

Illinois Lottery Control Board Meeting Minutes

Tuesday, June 04, 2024, 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, in person
- Scott Gillard, Chief of Staff, in person
- Meghan Powers, Communications Director, in person
- Amber Chappell, Chief Financial Officer, via Webex
- Joe Logue, Chief Transformation Officer, in person
- Joe Weiss, Sales Manager, 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

Allwyn-North America Staff:

- Keith Horton, General Manager & General Counsel, in person
- Brad Smith, Senior Finance Manager, via Webex
- Marisa Zimmerman, Chief Revenue Officer, in person
- Emilia Mazur, VP Corporate Affairs, in person
- Richard Fairbanks, VP Retail Sales, in person
- Ashley Urisman, Regulatory Affairs Manager, in person

Other Attendees:

- Alexandra Sobor, Governor's Office, via Webex
- Kathy Gilroy, Member of the Public, via Webex
- Drew Ellis, Member of the Public, via Webex
- Paul Haberstock, Member of the Public, via Webex
- Tiffany Webb, Member of the Public, via Webex

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 Allwyn North America Staff are introduced.

PUBLIC COMMENT

No public comment.

OLD BUSINESS

Approval of Minutes

Board Members vote and unanimously approve and pass the 04/03/2024 minutes of the Lottery Control Board meeting.

DIRECTOR'S REPORT

Sales Performance – FY24 Sales (July 2023 – April 2024) – Brad Smith

- FY24 sales continue to perform ahead of both budget and prior year. It will be another record sales year with a forecast to be over \$3.8 billion.
- Instant ticket sales of \$1,778 million have improved but are down 1.2 % vs budget and up 3.9% vs. prior year. Fifty-dollar ticket sales are performing strongly and a rollout of credit card payment devices on vending machines will begin with a pilot group in August.
- Draw Based Games are at a record high with \$1,449 million in sales up \$119 million over prior year.
- In state games, Lotto and Lucky Day Lotto are up 4.7 % over prior year.
- Pick games are slightly below prior year -1.8%.
- Mega Millions and Powerball are up 3.7% year-over-year despite the high jackpot fatigue.
- Sales excluding Mega Millions and Powerball, are consistently stronger in FY24.
- iLottery sales of \$559 million are up \$79 million.
- Fast Play sales are \$341 million, up \$20 million which are up 37% year over year.

Questions and Comments:

Board Members request information regarding the pilot test program for the cashless vending machines.

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Richard Fairbanks provides the following details:

- Pilot program will last for two weeks pending there are no issues and then a full roll out will be done over the state covering 3300 retailers.
- Traffic, volume, demographics, and location were considered for the initial 25 retailers which includes partnership stores and high-volume independents.
- Location was a factor in the ability to get there easily in case something needed to be fixed.
- Different accounting methods were tested at the various partnership headquarters.
- Fifty percent of Instant sales come from vending machines.
- Communication to consumers is being conducted through the Lottery retailers and Lottery Sales Representatives.

Board Chair, Diana Sheehan, asks will access to credit card numbers allow to better understand psychographics of potential participants? Marisa Zimmerman states that information may have to be purchased through World Pay which houses the information but will follow up on what details can be provided.

Board Member, Sarah Alter asks if there is a deeper intel on who is purchasing the \$50 Instant ticket. Marisa Zimmerman states that they are looking at the reinvestment activity of the core consumers that are purchasing the ticket and studying that information before the launch of the next \$50 Instant.

Board Member, Sarah Alter requests that a refresher on the buyer's statistics be shared for the next board meeting.

Finance Update -Sales thru April 2024 (Draft & Unaudited) – Amber Chappell

- Instant tickets continue to underperform compared to plan in all categories except in the \$20, \$30 and \$50 price points. The \$50 Instant has \$145 million in sales through April.
- Our multi-state games have seen five separate jackpots exceeding one billion dollars consisting of sales being up in Powerball but down in Mega Millions. The Lotto had its highest advertised jackpot at \$23.75 million driving sales up from the previous year.
- Fast Play continues to outperform plan and prior year with 90% of total Fast Play sales on the iLottery platform.
- YTD Profit and Loss Statement – through April, the Department has generated an operating income of \$777.2 million providing approximately 24% of our sales to the “Good Causes” we support.
- We are currently on pace to exceed prior year sales and meet our operating income.

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- Through May, the Department has transferred \$817.5 million to the Common School Fund which includes the remaining proceeds from the FY23 audit results of \$12.5 million. Total year to date transfers including all fiscal years is \$24.9 billion to the Common School Fund.
- As of January, the Department now supports 10 Specialty Causes with the addition of United Negro College Fund and DREAM. Through April, the Department has transferred \$95.4 million to these causes. Of this, \$7.7 million has been transferred in FY24.
- The Department launched the joint Specialty Ticket in January.

Questions and Comments:

Board Member, Diana Sheehan, asks if are we seeing a cannibalization in the \$20 and \$30 Instants with the sale of the \$50 ticket? Marisa Zimmerman states that there is but not as much as they had anticipated, and this was built into the forecast. **Brad Smith states** that they will provide percentage of the cannibalization numbers.

Board Member, Diana Sheehan, asks being that there is an incremental growth coming from a new item being introduced (\$50 ticket) and looking at lapping performance next year, where do we see Instants as a whole? Marisa Zimmerman states that according to other states, there will be a slight decline over time with two \$50 tickets in the market, but we are projecting an increase in sales to be driven by cashless purchases. **Marisa Zimmerman states** sales are not where they were when ticket initiated, and sales have stabilized. Sales growth will have to come from elsewhere.

Board Chair, Diana Sheehan, asks is this a consistent trend in other states in that sales are flat in draw-based games without a big jackpot, a decline in Instants and iLottery being the way Lotteries are growing? Marisa Zimmerman states that most states are ebb and flow with the multi-state jackpots. As we cannot control the jackpots, we are looking at Fast Play as the driving force for draw based games. **Director, Harold Mays, adds** that according to our draw-based games portfolio, we are seeing that Fast Play is giving the bump in sales without the multi-state games, so we need to focus on how we anticipate for Fast Play to grow.

Board Members would like to know what comes next in forecasting for growth for the next year. Where will Lottery invest its time and money? Director, Harold Mays, states that this is a consistent discussion in our business planning meetings and currently the Department will continue to invest in Fast Play, retail, new innovations, and new games. **Marisa Zimmerman states** it will be a combination of things consisting of the plan to study foot traffic for retail expansion, enhance point of sale, and launching new Fast Play games.

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Board Members would like to see some key elements in the detail of growing total points of distribution at the next meeting.

Director, Harold Mays, adds that retail is always the answer and studying the state of retail is something that we have been working on for a long time. **Richard Fairbanks explains** to the Board the challenges Illinois faces with retail stores which includes stores that have closed during covid, and not enough workers.

Advertising & Marketing – Marissa Zimmerman

- Funds were moved from some media channels to help bolster the 50th anniversary campaign.
- March-May 2024 highlights in Instants, Draw/iLottery, Experiential include:
 - There was a launch of consumer favorite instants, continued support for Fast Play with the launch of a \$30 ticket, support for the May Celebrations ticket family that comes with a 2nd chance offer that ties in with the 50th Anniversary.
 - On premise retail activation took place to drive awareness and increase sales of Fast Play at retail.
 - Sweepstakes consisted of **Be a Baller**, with cash and basketball theme prizes, **Petal to the Metal**, winning tickets to NASCAR in Madison, IL, and **Get in the Groove** to align with our 50th anniversary.
 - 50th anniversary support began across all channels and a custom logo was created.
- Overview of Fast Play and Instant Tickets for May -June are shown to the Board Members.
- 50th Anniversary activities began with a retail activation tour visiting fifty retailers across the state with lots of giveaways. A larger event will take place on July 18 at a Chicago downtown location that will garner lots of media attention.

Public Relations and Responsible Play & Corporate Social Responsibility – Emilia Mazur

- Winning storytelling features winners in Chicago, Aurora, and Loves Park receiving media coverage. Lucky mom winning the Lucky Day Lotto received significant statewide and national media including Good Morning America.
- Mega Million and Powerball jackpot rolls were observed with a proactive PR outreach as well as a ticket grab challenge. Both generated significant broadcasts. Powerball grew from \$400 million near \$800 million and Mega Millions was near \$1 billion.

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- The lottery continues to advance the responsible gaming program consistent with the World Lottery Association which is a Level 4 certification. Recertification must be submitted every 3 years which will be in October 2025
- Lottery has increased its presence and support of three key groups in fighting problem gambling, the Asian American, African American, and Hispanic communities.
- Responsible gaming report demonstrates the things being done year over year, and transparency to our stakeholders.
- March was Problem Gambling Awareness month campaign to raise awareness and offer support. During April, a post campaign was performed to measure the campaign's effectiveness.

Director's Comments – Harold Mays

The Director thanks the Board Members, Allwyn-North America and the Lottery team and members of the public for their participation in today's meeting.

- Staff – Ryan Schone has accepted and began as our Agency Procurement Officer working in the Springfield office. We welcome him to the team.
- Audit – The FY22-FY23 Compliance Audit final report was released last month, and we will provide a report and share a summary of the results with the Board. The Department reduced its number of findings from 14 down to 8 and repeat findings from 8 to 6.
- The Department and Allwyn are entering into the last phase of business planning for FY25. We would like to thank the Board for their participation and effort. The final plan will be shared with the Board for their review.
- Specialty Tickets – The first joint specialty ticket was launched that will provide proceeds to all ten Specialty Causes we support. This was done to create administrative and marketing efficiencies as well as the equitable allocation and stability of proceeds. All ten causes will be funded by this one ticket starting in July.
- Legislative – The Department was unsuccessful in getting the bill passed in the spring session. This agenda was largely administrative which included clean-up of old, outdated language in the Lottery law, expand paying player claims above \$25,000 which are currently paid at the Comptroller's Office, and alleviate the burden on our retail licensees to restrict hiring people with a felony background. Efforts will be continued in the fall session.

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Closing Remarks – Director Harold Mays

- The Department will be closing in a few weeks with the highest Common School Fund transfer in history. This is a great jumpstart to kick off our 50th Anniversary celebration. Festivities have begun with the introduction of our Celebration scratch ticket. The Board will be kept abreast of the upcoming plans throughout the summer and can hopefully participate. Any follow up questions or information needed is always available by the Department.

ADJORNMENT

With all business concluded, motion to adjourn was given at 2:45pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,

Nora Iniguez/LCB Secretary