



**Minutes of the Commission Meeting**  
**Capitol Building - Room 468**  
**October 24, 2008**

Chairman Susan Shay Brugger called the October 24, 2008 meeting of the South Dakota Lottery Commission to order at 9:30 a.m.

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

MEMBER ABSENT: Virginia Nelson

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

**APPROVAL OF THE AGENDA AND MINUTES:**

Tom Leckey moved to approve the agenda for today's meeting. Duane Schmautz seconded the motion. Motion carried.

Duane Schmautz moved to approve the minutes of the September 19, 2008 meeting. Tom Leckey seconded. Motion carried.

**RULES HEARING - POWERBALL MATRIX CHANGES:**

Mike Mueller presented an overview of the Powerball matrix changes and the proposed amendment of ARSD 48:03:06:05 to adopt these game changes. Approval of the amended rule will allow the South Dakota Lottery to continue participation in the Powerball and Power Play lotto games.

The proposed change to the Powerball matrix is to increase the number of white ball numbers from 55 to 59 and to decrease the number of red balls from 42 to 39; a starting jackpot of \$20 million; higher percent of sales to fund the jackpot pool; and a \$1 million Match 5 Power Play prize.

Game change impacts include:

- higher starting jackpots
- faster growing jackpots
- more winning experiences
- similar number of jackpot winners every year, but winning higher average jackpots
- more \$1M prizes for Power Play players
- more sales and revenue

Written testimony received from JoDean Joy, representing Citizens Uniting for Gambling Reform, Inc., was presented to the Commission. There being no further public testimony given, Kory Menken moved, seconded by Douglas Sharp, that public testimony be closed. Motion carried.

Dick Werner made a motion, seconded by Tom Leckey, to adopt the proposed rule change amendment and that the Lottery proceed with the next step in the rules change process. Motion carried by roll call vote (6-0).

## **EXECUTIVE DIRECTOR'S COMMENTS:**

Executive Director Norm Lingle relayed Virginia Nelson's regrets at not being able to attend the Commission meeting and provided updated FY08 revenue transfer figures.

### UPDATED FY 2008 TRANSFERS TO THE STATE (UNAUDITED):

The annual Dept. of Legislative Audit is nearing its end, and the Lottery has made its second revenue transfer. The instant ticket transfers amount was updated from \$4.8 million to \$5.1 million, representing a 20% increase over FY07. The on-line transfers amount was updated from \$5.5 million to \$6.2 million, which was nearly even with the FY07 transfer.

## **SALES REPORT:**

*Director of Sales Joe Willingham reported on the following:*

### INSTANT GAMES:

Instant sales are down 2 percent from the same period last year heading into the holiday season. Last year was the best holiday season for instant sales in 20 years.

Deal or No Deal has been the best selling \$5 game ever. To date, 12,507 non-winning ticket entries out of a possible 72,919 for the second chance drawing have been received. Non-winning ticket entries for this drawing must be received by 5:00 p.m. February 19, 2009.

### LOTTO GAMES:

Lotto sales were down 25 percent from the same period last year but a big Powerball run in September helped bring that up to 7 percent down from the same period last year.

Two recent Dakota Cash jackpots were claimed. The September 17 \$28,270 jackpot was claimed with the winning ticket sold at Loaf N Jug in Spearfish. The October 15 \$36,700 jackpot was also claimed with the winning ticket being sold at Pump N Pak in Canton.

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

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

### OCTOBER:

The latest winner awareness campaign began the first week in October with newspaper and radio ads, both featuring a second headline that "Lottery Players Won More Than \$1.7 Million in September." Previous campaigns were regionalized for east and west river winners and are now being localized even more into four regions. Newspaper ads will continue quarterly and the frequency of radio ads will increase.

A new \$20 scratch game, "\$250,000 Blockbuster," was launched the end of September and features the biggest top prize the Lottery has ever offered. The game is being promoted through point of sale items, including a ceiling poster, and through radio ads.

News releases were issued when the October 15 \$36,700 Dakota Cash jackpot was won and claimed.

A series of 30-second radio ads ran to promote Powerball, Hot Lotto, and Wild Card 2 jackpots.

## NOVEMBER:

To promote increased membership in the Lottery's Players Club, a cross promotion campaign with the Department of Tourism and State Development's Made in South Dakota program will soon launch. Players Club members actively subscribed as of November 30 will automatically be entered in a drawing on December 1 to win 1 of 10 Great Gifts! prize packages. Each prize package includes a \$90 assortment of holiday scratch tickets and a \$100 gift certificate to shop the Made In South Dakota website. The Players Club has approximately 2,900 members to date.

## UPCOMING:

Work continues on the holiday season campaign to begin Thanksgiving week.

## **VIDEO LOTTERY REPORT:**

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

Compared to the same period last year, the number of establishments is down by three, the terminal count is up 1 percent, and the net machine income is up 1 percent.

## **ON-LINE RFP AWARD RECOMMENDATION:**

Three vendors, Scientific Games International (SGI), GTECH, and Intralott, responded to the Lottery's RFP issued in February 2008 for a new on-line lottery gaming system. The contract awarded will be for five years with the possibility of five one-year extensions at the Lottery's option. An August 3, 2009 target date has been set for conversion to the new system. The technical portion and pricing offer of each vendor's proposal were evaluated and rated by Mike Mueller, Deb Reese, and Joe Willingham. Joe Willingham presented a comparison of each proposal. After reviewing all the options available in the proposals, the Lottery recommended the Commission approve GTECH as the apparent bid winner and allow the Lottery to negotiate a new on-line contract using GTECH's offerings that were compiled and presented in the package labeled "Pricing Package 3."

Commissioner Menken presented a motion to allow the Lottery to negotiate a new on-line contract with GTECH Corporation subject to approval at a future commission meeting. Commissioner Leckey seconded the motion. Motion carried by roll call vote (6-0).

## **EXECUTIVE SESSION:**

At 11:15 a.m., Commissioner Schmautz made a motion, seconded by Commissioner Sharp, that the meeting move into executive session for the purpose of video lottery central system contract discussion. Motion carried.

At 11:48 a.m., the Commission reconvened in regular session.

## **NEXT MEETING DATE:**

The next Commission meeting has been set for December 17, 2008 at 9:30 a.m. with location to be determined.

## **ADJOURNMENT:**

Motion by Commissioner Leckey, seconded by Commissioner Shay Brugger, to adjourn. Motion carried and the Commission meeting adjourned at 11:50 a.m.