

Illinois Lottery Control Board
Open Meeting Minutes
Wednesday, April 28, 2021 via WebEx

Board Members:

- Diana Sheehan, Board Chair
- Sarah Alter
- Alejandra Garza

Lottery Staff:

- Harold Mays, Acting Director
- Cornell Wilson III, General Counsel
- Scott Gillard, Chief of Staff
- Meghan Powers, Director of Communications
- Carol Radwine, Chief Financial Officer
- Jessica White, Deputy General Counsel
- Joe Weiss, Sales Manager
- Amber Chappell, Finance Manager
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Andrew Lang, VP Finance
- James Bickford, Chief Commercial Officer
- Tom O'Connor, VP Retail Sales
- Emilia Mazur, VP Corporate Affairs
- Kelsey Young, VP Strategy
- Ashley Urisman, Regulatory Affairs Manager

Other Attendees:

- Matthew Block, Scientific Games
- Kathy Gilroy, member of the public
- Richard Goldschmidt, member of the public

CALL TO ORDER/ROLL CALL

Diana Sheehan, Board Chair, welcomes everyone and new board member Alejandra Garza. Meeting is called to order at 10:06am with above board members present to meet a quorum. Lottery and Camelot Staff are introduced.

PUBLIC COMMENT

Kathy Gilroy states that according to the legislature, the board shall review all past advertising for major media campaigns on a quarterly basis which the board has not done in years. Her concern is over the campaign on the release of the newest Lottery instant **Willy Wonka Golden Ticket** which she feels appeals to children. She calls for the Lottery to make this the last year on selling this ticket and for the board to review advertising.

Richard Goldschmidt believes that the current contract in which the grand prize is awarded on the current 2nd chance promotion, Willy Wonka Golden Ticket Everlasting Millions, is discriminatory because of the physical challenge for the handicap, non-athletic, and elderly. He was told by Lottery that a proxy may be selected. Mr. Goldschmidt says that due to the grand prize of \$40M, people will pay large amounts of money to get the best proxy thus discriminating against the non-wealthy. He is asking for the board to seek a nondiscriminatory alternative for awarding these prizes.

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OLD BUSINESS

- Approval of Minutes
Board members voted and unanimously approved and passed the minutes of the 01/27/2021 Lottery Control Board meeting.

NEW BUSINESS

- Legal Update-Cornell Wilson
 1. There is a pending litigation with more than \$100,000 at issue. It is a case of alleged wrongful termination and it is being handled by the IL Attorney General's office and our department attorney that handles litigation. Lottery has filed a motion for summary judgment and waiting for the defendant's response. Next hearing is scheduled for September.
 2. Legislation-Several pieces that affect the department's operations are being monitored including specialty tickets, e-instant scratch offs, sports wagering modifications and others.
 3. FOIA requests- There are 2 open requests; none are pending review by the public access counselor.
 4. Audits-Waiting on final financial compliance reports from auditor general for the period ending 06/30/2020.

Cornell Wilson, Lottery General Counsel, addresses comments made by the members of the public.

- Lottery Control Board is not required to review media campaigns at the board meetings and allows the department staff to pick up the day to day evaluation of media campaigns in which it does.
- Persons under the age of 18 cannot play the Lottery thus the Willy Wonka campaign is not directed towards children but to adults that can lawfully play and have fond memories of Willy Wonka published in 1964 and portrayed in film in 1971.
- No prior communication from Mr. Goldschmidt has been heard but his concerns are taken seriously. The legal staff will explore his concerns and understand better how to solve the issue.

DIRECTOR'S REPORT

- Executive Summary-James Bickford
 1. The Lottery has seen a strong underlying business performance year to date with strong momentum moving into new fiscal July 1st.
 2. Successful **Lotto** game change from \$1 to \$2 is offering more opportunities to be a millionaire with a strong performance as of date.
 3. Detailed, deep dive sessions for business plan FY22 is underway and has been shared with the Lottery for approval.
 4. General Manager, Keith Horton, is currently at a hearing testifying before a committee for an e-instant bill which is an online game. Board will be updated on progress.
 5. Retail network looking strong coming into Spring with 3% still closed. Camelot is estimating 7100 retailers on board by January of next year.
 6. Experiential marketing not included in business plan FY22 due to uncertainty in group gatherings during and post Covid-19 vaccinations.
- Sales Performance -Andrew Lang
 1. Q3 sales, January to March, were a record for any quarter of Lottery history. FY21 has a record with the highest level of returns to the Common School Fund and Specialty tickets. YTD sales are at \$2.7BN up 25% than last year. Sales growth coming from in state pick games which are up 30% instead of relying only on sales from high jackpot games MM and PB.

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2. Other areas of growth include great range of instant ticket products, **Fast Play**, and early positive results in **Lotto** game change. YTD sales on Instant is 5% above budget and 23% above prior year.
3. Increase in new players of the pick games has added to growth as well as a slightly younger audience with higher household income. iLottery sales are at \$3M+ a week vs. less than \$1M a few years ago.
4. Improving execution at retail is key in which the bulk of sales is at 95%.
5. Gross Gaming Revenue to improve with the expansion of retail across the state with Walmart and CVS. YTD GGR is now \$50M above budget.

Questions and Comments:

Board Chair, Diana Sheehan, asked if the 25% increase in YTD sales was before or after the Lotto game change. Andrew Lang stated that the game just changed in April 2021 and majority of games have not changed.

- Finance-Amber Chappell

1. YTD sales revenue by game has increased compared to prior year. FY19 had strong jackpot performance in multi-state games MM & PB which included \$1.6 Billion jackpot for MM which was hit on October 19, 2020. Strong rolls in both games were hit at the end of January 2021 where MM reached \$1BN and PB at \$730M. Current total for FY21 as of 03/31/2021 is at \$2,540,642,402.
2. Profit and Loss statement has slightly different amount of \$2,543,828,680 due to recording an uncollectable amount which are netted into the sales revenue number. There is an improvement overall since last year as well as a 23% increase in operating income since the last board meeting. This is due to a more favorable liability in the pick games and a 49% price payout on the MM & PB jackpots that were hit.
3. Almost \$522M has been transferred to the Common School Fund as of 03/31/2021, which is 68% of the prescribed amount of \$762,500, 000. Lottery anticipates transferring the full prescribed amount for FY21.
4. Lottery supports 9 different specialty ticket causes which has transferred a total of \$66M over the life of the program. Each ticket has a different start date since the program's inception. Typical transfer is between 25-28% of total sales once applicable expenses are reduced.

Questions and Comments:

Board member Sarah Alter asked if there is a possibility to exceed the prescribed amount to the Common School Fund. Amber Chappell stated that any money left over after making the prescribed amount per statute goes to the Capital Projects Fund in any given year.

Board chair, Diana Sheehan, asked if Lottery has investigated the planning stages of 2022 in knowing what percentage of growth will not repeat once casinos and sports betting begin to open. Andrew Lang stated that it is hard to tell at this point. Sales in FY 21 have been a beneficiary of several macro events in places where people usually spend their money were shut down due to the pandemic. Lottery will continue to focus on things in their control. Director Harold Mays added that the jackpot increases in both MM and PB also inflated performance which most likely not be repeatable. James Bickford stated that Camelot will continue to build its portfolio in building a better customer experience and brand in making products for the people of Illinois.

Board member, Sarah Alter, asked if any research has been done in identifying the younger player market as to their engaging more with the Lottery as opposed to gambling elsewhere. James Bickford explained that research was done on the digital platform which mirrors its players. The results showed that there was an increase in older players joining digital. The increase in 25-34-year-old players is of value in looking to market games toward that age group. Kelsey Young stated this is something they are continuing to look at through research and analytics. There was an increase in new players coming into playing the pick games

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last year as Covid-19 hit. The online platform allows tracking of who comes on, stays and what games they are playing. Brand tracker shows a shift to younger people and more female players coming through.

Board chair, Diana Sheehan, asked if there is an understanding through the brand tracker if the younger consumers have a clear understanding of what Lottery means and what their money spent on is funding. Kelsey Young responded that most consumers don't understand where the funding goes but will investigate data for the younger demographic.

Board chair, Diana Sheehan, also commented that it would be interesting to be more demographically intentional in how and what products are placed in the neighborhood markets for the younger consumers.

Board member, Sarah Alter asked if it is possible to get access to credit card data at retail to track the spending of younger consumers. Kelsey Young stated that most purchases are largely cash based and it would be a big effort to get retailers to adopt it.

Board chair, Diana Sheehan, stated that there is tremendous opportunity in looking into the product portfolio of Instants to see if new and younger consumers are responding to the same types of tickets as the more traditional consumer. Does Lottery have products geared toward different demographic groups and can it be done legally? Kelsey Young stated that it is difficult because it is all claimed, and it is all through retail and getting it by product is tricky. She stated that it would be ideal for the Lottery to have the ability to merchandise as accurately as possible for the demographic. **Board chair** asked for PC data for Instants.

- Advertising & Marketing -James Bickford, Tom O'Connor
 1. The "Claude" campaign was very popular in driving consumers to want to purchase while still getting at the emotional sentiment of the season. More than 75% of consumers who could recall the ad really enjoyed the ad and 82 % purchased or intended to purchase tickets. This campaign won a gold at the American Advertising Association Awards. It will go to the next round of nationals.
 2. Marketing slides are shown to the board showcasing marketing strategies in Instants (tickets launched), Draw and Experiential for months January to April 2021 which includes support of multiplier family of Instants, Willy Wonka Golden ticket launch, new campaign for Pick games, support of jackpots and Lotto renovation. No experiential was done during these months.
 3. iLottery continues to outperform targets; total revenue through week 40 is over \$129M approximately 148 % growth vs prior year. Use of Apple Pay and Google Pay is growing steadily.
 4. Tom O'Connor reviews Key Account Partnerships which rewards the retailer for activating new games and following the plan for vending compliance to make sure machines are fully stocked. Win30 vending compliance incentives are currently at Jewel-Osco, Mariano's, Huck's to name a few. Activation incentives are currently in 7-11's. Cross purchase promotion is also driving purchase of Lottery.
 5. Retail Expansion- Tom O'Connor explains that Lottery is strengthening existing network as well as expanding. Prior to the pandemic, there were 7200 retailers which dropped to about 6800 and looking to hit 7000. This includes retailers at CVS, Walmart, and Mariano's. By January 2022 looking to be back up to 7200. The state's Tel-Sell team who call the retailers month after month bringing the message on how to exceed and perform are to be commended as well.

Questions and Comments:

Board chair, Diana Sheehan, asked if there is a way to work with the key retailer accounts like CVS that are tied to loyalty card programs and customer apps to understand demographics of the what people are purchasing. Tom O'Connor believes there could be a gold mine of information of what type of player is buying what type of ticket.

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- Public Relations and Responsible Play-Emilia Mazur
 1. The high jackpots were the focus of promotion in January 2021 which produced many winners across the state. The Chicago payment center which had been closed for 12 months at the JRTC building due to the pandemic has finally opened. The office moved to a new location and opened last month. There was great coverage and winner experience for the Lottery players
 2. Specialty tickets launched were Special Olympics and MS. Videos providing where the funding goes is available on the Lottery website.
 3. March was problem gambling awareness month with a focus on promoting the tagline, ***“Remember, It’s a Game of Chance.”*** Surveys conducted concluded that there is a lack of awareness on how the odds work. Educational video is provided to help players understand the odds of playing.
 4. Research program continues to promote gambling literacy so that players have an accurate understanding about the nature of gambling. This also includes encouraging a pre commitment where players set their own limits in spending and screen time. Positive play language will be used to allow players to understand normal play behavior.
 5. Kelsey Young- FY22 Business Plan (07/01/2021 to 06/30/2022) update consists of focusing on continuing to build momentum in retail and digital not only in FY22 but in future years. E-Instant bill is not in the current business plan but will be revisited if legislation goes through. Camelot will focus on traditional portfolio which includes refreshing scratch games making sure there is something new and interesting for consumers, giving players more chances to play and win, (Lotto renovation), changes in the pick games making them appealing to new players, and continuing momentum with Fast Play with it being offered online possibly in October. Powerball is adding another draw which will be on Mondays starting in August. The Omni Channel innovation will bring opportunities to bring digital offerings into the retail experience for players. Camelot will also continue the use of promotions and retail expansion with CVS and Walmart.

Questions and comments:

Board member, Sarah Alter, asked if Lottery has ever done a monthly or weekly subscription model where players can sign up and receive a variety of different Instants in the mail. James Bickford stated that the idea has been entertained but logistics have to be done in figuring how to send tickets via the US post office. Director Mays commented that it is something to be explored but there are concerns mailing something of value like Instant tickets. Currently there are subscriptions on the digital platform for draw based games.

Board chair, Diana Sheehan asked how Lottery is assessing its promotions. Camelot team stated that when creating promotions, they are sent to the Director for final approval making it a joint effort.

- Director’s Comments- Harold Mays
 1. Lottery will engage the Board’s input directly on the process of approving the FY22 business plan.
 2. Staff changes-Lottery welcomed Mason McDaniel as the legislative liaison.
 3. Lottery has 60% of its workforce coming into the office. The plan to have everyone return to work will be looked at over the next 6 months. There have been 26 incident reports with one reported exposure. 6 employees tested positive, but all are back at work.
 4. The opening of the Chicago payment center at 69 W. Washington brings lottery at full capacity with having all its 5 payment centers open and taking appointments. The appointment scheduling of processing claims has worked out very well and can be adapted as needed. E-Claims is a pilot being implemented where players can submit their claims online up to \$10,000.
 5. The department is pursuing legislation to expand iLottery and to amend the sport wagering act to allow more flexibility with the sports wagering pilot program.

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6. There is a delay in the FY 20 Financial Audit from the Office of the Auditor General. Final report will be given to the board. Preliminary work has begun on the FY21 Financial and FY20/21 Compliance audit with the OAG that will take place over the next 6 months.
7. Specialty tickets that launched are Special Olympics and the MS (Multiple Sclerosis). 3 tickets will launch over the next 3 months, (Police Memorials, Aids research, Homelessness prevention.) Illinois continues to lead the US lottery industry with the number of causes it supports with a total of 9 specialty tickets.
8. The Lottery is on track to having the best sales year it had in the Lottery's history and will meet its obligation to the Common School Fund. The Lottery appreciates its ongoing support and guidance from the Board to help enable the mission of the Lottery.

Questions and Comments

Board Chair, Diana Sheehan, thanks Camelot and the Lottery team and entertains motion to adjourn meeting.

ADJORNMENT

With all business concluded, motion to adjourn meeting was given at 11:46am. **Motion was unanimously approved and passed.**

Respectfully submitted by,
Nora Iniguez/LCB Secretary