



## **Minutes of the Commission Meeting**

Room 412 Capitol Building

**June 22, 2012**

Chairman Kory Menken called the June 22, 2012 meeting of the South Dakota Lottery Commission to order at 9:30 a.m.

MEMBERS PRESENT: Kory Menken, Doyle Estes, Bob Hartford, Brent Dykstra and Jim Peterson. Roger Novotny participated via teleconference.

MEMBERS ABSENT: Dick Werner

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 Estes moved that the minutes of the March 30, 2012 and May 30-31, 2012 meeting and the agenda be approved as amended. Commissioner Bob Hartford seconded the motion. Motion carried.

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

*Executive Director Norm Lingle reported on the following:*

#### VIDEO LOTTERY STRATEGIC PLAN:

Director Lingle stated that strategic plan items need to be categorized into those that require a statute change, those that require a statute and rule change, those that require only a rule change and those that can be accomplished through commission action. An upcoming sub-committee meeting will determine short, medium and long-term goals and present a formal document to the Commission in September.

#### INTERN INTRODUCTION:

Lingle introduced the Lottery's summer intern, Jamie Faddoul of Pierre.

## **GLI CONTRACT AMENDMENT**

*Executive Director Norm Lingle reported on the following:*

Lingle stated the Lottery's contract with GLI is for testing services of gaming devices and associated equipment. The amendment extends the original June 23, 2010 contract for two one-year periods.

Commissioner Hartford moved the amendment be authorized. Commissioner Estes seconded the motion. Motion carried.

## **GTECH CONTRACT AMENDMENT:**

*Executive Director Norm Lingle reported on the following:*

Lingle explained that the amendment to the on-line contract with GTECH is to extend the initial contract for five one-year periods and to provide 600 LED jackpot signs. The new signs include the Mega Millions game and are wireless and lightweight. An additional space could be utilized for a sixth game. The signs have dimmers and interchangeable faceplates and can display POS on the back.

Commissioner Hartford asked how many retailers the Lottery has. Lingle responded that we now have 606 retailers. Thirteen retailers sell scratch tickets only and would not be receiving the new signs.

Commissioner Novotny asked who would be responsible for removing the old signs and placing the new signs. Lingle responded that it would be both Lottery and GTECH staff. Novotny also asked how long it would take to deploy the signs. Lingle said the goal is the first of January.

Commissioner Dykstra moved and Commissioner Estes seconded the motion to authorize the amendment. Motion Carried.

## **GTECH USAGE STUDY:**

*Executive Director Norm Lingle introduced Serena Arlotta, Arizona GTECH marketing manager, to present highlights of a recent world research project.*

Serena Arlotta outlined the objectives and methodology of the study. The study examined the typical U.S. lottery player who plays the lottery to win a little money and for entertainment. The player is interested in purchasing tickets from checkout lanes and vending machines and is a frequent user of social media sites. Players favor multi-state games, scratch games and pick 6 games. Most players say they are spending the same amount on lottery games as they did 12 months ago. Promotions are an incentive to play.

The study implies that sales could be increased with cross promotions, increasing play frequency, internet play, checkout line purchases, by attracting "impulse" buyers, and by leveraging promotions, offering games with larger jackpots and games with lots of smaller prizes.

Commissioner Estes asked if penny play on video lottery terminals was researched by GTECH. Lingle responded that this study focused on instant and on-line games. Commissioner Novotny asked if the Gaming Commission would have information about penny play in Deadwood. Estes responded that he will be sharing such information later. Commissioner Hartford asked what checkout line purchases are. Lingle responded that lotto tickets are now being generated only from a terminal. Future technology may allow tickets to be generated from other locations.

Commissioner Estes asked where we go with the information from the study. Lingle responded that will be decided when the complete study is presented later this summer.

## **SALES REPORT**

*Director of Sales Joe Willingham reported:*

### INSTANT GAMES:

Willingham stated that instant game sales are up 10.6 percent from the same period in FY2011. Momentum from the record holiday season has persisted. Sales for the Rockin' 5's and 10X the Cash games are strong. There have been 7,555 Wheel of Fortune entries received.

Upcoming games include Big Foot Bingo, Hot Hand Hold'Em, Money Hog and Spades.

### LOTTO GAMES:

Lotto sales are up 12.6 percent from the same period last year, making this a record lotto sales year. Powerball is up 25 percent, Mega Millions is up 47 percent, Hot Lotto is down 18.4 percent, Dakota Cash is down 19 percent and Wild Card is down 7.3 percent.

### REVENUE PROJECTIONS:

Video Lottery revenue projection for FY2012 is \$86.56 million, the instant projection is \$5.31 million and the lotto projection is \$8.42 million. The total revenue projection is \$100.29 million.

## **WILD CARD GAME CHANGE**

*Director of Sales Joe Willingham reported:*

Willingham stated that the Wild Card jackpot has been hit nine times this year. The game has not changed since May 1999. Wild Card sales are the lowest of all the lotto games.

The MUSL Wild Card group is implementing the following changes to the game. Jackpots will start at \$200,000. Odds and payouts will be slightly higher. Some new members could possibly be added. The new game will launch in mid-January.

## **PUBLIC RELATIONS/ADVERTISING REPORT**

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

### BIG WINNERS SINCE APRIL 1, 2012:

Kevin Moser of Rapid City won a \$217,583 Dakota Cash jackpot. Other high tier winners include a \$250,000 Mega Millions winner, four \$10,000 Mega Millions winners, a \$10,000 Powerball

winner and three \$5,000 Wild Card winners. Twenty top scratch ticket prizes of \$3,000 or more were paid. The largest prize was a \$100,000 10X the Cash prize. Nineteen players claimed scratch prizes from \$3,000 to \$50,000.

WHEEL OF FORTUNE TRIP UPDATE:

Hollywood trip winner Eric Peterka of Yankton won \$9,700 in cash and a Chevy Camaro and Melissa Fischer Olson of Sioux Falls won \$1,500. The final drawing to determine the South Dakota contestant in the multi-state drawing for \$1 million in cash will be on August 17.

FY2013 MARKETING MEETING:

Lottery staff met with Robert Sharp & Associates in Pierre to formulate the FY2013 marketing plan. The plan focuses on game promotion, winner awareness, brand support, beneficiary awareness and problem gambling awareness.

Highlights for the year include a 25<sup>th</sup> anniversary campaign, jackpot alerts on electronic billboards, promotions of second-chance drawings, expanded use of social media, and the possibility of televising the Mega Millions and Powerball drawings.

FACEBOOK PAGE:

As of 8:00 a.m. today, the Lottery's Facebook page has 900 fans. The current sign-up to win a year's supply of 7UP is the Lottery's first Facebook promotion.

PRESS RELEASES:

The Lottery has released one jackpot winner alert, four other winner alerts, 12 press releases/web announcements and 22 winner counts from April 1 through June 21, 2012.

Commissioner Estes asked if he could be a fan of the Lottery's Facebook page. Thompson responded in the affirmative.

Chairman Menken asked if there was a video lottery component to the Facebook page. Thompson responded that there is not; however, there is video lottery information on the Lottery's website. Chairman Menken suggested that the new video lottery games be mentioned on the Facebook page. Commissioner Estes stated it would be helpful to let people see how to play the new games.

**VIDEO LOTTERY REPORT**

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

VIDEO LOTTERY REVENUE:

The year-to-date net machine income is \$166.9 million, which is down 8.44 percent from the same time last year. There is an average of 9,084 terminals, 1.0 percent fewer than last year. There is an average of 1,522 establishments, 1.0 percent ahead of last year.

LINE GAMES UPDATE:

As of June 21, there were 528 MCD's and 1,290 line games connected to the central system. All but one of the licensed manufacturers have machines approved and in the field. Tech Link has also submitted an application for a license.

Chairman Menken asked what was the highest percentage point video lottery was down since the inception of the smoking ban. Lingle responded 18 percent.

Commissioner Hartford asked what video lottery revenues were at their highest point. Lingle responded \$112 million.

**GAMING COMMISSION STATISTICS ON PENNY PLAY:**

Commissioner Estes presented statistics provided by the Gaming Commission showing the revenue from penny play as comprising 70 percent of the total revenue generated in Deadwood.

Commissioner Estes asked what's needed to allow penny play. Lingle responded that it would require a statute change. Commissioner Novotny asked if other states offered penny play. Lingle responded in the affirmative. Commissioner Peterson said the Commission should look at the revenue stream coming from penny play in other states. Commissioner Hartford stated that penny play will be discussed at the upcoming sub committee meeting.

**FUTURE MEETING DATES**

Discussion was held on the frequency of future Commission meetings. Chairman Menken suggested meeting on the third Wednesday of the month, bi-monthly starting in August.

**ADJOURNMENT**

Commissioner Hartford moved and Commissioner Dykstra seconded the motion to adjourn. Motion carried and at 11:07 a.m. the Commission adjourned.