



Minutes of the Commission Meeting

- UNAPPROVED-

Room 412 Capitol Building
October 27, 2010

Chairman Doug Sharp called the October 27, 2010 meeting of the South Dakota Lottery Commission to order at 9:30 a.m. (CT).

MEMBERS PRESENT: Virginia Nelson, Tom Leckey, Duane Schmutz and Doug Sharp. Susan Shay Brugger, Kory Menken and Dick Werner attended via teleconference.

SUPPORT STAFF PRESENT: Norm Lingle, Kelly Thompson, Joe Willingham, Deb Reese, Sherry Lauseng, Andrew Fergel and Mary Jo Bibby

APPROVAL OF THE AGENDA AND MINUTES

Commissioner Tom Leckey moved to approve the agenda for today's meeting and the minutes of the September 10 meeting. Commissioner Duane Schmutz seconded the motion. The roll was called and the motion carried.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

LEGISLATIVE AUDIT:

Lingle reported that Legislative Audit will begin its audit of the Lottery soon.

TRANSITION:

Transition documents are being prepared to provide to the Governor Elect.

COMMISSION TERMS:

The term expiration dates are posted on the meeting agenda for this and future meetings.

OPEN MEETING REQUIREMENTS:

Lingle reported that new open meeting requirements state that minutes must be posted 10 days following the meeting. Future Commission meetings will be posted audibly for public listening.

Commissioner Dick Werner asked if the audio minutes will begin this meeting. Lingle responded that they will not.

Chairman Sharp opened the Mega Millions/Megaplier and Powerball/Power Play public hearing at 9:45 a.m.

Director Lingle noted that South Dakota will adopt the MUSL game group rules as our administrative rules. The new rules make the Match 5 + 0 prize purchased with the Megaplier automatically \$1,000,000. The prize pool will increase from 51 percent to 55 percent. The increase will fund a prize reserve fund. The change will allow transfers to be made when needed rather than requiring special measures to be taken each time extra funds are needed. Powerball rules will be changed to be consistent with Mega Million rules. If approved, the rules will be presented to the Legislative Rules Review Committee on November 17, 2010. If adopted, the rules will take effect on December 17, 2010.

Commissioner Sharp asked for questions from those present in the audience. There were none.

Commissioner Sharp then asked for questions from members of the Commission. Commissioner Leckey asked if all states are making the rule changes. Lingle responded in the affirmative and said that some states have already made the changes.

Commissioner Sharp asked Lottery legal counsel Andrew Fergel if any written comments had been received on the rules changes. Fergel responded that there were none.

Commissioner Sharp closed the public hearing.

Commissioner Dick Werner moved that the rules be adopted and that the MUSL rules become the rules of the South Dakota Lottery for the games. Commissioner Leckey seconded the motion. The role was called and the motion carried.

SALES REPORT

Director of Sales Joe Willingham reported on the following:

LOTTO GAMES:

Total lotto sales are down 12.3 percent compared to the same period last year. Powerball is down 23.4 percent, with the jackpot having been hit twice since the last commission meeting. Hot Lotto is down 10.8 percent, Wild Card is down 38 percent and Dakota Cash is up 3.2 percent, and their jackpots have not been hit. Mega Millions has produced \$751,000 in sales, and its jackpot has been hit once since the last meeting.

Recent winners were announced.

INSTANT GAMES:

Instant sales are up a fraction from \$6.07 million versus \$6.04 percent from the same period last year due to several big winners and winner awareness efforts.

Willingham reported on upcoming games and recent winners.

INSTANT TICKET VENDING MACHINES:

Sales have been variable among ITVMs in the field. Overall sales are in a decline, but the decline is decreasing. It has not been determined if sales from the machines are incremental sales. Further study will ensue.

REVENUE PROJECTIONS:

Willingham reported that the projection for lotto revenue is down 15 percent, and the projection for instant revenue is up .88 percent. Video Lottery revenue is up .59 percent.

PUBLIC RELATIONS/ADVERTISING REPORT

Director of Public Relations and Advertising Kelly Thompson reported on the following:

BIG WINNERS:

No jackpots have been hit in South Dakota since September 4, 2010. Three \$10,000 Powerball prizes have been hit; they were in Deadwood, Pierre and Tea.. Hot Lotto prizes of \$10,000 have been hit in Sioux Falls and Rapid City. A \$10,000 Mega Millions prize was won in Watertown, and \$5,000 Wild Card prizes were won in Sioux Falls and Milbank.

INSTANT GAMES

Fifteen top scratch prizes have been won since the September meeting.

PRESS RELEASES:

Press releases and web postings were issued for a \$100,000 Colossal Cash top prize win, two \$10,000 Powerball prize wins and for a \$50,000 South Dakota Black prize.

WEBSITE USE:

Thompson has posted eight lotto alerts, nine winner updates and 13 winner counts since the last commission meeting. Winner counts are posted on Mondays and Thursdays.

GENERAL SCRATCH TICKET CAMPAIGN:

Thirty-second radio ads kicked off on Sept. 22 on Weather Eye sponsorship stations promoting the games' different price points and playstyles. A new T-shirt sports the campaign slogan "Making Winners from Scratch." A ceiling poster featuring current and upcoming games will be deployed in the next few weeks.

WEB BANNERS AND WINNER AWARENESS:

The Lottery will start utilizing flash ads on the main web pages for the Argus Leader, which receives 65,000 impressions, and the Rapid City Journal, which receives 45,000 impressions. The ads began October 24 and will run two weeks. They are running in addition to traditional print ads.

NATIONAL COUNCIL ON PROBLEM GAMBLING HOLIDAY CAMPAIGN:

The Lottery will join this campaign for the second year in a row. Ads are sponsored by the National Council on Problem Gambling and the International Center for Youth Gambling Problems and High Risk Behaviors at McGill University. Last year 18 lotteries participated, including South Dakota. The campaign message is to not purchase lottery tickets as holiday gifts for kids.

PLAYERS CLUB:

To encourage new member sign-ups and thank existing members, a "Rockin Around the Christmas Tree" promotion will run from Nov. 1 to December 10. Twenty-five finalist names will be drawn each Friday and 25 winner names will be drawn from the finalist list. The grand prize will be a customized Fender guitar from the Guitar Town scratch game as well as Lottery gear and holiday scratch tickets.

UPCOMING EVENTS:

Point-of-sale for Slingo, Monopoly and the Scratch Ticket Campaign will be deployed soon. A holiday scratch ticket campaign will include television, POS and mall displays. The Mega Millions game change will be promoted.

VIDEO LOTTERY REPORT

Director of Security and Video Lottery Operations Deb Reese reported on the following:

VIDEO LOTTERY REVENUE:

Net machine income is \$65.23 million year to date, ahead .35 percent from last year. There are 1,484 establishments, 1.65 percent ahead of last year. There are 9,294 terminals, 2.34 percent ahead of the same time last year.

NEW STAFF:

Riley Naylor and Lonnie Moody have been hired to fill vacant positions in the computer room.

GAMING LABORATORIES INTERNATIONAL

James Maida thanked the South Dakota Lottery and the State of South Dakota for their support. He gave a presentation on changing technology. Andy Comer gave an overview of GLI's services provided to South Dakota and other lotteries.

Lingle stated that GLI helps ensure the security and integrity of our games.

NEXT COMMISSION MEETING

The next planned meeting will be scheduled for March 2011.

ADJOURNMENT

Commissioner Schmautz moved and Commissioner Nelson seconded the motion to adjourn. The motion carried and at 10:45 a.m. the Commission adjourned.