

**BUDGET OVERSIGHT HEARING ON  
FISCAL YEAR 2020 PROPOSED BUDGET  
AND FINANCIAL PLAN  
FISCAL YEAR 2020 BUDGET SUPPORT ACT OF 2019**

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

**THE HONORABLE JACK EVANS, CHAIRMAN**

**APRIL 5, 2019 AT 10:00 A.M.  
JOHN A. WILSON BUILDING - ROOM 123**



**Testimony of  
Beth Bresnahan, Executive Director  
Office of Lottery and Gaming**

**Jeffrey S. DeWitt, Chief Financial Officer  
Government of the District of Columbia**

Good Morning, Chairman Evans and members of the Finance and Revenue Committee. I am Beth Bresnahan, the Executive Director of the Office of Lottery and Gaming (“Lottery”). Thank you for this opportunity to present testimony on the Lottery’s budget and fiscal planning for Fiscal Year 2020. With me today are Agency Fiscal Officer Craig Lindsey, and Chief Counsel Ridgely Bennett.

Since launching our first game in 1982, the Lottery has generated more than \$7.1 billion in ticket sales and transferred more than \$2.1 billion in net profit to the District’s General Fund. During this 37-year span, Lottery players in the District have been awarded \$3.7 billion in prizes and our licensed retailers have earned approximately \$420 million in commissions from the sale of lottery games in their store locations. We have also assisted local nonprofit organizations in raising approximately \$132 million in support of their important causes by licensing Charitable Gaming events and activities. Later this fiscal year, the Lottery will officially assume its new regulatory role, as we adopt regulations and begin licensing private sports wagering operations in the District; and in Fiscal Year 2020, we plan to launch sports wagering via a Lottery-operated District-wide mobile application and through a network of licensed Lottery retailers.

As of February 2019, Lottery fiscal year sales to-date total \$88.7 million, an increase of \$3.8 million, or 4.5 percent, over the same period last year. The Lottery originally budgeted \$46.1 million for transfer to the General Fund for Fiscal Year 2019. Through the end of February, \$22.5 million, or 48.8 percent of this target, has been transferred. This amount is \$300,000 lower than last year’s transfer to-date due to a slight increase in Lottery administrative expenses, more specifically in prize payout percentage. However, the Lottery remains on track to meet its Fiscal Year 2019 target transfer. It is important to note that costs related to implementing sports wagering in the District, which were not contemplated at the time the Fiscal Year 2019 budget was

formulated, could slightly impact the transfer amount. Those costs include the development of regulatory framework, policies and procedures, as well as the supporting infrastructure needed to license and launch this new category of gaming. A portion of the Fiscal Year 2019 unanticipated costs related to supporting the Lottery's new sports wagering regulatory responsibilities, which are estimated at \$2.79 million, will be offset by revenue collected from licensing fees. The remainder of costs will be funded through the Lottery's current operating budget. We remain on track to put forth draft sports wagering regulations for public comment in June 2019 and adopt regulations, as well as begin the licensing process supporting private sports wagering operations in July 2019. We anticipate that locations can be licensed in time for the start of the NFL regular season in early September 2019. We will be closely monitoring and working to control sports wagering-related and all administrative expenses over the next six months to minimize impact to the Lottery's bottom line while striving to maximize the effectiveness of our products, programs and initiatives.

As I shared at the Performance Oversight hearing in February, this year's sales increase thus far can largely be attributed to gains in the multi-state games *Mega Millions* and *Powerball* thanks to several robust jackpots that spurred purchases from core lottery players and non-traditional players alike, as well as growth in the Instant "Scratcher" Ticket portfolio resulting from a strong product mix and engaging marketing/promotional support. While we cannot predict how often jackpots will roll over or how large they will grow before the top prize is won, we do prepare to capitalize around the excitement of "high-jackpot mode" by using the opportunity to introduce customers to our other games through cross-product marketing and in-store promotions. We are very pleased with the performance of the Instant "scratcher" games released earlier this year which continue to sell well and with the market's reception to our more recent ticket launches that include the \$2 "202" scratcher, the \$5 "DC Flag" scratcher and the \$5 "Washington

*Nationals*” scratcher. We have an exciting schedule of new tickets that will be released monthly throughout the second half of Fiscal Year 2019. Our team will soon be convening to collectively strategize and develop a product plan for Fiscal Year 2020 that aims to continue growth momentum in the Instant category, as well as boost sales across our draw game portfolio.

Looking ahead, Fiscal Year 2020 will be a year of transformation for the Lottery. We will not only be working toward continued growth in our traditional game portfolio through the development of entertaining products and engaging player promotions, but also working to introduce a brand-new game category with sports wagering, and to modernize Lottery operations with the roll out of new equipment and advanced technology that support new sales channels, digitized platforms and fresh game offerings. These operational initiatives will serve to enhance the Lottery’s brand and product innovation, transform how we conduct business and increase our overall revenue generation potential in Fiscal Year 2020 and beyond.

The Lottery originally budgeted a transfer goal for Fiscal Year 2020 of \$46.6 million. This projection and the Lottery’s operating budget for the upcoming fiscal year was formulated prior to the U.S. Supreme Court’s decision to overturn the federal ban on sports wagering and prior to its legalization in the District. As such, any costs of implementation and projected revenue generation from this new category of gaming were not included during the budget formulation process. The Lottery will seek adjustments to its Fiscal Year 2020 budget to reflect an increase in revenue collection generated from sports wagering in the District.

We are in the early stage of contract negotiations with our incumbent technology vendor for the systems and services that will enable the Lottery to offer sports wagering through a network of licensed retailers and a District-wide mobile application, as well as modernize traditional lottery operations. When contract negotiations are complete, the final contract will be

submitted to the Council for review. Should the Council approve the final contract, we estimate system development, testing and implementation will take approximately six months. This timeline brings the estimated launch date of the Lottery's mobile sports wagering and retail network to January 2020.

The Lottery worked closely with the Office of Revenue Analysis to calculate net revenue projections that factor in this anticipated January 2020 launch date and the costs associated with implementation of Lottery-operated sports wagering, as well as the ongoing regulation of private sports wagering operators. Based on these calculations, the Lottery's revised transfer projection for Fiscal Year 2020 is \$61.9 million. This amount is reflected in the OCFO's revenue estimates for Fiscal Years 2019 – 2023 issued on February 28, 2019.

Our team at the Lottery is excited to begin implementing a strategy that modernizes and grows our product line and platforms while continuing to work each day to maximize the revenue returned to support the District's vital programs and services.

Thank you for this opportunity to testify. I am happy to answer any questions the Committee may have.