



Minutes of the Commission Meeting

Room 412 Capitol Building

September 25, 2013

Chairman Bob Hartford called the September 25, 2013 meeting of the South Dakota Lottery Commission to order at 10:00 a.m.

MEMBERS PRESENT: Bob Hartford, Roger Novotny, Doyle Estes, Jim Putnam, Chuck Turbiville, and Brent Dykstra. Jim Towler participated via teleconference.

SUPPORT STAFF PRESENT: Norm Lingle, Kelly Thompson, Joe Willingham, Deb Reese, Clark Hepper, Sherry Lauseng, Andrew Fergel, Andy Gerlach, David Wiest and Mary Jo Bibby

APPROVAL OF THE AGENDA

Commissioner Putnam moved that the agenda be approved. Commissioner Dykstra seconded the motion. Motion carried.

APPROVAL OF THE MINUTES

Commissioner Turbiville moved that the minutes of the August 14, 2013 meeting be approved. Commissioner Novotny seconded the motion. Motion carried.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

The Legislative Rules Review committee approved the adoption of amendments to Article 48:01, On-Line Lottery Requirements; Chapter 48:03:06:05 Powerball game rules; Chapter 48:03:15:04, Mega Millions game rules; Chapter 48:03:10:03 Wild Card game rules; and Chapter 48:03:13:03, Hot Lotto game rules, which were approved by the Commission at its last meeting.

Customer acceptance testing (CAT) is being conducted on updates to the Mega Millions game.

Fiscal Year 2013 auditing procedures have begun.

A Business Analyst position will be filled by the Lottery next week.

SCIENTIFIC GAMES INTERNATIONAL (SGI) VIDEO LOTTERY CONFIDENTIALITY REPORT

Michael Fries, SGI's Vice President of Lottery Regulatory Affairs, addressed the Commission:

Scientific Games International is in provider/vendor relationships with 14 jurisdictions. He stated that the SGI's market share in South Dakota is less than 1 percent. SGI has no ability as central communications provider to impact the outcome of play.

DIGITAL SUSCRIBER LINE (DSL) REPORT

Kelly Mears, SGI Account Executive, addressed the Commission:

The recent DSL pilot study conducted in 11 video lottery establishments identified improvements in eight of them. If implemented state-wide that could mean that potentially 400 terminals would be unable to communicate with the central system.

Norm Lingle stated that the Lottery needs to move forward to find a reliable source of real time connectivity, using dial-up, DSL and IP cellular technologies.

Commissioner Novotny asked if there were any commonalities among the establishments with communication problems. Mears responded in the negative.

UNION GAMING ANALYTICS REPORT PRESENTATION

Rich Baldwin of Union Gaming Analytics reported on his study of the South Dakota video lottery program:

Baldwin outlined the methodology for the study and explained how he sized and scoped the market to determine the penetration of the regional gaming market. He remarked on the following recommendations that are contained in his report.

Implementing incentives for line game terminal procurement and disincentives for legacy games.

Transitioning to a state-owned and operated system.

Decreasing the tax rate.

Allowing electronic table games.

Allowing bar top terminals.

Conducting on-site promotions.

Offering players' clubs.

Enabling progressive jackpots with real-time connectivity.

Offering themed games, which require revenue sharing.

Increasing or removing bet limits and maximum payouts.

Increasing the cap on the number of terminals per establishment from 10 to 15.

Adopting an asset management model.

Commissioner Putnam asked if other states with video lottery systems had different regulations. Baldwin said that smoking is not allowed in casinos in most states. Putnam asked how many states had their VLT regulations set by the Legislature. Baldwin responded that it's different in every state.

Hartford asked what terminal-based lottery means. Baldwin responded that it is lotto gaming.

Lingle asked each Commissioner to prioritize the report's recommendations.

Larry Mann, Video Lottery Establishments Association, expressed his desire to offer feedback on the report to the Commission after his members have had time to read the report. Hartford responded that input from other parties will be welcome.

Commissioner Towler asked what impact he thinks a Hard Rock Casino in Sioux City will have on video lottery establishments in North Sioux City. Baldwin responded that such a study could be done and stated that the South Dakota market will be targeted by the casino.

Commissioner Estes remarked on the gaming revenues lost to Deadwood and reservation gaming and that serious action should be taken. Baldwin stated that any new gaming ventures will look at the vulnerability of its competitors.

Commissioner Novotny requested that a standardized form be developed to help Commissioners and other parties prioritize their recommendations in a consistent manner.

Chairman Hartford requested that legal counsel offers advice on what changes would need to be made by rules and which would need to be made in statute.

Commissioner Turbiville requested information on why efforts to increase bet and terminal limits were rejected by the Legislature in the past.

NEXT MEETING DATE

The next meeting will be determined at a later date.

ADJOURNMENT

Commissioner Turbiville moved and Commissioner Putnam seconded the motion to adjourn. Motion carried and at 11:57 a.m. the Commission adjourned.