



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, September 22, 2022 – 9:30 a.m.

Chair Shorma called the September 22, 2022, meeting of the South Dakota Lottery Commission to order at 9:30 a.m. Chair Shorma, Vice Chair Ahrendt, Commissioner Huizenga, Commissioner Kafka, and Commissioner Rozum participated in person. The public was able to participate in person or by listening on the internet.

SUPPORT STAFF PRESENT

Norm Lingle, Clark Hepper, Michael Houdyshell, Joe Thronson, Wade LaRoche, Nathan Remmich, and Megan Gross.

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.

APPROVAL OF THE MINUTES FROM THE JUNE 16, 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 Vice Chair Ahrendt, and seconded by Commissioner Kafka. 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.

SECRETARY OF REVENUE'S COMMENTS

Secretary Michael Houdyshell reported on the following:

Department of Revenue Update

- Sturgis collections were down 14% at just over \$1.5 million. Possibly due to the 10% decrease in the number of vendors.
- The South Dakota State Fair showed strong revenue numbers.

- On August 29, the South Dakota Lottery moved into the new one-stop facility Rapid City. The facility will house seven state agencies total. An RFP has been issued to build another one in Sioux Falls.
- The contract between the Department of Revenue and Scientific Games with regards to the instant ticket RFP has been signed.
- The tax administration system and SD CARS are going through an IT modernization. An RFP will be issued later in the week.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

FY22 Sales (unaudited)

- Instant sales are up 2.2% or \$48.3 million over FY21, a top ten in U.S. lotteries for sales growth.
- \$10.3 million in instant ticket transfers to the state, a 104.7% increase over FY21.
- The difference between sales and transfers is because games launched towards the end of the fiscal year have generated sales but haven't begun paying out top prizes.
- Lotto sales finished at \$26.9 million, a 3.7% increase over FY21 because of Powerball's Monday draw with the addition of Double Play and Lucky for Life moving to seven days a week.
- 50% of the \$7.6 million in transfers went to the General Fund and 50% went to the Capital Construction Fund but beginning in FY23 70% will go to the General Fund and 30% will go to the Capital Construction Fund.
- Video Lottery Net Machine Income was \$161 million, an increase of 10.7% over FY21. 100% of it goes to the General Fund.

FY22 Audit

At this point it looks like the SD Lottery is going to have a clean audit. The goal is to have it finished by the end of September.

Personnel

Jordon Kitts, Director of Security, has accepted a position with the Department of Transportation.

35th Anniversary

September 30 is the South Dakota Lottery's 35th anniversary.

- An Instant Ticket Game called Match 3 was the first ticket launched. It cost \$1 and had a \$5,000 top prize.
- On the first day of sales, it was estimated that 910,000 tickets were sold and by week three 2.5 million tickets were sold.
- What has the Lottery done over those 35 years?
 - Generated over \$3.4 billion dollars to the general fund, capital construction fund, property tax reduction fund, and more.
 - Provided almost \$5 million to the Department of Social Services to assist with problem gambling treatment.
 - Paid out over \$770 million in prizes.
 - Paid commissions to retailers of over \$74 million for selling and cashing tickets.

Chair Shorma stated that while he is out on his campaign trail, people would say they were under the impression Lottery funds were supposed to support education, then he asked Secretary Houdyshell what portion of the General Fund went to education. Secretary Houdyshell answered approximately \$650 million of General Fund revenue contributes to the K-12 school system in South Dakota every year. And while that amount consists of various revenue streams, the largest is the SD Lottery. Commissioner Rozum commented that the largest part of the General Fund aids education and in 2022, 32% went to schools

but it's important to understand that the Lottery can't directly transfer funds to education because the fluctuation in transfer amounts would cause issues.

MARKETING REPORT

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

- The new SD Lottery website and mobile app will feature a modern design, improved functionality, and an integrated IGT instant online system and is expected to launch in November.
- Joel Neilson of Rapid City was one of two winners to split the \$126,442 Dakota Cash jackpot; the other ticket was purchased in Watertown.
- The upcoming Holiday Campaign will feature the delivery driver and the elf from previous ads to promote four new holiday themed tickets.
- The SD Lottery will once again be participating in the National Council of Problem Gambling's gift responsibly campaign.
- The SD Lottery has obtained their Responsible Gambling verification through NASPL and the National Council on Problem Gambling.
- Upcoming events include SD Lottery's 35th Anniversary and the New Year's Rockin' Eve second chance drawing

NOMINATIONS FOR CHAIR AND VICE CHAIR

Chair Shorma asked for Chair nominations. Commissioner Huizenga nominated Chair Shorma. No other nominations. Roll call vote taken. All in favor. Motion carried.

Chair Shorma asked for Vice Chair nominations. Commissioner Huizenga nominated Vice Chair Ahrendt. No other nominations. Roll call vote taken. All in favor. Motion carried.

FY23 VIDEO LOTTERY REVIEW

Business Analyst Nathan Remmich reported on the following:

Video Lottery

- Counties with the highest growth percentage include Jerauld at 41.8%, Hyde at 35.8%, Deuel at 29.2%, Trip at 17.6%, and Butte at 16.1%.
- Most of the counties show growth, many in the double digits.
- There was a 3% increase between FY21 and FY22, but a .5% decrease between FY22 and FY23 due to an increased number of video lottery machines in the market.
- Line machines are up 6.84% while Legacy machines are down 7.44%.
- Cities with the largest percentage growth include Brookings at 18.74%, Brandon at 13.58%, Sturgis at 10.49%, Watertown at 9.66%, and Vermillion at 7.71%. There was an overall 2.58% growth.

Chair Shorma stated that the percentage showing the lowest growth, it doesn't necessarily mean the dollar amount for Net Machine Income is also the lowest.

SALES REPORT

Deputy Executive Director Clark Hepper reported on the following:

Instant

- Instant sales are pacing 1.97% over FY22.
- The SD Lottery is bringing in almost \$2 million dollars more than they did before the pandemic.

- In 2017 the Lottery tracked below other lotteries in the market, but through strategic changes the SD Lottery became one of ten U.S. lotteries to show year over year growth in instant ticket sales in 2022.
- The average lottery purchase in 2017 was \$2.99 compared to \$4.39 in 2022, indicating lottery players are migrating toward higher price points. The SD Lottery is behind in the national average of \$6.62, largely because other states offer \$25, \$30, \$50, and \$100 price points.
- The SD Lottery is comparable to other lotteries in their sales per by price point for \$5 and \$10, but they are stronger in their \$1, \$2, \$3, and \$20 price points.
- The \$5 price point has the largest percentage of sales.
- The gross gaming revenue by price point has grown from 14% to 23% for the \$20 ticket between 2019 and 2022.
- Holiday tickets will launch in October.
- Over \$6,616,230 in prizes were paid in FY23
 - \$300,000 – Matt Anderson from Sioux Falls
 - \$77,000- Darren Dullum from Belle Fourche
 - \$250,000 – sold in Spearfish
 - \$75,000 – sold in Sturgis
 - 5 top prize winners from \$10,000 - \$30,000, and over 420 \$500 winners

Lotto

- Lotto sales are up 73.43% over FY22 because of a large Powerball jackpot at the beginning of the fiscal year and a \$1.3 billion Mega Millions jackpot around the same time.
- Over \$2,075,000 in lotto prizes have been paid in FY23
 - Two \$390,000 Lucky for Life winners – sold in Aberdeen and Hot Springs
 - \$126,442 Dakota Cash Jackpot/split – sold in Rapid City and Watertown
 - \$50,000 Powerball – sold in Rapid City
 - \$30,000 Mega Millions – sold in Deadwood
 - Six large prize amounts ranging from \$2,500 - \$10,000 in Mega Millions and Lucky for Life

Sales (as of August 31)

- Instant tickets are projecting \$6.1 million in net transfers vs. \$5.98 million in FY22
- Lotto is projecting \$8.62 million in net transfers vs. \$8.63 million in FY22
- Net Machine Income is projected at 2.58% over FY22
- Video Lottery state share revenue are projected at \$165.25 million vs. \$161.09 million in FY22
- Total FY23 Revenue projections are \$179.97 million vs. \$163.16 million in FY22

VIDEO LOTTERY REPORT

Deputy Executive Director Clark Hepper reported on the following:

Establishments (As of August 31)

- The number of active video lottery establishments for FY23 is 1,305 compared to 1,257 in FY22, an overall increase of 3.8% year over year.
- Video lottery has 10,007 terminals, or 77% of the available terminals in the current market, a 5.4% increase over FY22.
- Line machines bring in \$109.74 per machine per day, compared to Legacy machines at \$65.25 per machine per day.
- Line machines have continued to show steady growth, making up 62% of the total machines in our market and producing over 73% of the overall net machine income statewide.

Commissioner Kafka noted that the \$5 has higher sales than the \$20 ticket but wanted to know, between the two, which ticket sold the highest quantity. Deputy Director Clark Hepper answered that the SD Lottery has more \$5 tickets in market and thus it sells the largest quantity.

PUBLIC COMMENT

Chair Shorma asked about public comments.

No emails, phone-in questions, or comments from the public.

NEXT MEETING DATE

Chair Shorma stated Thursday, October 11, 2022, at 9:30 a.m. central time is the next meeting.

ADJOURNMENT

Chair Shorma adjourned the meeting at 10:54 a.m.

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