



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2021 Quarter 2 (October 1, 2020 – December 31, 2020)
(20 ILCS 1605/9.1)*

Respectfully submitted to:

**Illinois Governor JB Pritzker
Senate President Don Harmon
Senate Republican Leader Dan McConchie
House Speaker Emanuel "Chris" Welch
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 Q2 operating revenue was \$812.5 million which was 6% higher than the FY21 Q2 plan goal of \$765.8 million. FY21 Q2 operating income was \$168 million¹, 7% lower than the FY21 Q2 Plan target of \$181.5 million. Contributions to the Common School Fund in FY21 Q2 were \$176.0 million, totaling \$331.9 million or 44% of the prescribed amount for FY21².

While sales in Q1 and Q2 both 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.

Q2 was focused on implementing our holiday campaign and retail promotion concepts. Instant ticket sales slightly exceeded our goal of \$511.1 million at \$511.7 million, a .1% increase. The Lottery continued to support its newest draw game, Fast Play. Fast Play launched in September 2020 and is expected to deliver about \$31 million in sales for FY21. Since it launched, Fast Play has generated almost \$15.7 million and is on track to exceed the \$31 million budgeted goal.

Draw based games saw a large increase in sales in FY21 Q2 with \$299.9 million, a 17.9% increase from the goal of \$254.3 million. This increase was largely due to the positive performance of the Pick and Fastplay games during this time which outperformed plan by approximately \$36.4 million dollars, or 32% favorability compared to plan. Lotto and Lucky Day Lotto also had slightly favorable quarters with a slight unfavourability to plan in the Powerball and Mega Millions games.

The year continues to follow the three core objectives of the business plan:

- 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 Lottery and Camelot continue to follow FY21's business plan while remaining flexible as the year continues with some uncertainty surrounding the pandemic.

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

² Common School Fund prescribed amount for the year is \$762.5 million

Overall Sales and Transfers to Good Causes

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

FY21	Sales Revenue	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes
Q1	\$786.1 million	\$155.9 million	-	\$2.7 million
Q2	\$810.7 million	\$176.0 million	-	\$2.6 million
Q3	-	-	-	-
Q4	-	-	-	-
Total	\$1,596.8 million	\$487.8 million ³	-	\$5.3 million

Specialty Cause Detail

Specialty Ticket Cause	FY21 Transfers thru Q2
Veterans	\$549,955
Ticket for the Cure	\$387,282
The MS Project	\$324,761
Red Ribbon Cash	\$509,142
Special Olympics	\$156,680
Police Memorials	\$562,834
Homelessness Prevention	\$998,547
Alzheimer's Awareness	\$708,623
STEAM	\$1,098,442
Total	\$5,296,266

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

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 FY22 and allows the Lottery to offer Lucky Day Lotto, Pick 3, and Pick 4 through the program without a subscription. The Department and Camelot believe that iLottery channel is important to grow a modern and sustainable lottery and continue to focus on growth in this area.

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 Q2 FY21 were almost \$39 million, 13.7% higher than the Q2 Plan targets.

FY21	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$30,197,820	\$3,795,415	\$33,993,235
Q2	\$35,252,583	\$3,718,629	\$38,971,212
Q3	-	-	-
Q4	-	-	-
Total	\$65,450,403	\$7,514,044	\$72,964,447

Responsible Gaming

In Q2, the Illinois Lottery commissioned external research agency GamRes Limited to conduct updated responsible gaming research with the Lottery's player base. Approximately 1,500 Illinois Lottery players were surveyed to capture overall levels of responsible gambling behaviors and beliefs. The research examines and assesses the following:

- Honesty and control: How honest players are with others about their gambling and how in control of their behavior they feel.
- Pre-commitment: The extent to which a player considers how much money and time they should spend gambling.
- Personal responsibility: The extent to which a player believes they should take ownership of their gambling behavior.
- Gambling literacy: The extent to which a player has an accurate understanding about the nature of gambling.

Survey results are anticipated to be available in February 2021. The Illinois Lottery plans to integrate the results of the survey into its overall responsible gaming approach. Previous player research was instrumental in shaping external facing messaging to players as part of the Lottery's Be Smart, Play Smart® campaign.

During the 2020 holiday period, the Illinois Lottery supported the National Council on Problem Gambling's Gift Responsibly campaign, which aims to raise awareness about the risks of underage lottery play. The Illinois Lottery promoted awareness about the risks of underage play by:

- Issuing a press release to remind individuals that instant tickets are not appropriate gifts for anyone under 18 years old and that it is illegal to give an instant ticket to minors in the State of Illinois;
- Posting messages on social media channels, promoting the message "Gift Responsibly. It's not a kids' game";
- Reminding retailers that lottery tickets can only be purchased by individuals who are 18+, and that it is illegal for anyone to give Illinois Lottery tickets to minors or to buy tickets for them;
- Displaying a gift responsibly message on the customer-facing screens in lottery retail locations;
- Publishing ads with media partners, promoting the "Gift Responsibly" message; and
- Running 15 and 30 second public service announcements on radio stations throughout Illinois, reminding people that lottery tickets are not for minors.

The Illinois Lottery is Level 3 certified by the World Lottery Association to its Responsible Gaming Framework and maintains memberships with the National Council on Problem Gambling, Illinois Council on Problem Gambling and the Illinois Alliance on Problem Gambling.

Business Enterprise Program (BEP) Spending

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

For FY21, the total budgeted spend by Camelot in these areas is anticipated to be \$33,500,000 resulting in a BEP goal of \$6,700,000 for FY21. Camelot's BEP spend in Q1 of FY21 was \$2,418,600⁴ and Camelot's BEP spend in Q2 of FY21 was \$2,320,339⁴, resulting in \$4,738,939 year to date BEP spend. Year to date Camelot has achieved ~71% of the FY21 target.

FY21	BEP Spend
Q1	\$2,418,600
Q2	\$2,320,339
Q3	
Q4	
Total	\$4,738,939

⁴ This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program's BEP Compliance Module as of 4-9-21.