



Minutes of the Commission Meeting
Room 412, Capitol Building
September 15, 2016

Chairman Turbiville called the Sept. 15, 2016 meeting of the South Dakota Lottery Commission to order at 10:00 a.m.

MEMBERS PRESENT: Chuck Turbiville, Jim Putnam, Bob Hartford, and Joe Kafka were present. Robert Faehn attended via teleconference.

MEMBER ABSENT: Brent Dykstra was absent.

SUPPORT STAFF PRESENT: Norm Lingle, Clark Hepper, Sherry Lauseng, Kelly Thompson, Jennifer Baker, Sam Stanforth, Robyn Seibel, Andy Gerlach, David Wiest, and Andrew Fergel.

APPROVAL OF THE AGENDA

Commissioner Turbiville moved to have Conflict of Interest added to the agenda as item 2A. Commissioner Putnam moved that the amended agenda be approved. Commissioner Hartford seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried.

No conflicts of interest were noted for any of the Commissioners.

APPROVAL OF THE MINUTES FROM THE AUG. 4, 2016, MEETING

Commissioner Hartford moved that the minutes be approved. Commissioner Kafka seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried.

SECRETARY OF REVENUE COMMENTS

Secretary of Revenue Andy Gerlach reported on the following:

Secretary Gerlach announced that Executive Director of Lottery, Norm Lingle, is being inducted into the Lottery Hall of Fame and will be recognized at the North American Association of State and Provincial Lotteries (NASPL) Conference in October. Lingle has been involved in NASPL, serving as a board member over the past few years and overseeing security operations as well. Others being inducted into the Hall of Fame include Lottery representatives from Louisiana, Ireland, and the Netherlands.

IMPLEMENTATION OF HB 1182

The implementation of HB 1182 raised the State Sales Tax from 4% to 4.5% on June 1. Department of Revenue staff worked on education and outreach to get the public up to speed on how the tax works.

Sales and Use Tax has remained relatively flat. In May it was at 2.69% year to year, and in August it was at 4.27% year to year with the 4.5% rate in place.

Contractors' Excise Tax (2% on building and improvement projects) was fluctuating from month to month. In May it was 1.52%, but spiked in August to 17.48%.

AN OVERVIEW OF THE 2016 STURGIS MOTORCYCLE RALLY

\$14,992,405 in sales from temporary vendors yielded \$1.18 million in total taxes collected which was similar to the amount collected in 2014. The record-setting 75th annual rally in 2015 had approximately \$2.4 million in taxes collected at this point.

Tax Breakdown

Tourism Tax is 1.5% - \$222,598 – 19%

City Tax is 2% - \$278,220 – 23%

State Tax is 4.5% - \$674,660 – 57%

Municipal Gross Receipts Tax is 1% - \$12,935 – 1% (includes alcoholic beverages, lodging, eating establishments, admissions to places of amusement and cultural events)

ACCORDING TO A DOT TRAFFIC REPORT, THE TOTAL VEHICLES THAT ENTERED STURGIS DURING THE WEEKLONG RALLY WERE:

2016 — 329,789

2015 — 510,749

2014 — 390,693

TOTAL NUMBER OF VENDORS LICENSED WITH DOR:

2016 – 1,153 vendors (In 2016, 691 vendors pre-registered online)

2015 – 1,438 vendors (record)

2014 – 1,135 vendors

NORTHERN HILLS VENDORS:

2016 – 951 vendors – 83%

2015 – 1,202 vendors – 84%

2014 – 954 vendors – 84%

SOUTHERN HILLS VENDORS:

2016 – 200 vendors – 17%

2015 – 235 vendors – 16%

2014 – 181 vendors – 16%

NORTHERN HILLS SALES:

2016 – \$11,377,603 – 76%

2015 – \$26,816,110 – 81%

2014 – \$15,333,630 – 84%

SOUTHERN HILLS SALES:

2016 – \$3,614,802 – 24%

2015 – \$6,335,255 – 19%

2014 – \$3,875,826 – 20%

POWERBALL AND MEGA MILLIONS RULES HEARING – 10:15 A.M.

Executive Director Norm Lingle reported on the following:

Lingle presented proposed Rules for the Powerball and Mega Millions games, saying that neither of the rule amendments would change the way Powerball and Mega Millions are played.

The rules will do the following:

- Clean up and clarify language - because over the years changes were made and the language may not flow as well as it could.
- Add definitions that assist in interpreting the rules.
- Clarify how the existing prize pools and accounts operate.
- Improve legal protection for participating lotteries in regard to decisions made by individual lotteries in paying prizes.

The Rules will be presented to the Legislative Rules Review Committee on September 26.

The South Dakota Lottery would like to stay consistent and adopt the game group's rules.

Turbiville asked if anyone in the audience would like to testify. No one wished to testify. Lottery Chief Legal Counsel Andy Fergel stated that no written comments were received.

Commissioner Putnam moved that the Rules be approved. Commissioner Kafka seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried.

EXECUTIVE DIRECTOR'S COMMENTS

Executive Director Norm Lingle reported on the following:

Lingle updated Commissioners on new staff at the Lottery. Sam Stanforth joined the Lottery on August 15 as a Business Analyst. Sam recently achieved a Bachelor of Business Administration degree with a Major in Economics from the University of South Dakota (USD). His previous experience included working in retail environments as well as being an officer with the USD Police Department.

Alyssa Sterrett joined the Lottery on August 24 as a Receptionist. She was previously employed at BankWest and has experience in customer relations positions.

Justin Pierson will join the Lottery on September 26 as the Director of Sales. He is currently a Senior Policy Analyst at the Department of Social Services where he was the Department liaison to their various boards, oversaw the department's strategic plan and worked on special projects.

All three new employees will be nice additions to the Lottery and once Justin is on board, the Lottery will be fully staffed.

Next Lingle briefed Commissioners on the Rick Law, Intrepid Ventures, World Wide Holdings and Interactive Holdings versus State of South Dakota, South Dakota Lottery and South Dakota Lottery Commission litigation - more commonly referred to as the smoking ban lawsuit. On August 26, 2016 the judge granted the State's motion for summary judgment on all issues. However, the Plaintiffs still have the option to appeal the judge's decision to the Supreme Court.

VIDEO LOTTERY – ESTABLISHMENT PHONE LINES

Lingle first gave a little background, saying that establishments are required to have a dedicated phone line so the Lottery's central system can retrieve machine data on a nightly basis. Even though Administrative Rule says operators are responsible for installation, operation, and payment of phone lines, the Lottery took on the role of acquiring phone lines, because it allowed operators to take advantage of state contract rates, but the cost of the phone line is billed back to Operator.

Out of 1,336 establishments, the Lottery was involved in establishing phone lines for 992. Centrex Century Link is the provider for 576 operators, 219 operators use independent phone companies, and 197 are non-Centrex Century Link lines. As of the meeting, operators had procured approximately 344 phone lines.

Reasons for operators to establish their own phone lines:

- Operators have indicated a desire to order and maintain phone lines.
- The administrative rule cited above indicates it's the operator's responsibility.
- Lottery becomes the "middle man" when working trouble tickets since the phone line is in the Lottery's name.
- Many times there are unhappy operators/establishments when phone lines cannot be installed when it's convenient for them.
- There is no financial incentive to the Lottery for ordering phone lines.

The next step for the Lottery will be to reach out to the industry and bring back a more detailed plan to the Commission at the next meeting.

FY16 AUDIT

As mentioned at previous meetings, the audit continues. To date, no concerns had been noted. The audit should be complete by the end of September.

QUESTIONS

Commissioner Kafka asked if having operators order phone lines would require an Administrative Rule. Lingle answered that it would not, since an Administrative Rule is already in place. A Commission vote is all that will be needed.

Commissioner Putnam wondered if everyone paid the same amount when this started. Lingle responded that there was not one standard rate. Centrix lines have a standard rate, but independent companies have rates that vary based on the location of the establishment. Putnam reiterated that the Lottery is the middleman now and that it would simplify things to let operators call phone providers directly. Lingle stated that Centrix rates were lowered through Lottery, but the rest are priced the same for operators as they are for everyone else.

Commissioner Faehn wondered if the current phone line set up was the best option. He thought using the internet to connect to the central system would be a better option. Lingle replied that between 20-30 establishments were communicating via the internet via a DSL connection. He said some had success, but others had been a challenge. Lingle felt the most stable connection was through a phone line. Faehn asked if the Lottery is looking into requiring something faster than DSL, because it won't be long before traditional phone lines won't be offered. Lingle mentioned that the next central system will be based on an internet or IP cell connection and offer a real time connection.

Commissioner Putnam felt Lottery staff should take this on before the next meeting so there could be a vote or an agreement. Lingle added that the support of the Commission via a vote would put a little more strength behind the proposal.

FY18 BUDGET REQUEST

Executive Director Norm Lingle reported on the following:

THE LOTTERY WORKS OFF OF TWO BUDGETS:

- Instant and On-Line program – controlled by the Commission and reported through the State's budget process as an informational item.
- Video Lottery Program – part of the overall Dept. of Revenue budget. Approved by the legislature.

BUDGET HIGHLIGHTS – FY18 INSTANT/ONLINE

- Overall there are no changes proposed to the budget.
- Line 9 – Travel: The primary expense is related to the Fleet and Travel expense for sales representatives visiting retailers across the state.
- Line 18 - Consulting – Computer IGT: This represents IGT's fee for the lotto system and services and is a function of sales, expenditures increase as sales increase and vice versa.
- Line 20 - Computer Services for BIT: This includes upkeep of the AS400 & PC's, accounting for both instant and online as well as BIT development costs.
- Line 23 - Central Services: These fees are associated with the Bureau of Human Resources (BHR), Records Management, and the BFM Accounting system.
- Line 28 – IGT Communication Fee: A monthly \$56 per lotto terminal communication fee paid to IGT.
- Line 32 - Instant Ticket Delivery: Cost of delivering instant tickets to our retailers. Lottery works through a WISKA agreement that the purchasing office has with UPS to have instant tickets delivered across the state.
- Line 35 - Payments to MUSL: For the administration of the 3 multi-state games in which SD participates. In FY16, it also included fees for conducting the Dakota Cash drawing and costs associated with ending the Wild Card game.

- Line 36 – Other Contractual Services: These are things such as bank charges, meeting rooms, legal notices for rules hearings, shredding, and background fees.
- Line 38/39 - Retailer Commissions and Prize Expenses: These are a function of sales and how Lottery pays out prizes and commission to retailers.
- Line 44 - Ticket Printing: Cost of printing instant tickets. In FY16 thirty games were printed, FY15 twenty-five games were printed, FY14 thirty-one were printed, and in FY13 thirty-six games were printed.
- Line 58 - Escrow to Reservations: There are 11 reservation retailers and 50% of net proceeds from sale of instant tickets will be paid to the reservations.

The Lottery asked for Commission approval of \$38,403,677 for FY18 Instant/Online Budget.

Commissioner Hartford wanted to go back to line 21 and 22 to ask if the \$675,000 for advertising and \$152,000 for marketing all went to Lawrence & Schiller (L&S). Lingle replied that not all the advertising and marketing budget went to L&S.

Commissioner Putnam moved that the Instant and Online Budget be approved. Commissioner Hartford seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried.

BUDGET HIGHLIGHTS – VIDEO LOTTERY

- Line 23 – BIT Programming: Working on making inspection forms electronic and on submitting applications electronically.
- Line 26 – Advertising: The Lottery will be starting to actively advertise video lottery. \$100,500 was budgeted for advertising video lottery in FY16. The Commission added an additional \$100,000 to this budget for the current fiscal year.
- Line 28 – Telephone: Cost of nightly polling of video lottery terminals.
- Line 34 - Computer Consulting with Scientific Games International (SGI): Cost for the maintenance and support for the video lottery central system, which is a percentage of net machine income (NMI).
- Line 35 - Inspection Services: The Lottery has a contract with the Department of Public Safety to perform inspections of video lottery terminals and establishments.
- Line 37 - Other Contractual Services: This includes background checks, ACH costs, GLI Testing Costs, meeting room costs, etc.
- Line 54 – Computer Hardware, Software and other Assets: In FY16 this included the cost of Multi-Channel Connectivity Devices (MCD's) and furniture for the Sioux Falls office.
- Line 60 - Transfers Out: \$159,554 provided to the Department of Social Services for Responsible Gambling Treatment Services.

The Lottery asked for the Commission's approval of \$2,612,459 for FY18 video lottery budget.

Commissioner Putnam mentioned that the move into a nice building in Sioux Falls with a warehouse didn't really affect the budget and he wondered why. Lingle responded that the move didn't happen until March, so only a couple of months' expenses were incurred during the last fiscal year. Lingle expects rent and supplies to increase a bit, but the Sioux Falls office will impact the instant and online budget, not the video lottery budget.

Chair Turbiville asked about Line Item 35. Lingle said that during Governor Janklow's second term in office, he consolidated many, if not all, of the inspection services within state government to create some efficiency and allow one person to take care of all inspections for a business. All inspection services are housed under the Department of Public Safety (DPS) and they contract with other agencies to do inspections. DPS looks at video lottery establishments, making sure they have the correct signage and cameras up and that machines meet requirements.

Commissioner Faehn felt that eliminating phone lines and using the internet instead could eliminate all of line item 28. Lingle stated that the Lottery is working on switching from analog to the VOIP system.

Commissioner Putnam wondered what the process was for approving the budgets. Lingle explained that Lottery makes any changes necessary and gets the Commission's approval, then sits down with Department of Revenue Secretary Gerlach to discuss the budget. After that, Secretary Gerlach sits with BFM to discuss, then the Governor sees it and makes his Budget Address, and finally the budget goes to Legislatures.

Commissioner Hartford moved that the Video Lottery Budget be approved. Commissioner Putnam seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried.

INFORMATION TECHNOLOGY SECURITY UPDATE

BIT Chief Security Officer Jim Edman reported on the following:

Edman has been working with the Lottery to automate things and build in efficiencies. Security is a large part of this. Edman mentioned that the Sturgis app was built by BIT to assist agents in registering vendors and submitting sales tax receipts.

As with other industries, Lottery needs to know how it's performing from a security perspective. An assessment or audit can be performed, requiring performance to be at a certain degree. Audits are necessary and required. Assessments are voluntary. The Lottery performs voluntary assessments of its security from a physical and technological perspective. Lingle and Gerlach have been strong leaders in pushing cyber security and BIT takes great responsibility in protecting cyber tech. Edman said that in the end, it is the Lottery's data and the steps taken to protect it are important.

Edman and Lingle had a discussion to assess the Lottery's stance on physical and cyber security and to define a scope of what needed to be tested and how to test it. BIT has a partner in the private sector that has worked nationally, is located in SD, and has assessed all aspects of security. This third party was tasked with testing the security of the facilities and people working for Lottery. They engaged in tests to see how far they could get into the facility and what information they could achieve either from a computer or an employee's desk. The assessment stated that all facilities had very secure environments, but could use extra effort in regards to brute force attacks. In summary there is a minimal security risk, which is the best score given.

Social engineering was another aspect of the assessment. Social engineering is talking someone into giving out secure information or giving access to a secure area. The assessors were not successful in any manner, which is good because South Dakotans want to help people, but employees didn't allow anyone access to where they should not be.

The cyber security assessment did not include the back end of what happens in the Lottery because of third party vendor agreements. BIT assessed computers, servers, internet, etc. One event was found to be a threat in the cyber security assessment. A USB port on a lobby computer was not locked down, so the rating was low. The USB ports are now fixed and should be at a minimal risk.

Commissioner Putnam thought these sting operations proved that the employees and cyber are secure, but wondered how the assessment was done. Edman said that they targeted the three Lottery offices and the assessment included: looking for cameras, testing doors to be sure scanners were working, trying to socially engineer people at the front desk to get into a secure area, checking that all doors were locked - including garage doors and windows, every building access point was checked and found to be secure. Edman pointed out that machines placed outside the secure area for the public to use should be treated differently than internal State computers. BIT only allows certain websites on these computers and USB drives should be disabled.

Edman said that cyber-attacks happen on a daily basis – they are customized attacks. Specific to Lottery, BIT has individual reporting on the website and its applications. Edman warned that cyber attackers will find new ways to break in so security is a daily concern.

FY17 VIDEO LOTTERY PERFORMANCE REVIEW

Business Analyst Sam Stanforth reported on the following:

Total fiscal year net machine income (NMI) projections for FY17 as of the end of August were \$215.76M, which was a 3.93% increase over FY16 and on course to top the 2010 NMI, but still shy of the record levels of FY08.

A three year monthly comparison of video lottery NMI showed July was at \$17.33M which was up 3.49% over the previous year. August was up 4.38% to \$17.45M from \$16.72M in Aug of FY16.

NMI per terminal per day had been growing for the newer line machines over the past few years. That growth has leveled off over the last year, hovering around \$90-\$92 per terminal per day. Legacy terminals remain around \$52, almost \$40 less than the line terminals.

Terminal licenses have an annual fee of \$100 per terminal, and a minimum fee of \$1,000 per operator. The fees are based on the fiscal year. FY17 has brought in \$1,066,500 in operator terminal license fees.

The Lottery was slightly behind what would normally be seen for new terminals at this point in the fiscal year, primarily due to an exceptionally low number in July with only 8 new terminals. Destroyed terminals are more common at the end of the fiscal year.

The year over year percent change in NMI by county showed that 29 counties saw increases above the average 3.93% for the state, and 31 counties were below average. Clark County's increase was far larger than anyone else's because of the small video lottery market in that county. Clark's 132.98% increase was only reflective of a roughly \$13,500 increase. In dollars per capita, Clark ranked 15th.

The year over year percent change map showed the largest increases were concentrated in a string of counties from Sully to Brookings. Some of the largest revenue streams are those that are over-performing, like Minnehaha, Union, Brown, Beadle, and Brookings. Pennington, Yankton, and Hughes were exceptions and were underperforming.

The year over year percent change in NMI city map showed the fifteen highest revenue cities for video lottery. They were Pierre, Brookings, Aberdeen, Watertown, Brandon, North Sioux City, Mitchell, Sioux Falls, Hot Springs, Sturgis, Huron, Yankton, Rapid City, Vermillion, and Box Elder. Sioux Falls was up 4.1%. For the most part the county data reflects the changes in these cities, but one interesting exception was Pierre, which was up 20.86%, while Hughes County was down 2.12%.

Sioux Falls was at the top of the video lottery market, continues to contribute over a quarter of video lottery's revenue, and is up substantially. Nine of the top fifteen cities were over-performing. The smaller communities still saw an increase; they just haven't kept pace with population centers.

VIDEO LOTTERY SECURITY STUDY PROPOSAL

Director of Video Lottery and Security Robyn Seibel reported on the following:

The Lottery was looking to have overall physical and procedural reviews done by Gaming Labs International (GLI) on video lottery establishments. In a previous proposal from GLI, the project would have looked at 50 establishments with varying traffic across the state and cost approximately \$80,000. Lottery staff worked with GLI to get the cost down to \$25,000 plus travel expenses. They did this by decreasing the number of days GLI would be on site to do prep work, decreasing the number of establishments looked at from 50 to 25, no longer having Lottery offices reviewed, and removing the portion of the contract where GLI would come back to re-assess. The 25 establishments assessed would be in areas where crimes have occurred, like Sioux Falls, North Sioux City and Rapid City. Lottery may request up to three follow up visits for GLI to present to staff and Commission and would only pay travel expenses.

Commissioner Hartford asked how much travel expenses would cost. Seibel estimated that travel expenses would total \$8,000 from start to finish, making the overall cost \$33,000.

Chair Turbiville mentioned meeting with Rapid City police, but hadn't heard if smaller towns were experiencing safety issues. He felt it would be hard to determine what establishments to look at and what to look for, but also that it made sense have the assessment done.

Commissioner Kafka agreed with Turbiville and felt the cost was fairly nominal and could help to develop some best practices for establishments.

Commissioner Putnam thanked Lottery staff for working to get the cost down so the assessment could happen. He would like to see GLI's findings and make decisions on what to do after the study is done.

Commissioner Hartford moved to give Lottery the ability to enter into a contract with GLI for the Video Lottery Security Study Proposal. Commissioner Kafka seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried.

Chair Turbiville asked if the study could be done before the December 8, 2016 meeting. Seibel said Lottery would try to have it done by that time.

VIDEO LOTTERY REPORT

Director of Video Lottery and Security Robyn Seibel reported on the following:

Seibel reported on net machine revenue and terminal and establishment averages for FY17 as of Sept. 5, 2016. Net machine income (NMI) for FY17 was \$37.81 million which was a 3.53% increase over FY16. The number of terminals was at 9,007, which was up .88% from the previous year. The number of establishments was at 1,336, which was .96% less than in FY16.

Video lottery FY17 revenue projection as of Aug. 31 was \$106.80 million versus \$102.80 million in FY16.

PUBLIC RELATIONS/ADVERTISING REPORT

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

BIG WINNERS CLAIMED (SINCE 8/4/16)

Lotto games had three non-jackpot high winners, with two \$50,000 Powerball winners, one in Sioux Falls and one in Huron and one \$3,000 Hot Lotto winner in Aberdeen. Instant games had eight top prize winners of \$2,200 - \$50,000 since Aug. 4 in 6 different games.

PLAY IT AGAIN

The Summer Sizzle Promotion ended on Aug. 26 with 204,516 entries (most entries to date) for the \$30,000 grand prize drawing. Paul Gunderson of Sioux Falls was the winner.

The \$30K Dash for Cash promotion began Aug. 27 with monthly drawings for \$100 in scratch tickets or a gift card from a participating retailer. The first monthly mini drawing will be Sept. 23 and the \$30,000 grand prize drawing will be Feb. 28, 2017. There were about 12,700 entries as of the meeting date.

WEBSITE LAUNCH

The newly redesigned website launched on Aug. 15 with minimal issues. A few files didn't update as expected, but were fixed immediately. Initial feedback was largely negative but that was expected. Most of the complaints were about difficulty in finding the information they were looking for, the absence of winning lotto numbers and jackpots on the main page (*now on EVERY page – big orange "Winning Numbers" box in upper right corner*) and overall dislike of the sparse design and new colors. A majority of the comments came to the Lottery's general

email address through the new “Submit Comments” feature at the bottom of every page. Through that function, Lottery staff has been better able to communicate with website users than before. Staff has been countering complaints through simple education by answering player emails, sending out Players Club emails, and posting to social media. The next redesign project will be to the Players Club microsite and will launch later this fall. It will have a similar look to the website.

MOBILE APP

Developing a mobile app was one of the short term objectives from the Strategic Planning meeting. Two meetings have been held so far – one on July 13 that was a Tutorial/Development Discussion and one on Sept. 7 that was a Discovery Meeting and included staff from BIT, Lottery, IGT, and L&S. The top three goals for the mobile app are to allow players to enter tickets in second chance drawings, access winning lotto numbers, and scan instant and lotto tickets to see if they’re winners. Other necessary functionality would include the ability to receive winning numbers and promotional information via push notifications, the capability to find a retailer/video lottery establishment based on GPS, and the ability to develop electronic play slips. Lawrence & Schiller and IGT gave presentations at the Discovery Meeting as to what the app should offer and how it could be developed. The question now is whether to customize an app platform that already exists or build an app from scratch. Lottery staff is currently researching the pros and cons of both options.

DAKOTA CASH WITH EZ MATCH

Sales of Dakota Cash with EZ Match began on Aug. 28. EZ Match is an instant win option that marries the immediacy of scratch with the jackpot excitement of lotto. For an extra \$1, players can win up to \$100 instantly.

In addition to traditional advertising (radio, ceiling cards, stickers, newsfeed ads on social media), the Lottery is trying some new forms of advertising, such as video pre-roll and geo-fence targeting. Video pre-rolls are a series of 20-second shorts that appear at the beginning of targeted YouTube videos. Geo-fence targeting identifies people who are in the vicinity of a lottery retailer and sends a promotional message to their smart phones promoting Dakota Cash with EZ Match. Thompson is interested to see what kind of response rates the Lottery will get to these new forms of advertising, saying it is a way of targeting a younger demographic, since smart phones are becoming the preferred method of communication, and it’s a good way to reach potential customers.

BOARDS AND COMMISSIONS PORTAL (B&C Portal)

The portal informs the public of when the Commission meets and consolidates meeting materials, such as meeting minutes, agendas, charts, and audio. There is also the ability to listen live from the B&C Portal. A listServ function was recently added to allow the public to sign up to receive emails that go out whenever the Lottery Commission Page is updated. These upgrades are new and mirror what was already available on the Lottery website. Boardsandcommission.sd.gov is the website.

Commissioner Kafka wondered if there was a way to track how many people watched the entire pre-roll video. Thompson responded that there is way to tell how many people watch the entire video and how many click out.

SALES REPORT

Assistant Deputy Director Clark Hepper reported on the following:

Instant ticket sales were down 1.4% behind the previous year, but on an encouraging note, August’s sales were up 12.9% from July. The last week of August and first week of September showed strong increases, but it’s typical for sales to lag during the summer months. Lottery is working with L&S on an instant ticket campaign to bolster sales and will soon be moving into prime sales time with holiday tickets. Holiday tickets featuring a polar bear theme on \$1 and \$5 tickets and a traditional theme on the \$2 ticket will be delivered to retailers in early October.

Lotto sales were up 37.8% over last year. There has been a slight decline since the large Powerball jackpot run in January, but overall revenue intake was still holding. Sales were down 3.45% after the loss of the Wild Card game.

Commissioner Hartford wondered if there was a big bump last year during holiday ticket sales. Hepper responded in the affirmative.

The EZ Match instant win option was added to Dakota Cash on Aug. 28. During the two week period between August 28 and September 11, there were sales of almost \$22,000 and \$14,000 in prizes given away with the EZ Match game. About 20% of Dakota Cash sales included the EZ Match option. Lottery was pleased with sales and looking ahead projected about 25% of sales would include EZ Match. First impressions show EZ Match as a good addition with sales of Dakota Cash up 40.5% in comparison to the July 9th sales week. EZ Match has had no negative impact on other lotto games.

The revenue projection for instant ticket sales was 3.94% below the previous year and revenue projections for lotto showed a 27.9% decrease. Lottery projected an increase of 1.15% in overall revenue, with the bulk coming from video lottery.

NEXT MEETING DATE – THURSDAY, DEC. 8, 2016

Lingle is looking at Thursday, Dec. 8, 2016 for the next Commission Meeting.

ADJOURNMENT

Commissioner Putnam moved to adjourn the meeting. Commissioner Hartford seconded. Roll was called: Aye – Kafka, Hartford, Faehn, Putnam, and Turbiville. Motion carried. Chairman Turbiville adjourned the meeting at 12:20 p.m.