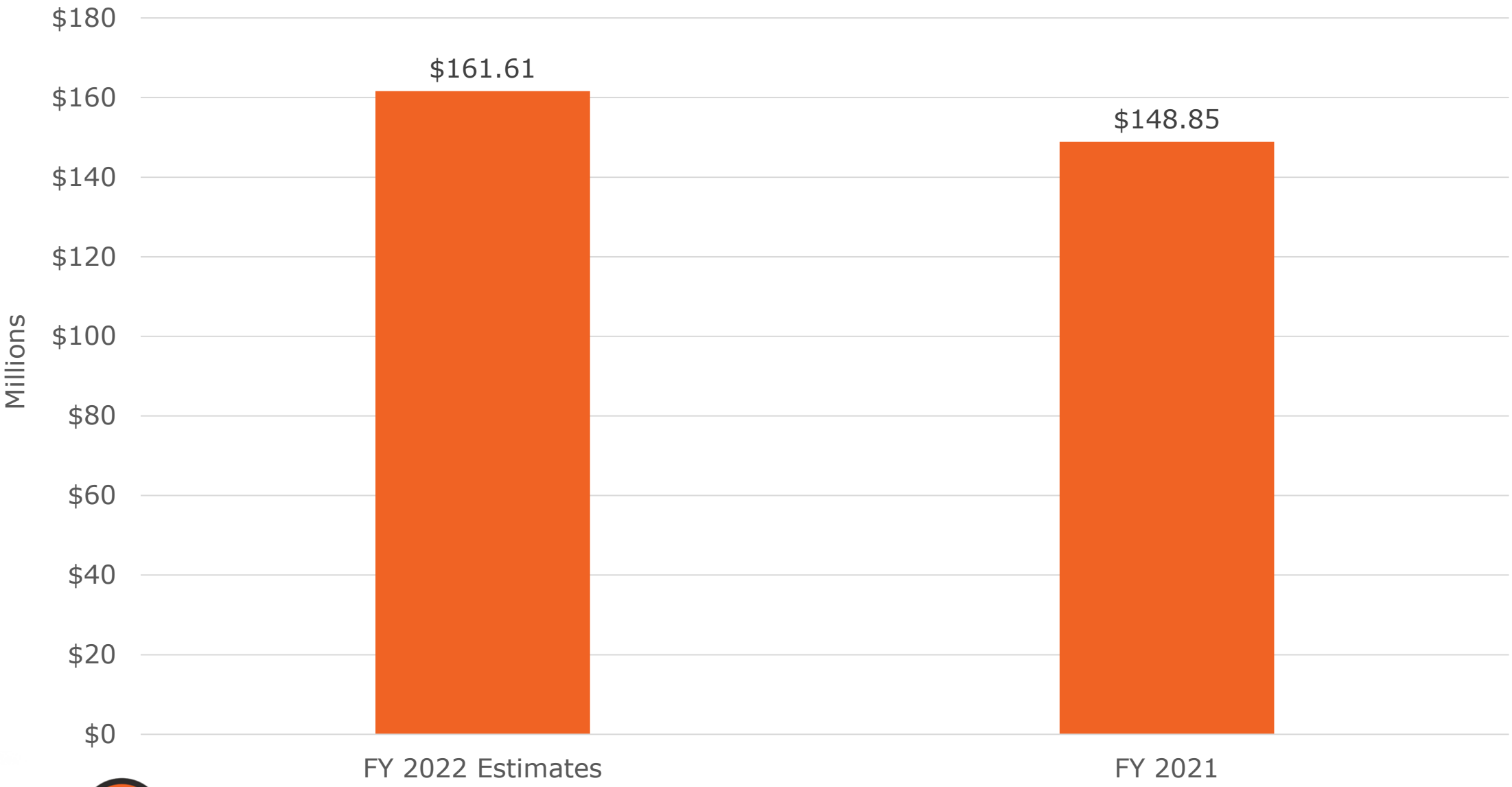
FY21      FY20      FY22



(July 1<sup>st</sup> to May 31<sup>st</sup>)  
FY22 - \$148.21M  
FY21 - \$136.29M  
FY20 - \$105.23M  
**8.74% increase**



# Video Lottery FY22 State Share Revenue Projection as of May 31, 2022



# Total FY22 Revenue Projections as of May 31, 2022

