

**PUBLIC OVERSIGHT HEARING ON
FISCAL YEAR 2016 PROPOSED BUDGET AND
FINANCIAL PLAN
FISCAL YEAR 2016 BUDGET SUPPORT ACT OF 2015**

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

THE HONORABLE JACK EVANS, CHAIRMAN

**APRIL 22, 2015 10 A.M.
COUNCIL CHAMBERS, JOHN A. WILSON BUILDING**



**Testimony of
Tracey Cohen, Interim Executive Director
D.C. Lottery and Charitable Games Control Board**

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

Good Morning, I am Tracey Cohen, Interim Executive Director of the DC Lottery and Charitable Games Control Board. This is my first time before you in this capacity, so let me share a little bit about myself. I possess fifteen years of lottery experience with the last five years as chief operating officer of the DC Lottery. Prior to that, I spent ten years as director of game development, creative services, and communications at the Maryland Lottery. I am committed to furthering the mission, vision and values established by Executive Director, Buddy Roogow.

At this time, I would like to acknowledge Buddy's sudden and untimely passing on April 11th. Since 2009, he transformed the image and operations of the DC Lottery and ushered in a series of 'firsts,' including a DC Scratcher with a \$1,000,000 top prize; the rollout of the Lucky Lottery Mobile, which is a mobile lottery retail vehicle; and the launch of award-winning games such as DC Fast Play. Buddy's passing was a tremendous loss to the agency and the lottery industry. Honoring his great legacy, it is my charge to continue the Lottery's upward trajectory and secure its place as the premier lottery in the Washington metropolitan area; And to forward the agency's mission to provide revenue-generating entertainment through the sale of innovative lottery products and promotions that directly benefit the residents and the economic vitality of the District of Columbia.

I am pleased to have this opportunity to present testimony on the DC Lottery's FY 2016 Budget. With me today are Craig Lindsey, Agency Fiscal Officer and Ridgely Bennett, Associate General Counsel for the DC Lottery.

Since its inception, the DC Lottery has transferred over \$1.8 BILLION to the District's General Fund which supports essential city services including schools, infrastructure, and public safety. The DC Lottery has awarded approximately \$3 BILLION in prizes to players. Charitable gaming activities have allowed nonprofit organizations within the District to raise approximately \$125 MILLION in support of critical missions. These fiscal contributions are all made possible through the sale of DC Lottery games at the 475 DC Lottery agent locations that operate as small businesses and corporate retailers, as well as through the licensing of charitable gaming activities.

As of March 31, 2015 the agency has transferred \$27 million to the District and we are currently on course to deliver our projected FY2015 transfer amount. For FY2016 the DC Lottery budgeted \$62.5 million for transfer to the General Fund. However, the Lottery is not without challenges.

Competition from surrounding jurisdictions, declining market factors, and the recent scratch ticket shortage have all impacted performance. These dynamics have challenged the agency to be more innovative in our approach, creative in our ideas, and determined in our strategy.

Surrounding jurisdictions are voraciously pursuing the region's available player base with options such as the Maryland Live Casino in Anne Arundel County, the Horseshoe Casino in Baltimore, and even closer is National Harbor's MGM Casino, projected to open in summer 2016.

The agency is developing a work plan aimed at achieving the strongest and healthiest lottery possible. We are continuing to develop a stellar portfolio of new products and promotions to compete with mounting competition. Our exclusive line of games—Hot Lotto, DC 5, Tap-N-Play, and DC Fast Play—continue to show significant appeal to players. We also remain focused on core and unique products branded as 'only in DC' winning opportunities in that they are exclusively available with the DC Lottery in this region. In addition, we are conducting a best practices study of the Lottery. Those findings and recommendations will help us stay competitive and regain market share. All of these initiatives will help set us apart from the competition.

As you know, the DC Lottery has entered into three separate instant ticket manufacturing contracts. We are also living up to our commitment to increase opportunities for small businesses in the District. The following solicitations are set aside 100 percent for CBE vendors: Warehousing (awarded to Metropolitan Services), Lottery Mobile Vendor Services (out for response), Lottery Retail Recruitment Services (out for response) and Lottery Retail Store Enhancement (out for response).

We currently have fourteen tickets in the marketplace with more anticipated to be delivered in May 2015. Our principal ticket for the season, the CODEBREAKER scratcher launched the first week of April. In its second week on the market, the ticket is one of the agency's most successful licensed products with sales exceeding our pre-launch estimates by 15 percent. In addition, we partnered with the International Spy Museum to provide a trove of Second Chance prizes to broaden and enhance the ticket's appeal. We believe we may have 'cracked the code' so to speak, as the ticket is drawing new customers across demographics who are attracted to the game.

On the ground marketing efforts include our Lucky Lottery Mobile, a mobile lottery sales truck that travels around the city promoting daytime specials at retailer locations.

Since its opening in December 2012, the Official DC Lottery Store at Union Station has continued to see year-over-year increases in sales performance. Sales to date for this location in FY 2015 total \$108,423. This is a 28% increase over last year's totals for this time. The Union Station Lottery Store is a showcase for the DC Lottery, offering exclusive player promotions and incentives and is easily accessible to visitors from all over the country. It operates as a flagship, with heavy lottery retail action. This site has become a go-to location among local and national media outlets during peak jackpot periods.

DC Fast Play and DC Tap-N-Play games continue to be a growing part of our game portfolio. As required by law, unclaimed prizes are being returned to players as prizes in second chance drawing and promotions. Currently, the DC Lottery is conducting 'The Big Payback' promotion, where players can win over \$600,000 in prizes.

In February 2015, the DC Lottery, in conjunction with other lottery jurisdictions, launched Lucky for Life, a national jackpot game. While this is a national jackpot game, Lucky for Life is another ‘only in DC’ winning opportunity. Lucky for Life has shown promising sales results. Monopoly Millionaires Club, another national game, was added to our portfolio in October 2014. As a result of lackluster performance, national sales for this game were halted in December 2014.

Working with the Washington Wizards and Washington Nationals sports organizations, we have instituted 50-50 raffles that have proven to be fun revenue-generating activities enjoyed by players and respectively appreciated by the participating organizations.

Our Licensing and Charitable Gaming initiatives continue to facilitate the generation of revenue by nonprofit organizations in the District of Columbia through the licensing of Bingo, Casino Night, and raffle activities.

Intralot remains in place as the agency’s gaming system vendor. Intralot’s contract with the DC Lottery will expire in March 2020.

In December 2014, with the help of the Department of General Services, the agency relocated its Claim Center (formerly located at the Franklin D. Reeves Center on U Street, NW), and its headquarters (formerly located on Martin Luther

King, Jr. Avenue, SE), to a single location within the newly constructed green office building located at 2235 Shannon Place, SE. The DC Lottery has been allotted 46,106 square feet of space. This amount is almost half of the space apportioned to the agency in its old headquarters building. The move has facilitated improved customer service and increased agency efficiency.

The new building has further streamlined operations with the availability of an onsite warehouse where the agency's instant ticket inventory is stored and monitored under the strictest security measures.

Thank you for the opportunity to address you this morning. The DC Lottery will continue to bring the best and brightest industry practices to the District of Columbia. I am available to answer any questions you may have.