

Illinois Lottery Control Board
Open Meeting Minutes
Wednesday, January 26, 2022, via WebEx

Board Members:

- Diana Sheehan, Board Chair
- Sarah Alter, Board Member
- Alejandra Garza, Board Member

Lottery Staff:

- Harold Mays, Acting Director
- Scott Gillard, Chief of Staff
- Meghan Powers, Director of Communications
- Carol Radwine, Chief Financial Officer
- Joe Weiss, Sales Manager
- Amber Chappell, Finance Manager
- Peter Romano, Labor Relations/HR Manager
- Matthew Bell, Operations & Technology
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Keith Horton, General Manager/General Counsel
- Andrew Lang, VP Finance
- Marissa Zimmerman, VP Marketing
- James Bickford, Chief Commercial Officer
- Emilia Mazur, VP Corporate Affairs
- Ashley Urisman, Regulatory Affairs Manager
- Kelsey Young, VP Strategy

Other Attendees:

- Paul Haberstock, member of the public
- Matthew Block, Scientific Games
- Kathy Gilroy, member of the public
- Mitchell Armentrout, Chicago Sun-Times
- Nicole Davis, member of the public

CALL TO ORDER/ROLL CALL

Diana Sheehan, Board Chair, welcomes everyone and meeting is called to order at 1:35pm with above board members present to meet a quorum. Lottery and Camelot Staff are introduced.

PUBLIC COMMENT

No public comment

OLD BUSINESS

- *Approval of Minutes*
Board members vote and unanimously approve and pass the 10/27/2021 minutes of the Lottery Control Board meeting.

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DIRECTOR'S REPORT

- *Executive Summary - Keith Horton*

Lottery had \$1.7 Billion in sales in first half of fiscal year. Challenges expected for the 3rd quarter and the remainder of the year due to challenges with the pandemic and with staffing shortages with retailers. The Lottery remains ahead of budget.

- *Sales Performance Q1 Sales (July- December) - Andrew Lang*

1. Overall sales are up 6.1% versus last year and ahead of budget by 3.8 %. Growth in both retail and online channels.
2. Instant weekly sales above \$40 Million a week with sales up from both FY21 and FY 22 with some softening due to economic factors. Sales less prizes are up \$29 million versus last year.
3. Draw based games are at \$611 Million nearly 90% up versus last year and just under 4% versus budget. Sales without the Mega or Powerball jackpots are at \$15 to \$20 Million a week. Sales have softened as players reduced their spend on core games because of the economic environment.
4. iLottery sales are performing well at over \$3 Million a week helped by the Powerball roll. The launch of Fast Play Online along with a user-friendly app also contributed.

Questions and Comments:

Board member, Sarah Alter, asked if there is any research done on the profile of the community where there has been a growth in online sales. Andrew Lang stated that the high jackpots helped in bringing new players onboard. The Lottery continues to push the overall player base by retaining those we do have and trying to acquire new ones. James Bickford stated that smart media buying is getting a good return on investment through new data tools and allows players to come naturally and offer players a fun and safe environment to play our games.

Board Chair Diana Sheehan asked if a game like Keno could be offered to increase draw-based games sales when there are no high jackpots. Andrew Lang stated that it would help but regulatory wise, it is not available in Illinois. Lottery continues to offer a great range of products to give players more choices.

- *Finance – Amber Chappell*

1. YTD Sales Revenue by Game has a total of \$836,755,866. Sales are up year over year with Lotto and Lucky Day Lotto being flat and the Pick games being slightly down. Both Powerball and Mega Millions saw an uplift in sales due to high jackpots.
2. Profit and Loss statement for FY22 has an operating income of \$407,675,086 which is 24% of sales that we are contributing back to the state for the causes we support.
3. The prescribed transfer amount for the Common School and Capital Projects fund for FY22 is \$775 Million. In FY22, as of 12/31/2021, the department has transferred \$364.3 Million which is 47% of the prescribed amount leaving \$410.7 Million left to be transferred for the remainder of year to meet our goal. The Lottery is currently on target to meet the prescribed amount.

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4. As of 12/31/2021, the Lottery has transferred \$73.9 Million overall during the life of the specialty ticket causes. Of this, \$5.1 Million has been transferred in FY22.

Questions and Comments:

Board Chair, Diana Sheehan, asked if there is any remediation or tweaks that must be made to meet the prescribed amount. James Bickford stated despite headwinds with retailer staffing shortages and supply chain, Camelot is following and sticking to its current business plan.

Board Chair Sheehan also asked if the supply chain implications are hitting Lottery directly. James Bickford stated that the impact is more so with the smaller independent store and smaller chains. Retailers are learning to manage business with less staff.

Board member, Alejandra Garza, asks if there is a marketing move to add transfers to the specialty ticket STEAM grant which is at \$0 for FY21. Amber Chappell stated that Lottery no longer has that cause in our statute.

- *Advertising & Marketing – Marissa Zimmerman*

1. Brand tracking for two Instant Platform campaigns were conducted for ***Extreme Cash and Gold & Silver***. The results proved that humor plays a large part in a campaign's ability to grab the viewer's attention. Metrics looked at are campaign recall, liked/loved campaign, intend to buy a ticket, easy to recognize as ad for the Illinois Lottery.
2. Media spend continues with a majority in paid social and digital display to reach consumers where they are.
3. October 2021-holiday tickets launched, final push for rolling jackpots, and continued support in New Year's Eve Powerball promotion.
4. November 2021-support of Holiday Instants continues, Fast Play launched, and retail activation supporting ways to gift Instant tickets.
5. December 2021-continued support for Holiday Instants, rolling jackpots, launch of pick support highlighting win belief.
6. January 2022 launches: Multiplier family, Dream Ranger campaign, Pick support highlighting Chicago Bulls.
7. iLottery-total revenue through week 29 is at \$123 Million, 42% growth vs prior year. Player retention has been successful within the past months.

Questions and Comments:

Board member, Alejandra Garza, commented that she is a fan of Claude the hamster used in one of the Illinois Lottery commercials and congratulates Camelot. Board member Garza also asks if tracking was done on the selling potential based on that one ad and would like to see some numbers. Marissa Zimmerman stated that preliminary results show it performed well and people found it charming and appealing and will provide numbers when available.

Board Chair Sheehan asks if there is a thought in using the hamster in other areas besides the holidays.

Marissa Zimmerman stated they have held him back specifically for the holidays and if used more frequently it will diminish the effect.

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Board member, Alejandra Garza, asks if there will be a campaign using the worldwide sporting event of the World Cup. James Bickford stated that there is not a budget
Board chair Sheehan asks what the strategies are bringing in new players. James Bickford states the contribution factors are variety of games and having a safe, fun, and exciting environment to play in.

- Retail/Promotions Update – James Bickford
 1. Circle K’s loyalty program has been extended until June 30, 2022(buy 5 Instants to receive free \$1 ticket). Lottery partnered with their online loyalty club.
 2. Merging a digital environment into a retail environment is how the Lottery is working with its key accounts.
 3. The Walmart expansion roll out is nearly complete. Training will be reinforced at all the new stores to make sure it is up to standard.
 4. Lottery has opened 61 Independent retailers, 5 Independent retailers are pending installations, 52 applications are in process and 9 applications have been denied.

Questions and Comments:

Board Chair Sheehan asked if we are staying net positive on retail. James Bickford stated that Lottery remains at a network of 7,220 retailers when last year we had 7,000.

- *Public Relations and Responsible Play - Emilia Mazur*
 1. PR continues focus on drive win belief. Winning storytelling based on several Lotto and Lucky Day Lotto jackpot winners in different parts of Illinois.
 2. An Illinois resident was in the final drawing for the New Year’s Eve Dick Clark promotion where she had a chance to win \$1 Million.
 3. Illinois Lottery partnered with Mariano’s and with the Boys & Girls Club alliance to host a toy drive. Anyone over the age of 18 that donated a gift received a free holiday ticket.
 4. Almost 300 toys were collected, and Illinois Lottery matched that donation making 600 toys available to the boys and girls club.
 5. Responsible play included a redesign of the Be Smart, Play Smart brochure making it more visible for players in the stores.
 6. Gift responsibility campaign stressed that Lottery tickets are not suitable gift for children.

Questions and Comments:

Board member Garza asked if there is a Back-to-School campaign in the works.
Emilia Mazur stated that they have begun to brainstorm ideas.

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- *Director's Comments - Harold Mays*

The director thanks the board, and members of the public for their participation in today's meeting. He thanked new member of the public, Nicole Davis for joining. Addressing Board Sheehan's question on the department's draw-based game portfolio, the Director stated that in addition to constantly looking for possible new additions to the portfolio, we implemented some changes in 2021. Those include adding a 3rd draw to Powerball and making changes to the Lotto game and Pick games that have been favorable.

1. There are no major staff changes since the last meeting.
2. Camelot and the department will begin its FY23 business planning process soon and will keep the board abreast of any progress and opportunities for their involvement.
3. Spring legislative agenda continues with the extension of the iLottery program and the addition of e-Instants. We are also proposing changes to the Sports Wagering Act that was passed in 2019.
4. Audit update-The department is nearing the end of FY21 financial and compliance audit with the Office of the Auditor General. The final report will be shared with the board.
5. 2 Specialty tickets were launched for breast cancer programs and veterans support programs. Over the next three months, two tickets will launch, Special Olympics and Multiple Sclerosis.

The director comments on a strong first half of the year and an extraordinary FY21. The second half will be challenging but the Lottery is positioned to meet the anticipated headwinds and have a strong year. He thanks the Board Members for their support and guidance.

ADJORNMENT

With all business concluded, motion to adjourn was given at 2:52pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,
Nora Iniguez/LCB Secretary