

# Illinois Lottery Control Board Meeting Minutes

Wednesday, December 11, 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
- Wynona Redmond, Board Member, in person

### Lottery Staff:

- Harold Mays, Director, in person
- Scott Gillard, Chief of Staff, in person
- Cornell Wilson III, in person
- Meghan Powers, Communications Director, in person
- Amber Chappell, Chief Financial Officer, via Webex
- Joe Logue, Chief Transformation Officer, via Webex
- Matthew Bell, Chief Tech & Operations Officer, via Webex
- 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
- Kristen Edmison, Finance Manager, via Webex
- Nora Iniguez, Lottery Control Board Secretary, in person

### Allwyn-North America Staff:

- Keith Horton, General Manager & General Counsel, in person
- Andrew Lang, VP Finance, in person
- Marisa Zimmerman, Chief Revenue Officer, in person
- Richard Fairbanks, VP Retail Sales, in person
- Emilia Mazur, VP Corporate Affairs, in person

### Other Attendees:

- Kathy Gilroy, Member of the Public, via Webex
- Jessica Nardulli, Fulcrum Government Strategies, via Webex
- Colleen Rowan, IGT, 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 with all the Board Members 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 09/25/2024 minutes of the Lottery Control Board meeting.

## NEW BUSINESS

Approval of 2025 Lottery Control Board Meeting Dates

**Board Members vote and unanimously approve** the following dates.

- Wednesday, April 02, 2025
- Wednesday, June 25, 2025
- Wednesday, September 24, 2025
- Wednesday, December 10, 2025

All meetings will be held in person and via Webex at 1:30pm.

## DIRECTOR'S REPORT

Sales Performance – FY25 Sales-July through October

- FY25 YTD sales remain strong at \$1.25 billion although slightly behind last year due to a lack of large jackpots.
- Instants (July-mid November) FY 25 sales are \$816 million up \$59 million vs prior year.
  - Low price point sales (\$1-\$3) are down \$6.3 million year over year, a long-term trend.
  - Mid-price (\$5-\$10) are up \$12.9 million.

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- High priced (\$20-\$50) are up \$52 million.
- This is marked contrast to a declining US Instant market, where sales fell 0.2% in FY23 and 2.4% in FY24.
- Draw Based Games are down \$90 million year over year for the first 21 weeks due to no large jackpots.
- In state Draw Based Games YTD sales are just over \$300 million down \$6 million from last year.
- Fast Play is up 25% versus last year.
- Mega Millions and Powerball are down \$120 million vs both FY24 and FY23. YTD sales are \$107 million.
- iLottery sales of \$275 million are up \$23 million vs. prior year despite no large jackpots. The \$5.8 million jackpot for the Fast Play game, Ultimate Diamond Jackpot helped lift sales October through November.

**Questions and Comments:**

**Board Member, Alejandra Garza, asks** what is the range in percentage in the US Lotteries sales report? **Andrew Lang states** that it varies from 1% to 45 % down being that some states are smaller than others. Illinois ranked in 2<sup>nd</sup> best being down 3-4 %. Other comparisons: Michigan down 6%, Ohio down 8%, Indiana down 12.6%.

**Board Member, Sarah Alter, asks** when sales will pick back up. **Andrew Lang states** that there is still time as the Mega Millions jackpot is still rolling.

**Board Member, Sarah Alter, asks** if it is worth keeping the lower price point tickets and do we know who is purchasing them? **Andrew Lang states** that he believes that those Instant still serve a purpose as new Lottery players are purchasing. **Marisa Zimmerman added** that sales go up during the holidays as they are used as stocking stuffers.

**Board Member, Sarah Alter, suggests** possibly eliminating some operating costs and complexity with the lower price points to allow players in spending more on the higher price point tickets. **Marisa Zimmerman added** that Lottery is currently displaying more of the higher price points with the current planograms at retailers.

**Board Chair, Diana Sheehan, states** that this is the second-best Instant sales she has seen over the years and **asked** if the SKU rationalization and planogramming are part of what is driving this growth. **Marisa Zimmerman stated** that it includes several factors:

- Launch of the 2<sup>nd</sup> \$50 Instant-core players keep coming back.
- Maximizing price structure and payout on the \$10 and below tickets
- Rigorous ticket performance testing.

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- Full roll out of cashless payments at vending machines

**Board Member, Sarah Alter, asks** for a reminder on why you cannot use a credit card to purchase a lottery ticket at a retail store. **Andrew Lang states** that it is due to the store owners not wanting to pay the banking fees.

**Board Member, Sarah Alter, asks** if that will change now that ticket purchases are increasing in dollar amount. **Richard Fairbanks reiterates** that retailers do not want to pay the banking fees but sees a possible change in the future since most people don't carry cash. Cashless sales are up 1.5 percent from its initial start.

**Board Chair, Diana Sheehan asks** if this increase in cashless vending is due to players purchasing higher priced tickets, increasing the quantity, or are more people playing? **Richard Fairbanks states** that he does not have the exact numbers, but that Allwyn has a very sharp intelligence team looking at this trend in how it will eventually grow overall sales.

**Director Mays comments** that cashless vending has been in effect for only a couple of months and that we are just getting started.

**Board Member, Sarah Alter, requests** that sales information on cashless vending be covered at every board meeting to better understand this new trend.

**Board Chair, Diana Sheehan, asks** if player data can be used to see who is purchasing tickets on the cashless vending machines. **Marisa Zimmerman states** that information would not be available as those transactions are done through World Pay and a fee would have to be paid to receive information.

**Director Mays comments** that retailers are not restricted from accepting a credit card but it up to their own discretion on how they want to run their business.

**Board Chair, Diana Sheehan asks** if there is an excitement in the lower jackpot games now that there haven't been any large jackpot rollovers. **Marisa Zimmerman states** that they have not seen it in this sales data and possibly will know more with the next jackpot roll which will have a large gap since the last one.

**Board Chair, Diana Sheehan, asks** which price points are being used in the progressive tickets and if a \$50 ticket will be introduced. **Andrew Lang states** that price points are from \$30 to \$1 price point. As far as introducing a \$50 ticket, that would need to be consulted with the Director and his team as well as look at maximizing the value of the current price points.

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**Board Chair, Diana Sheehan, asks** if the progressive (Fast Play) tickets are event based or on going. **Marisa Zimmerman states** that they have not done any SKU rationalization on any of these games since they are new, but they are starting to determine if the poorer performing tickets should be removed from the portfolio.

**Board Member, Sarah Alter, asks** what the cadence is on the Fast Play tickets in the focus groups in determining creative, graphics, and colors. **Marisa Zimmerman states** that both qualitative and quantitative research has been performed on players to determine what they are looking for in price points, price structure and game themes.

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

- Instant sales are up year over year due to the sale of the \$50 Instant ticket, but underperforming compared to plan. We launched the first \$50 ticket last year in December and the 2<sup>nd</sup> in November.
- Through October jackpot performance of our multi state games and our in-state Lotto game is significantly lower compared to last year which accounts for a decrease in sales. Thus far neither game has reached \$1 billion jackpot. Lotto reached its highest jackpot at \$23.75 which is its highest in years.
- Fast Play continues to outperform plan and prior year with 91% of total Fast Play sales on the iLottery platform.
- YTD Profit and Loss Statement – through October, the Department has generated an operating income of \$266.7 million providing approximately 21% of our sales to the “Good Causes” we support.
- Prize expense is up due to the game sales mix. Through October, the most profitable games have increased in sales compared to prior years and increased in sales in some of the higher payout games like Fast Play and the \$50 Instant.
- Through October, the Department has transferred \$315 million to the Common School Fund. Once the FY24 audit concludes, the Department will transfer the remaining FY24 proceeds which is approximately \$8.6 million.
- The Department supports a total of 10 special causes through one specialty ticket program. As of 10/31/2024 the Department has transferred a total of \$100.9million to the causes we support. In FY25, \$3.1 million has been transferred.

**Questions and Comments:**

**Board Member, Sarah Alter asks** what specific tactics, or products or markets is Lottery looking at to try fill the revenue gap of approximately \$42 million. **Andrew Lang explained** they will continue to grow their core products, and that Mega Millions will see an increase in cost from \$2 a play to \$5. **Marisa Zimmerman stated** that for the next fiscal year, there is a

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focus on retail expansion and creating a product that's good for purpose for new and different types of retailers.

**Director Mays asserts** that maintaining a diverse portfolio of games, including Fast Play, and achieving the optimal balance among them is the key strategy to counteract the negative impact of low sales stemming from insufficient large jackpots.

#### Advertising & Marketing – Marissa Zimmerman

- Paid social media, shopper marketing and retailer out of home continue to receive the bulk of media spend.
- September-November 2024 highlights in Instants, Draw/iLottery, Experiential include:
  - Taste of Chicago (9/6-9/8) was last summer event wrapping up celebrating the 50<sup>th</sup> Anniversary. Support for new Fast Play games Luxury Loot and Magnificent Multiplier
  - Holiday tickets were introduced with a 2<sup>nd</sup> chance promotion and holiday sweepstakes.
  - Partnership with the Chicago Bulls and Chicago Bears
  - Sponsored Magnificent Mile Lights Festival where players purchased tickets and received giveaways.
  - First retailer specific terminal promotion with Niemann's (Central Illinois) launched with a high redemption at 70%.
- Overview of Instant Tickets for September-January are shown to the Board Members.

#### Questions and Comments:

**Board Member, Wynona Redmond, asked** if the retailer promotion will be expanded to other stores. **Marisa Zimmerman stated** they wanted to test it out at a smaller store first.

**Board Member, Alejandra Garza, asked** if there has been a partnership with the Chicago Blackhawks. **Marisa Zimmerman stated** that there has been one in the past, but they paused that relationship to shift those dollars for the Chicago Bears.

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

- Community outreach for September-November 2024 included partnering with the Alzheimer Association and Department of Public Health for the Alzheimer and Breast

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Cancer Awareness months to bring awareness of the disease and highlighting a grantee. Focus on the funding through our joint specialty ticket was done with the Veterans Association as well as visibility on the Lottery website.

- Winning storytelling continues to drive win belief, with an emphasis on Instant ticket winners with the help of the Lottery Payment Centers.
- Earned Media September-November consisted of naming the Lottery Springfield office the E.J. “Zeke” Giorgi Lottery building, winning storytelling, and significant media coverage on Lottery’s record results for the third consecutive year.
- The Lottery will work on renewing its certification with the World Lottery Association.
- Responsible Gaming program remains consistent with the best practices recommended by the WLA. Activity included stakeholder engagement, research, employee education, and player education.

#### Questions & Comments:

**Board Member, Wynona Redmond, expressed** her strong admirations for the community outreach partnership with the Alzheimer’s Association and the Department of Health, along with the numerous medical partners and investments that Illinois is spearheading within various health collaboratives. **Emilia Mazur emphasized** the importance of effectively communicating through their channels where the funding is allocated and how it is positively impacting individuals.

**Board Chair, Diana Sheehan asks** if the drop-down menu from the Responsible Play tab on the website comes in different languages. **Emilia Mazur states** that although the menu items are not found in multiple languages, they can be copied to be translated.

#### 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- Kristen Edmison is promoted to Finance Manager. Tami Boston, Director of Program Management will be retiring.
- The Director has been voted to serve as the President of the North American State and Provincial Lotteries
- The Lottery Administration office has moved to 115 S. LaSalle Street, Suite 2201.
- Audit –The Department has completed its FY24 financial compliance audit with the office of the Auditor General. The Board will be kept up to date of its preliminary report.
- Specialty Tickets – As of July 1<sup>st</sup>, all the causes of our specialty ticket program are now being funded by the new joint ticket, **\$5 Bingo Tripler** with total revenue expected to

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exceed last year. The Department is participating in a legislative task force to assess the performance of the ticket and the distribution of the funds. Final report will be made to the General Assembly and to the Board.

- Legislative-The Department was unsuccessful in getting its clean-up bill (mostly administrative) passed. Efforts will continue in November.
  - Veto session ended without any bills advancing. Efforts will continue in the Fall.

#### Closing Remarks – Director Harold Mays

**The Director states** that the Department is actively working to achieve its objectives while navigating significant challenges. He expresses confidence in the Department’s progress given that we are nearing the midpoint of the year and anticipates a strong performance in the Spring. As always, the team is available to address any follow up questions or provide further details.

#### **Questions and Comments:**

**Board Chair, Diana Sheehan, thanks** the Department and Allwyn for the extraordinary job they are doing even though sales are slightly behind target and congratulates both Kristen Edmison and the Director in their new roles.

#### ADJORNMENT

With all business concluded, motion to adjourn was given at 2:52pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,

Nora Iniguez/LCB Secretary