



Minutes of the Commission Meeting

Room 413 Capitol Building

March 26, 2010

Chairman Virginia Nelson called the March 26, 2010 meeting of the South Dakota Lottery Commission to order at 9:30 a.m. (CT).

MEMBERS PRESENT: Virginia Nelson, Tom Leckey, Dick Werner and Susan Brugger. Kory Menken attended via teleconference.

MEMBERS ABSENT: Doug Sharp and Duane Schmautz.

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

Dick Werner moved to approve the agenda for today's meeting and the minutes of the November 5, 2009 meeting. Tom Leckey seconded the motion. The roll was called and the motion carried.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

LEGISLATION:

Commissioners Menken and Werner were reappointed to the Commission and their appointments were confirmed by the State Senate.

HB 1240 proposed using unclaimed lottery prize monies to fund a need-based grant program. The bill was vetoed by the Governor and will be acted upon by the Legislature on the last day of session.

AUDIT:

A clean audit of the Lottery was pronounced by Legislative Audit.

OFFICE MOVE:

The third floor of the Capitol Lake Plaza has been gutted and walls have been constructed. Electrical systems are being installed. A mid-July move date is anticipated.

Chairman Nelson opened the Public Hearing.

PUBLIC HEARING ON MEGA MILLIONS RULES

Director Lingle gave an overview of the Mega Millions cross-selling initiative, which started in several states on January 31, 2010. Lingle discussed the matrix, starting jackpot, prizes and draw features of the Mega Millions game. Cross-selling the game would eliminate competition from neighboring states, and

would increase sales and revenue to the state. The new game will cannibalize Powerball sales but the net effect will be positive.

Rule 48:03:15 mirrors the Lottery's other multi-state game rules. Section 01 authorizes participation, Section 02 allows players to purchase up to nine draws in advance, Section 03 identifies ineligible players, and 04 adopts MUSL game group rules.

If approved by the Commission, the rules will be reviewed by the Legislative Rules Review Committee and will go into effect May 16th.

Chairman Nelson asked if there was any public comment on the rules and there was none.

Commissioner Werner asked about signage. Lingle responded that Mega Millions jackpots would be advertised on the flat-screen monitors. A proposal has been made by GTECH to supply new signs.

Werner asked if new signs could be installed by the launch date. Lingle responded that the cost of new signage would have a considerable effect on revenue.

Werner asked about the impact of California becoming a partner in the Mega Millions game. Lingle responded that evidence has shown that sales coverage will increase with the new game and that a jackpot could be won by a South Dakota player.

Chairman Nelson closed the Public Hearing from further public testimony.

Commissioner Leckey moved and Commissioner Brugger seconded the motion to adopt the rules. The roll was called and the motion carried with 4 ayes, 0 nays. Commissioner Menken did not vote, as the telephone connections was dropped.

Executive Director Norm Lingle requested that Agenda Item #8 be moved up on the agenda.

ADVERTISING CONTRACT EXTENSION

Kelly Thompson stated that the current advertising contract with Robert Sharp and Associates has been in place for two years. Thompson reviewed RSA's working relationship with the Lottery and praised the attention of the agency in meeting the Lottery's advertising needs

Commissioner Werner moved and Brugger seconded the motion to exercise a one-year extension with RSA for advertising services. The roll was called and the motion carried with 4 ayes, no nays.

SALES REPORT

Director of Sales Joe Willingham reported on the following:

LOTTO GAMES:

Total lotto sales are up 19.4 percent compared to the same period last year. Powerball is up 10.2 percent, Hot Lotto is up 25.3 percent, Wild Card is up 62.5 percent and Dakota Cash is up 31 percent. Willingham stated that Mega Millions states, which are now selling Powerball, are driving jackpot amounts. Powerball jackpots will also get hit more frequently.

Recent winners were announced.

INSTANT GAMES:

Instant sales are down 1.7 percent from the same period last year.

Ten instant ticket vending machines (ITVMs's) are operating in a pilot project. They have averaged sales of \$224 per week. Commissioner Werner asked that sales be reported by date, rather than week number and that sales be reported to indicate attrition rates. Werner asked when further machines would be installed. Willingham responded that staff would evaluate the current machines' effectiveness before installing additional ITVM's.

Willingham reported on upcoming games and recent winners.

Proposals for the Instant Ticket Shipping RFP are due March 31. Proposals for the Instant Ticket Printing and Related Services RFP are due April 19.

REVENUE PROJECTIONS:

Willingham reported that the projection for instant revenue is down 16.5 percent and the projection for lotto revenue is down .8 percent.

BLACK HILLS STOCK SHOW:

Instant sales at the fair were up 24 percent and lotto sales were up 22 percent over the previous year. A Golden Key ticket worth \$14,000 was sold.

STAFF ADDITIONS:

Jennifer Van Roekel is filling the Sioux Falls redemption clerk position and Randy Sturm is filling the Sioux Falls warehouse position.

INSTANT/ON-LINE LICENSING PROPOSAL

Willingham reviewed proposed changes regarding the fee structure for new retailers who wish to be licensed to sell both instant and on-line lottery products. The changes are a result of the Lottery's new contract with GTECH for lotto services which make terminals selling only instant tickets obsolete. The initial license fee for new retailers will be \$1,200 and the annual renewal fee will be \$150. Retailers selling \$5,000 or more in instant tickets per quarter will have their monthly communication fees waived. Chain retailers whose chain averages \$6,000 in sales per store per quarter will have their communication fees waived.

Proposed additions to 48:01:05 allow new instant licenses to be issued on Indian reservations for a fee of \$1,200 and an annual renewal fee of \$150. Retailers selling \$5,000 or more in instant tickets per quarter will have their monthly communication fees waived.

The above administrative rule changes will be considered at the next Commission meeting.

PUBLIC RELATIONS/ADVERTISING REPORT

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

PRESS RELEASES:

Press releases were issued for two Dakota Cash jackpot winners: Cheryl Hauge from Rapid City and Carol Gaikowski from Waubay, and Wild Card jackpot winner Misty Young of Madison.

WEBSITE:

The Lottery began posting winner alerts and winner updates on the website at the first of the year. Events and promotions are also posted on the homepage. Monthly tracking has been started to determine which pages have the most traffic.

SLINGO:

A click-on animated tutorial on how to play Slingo is posted on the homepage. Slingo is also featured on Weather Eye ads.

RETAILER MONITORS:

The ESMM “Look Who’s Winning” and “Scratchtaacular” slides can now be up updated every two weeks. The “Player’s Club” slide is also editable.

PROBLEM GAMBLING AWARENESS:

The yearly campaign ran in early March and included radio and newspaper ads and web mentions. The radio ads included PSA matches.

PLAYERS CLUB:

Currently 5,044 members are subscribed to our listserv, including 262 new members since this January. Thompson stated that the number checker, frequency chart and pool captain rosters are the most frequently visited pages on the club microsite. Players Club promotions boost member sign up.

UPCOMING EVENTS AND ACTIVITIES:

Thompson told the Commission the Lottery will be working on sponsorships, the Powerball 10X promotion and the new Black instant game in the next few months. She reminded the Commission that recent ads are posted on the Lottery’s website.

VIDEO LOTTERY REPORT

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

VIDEO LOTTERY REVENUE:

Net machine income is down 3.4 percent, establishment numbers are down .2 percent, and terminal numbers are ahead .55 percent.

RFP FOR COMPLIANCE TESTING AND CONSULTING SERVICES:

An RFP was issued on Feb. 2, 2010 and one proposal was received. A response has been received. A recommendation will be submitted for approval at the next Commission meeting.

CENTRAL SYSTEM CONVERSION:

1,127 establishments and 7,584 terminals have been converted to the new AEGIS video lottery central system. This makes the conversion approximately 81% complete.

NEXT COMMISSION MEETING

The next meeting is set for 9:30 a.m. on Friday, May 21, 2010.

ADJOURNMENT

Commissioner Brugger moved and Werner seconded the motion to adjourn. The motion carried and at 11:10 a.m. the Commission adjourned.