

Illinois Lottery Control Board
Open Meeting Minutes
August 21, 2019
122 S. Michigan Ave., 19th Floor
Chicago, IL 60603

Board Members

- Elba Aranda-Suh
- James Floyd
- Sarah Alter
- Tarrah Cooper Wright

Illinois Lottery Staff in attendance:

- Harold Mays, Acting Director
- Cornell Wilson, General Counsel
- Carol Radwine, Chief Financial Officer (via video conference)
- James Bartlett, Acting Chief Technology Officer (via video conference)
- Amber Chappell, Finance Manager
- Jessica White, Deputy General Counsel
- Scott Gillard, Chief of Staff
- Jason Schaumburg, Communications Director
- Joe Weiss, Sales Manager
- Guadalupe Marin, Director's Assistant
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff in attendance:

- Colin Hadden, General Manager
- Keith Horton, General Counsel
- Tim Culhane, VP of Finance
- Gareth Moore
- Kelsey Young, Director of Business Planning

Other Attendees:

- Kathy Gilroy, member of the public
- Vic D, member of the public
- Mitchell Armentrout, Chicago Sun-Times

Call to Order/Roll Call

Jessica White, Deputy General Counsel, will run the meeting due to no board chairman. The meeting was called to order at 1:30pm with all board members present and a quorum met. All others in attendance stated their names for the record.

Public Comment:

Kathy Gilroy addressed the board regarding a gambling expansion bill that loosened the regulation regarding raffles and how it could negatively affect the Illinois Lottery. Her concerns are:

1. The elimination of a limit on charity-raffle prizes can allow towns to have a raffle prize of over \$4 million dollars and not abide by gambling regulatory law.
2. State-wide raffles are now allowed which would mean an increase to the raffle prize which could possibly affect government lottery. Players would rather give to a charity and may think their odds are better to win.

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3. Allowing third parties to participate in the conduct of how raffles are run could result in a possible competition against the state lottery.
4. Charity raffles can choose what town they want their “key location” to be. Small towns may not be able to handle the complexities of a state-wide raffle.

Old Business

Meeting minutes from May15,2019 were motioned for approval. The motion was seconded by James Floyd and carried unanimously.

New Business

- Elect Lottery Control Board Chairman

Elba Aranda Suh nominated James Floyd as board chairman and it was seconded by Sarah Alter. Motion passed to vote James Floyd as Lottery Control Board Chairman.

- Voting on updated Bylaws

Jessica White presented some of the changes in the Bylaws and asked for a motion for approval. Sarah Alter motioned to table approval for next scheduled meeting. Motion approved.

- Legal Update-Cornell Wilson, General Counsel

In 2011, the Department of Justice gave a ruling of the Wire Act at the request of Illinois and New York who wanted to offer online Lottery sales. The department of justice legal counsel produced an opinion that stated the Wire acted only restricted interstate sports betting online. This allowed the lottery intrastate online lottery operations within their borders. In 2018, the office of the legal counsel reversed this previous opinion and stated the Wire Act apply to all forms of online gambling. This was brought to court by New Hampshire and many other states and industries that support and work within the lottery industry. In June it was ruled in favor of supporting all live lottery activity nationwide. The court took a holistic approach in understanding the Wire Act and concluded that it can only apply to sports betting. In conclusion, the 2018 opinion of the department of justice has been nullified and it is a great victory for the Illinois Lottery.

The General Assembly passed bill SB690 which legalizes sports betting which will be overseen by the Gaming, Racing and the Lottery departments. The lottery’s part will be able to offer retail sports betting opportunities to the public. Research consists of reaching out to other states looking at their models of what they are doing and understanding how they have written new regulations and modified their statutes. Lottery has placed a draft request of information and RFP’s with the Chief Procurement Officer’s office.

Director’s Report

Sales Performance- Tim Culhane presents charts to the board members showing year to date sales summaries FY19 and July 1st through August 11th FY20.

- FY2019 overall sales came in at \$2.978 billion dollars which is a \$49.1M increase over FY2018. Multi-state draws, PB & MM grew 29.90% due to large MM, \$1.5 billion-dollar jackpot in early Fy19. Instantants were down 1.24% and in-state (Illinois only) draw games were down 1.71%. Board member Sarah Alter asked if there was strategy or product change in the in-state draw year over year with sales declining and then picking up again. Tim Culhane explained that it has to do with how many times Lotto is won. Lotto was won once in FY19, so sales were good. If Lotto is hit frequently, the jackpot does not increase which means slower sales.
- Weekly draw-based games net sales chart shows comparison in FY18, FY19 and FY20(July 1- August 6). Fy19 shows spike in sales during large MM jackpot.

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- Weekly in state draw based games sales were stronger in FY18 than FY19. Tim Culhane explained that it could be due to the user interface in the retail environment for P3 and P4 games which includes more steps that the retailers must process through.
- Instant Sales for second half of FY19 vs FY18 were lower due to the rolling out of new vending machines and smoothing out any issues.
- iLottery Sales saw a 33.2% (\$14.4M) growth in FY19 over FY18. Big driver was the \$1.5 billion jackpot.
- iLottery number of players shows a 59 % growth in FY19 over FY18. Board member Tarrah Cooper Wright asked why the 16.2% decrease in average spend. Tim Culhane explained that it was due to one-time players who join to play only when jackpot is high.

Board members Sarah Alter, and Tarrah Cooper Wright expressed interest in how Lottery can engage players to stay on as iLottery players not only when jackpot is high and ways to educate and promote iLottery. Board member James Floyd also expressed that board members be more engaged up front in the dialogue of the digital transformation.

Advertising & Marketing- Gareth Moore presents to the board.

May 2019

- Instant-continued support for ***Deal or No Deal*** ticket supported with TV, terrestrial radio, streaming audio, PO, out of home (CTA, Trivision, Circle K, mobile targeting (Waze) and speedway audio. There were 175,000 entries to second chance promotion.
- Draw-jackpots supported by digital, social, and trivision. Digital direct response campaign supported a drive to iLottery encouraging registration and sales of draw games.

June 2019

- Instant-continued support for ***Deal or No Deal*** ticket
- Draw- same support through same channels
- Experiential-***Deal or No Deal*** activation at Pioneer Court, activation at Chicagoland Speedway to support app download.

July 2019

- Instant-new instant tickets supported by elements of the ***Get Scratchin'*** campaign with digital out of home, Waze, and social media.
- Draw-same support through same channels
- Experiential-activation to support app downloads at Taste of Chicago and sponsored Live Nation concert series.

August Instant Tickets

Pay Me! - family game consisting of \$2 ticket with top prize of \$20,000, \$5 ticket with top prize of \$250,000, \$10 ticket has top prize of \$500,000 and \$20 ticket has top prize of \$1Million. This ticket tested very well.

Responsible Gaming

Corporate Social Responsibility (Player Education)-Keith Horton presents to the board.

Responsible gaming player education campaign ran March 2019-April 2019. Slogans consists of: ***Set a limit, Stick to it, It's not a kid's game, Remember it's a game of chance, Play for fun Not funds, Don't overdo it.***

- Player education campaign statistics consists of:
 - Springfield Billboard: 93,800 impressions (number of people who passed area by foot or vehicle)
 - Print Publications: 22 insertions, 2,267,094 circulation
 - Display: 6,401,375 impressions (number of ads on website)

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- Paid Media-Instagram & Facebook: 3,800,000 impressions
- Illinois Lottery Media--Instagram- 9221 impressions, Facebook-54567, Twitter-total reach was 98,880

Player education campaign questions were asked as part of the Brand Tracker survey:

- Do you recall seeing any of the Illinois Lottery advertising images recently either in the format shown or in a different format? Recall rate was 14%
- How much do you agree that each of the following statements describes these Illinois Lottery advertising images? 1. Makes me want to learn about how to play the IL Lottery responsibly-41%. 2. Reminds me how to responsibly play the lottery-54%. 3. Makes me feel more positively about the IL Lottery-46%. 4. Really grabs my attention-44%.
- With four levels of the World Lottery Association Gaming Certifications, Camelot will submit a level 3 application with the WLA in October 2019. **Level 3**-Initiate the implementation of processes that support the development of a responsible gaming program. WLA will evaluate the application and provide an acceptance or rejection in late 2019.

Sarah Alter asked how much the warning verbiage differs between states or has there been a collaboration in using something universal. Keith Horton responded that Lottery has moved away from **Play Responsibly** which other states were using and now Lottery is using **Be Smart, Play Smart** which is a more refreshed look. Response to outside research with this was very favorable.

Finance-Amber Chappell presents to the board,

- Common School Fund Transfers for FY2020 planned is \$746,875,000. Total transfers (All Fiscal Years to Date 06/30/2019) is \$21,132,098,265.
- Specialty Causes – During 4th quarter the Lottery launched the State Police Memorials ticket which benefits police memorials, and families of fallen law enforcement officers. As of 06/30/19 the Lottery has transferred \$52.2 Million total for all specialty tickets which include: ***Veterans Cash, Ticket for the Cure, MS Project, Red Ribbon Cash, Special Olympics, and now the State Police Memorials***
- The weekly sweeps of Lottery retailers netted \$338,134,523.19 in revenues to the State Lottery Fund during the 4th quarter of FY2019.

Sarah Alter asked about getting details of the school distribution to see which schools and which neighborhoods receive funding and how those decisions are made. Director Mays commented that transfers go into the Common School Fund which is managed by the State Board of Education. Lottery is working with the Board of Education to receive more granular information of how funds are distributed. Director Mays stated that Lottery's contribution is 10% overall of the state budget for education.

Director's Update-Harold Mays

- Staff Update (Chicago & Springfield) -no new hires in senior management, Jessica White, Deputy General Counsel now overseeing Procurement & FOIA

Private Manager and Operations:

- Director Mays goes over the full technical transition that took place in FY19 where we changed everything in our gaming system, all our equipment in retail, system of processing claims and selling tickets is different. This includes our central gaming system, internal control system, Instant Ticket Management system, iLottery

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platform, website and mobile app were all replaced. A new retail refresh where all locations are getting new sales terminals, vending machines, and point of sale equipment.

- **Transition** was implemented on 02/18/2019 and we have been operational for 6 months and all sale channels in retail are operational. Lottery is continuing working through the challenges with a change this big and getting everything working in a steady state.
- **Legislative**- bill HB3661 is a bill that affects our iLottery program which allows the sale of all our draw-based games on the internet in the same manner. Prior to the bill being signed our daily games, P3, P4 and LDL can only be sold via a minimum 7-day subscription online. Now single play tickets can be sold for these games. Board member Tarrah Cooper Wright asked how this information is given out to the players and asked to be added to the press release list.
- **Audit**- Office of Auditor General is conducting a full 2 year financial and compliance audit. The audit reviews all our systems and controls and we must ensure their integrity. This is very challenging due to all the changes that took place this year. Audit should be completed by the end of the year. The result will be shared publicly on the OAG site. Board member Elba Aranda-Suh requested if board members can receive results before the public.
- **Specialty tickets** – we now have 7 with 2 new tickets this year. The Blue Ticket and Homelessness Prevention ticket which will launch in September. Specialty causes are important part in what the Lottery does and allows us to connect with the causes we support. 15% of our portfolio is dedicated to specialty tickets. These tickets must be marketed and sell differently and creates new challenges that the Lottery must better manage. Board member Sarah Alter asked if players switch from one ticket to a specialty ticket and stick with that one ticket. Director Mays said that is not the case. Most players feel if they donated to a cause already why keep playing that same game and may also feel that the jackpot on the specialty tickets are not as high as others. Board member Tarrah Cooper Wright asked about how funds are administered for Breast Cancer research. Director Mays explained that Lottery is partnered with Illinois Department of Public Health and once the funds are transferred they issue out grants through an application process.
- **Apple App**- Lottery currently uses both an Apple and Android app. Apple recently made some policy changes regarding apps that they offer through their app store. This will require the Lottery to make some changes on their app going forward and basically redesign it.
- **FY20 focus** will be getting our app where we want it to be. Lottery is also looking at new game opportunities and adjusting on existing games. What you see in retail (PPOS) is another big initiative.

Sarah Alter asked what the forecast for growth is for FY20. Tim Culhane stated that the business plan they submitted is under \$3.3 billion and that this year it was just under \$3 billion. James Floyd stated that there is a new vibe with the new board members and that they did a great job in specific with their questions and, in all, would like to be more involved. Elba Aranda-Suh stated that their involvement must comply with the Open Meetings Act.

With business concluded, Jessica White moved to adjourn the meeting. The motion was seconded by Sarah Alter and unanimously carried. Meeting was adjourned at 3pm.

Respectfully submitted,
Nora Iniguez-LCB secretary