



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

*Fiscal Year 2023 Quarter 4 (April 1, 2023 – June 30, 2023)
(20 ILCS 1605/9.1)*

Respectfully submitted to:

**Illinois Governor JB Pritzker
Senate President Don Harmon
Senate Republican Leader Dan McConchie
House Speaker Emanuel "Chris" Welch
House Republican Leader Tony McCombie**

The Illinois Lottery – Private Management Current Status

In FY23, Camelot Illinois' ("Camelot") approved Annual Business Plan ("Plan") projected Operating Revenue of \$3.507 billion and Operating Income of \$822 million. The Operating Revenue is a 3.2% increase from the \$3.399 billion generated in FY22. The Operating Income projection is a 1.4% decrease from the \$833.6 million generated in FY22 and is reflective of an anticipated softening of lower prize payout games in FY23.

Q4 FY23 Operating Revenue was \$862.2 million, which was 2.5% higher than the Q4 FY22 Operating Revenue of \$840.9 million and 4.5% lower than the Q4 FY23 Plan target of \$902.7 million. The Q4 FY23 Plan target was largely missed due to a decrease in instant ticket sales, which was mainly seen at the \$20 price point ticket. Q4 FY23 over-performance against Q4 FY22 was due to an increase in draw-based game sales for Lotto and Fast Play games. Lotto was up \$9.8 million from prior year, and Fast Play was up \$41.3 million. Pick games were down \$7.6 million compared to prior year.

Q4 FY23 Operating Income was \$211.1 million, which was 5.4% lower than the Q4 FY22 Operating Income of \$223.2 million, and 0.4% lower than the Plan target of \$212.0 million. Operating Income was on target compared to Plan and down slightly from prior year. The decrease in Q4 was mostly due to an increase in general administrative expenses of \$9.7 million, which includes an increase in private management expenses from prior year. The increase in Q4 sales seen in Fast Play, which is our highest payout game, were offset by the resulting increase in prize expense.

Q4 FY23 iLottery sales were \$130.5 million and 49.7% higher than Q4 FY22 iLottery sales of \$87.2 million and 12.5% higher than the Plan target of \$116.0 million. Sales are much higher than the prior year mostly due to Fast Play sales. Fast Play iLottery sales in Q4 were \$80.3 million compared to \$44.0 million in the prior year.

Common School Fund transfers for Q4 FY23 were 240.0 million and 4.7% higher than Q4 FY22 transfers of \$229.3 million. Specialty cause transfers were \$3.3 million and 36.0% higher than FY22 Q4 transfers of \$2.4 million.

Q4 FY23 marketing focused largely on the "Get It!" iLottery campaign that launched in Q3. Instant ticket support continued utilizing the "New Wave of Faves" in below the line assets, and in May the family of Frenzy Multiplier tickets. Instant tickets were still supported through the "Anyone Can Win in an Instant" platform. However, development of a new instant ticket marketing platform began in Q4 with the Illinois Lottery creative agency, Dentsu Creative. A Frenzy of Prizes sweepstakes and a Get It and Go sweepstakes launched in Q4. Fast Play was supported through multiple channels but mostly targeted digital ads. In late June the launch of RGS paused all traffic driving media.

In Q4 FY23 the Illinois Lottery sponsored the Chicago White Sox and the Chicago Sky and utilized Illinois Lottery digital channels like the owned social and email, paid social and display, and website along with the teams' email and social channels. Sweepstakes for player experiences with the Chicago White Sox and Chicago Sky were also launched in Q4.

The Public Relations team continued to feature winner and winning retailer stories in press releases throughout the quarter. In April, they launched an updated brand campaign to raise awareness around our contributions to education.

The three FY23 core objectives of the business plan are:

1. Fast Play growth through engaging content and experiences.
2. Excellence in execution across brand and marketing, Instants development, and retail and iLottery optimization.
3. Laying the foundations for future growth with investment in technology, including a Remote Gaming Server, engaging game content, and new products.

In delivering these objectives, Camelot aims to maximize net Income for the Common School Fund and good causes. The Department and Camelot utilize the Plan’s core objectives to guide decision making throughout the year.

Total Sales and Transfers to Good Causes

FY23	Sales Revenue	Transfers to Common School Fund¹	Transfers to Special Causes
Q1	\$872.4 M	\$150.0 M	\$2.4 M
Q2	\$936.6 M	\$150.0 M	\$1.7 M
Q3	\$939.3 M	\$186.0 M	\$1.7 M
Q4	\$860.9 M	\$240.0 M	\$3.3 M
Total	\$3,609.2 M	\$726.0 M	\$ 9.1 M

Specialty Cause Detail

Specialty Ticket Cause	FY23 Transfers thru Q4
Veterans	\$1,365,286
Ticket for the Cure	\$742,449
Red Ribbon Cash	\$1,092,042
The MS Project	\$1,162,477
Special Olympics	\$1,254,325
Police Memorials	\$1,081,716

¹ Transfers to the Common School Fund (CSF) are made based upon net Income available to transfer.

Homelessness Prevention	\$1,319,373
Alzheimer’s Awareness	\$1,104,365
Total	\$9,122,033

iLottery Program

HB 4700 passed the Legislature in spring 2022 and was signed by Gov. JB Pritzker on April 19, 2022. The bill extends the iLottery program to July 1, 2025. The Department and Camelot believe that iLottery channel is important to grow a modern and sustainable lottery and continue to focus on growth in this area.

iLottery sales in FY23 Q4 were over \$130 million, totaling almost \$518 million for the full fiscal year.

FY21	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$99.2 M	\$4.4 M	\$103.6 M
Q2	\$130.9 M	\$4.8 M	\$135.8 M
Q3	\$142.9 M	\$4.9 M	\$147.8 M
Q4	\$125.8 M	\$4.8 M	\$130.5 M
Total	\$498.8 M	\$18.9 M	\$517.7 M

Responsible Gaming

Throughout the fourth quarter of fiscal year 2023, the Illinois Lottery continued to focus on supporting and strengthening its responsible gaming program consistent with best practices recommended by the World Lottery Association and the National Council on Problem Gambling.

Research

Since 2017, the Illinois Lottery has worked with Gamres Limited, a Canadian-based provider of international research and consultancy services, to measure responsible gaming-related beliefs and behaviors among Illinois Lottery players. Findings from the third assessment of positive play among people who gamble in Illinois have been received and indicate:

- Overall, most respondents who gamble in Illinois do so positively:
 - 57% scored high on Personal Responsibility

- 56% scored high on Honesty and Control
- 50% scored high on Pre-commitment
- 29% scored high on Gambling Literacy
- While the PPS scores across the subscales were lower compared to the findings from 2020, the scores of players who only play the Illinois lottery were higher. The higher number of sports bettors in the 2023 sample appeared to lower the overall PPS scores.
- Illinois' 2023 findings are consistent with the findings in other jurisdictions – overall PPS scores are down while online sports betting is up.

The Illinois Lottery will integrate the results of the 2023 Positive Play survey into its overall responsible gaming approach. Planned next steps include looking for opportunities to:

- Reward positive play engagement (setting a deposit limit, etc.) with non-gambling rewards (refreshments, merchandise, etc.)
- Provide easy-access to RG information, including messaging at the point of play
- Develop a positive play-focused player self-test

Player Education

The Responsible Gaming Guide—the brochure available at retail locations that provides players with responsible play information—was translated into Spanish. A first run of 25,000 copies of the Spanish Guide were printed. The Illinois Lottery LSRs are distributing the brochures to retail locations that would benefit from having copies of the Spanish Guide available.

Stakeholder Engagement

During the third quarter of fiscal year 2023, the Illinois Lottery published its second annual responsible gaming report to promote the transparency of responsible gaming efforts and seek feedback from interested stakeholders on opportunities for future improvement. A copy of the report was shared with the members of the Illinois Alliance on Problem Gambling and discussed during the bi-monthly members meetings held in April and June. Feedback received on the report was positive.

Business Enterprise Program (BEP) Spending

The Private Management Agreement encourages Camelot Illinois to maintain a goal that awards at least 20% of the company's spend in marketing, advertising, and shipping/freight to State of Illinois BEP-certified minority owned businesses.

For FY23, the total budgeted spend by Camelot in these areas was anticipated to be \$32,000,000 resulting in a BEP spending goal of \$6,400,000 for FY23. Camelot's BEP spend in FY23 Q1 was \$2,168,640. FY23 Q2 was \$2,675,981. Q3 was \$2,671,263 and Q4 was \$2,344,291. Therefore, the total amount of BEP spend for FY23 was \$9,860,175. Camelot achieved approximately 149% of their BEP spending goal for FY23.

FY23	BEP Spend
Q1	\$2,168,640
Q2	\$2,675,981
Q3	\$2,671,263
Q4	\$2,344,291
Total	\$9,860,175²

² This is the amount that has presently been confirmed by subcontractors recorded by the Business Enterprise Program's BEP Compliance Module as of 9-1-2023