



REPORT ON THE WORK OF THE LOTTERY CONTROL BOARD
FISCAL YEAR 2020

November 25, 2020 (20 ILCS 1605/7.8)

Respectfully submitted to:

Illinois Governor JB Pritzker

Senate President Don Harmon

Senate Republican Leader William E. Brady

House Speaker Michael J. Madigan

House Republican Leader Jim Durkin

The Illinois Lottery Control Board -- Background and Current Status

Illinois Lottery Law (20 ILCS 1605/6) created an independent board - the Lottery Control Board (“the Board”) - consisting of five members appointed by the Governor with the advice and consent of the Senate. A chairperson of the Board is chosen annually from the membership of the Board by a majority of the members of the Board. Current members of the Board:

Name	Term Expires	Board Member Since
Sarah Alter	July 1, 2021	June 3, 2019
Tarrah Cooper Wright	June 30, 2021	August 23, 2019
Diana Sheehan	July 1, 2023	February 24, 2020

The Board chairperson is currently Diana Sheehan who was elected at the September 2, 2020 meeting. There are two vacancies on the Board as two members’ terms expired, James Floyd and Elba Aranda-Suh. The expiration of their terms resulted in their service to the Board ending following the June 6, 2020 meeting.

The Board is required to hold at least one meeting each quarter of the fiscal year, and all board meetings are open to the public pursuant to the Open Meetings Act. Four meetings were held in Fiscal Year 2020: August 21, 2019, October 9, 2019 (Special Meeting), November 6, 2019, February 12, 2020 and June 3, 2020.

Lottery Control Board Activities

During the quarterly public meetings, the Lottery Control Board was updated on the progress and status of the private manager agreement with Camelot Illinois (“Camelot”), in the areas of finance, marketing and corporate responsibility. The Board also was updated at each meeting on the status of profits and transfers as well as operational and legal updates from the Director of the Lottery. Approved meeting minutes for the fiscal year 2020 can be found at <https://www.illinoislottery.com/illinois-lottery/lottery-control-board>. Below are high-level summaries of Board actions during the meetings held during FY20.

August 21, 2019 Meeting

Election of Lottery Control Board Chairperson

Board member Elba Aranda-Suh nominated James Floyd as board chairman, and it was seconded by Sarah Alter. Motion passed to instate James Floyd as Lottery Control Board Chairperson

Voting on Updated Bylaws

Lottery presented changes in the bylaws and asked for a motion for approval. Sarah Alter motioned to table approval for next scheduled meeting pending further review by the Board. Motion was approved.

iLottery Performance

The Board engaged Camelot in a discussion regarding iLottery performance. The number of iLottery players grew 59% in FY19 over FY18. Board asked why the growth had a corresponding 16.2% decrease in average spend. Camelot explained that it was due to one-time players who join to play only when jackpot is high.

The Board expressed interest in how Lottery can engage players to stay on as iLottery players not only when jackpot is high as well as ways to educate players and promote iLottery. The Board Chairman also expressed that Board should be more engaged up front in the dialogue regarding digital transformation.

Responsible Gaming

The Board asked how much responsible gaming verbiage differs between states or has there been a collaboration in using something universal? Camelot responded that the Lottery has moved away from Play Responsibly which other states were using and now the Lottery is using Be Smart, Play Smart which is a more refreshed look. This tag line showed promising results in the research conducted by the responsible gaming team.

Common School Fund

The Board requested details about school funding distribution to see which schools and which neighborhoods receive funding and how those decisions are made. The Lottery 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. The Lottery's contribution is approximately 10% overall of the state budget for education each year.

Sales

The Board asked what the forecast for sales growth is for FY20. Camelot stated that the business plan they submitted for FY20 is approximately \$3.3 billion and that FY19 sales was just under \$3 billion. The Board chairperson commended the new board members on their engagement on specific topics. Elba Aranda-Suh stated that their involvement must comply with the Open Meetings Act.

Legislative

House 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 Lottery daily games, Pick 3, Pick 4 and Lucky Day Lotto could only be sold via a minimum 7-day subscription online. This bill now allows single play tickets to be sold for these games. The Board asked how this information is given out to the players and asked to be added to the press release list distribution 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. The Board requested that board members should receive results before the public.

Specialty tickets

The Lottery has 7 specialty tickets planned in FY20. Including 2 new tickets, the Blue Ticket and Homelessness Prevention ticket which will launch in September. Specialty causes are important part in what the Lottery does and allows the Lottery to connect with the causes we support. Currently, 15% of our instant portfolio is dedicated to specialty tickets. These tickets must be marketed and sold differently which creates new challenges that the Lottery must manage.

The Board asked if players switch from one ticket to a specialty ticket and stick with that one ticket. The Lottery stated that is not the case, most players feel if they donated to a cause already why keep playing that same game and may feel that the jackpot on the specialty tickets are not as high as other tickets. The Board asked about how funds are administered for Breast Cancer research. The Lottery explained that the Lottery is partnered with Illinois Department of Public Health and once the funds are transferred, they issue out grants through an application process.

October 9, 2019 Meeting (Special Meeting)

Voting on updated Bylaws

The Lottery went over bylaws with each proposed change individually. Motions to vote for approval of all Bylaw changes were passed by all board members in attendance. Bylaws with proposed changes can be viewed at the Illinois Lottery Website under Lottery Control Board.

LCB Committees

Board members identified areas of interest for potential committees based upon their personal expertise. Identified areas of expertise were as follows:

1. Tarrah Cooper Wright- communication/marketing, community outreach committee
2. Elba Aranda-Suh-marketing outreach & advertising, reports to state legislator, private manager
3. Sarah Alter-private manager partnership and technology

The Board was informed by the Lottery that there is not a specified process defined in the bylaws that permit Board members to form committees. The Board discussed the possibility of forming committees under their areas of expertise and the Lottery agreed that if they should find it necessary that they would assist the Board in forming these committees.

November 6, 2019 Meeting

Next Quarterly Meeting Scheduled

The Board members unanimously agreed that the next board meeting would occur on Wednesday, January 29, 2020 at 1:30pm. Meeting was subsequently moved to Feb. 14th after a Board Member conflict arose.

Sales

The Board inquired about the underperformance of sales compared to previous years. Camelot explained that due to lower jackpots some of the underperformance could be explained by this issue which all states are experiencing at this time. The Lottery indicated that underperformance being described was not just for low jackpot levels but was occurring for a host of different reasons and there are other issues which would need to be addressed.

The Board asked that Camelot to start to think about how they can adjust course and improve on the underperformance during the first part of the year.

Public Relations

The Board requested more information on earned media and the strategy on how the Lottery could be better partners with non-profits. The Board commented that Camelot had done a good

job marketing the Breast Cancer Awareness Walk and suggested that the Lottery connect with 2-3 diverse communities over the Thanksgiving Holiday.

The Board requested to see more examples of winner stories mentioning the possibility of having a lottery podcast. Camelot stated that they are attempting to publicize as many winner stories as they can and that more should be available through the Lottery social media channels.

Board Committees

The Board was reminded that they have the ability to create committees to address issues of concern. The Lottery reminded the Board that any committee formation would have to comply with the Open Meetings Act.

February 14, 2020 Meeting

iLottery Performance

The Board requested a breakdown of newly added players to the platform and asked how many players were simply shifting channel preferences. Camelot indicated that due to the relative anonymity of the retail player that would be difficult to know but mentioned that there has been a digital growth of approximately 472K players and 300K registrations in the last twelve months.

The Board inquired about what time frame the average spend reported represented. Camelot indicated that was the spend since February of 2019. The Board asked for an explanation on the new app launches regarding iOS and Android. Camelot stated that Google's policy does not permit transactional lottery and gaming apps in Google's Play Store. Camelot created a result only version of the app so you can light register, scan tickets and check results. To play the Lottery on your mobile from an Android, you must download the lottery app from the Illinois Lottery website. iOS phones can download from the Apple Store.

The Board suggests that requiring everyone to do a full registration would allow more intelligent data to serve players better. Camelot commented that they are trying to accommodate all players by allowing for light registration, but they would take the suggestion under consideration.

Community Engagement

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

The Board suggested using a past video asset during Mother's Day since the story involves a player using her mother's birthday to play her numbers and won.

Project Halas (Camelot Illinois Performance Improvement Plan)

The Board asked for an update on the Halas Program. Camelot stated that they have 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 Marketing-shifting focus to key in on instants and new campaigns.

Sales

The Board 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. The Board suggested more promotion of our specialty tickets, as well as promoting community events like International Women's Day and both Black and Hispanic Heritage months.

Advertising

The Board asked who the current advertising agency is for the Illinois Lottery Camelot stated that we have two: OKRP and 360i. Camelot added that the firm for public relations is Grisko.

The Board suggested ways to possibly advertise these games more effectively by giving specialty tickets away at different events and galas. The Board commented that in order to establish new growth and fill in the gaps to minimize any losses there needs to be new ideas.

June 6, 2020 Meeting

Elect Lottery Control Board Chairperson

Board member Elba Aranda Suh nominated James Floyd as Board Chairperson, and it was seconded by Sarah Alter. Motion passed to vote James Floyd as Lottery Control Board Chairperson.

Sales

The Board questioned the reason for the decrease of iLottery players and how to get new players to not just play once but to increase their momentum? Camelot stated that many players only

purchase online when there is a large jackpot and don't purchase ever again. He suggested maybe offering an extra line of numbers when suggesting to players to buy Mega Millions or Powerball.

The Board asked what the plan is for FY21 after a disappointing FY20. Camelot stated that Camelot would like the help of Lottery and board members in broadening the portfolio of selling games digitally.

Marketing

The Board applauded the advertising for staying relevant due to the current events and racial injustice. They also inquired about what Lottery's corporate social commitment responsibilities are going to be and suggested from a digital standpoint to show the consumer Lottery's partnerships and collaborations. They requested an outline from Camelot on their efforts of communication that has gone out to partners in the public.

Legislation

The Board asked if the Lottery is considering moving into a new platform of making it more convenient in purchasing tickets without leaving your home due to the pandemic. Camelot suggested that retail play is very important, and they would like to capitalize on best of both worlds, buying online and going into a store. Online sales are limited to draw based games so Instant must be purchased in retail.

The Board asked what it takes to get legislation moving on getting Instant tickets to be available to sell online. The Lottery stated that Lottery is actively pursuing this as a legislative agenda item for the Department. They further explain that retail is core to the business and is just as important as online sales.

The Board asked if Lottery is receiving any type of emergency funds to assist with the current COVID pandemic within Illinois. The Lottery stated that no funds have been received to support current efforts.