



REPORT ON THE WORK OF THE LOTTERY CONTROL BOARD
FISCAL YEAR 2022

(20 ILCS 1605/7.8)
November, 2022

Respectfully submitted to:

Illinois Governor JB Pritzker
Senate President Don Harmon
Senate Majority Leader Kimberly Lightford
Senate Minority Leader Don McConchie
House Speaker Emanuel Chris Welch
House Majority Leader Greg Harris
House Minority Leader Jim Durkin

The Illinois Lottery Control Board -- Background and Current Status

Illinois Lottery Law (20 ILCS 1605/6) created an independent board - the Lottery Control Board (“the Board”) - consisting of five members appointed by the Governor with the advice and consent of the Senate. A chairman of the board is chosen annually from the membership of the board by a majority of the members of the board. Current members of the Board:

Name	Term Expires	Board Member Since
Sarah Alter	July 1, 2024	June 3, 2019
Diana Sheehan (Chairperson)	July 1, 2023	February 24, 2020
Alejandra Garza	July 1, 2024	July 1, 2021
Vacant		
Vacant		

The Board chair is Diana Sheehan who was elected at the September 2, 2020 meeting. The Board currently consists of three members with two vacancies. Alejandra Garza was appointed for a three-year term beginning July 1, 2021. Sarah Alter was reappointed to a three-year term on August 23, 2021. Her term runs through July 1, 2024.

The Board is required to hold at least one meeting each quarter of the fiscal year, and all Board meetings are open to the public pursuant to the Open Meetings Act. Meetings were held in Fiscal Year 2022 on August 2, 2021, October 27, 2021, January 26, 2022, and April 27, 2022.

Lottery Control Board Activities

Quarterly Meetings. During quarterly public Board meetings, the Board is updated on Department activities and year-to-date financial performance. There is an open discussion with the Department and Camelot Illinois about Department finance, marketing, game performance, legal administration, legislation, operations, compliance and corporate social responsibility. The Board asks probing questions, provides insight, and offers suggestions to the Department in accordance with its role and responsibilities per the bylaws of the Board. Approved meeting minutes for the fiscal year 2022 can be found at:

<https://www.illinoislottery.com/illinois-lottery/lottery-control-board>.

Advisory and Oversight. Throughout the year, Board members advised the Department on various aspects of the administration of the Lottery. In FY22, Board members participated in discussions with the Department and provided guidance in the areas of retail, marketing, and corporate social responsibility. The Board also actively participated in the review and approval of Camelot’s FY23 annual business plan, which included working sessions with the Department and Camelot. Oversight responsibilities are met and include review of periodic Department administration and operations reports, internal audit reports, yearly compliance audits, and monthly financial reports.

Quarterly Meeting Activity Summary

August 2, 2021 Meeting

Approval of Meeting Minutes

The Board unanimously approved the meeting minutes from April 4, 2021.

Scheduling of Quarterly Meetings

Board members vote to unanimously approve and pass the next Lottery Control Board meeting date as Wednesday, 10/27/2021, from 1- 3pm.

Sales performance

Chair Sheehan and board member Alter asked how Camelot performs draw-based games (DBG) projections and how Camelot looks to continue the record sales year in fiscal year 2021. Camelot stated that the DBG projections are done using Monte Carlo simulations which, based on previous sales data, simulate at least one thousand possible yearly outcomes and takes their projections from that process. Camelot expects to maintain the performance seen in FY21 by continuing to offer a great instant ticket portfolio, launching new games, retail execution, and by maintaining the gains seen within the digital platform.

Chair Sheehan asked about increased brand tracking metrics, and Camelot responded that they have seen a marked increase in brand metrics over the past few years.

Finance

Board member Alter asked about the status of our Common School Fund (“CSF”) obligation for FY21 and if it would be met. The Lottery responded that final financials are still being completed, but it does appear that CSF obligations will be met for FY21.

Chair Sheehan noted a significant difference in net income as a percentage of total revenue from FY19, FY20, and FY21 and inquired if this was a variation in prize payouts and if it is something that is looking to

be more tightly controlled moving forward. The Lottery responded by informing the chair that FY21 numbers are not final and that the number for FY21 should increase and that the general variability of the number in question was due to prize variability, especially for Pick and Fireball add-ons.

Chair Sheehan asked about the administrative cost of specialty tickets. The Lottery informed the chair that the amount returned to specialty causes was approximately between 20 -23 percent of revenue. Board member Alter commented that specialty causes are important, but a simplified administrative approach should be explored. Chair Sheehan continued the discussion by asking if specialty cause tickets are cannibalizing other lottery sales. Camelot responded saying that they were glad to support these worthy causes but that these tickets did come with a significant operational and administrative costs. Camelot suggested that looking for a new method to continue supporting these causes and the CSF would be beneficial for the Lottery. Lottery and Camelot agreed that any solution to this would start with revising the current specialty cause legislation and that Lottery would happily take any recommendation that Camelot would suggest.

Marketing

Board member Garza and chair Sheehan asked if there were any other professional sports players that the Lottery can partner with outside of the Chicago Bulls player in the pick campaign and suggested that Camelot consider older athletes, coaches, and alumni. Camelot responded saying that they are considering more sports figures and are in communication with at least one more sports figure for a possible partnership.

Retail

Chair Sheehan, board member Alter, and board member Garza asked about various aspects of the strategy regarding independent retailers: including targets for onboarding, criteria for independent retailers, and the effect of the pandemic on the retail estate. Camelot responded by informing the board that FY22 goals included onboarding of 300 new independent retailers using a new business deployment team at Camelot. Also, Camelot is looking to use some trade spend to ease the burdens of the application process by offering signup promotions to new retailers like application fee reimbursement. Camelot addressed the obstacles within the current independent retail estate, which included short staffing at stores and closures during the pandemic. Finally, Camelot indicated that the strategic usage of vending machines could help to ease the burden at retail by automating part of the lottery experience.

October 27, 2021 Meeting

Approval of Meeting Minutes

The board members vote and unanimously approve and pass the minutes of the Lottery Control Board meeting on 08/02/2021.

Scheduling of Quarterly Meetings

Board members vote and unanimously approve and pass next year's meeting dates as the following:

- 01/26/2022
- 04/27/2022
- 07/27/2022
- 10/26/2022

Meetings will be conducted via WebEx starting at 1:30pm.

Sales performance

Board member Garza asked about the attributing factors to Illinois success compared to other states in terms of DBG and if there was a demographic aspect to why we see the trend. Camelot responded saying that sales in any one state are complicated given the many differences between states and their citizens relationship to lottery from a historical and cultural context. Lottery added that the discrepancy is due in part to the maturity of the iLottery online platform for lottery play being over 10 years which is very long compared to most states.

Finance

Chair Sheehan asked about the historical average payout per quarter to the CSF. Lottery responded saying that historically this has fluctuated because the prescribed amounts per month is based upon the payments made in FY2009 adjusted for inflation. This accounts for the seasonal variance in the transfers, but the Lottery is on track currently.

Marketing

Board member Alter suggested that the Lottery explore the Chicago Sky as a potential partner after their recent championship in the WNBA. Camelot stated that they have started to explore a partnership with the Chicago Sky.

iLottery

Chair Sheehan asked about the growth in iLottery downloads and Camelot responded with the breakdown of player downloads with specifics around the channel split between android and apple operating systems. Lottery added that there are built in growth performance indicators around players and engagement on the iLottery platform. Camelot added that download and registration process was recently upgraded to simplify the player journey.

Board member Alter suggested the idea of trying a pilot program with a larger retailer promotion to drive app downloads while crediting the participating retailer.

Chair Sheehan suggested that geo location in the app should be able to prompt purchase near the store. Camelot responded to say they would look into the possibility of implementation.

Retail

Chair Sheehan asked about the continued concerns of retail staffing. Camelot confirmed that they are still working with retailers to address the challenge where they can. Camelot noted that in some situations vending machines do help but the inclusion of another point of sale also creates more task such as filling and monitoring the machine.

January 26, 2022, Meeting

Approval of Meeting Minutes

Board members vote and unanimously approve and pass the 10/27/2021 minutes of the Lottery Control Board meeting.

Sales Performance

Board member Alter asked about research on the demographics of online sales growth. Camelot responded by saying that new player registrations are often brought on board during high jackpot runs. Camelot also commented that media data tools have been very efficient for the marketing team.

Chair Sheehan inquired about Keno-like games in Illinois and Camelot informed her that while it would help but currently is not within the Lottery's ability due to regulations.

Finance

Chair Sheehan asked about any necessity to remediate the prescribed amount of donation to the common school fund. Lottery and Camelot indicated that they are on pace and that they will continue under the current business plan through the end of the year.

Marketing

Board member Garza complimented Camelot on the development of the "Claude" Holiday commercial and asked how the commercial performed. Camelot stated that the preliminary results were promising for the commercial and would share campaign debrief at the next meeting.

April 27, 2022, Meeting

Approval of Meeting Minutes

Board members vote and unanimously approve and pass the 01/26/2022 minutes of the Lottery Control Board meeting.

iLottery

Chair Sheehan asks what percentage of players on the iLottery platform are new and what the target is for FY22. Camelot states that there is an ambition target to this fiscal year and would follow up with the exact metrics with the board.

Board member Garza asks where the expected growth is to come from in respect to cohort groups and how that includes the responsible gaming aspect of online play. Camelot responds saying that they can get more specific cohort breakdowns from the media partner and that for responsible gaming, the iLottery platform has a suite of responsible gaming tools for players to utilize and is something we are always looking to strengthen, and that Lottery is pursuing a WLA 4 certification for responsible gaming.

Retail

Chair Sheehan asks what metrics were used to identify Scan-N-Play QR code efficacy. Camelot responded letting the Board know that there was a consumer study done to identify the best layout of the ticket.

Chair Sheehan also asked Camelot about the future with the most sophisticated retailers and that the Lottery should start to think about how to successfully engage with our partners. Camelot responded by saying that they are currently having conversations like these through our key accounts teams and look forward to continuing the conversation with the Board in the future.

Public Relations

Board member Garza asks for the distribution lists of news media outlets for the African American, Asian, and Latino communities. Camelot stated that the Lottery does a multicultural media buy for the stated communities and that they would share the list with the Board.