



Commission Members

Jason Ahrendt –Chair
Tona Rozum–Vice Chair
Tim Donohue
Steve Harding
Joe Kafka

Minutes of the Commission Meeting

Meeting was conducted in person
Thursday, September 26, 2024 – 9:30 a.m.

Chair Ahrendt called the Sept. 26, 2024, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Commissioner Kafka attended via Microsoft Teams.

The public was able to participate in person or by listening on the internet.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Ali Schaeffbauer, Nick Ramos, Wade LaRoche, Trevor Wiebe, Shawna Zebroski, Nathan Remmich, Kirsten Jasper, and David Dahl.

MEMBERS OF THE PUBLIC PRESENT

Barry Greenberg, Troy Erickson, Jason Dvorak, Matt Krogman, Matt Fickbohm, and Bob Mercer.

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 Commissioner Donohue, and seconded by Commissioner Harding. A voice vote was taken. All in favor. Motion carried.

APPROVAL OF THE MINUTES FROM THE June 13, 2024, MEETING

Chair Ahrendt asked for a motion to approve the minutes. Commissioner Harding moved to approve the minutes and seconded by Commissioner Donohue. All in favor. Motion carried.

CONFLICT OF INTEREST

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

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

- The Lottery recently welcomed RJ Navarez and Jesika Penn as sales representatives out of the Rapid City office.
- Both Navarez and Penn have retail experience at the Common Cents c-store chain.

- Matt Piersall was promoted to Rapid City Sales Manager.
- Executive Director provided unaudited figures on Fiscal Year 2024 sales and transfers.
 - Instant ticket sales were up .77 percent, transfers were up 2.65 percent.
 - On-line sales were up 3.05 percent and transfers were up 8.18 percent.
 - The State's share of video lottery net machine income was up .37 percent, transfers were up .37 percent.
 - Total transfers were \$183,691,691, which was a .96 percent increase over the previous fiscal year.
 - The General Fund should receive \$179,718,265 and the Capitol Construction Fund should receive \$3,759,426.
- There have not been any findings in the Fiscal Year 2024 audit to this point.

Administrative Rule Amendments Public Hearing

Executive Director Norm Lingle reported the following:

- The proposed administrative rule amendments cover:
 - Allow for mobile claims for instant and online prizes between \$101 and \$5,000.
 - Clarify existing duties of the executive director.
 - Adopt Mega Millions product group rules adopted by the Multi-State Lottery Association.
- Mobile cashing would allow players to use the Lottery's mobile app to claim prizes via ACH.
- Mobile cashing does not allow players to make purchases via their mobile devices.
- The debt setoff checks will continue when claims are made via the mobile app.
- This change would improve player convenience by eliminating the need to travel to claim a prize in many instances.
- The proposed changes for the executive director duties allow the Lottery to be proactive and timelier in addressing non-compliance and violation situations.
- This would allow the executive director to suspend a license for any violation or non-compliance.
- This still allows for due process—violators may request a hearing in front of the commission.
- This also clarifies that the Lottery Commission is required to meet at least quarterly.
- The Mega Millions change updates the price point from \$2 to \$5 and increases starting jackpots from \$20 million to \$50 million.
- The overall odds for the game will improve.
- The changes also eliminate the Megaplier add on and adds a multiplier for every purchase.
- The new game will debut on April 5, 2025.
- Chair Ahrendt asked what would happen if we didn't approve the Mega Millions rules. Executive Director Lingle noted that South Dakota could no longer continue to offer the game.
- Commissioner Harding asked if a lot of other states offer mobile cashing. Executive Director Lingle noted that other states allow for higher prize claims at retail locations.
- Commissioner Donohue asked if the Lottery will check with an attorney before revoking a license. Executive Director confirmed that the Lottery will work with the legal team and noted that the Lottery doesn't want to revoke licenses. He said there are times when the Lottery will need to revoke a license, but they hope to work with licensees to avoid that.
- Matt Krogman of the South Dakota Licensed Beverage Dealers and Gaming Association voiced opposition to the proposed rule amendment.
- Krogman noted that his association has a great relationship with the Lottery, but they have concerns about the proposed rule giving the Lottery the ability to shut down a business immediately.
- Krogman said he was concerned that the appeal process may take months, which would leave the business closed for an extended period.

- Vice Chair Rozum noted that it was tough to leave a loophole in law, but said she wondered if the appeals process could be sped up in these instances.
- Executive Director Lingle noted that the Lottery will send notification when a license is in jeopardy. If a licensee chooses to appeal, the appeal would be heard before the license is revoked.
- Commissioner Kafka said that he believes this would only be used in egregious cases and wouldn't be an issue.
- Commissioner Rozum asked if there needs to be some dialogue between members of the industry before they move forward with it.
- Commissioner Rozum suggested some tweaks to the language of the rule then come back with updated language.
- Chair Ahrendt suggested a motion to pass the rules amendment with the exception of 48:02:04:01, 48:02:04:02, 48:03:02:05, and 48:03:02:06. Motioned by Rozum, seconded by Donohue.
- Motion passed 4-1. Commissioners Donohue, Harding, Rozum and Ahrendt voted yes. Commissioner Kafka voted no.

Light & Wonder Update

Barry Greenberg of Light & Wonder reported the following:

- Light & Wonder has been doing business with the South Dakota Lottery for more than 30 years.
- Light & Wonder provides the Connexus system to the South Dakota Lottery's video lottery industry.
- The Light & Wonder system provides the video lottery industry with an online cellular communication system, which has drastically cut down on non-reporting terminals.
- The system also allows for software downloads to the site controller.
- The new system also allows establishments to validate payout vouchers to combat fraud.
- The new system and site controller allows SD Lottery staff to get machines up and running quickly if they are non-reporting.
- Light & Wonder is also making advancements in responsible gambling and cashless functionality for video lottery systems.
- Commissioner Harding asked if the validation functionality has helped with counterfeit tickets. Greenberg noted that there have been minimal reports of counterfeit vouchers since the new system went online.

Mobile Cashing Update

Deputy Executive Director Clark Hepper reported the following:

- Mobile cashing gives players the ability to claim prizes between \$101 and \$5,000 via ACH.
- This does not give players the ability to purchase tickets online and debt setoff checks will still be preformed for each mobile claim.
- IGT's software is now prepared for customer acceptance testing.
- We are partnering with IGT and our mobile app provider, Fjorge to correct any outstanding issues.
- We will begin our testing in October with the goal of going live November 15.

SALES REPORT

Sales Manager David Dahl reported on the following:

- Instant ticket sales have decreased 5.86 percent compared to last fiscal year.
- Lotto sales have decreased 57.31 percent compared to last year.
- It's important to note that last fiscal year had five jackpots that exceeded \$1 billion.
- Nationwide, instant ticket sales are down 2.4 percent.
- The South Dakota Lottery also had a sales increase last fiscal year, while many lotteries had decreases.
- The Lottery has paid more than \$7 million in instant ticket prizes this fiscal year.

- The Lottery is currently projected to have more than \$179 million in revenue.

FY24 Video Lottery Report

Business Analyst Nathan Remmich reported on the following:

- Hamlin and Sully counties showed the most growth between Fiscal Year 2024 and 2023.
- Brookings and Watertown had the largest increases among cities.
- Line machines continue to outperform legacy machines in Fiscal Year 2025.
- Clark and Edmunds counties have shown the most growth to begin Fiscal Year 2025.
- Brookings and Mitchell have seen the most growth among cities in Fiscal Year 2025.

MARKETING REPORT

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

- The Lottery will launch its \$10 Game of Thrones scratch ticket Sept. 30.
- The ticket is a licensed property from Scientific Games that features themes from the TV show.
- Marketing efforts will include paid efforts such as billboards, television, radio and more.
- Players can enter non-winning Game of Thrones tickets into a second chance drawing.
- One player will win a trip to Napa Valley, Cali., for a chance to win up to \$7 million in cash prizes.
- The Lottery also focused on the Mad Money family of tickets throughout its summer advertising efforts.
- The Lottery is working with Lawrence & Schiller to finalize holiday campaign plans.
- During the Lottery Day promotion, 4,119 Good Fun Bundles were purchased.

VIDEO LOTTERY REPORT

Director of Video Lottery and Security Trevor Wiebe reported on the following:

- The Lottery has 1,394 video lottery establishments which is slightly up from last year.
- There are just over 11,000 terminals in the field, which is up from last year.
- The legacy machines continue to decline, while line machines are increasing.
- Line machines average \$95.42 of net machine income per day, while legacy machines average \$60.33.
- Eighty-two percent of video lottery terminals do not have ticket in, ticket out functionality.
- Seventy-four percent of video lottery machines with ticket in, ticket out functionality do not have it turned on.

Election of Lottery Commission Chair/Vice Chair

- Chair Ahrendt noted that this is his final meeting as chair since he will be termed out.
- He asked for nominations for chair and vice chair.
- Commissioner Donohue nominated Commissioner Harding as Chair and Commissioner Rozum as Vice Chair. Seconded by Chair Ahrendt.
- Roll call vote was taken. All in favor.

PUBLIC COMMENT

Chair Harding asked about public comments.

- Matt Krogman of the South Dakota Licensed Beverage Dealers and Gaming Association noted that he expected his organization to bring legislation to the 2025 legislative session.
- This includes increased bet limits, increased maximum payouts and increased number of machines allowed per license.

NEXT MEETING DATE

Executive Director Lingle stated the next quarterly meeting will be December 12, 2024.

ADJOURNMENT

The meeting adjourned at 11:50 a.m.

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