



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

Fiscal Year 2021 Quarter 1 (July 1, 2020 – September 30, 2020)

Submitted February 2021

(20 ILCS 1605/9.1)

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 – Private Management Current Status

In FY21, Camelot Illinois' ("Camelot") approved annual business plan ("Plan") projects to deliver an operating revenue of \$3.139 billion and an operating income of \$745 million. FY21 Q1 operating revenue was \$788 million, 4% higher than the FY21 Q1 Plan target of \$757 million. FY21 Q1 operating income was \$168 million¹, 6% lower than the FY21 Q1 Plan target of \$179 million. Contributions to the Common School Fund in FY21 Q1 were \$155.9M or 20% of the prescribed amount for FY21².

While sales through the first quarter of FY21 have exceeded the Plan's target, prize payouts were larger than expected which explains the slightly lagging operating income. Prize payout fluctuations are normal over shorter timeframes and Camelot and the Department believe that these will revert to more normal levels over time.

Q1 was focused on the development and testing of the Lottery's newest game, Fast Play. Fast Play launched at the very end of the quarter and is projected to generate sales of about \$31M during the rest of the year. Fast Play is a well understood and tested game in the industry and gives Illinois players another way to enjoy playing the Illinois Lottery.

The Plan centered around three core objectives:

- 1. Protecting the player base** by minimizing player attrition in retail while maintaining and acquiring new digital players.
- 2. Demonstrating cost and margin consciousness** across the business to maximize contributions to the Common School Fund and other good causes.
- 3. Setting the foundation for a new generation of player growth** in FY22 and beyond.

The tactics in the Plan point back toward these three objectives. However, the Plan was created to include flexibility as the COVID-19 pandemic continues to have financial and operational impact on the Department and Camelot Illinois.

Building from the objectives four guiding principles were developed for the FY21 Plan:

- 1. Invest in momentum:** Prioritize investment and resources where opportunity and momentum is presented as a result of changing consumer behaviors.
- 2. Protect the bottom line:** As with all businesses in times of uncertainty, it is especially important for the Illinois Lottery and Camelot Illinois to remain cost conscious in order to contribute the maximum amount possible to the Common School Fund and other good causes.
- 3. Prioritize based on high impact and low difficulty:** Initiatives are being prioritized based on those with the highest impact on players, retailers, and the State with the lowest amount of investment required.

¹ These amounts are prior to year-end adjusting entries in accordance with the PMA true up process.

² Prescribed amount for the year \$762.5 million

- 4. Maintain flexibility:** Pursue shorter-term initiatives with limited interdependencies with an expectation that the roadmap is likely to change as the year progresses.

Overall Sales and Transfers to Good Causes

Below are the FY21 Q1 sales and transfers to good causes:

FY20	Sales Revenue	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes
Q1	\$786.1 million	\$155.9 million	-	\$2.6 million
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-
Total	\$786.1 million	\$155.9 million^{3*}	-	\$2.6 million

³ Transfers to the Common School Fund (CSF) are made based upon net income available to transfer.

Specialty Cause Detail

Specialty Ticket Cause	FY21 Transfers thru Q1
Veterans	\$5,038
Ticket for the Cure	\$65,409
The MS Project	\$281,833
Red Ribbon Cash	\$439,019
Special Olympics	\$157,815
Police Memorials	\$559,447
Homelessness Prevention	\$308,499
Alzheimer's Awareness	\$181,151
STEAM	\$759,846

iLottery Program

HB 3661 passed the Legislature in Spring 2019 and was signed by Gov. JB Pritzker on June 28, 2019. The bill extends the iLottery program through FY 2022 - and allows the Lottery to offer Lucky Day Lotto, Pick 3, and Pick 4 through the program without a subscription.

The iLottery channel continued to see success and increased activity supported by marketing efforts encouraging players to “stay at home, play at home.” iLottery sales in Q1 FY21 were \$34 million, 6.6% higher than the Q1 Plan targets . Additionally, in Q1 the iLottery player base grew by over 21,000 players for an overall player increase of about 8%, and by the end of Q1 the iLottery platform accounts for approximately 4% of totals Lottery sales. The Department and Camelot believe that iLottery channel is important to grow a modern and sustainable lottery and will continue to focus on growth in this area.

FY21	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$30,197,820	\$3,795,415	\$33,993,235
Q2	-	-	-
Q3	-	-	-
Q4	-	-	-

Total	\$30,197,820	\$3,795,415	\$33,993,235
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Responsible Gaming

During the first quarter, the Illinois Lottery focused its efforts on reviewing and updating the responsible gaming website content. The following areas were enhanced or created as part of the update:

- Our Commitment – Significant content was added to articulate the Lottery’s commitment to upholding responsible gaming principles throughout its operations, in an effort to protect the interest of its players. The content aligns with the World Lottery Association’s ten Responsible Gaming Program Elements, of which the Illinois Lottery is certified at Level 3.
- Where to Get Help – A link to a self-assessment quiz that individuals can take anonymously, to determine if it is likely that they have a gambling problem, was added to the website. The quiz is part of the weknowthefeeling.org website, which is funded by the Illinois Department of Human Services Division of Substance Use Prevention and Recovery.
- Online Gaming Safeguards – This section was added to provide players with information about what the Illinois Lottery offers for safeguards and tools to keep their online play fun and within responsible limits.

In July, the Illinois Lottery received the National Council on Problem Gambling (NCPG) Holiday Responsible Gaming Campaign Award. The award recognizes a single lottery each year for their efforts to raise awareness about the risks of underage lottery play during the holiday season. The Lottery promoted public awareness about how to gift responsibly, through public service announcements, print ads, social posts and customer-facing screens in lottery retail locations.

The Illinois Lottery is proud of its efforts to deliver a responsible gaming program that focuses on protecting the interests of its players and growing revenues responsibly.

BEP Spending

The Private Management Agreement encourages Camelot Illinois to maintain a goal that at least 20 percent of the spend in marketing, advertising, and shipping/freight be awarded businesses that are minority owned businesses.

For FY21, the total budgeted spend by Camelot in these areas is anticipated to be \$30,000,000 resulting in a BEP goal of \$6,000,000 for FY21. Camelot’s BEP spend in Q1 of FY21 was \$2,418,320⁴.

⁴ This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program’s BEP Compliance Module as of 12-7-20.