

**BUDGET OVERSIGHT HEARING ON
FISCAL YEAR 2019 PROPOSED BUDGET
AND FINANCIAL PLAN
FISCAL YEAR 2019 BUDGET SUPPORT ACT OF 2018**

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

THE HONORABLE JACK EVANS, CHAIRMAN

**APRIL 18, 2018 AT 10:00 A.M.
JOHN A. WILSON BUILDING - ROOM 412**



**Testimony of
Beth Bresnahan, Executive Director
Office of Lottery and Charitable Games

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 Charitable Games. Thank you for this opportunity to present testimony on the Lottery's budget and fiscal planning for Fiscal Year 2019. With me today are Agency Fiscal Officer Craig Lindsey, and Chief Counsel Ridgely Bennett.

The Lottery is continually working to refine its business model, to introduce innovative and entertaining games for players, to promote efficiencies and best business practices across the organization, and to collaborate with its District-wide network of licensed retail partners who sell Lottery games.

Since launching our first game in 1982, the Lottery has generated more than \$6.9 billion in ticket sales and transferred more than \$2 billion in net profit to the District's General Fund. During this three-and-a-half-decade span, DC Lottery players have been awarded \$3.6 billion in prizes and our retailers have earned approximately \$406 million from the sale of lottery games in their store locations. We have also assisted local nonprofit organizations in raising approximately \$131 million in support of their important causes by licensing Charitable Gaming events and activities.

Although the Lottery is on track to meet its Fiscal Year 2018 target return of \$45.6 million, fiscal year sales to-date have decreased by \$3.2 million, or 3 percent, over the same period in Fiscal Year 2017. As of March 31, 2018, \$27.2 million, or 59.7 percent of target, has been transferred to the

General Fund. While the amount transferred is \$6.6 million ahead of last year's return to-date, we will not be coasting to the close of the fiscal year. We remain cognizant that Lottery administrative expenses, particularly prize payout percentage which fluctuates based on the schedule or rate at which players cash in prizes, have historically risen in the third and fourth quarters. Accordingly, we are closely monitoring expenses as we carry out an aggressive marketing and sales plan over the next five-and-a-half months aimed at closing the year-over-year sales gap.

Steps taken at the Lottery during the last several months, including modifications to the planned game release schedule for the latter half of Fiscal Year 2018, are serving to stabilize sales and have yielded results in recent weeks. We are encouraged by the positive reactions in the marketplace to the launches of the \$5 *DC Love* scratcher, the \$10 *Super Ticket* scratcher and *DC-2*, the easy-to-play, pick-two draw game. And, we look forward to rolling out a new monitor game, *THE LUCKY ONE*, next month.

Looking ahead to Fiscal Year 2019, we anticipate the Lottery's transfer to the General Fund to be approximately \$45 million. This projection considers the challenges facing the Lottery and the solutions we're developing to help build an even stronger operation. I am confident in our team's ability to craft and implement a strategic plan that grows sales and maximizes profit, but also remains keenly aware of the challenges we encounter in this extremely-competitive, rapidly-evolving regional gaming landscape.

In addition to current legislative restrictions which impact the depth and breadth of the DC Lottery's footprint in the marketplace, we face competition from two large neighboring state lotteries and the MGM Casino at National Harbor that looms just over the District's border.

And no longer are we just fighting for market share with our neighbors to the north and south.

Technological advances have widened the field of competition to include the infinite world of iLottery and online gaming. Also looming is a US Supreme Court decision expected this spring that could strike the 26-year-old federal law (the Professional and Amateur Sports Protection Act of 1992 or PASPA) that prevents most states from legalizing single game sports wagering.

Several states have either passed legislation or are working to pass legislation to immediately legalize single game sports wagering if the high court strikes down PASPA. This will open the floodgates for states to expand gaming offerings, potentially detracting more discretionary dollars from the District.

To address these challenges in Fiscal Year 2019 and beyond, the Lottery must continue to develop solutions to attract new players and remain relevant in an increasingly-crowded marketplace. We must innovate and lead with proactive strategies that fit within the confines of our current statutory authority and existing footprint.

Instant Tickets continue to present the greatest growth opportunity within our existing game portfolio. We are working diligently to restore sales back to 2012's record levels through a mix of innovative product development, creative marketing support and retail execution strategies. In

June 2018, we plan to release a four-ticket family of multiplier-themed Instant Tickets. This release will not only help to boost revenue derived from Instant Ticket sales in Fiscal Year 2018 but should also carry over into the first several months of Fiscal Year 2019. Additionally, our team is exploring options to expand our offerings in Fiscal Year 2019 to include a \$30 price point which would help keep our Instant portfolio competitive with neighboring-state lotteries currently offering successful \$30 games. In total, we anticipate a carefully-crafted, creative execution of 38 – 40 new Instant Ticket launches in the coming fiscal year that will serve to increase sales.

The monitor-based game portfolio, which currently includes Keno and Race2Riches, is another area ripe for growth. Both Keno and Race2Riches have experienced year-over-year sales declines which combine to nearly \$1.45 million to date in Fiscal Year 2018. We are currently working with our general lottery consultant to identify trends that may be leading to this slip in sales. We will use the information obtained from the consultant to seize opportunities to combat and reverse the decline. We are launching a new monitor game, *THE LUCKY ONE*, in May 2018 that will help to generate new sales and excitement. Additionally, we are looking to expand player access/viewership of the monitor game drawings by increasing the number of establishments that currently display these games in their locations and adding the monitor game drawing videos onto our website, dclottery.com.

The Lottery does not plan to introduce any new traditional draw games in Fiscal Year 2019, but we will instead focus our growth efforts on increasing awareness of and building player loyalty to

existing Terminal games, as well as on enhancing the Fast Play and Tap-N-Play portfolios with new game introductions, relaunches of popular and proven games, and engaging player promotions. We plan to re-launch six seasonal games and develop six new Fast Play games, as well as launch a player promotion during the October to December timeframe in conjunction with the seasonal game offerings. We also plan to launch four new Tap-N-Play games.

To increase our presence and visibility in the District, we have revved up efforts with the Lottery's Lucky Lottery Mobile (LLM). In addition to the LLM being a revenue-generating feature at local cultural festivals, this mobile lottery retailer is on the street daily during the warmer months visiting business corridors to bring the fun and excitement of lottery directly to our players primarily where brick-and-mortar retailers are not present. We will be adding a second LLM to the fleet in Fiscal Year 2019 which will enable us to be in different areas of the city at peak-selling times. Our team is also exploring the viability of other non-traditional selling platforms including pop-up shops and licensing courier services. And, we are applying the OCFO's commitment to continuous improvement by engaging our 424 retailers in store makeovers to update the Lottery's customer-facing impressions.

Our Fiscal Year 2019 strategy will help the Lottery succeed for all its stakeholders—from the player who enjoys the game offerings, to the retailer who earns commissions and bonuses, to the District's services, programs, and initiatives that benefit from the Lottery's net profit returned to the General Fund.

In closing, Chairman Evans, and on behalf of my colleagues at the DC Lottery, I would like to thank you, the Office of the Chief Financial Officer, the Council, and the Mayor for your continued support of the DC Lottery and for this opportunity today. This concludes my testimony, and I am happy to answer any questions the Committee may have at this time.