



## **Minutes of the Commission Meeting**

Room 412 Capitol Building

**August 15, 2012**

Chairman Kory Menken called the August 15, 2012 meeting of the South Dakota Lottery Commission to order at 10:00 a.m.

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

SUPPORT STAFF PRESENT: Norm Lingle, Kelly Thompson, Joe Willingham, Deb Reese, Sherry Lauseng, Andrew Fergel and Mary Jo Bibby

### **ELECTION OF THE COMMISSION CHAIR AND VICE-CHAIR**

Commissioner Novotny nominated Commissioner Hartford to the position of Commission Chair. Commissioner Dykstra seconded the motion and moved that nominations cease. Commissioner Peterson seconded the motion that nominations cease. Motion carried.

*Commissioner Hartford now chairing.*

Commissioner Novotny nominated Commissioner Estes to the position of Commission Vice-Chair. Commissioner Peterson seconded the motion and moved that a unanimous ballot be cast. Motion carried.

Chairman Hartford thanked Commissioner Menken for his service as Chairman of the Commission.

### **APPROVAL OF THE AGENDA AND MINUTES**

Commissioner Dykstra moved that the minutes of the June 22, 2012 meeting be approved. Commissioner Estes seconded the motion. Motion carried.

Commissioner Estes moved that the agenda be approved. Novotny seconded the motion. Motion carried.

## **SECRETARY OF REVENUE'S COMMENTS**

*Secretary of the Department of Revenue Andy Gerlach spoke briefly:*

Secretary Gerlach thanked Commissioner Menken for serving as Commission Chair. Gerlach reported on FY2012 Sales and Use taxes and Contractor's Excise taxes, all of which indicated a strong state economy.

He also reported on the status of the Governor's Red Tape Review in which the Lottery has been asked to participate.

Estes asked about Sturgis Motorcycle Rally revenues. Gerlach responded that data was not yet available, but attendance appeared to be up. Novotny asked about retail sales. Gerlach responded that they are good.

## **EXECUTIVE DIRECTOR'S COMMENTS**

*Executive Director Norm Lingle reported on the following:*

Lingle congratulated the new commission chair and vice-chair and thanked the outgoing chairman, Kory Menken.

Lingle reviewed the sales for FY2012. Instant sales have doubled since FY2002. On-line sales set a record. Video net machine income was at the FY1996 level.

The current Powerball jackpot run started on June 24. If the jackpot is not hit today, it may approach \$400M for the next drawing. The Lottery is reminding players to play responsibly.

The Lottery is advertising for a new position of deputy executive director.

The September 28<sup>th</sup> meeting will include a photo opportunity with Governor Daugaard commemorating the Lottery's 25<sup>th</sup> anniversary. A rules hearing will also be held.

## **STRATEGIC PLAN UPDATE**

*Executive Director Norm Lingle reported on the following:*

Lingle reported that the strategic plan sub-committee has drafted a mission statement and established short, medium, and long-term objectives. The committee will be working on a formal document to present to the Commission at its next meeting.

A rules hearing will be conducted at the next meeting. Instant and on-line rules have been reviewed as part of the Governor's Red Tape Review. Rules to allow \$50's and \$100's in VLT's will be proposed. Rules for the Wild Card 2 game change will also be presented.

Declaratory Rules pertaining to payback percentages and relative seating will be addressed. Statutes identified in the strategic plan will be reviewed as well. The committee will meet with industry partners to review proposed changes.

Test sites have been identified to test daily video lottery terminal polling using DSL and IP Cellular technology.

Estes asked if allowing the penny as a denomination will require a statute change. Lingle responded in the affirmative and indicated it would be part of a package of statute changes to be presented.

## **FY2012 SALES AND TRANSFERS**

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

Transfers were \$5.2 million for instant games and \$7.4 million for lotto games. Transfers for video lottery were \$87.8 million.

## **SALES REPORT**

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

### INSTANT GAMES:

Willingham stated that instant game sales are off to a good start in FY2013, up 10.36 percent with \$5, \$10, and \$20 games as the top sellers. There have been 7,756 Wheel of Fortune entries to date. Samples of upcoming games were presented.

### LOTTO GAMES:

Lotto sales are up 13.4 percent. Powerball is up 12.7 percent, Mega Million is up 38 percent, Hot Lotto is down 16.1 percent, Dakota Cash is up 49.2 percent, and Wild Card is up 30.3 percent.

### REVENUE PROJECTIONS:

Video Lottery revenue projection for FY2013 is \$91.47 million, the instant projection is \$5.58 million and the lotto projection is \$7.93 million. The total revenue projection is \$104.98 million.

### RAPID CITY OFFICE MOVE:

The Rapid City redemption center is moving to 1000 Cambell Street. It is larger and has better visibility and more traffic.

### STATE FAIR:

The Lottery will have a booth at the State Fair and will offer \$2 in tickets to players who purchase a 25<sup>th</sup> Anniversary ticket and don't win a prize.

Menken asked why the projected revenue for FY2013 is lower than the actual revenue for FY2012. Willingham responded that there were no top prizes of \$300,000 for the \$20 instant game paid out in FY2012. There is a good chance one or two of those prizes will be paid in the current year. The record Mega Millions jackpot contributed an extra \$1 million in sales, which will probably not be repeated this fiscal year.

Werner asked what the peak revenue to the state was. Lingle responded that in FY2008 the revenue to the state was \$123 million.

## **PUBLIC RELATIONS/ADVERTISING REPORT**

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

### BIG WINNERS SINCE JUNE 22, 2012:

Brenda Watkins of Jefferson won the August 11, 2012 Dakota Cash jackpot worth \$204,635. Other high tier winners include six \$5,000 Wild Card winners and nine top scratch ticket prizes of \$2,500 or more. The largest prize was a \$100,000 10X the Cash prize.

### WHEEL OF FORTUNE TRIP UPDATE:

The deadline for the final drawing to determine the South Dakota contestant in the multi-state drawing for \$1 million in cash will be on August 17. The final multi-state drawing will be September 17, 2012 in Alpharetta, GA.

### 25<sup>th</sup> ANNIVERSARY CELEBRATION:

An advertising campaign will run through October 1, 2012. Two anniversary-themed scratch games were launched on July 30. Retailers who have been licensed for 25 years will receive commemorative clocks. "Great Moments in Lottery History" videos will be posted on You Tube, Facebook, and the Lottery's website. Prizes of premium items and up to \$500 in cash will be given away to players through an on-line registration for a drawing. The registration system may be used for future drawings. Advertisements are also being run on the ESMM's, radio, and television.

### DISPLAY BOOTH:

A new booth has been constructed with added space for the additional hardware used at events.

### BILLBOARDS:

Billboard jackpot alerts began running August 1, 2012 in Sioux Falls and will run in Rapid City in the future. Their impact on sales is being researched.

### FACEBOOK PAGE/ADS:

The Lottery's Facebook page currently has 1,052 likes. The first Facebook advertising promotion ran from June 8 through August 6. Those who liked the Lottery's page were entered into a drawing for a year's supply of 7Up.

### PRESS RELEASES:

The Lottery released one jackpot winner alert, five other winner alerts, 10 press releases/web announcements and 13 winner counts from June 22 through August 14.

Hartford asked what the formula is for retailer bonuses. Thompson responded that it is 5 percent of the jackpot amount, not to exceed \$5,000. He also asked about the jackpot signs. Lingle responded that testing has been conducted. Final art must be approved and then the manufacturing will begin. Sales representatives are working with retailers to determine where the new signs will be located in their stores.

Werner asked about the possibility of obtaining corporate sponsorships for Lottery products. Willingham responded that other states have done this. The bid process would have to be followed and the applicable rules would have to be reviewed. Lingle stated that the concept would be difficult to achieve. Estes said he favored the idea and encouraged its investigation.

Estes asked about winner reluctance to participate in advertising. Thompson replied that a program has been implemented to offer scratch tickets to players who agree to participate in advertising.

## **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 \$16.6 million, which is 6.32 percent ahead of the same time last year. There is an average of 9,137 terminals, .02 percent ahead of last year. There is an average of 1,453 establishments, which is below last year's count due to a change in the polling data collection process.

### **LICENSING UPDATE:**

Arisotrocrat, Game Tech/Summit, Grand Vision, Harms, IGT, MTD, Spielo have machines deployed in the market. Scientific Games has completed testing and will be conducting technician training and beta testing soon. TechLink Entertainment has been licensed as a manufacturer but has not submitted hardware or software yet. There are 554 MTD's and 1,373 line games connected to the central system.

## **NEXT MEETING DATES**

The next meeting will be September 28, 2012 at 10 a.m. A photo opportunity with the Governor will begin at 9 a.m.

## **ADJOURNMENT**

Commissioner Estes moved and Commissioner Novotny seconded the motion to adjourn. Motion carried and at 11:20 a.m. the Commission adjourned.