

**PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2006 AND 2007 SPENDING AND
PERFORMANCE BY 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

**February 28, 11:00 a.m.
Council Chamber, John A. Wilson Building**



**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 on Finance and Revenue. I am Jeanette Michael, executive director of the D.C. Lottery and Charitable Games Control Board. William Robinson, the Lottery's agency fiscal officer, Chief Operating Officer Jeffery Young, and Associate General Counsel Ridgely Bennett are accompanying me today. I am pleased to present testimony about the D.C. Lottery's fiscal year 2006 accomplishments and outlook for fiscal year 2007.

FY 2006 Accomplishments

The agency's approved budget for fiscal year 2006 was \$251.0 million (\$250 million in sales and \$1 million in other income) with a transfer goal of \$72.0 million. The Lottery's actual revenue for FY 2006 was \$268.0 million, reflecting an increase of sales of \$17.0 million. The agency transferred \$73.8 million to the general fund, exceeding the initial transfer target by \$1.8 million. We achieved this transfer notwithstanding the highest prize payout in history – \$146.6 million.

As part of our long-term strategic plans, the D.C. Lottery continued to build upon its three core goals. In fiscal year 2006, the agency was able to achieve its first goal of transferring more money to the general fund by increasing sales. Some of the ways by which the agency did so were:

- Obtaining earned media – In the first quarter of fiscal year 2006, the D.C. Lottery capitalized on U.S. Senator Judd Gregg (N.H.) winning more than \$800,000 from the October 2005, \$340 million POWERBALL jackpot to attract national media attention. The agency obtained more than \$1 million

in earned media – free advertising. To put that in perspective, the agency’s marketing budget was more than \$5 million. The \$1 million that we earned meant that we increased awareness of the agency without spending extra dollars.

- Launching a new game – ROLLING CASH 5™. D.C. music icon Chuck Brown was featured in the commercial for ROLLING CASH 5™, for which he created the theme song. This commercial gained notoriety in the District, and its popularity brought attention to all D.C. Lottery games.
- Managing the agency’s game portfolio – The agency was able to grow sales for seven of its eight products. One example is the Lottery’s four-digit game, DC-4. Sales in fiscal year 2006 surpassed \$80 million for the first time since the game was launched in 1985.

For its second goal, the agency continued to provide an environment where employees are highly trained, motivated, and effective – a workforce that meets the needs of internal and external customers. Staff participated in workshops designed to strengthen their supervisory and management skills. We held a strategic planning session and improved operations, which included realigning business processes, cross-training staff, and strengthening project management.

D.C. Lottery employees received industry recognition in fiscal year 2006 for their expertise. At the 2006 annual North American Association of State and Provincial Lotteries (NAASPL) conference, Kevin Johnson, director of communications and marketing, won the Powers Award, and Jeffrey Anderson, chief of charitable games and licensing, received the Ott Brown NAASPL Scholarship. This was the first time in NAASPL history that a lottery had back-to-back Powers and Ott Brown award wins. We also won awards for best radio advertising for daily draw

games (DC Daily 6™) and best audio/visual presentation for our Keno recruitment video.

During the fiscal year, we also had success with our third goal of improving the quality and effectiveness of our customer service scores, internal and external customer support, and effectiveness of community outreach. We implemented a campaign to help employees meet the Mayor's customer service standards. D.C. Lottery employees are continually striving to provide outstanding customer service. In fact, the agency significantly improved its customer service rating from fiscal year 2005, which is reflected in the fiscal year 2006 Mayor's Customer Service Performance Report.

Furthermore, the D.C. Lottery continued to participate in community activities. Throughout the fiscal year, the agency was present at community events in the District – increasing awareness about the agency and its games among a diverse audience. We also licensed non-profit organizations to hold charitable gaming activities. Raffles, bingo, and Monte Carlo Night party events have been the foundation of our fundraising activities for many years. In 2006, we added Texas Hold 'Em. Through these fundraising events, 146 organizations raised \$4.8 million for charitable programs and services.

FY 2007 Developments

The D.C. Lottery's approved budget for fiscal year 2007 is \$256.0 million (\$255 million in sales and \$1 million in other income). The agency projects a transfer of \$72.1 million to the general fund. The agency is currently requesting a modification to increase its FY 2007 budget to \$262.5 million, or \$6.5 million above the budgeted level, and to increase its transfer to \$73.0 million. The

increase reflects an expectation that we will sell more lottery tickets than originally budgeted.

As of January 31, 2007, revenues totaled \$87.1 million, or \$0.5 million less than the projected year-to-date revenue estimate of \$87.6 million. Nevertheless, we are confident that we will meet the sales goal. As of February 20, sales are ahead of the projected year-to-date sales goal.

The year-to-date transfer to the general fund amounted to \$21.1 million, or \$3.3 million behind the projected year-to-date transfer amount of \$24.4 million. We are experiencing another year of the winner. The overall prize payout is running 6.5% above the budgeted prize payout amount. If the prize payout normalizes and sales increase above the targeted goal, the D.C. Lottery should reach its transfer target.

A few sales highlights for this fiscal year include:

- Year-over-year sales for DC-4, the Lottery's most popular game, are up by 6 percent;
- For the first time, sales for the instant ticket product line will break \$40 million;
- Keno sales are increasing for the fifth consecutive year; and
- DC Daily 6 sales are 7 percent above plan.

Other contributing factors to our current success include:

- Well-received game promotions and marketing campaigns – Players responded enthusiastically to our DC Lucky Numbers Lucky Red Ball

promotion. They also enjoyed the Auto Show Second Chance Drawing, which was tied to the POWERBALL[®] game.

- New Signage – The agency’s new signs that feature the jackpot amounts for POWERBALL, HOT LOTTO[®], and ROLLING CASH 5 are drawing more attention to our jackpot driven games.
- 25th Anniversary – As the agency is celebrating its silver anniversary, it is creating opportunities to increase awareness about the D.C. Lottery and the games we sell.
 - At our 25th anniversary kickoff, we unveiled the 2007 Black History Calendar, “Generations Of Jazz On The U Street Beat.” It features four native Washingtonian jazz artists, two of whom performed at the event. The calendar has become a mainstay in the community, and every year, the public looks forward to receiving it.
 - We are also going to hold at least three other 25th anniversary events. The next one is May 17 at the agency’s headquarters on Martin Luther King, Jr. Avenue, SE. We will have another community event at the Reeves Center claims center on June 25. The public will have an opportunity to play lottery games, observe charitable games demonstrations, and win prizes by spinning a wheel. The last event will take place at L’Enfant Plaza on August 23.

Also, I want to remind the public that they can learn more about our agency on the Internet at www.dclottery.com. Visit our Web site to get winning numbers, view the calendar of events, and join the D.C. Lottery’s Player’s Club, along with much more.

During fiscal year 2006, the D.C. Lottery's agents, advisory council, and staff were committed to achieving the core goals of the agency. The successes we have enjoyed come from a team effort. So, as I close, I say thank you to the agency's retailers, members of the advisory council, and Lottery employees. Again, I appreciate their efforts and look forward to what we will accomplish in fiscal year 2007.

Thank you Mr. Chairman for this opportunity to present testimony on the D.C. Lottery and Charitable Games Control Board's performance. We are pleased to respond to questions.