



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2022 Quarter 4 (April 1, 2022 – June 30, 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 Q4 operating revenue was \$840.9 million which was 8% lower than the FY21 Q4 operating revenue of \$910.6 million and 1% lower than the FY22 Q4 Plan target of \$853.7 million. Contributions to the Common School Fund in FY22 Q4 were \$229.3 million, down 5% from FY21 Q4 contributions of \$240.6 million. FY22 Q4 operating income was \$223.2 million which was 9% higher than the FY21 Q4 operating income of \$204.0 million and 8% higher than the Plan target of \$206.0 million.

In May of FY22, Camelot launched a new interactive game in retail, in the Fast Play category of draw-based games, to offer an omni-channel experience to players and to help bridge the gap between retail and digital. The interactive game, called Scan-N-Play, was slated to launch in January per the Business Plan but was delayed until May 8th. Sales started off slow and underperformed expectations. Going forward, Scan-N-Play will be supported with retail promotions, by continuing to educate our players and retailers about the game, and by additional marketing support in FY23 to improve its chances for success.

Instant sales in FY22 Q4 were significantly lower than FY21 Q4. However, FY21 Q4 instant sales exceeded expectations so it was expected that FY22 Q4 would not compare. Draw-based games sales were down in every game except Powerball and Fast Play. Powerball was up \$2.8 million to Plan, and Fast Play was up \$33.8 million to Plan. The remaining draw-based games were down in Q4 by a combined total of \$48.5 million.

Q4 marketing supported Spring instant ticket launches as well as teased the new Price is Right ticket coming out later in Summer FY23. As the Bulls partnership wrapped up in April for the season, the partnership with the Chicago White Sox began for the 2022 season. This included both digital and in-game assets. A new sports partnership also began with the Chicago Sky, an even more popular team since winning the 2021 WNBA World Championship. This partnership included both digital and in-game assets and utilized similar Pick campaign assets as those used for the Bulls and White Sox. Marketing also helped support the launch of Scan-N-Play with educational materials, video, and POS.

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

FY22	Sales Revenue	Transfers to Common School Fund¹	Transfers to Capital Projects Fund	Transfers to Special Causes
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	\$840.9 M	\$229.3 M	\$48.7 M	\$2.4 M
Total	\$3,393.8 M	\$775.0 M	\$48.7 M	\$9.8 M

¹ 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 Q4
Veterans	\$1,348,790
Ticket for the Cure	\$937,214
Red Ribbon Cash	\$1,176,461
The MS Project	\$1,334,830
Special Olympics	\$917,890
Police Memorials	\$1,307,683
Homelessness Prevention	\$1,544,934
Alzheimer's Awareness	\$1,159,033
STEAM	\$98,134
Total	\$9,824,969

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 Q4 are up 99.7% from FY21 Q4 sales of \$43.7 million and up 52% from Plan of \$57.1 million. The increase is primarily driven by Fast Play, which was added to iLottery in November 2022.

FY21	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$43.3 M	\$4.4 M	\$47.7 M
Q2	\$53.9 M	\$4.4 M	\$58.3 M
Q3	\$81.3 M	\$4.3 M	\$85.6 M
Q4	\$83.0 M	\$4.2 M	\$87.2 M
Total	\$261.5 M	\$17.3 M	\$278.8 M

Responsible Gaming

During the fourth quarter of fiscal year 2022, Illinois Lottery's responsible gaming efforts were focused on continuing to improve the program and achieving Level 4 certification under the World Lottery Association (WLA) Responsible Gaming Framework.

WLA Responsible Gaming Framework Level 4 Certification Achieved

The Illinois Lottery's Responsible Gaming Program was awarded Level 4 certification under the WLA Responsible Gaming Framework. The WLA Framework is recognized internationally as establishing best practice for responsible gaming within the lottery industry. The Framework consists of four levels of achievement, with certification to Level 4 demonstrating the highest commitment to the WLA's responsible gaming principles. The Illinois Lottery's Level 4 certification is a testament to its continued commitment to responsibly grow sales and maximize economic benefits for the State of Illinois, while providing players with tools and resources to support positive play.

The WLA Independent Assessment Panel provided complimentary remarks on the Illinois Lottery's responsible gaming (RG) program, including:

- The Illinois Lottery's commitment to RG is strong, diversified, and well-integrated.
- Significant progress on the RG program had been made since the 2018 Level 3 submission.
- The collaboration maintained with other lotteries, government agencies, and mental health professionals is commendable.
- The empirical approach and use of data to fine-tune the RG program is appreciated.

The Illinois Lottery's certification to Level 4 will remain valid for three years.

Research

In April, the Illinois Department of Human Services, Division of Substance Use Prevention and Recovery published the 2021 Statewide Assessment of Gambling and Problem Gambling in Illinois. The Assessment sought to understand the scope of problem gambling in Illinois; which populations are most affected or at risk of developing gambling disorders; and what structures, policies, and practices are currently in place to prevent problem gambling, treat gambling disorders, and support those in recovery.

The Assessment found that while most adults engage in responsible gambling behaviors, some experience impact on their economic, social, and mental well-being, developing problem gambling and a gambling disorder. Additional key findings included:

- 3.8% of adult Illinoisans (approx. 383,000 people) have a current gambling problem.
- 7.7% of adult Illinoisans (approx. 761,000 people) are at risk for developing a gambling problem.

The Assessment provided recommended strategies the State and gambling industry partners can take to address problem gambling. These strategies are being reviewed, and planned next steps include:

- Identifying ways to further engage with sub-populations disproportionately impacted by problem gambling to tailor linguistically appropriate resources.
- Continuing to promote responsible gaming campaigns aimed at reducing the stigma associated with problem gambling.
- Seeking accreditation through the National Council on Problem Gambling’s responsible gaming Internet Compliance Assessment Program.

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 was anticipated to be \$33,400,000 resulting in a BEP goal of \$6,680,000 for FY22. Therefore, in FY22 through Q4, Camelot achieved 147% of the spend goal for the full fiscal year.

FY22	BEP Spend
Q1	\$2,224,167
Q2	\$2,266,713
Q3	\$2,005,755
Q4	\$3,351,723
Total	\$9,848,358²

² This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program’s BEP Compliance Module as of 8-2-2022