



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2022 Quarter 1 (July 1, 2021 – September 30, 2021)
(20 ILCS 1605/9.1)*

Respectfully submitted to:

**Illinois Governor JB Pritzker
Senate President Don Harmon
Senate Republican Leader Dan McConchie
House Speaker Emanuel "Chris" Welch
House Republican Leader Jim Durkin**

The Illinois Lottery – Private Management Current Status

In FY22, Camelot Illinois' ("Camelot") approved annual business plan ("Plan") projected an operating revenue of \$3.357 billion and an operating income of \$799 million. The FY22 Plan operating revenue is a 2.7% decrease from the \$3.450 billion generated in FY21. The decrease takes into account the expected softening of the "COVID Effect" and the anticipated performance of our multi-state games, Mega Millions and Powerball, not including extremely large jackpot rolls, both which helped drive FY21 performance. The operating income projection is a 3.0% increase from the \$776 million earned in FY21. Operating income is expected to increase in FY22 largely due to improved prize liability management in our Pick games. The FY22 Common School Fund obligation is \$775.0 million.

FY22 Q1 operating revenue was \$868 million which was 8.8% higher than the FY21 Q1 operating revenue of \$788 million and 6.2% higher than the FY22 Q1 Plan target of \$807 million. Contributions to the Common School Fund in FY22 Q1 were \$165 million, up 28% from FY21 Q1 contributions. FY22 Q1 operating income was \$212 million which was 27.4% higher than the FY21 Q1 operating income of \$168 million and 13.8% higher than the Plan target of \$188 million.

In FY22 Q1, The Department has seen strong multi-state game sales which included a \$432 million Mega Millions jackpot roll series that ended on September 21, 2021. At the end of Q1, Mega Millions was \$2.7 million above Plan and Powerball was \$11.2 million above Plan¹.

The Department is continuing to monitor the performance of its new Fast Play game in retail stores. The game was introduced to expand our draw game portfolio, expand our player base and to offer a different play experience to our players. The game has been in the market for one year with sales performing above budget for the first 6 months post-launch. However, sales began to soften in Q4 of FY21 and this has continued into Q1 of FY22, falling behind budget. To help improve Fast Play engagement, Camelot is working to launch new games into market more quickly and to bring Fast Play to the iLottery platform in FY22.

Q1 marketing efforts continued to focus on our new instant and draw game marketing platforms with the instant platform launching in June 2021. Discussions about participating in Dick Clark's 2022 Powerball First Millionaire of the Year began in Q1 as well as a continuation of the Pick campaign "Every Number Has a Story" with NBA hopeful, Ayo Dosunmu. The Pick campaign was also redeployed for use with the Chicago Bulls and White Sox. In August 2021, the Lottery sponsored and participated in the Illinois State Fair, after the State Fair was cancelled in 2020 due to the COVID-19 pandemic. Q1 media shifted more towards flexible media channels like Digital Out-Of-Home, display and social as media consumption was expected to continue to change due to the status of the pandemic.

¹ Multi-state games are budgeted for total annual sales utilizing historical jackpot performance along with any current year known changes positive or negative. The total sales amount is then divided by the number of draws in a given year and allocated by the number of draws in a given month.

The four FY22 core objectives of the business plan are:

1. Maintain flexibility in a rapidly changing operating environment, including changes created from the ongoing Covid-19 pandemic.
2. Modernize the Illinois Lottery portfolio through game adjustments, new games, and omni-channel experiences.
3. Establish and invest in retail best practices.
4. Continue to grow playership and responsibly engage players on the Illinois Lottery iLottery platform.

The five FY22 Initiatives of the business plan are:

1. Retail Expansion. Expand retail by expanding into Walmart and focusing on the recruitment of independent retailers
2. Retail Improvement. Improve retail performance by implementing best practices
3. Innovation. Introduce new game innovation with Fast Play Online and Scan-N-Play for retail
4. Portfolio Modernization. Add 3rd drawing to Powerball and improve Pick Game profitability
5. iLottery Growth. Attract new players, increase sales, offer new gameplay and player engagement

The Department and Camelot utilize the Plan’s core objectives and initiatives to guide decision making throughout the year.

Overall Sales and Transfers to Good Causes

FY22	Sales Revenue	Transfers to Common School Fund²	Transfers to Capital Projects Fund	Transfers to Special Causes
Q1	\$859.3 M	\$165.0 M	-	\$3.1 M
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-
Total	\$859.3 M	\$165.0 M	-	\$3.1 M

² Transfers to the Common School Fund (CSF) are made based upon net income available to transfer.

Specialty Cause Detail

Specialty Ticket Cause	FY22 Transfers thru Q1
Veterans	-
Ticket for the Cure	\$78,152
Red Ribbon Cash	\$818,508
The MS Project	\$86,077
Special Olympics	\$32,081
Police Memorials	\$642,996
Homelessness Prevention	\$1,040,480
Alzheimer's Awareness	\$402,764
STEAM	-
Total	\$3,101,058

iLottery Program

HB 3661 passed the Legislature in Spring 2019 and was signed by Gov. JB Pritzker on June 28, 2019. The bill extends the iLottery program through FY22 and allows the Lottery to offer Lucky Day Lotto, Pick 3, and Pick 4 through the program without a subscription. The Department and Camelot believe that iLottery channel is important to grow a modern and sustainable lottery and continue to focus on growth in this area.

iLottery sales in FY22 Q1 were almost \$48 million, 41.2% higher than FY21 Q1 sales and 9.1% over Plan. Discussions continue regarding launching Fast Play online on the iLottery platform.

FY21	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$43.3	\$4.4	\$47.7
Q2	-	-	-
Q3	-	-	-
Q4	-	-	-
Total	\$43.3	\$4.4	\$47.7

Responsible Gaming

Throughout the first quarter of fiscal year 2022, Illinois Lottery's responsible gaming efforts were focused on strengthening its responsible gaming program, bolstering responsible gaming education programs, and working towards advancing our Level 3 certification to a Level 4 certification under the World Lottery Association (WLA) Responsible Gaming Framework.

Research

In fall of 2021, the Illinois Lottery conducted phase 1 of a responsible gaming Mystery Shopper pilot at retail locations across the State. The pilot intended to capture information to measure and support efforts to provide information and support to retailers about the Lottery's responsible gaming program. Mystery shoppers were asked to collect data regarding the:

1. Enforcement of the policy to ID any Lottery customer who appears age 25 or younger.
2. Availability of the Be Smart, Play Smart® Responsible Gaming Guide (Guide) in the play slip holder or a location that is easily accessible by the retail customer.
3. Ability of the retail clerk to direct individuals to at least one problem gambling resource.

Mystery shopper recruitment was significantly affected by the COVID – 19 pandemic; however, a small group of shoppers were deployed. The resulting data provided a helpful information baseline, and the following future opportunities were identified:

1. To address the low number of shoppers able to locate the Guide at retail, the cover of the Guide is being redesigned to improve its visibility from the play slip holders.
2. Lottery Sales Representative outreach efforts have been reinforcing the importance of the Guides and working to improve the availability of the Guides in retail locations.

Game Design

The Illinois Lottery created a process to evaluate the impact of new games once introduced in-market, in relation to responsible gaming. The process covers:

1. Games offering new play styles
2. Existing games with significant changes to the mechanics
3. Games made available through new sales channels

Following the launch of a new game, the following metrics are monitored and tracked:

- Data from the Illinois Problem Gambling Helpline and the Illinois Player Hotline
- Available player behavior information and feedback (via social channels and the Player Hotline)

In the event the post-implementation review indicates any impact in relation to problem gambling, the Lottery will review the findings to determine whether a remediation plan should be implemented, including:

- Revising marketing efforts for the new game
- Implementing additional responsible gaming controls, such as purchase limits or blackout periods during which the new game is unavailable for purchase
- Additional communications to players and retailers around responsible play in relation to the new game

Player and Retailer Education

Throughout the 2021 holiday season, the Illinois Lottery joined with the National Council on Problem Gambling and the International Centre for Youth Gambling Problems and High-Risk Behaviors at McGill University to promote the message that lottery tickets are not suitable gifts for children. The “Gift Responsibly” campaign included:

- A press release issued jointly with the Illinois Council on Problem Gambling encouraging responsible gift giving.
- Social media messaging on Lottery social channels featuring the Gift Responsibly message.
- PSAs played by radio media partners including WPNV 106.3 FM and WVON 1690 AM.
- Targeted print and digital advertisements displayed by at least 10 media partners.
- A Gift Responsibly reminder played on customer facing ESMM screens at retail.
- Gift Responsibly messaging sent to players via the December digital player newsletter.
- Photon messages sent to retailers with reminders that everyone who purchases a lottery ticket or redeems a lottery prize must be at least 18 years of age.

Gift Responsibly messages sent to retailers via the Lottery Lowdown and the December Lottery Insider digital newsletter.

Business Enterprise Program (BEP) Spending

The Private Management Agreement encourages Camelot Illinois to maintain a goal that awards at least 20 percent of the spend in marketing, advertising, and shipping/freight businesses to minority owned businesses.

For FY22, the total budgeted spend by Camelot in these areas is anticipated to be \$33,400,000 resulting in a BEP goal of \$6,680,000 for FY22. Therefore, in FY22 Q1, Camelot achieved 33% of the spend goal for the full fiscal year.

FY22	BEP Spend
Q1	\$2,224,167
Q2	-
Q3	-
Q4	-
Total	\$2,224,167³

³ This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program's BEP Compliance Module as of 2-16-2022