



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2021 Quarter 3 (January 1, 2021 – March 31, 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 FY21, Camelot Illinois' ("Camelot") approved annual business plan ("Plan") projects to deliver an operating revenue of \$3.139 billion and an operating income of \$745 million. FY21 Q3 operating revenue was \$943.7 million which was 19% higher than the FY21 Q3 plan target of \$793.6 million. FY21 Q3 operating income was \$236.6 million, 26% higher than the FY21 Q3 Plan target of \$187.9 million. Contributions to the Common School Fund in FY21 Q3 were \$190.0 million, totaling \$521.9 million or 68% of the prescribed amount for FY21¹. When comparing to FY20, FY21 Q3 operating revenue stated above was 36% higher than the same quarter of FY20 when operating revenue was \$692.7 million. FY21 Q3 operating income stated was 52% higher than the same quarter of FY20 when operating income of \$155.9 million.

Draw based games saw a large increase in sales in FY21 Q3 with \$363.4 million, a 40.0% increase from the FY21 target of \$259.5 million. This increase was largely due to the jackpot performance of the multi-state games. Mega Millions and Powerball outperformed Plan by approximately \$42.7 million and \$24.3 million, or 142.2% and 81.9% respectively. The performance is mostly attributed to the \$730 million Mega Millions jackpot and the \$1 billion Powerball jackpot won in January. Due to the unpredictable nature of the jackpots for the multi-state games, quarterly budgeted sales do not account for large sales increases associated with large jackpot runs. Additionally, the Department continued to see favorable Pick game sales which outperformed plan by approximately \$35.3 million, or 25.5% compared to Plan and saw strong instant ticket performance outperforming Plan by approximately \$45.9 million, or 8.6% compared to Plan.

Lottery sales have remained strong throughout the United States during the COVID-19 pandemic, and Illinois Lottery sales have followed this trend. Factors such as increased discretionary income and fewer alternative entertainment options may have contributed to stronger Lottery sales.

The agency received many media stories and positive press surrounding the high jackpots. Q3 marketing and communications also focused on implementing the Willy Wonka Golden Ticket campaign and retail promotions. In late March, the Illinois Lottery introduced some renovations to the Lotto game. The price per ticket changed from \$1 to \$2 and players were given better odds and more chances to win \$1 million. The Lottery actively promoted the changes and received some positive earned media from it.

The year continues to follow the three core objectives of the business plan:

- 1. Protecting the player base** by minimizing player attrition in retail while maintaining and acquiring new digital players.
- 2. Demonstrating cost and margin consciousness** across the business to maximize contributions to the Common School Fund and other good causes.
- 3. Setting the foundation for a new generation of player growth** in FY22 and beyond.

¹ These amounts are prior to year-end adjusting entries in accordance with the PMA true up process.

Overall Sales and Transfers to Good Causes

Below are the FY21 sales and transfers to good causes through Q3:

FY21	Sales Revenue	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes
Q1	\$786.1 million	\$155.9 million	-	\$2.7 million
Q2	\$810.7 million	\$176.0 million	-	\$2.6 million
Q3	\$942.0 million	\$190.0 million	-	\$2.2 million
Q4	-	-	-	-
Total	\$2,538.8 million	\$677.9 million²	-	\$7.5 million

Specialty Cause Detail

Specialty Ticket Cause	FY21 Transfers thru Q3³
Veterans	\$ 1,323,952
Ticket for the Cure	\$ 566,342
The MS Project	\$ 668,794
Red Ribbon Cash	\$ 561,681
Special Olympics	\$ 765,702
Police Memorials	\$ 562,834
Homelessness Prevention	\$ 1,057,657
Alzheimer's Awareness	\$ 845,662
STEAM	\$ 1,106,061
Total	\$ 7,458,685

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

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.

The iLottery channel continued to see success and increased activity. iLottery sales in Q3 FY21 were \$53.5 million, \$14.5 million more than in Q2. FY21 Q3 iLottery sales were 45% higher than the FY21 Q3 Plan and 155% higher than FY20 Q3 iLottery sales.

FY21	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$30,197,820	\$3,795,415	\$33,993,235
Q2	\$35,252,583	\$3,718,629	\$38,971,212
Q3	\$49,041,460	\$4,409,161	\$53,450,621
Q4	-	-	-
Total	\$114,491,863	\$11,923,205	\$126,415,068

Responsible Gaming

In Q3, the Illinois Lottery received results from the 2020 Positive Play survey commissioned through an external research agency GamRes Limited. The results provided helpful insight into the Lottery's player base and their overall levels of responsible gambling behaviors and beliefs. Key takeaways from the survey results include:

- Most players scored high on:
 - **Personal Responsibility** - the extent to which a player considers how much money and time they should spend gambling
 - **Honesty and Control** - how honest players are with others about their gambling and how in control of their behavior they feel
- Approximately 40% of players surveyed could benefit by understanding **Pre-Commitment** - the extent to which a player considers how much money and time they should spend gambling
- The lowest scoring subscale was **Gambling Literacy** - the extent to which a player has an accurate understanding about the nature of gambling
- Younger players (18-34) scored lower in all subscales, with Gambling Literacy and Pre-Commitment being the lowest.

The Illinois Lottery will integrate the results of the 2020 Positive Play survey into its overall responsible gaming approach. Planned next steps include looking for opportunities to:

- Improve the gambling literacy of Illinois Lottery players as part of RG communications
- Incorporate "social proof" methodology to influence positive play (i.e. communicating common behaviors of the majority of players)
- Increase focus on improving gambling literacy and pre-commitment amongst younger players (18-34) through player education messages via social media.

During March 2021, the Illinois Lottery launched a statewide Problem Gambling Awareness campaign in support of the National Council on Problem Gambling's grassroots awareness efforts. The Illinois Lottery campaign helped to increase public awareness of problem gambling and highlighted available treatment and recovery services in Illinois. The campaign included the following elements:

- Social media messaging on the Lottery's social channels (including Facebook, Instagram, and Twitter)
- Printed articles promoting gambling literacy in publications throughout Illinois
- Problem gambling awareness messaging on OOH billboards in Springfield, IL
- Targeted player messaging through the monthly digital player newsletter
- Radio public service announcements.

The Illinois Lottery is Level 3 certified by the World Lottery Association under its Responsible Gaming Framework and maintains memberships with the National Council on Problem Gambling, Illinois Council on Problem Gambling, and the Illinois Alliance on Problem Gambling.

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 FY21, the total budgeted spend by Camelot in these areas was anticipated to be \$31,600,000, resulting in a BEP goal of \$6,320,000 for FY21. Camelot's BEP spend in FY21 was \$2,434,178, Q2 for Q1, \$2,350,849 for Q2, and \$2,329,552 for Q3. Thus, the total amount year to date of BEP spend for the first 3 quarters was \$7,114,579. Therefore, Camelot has already surpassed the yearly goal of \$6,320,000 by \$794,579.

FY21	BEP Spend
Q1	\$2,434,178
Q2	\$2,350,849
Q3	\$2,329,552
Q4	-
Total	\$7,114,579³

³ This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program's BEP Compliance Module as of 10-15-21