



## **QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT**

*Fiscal Year 2022 Quarter 3 (January 1, 2022 – March 31, 2022)  
(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 consideration the expected softening of the "COVID Effect" and the removal of large jackpots from Mega Million and Powerball which helped drive FY21 performance. The operating income is a 3.3% increase from the \$776 million earned in FY21. The increase is largely being driven by improved prize liability management in our Pick games. The FY22 Common School Fund obligation is \$775.0 million.

FY22 Q3 operating revenue was \$859.5 million which was 9% lower than the FY21 Q3 operating revenue of \$943.7 million and 1% lower than the FY22 Q3 Plan target of \$868.9 million. Contributions to the Common School Fund in FY22 Q3 were \$81.4 million, down 5% from FY21 Q3 contributions. FY22 Q3 operating income was \$202.7 million which was 14% lower than the FY21 Q3 operating income of \$236.6 million and 2% lower than the Plan target of \$206.7 million.

The back half of FY21 saw a strong performance that carried into the front half of FY22. Sales started to drop in FY22 Q3 primarily in Instants, Multi-State, and Pick games. This attributed to operating revenue and operating income decreases over the prior year. Instant sales have started to decline in Q3, more than expected. Pick sales are down \$27.9 million largely due to macro-economic factors and discretionary spending decreasing, which was accounted for in the Plan. Players are playing less than they were last year at the same time. Multi-State game sales are down comparatively due to jackpot performance, despite the new 3rd Powerball weekly draw addition in Q1.

Fast Play digital sales brought in \$39.9 million in sales. This is \$34.9 million above Plan. There were no digital Fast Play sales in FY21 as the game launched online in November 2022. This accounts for the increase over Plan for digital sales.

Q3 marketing continued to feature the winter related Instant commercials at the beginning of the calendar year. However, Q3 marketing largely focused on supporting the new Draw Game platform with the Dream Ranger through video and direct channels. The share of media spend between Draw games and Instants maintained a close-to even split for the back half of the year. During this quarter, production began on new Instant commercials for spring. Our Chicago Bulls partnership ramped up during Q3 with additional Pick campaign Bulls posts on Illinois Lottery owned media channels. As the media mix shifts more to digital, Camelot Illinois issued a Request for Information (RFI) at the end of Q3 to seek out interested creative agencies to get a sense for the current market and related qualifications.

**The four FY22 Core Objectives of the Annual 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 annual 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 along with Camelot utilize the Plan’s core objectives and initiatives to guide decision making throughout the year.

**Overall Sales and Transfers to Good Causes**

| <b>FY22</b>  | <b>Sales Revenue</b> | <b>Transfers to Common School Fund<sup>1</sup></b> | <b>Transfers to Capital Projects Fund</b> | <b>Transfers to Special Causes</b> |
|--------------|----------------------|--|---|------------------------------------|
| Q1           | \$859.3 M            | \$165.0 M  | -   | \$3.1 M                            |
| Q2           | \$835.8 M            | \$199.3 M  | -   | \$2.0 M                            |
| Q3           | \$857.8 M            | \$181.4 M  | -   | \$2.3 M                            |
| Q4           | -                    | -  | -   | -                                  |
| <b>Total</b> | <b>\$2,552.9 M</b>   | <b>\$545.7 M</b>                                   | <b>-</b>                                  | <b>\$7.4 M</b>                     |

<sup>1</sup> Transfers to the Common School Fund (CSF) are made based upon net income available to transfer.

## **Specialty Cause Detail**

| <b>Specialty Ticket Cause</b> | <b>FY22 Transfers thru Q3</b> |
|-------------------------------|-------------------------------|
| Veterans                      | \$1,342,782                   |
| Ticket for the Cure           | \$847,312                     |
| Red Ribbon Cash               | \$866,224                     |
| The MS Project                | \$547,699                     |
| Special Olympics              | \$809,098                     |
| Police Memorials              | \$676,045                     |
| Homelessness Prevention       | \$1,142,249                   |
| Alzheimer's Awareness         | \$1,159,033                   |
| <b>Total</b>                  | <b>\$7,390,442</b>            |

## **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 the iLottery channel is important to grow a modern and sustainable lottery and continue to focus on growth in this area.

iLottery sales in FY22 Q3 are 56.5% higher than Plan and 60.0% higher than FY21 Q3 iLottery sales.

| <b>FY21</b> | <b>Internet Sales</b> | <b>Subscription Sales</b> | <b>Total iLottery Sales</b> |
|-------------|-----------------------|---------------------------|-----------------------------|
| Q1          | \$43.3 M              | \$4.4 M                   | <b>\$47.7 M</b>             |
| Q2          | \$53.9 M              | \$4.4 M                   | <b>\$58.3 M</b>             |
| Q3          | \$81.3 M              | \$4.3 M                   | <b>\$85.6 M</b>             |
| Q4          | -                     | -                         | -                           |
| Total       | <b>\$97.2 M</b>       | <b>\$8.8 M</b>            | <b>\$191.6 M</b>            |

## **Responsible Gaming**

During the third quarter of fiscal year 2022, Illinois Lottery's responsible gaming efforts were focused on working towards Level 4 certification under the World Lottery Association (WLA) Responsible Gaming Framework.

### **Stakeholder Engagement**

In February 2022, the Illinois Lottery published its first annual responsible gaming report. This new reporting initiative is intended to provide an overview of the Lottery's responsible gaming program, support transparency of the Lottery's responsible gaming efforts, and seek feedback from interested stakeholders on opportunities for future improvement.

The report is publicly available on the Illinois Lottery website and was also distributed directly to key stakeholders, including:

- The Illinois Problem Gambling Helpline Provider, LifeWorks
- The National Council on Problem Gambling
- The Illinois Council on Problem Gambling and the Illinois Alliance on Problem Gambling
- Illinois Lottery employees (via internal channels).

A copy of the Lottery's inaugural responsible gaming report can be found on the Illinois Lottery website: [illinoislottery.com/about-the-games/responsible-and-safe-play/our-commitment](https://illinoislottery.com/about-the-games/responsible-and-safe-play/our-commitment)

### **Research**

The National Council on Problem Gambling (NCPG) recently published findings from its National Survey of Gambling Attitudes and Gambling Experiences (NGAGE) study, which examined experiences with various forms of gambling and attitudes about gambling across the country. As a platinum member of the NCPG (the highest corporate supporter level), the Illinois Lottery helps to support the NCPG's research efforts, including the NGAGE study.

Findings from the study appear consistent with the Illinois Lottery's findings from its biennial Positive Play research, including that:

- Most people who gamble appear to do so without negative consequences.
- Younger players (aged 35 and younger) appear to be at higher risk for gambling problems.
- Many people who gamble do not understand how gambling works.

Given the consistency in findings between the NGAGE and Positive Play research, responsible gaming efforts will continue to focus on increasing gambling literacy and limit setting pre-commitment among younger players.

### **Player and Retailer Education**

Each year during the month of March, the Illinois Lottery launches a state-wide Problem Gambling Awareness Month (PGAM) campaign in support of the National Council on Problem Gambling's grassroots PGAM campaign. Illinois Lottery's PGAM campaign efforts aim to increase public awareness of problem gambling, provide tips for responsible gaming, and highlight available treatment and recovery services.

In advance of the 2022 PGAM campaign, the Illinois Lottery tested various campaign messages to determine which best advanced the PGAM goals of increasing public awareness of problem gambling and available prevention and treatment services. The message “Set a Limit. Stick to It.” resonated best with daily lottery players and was selected to anchor the 2022 PGAM campaign efforts.

The Illinois Lottery strives to expand PGAM campaign efforts each year while designing player communications informed by the results from the PGAM messaging research and Positive Play research. In 2022, our campaign included:

- A PGAM message displayed throughout the month on the Lottery’s Springfield billboard.
- A press release issued jointly with the Illinois Council on Problem Gambling to announce the PGAM campaign and reminded everyone that problem gambling resources are available.
- Social media messages promoting positive play on the Lottery’s social platforms.
- PSAs played by radio media partners including WPNV 106.3 FM and WVON 1690 AM.
- Targeted print and digital ads deployed by six media partners.
- Messaging via ESMM screens at retail locations and in the digital player 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 through Q3, Camelot achieved 97% of the spend goal for the full fiscal year.

| <b>FY22</b>  | <b>BEP Spend</b>               |
|--------------|--------------------------------|
| Q1           | \$2,224,167                    |
| Q2           | \$2,266,713                    |
| Q3           | \$2,005,693                    |
| Q4           | -                              |
| <b>Total</b> | <b>\$6,496,573<sup>2</sup></b> |

<sup>2</sup> This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program’s BEP Compliance Module as of 4-26-2022