

BUDGET HEARING

FY 2006 BUDGET REQUEST OF THE D.C. LOTTERY AND CHARITABLE GAMES CONTROL BOARD

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

The Honorable Jack Evans, Chairman

**April 13, 2005
Council Chamber**



**Testimony of
Jeanette A. Michael
Executive Director
D.C. Lottery and Charitable Games Control Board**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good afternoon 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 2006 proposed budget. With me today are the Lottery's Chief Financial Officer William Robinson and Chief Operating Officer Jeffrey Young.

In FY 2006, the D.C. Lottery will continue its mission to raise revenue for the District of Columbia's General Fund through the regulation and operation of a lottery. Since its inception, the D.C. Lottery has transferred nearly \$1.3 billion to the General Fund in addition to paying out \$1.9 billion in prizes and \$209 million in agent commissions – all of which have helped to promote economic development within the city. Also, as a self-supporting agency that does not spend federal or District tax dollars to operate, our mission includes regulating charitable gaming within the city. In doing so, we assist non-profit organizations by licensing them to hold charitable gaming events, such as bingos, raffles, and Monte Carlo Night Parties. Over the past 23 years, these organizations have raised more than \$87.5 million to support charitable programs and services for those in need.

FY 2006 Budget Request

The D.C. Lottery's FY 2006 proposed budget of \$251.0 million is supported by sales of \$250.0 million and non-operating revenue, such as interest and recovered costs, of \$1.0 million. Compared to the FY 2005 approved budget of \$247.0 million, the proposed budget for FY 2006 reflects an anticipated increase based on historical projections. Every fiscal year, the D.C. Lottery sets higher sales goals. Since the agency's budget is derivative of the sales projections, the agency's

budget increases every year. The FY 2006 proposed budget supports the agency's administrative costs, operating expenses, rent, utilities, gaming expenses such as agent commissions, and contractor fees for the continuation of the Lottery's current product line, which includes DC Lucky Numbers™, DC-4™, Quick Ca\$h™, HOT FIVE™, D.C. Keno™, Hot Lotto®, POWERBALL®, and instant scratch ticket games.

For fiscal year 2006, the target for our transfer to the District's General Fund is \$72.0 million. This goal is based on sales projections, anticipated expenditures and prize payout historical trends. To determine our sales goals, we research and analyze historical data, industry-wide trends, our sales growth patterns, and the introduction of new games. When setting our targets, we consider these factors as well as other assumptions that may impact the sales and transfer goals.

Lottery Programs

In the current market, the FY 2006 sales goal of \$251.0 million is a very ambitious target. As one of the key drivers of revenue growth, POWERBALL appears to be declining as a product for the Lottery in fiscal year 2005. In order to combat this, we continue to search for improved ways to meet our goals. Our core goals include:

- Continuously increasing the transfer to the General Fund in order to provide funding for District services;
- Improving the ability of our employees to be a highly trained, motivated, and effective workforce, one that meets the needs of internal and external customers; and

- Improving the quality and effectiveness of our relationship with key constituents and our partnerships with the community.

To meet our sales and transfer targets, we are going to capitalize on the improvements to the agency that resulted from our recent restructuring to increase accountability and decrease the time that it takes to move lottery products from conception to the marketplace. We are also going to implement forward-thinking business strategies that are designed to attract new players and foster stronger partnerships with our agents by generating market excitement and positive media coverage about the Lottery and its products.

Mr. Chairman, I would like to express my gratitude to the D.C. Lottery's Advisory Council and to our employees for their enthusiasm, commitment, and dedication to the agency.

Thank you, Mr. Chairman, for this opportunity to present testimony on the D.C. Lottery and Charitable Games Control Board's FY 2006 proposed budget. I am happy to answer any questions that you or the committee members may have.

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