



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

Quarter 3 (January 1, 2020 – March 31, 2020)

Submitted August 7, 2020

(20 ILCS 1605/9.1)

Respectfully submitted to:

**Illinois Governor JB Pritzker
Senate President Don Harmon
Senate Republican Leader William E. Brady
House Speaker Michael J. Madigan
House Republican Leader Jim Durkin**

The Illinois Lottery – Private Management Current Status

Q3 began with the Department's request for Camelot to provide a modified FY20 Business Plan ("Plan") that would address performance issues experienced thru Q1 and Q2 being fulfilled. Camelot provided the Plan at the end of Q2 for review and approval of the Department and began to adjust its business strategy. Upon Plan review and discussion throughout Q3, additional Plan adjustments were requested by the Department. As Q3 concluded, final submission and approval of the modified Plan was delayed due to the COVID-19 pandemic.

The Department began to see some performance improvements based on Camelot's adjusted business strategy in late Q3 however FY20 sales through the end of Q3 were \$2.047 billion, or ~15% below the original Q3 target. Operating Income through the end of Q3 was \$467 million, or ~20% below the original Q3 target.

Near the end of Q3, the global COVID-19 pandemic caused Illinois to declare a state of emergency on March 9, 2020, and institute a stay at home order effective March 21, 2020. The Department recognized the significance of these events and expected Operating Revenue and Operating Income to be affected in a substantial way. During the last two weeks of Q3 average weekly sales decreased ~20% compared to the same periods for the previous year, while adjusting for jackpot levels. The Department expects the uncertainty brought on by the pandemic to have a financial and operational impact on the Department for some time. The Department and Camelot will continue to monitor the situation and make the appropriate adjustments to sustain and grow the business. The requested modified Plan will be revised accordingly.

Overall Sales and Transfers to Good Causes

Below are the FY20 Q3 sales and transfers to good causes:

FY20	Sales	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes
Q1	\$671.1 million	\$159.4 million	\$18.5 million*	\$0.63 million
Q2	\$685.1 million	\$156.3 million	-	\$2.25 million
Q3	\$691.1 million	\$144.6 million	-	\$2.47 million
Q4				
Total	\$2,047.3 million	\$460.4 million	\$18.5 million	\$5.35 million

*-Transfer made in FY20 Q1 after true-up of FY19

Specialty Cause Detail

Specialty Ticket Cause	FY20 Transfers thru Q3
Veterans	\$1,358,803
Ticket for the Cure	\$226,815
The MS Project	\$110,760
Red Ribbon Cash	\$511,146
Special Olympics	\$1,168,863
Police Memorials	\$795,635
Homelessness Prevention	\$1,176,502

iLottery Program

PA 98-499 authorized the Lottery to sell Lotto, Mega Millions, and Powerball tickets on the internet, through a 48-month pilot program that began in January 2014. In June 2016, the Illinois Legislature removed the “pilot” designation from the iLottery program and included a sunset of July 1, 2017. That sunset date was extended to July 1, 2018. The sunset date was again extended by a year – to July 1, 2019 – under PA 100-0587. 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 by three years - through 2022 - and allows the Lottery to offer Lucky Day Lotto, Pick 3, and Pick 4 through the internet program without a subscription.

FY20	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$8,526,940	\$4,129,433	\$12,656,373
Q2	\$14,246,420	\$3,092,374	\$17,338,794
Q3	\$17,851,203	\$3,120,842	\$20,972,045
Q4			
Total	\$40,624,563	\$10,342,649	\$50,967,212

Responsible Gaming

In Quarter 3, the Illinois Lottery promoted responsible game play in support of Problem Gambling Awareness Month (PGAM). PGAM is a grassroots campaign that depends on the participation of a wide range of organizations, including lotteries, to promote public awareness of problem gambling, and the availability of prevention, treatment and recovery services.

During the month of March, the Illinois Lottery promoted two responsible gaming messages in support of PGAM. The first message “Set a Limit. Stick to It.”, encouraged individuals to set a limit on the amount of money they were willing to spend and to not spend more than they could afford to lose. The second message “Remember it’s a game of chance.”, reminded players to know the odds and the rules of the games they play. The responsible gaming campaign consisted of:

- Social media messaging on Twitter, Facebook and Instagram that promoted the two responsible gaming messages;
- Full-page and half-page ads with 9 media partners that explained how the odds of instant games work;
- 15 second public service announcements on WVON, that encouraged individuals to know the odds of the games they play; and
- The “Set a Limit. Stick to It.” message was displayed on customer-facing screens in lottery retail locations and the billboard in Springfield, IL.

The Illinois Lottery is proud of its responsible gaming program to ensure revenues are raised in a socially responsible manner

BEP Spending

The Private Management Agreement encourages Camelot Illinois to maintain a goal that at least 20 percent of the spend in marketing, advertising, and shipping/freight be awarded businesses that are minority owned businesses.

For FY20, the total budgeted spend by Camelot in these areas is \$45,200,000, resulting in a BEP goal of \$9,040,000 for FY20. Camelot's BEP spend in Q3 was \$3,959,130 the total for the year is now \$12,781,985 or 141% of the FY20 goal.