



REPORT ON THE PRIVATE MANAGER AGREEMENT

May 31, 2019 (20 ILCS 1605/9.1)

Respectfully submitted to:

Illinois Governor JB Pritzker

Senate President John J. Cullerton

Senate Republican Leader William E. Brady

House Speaker Michael J. Madigan

House Republican Leader Jim Durkin

The Illinois Lottery -- Private Management Background and Current Status

In 2009, the Illinois Legislature passed legislation requiring the State to seek a private manager for the Lottery. Consequently, the Lottery engaged its first private manager pursuant to the process outlined in Section 9.1 of the Illinois Lottery Law. The winning bidder was Northstar Lottery Group, LLC (“Northstar”), a consortium comprising the Lottery’s then-current supply vendors, GTECH Corporation and Scientific Games International, Inc. The Lottery entered into a private management agreement with Northstar on January 18, 2011, and Northstar entered into supply agreements with GTECH and Scientific Games.

On September 18, 2015, the Lottery, Northstar, IGT, and Scientific Games mutually agreed to enter into a Letter Agreement of Termination and settled all open disputes regarding performance. This action initiated the process to seek a replacement private manager.

In compliance with the Illinois Lottery Law, Governor Bruce Rauner and the Illinois Lottery on July 28, 2016, announced the release of a Request for Proposal (“RFP”) for a new private management partner. The Lottery received one RFP bid response from Camelot Illinois.

After lengthy contract negotiations, the Illinois Lottery and Camelot Illinois entered into a new 10-year private management agreement on Oct. 13, 2017. The new private management agreement with Camelot is structured to accomplish the Lottery’s five key goals, which included responsible growth of the Lottery’s player base, aligned financial incentives, elimination of conflicts of interest, the introduction of new technology and innovation, and greater responsiveness to public needs and concerns.

In January 2018, Camelot replaced Northstar as private manager and began an extensive business and technology transition with the Lottery.

As we end FY19, the Lottery and Camelot has completed a total technology transition that represents one of the largest and most complex lottery transitions ever undertaken by a U.S. lottery. The transition included a new central gaming system, a new instant ticket management system, a new internal control system, all new retail terminals and equipment and a new website and mobile app that allow players to buy tickets for our draw-based games. A project to modernize the look of the Illinois Lottery in retail across the state with new permanent point of sale equipment was started in April and will be completed in the next few months.

Camelot is on pace to meet or exceed its FY19 business plan financial targets. This is due primarily to the record \$1.5 billion Mega Millions jackpot run in October 2018 that yield record sales.

Overall Sales and Transfers to Good Causes

Below are the FY11 – FY19 sales and transfers to good causes:

Fiscal Year	Private Mgr. Lottery Year	Sales	Transfers to the State
2011	Prior to Northstar	\$2.264 billion	\$689.967 million
2012	Northstar Year 1	\$2.677 billion	\$708.427 million
2013	Northstar Year 2	\$2.832 billion	\$793.206 million
2014	Northstar Year 3	\$2.802 billion	\$815.408 million
2015	Northstar Year 4	\$2.837 billion	\$690.342 million
2016	Northstar Year 5	\$2.856 billion	\$694.948 million
2017	Northstar Year 6	\$2.844 billion	\$723.241 million
2018	Split year*	\$2.926 billion	\$722.383 million
2019	Camelot Year 1	\$2.267 billion**	\$517.852 million**

*-Northstar was the Lottery's private manager through Jan. 1, 2018; Camelot took over on Jan. 2, 2018

** -Through March 31, 2019

Fiscal Year	Common School Fund	Capital Projects	Special Causes
2011	\$631.875 million	\$54.125 million	\$3.967 million
2012	\$639.875 million	\$65.2 million	\$3.352 million
2013	\$655.624 million	\$135.0 million*	\$2.582 million
2014	\$668.100 million	\$145.0 million*	\$2.308 million
2015	\$678.550 million	\$8.0 million	\$3.792 million
2016	\$691.550 million	\$0	\$3.398 million
2017	\$705.625 million	\$15 million	\$2.616 million
2018	\$718.750 million	\$0	\$3.633 million
2019	\$514.917 million**	\$0**	\$2.935 million**

*-Includes Net Income shortfall compensation received from Northstar

** -Through March 31, 2019

Specialty Ticket Name	FY19 Transfers to Date*
Veterans Cash	\$1,234,076
Ticket for the Cure	\$588,738
The MS Project	\$160,138
Red Ribbon Cash	\$456,878
Special Olympics	\$494,899

*-Through March 31, 2019

iLottery and Subscriptions

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 2012. In June 2016, the Illinois Legislature removed the “pilot” designation from the iLottery program and has extended the program in one-year increments through July 1, 2019. HB 3661 extends the program by three years - through 2022 - and allows the Lottery to offer Lotto, Lucky Day Lotto, Mega Millions, Powerball, Pick 3, and Pick 4 through the internet program. HB 3661 passed the House on April 11, 2019, and the Senate on May 29, 2019. As of this report date, HB3661 is awaiting a signature by the Governor.

The Lottery has maintained the authority to sell subscriptions to its draw game portfolio via the internet and mobile app in compliance with the Lottery Law.

Fiscal Year	Internet Sales	Subscription Sales	Retailer Sales	Totals
2012	\$2,234,602	\$4,474,717	\$2,670,287,160	\$2,676,996,479
2013	\$6,542,673	\$7,129,064	\$2,818,903,809	\$2,832,575,546
2014	\$15,854,585	\$9,098,240	\$2,777,356,848	\$2,802,309,673
2015	\$17,337,748	\$12,754,294	\$2,807,713,123	\$2,837,805,165
2016	\$12,301,887	\$13,525,173	\$2,829,707,812	\$2,855,534,872
2017	\$19,740,489	\$14,311,561	\$2,809,904,362	\$2,843,956,412
2018	\$27,611,697	\$15,296,818	\$2,883,466,146	\$2,926,374,661
2019	\$31,764,711*	\$12,596,111*	\$2,222,178,019*	2,266,538,841*

*-Through March 31, 2019

Marketing and Advertising

The marketing and advertising activities of the Lottery, which is the responsibility of the private manager, are designed to develop and support both the specific campaigns built around games throughout the year, as well as to build and grow the brand. In FY19, the Lottery used television, radio, print, digital, and out-of-home advertising to ensure maximum reach among potential new players. Dedicated Lottery sales staff collaborated with retail partners to arrange best placement and effective display of promotional materials.

In FY19, the centerpiece of the Lottery's advertising was a campaign designed around constant promotion of Mega Millions and Powerball jackpots. The campaign was called "How Would You Spend All That Time?" One of its goals was to combat "jackpot fatigue" and provide the message to consumers that no matter the amount of a jackpot, it was worthwhile to play.

In addition to the "Time" campaign, advertising efforts included a "Get Scratchin'" campaign to promote the instant tickets portfolio, a "Multiple Wishes" campaign to promote the Multiplier Family of instant tickets, and a "Give the Gift of Possibilities" holiday tickets campaign.

Consumer engaging experiential event marketing events in FY19 included the Taste of Chicago, the Illinois State Fair (as a sponsor of the Grandstand Stage), and various concerts and outdoor festivals throughout the year.

Responsible Gaming

The Illinois Lottery engages in a responsible gaming program to ensure revenues are raised in a socially responsible manner.

In March 2019, the Lottery launched a new responsible gaming campaign called "Be Smart, Play Smart". This replaced the "Play Responsibly" campaign we've used for years. The new campaign hopes to improve gaming literacy in Illinois. Brochures promoting responsible play have been distributed to all Lottery retailers. Retailers who have concerns about an individual's lottery game play can use the brochure to discreetly provide the individual with resources on problem gambling. The brochure is part of the Lottery's long-term commitment to promote responsible play and provide convenient access to treatment and support options across the state of Illinois.

The Lottery promoted responsible play during the holidays with a "Gift Responsibly" public campaign to raise awareness about the risks of underage lottery play. The campaign included a

news release, a banner on our website and messages posted on Facebook, Instagram and Twitter.

As part of National Problem Gambling Awareness Month in March, the Lottery introduced improved responsible gaming content on its website. It features information about how games work, common myths about playing the lottery and practical tips for how to be smart when playing.

The Illinois Lottery maintains membership and support of the Illinois Alliance on Problem Gambling, Illinois Council on Problem Gambling, National Council on Problem Gambling, and the World Lottery Association. The Lottery's commitment to responsible gaming also includes providing funds for the Gambling Hotline (1-800-GAMBLER).