



**Minutes of the Commission Meeting  
Capitol Building - Room 412  
September 28, 2007**

The quarterly meeting of the South Dakota Lottery Commission was called to order by Chairman Dick Werner at 9:30 a.m. on September 28, 2007.

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

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

**APPROVAL OF THE AGENDA AND MINUTES:**

A motion was made by Tom Leckey and seconded by Douglas Sharp to approve the June 15, 2007 minutes. Motion carried. A motion was made by Tom Leckey and seconded by Douglas Sharp to approve the agenda. Motion carried.

**ELECTION OF COMMISSION CHAIR:**

Tom Leckey nominated Duane Schmautz for the position of commission chairman. Susan Shay Brugger seconded the nomination. Tom Leckey moved and Doug Sharp seconded the motion that nominations cease. Motion carried. Duane Schmautz was elected commission chairman by unanimous ballot.

*Duane Schmautz now chairing:*

**EXECUTIVE DIRECTOR'S COMMENTS:**

Norm Lingle provided a recap of FY07 sales and revenue transfers. Total FY07 instant ticket sales were \$18.2 million with a transfer of \$4.3 million to the General Fund. Total on-line games sales were \$21.6 million with \$1.4 million transferred to the General Fund and \$4.8 million to the Capital Construction Fund. Total video lottery sales were \$111.4 million with a transfer of \$60,000 to the General Fund, \$214,000 to the Department of Human Services and \$110.3 million to the Property Tax Reduction Fund.

For the Commission members' viewing, Lingle presented two binders containing a copy of each instant ticket printed since the beginning of the Lottery.

## **SALES/MARKETING REPORT:**

Director of Sales Joe Willingham reported on the following:

### PRODUCT UPATE:

Instant sales are up 15 percent from the previous year. New games include Platinum Payout (\$20) up 20 percent over best \$10 game, Dakota Hold 'Em (\$5) the second best \$5 game, and Family Guy the best \$2 game. Upcoming holiday games include Season's Greetings (\$5) in late September, and Holiday Magic (\$3) with four holiday scenes and Stocking Stuffer (\$1) both in late October. Recent instant winners were announced.

Lotto game sales are up a fraction from the same time last year - \$5.25 million vs \$5.24 million. Powerball sales are up 9.6 percent, Hot Lotto sales down 22 percent, Wild Card sales down 17 percent and Dakota Cash sales down 18 percent. Powerball had a \$300 million jackpot run in August and Hot Lotto, Wild Card and Dakota Cash all had hits during the quarter contributing to a slow start but are now on a good run. Recent lotto winners were announced.

### STATE FAIR:

The State Fair promotion offered \$10 in free tickets for a non-winning Platinum Payout ticket. Instant ticket sales were up 15 percent and lotto sales were up 6 percent at this year's state fair.

### REVENUE PROJECTIONS FOR FY08:

The total revenue projection for FY08 is expected to be \$119.6 million with instant ticket games at \$4.2 million, lotto games at \$4.6 million and video lottery revenue at \$110.8 million.

### RAFFLE:

The sale of Dakota Raffle (\$10) on-line tickets begins September 30.

## **PUBLIC RELATIONS/ADVERTISING REPORT:**

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

### JUNE:

A series of 30-second jackpot alerts promoted Powerball and other lotto game jackpots.

### JULY:

#### **20th Anniversary Beneficiary Campaign**

Television, radio and newspaper ads ran during July and August explaining where Lottery revenue goes and how it has benefited South Dakotans. Informational posters were distributed to ticket retailers and promotional tickets were provided to radio stations for on-air giveaways.

Twentieth Anniversary news stories were featured in the Rapid City Journal, Sioux Falls Business Journal and Argus Leader. A player survey including how Lottery revenue is used will be conducted in November.

### **Players Club/State Fair**

A cross promotion campaign with the State Fair was launched to promote membership in the Lottery Players Club. Ten State Fair VIP grandstand tickets were purchased and offered in packages of two as prizes to Players Club members. Winners included Club members from Virgil, Mt. Vernon, Ft. Pierre, Rapid City and Mitchell. The Players Club has approximately 1,200 members to date and averaged 90 new members per week during the promotion.

### **AUGUST:**

A series of 30-second Powerball jackpot alerts ran for three drawings when the jackpot reached \$105 million. Jackpot tidbits were provided to radio stations for on-air use as the jackpot reached \$300 million.

News releases were issued announcing the \$72,625 August 1 Dakota Cash jackpot won by Kari Lee of South Shore.

A winner awareness campaign featuring recent lottery winners was launched and included newspaper ads regionalized for east and west river winners and a radio ad featuring a \$50,000 Dakota Hold 'Em Poker winner.

During the football season, television spots will focus on winner awareness instead of special branding campaigns. A 30-second commercial featuring the \$230,674 Dakota Cash jackpot winners from Lesterville began airing in late August.

### **AUGUST/SEPTEMBER:**

#### **Dakota Raffle**

The Legislature's Interim Rules Review Committee accepted the administrative rules adopted for the Dakota Raffle game. Dakota Raffle news stories ran statewide, a game explanation was posted on the Lottery's website and "how to" sell-in sheets were distributed to on-line retailers along with point of sale items. A one-week teaser campaign began with 15-second radio ads, increasing to 30-second ads along with the airing of television ads when sales begin on September 30.

### **UPCOMING:**

For two weeks, the Dakota Raffle ad will air during NFL games and will then switch back to winner awareness ads.

The holiday season campaign, to begin in late November, will include ads and point of sale items for the holiday games.

Commission members viewed a video presentation of lottery advertising highlights from the past 20 years.

**VIDEO/ADMINISTRATIVE REPORT:**

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

There are currently 1,480 video lottery establishments, 8,965 active video lottery terminals and the video lottery net machine income is at \$50.05 million.

Reese briefly spoke about the Lottery's involvement in assisting law enforcement and retailers in helping to solve casino burglaries.

During FY07, 2,437 video lottery establishment and 14,760 video lottery terminal inspections were completed.

Lottery staff conducted "user acceptance testing" in August and September for the new Dakota Raffle game.

**FY09 BUDGET REQUEST/APPROVAL:**

Norm Lingle presented, for Commission approval, the FY09 budget requests as follows:

**INSTANT/ON-LINE BUDGET REQUEST:**

Lingle reviewed with the Commission that the instant/on-line informational budget must be approved by the Lottery Commission.

A review of FY07 actual expenditures included:

The decrease in "Computer Consulting - SGI" (Scientific Games International) was the result of a contract rate change.

The reduction in "Payments to MUSL" (Multi-State Lottery Association) resulted from the organization's efforts to become a self-supporting entity.

Installation costs for MUSL-required equipment in FY06 resulted in a decrease in "Other Contractual Services" along with the replacement of private accounting firm auditors by Department of Revenue and Regulations auditors for draw nights.

Postage costs decreased with the elimination of retailer settlement envelopes.

"Computer Hardware, Software and Other Assets" decreased with the reduction in purchase of jackpot signs.

The increase in "Other" was the inclusion of the instant ticket payment to reservations as a budget line item in the FY07 budget.

Kory Menken moved and Tom Leckey seconded the motion to approve and adopt the FY09 instant/on-line informational budget as presented. Motion carried.

#### **VIDEO LOTTERY BUDGET REQUEST:**

The FY09 video lottery budget request includes \$2.4 million in "Computer Services - Video System" to purchase a new central computer system. The Lottery's current system contract expires in August 2009.

"Other - Operating Transfers Out" includes \$214,000 to the Department of Human Services for gambling treatment programs.

Douglas Sharp made a motion seconded by Virginia Nelson to approve the \$4,477,827 FY09 video lottery budget request. Motion carried.

#### **HOT LOTTO GAME RULES MEETING:**

Mike Mueller requested a commission hearing be held on October 19 to consider rule changes needed to implement a newly adopted add-on feature (Sizzler) to the Hot Lotto on-line game. The new Sizzler feature is scheduled to begin sales January 3 with first drawing January 5. Mueller presented a brief overview of the current Hot Lotto game and the new Sizzler feature. Hot Lotto is a \$1 game and the new Sizzler feature allows players to pay an additional \$1 and the prizes, except the jackpot, triple. The Sizzler feature does not impact the base game. Players can still wager \$1 to win the same prizes they currently win.

#### **NEXT MEETING DATE:**

The next Commission meeting was set for October 19, 2007 to coincide with the Hot Lotto Sizzler rules hearing. A discussion of the IGT machine obsolescence issue will be scheduled for the meeting also.

#### **EXECUTIVE SESSION:**

At 11:15 a.m., Tom Leckey moved and Susan Shay Brugger seconded the motion that the meeting move into executive session for contractual discussion purposes. Motion carried.

At 12:01 p.m. the commission reconvened.

#### **ADJOURNMENT:**

Kory Menken moved and Susan Shay Brugger seconded the motion to adjourn. Motion carried and at 12:02 p.m. the meeting was adjourned.