

Illinois Lottery Control Board
Open Meeting Minutes
Friday, February 14, 2020
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Board Members

- James Floyd
- Sarah Alter
- Tarrah Cooper Wright
- Elba Aranda-Suh (via WebEx)

Lottery Staff in attendance

- Harold Mays, Acting Director
- Cornell Wilson III, General Counsel
- Carol Radwine, Chief Financial Officer (via WebEx)
- Amber Chappell, Finance Manager (via WebEx)
- Peter Romano, Labor Relations & HR Manager (via WebEx)
- Audrey Cosgrove, Deputy General Counsel
- Scott Gillard, Chief of Staff
- Joe Weiss, Sales Manager
- Guadalupe Marin, Director's Assistant
- Nora Iniguez, LCB Secretary

Camelot Staff in attendance

- Keith Horton, Acting General Manager
- Kelsey Young, Senior Director-Business Planning
- Tim Culhane, VP of Finance
- Gareth Moore, VP of Marketing
- Wendy Abrams, Senior Director-Corporate Affairs
- Amelia Dellos, Public Affairs
- Jessica Perez, Public Affairs

Other Attendees

- Kathy Gilroy, member of public
- Mitchell Armentrout, Sun-Times
- Joe Rojas, Univision Sports
- Susan Kay, Univision Communications
- Chris Altruda, Better Collective/Sports Betting

CALL TO ORDER/ROLL CALL

Board chairman called meeting to order at 10:00am with above members present to meet a quorum. All other attendees stated their name and title for the record.

PUBLIC COMMENT

Kathy Gilroy stated that in previous years, the lottery control board members, were able to view and give input on any advertising for major media campaigns, per Lottery Law, 20ILCS 1605/7.8a. This past season there was a holiday commercial in specific where there was a family, including children, discovering lottery tickets in their pajama pockets. Although it might not have been the case, the subliminal effect was that all members were finding tickets. Ms. Gilroy then heard a radio announcement advising listeners not to give lottery tickets as presents to children. She questioned

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whether that radio advertisement was to counteract the tv commercial. She is registering her objection to this commercial and asked that there be more consideration to the effect of commercials on children. She would like for the Illinois Lottery Law to be resumed by this current board. She also noticed that the \$2 Monopoly tickets do not contain the 10-digit number required to enter a second chance drawing even though it shows it on the website.

OLD BUSINESS

- *Approval of Minutes*
Board Chairman, James Floyd asked motion to approve meeting minutes for November 06, 2019. Motions were given and unanimously approved and passed.

NEW BUSINESS

- *Sports Wagering Update/Director Mays*
Gaming expansion bill ILCS 23045, which is now a law, gave the lottery the ability to implement a sports wagering pilot program. This program will allow the Lottery to do sports betting in up to 5000 retail only locations over the course of the program. It will have a limited sports book offering focusing on parlay-based products. The lottery is continuing implementing this program and no formal date has been set.

Board Members were asked for topics they would like discussed at today's board meeting and they agreed on the topics of digital/growth strategy/lessons learned and communications and community engagement strategy for 2020.

- *Digital Strategy/Gareth Moore*
Mr. Moore presented information below:

iLottery performance has been strong since TT

- In addition to marketing campaigns and roll activation, we have invested heavily in digital segmentation, targeted CRM and new iLottery features
- iLottery sales now make up 8.5% of total draw sales, up from 5%
- Base sales are up 57%, from \$825k per week to \$1.3m per week
- Daily game sales have doubled since single play launch in August, now over \$700k per week
- Weekly players increased 44% from 50k per week to 72k per week
- Average spend is up from \$21 to \$24 per player per week
- Total iLottery registered players up from 56%, from 472k to 736k
- CRM base (email opt-in) up from 146k to 257k (35% opt-in rate)
- We have seen over 430k new app launches (75% iOS / 25% Android)
- App push notification base is 135k
- New players registered 264k, and wagered 57k



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iLottery Strategy

DELIVERED SINCE TT	COMING SOON	FUTURE POTENTIAL
• Instant ticket scanning • Single play • User flows and feedback tool • Sweepstakes competitions • Addition of Multi-Variant Testing • Brand re-fresh	• Digital Promotions - conditional free lines • Registration usability enhancements	• Online Instant Win Games • New IOS App • Retail / Digital integration • Payment option expansion • Easier registration • Group play • Consumer awareness



Questions & Comments: **1.)** Board member Sarah Alter requested percentages on the weekly player increase, including a breakdown of brand-new players (coming in from retail) as opposed to players just shifting channel preferences. Gareth Moore indicated that retail sales-based players are anonymous since they use cash. There has been a digital growth of approximately 472K players and 300K registrations in the last twelve months. The increase in people scanning tickets is about 200K a week. **2.)** Board member Sarah Alter asked if there was a survey to confirm this. Gareth Moore stated that small sample surveys indicated that people are using the mobile app to scan tickets while still purchasing at retail. **3.)** Board member Tarrah Cooper Wright inquired about the average spend time frame. Gareth Moore indicated that the data collected starts from when the tech transition occurred which was in February 2019. **4.)** Board member Tarrah Cooper Wright asked for an explanation on the new app launches regarding iOS and Android. Gareth Moore stated that Google's policy does not permit lottery and gaming apps to have transactional apps in Google's Play Store. Camelot created a result only version of the app so you can live register, scan tickets and check results. To play the Lottery on your mobile from an Android, you must download the lottery app from the the Lottery website. IOS phones can download from the Apple Store. There are two forms of registration in using the lottery app which includes light (basic information) to check results and scan tickets and full (allow players to transact).

5.) Board Member Sarah Alter suggests that requiring everyone to do a full registration would allow more intelligent data to serve players better. Gareth Moore, and Keith Horton commented that they are trying to accommodate all players by allowing the light registration.

- *Communications/Community Engagement Strategy for 2020- Wendy Abrams, Amelia Dellos, Jessica Perez*
Ms. Abrams thanked the board members for allowing her and her team to present. She stated that the PR strategy for 2020 is to help support the lottery brand in moving the needle on 2 key points which is based on a brand metric study in which one is measuring people who believe the Lottery makes them believe they can win, and people believing that the Lottery does good for the state. The Lottery brand is supported by media outreach and placement, content development, and community engagement initiatives to deliver fun games, create winners and support causes.

Amelia Dellos stated that a documentary-style video content was created to demonstrate how "Illinois is Full of Winners" and is shared on a YouTube Community playlist. Also added was a "Doing Good" navigation tab on

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Lottery's home page(includes info on funding education, specialty tickets, "where doe the money go"), social media channels, and a monthly player email newsletter.

Funding Education Content- Ms. Abrams stated that more needed to be done to show people the connection between the Lottery and Education and how 25 cents of every dollar go to schools and good causes. Last year \$731M went to the Common School Fund. There is a video on the Lottery's YouTube channel which shows how the Lottery is serving teachers and students throughout the state. Director Mays hosted a meeting with the PR team and the Illinois State Board of Education's CFO to brainstorm on how they can work together on getting the Lottery's message right on what portion of dollars comes from the Lottery. The data that was shared from the Board of Education is now accessible on the Lottery website. You can now look per school district and see how much funding comes from the state and how much it receives from the Lottery. This information is very honest and transparent and important for people to have access to the facts. Data can be viewed here: <https://www.illinoislottery.com/giving-back/education>

Doing Good Content/Jessica Perez-Camelot has produced some videos to showcase the stories based on winners throughout the state which include not only jackpot winners but stories from a Lottery retailer and our good causes support in the community. Video content includes Casey's General Store which gives its commissions as a contribution to help with winter wear for kids, Paralyzed Veterans of America Lottery kiosk at O'Hare airport that provides jobs to Veterans, and a National Mammography Day Event where over 1000 women pledged to take a mammogram. You can view videos here: <https://www.illinoislottery.com/giving-back/community-of-doing-good> Stories of Lottery winners sharing "what is winning at life" content can also be viewed on the Lottery YouTube channel. The videos show how winning the lottery doesn't end when you pick up your check.

Board member Sarah Alter asked if it would be better to have less specialty causes with a more meaningful contribution to each. The Director stated that the Lottery looks at the best balance in revenue generation and supporting causes but that would require some legislation changes.

Board member Tarrah Cooper Wright suggested to use one of the videos again during Mother's Day since the story involves a player using her mother's birthday to play her numbers and won.

*Ticket Community Outreach/Wendy Abrams-*In September 2019, the Lottery launched a first of its kind specialty ticket to support homelessness prevention services and conducted an outreach to 52 organizations engaged in homelessness issues in Illinois. The outreach consisted of a toolkit with social media posts, website information, news articles to allow them their own advocacy of this ticket. There are now 3rd party posts throughout their channels promoting the new Homelessness Prevention ticket.

*Illinois Lottery in the Community/Amelia Dellos-*Lottery hosts "pink pop-up" events at two locations on National Mammography Day and decorated a top lottery retailer's location for the holidays to show appreciation. Event was held at Block 37 with a two-story Monopoly instant ticket, and an event was held in Chinatown for the Lunar New Year. These are different events to promote community engagement.

Board Chairman asked for an update on the Halas Program. General manager, Keith Horton stated that Camelot Illinois is committed to a long-term partnership with the state. They have observed low jackpots, softening in retail sales and an expansion in video gaming terminals that have resulted in low sales. To address this problem, Camelot has shifted their focus to recovering performance in 3 key areas that compromise the Halas Project which are Instants, Retail and Marketing. **Instants** consists of improving our game portfolio, **Retail-**growing the retail network to get more retailers to sell tickets and lastly, **Marketing**-shifting focus to key in on instants and new campaigns.

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DIRECTOR'S REPORT

- **Sales/Tim Culhane/Camelot**--Sales period July 1 to January 31, 2020
 - Total Sales YOY 1.6B which is down 10.4% which includes drop of 49.03% in multi-state draw sales due to low jackpots
 - Instants YOY down 4.09 %-strong performance in last month and a half than beginning of the year. Most of holiday instant ticket books are now settling causing an increase in percentages.
 - In-state Draw down 4.72 % with a growth in Fireball option for both P3 and P4 games but low jackpots in LDL
 - iLottery YTD Sales-increase of 4.2% from FY19 50.6% increase from FY18
 - iLottery Number of Players-increase of 4% from FY19, 63.5% increase from FY18 with a large increase in LDL, P3 and P4 due to purchase of single play.

Board members Tarrah Wright and Sarah Alter suggested that Lottery cannot just rely on huge jackpots to draw players in and maybe having strategic ambassadors (trusted figure and voice) who influence players as a marketing tool to endorse our specialty tickets, as well as promoting International Women's Day and both Black and Hispanic Heritage months can possibly reestablish the credibility of the Lottery.

Board member Tarrah Cooper Wright asks who the current advertising agency is for the Illinois Lottery and Gareth Moore states that we have two: OKRP and 360i. Ms. Abrams states that the firm for public relations is Grisko.

- **Advertising and Marketing -Gareth Moore/Camelot**
 - November 2019-Holiday campaign launched with theme of gifting. Out of home and digital was increased to promote more foot traffic. Holiday Surprise truck tour offered gift wrapping with ticket purchase in 20 different locations throughout the state, and jackpot and daily draw support was offered on owned media channels. Instant tickets launched in \$1, \$2, \$3 and \$5 range.
 - December 2019-Support continues for Holiday Instant ticket family, MM and PB rolls and events were held at Holiday Market at Lincoln Park Zoo, Old Orchard and Woodfield Mall and others. Instants that were launched are: **\$5 Cash Club** and **\$10- 100M Cash Extreme** tickets with 94% getting paid out at retail.
 - January 2020- Support for Monopoly Instant tickets, MM and PB rolls, and events include Giant Monopoly ticket activation at Block 37, Monopoly Ticket Monday held at retailers with free tickets and Monopoly scratchers given to players. Instants included: **\$1 Lucky Dog**, **\$2 Monopoly 10x**, **\$5 Monopoly 25x \$10 30M Cash Blowout** (3rd top selling ticket), **\$20 Triple7 Max**.
 - February 2020- Instants include **\$2 Money Bags**, **\$3 Super 7**. Since December launch instants have been averaging around \$35M a week. September-November average was at about \$33M.
- **Responsible Play and CSR-Keith Horton/Camelot**
 - The WLA confirmed that the Illinois Lottery met level 3 requirements and was issued certification until December 2022 with suggestions to pay special attention to retailer programs and advertising and marketing. Activities are underway to support WLA level 4.
 - The Lottery participated in the National Council on Problem Gambling Gift Responsibility Holiday Campaign at the highest level enforcing that gift giving of Lottery tickets to minors is illegal. This included reminders via social media, radio ad, retailer newsletter, full- and half-page ads, and message on customer facing screens.

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- ***Finance-Carol Radwine, Amber Chappell /Lottery***

- Amber Chappell showed a YTD sales revenue by game which showed a significant decline in sales in MM from FY19 to FY20 due to no high jackpots. Sales for both MM and PB sales have been low for all states but Illinois continues to see a decline in all our other games. YTD profit and loss statement details operating revenue, operating expenses and operating income which is what is left to be transferred to the good causes. Operating Income for FY20 is at \$370,416,500 vs FY19 \$438,492, 581, FY18 \$400,547,988.
- Per statute IL Lottery must transfer revenues to Common School Fund (CSF) at a prescribed amount adjusted for inflation each year. Planned for FY20 is \$746,875,000. Any remaining profit after transfers to CSF are to be transferred to the Capital Project fund by September 30th. As of 0/31/2020, \$365,216, 500 was transferred to CSF which is 49% of the prescribed amount leaving \$381,658,500 left to transfer to the second half of the year.
- Illinois legislature has mandated the Lottery to produce and sell tickets for specialty causes where 100% of profits are transferred to agencies to distribute. As of 12/31/2019 (specialty tickets calculated a month behind), the Lottery has transferred \$55.7M for these causes which include Veterans, Breast Cancer, MS, HIV/Aids, Special Olympics, State Police Memorials, Homelessness prevention. Tickets that have been out longer have a higher transfer amount. Both Veterans Cash and Ticket for the Cure started in 2006 which has highest revenue.

- ***Private Management-Lottery Acting Director Mays***

- Staff update- two changes in Lottery staff includes departure of our Communications Director, Jason Schaumburg in which the Lottery is looking to fill and a new hire of Deputy General Counsel, Audrey Cosgrove.
- The 2-year compliance audit with the OAG is complete with a final report issued in the coming weeks. This audit assesses laws, regulations, contracts or grant agreements that could have a material effect on the operations of the department and the Lottery has established and maintained an effective system of internal control over compliance requirements all in accordance with the Government Auditing Standards. Lottery received 5 material finding which include 2 repeat findings that require legislative changes to resolve. The board members will receive a copy of the final report with everything in detail.
- There are two new specialty tickets coming out in the next six months. Alzheimer's ticket to support research is set to launch in April and STEAM education support ticket in July. Roughly 20% of our portfolio are specialty cause tickets and revenue that it generated is different from a conventional ticket. The Lottery is looking at ways on how to best improve this program.

Board members Sarah Alter, and Tarrah Cooper Wright suggested ways to possibly advertise these games more effectively and possibly giving specialty tickets away at different events and galas. Board chairman, James Floyd commented that in order to establish new growth and fill in the gaps to minimize any losses there needs to be new ideas. He commended both Sarah Alter and Tarrah Cooper Wright for their ideas and suggestions.

ADJOURNMENT

With business concluded board chairman requested for a motion to adjourn. Motion given and unanimously approved and passed. Meeting was adjourned 11:30am.

Respectfully submitted/Nora Iniguez