

BUDGET HEARING
FY 2005 BUDGET REQUEST OF THE OFFICE OF THE
CHIEF FINANCIAL OFFICER (OCFO)

Before the
Committee on Finance and Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

April 7, 2004, 9:00 a.m.
Council Chamber



Testimony of
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D.C. Lottery and Charitable Games Control Board

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Government of the District of Columbia

Good morning Chairman Evans and Members of the Committee. I am Jeanette A. Michael, executive director of the D.C. Lottery and Charitable Games Control Board, and I am pleased to have this opportunity to present testimony on the D.C. Lottery's FY 2005 proposed budget. With me today are the Lottery's Chief Financial Officer, William Robinson, and Budget Director, Barry Robinson. My statements for the record will be brief.

In FY 2005, the D.C. Lottery will continue with its primary mission of generating revenue for the District's General Fund through the sale of lottery games to residents, commuters and visitors in the District of Columbia. Since its inception in FY 1982, the Lottery has transferred more than \$1.2 billion to the General Fund and licensed non-profit organizations to hold charitable gaming bingo, raffles, and Monte Carlo Night Parties. These organizations have raised over \$83.5 million to support charitable programs and services for those in need. I would also like to state that the Lottery is fully self-supporting. It does not rely on, or spend, any federal or District tax dollars to operate.

FY 2005 Budget Request

The D.C. Lottery's FY 2005 Proposed Budget of \$247.0 million is supported by sales of \$245.5 million and miscellaneous revenue, such as interest and recovered costs, of \$1.5 million. This funding level reflects an increase of \$4.2 million over the FY 2004 Approved Budget of \$242.8 million. The FY 2005 Proposed Budget supports the program's administrative costs, operating expenses, rent, utilities, and gaming expenses that include prizes, agent commissions, and contractor fees for the continuation of the games that currently comprise the Lottery's product

portfolio: DC Lucky Numbers™, DC-4™, Quick Ca\$h™, HOT FIVE™, D.C. Keno™, POWERBALL®, and various instant “scratch” ticket games.

The FY 2005 plan also includes full-year funding for Hot Lotto®, a MUSL (Multi-State Lottery Association) game that was launched on April 5, 2004. Hot Lotto is carried by a number of state-run lotteries throughout the country and it will fill the niche between the high jackpots offered by POWERBALL and the lower prize payouts offered by our other games. In FY 2005, the D.C. Lottery is also planning to launch another on-line game. FY 2005 anticipated revenues, in conjunction with estimated expenditures, combine for a projected General Fund transfer of \$71.1 million.

It is important to note that the Lottery’s sales and transfer numbers are our best estimates. The FY 2005 sales numbers are based on research and analysis findings that reflect historical and industry-wide trends, implementation of our marketing plans, as well as other assumptions that could potentially impact sales. If there is a significant variance between our assumptions and plans and what actually transpires, the impact will be reflected in the sales level.

Lottery Programs

The FY 2005 sales goal of \$245.5 million is an ambitious target. Only twice in the history of the Lottery’s operations have sales exceeded \$230 million, and to-date, the D.C. Lottery is on target to meet its fiscal year 2004 sales and transfer goals of \$242.8 million and \$70.2 million, respectively.

To meet our sales and transfer objectives, we have taken steps to enhance our gaming portfolio, improve our public relations image, and strengthen our relationship with our agents. As I stated earlier, Hot Lotto will be in place for the entire fiscal year and we will add a new on-line game. Additionally, the D.C. Lottery is going to continue to launch more instant games with varying price points, themes, and prizes.

In FY 2005, we will maintain our partnerships with the community and business associations to promote lottery sales. Similarly, we will continue to strengthen our agent relationships through efforts such as agent incentives, sales training, and the addition of equipment that makes it more convenient for our agents to carry Lottery products.

Also in FY 2005, the Lottery will continue to protect the integrity of charitable gaming within the District by licensing major charities to conduct bingos, raffles, and Monte Carlo Night parties in efforts to raise funds. The Lottery anticipates that non-profit organizations will raise \$3.5 million in FY 2005 to support charitable causes.

Mr. Chairman, I would like to take this opportunity to again express our gratitude to the D.C. Lottery's Advisory Council. The Council members continue to volunteer their skills in those areas that are extremely critical to the D.C. Lottery's operations.

Once again, I would also like to commend the work of the Lottery staff. It is their enthusiasm, commitment, and dedication to the Lottery that ensures the Lottery's success.

In closing I would like to thank you, Mr. Chairman, for this opportunity to present testimony on the D.C. Lottery and Charitable Games Control Board's FY 2005 Proposed Budget. I am happy to answer any questions that you or the Committee members may have.

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