



QUARTERLY REPORT ON THE PRIVATE MANAGEMENT AGREEMENT

Quarter 4 (April 1, 2019 – June 30, 2019)

Submitted August 29, 2019

(20 ILCS 1605/9.1)

Respectfully submitted to:

Illinois Governor JB Pritzker

Senate President John J. Cullerton

Senate Republican Leader William E. Brady

House Speaker Michael J. Madigan

House Republican Leader Jim Durkin

The Illinois Lottery – Private Management Current Status

The Illinois Lottery and Camelot initiated a total technology transition in Q3 FY19 that represented one of the largest and most complex lottery transitions ever undertaken by a U.S. lottery. The transition included a new central gaming system, a new instant ticket management system, a new internal control system, all new retail terminals and equipment at 7,200 locations statewide and a new website and mobile app that allow players to buy tickets for our draw-based games.

The work was largely completed in Q4 FY19. A project to modernize the look of the Illinois Lottery in retail across the state with new permanent point of sale equipment started in Q4 and will be completed in the next few months. The Lottery continues to work internally and with its retailers and players to reach an operational steady state, as is customary for transitions of this size.

Camelot's performance against its FY19 business plan is detailed as follows:

- Illinois Lottery's FY19 total sales revenue of \$2.977 billion (unaudited) fell short of the target of \$3.032 billion by 1.8%.
- Illinois Lottery's FY19 total net income of \$750 million (unaudited) exceeded the target of \$735 million by 2.0%. Net income performance was enabled by reduced management and operating spend against the business plan budget.

Overall Sales and Transfers to Good Causes

Below are the FY19 Quarter 4 sales and transfers to good causes:

FY19	Sales	Transfers to Common School Fund	Transfers to Special Causes
Q1	\$729 million	\$156,078,000	\$891,226
Q2	\$831 million	\$187,668,000	\$1,035,999
Q3	\$706 million	\$171,171,000	\$1,007,504
Q4	\$711 million	\$216,333,000	\$1,329,176
Total	\$2.977 billion	\$731,250,000	\$4,263,905

Specialty Ticket Cause	FY19 Transfers
Veterans	\$1,246,632
Ticket for the Cure	\$612,291
The MS Project	\$364,676
Red Ribbon Cash	\$468,529
Special Olympics	\$1,185,927
Police memorials	\$385,850

iLottery Program

PA 98-499 authorized the Lottery to sell Lotto, Mega Millions, and Powerball tickets on the internet, through a 48-month pilot program that began in January 2014. In June 2016, the Illinois Legislature removed the “pilot” designation from the iLottery program and included a sunset of July 1, 2017. That sunset date was extended to July 1, 2018. The sunset date was again extended by a year – to July 1, 2019 – under PA 100-0587. HB 3661 passed the Legislature in Spring 2019 and was signed by Gov. JB Pritzker on June 28, 2019. The bill extends the iLottery program by three years - through 2022 - and allows the Lottery to offer Lotto, Lucky Day Lotto, Mega Millions, Powerball, Pick 3, and Pick 4 through the internet program.

FY19	Internet Sales	Subscription Sales	Total iLottery Sales
Q1	\$8 million	\$4 million	\$12 million
Q2	\$15 million	\$4.5 million	\$19.5 million
Q3	\$8 million	\$4 million	\$12 million
Q4	\$9 million	\$5 million	\$14 million
Total	\$40 million	\$17.5 million	\$57.5 million

Responsible Gaming

The Illinois Lottery is proud to continue its responsible gaming program to ensure revenues are raised in a socially responsible manner.

In Quarter 4, the Lottery focused its efforts on developing and incorporating responsible gaming and problem gambling training materials into the business. Camelot Illinois, Player Contact Center and Illinois Lottery team training materials were streamlined and updated to

reflect current information. All new Camelot hires are required to take the responsible gaming and problem gambling training and post-training quiz as part of their on-boarding.

Additionally, a responsible gaming video was incorporated into the new retailer training course. The video highlights the key responsibilities of the retailer, which are:

- Not selling to individuals under the age of 18
- Keeping instant ticket dispensing machines within eyesight and disabling the machine if an individual under the required age tries to purchase a ticket
- Keeping responsible gaming messages on display
- Answering player questions to ensure players have the information to make an informed decision
- Being aware of problem gambling warning signs and providing help resources to individuals as required

The Illinois Lottery maintains membership and support of the Illinois Alliance on Problem Gambling, Illinois Council on Problem Gambling, National Council on Problem Gambling, and the World Lottery Association. The Lottery's commitment to responsible gaming also includes providing funds for the Gambling Hotline (1-800-GAMBLER).

BEP Spending

The Private Management Agreement encourages Camelot Illinois to maintain a goal that at least 20 percent of the spend in marketing, advertising, and shipping/freight be awarded businesses that are minority owned businesses.

For FY 19, the total budgeted spend by Camelot in these areas was \$44,600,000. Thirty-four (34) percent of the spend went to BEP vendors, totaling \$15,250,934.