

Illinois Lottery Control Board Meeting Minutes

Wednesday, April 03, 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, via Webex
- Scott Gillard, Chief of Staff, via Webex
- Meghan Powers, Communications Director, via Webex
- Amber Chappell, Chief Financial Officer, via Webex
- Joe Logue, Chief Transition Officer, in person
- Joe Weiss, Sales Manager, via Webex
- Maryann Hong, Deputy General Counsel, in person
- 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
- Andrew Lang, VP Finance, in person
- Marisa Zimmerman, Chief Revenue Officer, in person
- Emilia Mazur, VP Corporate Affairs, via Webex
- Richard Fairbanks, VP Retail Sales, via Webex
- 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
- Alex Dominguez, Member of the Public, via Webex
- LaVon Johns, 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 12/07/2023 minutes of the Lottery Control Board meeting.

NEW BUSINESS

Review of the Advertising Policy

The Lottery's Advertising policy outlines standards by which the Lottery and its private manager conduct their advertising. **Maryann Hong, Deputy General Counsel**, explains that an updated format was sent to the Board Members for their review and approval. The advertising policy has no substantive changes, but an updated format was done to match current policy documents and a signature page was added.

- **Board Members vote and unanimously approve** the Advertising Policy.

DIRECTOR'S REPORT

Sales Performance – FY24 Sales (July 2023 through February 2024) - Andrew Lang

- FY24 sales of \$3.8 billion are ahead by both the budget and prior year and on track for another record year.
- Instant ticket sales of \$1,436 million are down 3.4% vs budget but are up from the prior year. Over half of the US Lotteries are seeing declines (October-December 2023) year-over-year. Improvements so far are strong with the \$50 Instant Ticket sales; strong Holiday Ticket performance with a Second Chance promotion; and a strong performing month in January with a family of Monopoly Tickets.

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- Draw Based Games for FY24 are at a record year of \$1,138 million which are up \$56 million over prior year. There were 5 drawings of \$1 billion dollar jackpots this fiscal year due to the annuity factor that has increased.
- Pick Games are slightly below prior year at -0.7%.
- Lotto and Lucky Day Lotto are up 10% over prior year.
- Mega Millions and Powerball are down 12% year-over-year even with high jackpots due to “jackpot fatigue.”
- Sales excluding Mega Millions and Powerball, are consistently stronger in FY24.
- iLottery sales of \$434 million are up \$59 million which is 16% above budget and 28% above prior year.
- Fast Play sales are \$264 million with sales up 5.8 % vs. budget and 40% year- over-year.

Questions and Comments:

Board member, Alejandra Garza, asks, if there is any research or thoughts on why there is a decline in instant ticket sales across some of the states? **Andrew Lang states** that looking into bank balances across the US, money that was saved up during the financial support of COVID is slowly becoming depleted which can be one cause as a decline in sales.

Board Member, Alejandra Garza also asks, if the Lottery sees a decrease in scratch ticket and an increase in online play? **Andrew Lang states there is not a massive change** although there are players who will play both in retail and online, for the most part, players are different. He states that other competitive products are seeing similar effects, which had a boost during COVID and are seeing a return to normal.

Board member, Sarah Alter, gives examples of how consumers are using an online app for purchases and doing away with paper money. **Andrew Lang says** that consumers mostly use cash at retail, but the Lottery will soon be introducing the ability to use a credit card at the Lottery vending machines inside retail stores.

Board Chair, Diana Sheehan and Board Member Sarah Alter ask for details in the performance of the \$50 Instant Ticket within the first year in other states and who in Illinois is purchasing this ticket? **Marisa Zimmerman states** that the other states have had great sales as Illinois with an approximate sale of \$1 million in sales a day. There is a slight decline in the states that launched last year. **Andrew Lang states** that when the newness wears off and sales decline, they will learn what to do with the second launch of the ticket. **Marisa Zimmerman states** that it is the core player who is purchasing this ticket for themselves. Consumers that were polled stated the appeal of the ticket is in the many \$500 prizes it has and that they would use winnings to reinvest and purchase more. **Board Member, Sarah Alter, reinforces** in emphasizing that consumers play responsibly.

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Board Member, Sarah Alter, asks for statistics on spending for these jackpots in comparison to before when they weren't as frequent? **Andrew Lang states** that people in Illinois are spending the same amount.

Board Member, Sarah Alter, asks if there are statistics on whether consumers are online players or are they cross channel players? **Andrew Lang states** that purchasing at retail is anonymous, but they have more knowledge of players who are registered online and use the app to scan their tickets. **Board Member, Sarah Alter, asks** for a refresher on all the buyer statistics since there has been economic and technology changes? **Marisa Zimmerman states** they will share the information they have through the brand tracker and segmentation done through our media partners.

Board Chair, Diana Sheehan, asks if we have enough players subscribed on the iLottery platform to ask them questions and use them as a panel? **Marisa Zimmerman responds** yes.

Board Chair, Diana Sheehan, asks what is being done for next year's Business Plan regarding jackpot fatigue and \$1 billion dollar jackpots when interest rates go down and people are not paying attention to the high jackpots? **Andrew Lang states** that the annuity rates will drop down but slowly. It will be difficult to predict the consumer psychology on what players think, but hopefully players will be interested again as the high jackpots are not as frequent. He states that we are not relying on Mega Million and Powerball game performance and are adding more games and interesting content to the portfolio is the key driver in the sales of the Draw Based Games.

Board Member, Alejandra Garza asks, if there is an impact in the number of retail stores that closed during COVID and had sold quite a few instant tickets? **Marisa Zimmerman states** that the stores that closed were low in ticket sales and did not make an impact.

Board member, Sarah Alter, suggests to possibly market different occasions like a birthday ticket as a gift to get consumers to purchase a ticket.

Board chair, Diana Sheehan suggests in the areas of interest rates going down and the anticipation of the consolidation of grocery and convenient stores and not being able to predict the future, at having a head start in planning accordingly for the FY25 Business Plan; look at what variables we need to proactively have a backup plan for to ensure we are doing well. **Marisa Zimmerman states** that they are looking at product and channel mix for the upcoming year.

Board member, Sarah Alter, suggests one variable to look at is possibly collaborating with Instacart or Amazon grocery.

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

- Instant tickets continue to underperform compared to plan in all categories except in the \$30 and \$50 price point. We are up from prior year due to the launch of the \$50 instant ticket.
- Multistate sales are performing well due to the high jackpots in Mega Million and Powerball.
- Fast Play continues to outperform plan and prior year with 90% of Fast Play sales on the iLottery platform.
- YTD Profit and Loss Statement – through February, the Department has generated an operating income of \$609.5 million providing approximately 24% of sales to the “Good Causes” we support.
- Financials for the FY23 audit has been released and the year end audit sales generated \$3.609 billion in sales, a total of operating revenue of \$3.614 billion and operating income of \$882 million.
- Through March, the Department has transferred \$635 million to the Common School Fund. Reminder that FY23 was the last year we transferred revenue to the Capital Projects Fund.
- As of January, the Department now supports 10 Specialty Causes with the addition of UNCCF and DREAM. As of 02.29.2024, the Department has transferred \$93.5 million for these causes. Of this, \$5.9 million has been transferred in FY24.
- The Department launched the joint Specialty Ticket in January.

Questions and Comments:

Board Member, Sarah Alter, asks for an explanation in the increase in the percentage of total operating expenses between FY23 at 74.39% and FY24 at 75.94%? **Board Chair, Diana Sheehan, asks** if it is the prize and claim expenses of paying out more than what is driving the net operating expenses? **Board Member, Sarah Alter, states** that though sales and prize expenses went up, the ratio should stay somewhat the same. **Andrew Lang explains** how a large price liability can be when a Pick 4 game is hit. The Pick Game resulted in a \$7 million higher price cost this year vs. last. Changes were made three to four years ago to improve the margin and reduce the cap. **Board Member, Sarah Alter, asks** to investigate what the Department can do to protect that margin? **Amber Chappell reconfirms** that the higher payout games drive up the price expense but also drives up sales.

Advertising & Marketing – Marissa Zimmerman

- Media spend by channel showcases more investment in media at retail including shopper marketing which hits the consumer at the point of purchase.

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- November-February 2024 highlights in Instants, Draw/iLottery, Experiential include:
 - Holiday **Scratch Away** campaign and the Holiday 2nd Chance Promotion continues. There is a new launch of a new Fast Play games **777** and **\$50 Bonanza**.
 - Support is given for the Monopoly Ticket family, the \$50 Instant Ticket as well Monopoly and Chicago Bulls Sweepstakes.
 - Support is given to two online Fast Play Games that were only featured at retail as well as **“Be a Baller”** and Chicago Blackhawks Sweepstakes.
- Overview of Fast Play and Instant Tickets for these months are shown to the Board Members.
- Lottery’s 50th Anniversary will be celebrated through the months of May-July which includes a Celebration Ticket with a 2nd Chance Promotion, and a retail activation at different locations with prize giveaways. In July, there will be a large activation with lots of media coverage concentrating on what the Lottery has done over the past 50 years.

Questions and Comments:

Board Member, Sarah Alter, asks if there has been a birthday themed ticket? **Marisa Zimmerman stated** she will follow up with that information.

Board Member, Sarah Alter, suggests mentioning how much the Lottery has given to the schools.

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

- New \$50 Instant Ticket, **\$10 Million** is launched with a “Spin the Wheel” event at Navy Pier with great media exposure. A lucky winner won \$10,000 on the spot.
- Community outreaches include the launch of the Veterans Ticket, and the Holiday Toy Drive to support the Illinois Alliance of Boys and Girls Clubs.
- In January was the launch of the single **Specialty Ticket, \$5 Bingo Tripler** which supports all “Good Causes” (previously each cause had its own ticket). The number of “Good Causes” was capped at 10 with the addition of United Negro Fund and IL Dream Fund.
- The **Bingo Tripler** will be available all year round benefitting all 10 Causes. Marketing will emphasize on how to promote each Cause. The ticket will be highlighted based on the awareness month for each Cause.

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- Winner awareness focuses on a winner who wished to remain anonymous stating his name as Mr. M who won a million dollars. The other story was on a million-dollar winner who had just broken up with his girlfriend prior to winning. The PR team saved that story to advertise during Valentine's Day and it received great media coverage.
- Responsible Gaming activity included employee education, measurement and reporting, and stakeholder engagement.
- The 3rd Annual Responsible Gaming Report covering activities from the calendar year 2023, was made publicly available on the Lottery's website.
- Problem Gambling Awareness month in March raised awareness and support with the tagline **"Help and hope are here: call 1-800-Gambler."**
- Responsible Gaming conferences are being held in the African American, Asian, and Hispanic communities.

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 - Amber Chappell has been selected to serve as Chief Financial Officer and Director, Harold Mays, reappointment has been confirmed by the Senate for another two years.
- Audit - The FY23 Financial Audit results, conducted by the Office of the Auditor General, were received with zero findings. The Department awaits the results of its FY22-FY23 Compliance Audit and will share those results with the Board.
- Finance - FY24 will be the first year that the Common School Fund will receive the full benefit in receiving all the Lottery proceeds. Transfers this year have reached \$635 million. The projection for the year end is approximately \$850 million which will be its largest transfer ever.
- Specialty Tickets - The first joint specialty ticket was launched that will fund all ten Specialty Causes we support as opposed to each Cause having its own ticket. This enables our efforts to make one ticket successful instead of ten. The United Negro College Fund and Illinois Dream Fund were welcomed this year.
- Legislative - The agenda for the spring is mostly administrative which includes 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.

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Questions and Comments:

Board Member, Sarah Alter, asks who conducts the audits for the Department? The **Director states** that it is managed by the Office of the Auditor General who then contracts an accounting firm to do the actual work.

Closing Remarks – Director Harold Mays

The Department’s focus over the next few months will be to close out the year strong and the launch of our 50th Anniversary celebration. We are finalizing the details in celebrating every aspect of our history over the past 50 years and making sure everyone has a great time. Any follow up questions or information needed is always available by the Department.

Questions and Comments:

Board Chair, Diana Sheehan, congratulates Amber Chappell on accepting the role as Chief Financial Officer and the Director on his reappointment. **Board Chair, Diana Sheehan, thanks** the Department and Allwyn-North America for all their great work.

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