



**Minutes of the Commission Meeting
Capitol Building – Room 412
June 15, 2007**

The quarterly meeting of the South Dakota Lottery Commission was called to order by Chairman Dick Werner at 10:00 a.m. on June 15, 2007.

MEMBERS PRESENT: Dick Werner, Tom Leckey, Susan Shay Brugger, Virginia Nelson, Duane Schmautz and Douglas Sharp

MEMBER ABSENT: Kory Menken

SUPPORT STAFF PRESENT: Norm Lingle, Mike Mueller, Joe Willingham, Deb Reese, Sherry Lauseng, Andrew Fergel and Julie Pirnat-Schultz

APPROVAL OF THE AGENDA:

Dick Werner asked that the agenda be amended to include an item #9A "Executive Session" and that the Lottery staff be allowed to attend.

APPROVAL OF THE MINUTES:

A motion was made by Tom Leckey and seconded by Susan Shay Brugger to approve the March 30, 2007 minutes. Motion carried.

EXECUTIVE DIRECTOR'S COMMENTS:

Norm Lingle reported that on June 1, 2007, the Department of Labor's Unemployment Insurance was added as the third state program to setoff against Lottery prize winners. SDCL 42-7A-52 requires the South Dakota Lottery to withhold prize payments of any person who owes a debt to the state or one collected through a state agency. The Lottery also collects, through prize payments, for debts owed to the Department of Social Services' Office of Recoveries & Fraud Investigations and the Division of Child Support. Since 1992, the Lottery has collected \$176,000 towards these debts.

SALES/MARKETING REPORT:

Director of Sales Joe Willingham reported on the following:

PRODUCT UPDATE:

Instant sales are down 2 percent from the previous year. Monopoly, Winning Combination and the two \$10 games are the current best sellers. Upcoming games include Deadwood Nights, Dakota Hold 'Em, Platinum Payout, Diamond Mine, Lotsa 50s, Match 3 Tripler, Family Guy and, in late September, Deal or No Deal. Recent instant winners were announced.

Lotto game sales are up 2 percent from this time last year. Powerball sales are down 15.3 percent and the game has not had a big run in all of 2007. Hot Lotto sales are up 64 percent, Wild Card sales are up 63 percent and Dakota Cash sales are up 9 percent. Willingham reported on recent lotto winners.

REVENUE PROJECTIONS FOR FY07:

Instant revenues for FY07 are expected to be \$3.70 million, an increase of 3.64 percent over last year. Lotto revenues are expected to be \$5.63 million, up 4 percent over last year. Video lottery revenue projections are \$110.3 million, an increase of .8 percent over last year. Total revenues projected for FY 07 are up 1 percent.

NEW SALES REPRESENTATIVE:

Jane Aasby will fill the Rapid City sales representative position vacated by Karen Reber. The Lottery received 108 applications for this position. Ms. Aasby comes to the position with 20 years of cosmetic sales experience.

VIDEO/ADMINISTRATIVE REPORT:

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

There are currently 1,474 video lottery establishments, 8,843 active video lottery terminals and the video lottery net machine income is at \$210.16 million. There has been an increase of 215 new terminals since January 2007 ,120 Spielos, 67 IGTs and 28 Summits.

Reese announced that the Department of Public Safety has hired a new state inspector in their Rapid City office. The new inspector will be meeting with Lottery staff for orientation on that position's duties as they relate to the Lottery.

RULES HEARING:

ARSD Chapter 48:03:14 Raffle game

Chairman Werner stated that proposed ARSD Chapter 48:03:14 has been reviewed by the Legislative Research Council.

Mike Mueller provided a rule by rule review of proposed ARSD Chapter 48:03:14 which would authorize the Lottery to offer and operate an on-line raffle game.

At 11:05 a.m. public testimony on the hearing was closed.

Tom Leckey moved and Duane Schmutz seconded a motion to adopt ARSD Chapter 48:03:14. Motion carried.

Declaratory Ruling 07-1

Mike Mueller explained the parameters for the Dakota Raffle on-line game outlined in this ruling.

At 11:10 a.m. public testimony on the hearing was closed.

Duane Schmutz made a motion, seconded by Tom Leckey, that paragraph 6 of Declaratory Ruling 07-1 be amended to read as follows: "Winning numbers shall be randomly selected at a drawing date to be held not later than 2:00 p.m. (CT) on December 31, 2007 at the Lottery office in Pierre pursuant to Chapter 48:03:04." Motion carried.

Douglas Sharp moved and Susan Shay Brugger seconded a motion to adopt Declaratory Ruling 07-1 as amended. Motion carried.

PUBLIC RELATIONS/ADVERTISING REPORT:

Director of Public Relations and Advertising Mike Mueller reported on the following:

APRIL:

Radio ads and point-of-sale items promoted Power Play 10X.

A news release reported on the \$200,000 Powerball prize won April 11 by "The Crew", a group of 17 retired teachers and friends from Aberdeen. Eight of these winners had previously won a Dakota Cash jackpot in December of 1993.

MAY:

Between May 6-18, a winner awareness campaign included newspaper ads with lists of recent winners, regionalized for east and west river, and a radio ad featuring the voices of some of the winners.

A jackpot alert for the May 9th \$2 million Wild Card, \$8 million Hot Lotto, \$156,000 Dakota Cash and \$25 million Powerball jackpots was issued.

MAY/JUNE:

A May 21 news release was issued regarding an increase in the cost to call the 900 number winning numbers hotline. A message was added to the hotline about the impending price increase. Use of the hotline has decreased as winning numbers are available free of charge through the Lottery website, news media outlets, and retailers.

Two summer-themed \$1 tickets, Cool Cash and Hot Zone, were launched the week of May 21. A poster and radio ad supported the tickets. Each retailer will hold a second chance drawing for a summer ice bucket drawing from non-winning tickets.

JULY:

September 30 will mark the 20th anniversary of the Lottery. Platinum Payout (\$20 scratch ticket) and Dakota Raffle (raffle lotto game) will be released to commemorate the anniversary.

Beginning July 16, the Lottery will launch a broad base campaign to explain where lottery revenue goes. Toward that end, the Lottery has printed and will distribute to retailers, players, and the general public a calendar providing beneficiary information.

DAKOTA CASH WINNER:

A news release was issued regarding Wednesday's \$230,674 Dakota Cash jackpot hit. The winning ticket was sold in Bon Homme County.

COMING UP:

Ad campaigns will begin in August and September for Platinum Payout, Family Guy and Dakota Raffle.

WEBSITE:

The Lottery's website, sdlottery.org, was overhauled in the summer of 2005 and the new site debuted September 1, 2005. Changes included next estimated jackpots, winning numbers data showing how many winners by prize tier in South Dakota for each drawing, easier search of past winning

numbers and more public information. Since January, the site is averaging more than 203,000 visits per month, with lotto players as the biggest users.

The Lottery Players Club, a new free email information service, launched on January 11. This service provides members with the latest information about new scratch games, lotto jackpot alerts, special promotions and winners' stories. As of June 7, the Lottery Players Club had 601 members toward the Lottery's goal of 1,500 members.

EXECUTIVE SESSION:

At 11:45 a.m., Susan Shay Brugger made a motion, seconded by Douglas Sharp, that the Commission move into executive session to discuss contractual matters. Motion carried.

At 11:56 a.m., the commission reconvened.

Motion was made by Douglas Sharp, seconded by Duane Schmartz, to approve the extension of the South Dakota Lottery's instant ticket contract with Scientific Games International.

NEXT COMMISSION MEETING:

The next commission meeting will be September 28, 2007 with time to be determined. Chairman Werner reminded members that an election for a new chairperson will be held at the next meeting.

ADJOURNMENT:

Chairman Werner declared the meeting adjourned at 12:01 p.m.