



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2021 Quarter 4 (April 1, 2021 – June 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 FY21, Camelot Illinois' ("Camelot") approved annual business plan ("Plan") projected an operating revenue of \$3.139 billion and an operating income of \$745 million. Unaudited year-end results show an operating revenue of \$3.448 billion and an operating income of \$776 million. FY21 Q4 operating revenue was \$910.6 million which was 11% higher than the FY21 Q4 plan target of \$823.3 million. FY21 Q4 operating income was \$204.0 million, 4% higher than the FY21 Q4 Plan target of \$196.4 million. Contributions to the Common School Fund in FY21 Q4 were \$240.6 million, totaling \$762.5 million for the year, equaling the prescribed contribution amount for FY21¹. When comparing to FY20, FY21 Q4 operating revenue was 14% higher than the same quarter of FY20 when operating revenue was \$796.2 million. FY21 Q4 operating income was 12% lower than the same quarter of FY20 when operating income of \$230.9 million.

During Q4, instant ticket sales were the greatest of all quarters in FY21 with sales of \$599.7 million, a 10.9% increase from the goal of \$540.7 million. Additionally, sales of draw-based games remained strong in Q4 achieving total sales of \$309.6 million, a 9.9% increase from the goal of \$281.6 million. The increase in draw-based game sales was due to continued strong performance of the Pick games, which outperformed Plan by approximately \$40.2 million during this time, or 27.7% increase from the goal of \$145.3 million.

Q4 was an active month for marketing and communications campaigns. Marketing efforts at the beginning of Q4 continued to support the Willy Wonka ticket and Lotto game renovation. In May, marketing support transitioned to the Extreme Cash ticket and the new Fast Play game, QuickSpot. The Illinois Lottery also launched a new campaign in May that promoted our Pick games with a NBA hopeful and University of Illinois alumna, Ayo Dosunmu. Strategy discussions began in Q4 for a new Instants marketing platform set to launch in the summer.

The fourth quarter ended with the three core objectives of the business plan largely being met:

- 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.

The financial goals of the FY21 Plan were purposefully ultra conservative given the uncertainty the Department faced going into FY21 driven by the COVID pandemic. The pandemic turned out to be the unexpected catalyst for the whole US Lottery Industry dramatically performing in FY21, setting sales records in most states. By leveraging this "COVID effect" and executing well, we were able to exceed our conservative FY21 goals and deliver our prescribed FY21 contribution to the Common School Fund, contribute to the Capital Projects Fund and deliver our highest total ever to the specialty causes we support.

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:

FY21	Sales Revenue	Transfers to Common School Fund²	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	\$908.9 million	\$240.6 million	\$3.7 million	\$2.7 million
Total	\$3,447.7 million	\$762.5 million	\$3.7 million	\$10.2 million

Specialty Cause Detail

Specialty Ticket Cause	FY21 Transfers thru Q4
Veterans	\$1,326,807
Ticket for the Cure	\$643,172
Red Ribbon Cash	\$1,033,522
The MS Project	\$1,582,817
Special Olympics	\$1,349,518
Police Memorials	\$1,122,520
Homelessness Prevention	\$1,059,730
Alzheimer's Awareness	\$961,936
STEAM	\$1,106,061
Total	\$10,186,083

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.

iLottery sales in FY21 Q4 were almost \$44 million, about \$10 million less than the previous quarter. However, FY21 Q4 iLottery sales are 16% higher than FY21 Q4 Plan iLottery sales and 24% higher than FY20 Q4 sales. Q4 begins discussions of launching the game, Fast Play, online on the iLottery platform.

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	\$39,218,435	\$4,437,229	\$43,655,664
Total	\$153,710,298	\$16,360,434	\$170,070,732

Responsible Gaming

As part of efforts to continually improve the Lottery's responsible gaming program, during Q4, Illinois Lottery retailers were surveyed to measure their level of satisfaction with the Illinois Lottery Responsible Gaming program and to gain information about how the Lottery could provide further responsible gaming support at retail locations. A total of 232 responses were received, which yielded the following results:

- Overall, respondents seemed satisfied with the responsible gaming program - approximately 76% of surveyed retailers reported being "completely" or "very" satisfied with the resources devoted to minimizing risks to problem gamblers.
- 54% of respondents requested additional training on speaking with players who request problem gambling assistance. Surveyed retailers indicated a strong preference for training sent through multiple channels, so that they have multiple sources to reference options for follow-up questions.
- Most retailers (61%) card individuals who appear to be 18 years old or younger, but stated they would like to have lottery signage in-store highlighting that all customers who appear to be 25 years or younger will be asked for ID. The intention of this signage is to mitigate negative customer reactions.

A work plan is in development to address the requested training needs including:

- Providing retail signage for Illinois Lottery policy to card all players 25 and younger
- Getting the **Be Smart, Play Smart**® Responsible Gaming Guides in all stores for retailers to reference and to provide to customers who request gambling support.

Remote channels program

The Illinois Lottery offers a variety of responsible gaming tools and information in its remote gaming channel. Age verification at registration, deposit limits, and self-exclusion are just a few of the safeguards that help promote positive online play. As the Lottery continues to expand player offerings and improve the player experience of online play, existing online safeguards are also reviewed. With the expansion of the draw-based game Fast Play onto the Illinois Lottery website and app in FY22, the following responsible gaming controls will also be implemented:

- Mandatory transaction limits will limit the number of Fast Play tickets that can be purchased in one transaction at retail and online
- Mandatory online purchase limits will limit the total number of Fast Play tickets that can be purchased in a 24-hour period online.

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 for Q1, \$2,350,849 for Q2, \$2,329,552 for Q3 and \$2,713,691.00 for Q4. Thus, the total amount of BEP spend for FY21 was \$9,828,270⁴. Therefore, Camelot achieved 31% in BEP spend for FY21, 11% above goal.

FY21	BEP Spend
Q1	\$2,434,178
Q2	\$2,350,849
Q3	\$2,329,552
Q4	\$2,713,691
Total	\$9,828,270 ³

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