

Illinois Lottery Control Board Meeting Minutes

Wednesday, January 25, 2023, 1:30pm CDT, via WebEx

MEETING ATTENDANCE

Board Members:

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

Lottery Staff:

- Harold Mays, Director
- Cornell Wilson III, General Counsel
- Meghan Powers, Director of Communications
- Carol Radwine, Chief Financial Officer
- Amber Chappell, Finance Manager
- Joe Weiss, Sales Manager
- Joseph Logue, Chief Transition Officer
- Matthew Bell, Chief Tech & Operations Officer
- Audrey Cosgrove, Deputy General Counsel
- Mason McDaniel, Legislative Liaison
- Alicia Ivy, Director's Executive Assistant
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Keith Horton, General Manager & General Counsel
- Andrew Lang, VP Finance
- Marisa Zimmerman, VP Marketing
- Emilia Mazur, VP Corporate Affairs
- Evan Laya, Senior Director of Product
- Ashley Urisman, Regulatory Affairs Manager

Other Attendees:

- Kathy Gilroy, Member of the Public
- Paul Haberstock, Member of the Public

CALL TO ORDER/ROLL CALL

Diana Sheehan, Board Chair, welcomes everyone and meeting is called to order at 1:35pm with above Board Members present to meet a quorum. Lottery and Camelot Staff are introduced.

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PUBLIC COMMENT

Kathy Gilroy acknowledges the good work the Illinois Lottery has done in Responsible Gambling but believes the Responsible Gaming taglines the Illinois Lottery uses are not sufficient for the problem gambler with an increase in jackpots and online play. Problem gamblers are still encouraged to play even if it is responsibly. Australia has come up with a rotating schedule of various taglines over a 12-month period reminding gamblers of potential losses and implications, for example, "Think. Is this a bet you really want to place" or "What's gambling really costing you?" She would like to see the Illinois Lottery be the first in the country with more aware messaging in all future advertising.

OLD BUSINESS

Approval of Minutes

Board Members vote and unanimously approve and pass the 10/26/2022 minutes of the Lottery Control Board meeting.

DIRECTOR'S REPORT

Opening Remarks– Keith Horton

The Lottery continues to do well with an increase in online sales with large jackpot gains bringing press and media exposure. Camelot remains optimistic for continued growth despite competition and consumers facing the challenges of rising food prices, inflation, and retailer staff shortages.

Sales Performance – H1(July-December 2022) Andrew Lang

- FY23 sales are \$1.8 Billion which are up \$100M from last year driven by large jackpots. This is 5 % ahead of budget.
- Instant ticket sales of \$1.014M are down 2.3% vs budget and down 6.8% vs FY21 & FY22. Tracker suggests good levels of participation.
- Draw based games including MM and PB are at \$140M/21% vs. budget.
- Sales excluding Mega and Powerball are at \$253M averaging \$20M a week at 2.3% above budget.
- iLottery sales of \$242M are up \$42M/21%vs. budget. Large jackpots, Fast Play, incentives such as sweepstakes and second chance draws have contributed to online sales. Player base continues to increase. In the last 90 days over 480K people played compared with 265K this time last year.

Questions and Comments:

Board Chair, Diana Sheehan, asks if demographics can be looked at via the tracker information on Instants. Tracker information should display over time to see who is playing, purchasing tickets, are we

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losing across all groups or is there 1 or 2 groups driving some declines (years 2020-2022). Are we talking to the right people? Evan Laya stated that player ship has grown but the frequency of play has dropped a bit. Camelot will follow up with this information.

Board Member, Sarah Alter, asks if things have been looked at from a channel perspective where players for example are visiting grocery stores less frequently than before. Evan Laya states that they have not seen a material shift in channel behavior but are looking at possible trends where people visit gas stations less due to electric cars and consumers using the self-checkout aisles.

Board Chair, Diana Sheehan, asks for tracker information on percentage of people who purchase in store vs online. Camelot will investigate further detail and provide specifics.

Board Member, Sarah Alter, comments on a curiosity chasm where people keep coming back for more. Andrew Lang states that the Dream Ranger campaign offers players to dream about what would happen if they won big.

Board Member, Alejandra Garza, asks if it is possible to look at geography and city urban rule to further understand purchasing behavior affecting the decisions in future marketing and outreach ideas. Andrew Lang states that yes, they can look at zip codes, geography, and city. Marisa Zimmerman states that since marketing has moved more into digital channels, the targets have become more personal than demographic based. Algorithms help in reaching the right people.

Board Member, Sarah Alter, asks if there has been an uptick in Walmart sales. Andrew Lang stated that Lottery has been in Walmart in the last 18 months and sales look good. Numbers will be provided to the board.

Board Chair, Diana Sheehan, asks if there will be any presence in other stores like Dollar Tree and Aldi. Andrew Lang says they are always eager to add new retail stores, but some are difficult to get into. Keith Horton states that for the remainder of FY23, there are no plans to on board any major big box stores but will be included in the business plan for FY24. **Board Chair also suggest** having a proactive plan on what comes next in the Albertsons and Kroger mergers.

Board Member Sarah Alter asks if the Lottery has ever contemplated a partnership with FedEx, UPS, or USPS which have a large traffic presence of Amazon customers. Andrew Lang states that the post office in the UK currently sells and cashes in mid-size prizes but would be difficult here in Illinois due to the collection of back taxes. Evan Laya stated that the Lottery and post office in the UK and Ireland are national where Illinois Lottery is run by the state, but this can be something to explore.

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Finance Update – H1 Sales, Amber Chappell

- Instants have been underperforming primarily in the \$10- and \$20-dollar price point this year. There has been a strong multi-state performance due to the large jackpots. Pick games have continued to decline from the previous 2 years. Fast Play has done exceptionally well with 87% total sales in iLottery.
- YTD Profit and Loss Statement (Draft & Unaudited)- FY23 as of 12.31.2022 has operating income of \$439 Million providing the department 24% of sales as contributions to the state for 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 12.31.2022, \$300M cash has been transferred to the Common School Fund.
- Auditor General found that the Department made excess cash transfers to the Common School Fund than actual operating income in years prior to 2010 and 2018. The Department was unable to make cash transfers to the Capital Projects Fund for years prior to 2017. The reconciliation of these balances is scheduled to be completed by 03.31.2023.
- On 01.09.2023, the Department received corrective legislative language enabling to transfer the remaining proceeds from FY22 to the Capital Projects Fund. On 01.19.2023, \$48.7 Million was deposited.
- The Department supports 8 specialty causes. As of 12.31.2022, \$82.7 Million has been transferred. Of this, \$4.1 Million has been transferred in FY23

Questions and Comments:

Board Member, Sarah Alter, asks what the prescribed amount is for FY23. Amber Chappell stated that there is no prescribed amount, and the Department will now be utilizing the operating income from the business plan which is approximately \$822 Million.

Advertising & Marketing – Marissa Zimmerman & Evan Laya

- Media spend for H2 FY23 continues to focus on various digital channels as paid social, and digital display. Concertation will focus on support of iLottery platform launch to begin in March
- October 2022- Holiday tickets are launched where consumers are encouraged to purchase and play the games before they gift them, and the Wrap-Up Holiday Sweepstakes begins and supported on website, retail, and digital media. Support of all draw games including Fast Play continues.

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- November 2022-support for holiday tickets with a focus on regifting and Claude and Rene holiday spots are re-aired.
- December 2022-\$20 Fast Play game is launched.
- January 2023-support for new multiplier Instants family, leveraged **“anyone can win in an instant,”** spot and partnership with the Bulls and Blackhawks for every number tells a story Pick campaign.
- Evan Laya presents portfolio of Instants October-January 2023 and December Fast Play Games.

Public Relations and Responsible Play - Emilia Mazur

- October/November concentrated highlighting the growing Powerball jackpot with significant media coverage with a Halloween Ticket Grab Challenge at Lucky Mart. This provided onsite interviews with the Lottery Director by major Chicago news stations.
- Winning story telling provided for winners in River Grove, Sycamore and Wauconda, Bloomington, and Tinley Park to name a few.
- Second Annual holiday toy drive to benefit the Boys and Girls Club Alliance of Illinois takes place. Nearly 1000 toys were collected and with Lottery’s gifting match, 2000 toys were donated.
- Partnered with the Chicago Reader to highlight the impact of funding from the specialty tickets to the communities.
- Public awareness campaign was conducted over the holiday period to remind all players to gift responsibly and not appropriate gifts for anyone under the age of 18. **“Tis the season to gift responsibly: Lottery Games aren’t For Kids”** slogan ran during November and December.
- The Illinois Lottery sponsored the 1st Annual Latinx Conference on problem gambling. Information was shared about the issue and prevalence of problem gambling in the Latinx community with a preview of the new **“Are You Really Winning”** statewide problem gambling awareness campaign.
- Addressing the public comment, Emilia Mazur stated that a series of messages are promoted throughout the year such as **“Know Your Limits”** and **“Stick to It”** reminding players to set limits. The new **“Are You Really Winning”** campaign will focus on emphasizing that when you play the Lottery, it is a game of chance and there is a high chance of losing money. Language is being updated on backs of tickets and website.

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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 the last meeting
- FY22 financial audit has been completed and final report will be shared with the Board Members
- The Department has corrected 4 of the 6 deficiencies identified in the last financial audit. The remaining 2 items have been corrected and will not be reflected in the next review period.
- 2 specialty tickets launched supporting breast cancer and veterans' programs. Special Olympics ticket will launch in February and Multiple Sclerosis in March.
- Legislative session made minor correction to the Lottery laws to complete last proceeds transfers. FY23 going forward, all proceeds will go to the CSF except for the specialty tickets. Agenda for Spring session will focus on improving the specialty ticket program to better serve the causes and help improve the performance of the portfolio.

Closing Remarks

The Lottery has completed the first half of FY23 with a strong performance in our draw-based games and iLottery platform which will put us in a good position for the second half of the year. We will continue to monitor the effects that the economy is having on our business. We will focus on things we can control which is continuously improving the retail service model, offer responsible products, increase player base and sales.

Question and Comments:

Board Chair, Diana Sheehan, thanks both the Lottery and Camelot team for an extraordinary job and the great work put forth during these challenging times.

ADJORNMENT

With all business concluded, motion to adjourn was given at 2:50pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,
Nora Iniguez/LCB Secretary