

PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2020 AND 2021 PERFORMANCE OVERSIGHT

Before the
Committee on Business and Economic Development
Council of the District of Columbia

The Honorable Kenyan R. McDuffie, Chairman

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Virtual Meeting Platform



Testimony of
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Good morning Chairman McDuffie and members of the Committee on Business and Economic Development. I am Ridgely Bennett, Interim Executive Director of the Office of Lottery and Gaming (“the Lottery”). I am honored to have this opportunity to present testimony on the Lottery’s performance for Fiscal Years 2020 and 2021. Joining me virtually today are my colleagues Craig Lindsey, Agency Fiscal Officer, and Peter Alvarado, Director of Regulation and Oversight.

The Lottery’s mission is “to provide revenue-generating entertainment through the sale of innovative lottery products and promotions that directly benefit residents and contribute to the economic vitality of the District of Columbia” and, “to efficiently and effectively regulate sports wagering and charitable gaming in the District.” In recent months, the Lottery has also undertaken the regulation of electronic Games of Skill machines and will soon be adding that responsibility to our mission statement.

Since launching our first game in 1982, the Lottery has generated more than \$7.5 billion dollars in ticket sales and transferred more than \$2.2 billion dollars in net profit to the District’s General Fund. In the last 39 years, Lottery players have won more than \$3.9 billion dollars in prizes and our network of licensed retailers has earned approximately \$434 million dollars in commissions from the sale of lottery games in their store locations. We have also assisted local nonprofit organizations in raising more than \$134.4 million dollars in support of their important causes by licensing Charitable Gaming events and fundraising activities.

While we have worked during the last 12 months to keep Lottery’s core functions and services safely operating to continue generating revenue for the District’s General Fund, the COVID-19 pandemic has undoubtedly impacted aspects of our operations, particularly sales at our network of licensed Lottery retailers. Stay-at-home orders, temporary lockdowns, and a shift to

remote work have significantly reduced travel into the District and customer traffic into our small business retail partners' store locations.

In Fiscal Year 2020, Lottery sales totaled \$208.1 million dollars, as compared to \$213 million dollars in Fiscal Year 2019. This \$4.9 million, or 2.3%, year-over-year decrease in sales impacted the Lottery's Fiscal Year 2020 transfer which was \$37.7 million, a decrease of \$7.3 million or 16.2% below Fiscal Year 2019 transfer of \$45 million. The Fiscal Year 2020 prize payout was 59.09% as compared to 57.91% in Fiscal Year 2019. Fluctuation in prize payout also impacts the Lottery's net transfer.

Several of the initiatives the Lottery had planned for the 3rd and 4th quarters of Fiscal Year 2020, and for the first two quarters of Fiscal Year 2021, were pushed to later implementation dates due to logistical and operational challenges caused by the pandemic. Unlike most states whose residents are working from home within their respective states' jurisdictional boundaries, a significant number of the District's daily commuters have retreated to home offices in neighboring Maryland and Virginia.

With less foot traffic at store locations, and many stores closed during the height of the pandemic, Instant Ticket orders from our retailer partners slowed significantly. Accordingly, the Lottery made a business decision to reduce the number of tickets printed/launched beginning in April 2020 and has since been adjusting the game release schedule as well as the advertising support to minimize operational spending while aiming to maximize the return on investment. In Fiscal Year 2020, the Lottery released 28 new Instant Tickets, as compared to the 35 games that were planned.

As you are aware, the pandemic halted all major sporting events globally in March 2020 and delayed launch plans for the Lottery's digital sports wagering platform later that month. We

made the decision to debut the sports betting platform at the end of May 2020, although there were few available major league sporting events at the time and are pleased with the results thus far. In Fiscal Year 2020, GambetDC took in 694,329 wagers totaling more than \$23.9 million in sales and \$4.4 million in gross gaming revenue (sales minus prizes). Currently, about 50% of gross gaming revenue generated through GambetDC, or approximately \$2.2 million, is net return to the District. GambetDC's popularity continues to grow as the brand becomes more recognized in the market.

On-premise dining and entertainment restrictions affecting the District's bars and restaurants caused the Lottery to shift its implementation for retail sports betting with adoption of rules this spring and roll-out into retail establishments this summer. To help compensate for the shift in implementation plans, the Lottery advanced the launch of DC iLottery/online lottery sales, which was initially slated for a late 2021 release, by one year; it was successfully launched on December 18, 2020. More than 5,200 players have registered for accounts on dcilottery.com and have made 278,976 plays totaling \$1,006,115 (as of January 31, 2021) across the available games including Mega Millions, Powerball, and eInstants (electronic Instant Tickets).

In the last calendar year, we focused on establishing digital sales platforms to generate new revenue for the District of Columbia, responding to the marketplace's growing demand for innovative new entertainment options, and making the DC Lottery more convenient and attractive for our technology-driven customers. This also helped attract new players during a time when fewer people were traveling into the city.

To launch two digital sales platforms in a single calendar year would be a massive undertaking for any large state lottery. To date, no other U.S. lottery has accomplished this feat. That the D.C. Lottery, one of the country's smallest and only city-run lottery, accomplished this

within a seven-month-span during an unprecedented global public health emergency is a testament to the Lottery team's commitment to continuously improving our operations, our brand innovation, and game offerings to best support our mission. Also, during the pandemic, we licensed the District's first Class A private operated sports book, five suppliers to private operated sports books, and 37 employees. In Fiscal Year 2020, the District collected \$273,242 in tax revenue from William Hill at Capital One Arena. Private sports book operators are taxed 10% of their monthly gross gaming revenue. In Fiscal Year 2021, year-to-date (unaudited as of February 28, 2021) taxes remitted by William Hill are \$923,983.

While the last 12 months have been challenging, the Lottery transfer and game sales are rebounding in Fiscal Year 2021. The Lottery's Fiscal Year 2021 year-to-date transfer (as of January 31, 2021) is \$19.2 million, which is \$3.7 million or 23.9% more than Fiscal Year 2020's transfer of \$15.5 million through the same period in FY 2020. The FY 2021 increase in transfer is primarily the result of a lower prize payout percentage compared to the same period in Fiscal Year 2020. This year prize payout percentage through January 31, 2021 is 52.60%, as compared to 56.71% through the same period last year.

Fiscal Year 2021 sales, as of January 31, 2021, total \$70.2 million, compared to \$68.9 million through the same period last year. This represents a \$1.3 million or 1.9% increase. The Lottery's terminal game sales have increased from last year by \$5 million or 9.7%, largely attributed to a significant year-over-year increase in the jackpot amounts for the multi-state *Mega Millions* and *Powerball* games. *Mega Millions*' jackpot reached \$1 billion for the January 22nd drawing (it was won by a single ticket sold in Michigan). *Powerball*'s jackpot reached \$731.1 million for the January 20th drawing (it was won by a single ticket sold in Maryland). Fiscal Year 2021 year-to-date terminal game sales are \$56.5 million, compared to \$51.5 million through the

same period last year. Fiscal Year 2021 year-to-date Instant Ticket sales are \$13.6 million, compared to \$17.4 million through the same period last year. Instant Ticket sales have decreased by \$3.8 million or 21.8%.

In addition to traditional sales, the Lottery also is generating sales through *GambetDC*, the sports wagering mobile app and website. Through January 31, 2021, 496,692 wagers totaling \$17.5 million have been placed via *GambetDC* in Fiscal Year 2021. Almost 20,000 players have registered for *GambetDC* accounts across the native iOS and Android mobile apps and website. And as noted earlier, sales generated via our DC iLottery website through January 31st are \$1,006,115.

The remainder of Fiscal Year 2021 will be busy, but exciting for the Lottery, filled with new game launches and tweaks to existing games. With the introduction of DC iLottery, we also launched a new game category called “eInstants”. eInstants play similarly to traditional paper scratch tickets sold in retail stores, but these electronic games are strictly offered online. Every three-to-four weeks, we add a new eInstant game to the DC iLottery platform. We also plan to add our numbers games (*DC-3*, *DC-4* and *DC-5*) to the platform later this fiscal year.

Coming this summer will be the first phase of rollout for the retail component of *GambetDC*. The Lottery plans to offer *GambetDC* via self-service betting kiosks at 10-to-15 retail locations throughout the city in this initial phase.

Two of the Lottery’s three multi-state offerings will be increasing the number of nights the games are drawn. On Monday, July 19, 2021, *Lucky for Life*, which offers players a chance to win \$1,000 a day, every day, for the rest of their lives, will go from a 2-day-a-week draw schedule to seven-days a week. On Monday, August 23, 2021, *Powerball*, will add a third day (Monday) to its current two-days-a-week schedule. The existing *Race2Riches* horse-themed monitor game will

also receive a revamp in Fiscal Year 2021 with all new graphics, an improved prize structure, and new bet types.

The Lottery's Regulation and Oversight division is diligently reviewing private sports wagering applications and soon expects to render a decision on a pending Class B location (Grand Central). The division is also undertaking due diligence on a Class A license application for a sports book at Nationals Park.

In addition to overseeing the licensing and on-going compliance of private operator sports wagering, our regulatory division is also undertaking the oversight of electronic Games of Skill in the District. The Lottery adopted regulations earlier this month governing the operation of these newly-legalized game machines in the District and we expect to release the licensing process in the weeks to come.

This concludes my testimony. Thank you for this opportunity to testify. My colleagues and I are happy to answer any questions the Committee may have.