



Commission Members

Jason Ahrendt –Chair
Jamie Huizenga-Vice Chair
Tim Donohue
Joe Kafka
Tona Rozum

Minutes of the Commission Meeting

Meeting was conducted in person

Thursday, September 21, 2023 – 9:30 a.m.

Chair Ahrendt called the September 21, 2023, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. The public was able to participate in person or by listening on the internet.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Michael Houdyshell, Ali Schaeffbauer, Kirstin Jasper, David Wiest Trevor Wiebe, Wade LaRoche, Nathan Remmich, Shawna Shaw and David Dahl.

MEMBERS OF THE PUBLIC PRESENT

Deb Mortenson, Don Rose, Troy Erickson, Robert Riter.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES FROM THE June 21, 2023, MEETING

Chair Ahrendt asked for a motion to approve the minutes. A voice vote was taken. All in favor. Motion carried.

CONFLICT OF INTEREST

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

ELECTION OF CHAIR AND VICE CHAIR

Vice Chair Huizenga nominated Chair Ahrendt as chair and Commissioner Rozum as vice chair. Commissioner Kafka seconded the motion. A voice vote was taken. All in favor. Motion carried.

SECRETARY OF REVENUE'S COMMENTS

- Secretary Michael Houdyshell reported on the following:
- The Lottery has partnered with IGT to begin implementation of scan and redeem.
- The Legislature appropriated \$25 million to the department for a new motor vehicle central system.
- DOR has identified a vendor to implement a new system after an RFP.
- DOR is hoping to have the vendor on site in November or December.
- They're hoping to launch the system in spring 2025.
- The Department of Revenue is gearing up for the 2024 legislative session.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

- Executive Director Lingle welcomed Commissioner Donohue to the commission.
- The Lottery is nearing the conclusion of its audit, and the numbers he reported are close.
- Instant ticket sales were \$48,231,110, which was down 0.1 percent.
- Instant ticket transfers were \$7,071,547, which was a decrease of 31.7 percent.
- The decrease was impacted by when top prizes were claimed and unclaimed prizes from the previous fiscal year.
- Draw game sales were \$36,952,388, which was a 37.2 percent increase.
- This was driven by large jackpots.
- Draw game transfers were \$11,583,822, which was an increase of 52.6 percent.
- The state's share of video lottery net machine income was \$163,003,637, which was an increase of 1.2 percent.
- Total transfers are \$181,659,006, which was an increase of 1.5 percent.
- Phuvadol Leeraksakiat joined the Lottery as a video lottery specialist on August 24.
- Aric Frost was recognized as NASPL Powers Award recipient at the NASPL Professional Development Seminar in July.
- Marla Gruber will be retiring from her sales director position on December 8.
- Vice Chair Huizenga noted that the funds raised by the Lottery are important to State Government funding and commended the Lottery staff.
- Chair Ahrendt also noted that the money that goes to the Operators helps create jobs.
- Commissioner Donohue noted that the Lottery makes an impact with limited staff.

IGT CONTRACT AMENDMENT – SCAN AND REDEEM

Executive Director Norm Lingle reported on the following:

- Scan and redeem would allow players to purchase a ticket at retail locations then claim certain prizes electronically via ACH.
- This would be for prizes \$101 to \$5,000.
- This is not selling or playing a game via mobile device.
- South Dakota has a \$100 cashing limit for instant/online games.
- Most lotteries are at \$599.
- Players have provided feedback that they use a lot of prize money driving long distances to claim prizes.
- Scan and redeem would allow players to scan a ticket via the Lottery's mobile app then claim it electronically.
- The Lottery would still complete all setoff checks before completing the claims process.
- IGT is proposing the Lottery exercises 5, 1-year extensions, which would make it a 12-year contract.

- The rate would be 7.227 percent for the first 3 years of extensions and reduce to 6.86565 percent for the final 2 years of the extension.
- The Lottery is seeking approval to exercise the contract extension.
- Vice Chair Huizenga asked if we can move forward with this or go through a legislative process. Executive Director Lingle noted that the Lottery may have to update administrative rules.
- Commissioner Donohue asked if there will be anymore 1-year extensions or if it's 12 years guaranteed. Executive Director Lingle noted that in Year 10, the Lottery staff will have to determine if it wants to use the remaining three, 1-year extensions.
- Chair Ahrendt asked if other states use this. Executive Director Lingle said that South Dakota will be the third IGT state to implement this.
- Chair Ahrendt asked for a motion to approve moving forward with scan and redeem. Motioned by Commissioner Rozum and seconded by Commissioner Kafka. All were in favor. Motion carried.

PETITION FOR DECLARATORY RULING

Ali Schaeffbauer reported the following:

- The Lottery has received a petition for a declaratory ruling.
- The Lottery may seek an opinion from the Attorney General's office or a ruling from the Commission.

SALES REPORT

Sales Manager David Dahl reported on the following:

- Using a three-year comparison Instant Ticket Sales have increased 7.10 percent.
- The Lottery launched its new Unlock It game on August 14.
- The ticket has maintained a spot in the top 10 since its launch.
- Holiday scratch tickets launch in October.
- Instant Top Prize winners from South Dakota presented. Paid out \$7,133,000 year to date.
- Lotto Sales at \$9.79 million for FY24. This is a 39.71% increase.
- A \$1 million Mega Million prize was sold at Lewis Drug in Sioux Falls.
- Video Lottery Net Machine Income is at \$54.37 million, which is a 1.66 percent decrease.
- Commissioner Rozum asked if we know the percentage of winners who choose to remain anonymous. Dahl noted that about 90 percent of them remain anonymous.
- Commissioner Rozum asked how often we have open records requests for winner information. Director of Advertising and Public Relations Wade LaRoche noted that Lottery puts a disclaimer in press releases that winners don't wish to be contacted further. He also said that the Lottery has only had two open records requests for winner information in more than three years.

FY23 VIDEO LOTTERY REPORT

Business Analyst Nathan Remmich reported on the following:

- Sully and Sanborn counties are the biggest growers in terms of video lottery net machine income.
- Legacy has fewer machines and their net machine income per machine per day is staying relatively the same.
- Line machines are growing, but net machine income per machine per day has decreased slightly.
- Hot Springs, Watertown and Sturgis have shown the most growth in terms of net machine income.

MARKETING REPORT

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

- Barbara Wipf of Sioux Falls is one of 12 finalists in the NASCAR Powerball Playoff.
- Barbara and the other semifinalists from around the country have a chance to win a VIP trip to Phoenix for a race and entry into a \$1 million drawing.
- With the launch of holiday tickets, the Lottery is preparing its annual holiday campaign for the second quarter of the fiscal year.
- This is the largest advertising campaign of the year, and it will begin in November.
- In addition to its core marketing channels, the Lottery will utilize inserts in the Argus Leader and Rapid City Journal, as well as a full page ad in South Dakota Magazine.
- The Lottery will also participate in the National Council on Problem Gambling's gift responsibly campaign.
- This portion of our campaign will include retailer training, social media posts and a press release.
- The Powerball jackpot is in the top 10 all time, so the Lottery is not only marketing the jackpot but reminding players to play responsibly.

VIDEO LOTTERY REPORT

Director of VL and Security Trevor Wiebe reported on the following:

- There has been an increase in video lottery establishments and terminals.
- There has been a steady increase in line machines in the field.
- Line Machines perform at a higher net machine income rate per day.
- There have been 60 new machines deployed in the field this fiscal year. New and destroyed terminals have remained consistent throughout the previous three years.

PUBLIC COMMENT

Chair Ahrendt asked about public comments.

- Troy Erickson with MG Oil noted that they have a lot of machines throughout the state.
- He asked for support from the commission on a potential bill for an increased bet limit.
- He noted that inflation makes it tougher for Operators because the price of everything else rises.
- He noted that he would also like increased pay outs along with the increased bet limits and that prizes over \$2,500 get paid at Lottery offices.
- Don Rose owner of Shenanigans in Sioux Falls noted that there are ways to increase revenues by using Erickson's suggestions.
- He noted that the video lottery laws haven't changed in more than 30 years and that it may be time.

NEXT MEETING DATE

Executive Director Lingle stated the next meeting will be December 7, 2023.

ADJOURNMENT

The meeting adjourned at 11:47 a.m.

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