

Report

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“Every time I read it, I get more information,” commissioner Roger Novotny of Fort Pierre said.

The main conclusion reached in the report by consultant Rich Baldwin calls for concentrating on gaining back more of the South Dakota market. He notes that southeastern South Dakota faces a “formidable” new competitor when the Hard Rock Casino opens in Sioux City, Iowa.

Baldwin said the new “line-up” games, which are similar to casino slot machines, are producing substantially more revenue than the “legacy” terminals, most of them VLC 8700s, which have been around for 20 years or more and were officially declared obsolete long ago by the commission.

Many of the recommendations aim at getting more line-up games into establishments. As of Aug. 31 the terminals statewide stood at 18 percent line-up and 82 percent legacy.

Baldwin suggested the 50-50 split of net machine income — the money lost or left behind by players after winnings are paid — be changed: For legacy machines, state government should increase its take to 60 percent and then 70 percent; while line-up games would be at 30 percent for the first year and 40 percent the second year before settling at 50 percent.

The report made many other recommendations such as allowing establishments to have 15 terminals rather than the standard 10 if the additional five are new line-up games.

“This really is a call to arms. We need to take this report as a call to action,” commissioner Doyle Estes of Hill City said. “If the industry doesn’t change, we’re not going to get the share of income the state of South Dakota has gotten over the last 25 years.”

Net machine income from video lottery was \$207.7 million in 2002 and was down to \$176.4 in 2012. Deadwood casinos meanwhile rose from \$66.3 million to \$107.4 million and tribal casinos climbed from an estimated \$56 million to \$110.9 million.

Scratch tickets during that period went from \$5.1 million to \$9.9 million. Lotto sales increased from about \$7 million to \$14 million.

Video lottery peaked at \$224.7 million of net machine income in 2008, with state government receiving nearly \$112 million. NMI fell to \$220.1 million in 2009 and

\$215.5 million in 2010. Those numbers are for the state fiscal year, which runs July 1 through June 30.

The smoking ban’s approval in November 2010 set off a steep decline. NMI fell to \$191.8 million for 2011 and kept dropping in 2012 to \$176.6 million. Fiscal 2013 saw the start of a rebound, for at least one year, to \$184.6 million.

Development of the Hard Rock Casino in Sioux City could affect the pocket of South Dakota that generated the most video lottery revenue, led by Minnehaha County at \$51 million and Union County — North Sioux City — at \$12 million, based on unaudited numbers from the lottery office for the past year.

Union County is the third-largest producer of video lottery revenue.

Other counties in the cluster also contribute a lot: Lincoln \$4.4 million, Clay \$2.2 million and Yankton \$7.5 million.

The No. 2 county for video lottery is Pennington. The fiscal 2013 revenue was \$26.6 million. Meade County was \$3.1 million, Fall River was \$2.5 million and Butte was \$1.9 million.

Statewide, Brown County ranks No. 4 at \$11.5 million. Other centers of video lottery activity are Codington County at \$6.4 million; Davison County \$6.1 million; Hughes County \$5.8 million; Beadle County \$5.3 million; and Brookings County \$4.5 million.

Not all counties struggled in the wake of the smoking ban, however. Yankton climbed 6.5 percent in 2012 and 7.7 percent in 2013. Davison grew 0.1 percent and 7.8 percent. Beadle increased 3.9 and 3.0 percent.

Some smaller counties also showed two consecutive years of gains, such as Deuel, Turner, Stanley, Bon Homme, Hutchinson and Jones.

The Lottery Commission will meet again in five to six weeks to further discuss the report and recommendations. Chairman Bob Hartford of Pierre asked the commissioners to rank the 19 recommendations as part of developing another strategic plan.

“I think the whole process needs to be done again,” said Hartford, who previously was the chief executive for the South Dakota Music and Vending Association, whose members are some of the largest businesses involved in video lottery.

Some of the recommendations can be accomplished by the commission through rule changes, but most need approval by the Legislature.

“We need to prioritize what we want to change, or to accept, and what we need to do that,” Hartford said.



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- Dakota Trailer Manufacturing, Inc. started as Hawkeye Manufacturing of SD.
- In May of 2005, Hawkeye became Dakota Trailer Manufacturing, Inc.
- In June of 2006, we added two new product lines, Super B and Conveyer Trailers.
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- 2011 brought an expansion of the radiator division and also a new building on Gehl Drive for trailer expansion.
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