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REVENUE

ARTICLE 48:02

VIDEO LOTTERY REQUIREMENTS

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**ARTICLE 48:02**

**VIDEO LOTTERY REQUIREMENTS**

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**CHAPTER 48:02:01**

**GENERAL PROVISIONS**

Section

48:02:01:01 Definitions.

**48:02:01:01.  Definitions.** In addition to the terms defined by SDCL 42-7A-1, terms used in this article are defined as follows:

(1)  "Applicant," a person applying for any video lottery license;

(2)  "Background investigation," a security and credit check of an applicant for a video lottery license;

(3)  "Commission," the South Dakota Lottery Commission;

(4)  "Control," the possession of power to direct or cause the direction of the management and policies of an applicant or licensee through the ownership of voting securities, by contract or otherwise;

(5)  "Costs," sums of money charged applicants or licensees to reimburse the lottery for the actual expenses incurred in the testing and examination of video lottery machines and background investigations;

(6)  "Display," visual presentation of video lottery game features shown on the screen of a video lottery machine;

(7)  "Distributor," any individual, entity, partnership, corporation, or association that distributes or sells video lottery machines or associated equipment in the state;

(8)  "License," authorization granted by the lottery permitting an applicant to engage in the defined activities of video lottery;

(9)  "Licensed establishment" or "establishment," any establishment owned or managed by an individual, partnership, corporation, or association licensed to sell alcoholic beverages for consumption on the premises where sold;

(10)  "Manufacturer," any individual, entity, partnership, corporation, or association that assembles or produces video lottery machines or associated equipment for sale or use in this state;

(11)  "Operator," any individual, entity, partnership, corporation, or association that places video lottery machines or associated equipment for public use in this state;

(12)  "Own," any record of beneficial interest in the property or business of an applicant or licensee;

(13)  "Player," a person who participates in a video lottery game displayed on a video lottery machine;

(14)  "Service agent," an operator or an employee or agent of an operator qualified as a Type II technician to perform service, maintenance, and repair on video lottery machines in the state;

(15)  "Ticket voucher," a receipt or ticket issued by a video lottery machine that indicates the value of a prize or credit due to the player;

(16)  "Type I technician," an operator or an employee or service agent of an operator or an owner, manager, or employee of an establishment who is qualified to perform basic service, maintenance, and repair on video lottery machines in the state;

(17)  "Type II technician," an operator or an employee or service agent of an operator who is qualified to perform major machine repair, enrollment, communications, and diagnostic testing on video lottery machines in the state;

(18)  "Video lottery game," electronically simulated games of chance approved by the commission that are displayed and played on licensed video lottery machines;

(19)  "Wager," a sum of money or thing of value risked on an uncertain occurrence.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995; 39 SDR 220, effective June 26, 2013; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21.

**Law Implemented:** SDCL 42-7A-2, 42-7A-21.

**CHAPTER 48:02:02**

**LICENSING QUALIFICATIONS**

Section

48:02:02:01 Additional qualifications for licensure.

48:02:02:02 Individual qualifications must be established.

48:02:02:03 Applicant required to furnish information.

48:02:02:04 Consent to examination of accounts and records.

48:02:02:05 Waiver of liability.

48:02:02:06 Oath or affirmation and attorney certification.

48:02:02:07 Duty to provide accurate and material information.

**48:02:02:01.  Additional qualifications for licensure.** In addition to the qualifications required in SDCL 42-7A-43, the commission may not grant a video lottery license until the commission is satisfied that the applicant is:

(1)  A person of good character, honesty, and integrity;

(2)  A person whose background, including criminal record, reputation, and associations do not pose a threat to the public interest of the state or to the security and integrity of the lottery;

(3)  A person who, either individually or through employees, demonstrates business ability and experience to establish, operate, and maintain the business for the type of license for which application is made;

(4)  A person who demonstrates adequate financing for the business proposed under the type of license for which application is made. The commission shall consider whether financing is from a source that meets the qualifications in subdivisions (1), (2), and (3) of this section and is in an amount to ensure the likelihood of success in the performance of the licensee's duties and responsibilities under chapter 48:02:05;

(5)  An operator who is qualified or whose employee or service agent is qualified as a Type II technician;

(6)  An owner, operator, manager, or designated employee who is qualified as a Type I technician.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(7), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21(7), 42-7A-43.

**48:02:02:02.  Individual qualifications must be established.** The commission may not grant a video lottery license to an applicant until the commission is satisfied that the individual qualifications of the following persons meet the requirements in SDCL 42-7A-43 and § 48:02:02:01:

(1)  Each person in whose name the license for the on-sale consumption of alcoholic beverages is issued;

(2)  Each person associated with a corporate applicant, including any corporate holding, parent, or subsidiary company of the applicant, who in the opinion of the commission has the ability to control the activities of the corporate applicant or elect a majority of the board of directors of that corporation, other than a bank or other licensed lending institution that holds a mortgage or other lien acquired in the ordinary course of business;

(3)  Each of the following persons associated with a noncorporate applicant:

(a)  Persons who directly or indirectly hold any beneficial interest or ownership in the applicant; or

(b)  Persons who in the opinion of the commission have the ability to control the applicant;

(4)  Key personnel, including any executive, employee, or agent having the power to exercise a significant influence over decisions concerning any part of the applicant's business operation;

(5)  Employees of an operator or an establishment who are permitted access to cash and a key for entry into a video lottery machine; and

(6)  Each person qualified or seeking qualifications as a Type I or II technician.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective October 8, 1990; 21 SDR 219, effective June 26, 1995; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(7)(16), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21, 42-7A-43.

**48:02:02:03.  Applicant required to furnish information.** Applicants must furnish all information, including financial data and documents, certifications, consents, waivers, individual history forms, and other materials required or requested by the lottery or commission for purposes of determining qualifications required in SDCL 42-7A-42 and 42-7A-43 and chapter 48:02:02. No video lottery license may be granted to an applicant who fails to provide information and documentation required by SDCL 42-7A or requested by the commission. The burden of proving qualification for any video lottery license is on the applicant.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(14), 42-7A-42, 42-7A-43.

**Law Implemented:** SDCL 42-7A-21(14), 42-7A-42, 42-7A-43.

**48:02:02:04.  Consent to examination of accounts and records.** Each applicant must consent in writing to the examination of all accounts, bank accounts, and records in the applicant's possession or under the applicant's control and must authorize all third parties in possession or in control of the accounts or records to allow their examination as determined necessary by the commission or executive director in conducting background investigations.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21(16), 42-7A-43.

**48:02:02:05.  Waiver of liability.** Each applicant must accept any risk of adverse public notice, embarrassment, criticism, damages, or financial loss which may result from any disclosure or publication by a third party of any material or information requested by the lottery or commission pursuant to action on an application. The applicant expressly waives any claim against the lottery, the commission, the state of South Dakota and its employees for damages as a result thereof.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-43.

**Law Implemented:** SDCL 42-7A-43.

**48:02:02:06.  Oath or affirmation and attorney certification.** All application, registration, and disclosure forms and other documents submitted to the lottery or the commission by or on behalf of the applicant for purposes of determining qualification for a video lottery license shall be signed. All of the documents referenced in this section may be signed by electronic signature. The person making the application, registration, or disclosure shall sign a statement printed or written on the form or document in the following form: "I declare and affirm under the penalties of perjury that this application, registration, or report has been examined by me, and to the best of my knowledge and belief is in all things true and correct." If any forms or documents are signed by an attorney for the applicant, the signing constitutes a certification by the attorney that the attorney has read the forms or documents and that, to the best of the attorney's knowledge, information, and belief, their contents are true.

**Source:** 16 SDR 27, effective August 18, 1989; 43 SDR 9, effective August 3, 2016.

**General Authority:** SDCL 42-7A-21(16), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21(16), 42-7A-43.

**48:02:02:07.  Duty to provide accurate and material information.** Any applicant who fails to reveal any fact material to qualification or submits information that is untrue or misleading as to a material fact of qualification, may result in the denial, revocation, or suspension of a video lottery license.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-14(5), 42-7A-43.

**Law Implemented:** SDCL 42-7A-14(5), 42-7A-43.

**CHAPTER 48:02:03**

**LICENSING OF MANUFACTURERS, DISTRIBUTORS, OPERATORS, AND ESTABLISHMENTS**

Section

48:02:03:01 Form of application.

48:02:03:02 Submission of application.

48:02:03:03 Application fees.

48:02:03:04 Consideration of applications by commission.

48:02:03:05 Issuance of license.

48:02:03:06 Provisional licensure.

48:02:03:07 Notice of incomplete application.

48:02:03:08 Notice of unapproved investigation or testing.

48:02:03:09 Procedure for review of license denial.

48:02:03:10 Hearing on review of denial by commission.

48:02:03:11 License fees -- Renewal fees and dates.

48:02:03:12 Renewal of license.

48:02:03:13 Notice of change affecting license.

**48:02:03:01.  Form of application.** All applicants required to be qualified and licensed as manufacturers, distributors, operators, establishments, and persons under subdivision 48:02:02:02(5) must provide all information required in chapter 48:02:02 and complete the forms provided by the lottery.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21(16).

**48:02:03:02.  Submission of application.** All applications shall be submitted to the South Dakota Lottery at its office in Pierre.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21(16).

**48:02:03:03.  Application fees.** An application fee of $50 shall accompany each application. An application fee of $25 shall accompany each application of those persons who qualify under subdivision 48:02:02:02(5) only and who are not included under subdivisions (1) to (4), inclusive, of § 48:02:02:02.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-16(7), 42-7A-41.

**48:02:03:04.  Consideration of applications by commission.** The lottery shall only consider complete applications for licensure. Applications are complete when the applicant has submitted the following:

(1)  All information required or requested by the lottery in chapter 48:02:02;

(2)  Completed and executed forms and documents; and

(3)  Payment of the application fees and costs in § 48:02:03:03.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21(16).

**48:02:03:05.  Issuance of license.** The lottery shall issue the applicable license after the background investigations are concluded; the lottery determines the applicant is qualified under SDCL 42-7A and this article; and the applicable license fees in § 48:02:03:11 are remitted.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-43.

**48:02:03:06.  Provisional licensure.** The lottery may issue a provisional license subject to the applicant meeting the conditions required by the lottery. The lottery may issue a provisional license to applicants whose applications are complete under § 48:02:03:04 for purposes of allowing persons named in the application to participate in training seminars in preparation for qualification as a Type I or II technician. The lottery shall restrict the type of activities the applicant may engage in under the terms of the provisional license. The lottery shall issue a license to the applicant if the lottery verifies the performance of the conditions.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21.

**Cross-Reference:** Maintenance of video lottery machines, chapter 48:02:10.

**48:02:03:07.  Notice of incomplete application.** The lottery shall notify applicants if their application is incomplete and shall state the areas in which it is deficient.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21(16).

**48:02:03:08.  Notice of unapproved investigation or testing.** The lottery shall notify applicants in writing of denial for licensure or machine approval and cite the reasons for its determination.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21(16).

**Cross-References:** General video lottery machine requirements, ch 48:02:07; Video lottery machine hardware and software requirements, ch 48:02:08.

**48:02:03:09.  Procedure for review of license denial.** Applicants may request a hearing before the commission to review a license denial. A request for hearing must be made in writing and received by the lottery within ten days from the date of denial. The request for hearing must be signed by the applicant and state the applicant's reasons, including supporting documentation, for license approval.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-21(16).

**48:02:03:10.  Hearing on review of denial by commission.** A hearing to review a license denial shall be heard by the commission at its next regularly scheduled meeting and shall be conducted in accordance with the contested case provisions of SDCL 1-26.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 1-26, 42-7A-21(16).

**48:02:03:11.  License fees -- Renewal fees and dates.** A licensee shall pay the following license fees annually, as applicable:

(1)  Manufacturer, $5,000;

(2)  Distributor, $5,000;

(3)  Operator, the greater of $1,000 or $100 for each machine licensed;

(4)  Establishment, $100.

A manufacturer or a distributor shall pay the fee at the time of license issuance and shall pay the renewal fee by June 30 each year.

An operator shall remit the license fee for each new machine licensed on the date specified on the billing statement. By July 31 each year, an operator shall pay a renewal fee of $100 for each machine licensed as of June 30 or $1,000, whichever is greater.

An establishment shall pay the fee at the time of license issuance and shall pay the renewal fee annually by the end of the quarter in which the license was first issued. Effective renewal dates are September 30, December 30, March 31, and June 30.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective October 8, 1990; 19 SDR 62, effective October 27, 1992; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-41.

**Declaratory Ruling:**

"New machine" as used in the above-cited rule is defined as any machine that is brought into service and for which the annual $100 renewal fee has not been paid. The additional fee is to be charged for machines new to the system. South Dakota Lottery Commission Declaratory Ruling dated March 27, 1997.

**48:02:03:12.  Renewal of license.** The lottery shall renew all video lottery licenses annually provided each licensee submits the applicable renewal fee, completes the renewal forms provided by the lottery, and continues to meet the qualifications in chapter 48:02:02.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-41.

**48:02:03:13.  Notice of change affecting license.** Licensees must immediately notify the lottery of any proposed change of ownership or any transaction that requires approval of qualifications under chapter 48:02:02.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-41.

**CHAPTER 48:02:04**

**ENFORCEMENT**

Section

48:02:04:01 Criteria for suspension, revocation, and denial of license renewal.

48:02:04:02 Imposition of civil fines.

48:02:04:03 Hearing on suspension, revocation, denial of license renewal, or imposition of civil fines.

48:02:04:04 Scheduling of hearings.

**48:02:04:01.  Criteria for suspension, revocation, and denial of license renewal.** The commission may suspend, revoke, or deny renewal of a license for any violation of or noncompliance with the provisions of SDCL 42-7A or this title.

**Source:** 16 SDR 27, effective August 18, 1989; 30 SDR 52, effective October 28, 2003.

**General Authority:** SDCL 42-7A-21(16)(17).

**Law Implemented:** SDCL 42-7A-21(6), 42-7A-11, 42-7A-56(3).

**48:02:04:02.  Imposition of civil fines.** The commission may impose civil fines authorized in SDCL 42-7A-4(12) in lieu of or in addition to other actions taken against a licensee.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-4(16).

**Law Implemented:** SDCL 42-7A-4(12).

**48:02:04:03.  Hearing on suspension, revocation, denial of license renewal, or imposition of civil fine.** A notice and hearing regarding suspension, revocation, denial of license renewal, or violations of SDCL 42-7A and this title shall be conducted by the commission in accordance with the contested case provisions of SDCL 1-26.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-4, 42-7A-21.

**Law Implemented:** SDCL 42-7A-4, 42-7A-21.

**48:02:04:04.  Scheduling of hearings.** Hearings by the commission on suspension, revocation, denial of license renewal, or violations of SDCL 42-7A and this title shall be held at its next regularly scheduled monthly meeting provided the notice of hearing is sent within ten days of the meeting date.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-4, 42-7A-21.

**Law Implemented:** SDCL 42-7A-4, 42-7A-21.

**CHAPTER 48:02:05**

**DUTIES OF LICENSEES**

Section

48:02:05:01 General duties of all video lottery licensees.

48:02:05:02 Duties of licensed manufacturers.

48:02:05:03 Duties of licensed distributors.

48:02:05:03.01 Permitted activities of licensed distributors.

48:02:05:04 Duties of licensed operators.

48:02:05:04.01 Duties of service agents.

48:02:05:05 Duties of licensed establishments.

48:02:05:06 Posting of video lottery odds.

**48:02:05:01.  General duties of all video lottery licensees.** The general duties required of each video lottery licensee are as follows:

(1)  Promptly report any violation or any facts or circumstances that may result in a violation of SDCL 42-7A or this title;

(2)  Conduct the licensee's video lottery operations in a manner that does not pose a threat to the public health, safety, and welfare of the citizens of South Dakota; reflect adversely on the security or integrity of the lottery; or harm the video lottery industry;

(3)  Hold the lottery, the commission, and the state of South Dakota harmless from any and all claims that may be made against a licensee, the lottery, commission, or the state of South Dakota arising from the licensee's participation in or the operation of the video lottery;

(4)  Defend and pay for the defense of all claims that may be made against the lottery, the commission, or the state of South Dakota arising from the licensee's participation in or operation of the video lottery;

(5)  Assist the lottery to maximize revenues to the state of South Dakota; and

(6)  Keep current in all payments and obligations to other licensees with whom video lottery business is conducted.

**Source:** 16 SDR 27, effective August 18, 1989; 30 SDR 52, effective October 28, 2003.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43.

**Law Implemented:** SDCL 42-7A-4(9), 42-7A-13(4), 42-7A-21(17), 42-7A-43.

**48:02:05:02.  Duties of licensed manufacturers.** Specific duties of licensed manufacturers are as follows:

(1)  Manufacture machines and associated equipment for placement in the state in accordance with the specifications and procedures in chapters 48:02:07 and 48:02:08;

(2)  Manufacture machines and associated equipment to ensure timely delivery;

(3)  Maintain and provide an inventory of associated equipment to ensure the timely repair and continued, approved operation and play of machines purchased for placement in the state;

(4)  Provide in accordance with chapter 48:02:10 technical assistance and training in the service and repair of its machines and associated equipment to video lottery distributors and operators to ensure the continued, approved operation and play of its machines purchased for placement in the state;

(5)  Provide a competitive market for maximizing machine placement in the state;

(6)  Comply with the provisions of the Gaming Device Act of 1962, 15 U.S.C. § 1173; and

(7)  Obtain certification of compliance under the provisions of Part 15 of the FCC rules for all machines placed in the state.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21(17), 42-7A-43.

**48:02:05:03.  Duties of licensed distributors.** Specific duties of licensed distributors are as follows:

(1)  Sell only machines and associated equipment approved under chapters 48:02:07 and 48:02:08 for placement in the state to licensed operators;

(2)  Coordinate all machine and associated equipment orders with the manufacturer to ensure delivery within the time period stated;

(3)  Maintain and provide an inventory of associated equipment to ensure the timely repair and continued, approved operation and play of machines it sells for placement in the state;

(4)  Provide, in accordance with chapter 48:02:10, technical assistance and training in the service and repair of machines and associated equipment it sells to operators to ensure the continued, approved operation and play of the machines purchased for placement in the state; and

(5)  Provide a competitive market for maximizing machine placement in the state.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21, 42-7A-43.

**48:02:05:03.01.  Permitted activities of licensed distributors.** Licensed distributors may broker the selling of video lottery machines from one licensed operator to another licensed operator.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21, 42-7A-43.

**48:02:05:04.  Duties of licensed operators.** Specific duties of licensed operators are as follows:

(1)  Promote the placement of machines in licensed establishments and assume primary responsibility for operation and maintenance of video lottery machines;

(2)  Maintain and provide in accordance with chapter 48:02:10, either directly or through a service agent, an inventory of associated equipment to ensure the timely repair and continued, approved operation and play of the video lottery machines it operates;

(3)  Maintain, in accordance with chapter 48:02:10, all skills necessary for the timely repair and service of machines and associated equipment to ensure the continued, approved operation of the machines it operates and require employees or service agents to maintain the same skills;

(4)  Attend all meetings, seminars, and training sessions for the repair and maintenance of machines and associated equipment required by the lottery and this article;

(5)  Supervise its employees and the activities of licensed establishments to ensure compliance with the requirements of this article;

(6)  Assume responsibility for the payment to players of credits awarded under arrangements with licensed establishments where the machines are located;

(7)  Assume responsibility for machine and associated equipment malfunctions, including any claim for the payment of credits arising from malfunctions. An operator's liability is limited to the number of credits for the game displayed in the game rules and may not be greater than $1,000 for any succession of games played;

(8)  Notify the lottery of any recurring electronic or mechanical machine malfunctions or other problems experienced in a particular approved machine model;

(9)  Enter into service contracts for the maintenance and repair of video lottery machines and associated equipment with qualified service agents under terms and conditions agreed upon by both parties;

(10)  Comply with all Type I technician requirements in § 48:02:10:02.01;

(11)  Comply with all Type II technician requirements in § 48:02:10:02.02;

(12)  Place video lottery machines in establishments and in numbers to ensure maximum revenues to the state;

(13)  Assume all responsibility for establishing communication between each video lottery machine and the host system;

(14)  Maintain general liability insurance coverage for each machine;

(15)  Conduct advertising and promotional activities of the video lottery in accordance with decency, dignity, honesty, and good taste that does not reflect adversely on the lottery or the state of South Dakota;

(16)  Contract only with persons authorized under this title to directly share in revenues generated from net machine income. Any contracts entered into for the division of revenues from net machine income must clearly state that the lottery is not a party to the agreement;

(17)  Assume liability for lost or stolen money from machine play. Operators may provide for the sharing of any loss with the establishment where the machine is located;

(18)  Furnish security to the lottery by July 1 of each year equal to one-eighteenth of the state's share of estimated annual net machine income derived from the operator's video lottery machines by purchase of a surety bond, deposit in cash, or receipt of an irrevocable letter of credit or a certificate of deposit issued by a South Dakota financial institution with the lottery endorsed on it as a payee;

(19)  Respond to service calls within twenty-four hours from the time of notification by the establishment; and

(20)  Remove all machines from the establishment machine play area that have been out of service for more than forty-eight hours from the time notice was received by the lottery.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995; 37 SDR 215, effective May 31, 2011; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21, 42-7A-43.

**48:02:05:04.01.  Duties of service agents.** Specific duties of service agents are as follows:

(1)  Receive and retain qualification as a Type II technician;

(2)  Maintain and provide an inventory of associated equipment in conjunction with the operator to ensure the repair and continued operation of all video lottery machines it is under contract to service in accordance with chapter 48:02:10;

(3)  Maintain all skills necessary for the repair and service of machines and associated equipment to ensure the continued operation of all video lottery machines it is under contract to service in accordance with chapter 48:02:10;

(4)  Attend all meetings, seminars, and training sessions for the repair and maintenance of machines and associated equipment required by the lottery and this article;

(5)  Notify the lottery and the operator with whom it contracts of any recurring electronic or mechanical machine malfunctions or other problems experienced in a particular approved machine model;

(6)  Provide the lottery with a copy of the service contracts and notify the lottery of any material change in the service contracts;

(7)  Comply with all Type II technician requirements; and

(8)  Enter into contracts that will support and assist the operator to comply with this chapter.

**Source:** 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43.

**Law Implemented:** SDCL 42-7A-21(17), 42-7A-43.

**48:02:05:05.  Duties of licensed establishments.** Specific duties of owners, managers, and designated employees of licensed establishments are as follows:

(1)  Provide a secure premise for the placement, operation, and play of video lottery machines;

(2)  Permit no one to tamper with or interfere with the approved operation of any video lottery machine;

(3)  Ensure that all associated communication lines and hardware are protected and properly connected to the video lottery machines to allow for communication between the video lottery machines and the host system;

(4)  Contract only with persons authorized under this title to directly share in revenues generated from net machine income;

(5)  Ensure that video lottery machines are placed and remain as placed within the sight and control of the owner, manager, or designated employee while engaging in the actual dispensing of alcoholic beverages from the location where alcoholic beverages are dispensed;

(6)  Ensure that video lottery machines are placed and remain as placed in the specific area of the licensed establishment where alcoholic beverages are regularly dispensed and consumed in the ordinary and usual course of business;

(7)  Monitor video lottery machines to prevent access to or play by persons who are under the age of twenty-one years or who are visibly intoxicated;

(8)  Commit no violations of the laws of this state concerning the sale, dispensing, and consumption on premises of alcoholic beverages that results in suspension or revocation of its license;

(9)  Maintain at all times change and cash in the denominations accepted by the video lottery machines located in the establishment;

(10)  Extend no credit for video lottery machine play;

(11)  Pay all credits upon presentment of a valid winning ticket voucher in accordance with SDCL 42-7A-37 and chapter 48:02:12;

(12)  Exercise caution and good judgment in providing cash for checks presented for video lottery machine play;

(13)  Report promptly all malfunctions of video lottery machines to the operator and notify the lottery of an operator's failure to provide service and repair of machines and associated equipment as required under this title;

(14)  Conduct advertising and promotional activities of the video lottery in accordance with decency, dignity, honesty, and good taste that does not reflect adversely on the lottery or the state of South Dakota;

(15)  Install, post, and display prominently at locations within or about the premises signs, redemption information, and other promotional material as required by the lottery. Use of the trademarked video lottery logo must be approved by the lottery;

(16)  Immediately notify operators of all out-of-service machines;

(17)  Immediately notify the lottery of an operator's failure to respond within 24 hours after notice to the operator of an out-of-service machine; and

(18)  Ensure video lottery machines are available for play and are accessible to eligible customers during the hours of operation of the alcohol licensee.

**Source:** 16 SDR 27, effective August 18, 1989; 19 SDR 62, effective October 27, 1992; 21 SDR 219, effective June 26, 1995; 37 SDR 215, effective May 31, 2011; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(17), 42-7A-43, 42-7A-44.

**Law Implemented:** SDCL 42-7A-10, 42-7A-21, 42-7A-43.

**Cross-Reference:** Alcoholic beverages, SDCL title 35.

**48:02:05:06.  Posting of video lottery odds.** The management of a licensed establishment shall post the overall odds of winning each video lottery game authorized by § 48:02:07:01. The odds must be posted in the area where the video lottery machines are located and must be visible to the public. Only video lottery odds provided by the lottery may be used to comply with this section.

In addition, the lottery shall print a brochure that contains the average odds of winning a particular hand or combination in a video lottery game. The management of the licensed establishment shall make the brochure available to the public in the area where the video lottery machines are located.

**Source:** 18 SDR 41, effective September 1, 1991.

**General Authority:** SDCL 42-7A-8(8), 42-7A-38.

**Law Implemented:** SDCL 42-7A-41.2.

**CHAPTER 48:02:06**

**ACCOUNTING**

Section

48:02:06:01 Lottery to provide communications protocol.

48:02:06:02 Remittance of state's percentage of net machine income.

48:02:06:03 Remittance through electronic transfer of funds.

48:02:06:04 Penalty for late payment or insufficient funds payment.

48:02:06:05 Record keeping requirements.

48:02:06:06 Duty to notify of accounting discrepancies.

48:02:06:07 Settlement of accounts.

48:02:06:08 Manual reporting and payment may be required.

48:02:06:09 Requests of reports.

**48:02:06:01.  Lottery to provide communications protocol.** The lottery shall provide licensed manufacturers or manufacturers applying for licensure the protocol documentation necessary to enable their machines to communicate with the lottery's central computer in providing the auditing program information and controls approved by the commission.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(15), 42-7A-4(8).

**Law Implemented:** SDCL 42-7A-4(8), 42-7A-37(7).

**48:02:06:02.  Remittance of state's percentage of net machine income.** Machine owners shall remit to the lottery on the date specified on each billing statement the state's percentage of net machine income on all their machines within the time periods required in SDCL 42-7A-45.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective January 1, 1991; 18 SDR 117, effective January 12, 1992; 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(15).

**Law Implemented:** SDCL 42-7A-8(9), 42-7A-21, 42-7A-45.

**Cross-Reference:** State's percentage of net machine income, SDCL 42-7A-63.

**48:02:06:03.  Remittance through electronic transfer of funds.** The state's percentage of net machine income shall be remitted to the lottery through the electronic transfer of funds. Operators shall furnish to the lottery all information and bank authorizations required to facilitate the timely payment of moneys due the state general fund. Operators must provide the lottery 30 days advance notice of any proposed account changes to ensure the uninterrupted electronic transfer of funds.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(15).

**Law Implemented:** SDCL 42-7A-8(9), 42-7A-45.

**48:02:06:04.  Penalty for late payment or insufficient funds payment.** Operators shall maintain a balance in their account in an amount to cover the state's percentage of net machine income drawn by the lottery on the dates set forth in § 48:02:06:02. Failure to maintain a balance in the account as required in this section shall result in the assessment of an interest penalty pursuant to SDCL 42-7A-45. Failure to remit full payment, including interest penalties, prior to the next payment date may result in license suspension or revocation, the imposition of civil fines, or machine disablement in preventing further play.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-4(6), 42-7A-4(12), 42-7A-8(9).

**Law Implemented:** SDCL 42-7A-8(9), 42-7A-21(14).

**48:02:06:05.  Record keeping requirements.** Operators shall retain audit information that includes an electronic or paper duplicate of all ticket vouchers and transactions required to be recorded by § 48:02:08:05(1), (2), (3), (4), (5), (6), and (9). The audit information shall be kept for a period of three years, identified by machine, and stored in a secure area.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(15).

**Law Implemented:** SDCL 42-7A-4(9), 42-7A-45.

**48:02:06:06.  Duty to notify of accounting discrepancies.** An operator shall keep accurate records of net machine income generated from each machine. The lottery shall prepare and provide to the operator a statement reflecting the net machine income and the state's percentage of that amount prior to the date payment is remitted through the electronic transfer of funds. An operator must report to the lottery any discrepancies in net machine income between the lottery's statement and each of its machine's mechanical and electronic meter readings. The lottery is not responsible for resolving discrepancies in net machine income between actual money collected and the amount shown on the accounting meters or billing statement.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(15).

**Law Implemented:** SDCL 42-7A-45.

**48:02:06:07.  Settlement of accounts.** Until an accounting discrepancy is resolved, the lottery shall make no credit adjustments. The operator shall submit to the lottery the maintenance log that includes current mechanical meter readings and the audit ticket that contains electronic meter readings generated by the machine's software for each machine that reflects a discrepancy. If the meter readings and the lottery's records cannot be reconciled, final disposition of the matter shall be determined. Upon notification to the lottery, electronic accounting meters may be cleared without a lottery employee present by a manufacturer or by a Type II technician replacing the main logic board with a board that has been previously cleared by a manufacturer. Any accounting discrepancies that cannot be resolved by reason of a violation of this section shall be resolved in favor of the state.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-4, 42-7A-21(15).

**Law Implemented:** SDCL 42-7A-4, 42-7A-21(15), 42-7A-45.

**48:02:06:08.  Manual reporting and payment may be required.** Operators shall mail and remit payment of the state's percentage of net machine if any of the following events occur:

(1)  The electronic transfer of funds is not operational;

(2)  The machine is incapable of communicating with the central computer; and

(3)  Program modifications to the accounting software are necessitated due to recurring accounting discrepancies in the lottery's statements.

The lottery shall notify operators when remittance by this method is required. Operators shall report the amount of net machine income per machine and remit payment for the state's percentage of the total amount of net machine income generated from its machines during the reporting period.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-4, 42-7A-21(15).

**Law Implemented:** SDCL 42-7A-21(15), 42-7A-45.

**48:02:06:09.  Requests of reports.** Any operator may request additional reports available on play transactions of the operator's machines and other marketing information not considered confidential by the lottery. The lottery may charge a fee for the cost of producing and mailing such reports other than the statements referred to in § 48:02:06:06.

**Source:** 16 SDR 27, effective August 18, 1989; 30 SDR 52, effective October 28, 2003.

**General Authority:** SDCL 42-7A-4(5), 42-7A-21(15), 42-7A-21(17), 42-7A-50.

**Law Implemented:** SDCL 42-7A-21(17), 42-7A-50.

**CHAPTER 48:02:07**

**GENERAL VIDEO LOTTERY MACHINE REQUIREMENTS**

Section

48:02:07:01 Video games authorized.

48:02:07:02 Application for approval of a video lottery machine.

48:02:07:03 Testing of video lottery machines.

48:02:07:04 Report of test results.

48:02:07:05 Modifications to previously approved models.

48:02:07:06 Conformity to prototype.

48:02:07:07 Operation of video lottery machines.

48:02:07:08 Confiscation and seizure of machines.

48:02:07:09 Obsolete machine designation request.

48:02:07:10 Commission consideration of obsolete machine request.

48:02:07:11 Declaration of obsolete machine.

**48:02:07:01.  Video games authorized.** Video lottery machines licensed under SDCL 42-7A may offer the following video games:

(1)  Draw poker;

(2)  Keno;

(3)  Blackjack; and

(4)  Line-up symbols and numbers.

A video lottery machine may simulate the play of one or more of the authorized video games.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-1(13).

**48:02:07:02.  Application for approval of a video lottery machine.** A manufacturer or distributor shall not distribute a video lottery machine for placement in the state unless it has been approved by the lottery. Only licensed manufacturers may apply for approval of a video lottery machine or associated equipment. The manufacturer may be required to submit two copies of machine illustrations, schematics, block diagrams, circuit analysis, technical and operation manuals, program source codes and hexadecimal dumps (the compiled computer program represented in base 16 format), and any other information requested by the lottery for purposes of analyzing and testing the video lottery machine or associated equipment.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(10), 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-40.

**48:02:07:03.  Testing of video lottery machines.** The lottery may require two working models of a video lottery machine transported to the location it designates for testing, examination, and analysis. The manufacturer shall pay all costs of any testing, examination, analysis, and transportation of the machine models. The testing, examination, and analysis of the machine models may include entire dismantling of the machine and some tests may result in damage or destruction to one or more electronic components of the machine. The lottery may require that the manufacturer provide specialized equipment or the services of an independent technical expert to test the machine.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10), 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-40.

**48:02:07:04.  Report of test results.** After each test has been completed, the lottery shall provide the machine manufacturer a report that contains findings, conclusions, and pass/fail results. The report may contain recommendations for video lottery machine modifications to bring it into compliance with SDCL 42-7A and this article. Prior to approving a particular machine model, the lottery may require a trial period to test the machine in a licensed establishment not to exceed 60 days. During the trial period, the manufacturer may not make any modifications to the machine model unless approved by the lottery. The lottery shall affix seals to each machine during the test period.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10), 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-40.

**48:02:07:05.  Modifications to previously approved models.** The machine manufacturer and distributor are responsible for the assembly and initial operation of all video lottery machines and associated equipment in the manner approved and licensed by the commission. The manufacturer and distributor may not change the assembly or operational functions of a machine for placement in the state unless a request for "modification to an existing video lottery machine prototype" is made to the commission that contains information relating to the type of change, reason for change, and all documentation required in § 48:02:07:02.

In emergency cases, if a change is necessary to prevent cheating or malfunction, temporary approval may be requested prior to submitting the request for modification to an existing video lottery machine prototype. This approval, if granted, must be followed within 15 days by a written request noting that temporary approval was given and providing all information required in this section.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10), 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-40.

**48:02:07:06.  Conformity to prototype.** Each video lottery machine licensed for placement in a licensed establishment must conform to the exact specifications of the lottery machine prototype tested and approved by the commission.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10), 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-40.

**48:02:07:07.  Operation of video lottery machines.** Each video lottery machine must at all times operate and play in accordance with the provisions of SDCL 42-7A and this article.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10), 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-40.

**48:02:07:08.  Confiscation and seizure of machines.** Any video lottery machine or modifications not approved or not discovered by the lottery at the time of licensing, which is in violation of SDCL 42-7A or this article, shall constitute cause for sealing or seizing any or all of the manufacturer's video lottery machines in use within the state that are in noncompliance.

If the lottery elects to seize or seal video lottery machines, it shall determine the type and estimated number of lottery machines not in compliance. A notice and hearing regarding violations of SDCL 42-7A and this article shall be conducted by the commission in accordance with the contested case provisions of SDCL 1-26. If seizure is effected prior to a hearing, a hearing must be conducted not less than 20 days from the date of seizure.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-36.

**48:02:07:09.  Obsolete machine designation request.** If a manufacturer cannot provide associated equipment for an approved machine, the manufacturer may request that its approved machine be declared obsolete by the commission. A request must be made in writing and include justification and information supporting the request. The manufacturer has the burden of proving an approved machine is obsolete. A request may not be made until seven years after initial approval of the machine prototype by the commission.

**Source:** 31 SDR 192, effective June 7, 2005.

**General Authority:** SDCL 42-7A-21(10)(11)(13)(17).

**Law Implemented:** SDCL 42-7A-21(10)(11)(13)(17).

**48:02:07:10.  Commission consideration of obsolete machine request.** In considering a request made pursuant to § 48:02:07:09, the commission shall utilize the services of an independent technical expert to verify the justification and information supporting the request. The manufacturer shall reimburse the lottery for all costs of any testing, examination, or analysis of the request.

**Source:** 31 SDR 192, effective June 7, 2005.

**General Authority:** SDCL 42-7A-21(10)(11)(13)(17).

**Law Implemented:** SDCL 42-7A-21(10)(11)(13)(17), 42-7A-40.

**48:02:07:11.  Declaration of obsolete machine.** After receipt and consideration of a manufacturer's request pursuant to §§ 48:02:07:09 and 48:02:07:10, the commission may, after a public hearing, declare an approved machine obsolete. For each machine declared obsolete:

(1)  The manufacturer is not subject to subdivisions 48:02:05:02(1) to 48:02:05:02(3), inclusive;

(2)  No distributor is subject to subdivision 48:02:05:03(3);

(3)  No operator is subject to subdivision 48:02:05:04(2); and

(4)  No service agent is subject to subdivision 48:02:05:04.01(2).

**Source:** 31 SDR 192, effective June 7, 2005.

**General Authority:** SDCL 42-7A-21(10)(11)(13)(17).

**Law Implemented:** SDCL 42-7A-21(10)(11)(13)(17).

**Declaratory Ruling:** The South Dakota Lottery Commission has determined, based on information filed by IGT of Rapid City regarding obsolete video lottery machines, that:

(A)  The Stipulation of the parties, which is on file in the office of the Legislative Research Council, is approved *in toto*, and the terms and conditions of the Stipulation are adopted;

(B)  That pursuant to ARSD 48:03:07:10, and subject to the terms and conditions of the Stipulation, the Commission hereby determines and declares that the VLC 8700 video lottery machine is obsolete; and

(C)  IGT shall no longer be subject to the provisions of ARSD 48:02:05:02(1) to 48:02:05:02(3), except to the extent of the terms and conditions set forth in the Stipulation.

Dated this 4th day of January, 2008.

**CHAPTER 48:02:08**

**VIDEO LOTTERY MACHINE HARDWARE AND SOFTWARE REQUIREMENTS**

Section

48:02:08:01 Hardware specifications.

48:02:08:01.01 Associated equipment list for required purchase from manufacturer or distributor.

48:02:08:02 Software requirements for randomness testing.

48:02:08:03 Software requirements for percentage payout.

48:02:08:04 Software requirements for continuation of game after malfunction.

48:02:08:05 Software requirements for play transaction records.

48:02:08:06 Software requirements of video draw poker.

48:02:08:07 Software requirements for video keno.

48:02:08:08 Software requirements for video blackjack.

48:02:08:09 Software requirements for line-up games.

**48:02:08:01.  Hardware specifications.** Each video lottery machine licensed for placement in the state must meet the following hardware specifications:

(1)  Electrical and mechanical parts and design principles may not subject a player to physical hazards;

(2)  A surge protector must be installed on the line that feeds power to the machine. The battery backup or an equivalent for the electronic meters must be capable of maintaining accuracy of all information required in SDCL 42-7A-37(5) and (6) for one hundred eighty days after power is discontinued from the machine. The backup device shall be kept within the locked logic board compartment;

(3)  An on/off switch that controls the electrical current used in the operation of the machine and any associated equipment must be located in an accessible place within the interior of the machine;

(4)  The operation of each machine may not be adversely affected by static discharge or other electromagnetic interference;

(5)  An electronic or mechanical coin acceptor may be installed on any video lottery machine approved after July 1, 2003. Each video lottery machine approved after July 1, 2003, may contain a bill acceptor that accepts one-dollar bills, five-dollar bills, ten-dollar bills, twenty-dollar bills, fifty-dollar bills, one hundred-dollar bills, and ticket vouchers. The bill acceptors may be for any single bill or combination of bills in the denominations listed in this subdivision and ticket vouchers. Approval letters and test reports of the coin and bill acceptors from other state or federal jurisdictions may be submitted. However, all coin and bill acceptors are subject to approval by the lottery;

(6)  The internal space of a video lottery machine may not be readily accessible when the front door is both closed and sealed;

(7)  Logic boards and software Eproms (computer chips that store memory) must be in a separate, locked area within the machine;

(8)  The cash compartment must be contained in a locked area within or attached to the machine;

(9)  No hardware switches may be installed that alter the pay tables or payout percentages in the operation of a game. Hardware switches may be installed to control graphic routines, speed of play, and sound;

(10)  A single printing mechanism must be capable of printing an original ticket voucher and retaining a legible copy within the machine or create an electronic copy on a self-contained internal or external medium prior to the continuation of game play. The ticket voucher must record the following information when credits accrued on the video lottery machine are redeemed for cash:

(a)  The number of credits;

(b)  The value of the credits in dollars and cents displayed in both numeric and written form; and

(c)  Any other information required by SDCL 42-7A-37(5);

(11)  An unremovable identification plate must appear on the exterior of the machine that contains the following information:

(a)  Manufacturer;

(b)  Serial number; and

(c)  Model number;

(12)  The rules of play for each game must be displayed on the machine face or screen. The lottery may reject the rules if they are incomplete, confusing, or misleading. Each game must also display the credits wagered and the credits awarded for the occurrence of each possible winning hand based on the number of credits wagered. A video lottery machine may not allow more than two dollars to be played on a game or award free games or credits in excess of one thousand dollars per bet.

All information required by this subdivision must be kept under glass or another transparent substance and at no time may stickers or other removable devices be placed on the machine face;

(13)  Equipment must be installed that enables the machine to communicate with the lottery's central computer system, as required in SDCL 42-7A-37(7), using a communications protocol provided to each licensed manufacturer by the lottery for the information and control programs approved by the commission; and

(14)  The legal age requirement in SDCL 42-7A-48 for a person to play a machine must be displayed on the machine face under glass or on an unremovable plate on the front exterior of the machine.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective October 8, 1990; 29 SDR 176, effective June 30, 2003; 37 SDR 215, effective May 31, 2011; 39 SDR 100, effective December 5, 2012; 39 SDR 220, effective June 26, 2013; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-1(16), 42-7A-21, 42-7A-37, 42-7A-38.

**48:02:08:01.01.  Associated equipment list for required purchase from manufacturer or distributor.** For each video lottery machine licensed for placement in the state, the lottery shall maintain a list of associated equipment critical to the integrity, security, and administration of the game. Associated equipment on the list must be purchased from the machine's manufacturer or distributor. Any other associated equipment may be acquired from sources not otherwise licensed by the lottery if the associated equipment and its use meets the requirements of SDCL chapter 42-7A and article 48:02.

**Source:** 31 SDR 192, effective June 7, 2005.

**General Authority:** SDCL 42-7A-21(10)(11)(13)(17).

**Law Implemented:** SDCL 42-7A-21(10)(11)(13)(17), 42-7A-37.

**48:02:08:02.  Software requirements for randomness testing.** Each video lottery machine must have a random number generator that will determine the occurrence of a specific card, a specific number, or a specific symbol to be displayed on the video screen. A selection process will be considered random if it meets the following requirements:

(1)  Each card position, each number position, or each symbol position satisfies the 99 percent confidence limit using the standard chi-squared analysis. "Chi-squared analysis" is the sum of the squares of the difference between the expected result and the observed result. "Card position" means the first card dealt, second card dealt in sequential order. "Number position" means first number drawn, second number drawn in sequential order, up to the 20th number drawn "Symbol position" means the first symbol drawn, second symbol drawn in sequential order, up to the last symbol drawn;

(2)  Each card, number, or symbol position must not produce a significant statistic with regard to producing patterns of occurrences. Each card, number, or symbol position will be considered random if it meets the 99 percent confidence level with regard to the "runs test" or any similar pattern testing statistic. The "runs test" is a mathematical statistic that determines the existence of recurring patterns within a set of data;

(3)  Each card, number, or symbol position is independently chosen without regard to any other card, number, or symbol drawn within that game play. This test is the "correlation test." Each pair of card, number, or symbol positions is considered random if they meet the 99 percent confidence level using standard correlation analysis; and

(4)  Each card, number, or symbol position is independently chosen without reference to the same card, number, or symbol position in the previous game. This test is the "serial correlation test." Each card, number, or symbol position is considered random if it meets the 99 percent confidence level using standard serial correlation analysis.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-21, 42-7A-37.

**48:02:08:03.  Software requirements for percentage payout.** Each video lottery machine must meet the following maximum and minimum theoretical percentage payout during the expected lifetime of the machine:

(1)  Video games that are not affected by player skill shall pay out a minimum of 80 percent and no more than 95 percent of the amount wagered. The theoretical payout percentage will be determined using standard methods of probability theory. For the video game of keno, the theoretical payout percentage requirements apply to each number of spots marked;

(2)  Video games that are affected by player skill, such as video draw poker and blackjack, shall pay out a minimum of 83 percent and no more than 96 percent of the amount wagered. This standard is met when using a method of play that will provide the greatest return to the player over a period of continuous play;

(3)  Manufacturers must file a request and receive approval by the commission prior to manufacturing machines for placement in the state programmed for a payout greater than 92 percent of the amount wagered. Approval must be granted prior to applying for machine testing under § 48:02:08:02 or 48:02:08:05. The commission shall consider, but not be limited to the following factors in determining approval;

(a)  The number of machines proposed for placement;

(b)  Market conditions;

(c)  Revenues in relation to net machine income for both the state and private sector operations; and

(4)  Each machine must have a probability of obtaining the maximum payout greater than 1 in 17,000,000 for each play.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-21, 42-7A-37, 42-7A-38.

**48:02:08:04.  Software requirements for continuation of game after malfunction.** Each game must be capable of continuing the current game with all current game features after a machine malfunction is cleared. This rule does not apply if a machine is rendered totally inoperable; however, the current wager and all credits appearing on the screen prior to the malfunction must be returned to the player.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-21, 42-7A-37.

**48:02:08:05.  Software requirements for play transaction records.** Each game must maintain electronic accounting meters at all times, regardless of whether the machine is being supplied with power. Each meter must be capable of maintaining totals no less than eight digits in length for the information required in subdivisions 1 to 4, inclusive, below. The electronic meters must record the following information:

(1)  Total number of coins inserted. The meter must count the total number of coins, bills, and ticket vouchers that are inserted by the player or the coin equivalent if a bill acceptor is being used;

(2)  Number of credits wagered;

(3)  Number of credits won;

(4)  Credits paid out by a printed ticket voucher;

(5)  Number of times the logic area was accessed;

(6)  Number of times the cash door was accessed;

(7)  Number of coins or credits wagered in the current game;

(8)  Number of coins or credits won in the last complete, valid game, commonly referred to as the win meter; and

(9)  Number of cumulative credits representing money inserted by a player and credits for games won but not collected, commonly referred to as the credit meter.

No game may have a mechanism by which an error will cause the electronic accounting meters to automatically clear. Clearing of the electronic accounting meters may only be completed after notification and approval by the lottery. Upon notification to the lottery, all meter readings must be recorded both before and after the electronic accounting meter is cleared by a manufacturer or by a Type II technician replacing the main logic board with a board that has been previously cleared by a manufacturer.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-21, 42-7A-37.

**48:02:08:06.  Software requirements of video draw poker.** Video lottery machines offering video draw poker games must meet the following requirements:

(1)  The logic of the hardware or software may not interfere with the approved random number generator software;

(2)  A standard deck of 52 playing cards shall be used. Jokers may be used if the payout percentages can be validated to meet the requirements of subdivision 48:02:08:03(2);

(3)  Before each deal, the deck must be shuffled randomly and frozen. All cards used for play must be taken in order from the top of the deck. The top ten cards of the deck must be stored in the nonvolatile machine memory. Nonvolatile machine memory is a device that stores information which cannot be erased or destroyed when power is disconnected to the machine. The manufacturer need not represent the whole deck in memory. "Shuffling" is the process of generating the ten cards possibly used in the play and may be conducted in any manner that satisfies the randomness tests in § 48:02:08:02;

(4)  The program must deal the first five cards in order to the player. The player must have the option to hold or discard any or all cards. Autohold features that assist players in their decision of the cards to hold and discard for the chance to obtain a winning combination may be displayed. Any cards that are discarded must be replaced by the remaining cards in the deck starting with the sixth card and drawing any additional cards in the order they are contained in the deck;

(5)  If the highest possible winning combination is obtained after the initial five cards are dealt, the machine must automatically terminate the game and credit the winnings; and

(6)  At the conclusion of each game, the machine must display the winning combination, if any, and the number of credits won.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-1(13), 42-7A-21, 42-7A-37.

**48:02:08:07.  Software requirements for video keno.** Video lottery machines offering video keno games must meet the following requirements:

(1)  Each machine must display a fixed grid of numbers not greater than 1 to 80, inclusive, on the screen for each game;

(2)  Only one keno card with the numbers may be displayed on the screen;

(3)  The player must select between two and ten numbers on the keno card. The numbers the player selects must be displayed on the screen;

(4)  The game must select numbers using an approved random number generator that meets the requirements of § 48:02:08:02. A minimum of ten numbers must be drawn per play. Each number drawn must be indicated on the screen; and

(5)  At the conclusion of the game, the screen must display all the numbers randomly drawn and those selected by the player. It must also display the total number of matching combinations from those numbers randomly drawn and those selected by the player and the credits awarded.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-1(13), 42-7A-21, 42-7A-37.

**48:02:08:08.  Software requirements for video blackjack.** Video lottery machines offering video blackjack games or variations of the games must meet the following requirements:

(1)  The logic of the hardware or software may not interfere with the approved random number generator software;

(2)  A standard deck of 52 playing cards must be used;

(3)  Before each deal, the deck must be shuffled randomly and frozen; all cards used for play must be taken in order from the top of the deck. The top 18 cards of the deck must be stored in nonvolatile memory. The manufacturer need not represent the whole deck in memory. "Shuffling" is the process of generating the 18 cards possibly used in the play and may be conducted in any manner that satisfies the randomness tests in § 48:02:08:02;

(4)  Blackjack is a game in which the player attempts, on the total sum of the face value of the cards dealt, to beat the total sum of the face value of the cards held by the dealer without exceeding a total of 21. Aces count either 1 or 11. Kings, queens, and jacks count 10. All other cards count their face value;

(5)  If the first two cards dealt to either the player or the dealer total 21, called a "blackjack," play must immediately terminate and credits, if any, must be awarded. This prohibits any "insurance" options to protect the player's hand against the chance that the dealer holds two cards that total 21;

(6)  The dealer must take additional cards if the total value of the dealer's hand does not exceed 16. In the case of a tie between the player and dealer, called a "push," the player's bet or the push hand must be returned;

(7)  The game may include the "double down," "split," and "surrender" options. The double down option may only be displayed when the first two cards dealt in the player's hand total 9, 10, or 11. The double down option allows the player to double the initial wager and receive only one additional card. The total wager for the game may not exceed $2. The split option may only appear when the first two cards dealt in the player's hand are a pair. The player may split the pair, forming two separate hands, and taking additional cards for each hand to play against the dealer's hand. The initial wager must automatically be assigned to both the hands. The wager for each hand may not exceed $2. The surrender option allows a player to give up the hand after the first two cards received for the return of one-half of the initial wager;

(8)  Any options or other winning combinations must be fully explained in the game rules on the machine face as required in subdivision 48:02:08:01(12); and

(9)  At the conclusion of the game, the machine must display the winning combination, if any, and the number of credits won.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-1(13), 42-7A-21, 42-7A-37.

**48:02:08:09.  Software requirements for line-up games.** Video lottery machines offering line-up games must meet the following requirements:

(1)  The game must select numbers, prize values, or symbols that satisfy the randomness tests in § 48:02:08:02;

(2)  The logic of the hardware or software may not interfere with the approved random number generator software;

(3)  A game may allow a player to select numbers or symbols from a fixed grid of numbers or symbols displayed on the screen. Each number or symbol selected by a player must be indicated on the screen;

(4)  The machine must draw a minimum of three numbers or symbols. Each number or symbol drawn shall be indicated on the screen. When more than one line is played during a game, each individual line that is brought into play by wagering additional credits must be clearly identified on the screen;

(5)  At the conclusion of the game, the screen must display all the numbers or symbols randomly drawn and those selected, if any, by the player. The screen must also display the winning combinations from those numbers or symbols randomly drawn and those selected, if any, by the player. Winning combinations may include matching numbers or symbols that form a vertical, horizontal, or diagonal line or other specified shape. Winning combinations may also include matching numbers or symbols that appear in any sequence or position for which credits are awarded according to game rules as required in subdivision 48:02:08:01(12);

(6)  The game may randomly draw numbers or symbols and award credits for like numbers or symbols appearing in a vertical, horizontal, or diagonal line or other specified shape. The game may also include like numbers or symbols that appear in any sequence or position for which credits are awarded according to game rules as required in subdivision 48:02:08:01(12). At the conclusion of the game, the screen shall display all winning combinations, if any, and the credits awarded;

(7)  Notwithstanding any other requirement of this section, the game may determine the outcome by randomly drawing from a predetermined pool of prize values to determine win or loss and displaying all wins as a winning combination on the screen. Each outcome contained in the predetermined pool of prize values must be available to be drawn on each play of the game.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011; 46 SDR 66, effective November 27, 2019.

**General Authority:** SDCL 42-7A-21(10).

**Law Implemented:** SDCL 42-7A-21, 42-7A-37.

**CHAPTER 48:02:09**

**TRANSPORTATION AND REGISTRATION OF VIDEO LOTTERY MACHINES**

Section

48:02:09:01 Transportation of video lottery machines into the state.

48:02:09:02 Receipt of video lottery machines in the state.

48:02:09:03 Transportation of video lottery machines between locations in the state.

48:02:09:04 Transportation of video lottery machines out of the state.

48:02:09:05 South Dakota lottery licenses required on video lottery machines.

48:02:09:06 Disposal of video lottery machines.

**48:02:09:01.  Transportation of video lottery machines into the state.** A manufacturer or distributor shipping a video lottery machine into the state shall provide the lottery in writing at time of shipment the following information on forms required by the lottery:

(1)  The full name, address, and license number of the person or entity shipping the machines;

(2)  The method of shipment and the name of the carrier, if any;

(3)  The full name, address, and license number of the person or entity to whom the machines are being sent and the destination of the machines, if different from the address;

(4)  The number of machines in the shipment;

(5)  The serial number of each machine;

(6)  The model number and description of each machine; and

(7)  The expected arrival date of the machines at their destination within the state.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-21, 42-7A-36, 42-7A-37, 42-7A-39, 42-7A-40.

**48:02:09:02.  Receipt of video lottery machines in the state.** Any person in this state who purchases a machine shall, upon receipt of the machine, provide the lottery the following information on forms required by the lottery:

(1)  The full name, address, and license number of the person receiving the machine;

(2)  The full name, address, and license number of the person or entity from whom the machine was received;

(3)  The serial number of each machine;

(4)  The model number and description of each machine;

(5)  The manufacturer of the machine;

(6)  The location where the machine will be placed and the license number of the establishment; and

(7)  The expected date and time of machine installation.

If the machine will not be placed in operation within three weeks from its receipt, the owner must notify the lottery of the address where the machine is warehoused. At the time a machine is removed from inventory and transported to another location within the state, the owner of the machine must comply with the requirements in § 48:02:09:03.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-21, 42-7A-36, 42-7A-37, 42-7A-39, 42-7A-40.

**48:02:09:03.  Transportation of video lottery machines between locations in the state.** Any person transporting a machine from one location to another in the state, other than for repair or servicing purposes, shall notify the lottery prior to the transportation of the machine and provide the following information on forms required by the lottery:

(1)  The full name, address, and license number of the person or entity transporting the machine;

(2)  The reason for transporting the machine;

(3)  The full name, address, and license number of the person or entity where the machine is currently located;

(4)  The full name, address, and license number of the person or entity to whom the machine is being sent and the destination of the machine if it is different from the address;

(5)  The serial and model number of the machine;

(6)  The lottery machine license number, if affixed;

(7)  The manufacturer of the machine;

(8)  The expected date and time of machine installation; and

(9)  The hard meter readings of the machine.

This rule does not apply to the movement of machines within the same location.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-21, 42-7A-36, 42-7A-37, 42-7A-39, 42-7A-40.

**48:02:09:04.  Transportation of video lottery machines out of the state.** Any person shipping machines out of the state shall notify the lottery in writing prior to the shipment by providing the following information on forms required by the lottery:

(1)  The full name, address, and license number of the person or entity shipping the machines;

(2)  The method of shipment and the name of the carrier, if any;

(3)  The full name and address of the person or entity to whom the machines are being sent and the destination of the machines if it is different from the address;

(4)  The serial number of each machine;

(5)  The model number and description of the machine;

(6)  The lottery machine license number, if affixed;

(7)  The manufacturer of the machine;

(8)  The expected date and time of the shipment; and

(9)  The hard meter readings of the machine.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-21, 42-7A-36, 42-7A-37, 42-7A-39, 42-7A-40.

**48:02:09:05.  South Dakota lottery licenses required on video lottery machines.** Each video lottery machine placed in operation in the state must have a lottery license affixed to it. The lottery shall issue licenses monthly to operators based on the number of machines expected for delivery. Each operator shall notify the lottery in writing of the receipt of the license. In addition to the requirements of § 48:02:09:02, operators must submit to the lottery the license number affixed to each machine. No person other than authorized lottery personnel and licensed operators may affix or remove a lottery license. The placement of the lottery license represents that the machine has been registered, inspected, and approved for operation in the state. Manufacturers, distributors, and operators must make video lottery machines and associated equipment available for inspection by the lottery. No machine may be transported out of the state until the lottery license has been removed.

**Source:** 16 SDR 27, effective August 18, 1989; 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-21(11).

**Law Implemented:** SDCL 42-7A-21, 42-7A-36, 42-7A-37, 42-7A-39, 42-7A-40.

**48:02:09:06.  Disposal of video lottery machines.** A person desiring to dispose of an unsalable or damaged video lottery machine shall notify the lottery in writing prior to disposal and provide the following information on a form obtained from the lottery:

(1)  The full name, address, and license number of the person or entity disposing of the machine;

(2)  The serial number of the machine;

(3)  The model number and description of the machine;

(4)  The manufacturer of the machine;

(5)  The terminal identification number of the machine;

(6)  The lottery machine license number, if affixed;

(7)  The hard meter readings of the machine;

(8)  The location of the machine; and

(9)  The proposed manner, time, and place of disposal.

A video lottery machine must be disposed of in a manner that makes it incapable of use or operation in any video lottery or other gaming or amusement activity. A video lottery machine may not be disposed of until approved by the lottery.

**Source:** 19 SDR 62, effective October 27, 1992.

**General Authority:** SDCL 42-7A-21(11), 42-7A-36, 42-7A-37, 42-7A-39, 42-7A-40.

**Law Implemented:** SDCL 42-7A-21.

**CHAPTER 48:02:10**

**MAINTENANCE OF VIDEO LOTTERY MACHINES**

Section

48:02:10:01 Training in machine maintenance required prior to placement.

48:02:10:02 Manufacturers and distributors required to provide training.

48:02:10:02.01 Type I technician training requirements.

48:02:10:02.02 Type II technician training requirements.

48:02:10:03 Availability of training.

48:02:10:04 Training requirements.

48:02:10:05 Operators required to have training in service and repair of video lottery machines.

48:02:10:05.01 Repealed.

48:02:10:06 Machines to be maintained in operating condition.

48:02:10:07 Maintenance log forms required.

48:02:10:08 Operators required to furnish keys to machines for inspection purposes.

48:02:10:09 Notification of repairs to the logic area.

48:02:10:10 Notification of broken seals on logic board.

**48:02:10:01.  Training in machine maintenance required prior to placement.** A video lottery machine may not be placed in operation in the state until the manufacturer or distributor provides training in the service and repair of the machine model approved under chapters 48:02:07 and 48:02:08 and the operator, its employees, or the service agents responsible for servicing the machine successfully complete the training and are approved by the lottery.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**48:02:10:02.  Manufacturers and distributors required to provide training.** Each licensed manufacturer or distributor or lottery-approved designee shall provide comprehensive training seminars in the service and maintenance of its video lottery machines approved in the state for operators, employees, and service agents applying for qualification as a Type I or Type II technician.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**48:02:10:02.01.  Type I technician training requirements.** Manufacturers and distributors must submit to the lottery for approval the following information on Type I technician training programs conducted in the state:

(1)  An outline of the training curriculum that includes the following procedures: clearing machines; clearing bill, coin, and paper jams; installing printer paper; and general operating features of the machine;

(2)  A list of the instructors and their qualifications;

(3)  Instructional materials;

(4)  The time, dates, and location of the training programs;

(5)  A written and applied procedural examination; and

(6)  A scoring system for the examination.

**Source:** 16 SDR 27, effective August 18, 1989; transferred from § 48:02:10:02, 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Note:** Education or previous training or experience in electronics or electronic machine repair is not a prerequisite for qualification.

**48:02:10:02.02.  Type II technician training requirements.** Manufacturers and distributors must submit to the lottery for approval the following information on Type II technician training programs conducted in the state:

(1)  An outline of the training curriculum that includes machine installation and enrollment, system and communications diagnostic testing, machine game and system configurations, machine auditing, replacing bill acceptors, calibrating and adjusting monitors and touchscreens, interpretation of error reports, system schematics and related problem solving, software operating systems, and an overview of basic routine maintenance and repair;

(2)  A list of the instructors and their qualifications;

(3)  Instructional materials;

(4)  The list of persons requesting Type II technician training and certification;

(5)  A written and applied procedural examination; and

(6)  A scoring system for the examination.

**Source:** 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Note:** A minimum of either an electronics technical degree from a vocational school, a two-year associate's degree in electronics, four years' experience in the electronics service field, or commensurate experience in service of video lottery machines is recommended, but not required, as a prerequisite for qualification as a Type II technician.

**48:02:10:03.  Availability of training.** Manufacturers and distributors shall notify operators who have either purchased or expressed interest in purchasing their machines at least three weeks in advance of scheduled training programs. Training programs to qualify as a Type I technician must be scheduled at locations and times within the state to accommodate persons needing training. This rule does not mandate the scheduling of training programs at the location of each business licensed as an operator. Training may be conducted at the manufacturer's and distributor's principal place of business or at other locations to accommodate persons applying to qualify as a Type I technician. Training programs to qualify as a Type II technician are held within the state of South Dakota with lottery personnel assisting the manufacturer or distributor in the training. Training for Type II technicians shall be scheduled to accommodate persons needing qualification. Manufacturers and distributors must provide subsequent training and inform operators and the lottery of new developments in the service and repair of its machines.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(11)(13).

**Law Implemented:** SDCL 42-7A-21.

**48:02:10:04.  Training requirements.** The manufacturer and distributor shall administer an examination at the conclusion of the training and recommend for qualification as a Type I technician each person who successfully completes the training. The lottery shall administer an examination at the conclusion of the training for Type II technicians and qualify each person as a Type II technician who successfully completes the training and examination. Manufacturers and distributors shall maintain a list of the names of operators, employees, and service agents who attend and successfully complete each training and shall submit the list and examinations to the lottery. The list must show the name of the person who completed the training; the type of technician; the date and location of the training; and the manufacturer's name and machine model for which training was provided.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(11)(13).

**Law Implemented:** SDCL 42-7A-21.

**48:02:10:05.  Operators required to have training in service and repair of video lottery machines.** Each business licensed as an operator and its service agents must demonstrate that they have experience in the service and repair of video lottery machines and must attend and successfully complete the training provided by the manufacturer and distributor for each machine model it purchases for placement in the state. Operators must be qualified or have an employee or service agent of the business qualified as a Type I technician to provide basic service and repair of its machines. All operators must be qualified or have an employee or service agent qualified as a Type II technician to provide service and repair of its machines. Any maintenance work that falls within the parameters of the training required of a Type II technician, as described in § 48:02:10:02.02(1), are required to be completed by a Type II technician certified to work on that manufacturer's machines. Persons qualified as a Type II technician do not need to be separately qualified as a Type I technician. Operators must file with the lottery the following information within two weeks after the operator, its employees, and its service agents qualify as a Type I or II technician:

(1)  The names of the operator, employees, and service agents who qualified and their type of classification;

(2)  The name of the manufacturer and distributor offering the course;

(3)  The manufacturer's machine models on which training for service and repair was provided; and

(4)  The date and location of the training program.

**Source:** 21 SDR 219, effective June 26, 1995; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(11)(13).

**Law Implemented:** SDCL 42-7A-21.

**48:02:10:05.01.  Deadline for qualification.** Repealed.

**Source:** 21 SDR 215, effective June 26, 1995; repealed, 37 SDR 215, effective May 31, 2011.

**48:02:10:06.  Machines to be maintained in operating condition.** Video lottery machines or associated equipment must be serviced, cleaned, and maintained to ensure continued operation.

**Source:** 16 SDR 27, effective August 18, 1989; 21 SDR 219, effective June 26, 1995.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21, 42-7A-46, 42-7A-47.

**48:02:10:07.  Maintenance log forms required.** A written maintenance log shall be kept in each video lottery machine located within the main cabinet access area. Every person, including lottery personnel, who gains entry into any internal space of a video lottery machine must sign the log, indicate the time and date of entry, indicate the mechanical meter readings, and list the areas inspected or repaired. The maintenance log forms must be obtained through the lottery and retained by operators for a period of three years from the date of the last entry. The maintenance logs must be available for inspection by the lottery upon request.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**48:02:10:08.  Operators required to furnish keys to machines for inspection purposes.** Operators must provide the lottery a master key for access into the main cabinet door of each machine placed in operation. A key for the locked logic area must be located within the interior of each machine for access and inspection by lottery officials.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**48:02:10:09.  Notification of repairs to the logic area.** Any repairs to the logic board or circuitry within the logic area must be reported by the operator to the lottery immediately upon completion of the repairs. Each operator must also submit a written report of the repairs made to the lottery within twenty-four hours. If a logic board is replaced, the report must include the serial number of the replacement board.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**48:02:10:10.  Notification of broken seals on logic board.** The software Eproms on the logic board or software access point of each machine shall be sealed by the lottery after initial inspection. Operators must inform the lottery in writing of any breaks or tears in the sealed tape noticed during routine maintenance checks that were not a result of a repair in § 48:02:10:09.

**Source:** 16 SDR 27, effective August 18, 1989; 37 SDR 215, effective May 31, 2011.

**General Authority:** SDCL 42-7A-21(11) to 42-7A-21(13).

**Law Implemented:** SDCL 42-7A-21(11) to 42-7A-21(13).

**CHAPTER 48:02:11**

**LOCATION OF MACHINES**

Section

48:02:11:01 Location of machines in establishment.

48:02:11:02 Restrictions on multiple alcoholic beverage licenses.

**48:02:11:01.  Location of machines in establishment.** All video lottery machines in licensed establishments must be physically located as follows:

(1)  In the sight and control of the owner, manager, or an employee of the licensed establishment from the location at which alcoholic beverages are dispensed;

(2)  In an area where alcoholic beverages are regularly dispensed and consumed in the ordinary and usual course of business;

(3)  In an area that ensures public access to the machines is restricted to persons legally entitled by age to be on the premises; and

(4)  In an area which is at all times monitored by the owner, manager, or employee of the licensed establishment to prevent access or play of video lottery machines by persons under the age of twenty-one.

**Source:** 16 SDR 27, effective August 18, 1989; 18 SDR 117, effective January 12, 1992; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-44.

**Law Implemented:** SDCL 42-7A-44.

**48:02:11:02.  Restrictions on multiple alcoholic beverage licenses.** Persons who hold more than one license for the on-sale consumption of alcoholic beverages may have machines placed for each license issued provided the following requirements are met:

(1)  Separate application, qualification, and fees are submitted and approved for each premises licensed for the on-sale consumption of alcoholic beverages;

(2)  Separate establishment licenses are issued by the lottery for each premises licensed for the on-sale consumption of alcoholic beverages;

(3)  Separate and distinct physical facilities are maintained and utilized for the sale and consumption of alcoholic beverages for each establishment license approved by the lottery; and

(4)  No more than one establishment license is issued to any person for the same legally described premises contained in the alcoholic beverage license.

**Source:** 16 SDR 27, effective August 18, 1989; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(16).

**Law Implemented:** SDCL 42-7A-41.

**CHAPTER 48:02:12**

**PAYMENT OF CREDITS**

Section

48:02:12:01 Payment of credits.

48:02:12:02 Method of payment.

48:02:12:03 Restrictions on payment of credits.

48:02:12:04 Redeemed ticket vouchers required to be defaced.

48:02:12:05 Liability for machine malfunction.

**48:02:12:01.  Payment of credits.** No cash or check payment for credits awarded on a video lottery machine may be made unless the ticket voucher:

(1)  Is presented on a fully legible, valid printed ticket voucher that contains the information required in SDCL 42-7A-37(5) and §48:02:08:01(10);

(2)  Is not mutilated, altered, unreadable, or tampered with in any manner;

(3)  Is not counterfeit in whole or in part; and

(4)  Is presented by a person authorized to play under SDCL chapter 42-7A and this title.

**Source:** 16 SDR 27, effective August 18, 1989; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3).

**Law Implemented:** SDCL 42-7A-21, 42-7A-34, 42-7A-37(5).

**48:02:12:02.  Method of payment.** The management of each licensed establishment shall designate employees authorized to redeem ticket vouchers during the hours of operation. Credits must be immediately paid in cash or by check when a player presents a valid ticket voucher for payment. No credits may be paid in tokens, chips, or merchandise.

**Source:** 16 SDR 27, effective August 18, 1989; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3).

**Law Implemented:** SDCL 42-7A-21, 42-7A-34, 42-7A-37(5).

**48:02:12:03.  Restrictions on payment of credits.** Establishments may only redeem ticket vouchers for credits awarded on video lottery machines located on its premises. A ticket voucher must be presented for payment before the close of business on the date the ticket voucher was printed. The lottery, the commission, and the state of South Dakota are not liable for the payment of credits on valid winning ticket vouchers.

**Source:** 16 SDR 27, effective August 18, 1989; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3).

**Law Implemented:** SDCL 42-7A-21, 42-7A-34.

**48:02:12:04.  Redeemed ticket vouchers required to be defaced.** All ticket vouchers redeemed by a licensed establishment must be marked or defaced in a manner that prevents any subsequent presentment and payment.

**Source:** 16 SDR 27, effective August 18, 1989; 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3).

**Law Implemented:** SDCL 42-7A-21, 42-7A-34.

**48:02:12:05.  Liability for machine malfunction.** The lottery, the commission, and the state of South Dakota are not responsible for any machine malfunction that causes credits to be wrongfully awarded or denied to players. The operator or owner of the video lottery machine is solely responsible for any wrongful award or denial of credits. An operator or owner's liability is limited to the number of credits for the game displayed in the game rules and may not be greater than $1,000 for any succession of games played.

**Source:** 16 SDR 27, effective August 18, 1989.

**General Authority:** SDCL 42-7A-21(12).

**Law Implemented:** SDCL 42-7A-21(12).

**CHAPTER 48:02:13**

**VIDEO LOTTERY MACHINES ON INDIAN RESERVATIONS**

Section

48:02:13:01 Placement of video lottery machines on Indian reservations authorized.

48:02:13:02 Payment to tribal governments.

48:02:13:03 Accounting records made available.

48:02:13:04 Transfer of funds.

**48:02:13:01.  Placement of video lottery machines on Indian reservations authorized.** Video lottery machines may be placed and operated within the exterior boundaries of Indian reservations in the state. The placement and operation of any video lottery machine is subject to the provisions of this article, SDCL chapter 42-7A, and the terms of the compacts made between the respective tribal governments and the state pursuant to the authority contained in the federal Indian Gaming Regulatory Act, 25 U.S.C. § 2710(3)(A) (1988).

**Source:** 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-19.1, 42-7A-49.

**Law Implemented:** SDCL 42-7A-19.1.

**Note:** Executed state-tribal compacts under the federal Indian Gaming Regulatory Act are filed with the Secretary of State.

**48:02:13:02.  Payment to tribal governments.** The lottery shall pay to each tribal government 50 percent of the state's share as established in § 48:02:06:02 of net machine income generated from all machines located within the exterior boundaries of its reservation.

**Source:** 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-19.1, 42-7A-45, 42-7A-49.

**Law Implemented:** SDCL 42-7A-19.1.

**48:02:13:03.  Accounting records made available.** The lottery shall make available to each tribal government an accounting record of video lottery transactions on machines located within its jurisdiction.

**Source:** 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-19.1, 42-7A-49.

**Law Implemented:** SDCL 42-7A-19.1.

**48:02:13:04.  Transfer of funds.** The lottery shall remit to the tribal governments only the amount collected under § 48:02:13:02. The lottery shall transfer funds to the person or entity designated in the agreement negotiated between each tribal government and the state under § 48:02:13:01. The lottery is not a party to nor liable under any agreement entered into between the tribal government and a licensed operator for any additional percentage share of net machine income.

**Source:** 17 SDR 51, effective October 8, 1990.

**General Authority:** SDCL 42-7A-19.1, 42-7A-45, 42-7A-49.

**Law Implemented:** SDCL 42-7A-19.1.

**Note:** Executed state-tribal compacts under the federal Indian Gaming Regulatory Act are filed with the Secretary of State.

**CHAPTER 48:02:14**

**TICKET IN TICKET OUT**

# Section

48:02:14:01 Payment by ticket voucher.

48:02:14:02 Ticket voucher -- Required information.

48:02:14:03 Online ticket voucher redemption.

48:02:14:04 Online ticket voucher issuance.

48:02:14:05 Offline ticket voucher issuance.

48:02:14:06 Ticket voucher-out log.

**48:02:14:01.  Payment by ticket voucher.** A video lottery machine may only issue a ticket voucher when the machine is linked to a computerized validation system connected to a central gaming system that reports all transactions. The video lottery machine may accept payment by ticket voucher as a method of credit redemption when:

(1)  The video lottery machine is linked to a computerized validation system for the validation of the voucher; and

(2)  An approved alternation method that includes the ability to identify duplicate vouchers is used.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3)(17).

**Law Implemented:** SDCL 42-7A-37.

**48:02:14:02.  Ticket voucher -- Required information.** Ticket vouchers must contain the following information:

(1)  Establishment name and video lottery establishment number;

(2)  Video lottery machine serial number;

(3)  Date and time ticket voucher issued;

(4)  Value of credits in dollars and cents in alpha and numeric form;

(5)  Voucher sequence number;

(6)  Validation number, which must appear on the leading edge of the ticket voucher;

(7)  Bar code or any machine-readable code representing the validation number;

(8)  Whether the voucher is a duplicate, assuming a duplicate voucher may be printed by the video lottery machine;

(9)  Type of transaction or other method of differentiating voucher types; and

(10  An expiration period from date of issue or date the voucher will expire.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3)(17).

**Law Implemented:** SDCL 42-7A-37.

**48:02:14:03.  Online ticket voucher redemption.** Ticket vouchers may be accepted by a video lottery machine connected to a validation system, provided that no credits are issued to the video lottery machine prior to confirmation of ticket voucher validity.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3)(17).

**Law Implemented:** SDCL 42-7A-37.

**48:02:14:04.  Online ticket voucher issuance.** When a video lottery machine issues a printed ticket voucher, the machine must support the transmission of the following information on each ticket voucher issued:

(1)  Value of credits in dollars and cents in alpha and numeric form;

(2)  Time of day the ticket voucher was printed in twenty-four hour format showing hours and minutes;

(3)  Date indicated by the day, month, year format;

(4)  Video lottery machine serial number; and

(5)  Validation number.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3)(17).

**Law Implemented:** SDCL 42-7A-37.

**48:02:14:05.  Offline ticket voucher issuance.** A video lottery machine may only issue ticket vouchers after an identified loss of communication with the validation system if:

(1)  The video lottery machine does not issue more offline ticket vouchers than it has the ability to retain and display in the ticket voucher-out log;

(2)  The video lottery machine does not request security validation codes used in the issuance of ticket vouchers until all outstanding offline voucher information has been fully communicated to the voucher validation system;

(3)  The video lottery machine requests a new set of security validation codes, if the current list of codes has the possibility of being compromised;

(4)  The security validation codes are not viewable through any display supported by the video lottery machine; and

(5)  An offline authentication identifier is included on the ticket voucher.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3)(17).

**Law Implemented:** SDCL 42-7A-37.

**48:02:14:06.  Ticket voucher-out log.** A video lottery machine must have the ability to retain information on the last twenty-five ticket vouchers issued in a voucher-out log. The voucher-out log must contain the following information for each recorded voucher:

(1)  Value of credits in dollars and cents in alpha and numeric form;

(2)  Time of day the ticket voucher was printed in twenty-four (24) hour format showing hours and minutes;

(3)  Date in month, day and year;

(4)  Video lottery machine serial number; and

(5)  Validation number.

**Source:** 49 SDR 51, effective November 27, 2022.

**General Authority:** SDCL 42-7A-21(3)(17).

**Law Implemented:** SDCL 42-7A-37.