



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

Quarter 2 (October 1, 2019 – December 31, 2019)

Submitted April 9, 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

In FY20, Camelot Illinois' business plan projected sales of \$3.292 billion, which represents a 10% growth over the previous year. The corresponding net profit to the state was projected to be \$795 million, which would be a 5.4% increase over the previous year. After a soft ending to Q1 with sales totaling \$671 million, or 13 percent below the FY20 Q1 goal, and net profit to the State totaling \$160 million, or 13 percent below the FY20 Q1 goal, the Department continued to closely monitor performance. Performance continued to slip through the first month of Q2 which was a strong indicator that the FY20 business plan projections for the year were no longer viable. This led to the Department requesting a business plan modification to adjust the business strategy and financial targets for the year.

Camelot provided their proposed business plan modification at the end of Q2 and it is being reviewed by the Department. FY20 sales through the end of Q2 were \$1.356 billion, or ~14% below the original Q2 target. Net profit to the State through the end of Q2 were \$308 million, or ~19% below the original Q2 target.

Camelot's FY20 Business Plan is structured around five themes meant to grow the Lottery:

- **Touchpoints:** Communicate with target consumer segments at relevant points along the path to purchase to drive conversion.
- **Communications:** Re-establish the brand, brand messaging and personalized engagement to drive consumer reappraisal of the Illinois Lottery.
- **Experiences:** Establish the Illinois Lottery as a lottery leader by offering compelling experiences that engage the people of Illinois.
- **Delivery:** Power retail partners to deliver to the needs of their customers.
- **Advocacy:** Foster a community of advocates.

Technology and retail enhancement efforts continued during FY20 Q2. An ongoing project to modernize the look of the Illinois Lottery in the majority of lottery retail stores started in FY19 Q4 and continued through FY20 Q2. This installation of new permanent point of sale equipment will bring attention to and better display our products in retail. The Lottery's technology transition implemented in FY19 Q3 that replaced all retail terminals and hardware in 7200 locations was supported in FY20 Q2 with several enhancements to improve the operation of the equipment and the resulting customer experience in retail.

Overall Sales and Transfers to Good Causes

Below are the FY20 Q2 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	\$159,413,000	\$18.5 million*	\$629,641
Q2	\$685.1 million	\$156,311,500	-	\$2,252,520
Q3				
Q4				
Total	\$1,356.2 million	\$315,724,500	\$18.5 million	\$2,882,161

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

Specialty Cause Detail

Specialty Ticket Cause	FY20 Transfers thru Q2
Veterans	\$218,488
Ticket for the Cure	\$82,063
The MS Project	\$106,867
Red Ribbon Cash	\$511,146
Special Olympics	\$385,002
Police Memorials	\$769,960
Homelessness Prevention	\$808,635

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			
Q4			
Total	\$22,773,360	\$7,221,807	\$29,995,167

Responsible Gaming

In Q2, the Illinois Lottery applied to the World Lottery Association (WLA) with the intent to obtain a Level 3 WLA Responsible Gaming (RG) Certification. On December 11, 2019, the WLA notified the Illinois Lottery that its RG program met the criteria for Level 3 of the WLA RG Framework and was granted accreditation. The certification is for a period of 3 years and will expire in December 2022. The Illinois Lottery is 1 of 5 U.S. lotteries with a Level 3 WLA RG Certification.

During the month of December, the Illinois Lottery supported the National Council on Problem Gambling's Gift Responsibly campaign, which raised awareness of the risk of underage lottery play during the holiday season. The Illinois Lottery was 1 of 7 U.S. lotteries that participated at the highest level, 3, by performing the following as part of the campaign:

- Issued a press release to remind individuals that it is illegal to gift instant tickets to minors in the State of Illinois;
- Posted 12 messages on Twitter, Facebook and Instagram, promoting the message "Gift Responsibly. Lottery tickets aren't child's play."
- Reminded retailers to request proof of age for anyone they suspect is under 25 years of age and is trying to purchase or redeem lottery tickets;
- Displayed a gift responsibly message on the customer-facing screens in lottery retail locations;
- Published full- and half-page ads with 13 media partners, promoting the "Gift Responsibly" message; and
- Ran 15 and 30 second public service announcements on 26 stations throughout Illinois, reminding people that lottery tickets are not for minors.

The Illinois Lottery maintains memberships with the National Council on Problem Gambling, Illinois Council on Problem Gambling and the Illinois Alliance on Problem Gambling. The Illinois Lottery frequently engages with these organizations to discuss responsible gaming topics and to support the further development of its responsible gaming programs.

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 Q2 was \$2,676,994 the total for the year is now \$6,884,656 or 76% of the FY20 goal.