

Illinois Lottery Control Board Meeting Minutes

Wednesday, August 02, 2023, 1:30pm CDT

555 W. Monroe St., Chicago, IL 60661

VIA WEBEX AND IN PERSON MEETING ATTENDANCE

Board Members:

- Diana Sheehan, Board Chair, in person
- Sarah Alter, Board Member, in person
- Alejandra Garza, Board Member, in person

Lottery Staff:

- Harold Mays, Director, in person
- Cornell Wilson III, General Counsel, via WebEx
- Scott Gillard, Chief of Staff, in person
- Meghan Powers, in person
- Carol Radwine, Chief Financial Officer, via WebEx
- Amber Chappell, Finance Manager, via WebEx
- Joe Weiss, Sales Manager, via WebEx
- Matthew Bell, Chief Tech & Operations Officer, via WebEx
- Audrey Cosgrove, Deputy General Counsel, via WebEx
- Maryann Hong, Deputy General Counsel, via WebEx
- Mason McDaniel, Legislative Liaison, via WebEx
- Peter Romano, HR Administrator, via WebEx
- Alicia Ivy, Director's Executive Assistant, in person
- Nora Iniguez, Lottery Control Board Secretary, in person

Camelot Staff:

- Keith Horton, General Manager & General Counsel, in person
- Andrew Lang, VP Finance, in person
- Richard Fairbanks, VP Retail, via WebEx
- Marisa Zimmerman, VP Marketing, in person
- Emilia Mazur, VP Corporate Affairs, in person
- Evan Laya, Senior Director of Product, via WebEx
- Tina Wolf, VP Product & Retail, via WebEx
- Ashley Urisman, Regulatory Affairs Manager, in person

Other Attendees:

- Olivia Lynch, Governor's Office, via WebEx
- Emily Bittner, Governor's Office, via WebEx
- Kathy Gilroy, Member of the Public, via WebEx
- Colleen Rowan, Member of the Public, via WebEx

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CALL TO ORDER/ROLL CALL

Diana Sheehan, Board Chair, welcomes everyone that is in attendance both in person and via WebEx. The meeting is called to order at 1:30pm and all Board Members are present to meet the quorum. The Lottery and Camelot Staff are introduced.

OLD BUSINESS

Approval of Minutes

Board Members vote and **unanimously** approve and pass the 04/26/2023 minutes of the Lottery Control Board meeting.

DIRECTOR'S REPORT

Keith Horton states that FY23 was a record year in sales as well as net income which will benefit the school fund once numbers are finalized. One of the headwinds is struggling in the retail competition and recovering from the impact of Covid-19. He thanks the Board and the Lottery department on their contribution in forming the FY24 business plan.

Sales Performance – FY23(June 2022- June 2023) - Andrew Lang

- FY23 was a record sales year, +3.0% vs budget, +6.3% vs prior year.
- Instants FY23 sales of over \$2.0B are down 5.3% vs budget.
- Pick games are down vs prior year but in line with budget.
- Draw based games performance was a record with sales of \$1,567M. Mega Millions & Powerball sales were \$439M up and +\$168M vs budget.
- iLottery sales of \$516M are up \$96M and 23% vs budget.
 - Fast Play games have helped grow weekly sales to \$10M.
 - New “Get It’ campaign is in market to drive awareness and app downloads.

Questions and Comments:

Board member, Sarah Alter asks if there is a way to track if players are only purchasing Powerball or Mega Millions when the jackpot is high, or do they play other games? Andrew Lang stated that offering a promotion during high jackpots allows players to try different games. Tina Wolf states there is no specific basket data in retail, but we can thread together transactions based on the timeframe they are generated and through claimed data.

Board Chair, Diana Sheehan, asks if there is any cannibalization for players purchasing tickets in a store versus purchasing through the app. Andrew Lang states that there might be some since the app offers convenience, but in store purchasing increases as jackpots rise.

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Board Chair, Diana Sheehan, asks if there is a promotional campaign to offer an incentive on Instants to players who are going in to purchase high jackpot Mega Millions or Powerball tickets. Tina Wolf explains that the trigger for retail promotions is generated via the terminal, so promotion is against the draw-based games. Tina Wolf states that they are exploring other ways in driving retail incentives by offering digital coupons via email on offering money off or free scratch ticket.

Board Chair, Diana Sheehan, asks if there is truly a correlation to Instant sales going up during high jackpots. Evan Laya says there is not a massive correlation, but the Lottery sees a bump in the lower price point tickets during these runs.

Board Chair, Diana Sheehan, asks if the product strategy on Fast Play has the same cadence as Instants. Marisa Zimmerman states that the cadence used is in offering new releases and keeping people interested which is like the Instant tickets.

Board Chair, Diana Sheehan, asks if the incrementality varies or is similar in dropping new products in retail versus digital. Andrew Lang states that it is more incremental with online sales.

Board Chair, Diana Sheehan, asks if there is any research done to explore fewer newer products only for retail versus focusing more on adding new products in digital. Evan Laya states that it is not one or the other but finding the sweet spot between both. Retail business continues to be the bread and butter, and the Instant launch cadence remains consistent every month. Tina Wolf states that information is constantly evolving which means the portfolio should evolve to meet the consumer's needs.

Board member, Sarah Alter, states that it is all about following the trends like the Barbie movie.

Finance Update Quarter 3 - January 2023 – March 2023 – Amber Chappell

- Instant ticket sales have underperformed compared to the previous 2 years primarily in the \$10 and \$20 price point categories combined. This is \$123M down from plan and \$114M down from prior year. Multi state games are up \$166M over prior year and up \$168M from plan. Pick games are down from the prior 2 years and Fast Play is doing exceptionally well which launched in November of FY22. \$291M in sales which is 87% comes from iLottery.
- YTD Profit and Loss Statement (Draft & Unaudited) - Operating income through Q4 is \$858 Million providing the Department just under 24% of sales to contribute to the good causes we support.
- Due to legislative changes that occurred in the spring effective for FY23, the Department no longer has a prescribed amount to the Common School Fund. FY22 was the last year that the remaining net proceeds will be transferred to the Capital Projects Fund. Through 06.30.2023, the Department has cash transferred \$726,031,903 in estimated proceeds to the Common School Fund. The Department will true up to actual audited results in FY24. This amount is less due to the changes in the Lottery law, that allows reconciliation of excess funds prior year transfers.

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- The Department supports 8 specialty causes. As of 06.30.2023, the Department has transferred \$87.7M for these causes. Of this, \$9.1M has been transferred in FY23. During Q4, the Department launched tickets to support Police, Quality of Life and Homelessness Prevention.

Advertising & Marketing – Marissa Zimmerman & Tina Wolf

- Media spend by channel is prioritizing Instants and Fast Play in front half of FY24. Media investment is skewed heavily to shopper media and other paid media tactics near retailers.
- April - July 2023 highlights in Instants, Draw/iLottery, Experiential include:
 - “Get It” campaign
 - Launch of new Fast Play Scan-N-Play
 - Frenzy-O-Prizes sweepstakes supporting Cash Frenzy Instant tickets
 - The top 3 stores that sell the most Frenzy Instants win Beyonce tickets.
 - Lottery partnered with Chicago rapper Drew the Kiiid for “Get It” campaign.
 - Lottery partnered with Chicago White Sox, Chicago Sky, and other retail specific promotions.
- Experiential activation at Fiesta Del Sol and Chinatown Summer Fair
- Summer Jam concert at the United Center with IHeart Radio partnership will have Drew the Kiiid, Chicago rapper perform the iLottery campaign song.
- Tina Wolf presents Instant and Fast Play tickets that were launched April-July 2023.

Questions and Comments:

Board Member, Sarah Alter, asks if Lottery has investigated connecting with a food delivery service like Uber Eats that can control alcohol sales in possibly delivering Lottery tickets. Andrew Lang and Keith Horton state that there are some responsible play and regulatory issues that would have to be addressed.

Board Member, Sarah Alter, asks if delivery of ticket is not possible then using it as a channel in partnering with iLottery. Marisa Zimmerman stated that she doesn’t believe they use 3rd party advertising.

Board Member, Alejandra Garza, asks if anyone present attended the Fiesta Del Sol or Chinatown Summer Fair. She states that these festivals brought in 1.2 million people over a 4-day span.

Board Chair, Diana Sheehan asks if the board members can listen to the song.

Public Relations and Responsible Play - Emilia Mazur

- Winning Storytelling continues throughout April-June not only on million-dollar winners but on Pick 3 winners.
- Coverage on Lotto Jackpot that rolls over to \$17.9M

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- Community Outreach continues with the Boys and Girls Club Alliance of Illinois with Power Hour helping kids reach their academic goals.
- Police Memorial, HIV/AIDS, and Homelessness Specialty tickets were launched with community outreach toolkits to utilize on their channels for awareness.
- Campaign materials with slogan “Lottery game are for grown-ups-not kids” will launch in November.
- Responsible Gaming guide that provides players with responsible play information has been translated into Spanish.
- The Lottery worked with Gamres Limited, an international research and consultancy service, to measure responsible gaming related beliefs and behaviors among Illinois Lottery players. The 2023 positive play study findings were shared.

Question and Comments:

Board Member, Sarah Alter, asks if there is something that shows which products carry the most risk. Emilia Mazur states that tests show that it is in the holiday Instant tickets that are bright and shiny.

Board Chair, Diana Sheehan, asks if the Responsible Gaming guide has been translated to other languages besides Spanish. Emilia Mazur states that research will be done.

Board Member, Alejandra Garza, suggests in doing campaigns for other festivals like Chinese New Year.

Board Chair, Diana Sheehan, asks for a better explanation on study findings.

Board Member, Alejandra Garza asks for number results on both Fiesta Del Sol and Chinatown Summer Fair.

Director’s Comments - Harold Mays

The Director thanks the Board Members, Camelot and the Lottery team and members of the public for their participation in today’s meeting.

- No major staff changes since last meeting.
- FY 24 business plan completed with the help of the Board.
- Springfield office has moved to a new location, 404 N. 5th Street. Congratulations to the team on completing the move and transferring operations. Special acknowledgement to Matt Bell, Chief of Operations & Technology and Charles Weyhenmeyer, Facilities Manager for leading the effort.
- Continuing efforts on completing FY23 Financial Audit and 2-year Compliance Audit covering FY22 and FY23 with the Office of the Auditor General. Board will be kept apprised of new developments. Should be completed before the end of the year.

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- Specialty tickets that were launched supporting Police Memorials, Homelessness Prevention, HIV/AIDS. Upcoming tickets will support Alzheimer's, Breast Cancer, and Veteran's.
- Legislative- The Department has been pursuing legislative changes to improve specialty ticket program. It was successful in the passing of SB1508. This will allow the offering of a single scratch ticket sold throughout the year versus 10 individual tickets issued at different times.

Closing Remarks – Director Harold Mays

The Lottery has completed a stellar record year in FY23 and FY24 is off to a great start with two \$1B jackpot rolls for Powerball and Mega Millions. Focus will be to responsibly maintain momentum as we prepare to celebrate our 50th anniversary. I am proud of the work our team has done and appreciative of the support the Board has provided. As always, the team is available for any follow-ups or additional information.

ADJORNMENT

With all business concluded, motion to adjourn was given at 2:48pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,

Nora Iniguez/LCB Secretary