



November 2, 2022

The Honorable Michael W. Frerichs
Illinois State Treasurer
James R. Thompson Center
100 W. Randolph St, Suite 15-600
Chicago, IL 60601

Re: September 2022 - Monthly Report of Revenues, Prize Disbursements and Other Expenses by the Illinois Department of the Lottery

Dear Mr. Frerichs:

In accordance with the requirements of the Illinois Lottery Law, 20 ILCS 1605/9, attached, please find the Report of Revenues, Prize Disbursements and Other Expenses for the Illinois Department of the Lottery (Department) for the Month Ending September 30, 2022. Also, included is an explanation of Lottery transfers. This report will be updated and distributed to you after each month end. If you have any questions, please contact Carol Radwine, CFO of the Lottery, at (217) 558-4817.

Sincerely,

Harold Mays
Director, Illinois Lottery

cc: The Honorable Don Harmon
The Honorable Emanuel C. Welch
The Honorable Dan McConchie
The Honorable Jim Durkin
Members of the Illinois Lottery Control Board

J.B. Pritzker
Governor

Harold Mays
Director

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Explanation of Transfers by the Department of the Lottery

Transfers to the Common School Fund

Legislative changes to 20 ILCS 1605/9.1, 9.2 and 9.3, as described in this report, became effective on April 19, 2022. These changes were passed as part of Public Act 102-0699.

Exclusive to FY23. Office of the Auditor General (OAG) Fiscal Year 2021 Financial Audit found that the Department made cash transfers to the CSF in excess of the actual net proceeds generated in years prior to 2010 and again in 2018 that totaled **\$133.968 million**. The excess transfers resulted in a corresponding cash deficit in the State Lottery Fund. This deficit will be reconciled during Fiscal Year 2023 in accordance with 20 ILCS 1605/9.2. The reconciliation will consist of monthly cash offsets of CSF cash transfers during July 2022 thru March 2023, thus eliminating the State Lottery Fund deficit. The Department was unable to reconcile the excess transfers prior to FY23 as the CSF does not have the legal authority to transfer to the State Lottery Fund.

The CSF estimated net proceed transfers made in September 2022 totaled **\$65.0 million** and were made on September 14th and September 21st. They were offset by **\$15.0 million (11%)**, of the State Lottery Fund cash deficit, resulting in an actual CSF cash transfer of **\$50.0 million**. As of September 30th, the Department has offset **\$45.0 million (34%)** of the **\$133.968 million** transferred in excess.

Effective for FY23 and thereafter. In accordance with 20 ILCS 1605/9.3, the Illinois Department of the Lottery (Department) is statutorily mandated to transfer estimated net proceeds to the Common School Fund (CSF) on a monthly basis. The transfer shall be made on the last day of each month or shortly thereafter. The estimated proceeds transferred monthly are to be reconciled to actual proceeds upon completion of the applicable annual fiscal year audit. If actual net proceeds are more than estimated net proceeds, the remaining amount shall be deposited in the CSF. If actual net proceeds are less than estimated net proceeds, the excess amount shall offset estimated net lottery proceeds the following fiscal year. The net lottery proceeds shall be determined after deducting prizes, retailer bonuses, costs incurred in the operation and administration of the Lottery, and transfers to specialty causes. Additionally, they shall be determined in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities.

Transfers to Specialty Causes

Per the Illinois Lottery Law (20 ILCS 1605/21.5 thru 21.13), the Illinois Department of the Lottery shall offer a special instant scratch-off game for eight various causes as outlined in the Law in Fiscal Year 2023. The Department transfers the net proceeds from these causes to the specified funds within the State of Illinois on a monthly basis. The net proceeds are transferred one month in arrears of the revenues being generated and upon final reconciliation of instant sales, less prize expense, and operating expenses of the specific ticket. During September, the special causes the Department supports earned net proceeds of **\$785 thousand**. This amount was cash transferred in October.

Payments to the Capital Projects Fund

Legislative changes to 20 ILCS 1605/9.1, 9.2 and 9.3, as described in this report, became effective on April 19, 2022. These changes were passed as part of Public Act 102-0699.

Exclusive to FY23. As described in 20 ILCS 1605/9.1(o)(4) prior to Public Act 102-0699, the remaining net proceeds of FY22 due to the Capital Projects Fund (CPF) were to be deposited by September 30, 2022. However, during the legislative process to codify Public Act 102-0699, specific language from section 20 ILCS 1605/9.1(o)(4) that identified the CPF as the recipient of the remaining net proceeds for FY22, was inadvertently stricken. This language omission will need to be corrected prior to the distribution of FY22 remaining net proceeds to the CPF. The Department is seeking to

resolve the matter legislatively and at this time has not deposited the remaining proceeds from FY22 into the CPF. FY22 remaining net proceeds of **\$48.749 million** are currently being held in the State Lottery Fund until the matter is resolved.

In addition, in accordance with 20 ILCS 1605/9.2, the Department will complete the reconciliation of all amounts due to the CPF from prior years as a result of the cash deficit in the State Lottery Fund as described above, by June 30, 2023. The amounts due total **\$89.045 million**.

Effective for FY23 and thereafter. Beginning in FY23, in accordance with 20 ILCS 1605/9.3, all actual net proceeds of the Department are to be deposited into the CSF. Lottery proceed transfers to the CPF will cease.

Illinois Department of the Lottery
Report of Revenues, Expenses, and Operating Income
For the Month Ending September 30, 2022

In September, the Department generated sales of **\$263.5 million** and related prize expense of **\$172.3 million**. Per the Illinois Lottery Law (20 ILCS 1605/10.3), the Department is required to collect proceeds from the sale of Lottery tickets net of prizes paid and commissions earned from authorized retailers. The proceeds resulted in cash collections of **\$102.6 million** from the weekly net sweeps of Lottery retailer's accounts and net deposits from the iLottery platform. The funds collected were deposited in the State Lottery Fund (Fund 711).

We have summarized the unaudited sales and expense activity on the accrual basis of the Department below:

	September 2022
Operating Revenue	
Ticket Sales	
Instant Tickets	162,532,401
Mega Millions	10,576,810
Powerball	8,840,908
Lotto	6,852,543
Lucky Day Lotto	8,891,922
Pick 3	22,039,111
Pick 4	22,028,147
Fast Play	21,625,824
Scan N Play	135,701
Sales Allowance	(52,487)
Sales Adjustments	(325,345)
Total Ticket Sales	263,145,535
Other	203,621
Total Operating Revenue	263,349,156
Operating Expenses	
Cost of Sales and Services	13,028,002
Prizes and Claims Expense	
Instant Tickets	118,077,810
Mega Millions	4,799,369
Powerball	4,149,127
Lotto	3,788,699
Lucky Day Lotto	5,474,314
Pick 3	9,950,570
Pick 4	8,956,820
Fast Play	16,999,043
Scan N Play	94,671
Total Prizes and Claims Expense	172,290,423
General and Administrative	18,041,409
Total Operating Expenses	203,359,834
Operating Income	59,989,322

Illinois Department of the Lottery
Report of Cash Receipts, Disbursements, and Transfers
For the Month Ending September 30, 2022

We have summarized the cash activity of the State Lottery Fund (Fund 711) below:

Cash Balance Carried Forward from Last Month	\$ 895.9M
Total Receipts into the Fund for this Month	103.2M
Expenditures/Transfers from the Fund for this Month*	<u><93.3M></u>
Cash Balance at the End of the Month	<u>\$ 905.8M</u>

*Cash Expenditures/Transfers this Month included:

Vouchers Paid	\$ 17.9M
Prize Payments	\$ 25.4M
Transfers to Common School Fund	\$ 50.0M

The Department will be carrying forward a jackpot reserve balance of **\$801.4 million** into the following month for the Lotto (**\$3.95 million**), Mega Millions (**\$380 million**), and Powerball (**\$300 million**) jackpots. Additionally, the jackpot reserve includes the outstanding liabilities for the **\$10.1 million** Lotto winner draw date August 29th, 2022, and the **\$1.337 billion** Illinois Mega Millions winner draw date July 29th, 2022.