Commission Members

Steve Harding –Chair
Tim Donohue-Vice Chair
Jamie Huizenga
Tona Rozum
Roy Lindsay

Minutes of the Commission Meeting

Meeting was conducted in person
Thursday, September 17, 2026 – 9:30 a.m.

UNAPPROVED

Chair Harding called September 17, meeting of the South Dakota Lottery Commission to order at 9:30 a.m.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Ali Schaeferbauer, Nick Ramos, Mike Houdyshell, Wade LaRoche, Trevor Wiebe, Nathan Remmich, Shawna Zebroski, and David Dahl.

MEMBERS OF THE PUBLIC PRESENT

Matt Krogman, Gus Fritschie

APPROVAL OF THE AGENDA

Chair Harding asked if there were any changes to the agenda. Executive Director Lingle stated the Public Comment was listed twice, and he would like to remove agenda item #6, and will cover that at agenda #19. Commissioner Lindsay made a motion to approve the agenda as amended. Donohue seconded the approval. All in favor. Motion carried.

APPROVAL OF THE MINUTES FROM JUNE 11, 2026

Chair Harding asked for a motion to approve the minutes. Commissioner Donohue made a motion and Huizenga seconded approval of June 11, 2026, minutes. All in favor. Motion carried.

CONFLICT OF INTEREST

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

SECRETARY OF REVENUE COMMENTS

Department of Revenue Michael Houdyshell reported on the following:

- Secretary Houdyshell thanked the commission for their service.
- Secretary Houdyshell attended the Midwestern States Association of Tax Administrators Conference.
- The staff meet annually to talk about different issues with tax administration. South Dakota is the only state, in the 13-state region, that does not have an income tax.
- There's lot of discussion of income taxation and the challenges that states have with implementing and administering both personal and corporate income tax.
- Secretary Houdyshell appreciates the tax structure that South Dakota has. Sales tax is the main driver of our state revenue for our general fund, and the work of the lottery brings in nearly $200 million dollars a year that goes to fund our schools and other important things to citizens of South Dakota.
- Without the lottery, South Dakota may have to look at an income tax to generate $200 million that we would not get from the lottery.
- Secretary Houdyshell has been working with county commissioners on implementing SB96 to allow a county option sales tax to provide property tax relief.
- Property taxes are the primary revenue source for local governments of South Dakota.
- South Dakota has 8 counties that have passed SB96 ordinances. Several counties will be ready to go on January 1, 2027, and some will go with half cent sales tax July 1, 2027.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

- Executive Director Lingle welcomed the commission to Pierre.
- The South Dakota Lottery is nearing completion of its FY26 audit. Everything is progressing well.
- Eide Bailly assisted the Lottery with preparing the financial statements and provided the Legislative Audit team with a few follow-up items.
- Fiscal sales and revenue: Instant ticket sales for FY26 were $46.7 million, down a little more than 1.5%. Transfers were $6.36 million from instant ticket sales. Draw games were up 37% and generated roughly $34.42 million in sales, and $10.87 million transfers. Video lottery was up 2.1% with $170.3 million in state share of net machine income. Total transfers this year were $187.55 million and a 4% increase over FY25. This equals a $7 million dollar increase from FY25 to FY26.
- Since 1987 lottery has generated roughly $4.16 billion dollars, that has gone to the beneficiaries of the lottery proceeds.
- Commissioner Rozum asked if that is the state share or total revenue. Executive Director Lingle stated that is just the state share.

Teacher of the Year

- Executive Director Lingle noted that education represents the largest portion of the General Fund. The South Dakota Lottery is partnering with the South Dakota Department of Education as the title sponsor of the 2026 Teacher of the Year Banquet, to be held at The Drifter in Fort Pierre. The event recognizes not only educators but also librarians and others who contribute to improving South Dakota's schools.

Powerball Xs & Os

- Powerball Xs & Os is in partnership with the NFL and launched on September 8th. Sunday September 13 was the first drawing and South Dakota had 428 winners. Lottery sold approximately 4,000 tickets.
- BrightStar did a great job at getting everything staged and launched and it went off seamlessly.

Personnel Update

- Cindy Delzer, sales rep in the Rapid City Office, and she is planning to retire on October 8, after 27 years with the South Dakota Lottery.
- R.J. Nevarez resigned in August as a sales rep in Rapid City and Adam Hageman will join the lottery on September 28.

ADMINISTRATIVE RULES PUBLIC HEARING

Proponent Testimony

- Lottery Executive Director Norm Lingle provided an overview of the rule amendments that lottery is proposing.
- These rules would allow the executive director the authority to suspend, revoke or deny a video lottery license, clarifies the minimum test period for a new lottery game software, permits online training for the testing of video lottery technicians, eliminates logbook requirements, and clarifies what a business day is. These rules also include form and style recommendations coming from LSR, Legislative Research Council.
- **48:02:04:01**-This rule will allow the executive director to suspend, revoke or deny the renewal of a license.
- **48:02:04:03** – Makes clear that a licensee may request an administrative hearing in front of the commission if they disagree. If a request is made, it is business as usual for the licensee.
- Commissioner Donohue asked Executive Director Lingle how many license renewals had been denied during the nearly 40 years of video lottery. Executive Director Lingle stated that he did not believe any renewals had been denied. He noted, that there have been instances where the Lottery has worked with licensees to obtain required information.
- Commissioner Donohue asked whether, in the history of video lottery, any operator had been shut down for an extended period. Executive Director Lingle confirmed that this had not occurred.

- Commissioner Lindsay asked whether the commissioners would receive advance notice of a suspension and whether any appeal would be heard at a regularly scheduled quarterly meeting or require a special meeting.
- Executive Director Lingle explained that the timing would determine whether the matter could be addressed at the next regular meeting or if a special meeting would be necessary.
- He added that commissioners would be notified if a suspension were being considered. If an appeal were filed, additional information could not be provided while ensuring commissioners remained impartial before the hearing.

- **48:02:05:04 (15)** – Removes the language "good taste". Decency, dignity and honesty are all definable in the dictionary whereas "good taste" is not.
- **48:02:05:04 (21)** –Allow a licensed operator to sell an approved VLT to another licensed operator. Currently, the only way for an operator to sell an approved VLT to another licensed operator is by using a licensed distributor to broker the transaction.
- **48:02:07:04** – This restates the length of a beta test (field trial) from a maximum of 60 days to a minimum of 21 days. This is to ensure lottery captures two weekends of play as weekends are when VLT's receive the most play.
- **48:02:08:01 (5)** – This is a form and style recommendation from LRC.
- **48:02:10:03** – In order for a licensed operator to place a VLT in an establishment for gameplay, the operator must have a technician II who is certified on that platform. Manufacturers are required to provide the training, and the Lottery administers the test.
- The current rule requires training to take place in South Dakota and in person. The proposed amendment would eliminate the requirement that training be conducted in person and allow the manufacturer to determine whether training will be provided in person or online.
- Several manufacturers have requested the option of online training. Regardless of how the training is provided, it must be coordinated with the South Dakota Lottery.
- **48:02:10:04** – Makes clear the Lottery can administer the test for Tech I and Tech II testing.
- **48:02:10:07** – Proposes eliminating the rule requiring every VLT to have a logbook inside the machine. Currently, the logbook must be completed each time a VLT is opened. Advancements in technology allow the central system to capture these events and the associated meters.
- **48:02:12:02** – Video lottery vouchers are to be claimed the same day they are printed. By adding "business day" lottery's attempting to clear up confusion regarding same day knowing that video lottery play can cross days.
- **48:02:12:03** – Striking the wording regarding the claiming the ticket voucher and moved to the previous rule.

- Commissioner Lindsay commented that on page 4, the language was changed from "state" to "South Dakota," while on page 15, the language was changed to "state" and "South Dakota" was eliminated.
- Commissioner Lindsay asked whether there was a specific reason for the difference. Executive Director Lingle stated that he would defer to an attorney regarding the question and explained that the change was primarily a form and style recommendation from the LRC.
- Commissioner Huizenga stated that he understood the Lottery had worked with the industry in developing the proposed rules and asked whether that was a reasonable understanding.
- Executive Director Lingle stated that the Lottery had reached out to two industries groups approximately a month or slightly longer ago to review the proposed changes. The Lottery discussed the proposals with the industry, made an adjustment based on one of their recommendations, shared the revised draft, and provided an opportunity for additional comment.
- Commissioner Huizenga stated that he has been on the lottery commission for many years and has never been involved in a suspension issue. Executive Director Lingle stated that the Lottery has not reached the point of suspension but has worked with licensees on multiple occasions and reminded them of their requirements.
- Commissioner Huizenga commented that online training is a natural progression, noting that every industry in America has some form of online training. He also stated that the logbook is redundant because the system provides information regarding what occurred on the machine.
- Commissioner Donohue asked whether the current state laws regarding video lottery are being enforced by the Lottery. Executive Director Lingle confirmed that this was correct.
- Commissioner Donohue asked what modifications the proposed rules would make to the current process and what the substantive change would be. Executive Director Lingle stated that, under the first proposed rule, the authority would shift from the commission to the Executive Director. He explained that this would create efficiencies by allowing the Lottery to address compliance issues initially, with the matter coming before the commission if the licensee wished to appeal.
- Commissioner Donohue asked whether the proposed change would essentially speed up the process without making any changes. Executive Director Lingle stated that this was correct.
- Chair Harding asked under the proposed change allowing the sale of machines, the purchaser would still be required to comply with administrative rules and codified laws and whether the purchaser would have to be licensed at the time of purchase.

Executive Director Lingle stated correct, that the proposed rule would only allow the sale of a VLT from one licensed operator to another licensed operator.

Opponent Testimony

- Matt Krogman, representing the South Dakota Licensed Beverage Dealers and Gaming Association, stated that Executive Director Lingle, Deputy Director Hepper, and Director of Video Lottery Wiebe had been straightforward with the Association regarding the proposed changes. He stated that the Association continued to have concerns regarding the first proposed rule concerning suspension and revocation.
- Matt Krogman stated that the current system is working and the proposed change may go too far. He noted that, until the proposed authority is used, it is difficult to know what the results will be. He stated there's no objection to Executive Director Lingle having authority but expressed concern about who may serve as the next Executive Director. He requested that the Commission consider addressing the first proposed rule by giving power to the Executive Director.
- Commissioner Rozum used the analogy to collect bad debt and the time that must be pursued until the person pays. This mechanism would make the process more efficient. Commissioner Rozum appreciated the Association's concerns.
- Mr. Krogman stated he agrees and has no objection to the first proposed rule if it were limited to nonsufficient-funds payments or specific to license renewal. He stated if it was more specific the Association would have no problem with it.
- Commissioner Lindsay stated that he views the rule as providing one more step in the process. Currently a revocation comes before the Commission. Commissioner Lindsay stated that he supports the proposal from that standpoint and asked Matt. Krogman to provide further description of his thoughts.
- Mr. Krogman stated that his concern applies to the renewal process. He noted that notices are already sent to establishments when they are behind and they have the right to appeal. He stated that the concern was that the proposed rule would give the Executive Director the authority to act on his own.
- Commissioner Lindsay stated that, rather than being reactive, he preferred a proactive approach and viewed the proposed rule as proactive.
- Commissioner Donohue asked if the rule applies only to licenses for 10 machines or less. Matt Krugman stated that one license cannot cover more than 10 machines. Commissioner Donohue asked when a denial is made, is it for 10 or less machines. Matt Krogman replied that some establishments may have more than one license at the same facility and one owner could be affected by more than 10 machines. Commissioner Donohue asked if the Executive Director found violations involving more than one 10-machine license, then Executive Director could revoke more than one license. Mr. Krugman stated that this was his understanding.
- Chair Harding asked if under the proposed rule, the Executive Director would still be required to notify the licensee and make multiple attempts to contact the entity

before acting. Executive Director Lingle stated the Lottery reaches out multiple times to the various entities to obtain compliance with the requirements.

- Commissioner Lindsay commented that he sees the proposed rule as a step forward in streamlining the process and getting licensees into compliance more quickly. He stated that he sees the process as a two-step process.
- Chair Harding remarked that if licensees follow the laws and rules, there should be no issue to begin with. He stated that the Commission has good licensees who are generally compliant and that the Video Lottery office works with licensees to ensure they remain in compliance.
- Moved by Huizenga to approve the adoption of the South Dakota Administrative Rule as presented, seconded by Donohue. Voice vote was taken. All in favor. Motion carried.

ELECTION OF CHAIR AND VICE CHAIR

- Commissioner Linsday motioned to nominate Chair Harding as Chair and Commissioner Huizenga as Vice Chair. Commissioner Rozum seconded the motion. A voice vote was taken. All in favor. Motion carried.

SB74- ANNUAL REVIEW OF OPEN MEETINGS LAWS

Nick Ramos, Staff Attorney

- Staff Attorney Ramos personally confirmed that each of the commissioners received a copy of the explanation pamphlet from the Attorney General, and they have all confirmed that they have reviewed that explanation prior to this meeting, and they're in compliance with SDCL 1-25-13.

VENDOR PRESENTATION – DON'T SCRATCH OFF SECURITY

Gus Fritschie, Gaming Labs International

- Gus Fritschie thanked the commissioners for the opportunity to present at the State Capitol on cybersecurity, with a focus on the lottery and gaming sectors.
- Chair Harding stated the presentation was very informative; there's always organizations and individuals that are trying to break into your security. Gus Fritschie stated that no organization is going to be 100% secure, but you want to identify what those risks are so you can make informed risk-based business decisions.
- Commissioner Donohue asked if South Dakota has a law governing cyber security for video lottery and then for the state as a whole? Gus Fritschie stated that there are regulations on the sports side as far as requirements, but as it relates to lottery and VLT not to his knowledge that there is an annual security assessment performed or audit.
- Commissioner Donohue follow up question have you done other lotteries in the country? Gus Fritschie replied yes and is currently supporting biannual audits in multiple states.

- Executive Director Lingle noted that the cybersecurity information was valuable. He stated that when the Lottery first went live with Brightstar, it completed penetration testing and an audit and worked with the state's Bureau of Information and Telecommunications (BIT).

DECLARATORY RULING 26-1 RETAILER INCENTIVES

Deputy Executive Director Clark Hepper Presented the Following

- Powerball Xs & Os ticket lotto ticket partnership with NFL and Powerball. It's a draw game where you select 8 out of 32 teams to win the top prize.
- With this new game lottery has come up with an incentive commission for our retailers. The new retail incentive commission is to award the retailer, who sells the top prize or jackpot prize, with a $5,000 commission.
- Lottery can pay two of those top prize $5,000 commissions, and anything above 2, South Dakota Lottery will take the total of $10,000 and divide it equally amongst those. This will be the same with the $20,000 prize, a $2,000 commission and will pay up to five and anything above five will total $10,000 and divide up equally.
- Moved by Rozum to approve The Declaratory Ruling 26-1 Retailer Incentives, seconded by Donohue. Voice vote was taken. All in favor. Motion carried.

INSTANT TICKET SHIPPING UPDATE

Deputy Executive Director Clark Hepper Presented the following

- Annually lottery ships over 30,000 instant ticket packages a year from our warehouse in Sioux Falls.
- In FY25 Lottery, spent over $430,000 in shipping and FY26 lottery had $468,000 shipping cost through UPS.
- The Lottery signed a new contract with Speedee Delivery, secured through Minnesota Cooperative Purchase Venture process.
- Contract started June 2026 through October 2027 with 36-month extension.
- After two months of using Speedee Delivery, the Lottery has experienced improved customer service, including assistance in tracking down a lost package that was recovered and reimbursement for another lost package.
- In July lottery shipped over 1,600 packages with a cost of $8,438 which is a $15,000 savings if lottery would have been with UPS. In August lottery shipped under 3,000 packages with rough savings of $26,000, a 64 percent savings of expenses with Speedy.
- Doing a comparison with FY25 budget lottery spent $435,000, same number of packages with Speedee lottery would have a $260,000 savings.
- Commissioner Lindsay reiterated that UPS remains available as a backup if needed. Deputy Executive Director Clark Hepper confirmed that UPS is still a backup.
- Commissioner Huizenga commented that it is rare to cut costs in half while also receiving better service. He noted that although the Lottery has vehicles and transports some items, it is not a delivery business. He added that the Lottery could not internally transport or distribute tickets for the cost currently being charged by

the service provider. Deputy Executive Director Clark Hepper stated that is correct, lottery has 9 sales staff throughout South Dakota and that's a lot of territory to cover.

FY26 HIGHLIGHTS AND REVIEW

Business Analyst Nathan Remmmich Presented the following:

- Millionaire for Life during the first 10 weeks, average sales of $110,600. A 38% increase over Lucky for Life, which was around $80,300 per week. After 10 weeks the average was $87,500, for an increase of 8.9% or $7,100 increase in sales per week.
- The $30 ticket now has two placements. Lottery went from $122,400 in sales per week to $177,600, 45% increase or sales increase of $55,200.
- There was a $30,000 drop in our $20 ticket sales with net of $25,200 per week.
- Better sales in the bigger jackpot ticket compared to the smaller one, but they are appealing to two different player groups. One group prefers winning more often and the other tends to chase that bigger top prize.
- Top three performing non-holiday, non-X family tickets for FY26-Jurrasic Park highest selling $10 ticket and highest $10 ticket of all time, passing our previous highest Price is Right which had about $57,300 in sales and Jurassic Park has $61,720 in sales per week which is 39% above average.
- Max Money $5 ticket launch during holiday season tends to increase its sales 17.9% above average for $5 ticket.
- Hidden Gems, performing slightly below Max Money with 17.1% above average sales.
- Chair Harding asked if Jurassic Park was still out and Business Analyst Nathan Remmich replied no as the last top prize for that game has been claimed.

VIDEO LOTTERY REPORT

Director of VL and Security Trevor Wiebe Presented the following:

- Director of Video Lottery and Security Trevor Wiebe reviewed Rule 2, Annual Certification, which involves security testing and on-site reviews conducted every other year.
- During the off years, the Lottery completes a self-assessment, which is scheduled for South Dakota in late October or early November. The assessment certifies that the Lottery meets the security standards outlined in MUSL Rule 2 and the Minimum Game Security Standards.
- It includes approximately 120 questions and requires the Lottery to report any changes made to the Computer Gaming System or Internal Control System.
- As of August 31, the Lottery reviewed the number of terminals and establishments compared with the previous five years. From FY23 to FY27, the Lottery added 100 new establishments and increased the number of terminals by 1,438.
- Terminal Counts – Legacy 8,067 machines, Line 3,378 machines.

- Net Machine Income per terminal per day- Line machine $94.29 and Legacy machine $58.02.
- New Terminals- Currently 90 new terminals and by end of FY27 lottery should be around 300-400 new machines. Epic and Valicy are in BETA testing, and machines are now entering into the market in South Dakota.

SALES REPORT

Sales Director David Dahl Presented the follwing

- Instant Sales in the last 3 years as of August 31 are down 1.7% vs FY26 with just over $7.6 million in sales.
- Launch of Plinko ticket is $10 and currently our best-selling ticket.
- Holiday Tickets launch on October 5. Features are $1, $2, & $5 tickets. Players are excited this time of year of the game launch.
- Lotto Sales as of August 31 are up slightly with sales over $5.8 million.
- As of August 31, lottery is projecting Instant at $5.5 million in net transfers and Lotto $7.83 million in net transfers. Combined FY27 with Instant and Lotto is $13.3 million vs $17.23 million in FY26.
- Video Lottery Net Machine Income for the last 3 years is projected to have a 2% increase over FY26.
- Total FY27 projections with combination of video lottery, Instant and Lotto sale the total combined projection is $187.43 million.

MARKETING REPORT

Director of Advert and PR Wade LaRoche

- Powerball Xs & Os first drawing generated $19,915 in total sales, with South Dakota fifth in per capita sales. Paid media began September 7th and will continue throughout the fall season.
- Promotional Prizes with winning and non-winning tickets may be entered at Powerballoffical.com. Players may enter their tickets in exchange for points. Points may be entered into a variety of different drawings. Prizes include NFL merchandise, NFL shop gift cards, NFL experiences, and big prize is a trip to the Superbowl in Los Angeles this February.
- Jurassic Park Second Chance Winner-Katie Lukkes and a guest will receive a trip to Hawaii and a chance to win additional cash prizes. Katie's winning entry was one of 19,937 non-winning tickets entered into the drawing.
- Chair Harding asked if South Dakota Lottery staff will be doing some give aways at the classic.
- Director of Advert and PR Wade LaRoche stated that there will be rows of the game where attendees will get instant tickets, and lottery will have some commercial placement and public reads as well.

PUBLIC COMMENT – None

NEXT MEETING DATE

Executive Director Lingle stated the next meeting will be on December 10, 2026.

ADJOURNMENT

Commissioner Donohue made a motion to adjourn at 12:00 p.m. Commissioner Huizenga seconded the motion. All in favor. Motion carried.

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