



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: December 8, 2022, Lottery Commission Meeting

Date: December 2, 2022

The December 8, 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.

The proposed FY24 budgets for Instant/Online and Video Lottery will be presented for Commission approval.

We will also provide an overview of instant/online for FY2023. The presentation will include a comparison to of FY23 to FY22 year to date.

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, Dec 8, 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 – October 11, 2022 meeting Chair Shorma
5. Conflict of Interest Chair Shorma
6. Dept of Revenue Comments Secretary Michael Houdyshell
7. Executive Director Comments Executive Director Norm Lingle
8. FY24 Instant/Online and Video Lottery Budget Approval Finance Manager Aric Frost
9. Marketing Report Director of Advert and PR Wade LaRoche
10. Sales Report Director of Advert and PR Wade LaRoche
11. FY23 Instant/Online Review Business Analyst Nathan Remmich
12. Video Lottery Report Dep Exec Director Clark Hepper
13. Public Comment Chair Shorma
14. Next Meeting 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
Tuesday, October 11, 2022 – 9:30 a.m.

UNAPPROVED

Chair Shorma called the October 11, 2022, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Commissioner Huizenga participated in person. Chair Shorma, Commissioner Kafka, and Commissioner Rozum participated virtually. Vice Chair Ahrendt was not present. The public was able to participate in person or by listening on the internet.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Kirsten Jasper, Wade LaRoche, Megan Gross, Morgon Maier, and Ali Schaeftbauer.

OTHER

Robert Riter, Deb Mortenson, Matt Krogman, and John Doe.

APPROVAL OF THE AGENDA

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

CONFLICT OF INTEREST

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

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

Jackpots

- Mega Millions jackpot is \$445,000,000.
- Powerball jackpot is \$425,300,000.
- Dakota Cash jackpot is \$92,000.
- Lotto America jackpot is \$26,110,000.

VIDEO LOTTERY ADMINISTRATIVE RULES PUBLIC HEARING

Deputy Executive Director Clark Hepper reported on the following:

Chapter 48:02:01 General Provisions of the Video Lottery Player

- 48:02:01(3) is a form and style change.
- 48:02:01(15) adds the definition of a ticket voucher.
- Law Implemented removes 42-7A-1 and adds 42-7A-2 and 42-7A-21.

Chapter 48:02:02 Licensing Qualifications

- 48:02:02(2) is a form and style change.
- General Rule Authority is a form and style change.
- Law Implemented removes 42-7A-1(7) and replaces it with all subsections of 42-7A-21.

Chapter 48:02:03 Licensing of Manufacturers, Distributors, Operators, and Establishments

- 48:02:03 include form and style changes.
- 48:02:03:06 clarifies the provisional license process.
- Law Implemented Change removes 42-7A-21(16) and includes all of 21, the rules promulgation authority rule.

Chapter 48:02:05 Duties of Licensed Distributors

- 48:02:05 includes form and style changes
- 48:02:05:03(6) clarifies an existing process for selling vlts between licensed operators.
- 48:02:05:04(13) clarifies but does not change the existing requirements of who is responsible for installing, maintaining, and paying for the communication lines between vlts and the central system.
- Law Implemented change removes 42-7A-21(17) and includes all of 21, which is the rules promulgation authority rule.
- 48:02:05:05(3) clarifies that the operator must ensure all vlts and their associated hardware are always connected to the host system.
- 48:02:05:05(7) and 48:02:05:05(16) are form and style changes.
- 48:02:05:05(18) clarifies that the vlt on the gaming floor is accessible and in a playable state during business hours.
 - Business hours are defined by the hours of operation of an alcohol license.
- Law Implemented includes all of 42-7A-21, rather than just subsection 17.
- 48:02:05:06 talks specifically to the posting of the odds for each game set that is approved for use on a vlt in South Dakota.
- General Authority uses 42-7A-21(17) Rules promulgation, which speaks to efficient and economical operations of the Lottery, and 42-7A-41.2 Posting of Odds.
- Law Implemented adds 42-7A-8(8) includes printed promotional items and odds by the Lottery.

Chair Shorma asked if the Lottery could add a QR Code to the posters directing players to the odds page on the South Dakota Lottery website.

Chapter 48:02:06 Accounting

- 48:02:06:05 changes ticket to ticket voucher, to align with the new definition.
- General Authority removes 42-7A-4(9), an examination of lottery records by the Lottery and moves it to Law Implemented.

Chapter 48:02:08 Video Lottery Machine Hardware and Software Requirements

- 48:02:08 includes form and style changes
- 48:02:08:01 includes the new definition of ticket voucher.

- 48:02:08:01(14) removes the rule that would allow a vlt that dispenses instant tickets as a form of payment for credits awarded.
- General Authority removes 42-7A-21(16), the definition of a manufacturer.
- Law Implemented removes 42-7A-21(10), mechanical and electronic specifications for vlt's and adds 42-7A-21 rule promulgation authority.
- 48:02:08:05 Includes ticket voucher as a meter the vlt will need to record when it is inserted into the vlt as a form of credit.

Chapter 48:02:10 Maintenance of Video Lottery Machines

- 48:02:10:03 includes the ability to provide training throughout the state.
- General Authority and Law Implemented removed 42-7A-21(11) and (13), machine security testing and maintenance and repair rule.
- A from and style change to remove the word program.
- Law Implemented added 42-7A-21 rules promulgation authority.
- 48:02:10:05 clarifies that all vlt maintenance work that meets the requirements of 48:02:10.02(1) must be conducted by a Tech 2 who is certified to work with that manufacturer's vlts.

Chapter 48:02:11 Location of Machines

- 48:02:11 includes form and style changes.

Chapter 48:02:12 Payments of Credits

- 48:02:12 includes form and style changes.
- 48:02:12:01 Includes cash and checks as forms of payment of credits cashed out of the vlt.
- Law Implemented includes all of 42-7A-21, rules promulgation authority.
- 48:02:12:02 replaces the ticket with ticket voucher.
- Law Implemented includes the entire statute 40-7A-21, rules promulgation and authority and removes 42-7A-37(5) which is the vlt's ability to print a ticket formation requirement.
- 48:02:12:03 replaces ticket with ticket voucher.
- Law Implemented includes the entire statute 42-7A-21, rules promulgation and removes 42-7A-35(5) which is the vlt's ability to print a ticket information requirement.
- 48:02:12:04 replaces tickets with new rule definition ticket voucher.
- Law Implemented includes entire statute 42-7A-21 rules promulgation and removes 42-7A-7(5) which is the vlt's ability to print a ticket information requirement.

Chapter 48:02:14 Ticket In Ticket Out

- 48:02:14 is the creation of a new rule chapter to cover the Ticket In Ticket Out requirements.
- 48:02:14:01 covers the issuance requirements for a ticket voucher from a vlt.
- 48:02:14:02 covers the ticket voucher information requirements, which are consistent with industry standards.
- 48:02:14:03 talks specially to the use of a ticket voucher as a form of payment for credits on a vlt
- 48:02:14:04 covers the information needed on a ticket voucher and transmitted to the validation system.
- 48:02:14:05 is how TITO should work in the event there is a loss of communication from the vlt and the validation system.
- 48:02:14:06 covers the requirement of the vlt maintaining a record of the last 25 ticket vouchers produced by the vlt and information recorded on the voucher.

MOTION TO AMEND RULE 48:02:05:05(3)

Chair Shorma offered to make an amendment to 48:02:05(3). Chair Shorma moved an amendment to 48:02:05:05(3), seconded by Commissioner Huizenga. Prior to voting on that motion, Robert Riter, lobbyist

for the Music and Vending Association provided testimony concerting how best to word that provision. The motion failed with three against and one (Shorma) in favor.

MOTION TO AMEND RULE 48:02:05:05(3)

Commissioner Rozum moved an amendment to 48:02:05:05(3) - to add the language “protected and” before the words “properly connected” in that rule. Commissioner Kafka seconded the motion. The motion passed unanimously, with all four votes in favor.

OPPONENTS TO RULE 48:02 AS AMENDED

Chair Shorma asked if there were any opponents for Rule 48:02 as amended. There were no email, phone, in-person, or written opponents.

PROPONANTS TO RULE 48:02 AS AMENDED

Matt Krogman, a lobbyist for the South Dakota Licensed Beverage Dealers and Gaming Association, testified in favor of the proposed rules.

APPROVAL OF RULE 48:02 AS ADMENDED

Commissioner Huizenga moved approval of the proposed rules as amended. Commissioner Rozum seconded the motion. The motion was adopted unanimously by all four commissioners.

APPROVAL OF THE MINUTES FROM THE SEPTEMBER 22, 2022, MEETING

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

PUBLIC COMMENT

Chair Shoma asked about public comments.

No email, phone, in-person or written comments or questions from the public.

NEXT MEETING DATE

Chair Shorma stated Thursday, December 8, 2022, at 9:30 a.m. central time is the next meeting.

ADJOURNMENT

Chair Shorma adjourned the meeting at 10:23 a.m.

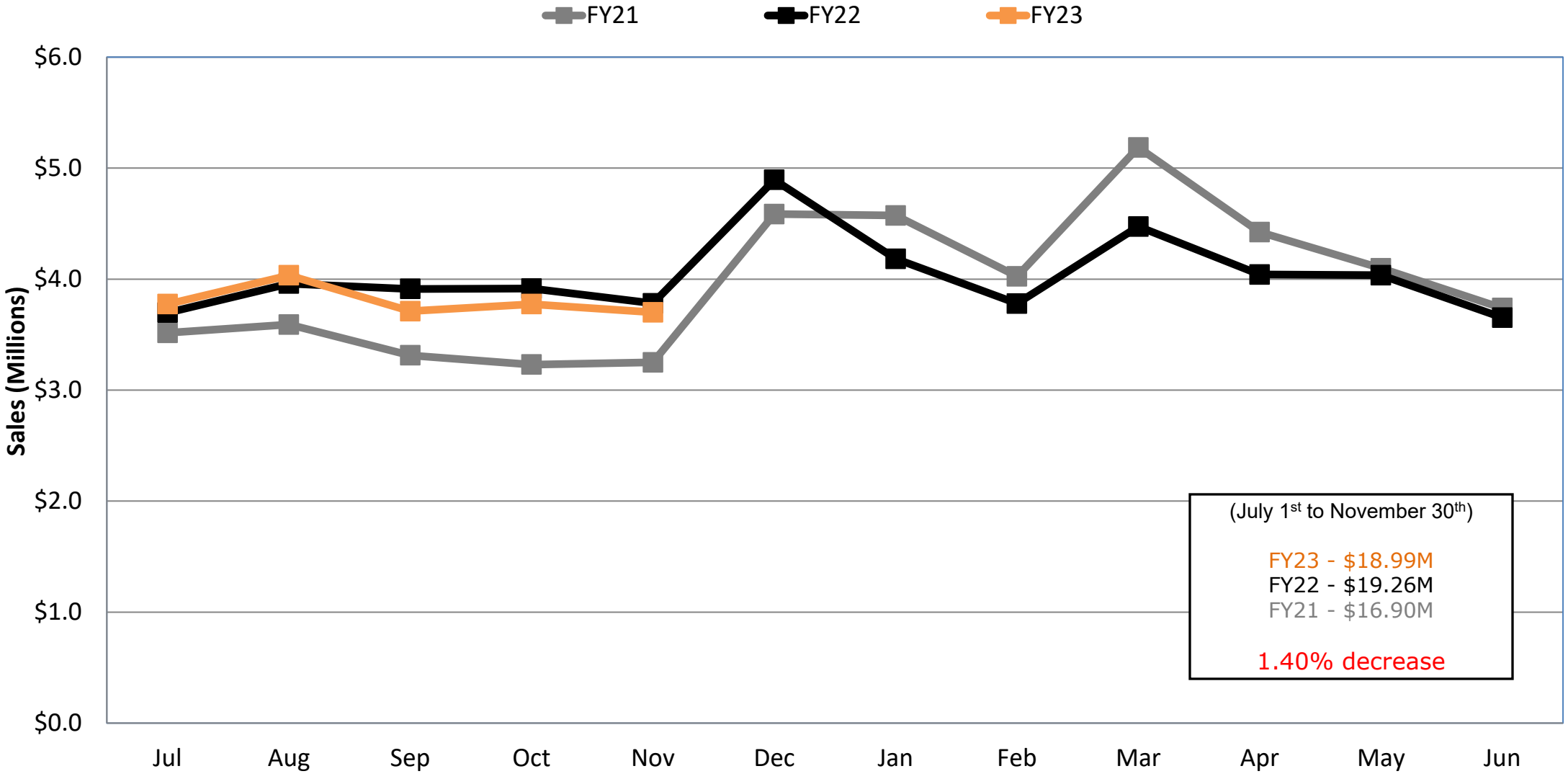
*Please listen to the audio on the South Dakota Lottery Website:
<https://Lottery.sd.gov/about/commission/> for additional details.

Sales Report



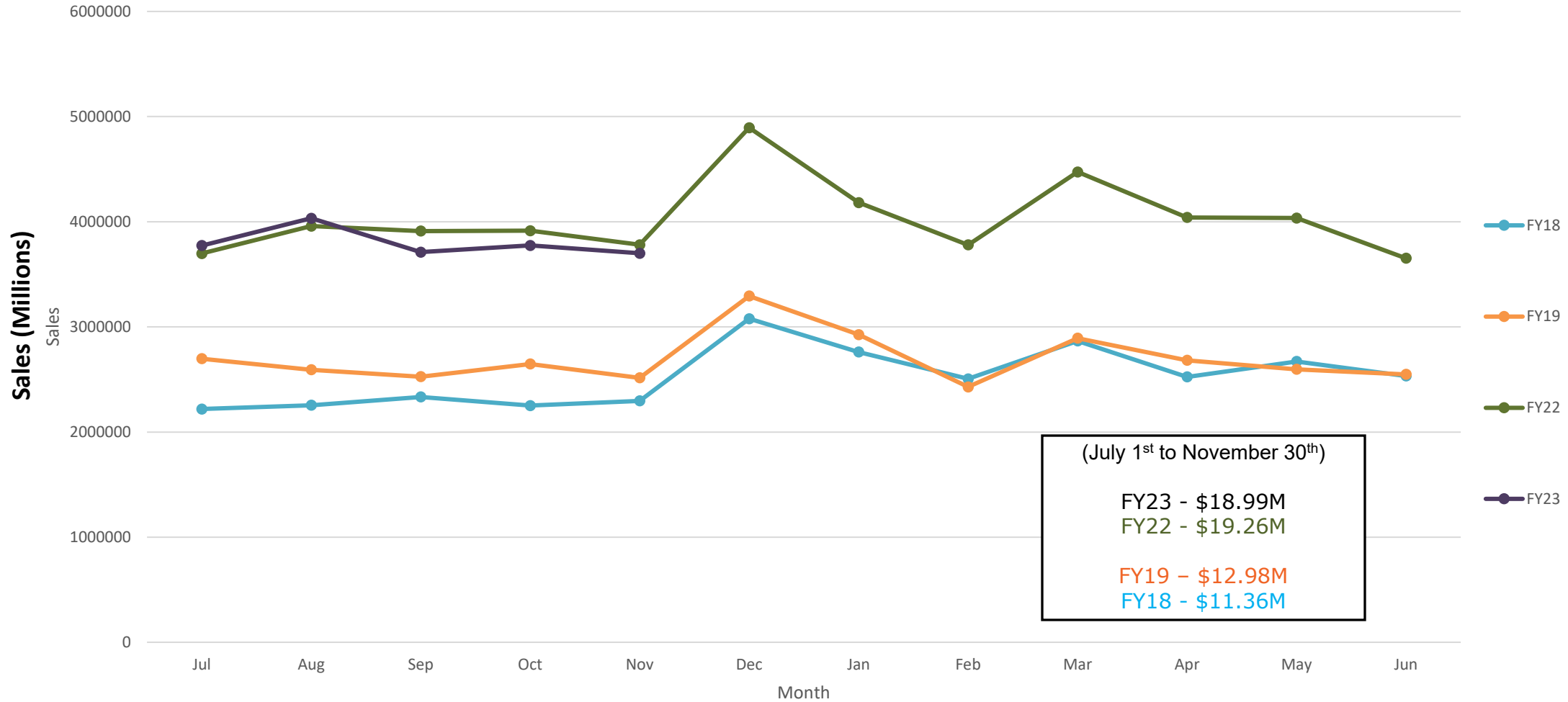
A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Instant Sales

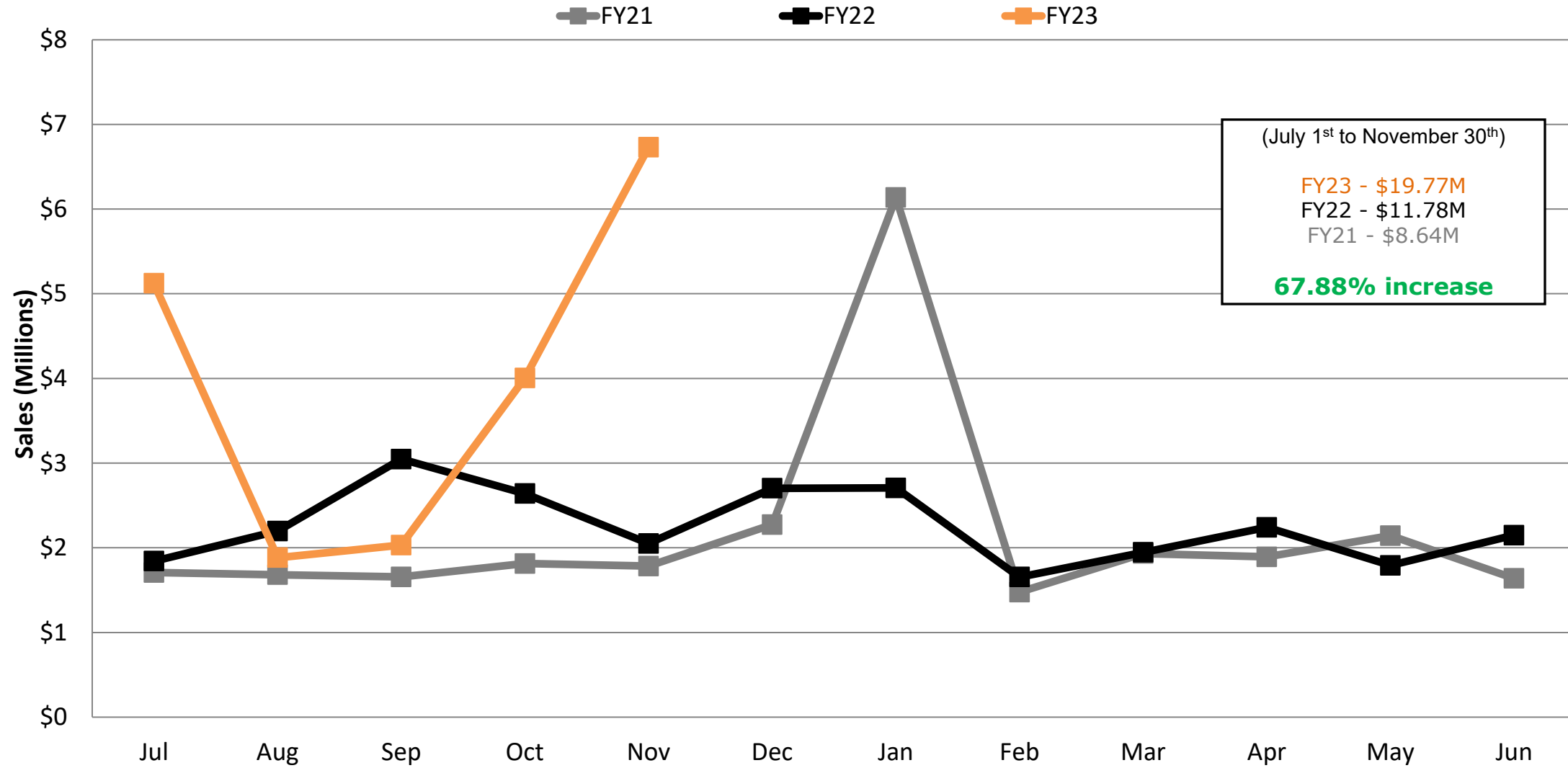


Non – COVID Instant Sales

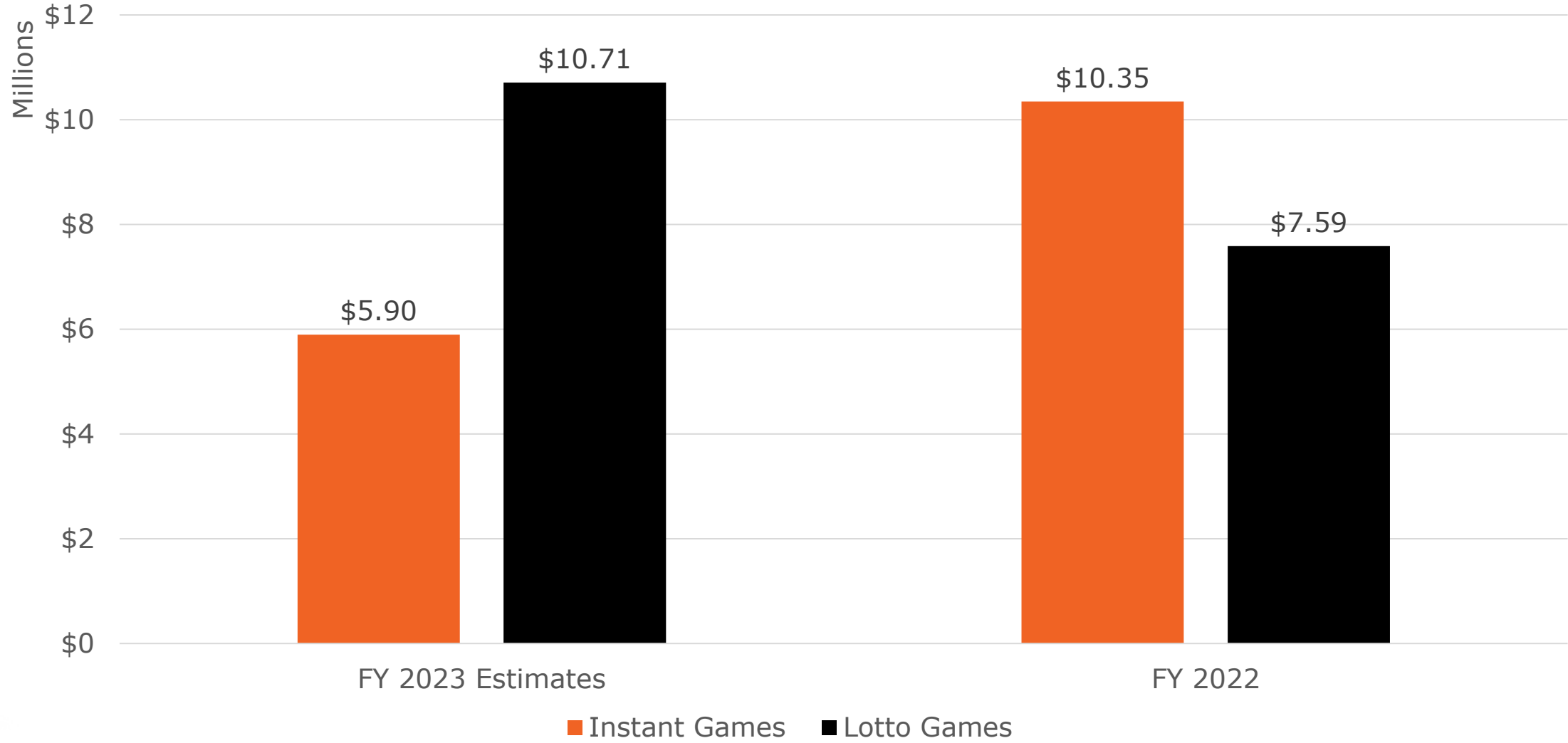
Instant Sales by Month And Fiscal Year



Lotto Sales

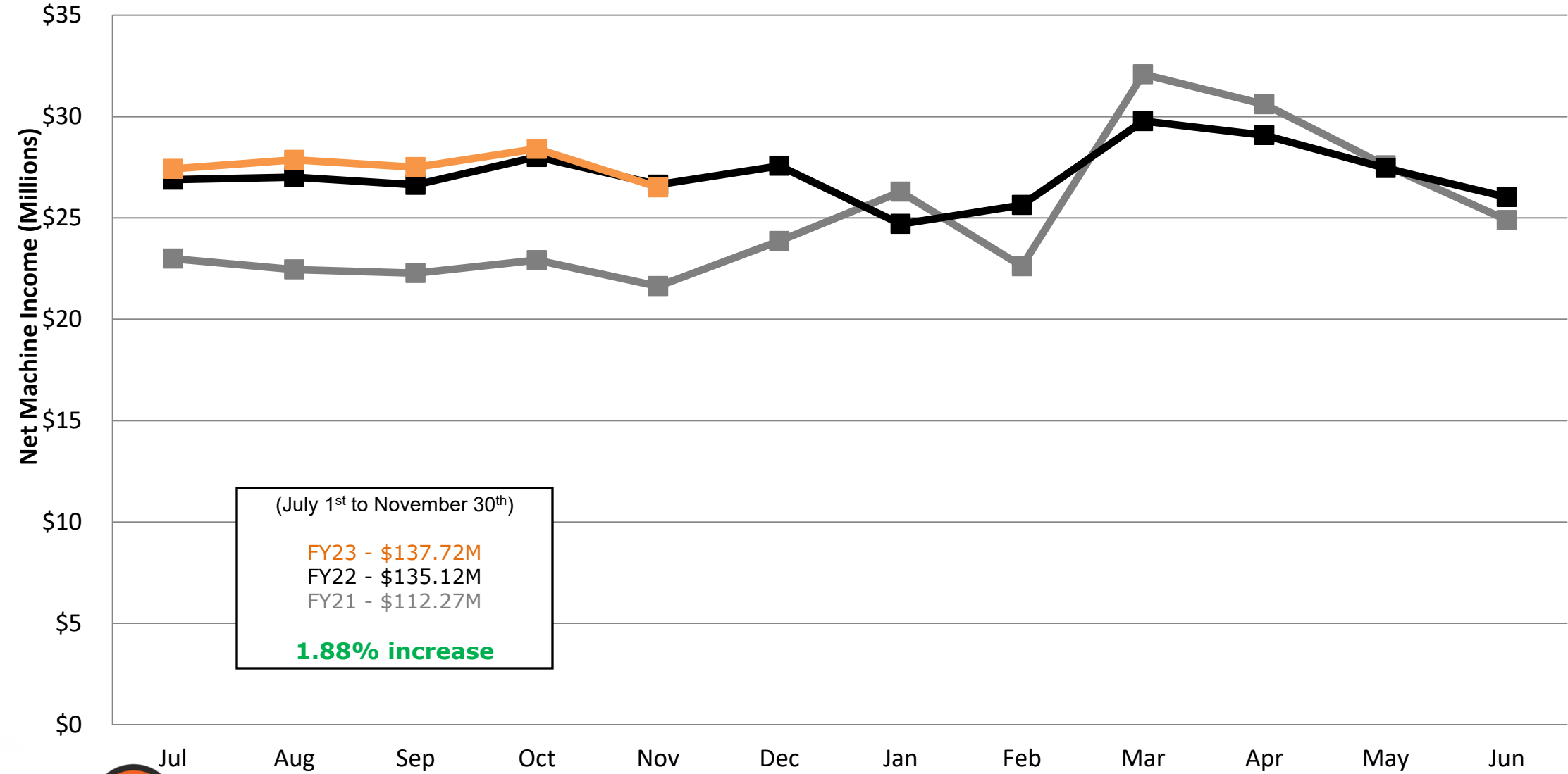


Instant and Online FY23 Revenue Projections as of November 30, 2022

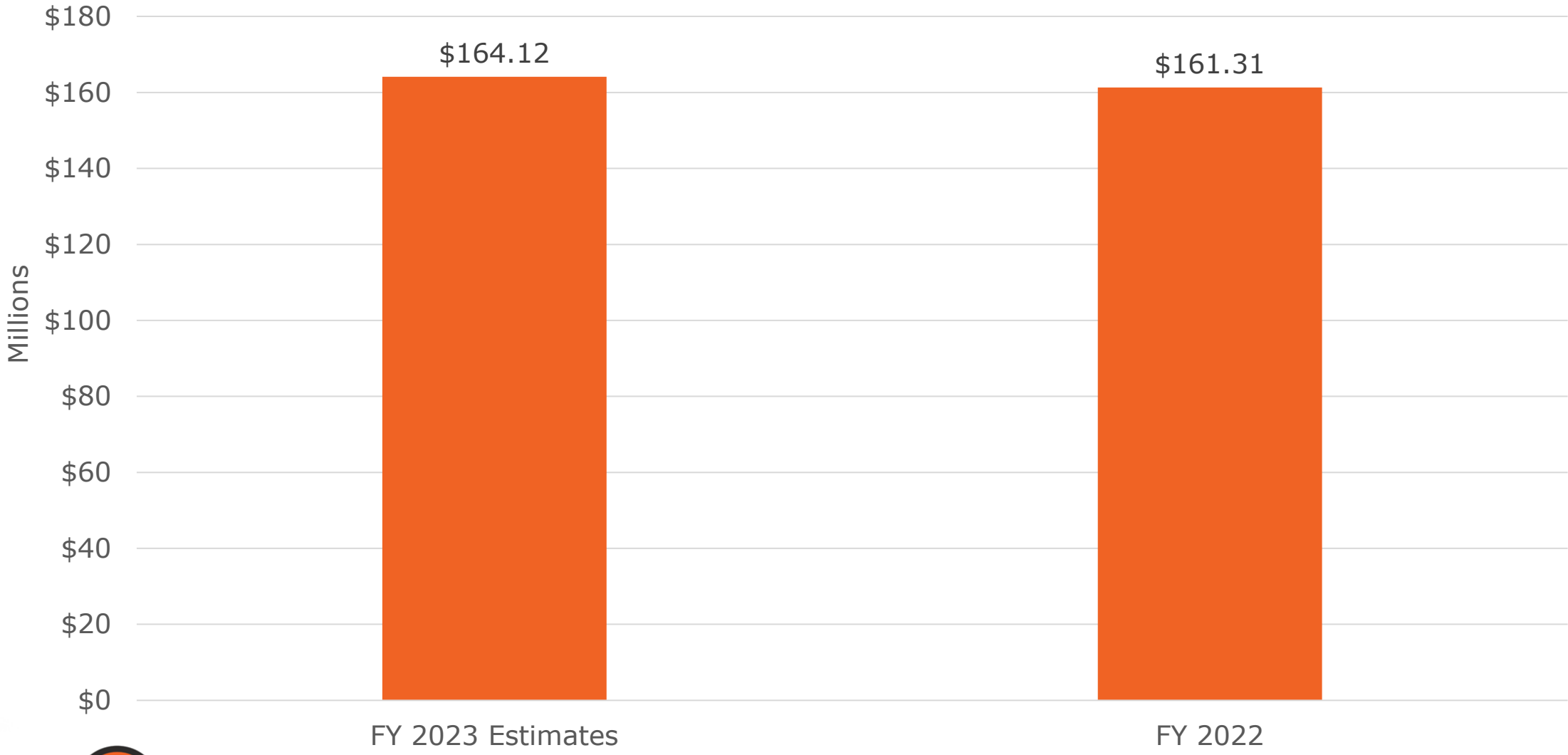


Video Lottery NMI

FY21 FY22 FY23



Video Lottery FY23 State Share Revenue Projection as of November 30, 2022



Total FY23 Revenue Projections as of November 30, 2022

