

**BUDGET HEARING**  
**FY 2004 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 4, 2003, 9:00 a.m.**  
**Council Chambers**



**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 2004 proposed budget. With me today are the Lottery's Chief Financial Officer William Robinson and Budget Director Barry Robinson.

In FY 2004, the Lottery will continue with its primary mission of generating revenue for the District's General Fund through the sale of lottery games to residents of the District of Columbia as well as to commuters and visitors to the District. Since its inception in FY 1982, the Lottery has transferred more than \$1.1 billion to the General Fund. In addition, the Lottery's Charitable Games Division regulates charitable gaming operations and assists charitable and non-profit organizations in raising funds through bingo, raffles, and Monte Carlo Night Parties. Since FY 1982, the Charitable Games Division has assisted these organizations in raising more than \$40.0 million for housing, health care, and other basic needs and services for the needy. If not for the efforts of these organizations, with the assistance of the Charitable Games Division, these services would have to be addressed by the District Government, or otherwise go unmet. For FY 2004, it is estimated that an additional \$3.5 million will be raised for these purposes.

### **FY 2004 Budget Request**

The D.C. Lottery's FY 2004 Proposed Budget of \$242.8 million is supported by sales of \$241.5 million and miscellaneous revenue such as interest and recovered costs of \$1.3 million. This funding level reflects an increase of \$9.9 million or 4.25% from the FY 2003 Approved Budget of \$232.9 million. The FY 2004

Proposed Budget supports the Lottery's gaming and operating expenses, which include the full year operations of two on-line games planned for launch in FY 2003, prizes, agent commissions, contractor fees, utilities, rent, and administrative costs as well as a projected transfer to the General Fund of \$70.2 million. As you know, the Lottery operates on the revenue it generates and does not spend any federal or District tax dollars.

### **Lottery Programs**

The FY 2004 sales goal of \$241.5 million is an ambitious target. Only once in the history of the Lottery's operations have sales exceeded \$230 million. In FY 1995, high POWERBALL jackpots helped drive sales to \$230.2 million. To-date, the Lottery is on target to meet its FY 2003 sales goal of \$233.0 million; an amount that would represent a new annual sales record.

Like all of the Lottery's budget estimates, the FY 2004 sales estimate is based on a certain set of assumptions, including: a stable economy, steady tourism levels, normal weather patterns, and the projected performance of the District's multi-state game - POWERBALL. If any of these assumptions fail to come to fruition, or if any negative external factors come into play such as the impact of anthrax and the September 11 event, the Lottery's ability to meet the projected sales target as well as the estimated transfer to the General Fund may be compromised. For instance, in FY 2002, the lack of a significant POWERBALL jackpot run served to keep sales from reaching budgeted levels, and a downturn in the economy further slowed sales.

To minimize the impact of events over which we have no control, the Lottery will continue to build upon the successes of FY 2003, which have the Lottery on track

to set a new sales record. Accordingly, we will implement our marketing, advertising, trade, and communications strategic plans. We will launch new online and instant games, improve agents' sales, as well as recruit new retailers in strategic locations throughout the city. To enhance our image, we will promote the Lottery's community involvement. These approaches will attract new players and maintain our current ones.

In FY 2003, we have plans to augment our current game portfolio, which consists of DC Lucky Numbers, DC-4, Quick Cash, HOT FIVE, POWERBALL, EXTRA, and various Instant "scratch" ticket games, with KENO and an additional on-line game as well as licensed products and unique themes for our instant tickets. It is our belief that the introduction of new games and promotions will appeal to a wider demographic of players and provide the Lottery with the gaming mix that is needed to meet the competitive challenges of our neighboring rivals.

In addition to the launch of new games, we will also continue to strengthen our agent relationships through efforts such as agent incentives, sales training, and the addition of systems and equipment that make it more convenient for our agents to sell Lottery products.

During fiscal years 2002 and 2001, the Lottery received positive press coverage about its new games and participation in community activities. We were able to increase our winner awareness, as D.C. players throughout the city and surrounding suburbs were featured in newspaper articles and on local network broadcast stations. Additionally, the media coverage extended to Lottery employees who were recognized for their community achievements. One lottery employee was named Foster Parent of the Year, while others received accolades

for returning an unsigned winning lottery ticket worth \$5,000 to its owner. Stories such as these improve the Lottery's image and we will continue to do so by educating the public about our many community partnerships. Our efforts to strengthen our visibility, particularly among tourists, also include packaging the Lottery as part of the District's entertainment industry.

In FY 2004, the Lottery's Licensing and Charitable Games Division 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. As I indicated earlier, it is anticipated that charitable organizations, with the assistance of the Licensing and Charitable Games Division, will raise \$3.5 million to support many worthy causes. And, throughout FY 2004, we will continue to look for other ways to assist charitable organizations in their efforts to raise money.

Mr. Chairman, I would like to take this opportunity to 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 operations of the D.C. Lottery.

I would also like to, once again, 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 the committee's support of the Lottery and for this opportunity to present testimony on the D.C. Lottery and Charitable Games Control Board's FY 2004 Proposed Budget. I am happy to answer any questions that you or the committee members may have.