

**Budget Hearing on
Fiscal Year 2023 Proposed Budget**

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

The Honorable Kenyan R. McDuffie, Chairman

April 6, 2022 at 9:15 a.m.

Virtual Meeting Platform



**Testimony of
Frank Suarez, Executive Director
Office of Lottery and Gaming
Office of the Chief Financial Officer**

**Dr. Fitzroy Lee, Acting Chief Financial Officer
Office of the Chief Financial Officer**

Good morning, Chairman McDuffie, and members of the Committee on Business and Economic Development. I am Frank Suarez, Executive Director of the Office of Lottery and Gaming (OLG or Lottery). Thank you for the opportunity to present testimony on OLG's Fiscal Year 2023 budget. Joining me virtually today are my colleagues Ridgely Bennett, Chief Counsel for OLG, Craig Lindsey, Agency Fiscal Officer, and Peter Alvarado, Director of Regulation and Oversight.

OLG's mission is "to responsibly maximize revenue generation for the District of Columbia through the sale of innovative lottery and sports wagering products while providing gaming regulation and oversight that upholds the highest standards of integrity and public trust." This mission reflects OLG's expanded gaming portfolio with GambetDC and iLottery, as well as our increased regulatory role in privately operated sports wagering and games of skill. It also emphasizes OLG's commitment to growing revenue for the District through both sales growth and expense management. Since its inception in 1982, OLG has transferred \$2.2 billion to the General Fund.

OLG's Fiscal Year 2023 gross funds operating budget is \$360 million, which supports a total of 93 full-time equivalents (FTEs). Financial Operations accounts for the largest portion of OLG's budget at \$276.6 million or 76.8% of the budget. Financial Operations includes comprehensive financial management services to OLG, prizing, and transfer to the General Fund.

Gaming Operations makes up 19.4% of the budget at \$69.4 million. This portion of OLG's budget includes support services for lottery and sports wagering retailers and players so that they can benefit from the portfolio of gaming offered by OLG. Marketing, Trade Development (Sales Department), Draw Operations, Licensing, and Claim Center Operations are funded under Gaming Operations. Gaming Operations also supports OLG's regulatory responsibilities for privately operated sportsbooks, games of skill, and charitable gaming operated by nonprofits.

The smallest portion of the budget is Agency Management at 3.9% or \$14 million. This funds administrative support and resources for OLG operations and programs.

As a sales and revenue generating entity, OLG is an enterprise fund, and relies on its revenue generation to determine its budget and deliver on its mission. OLG's efforts to increase revenue continue to evolve by adapting operations to ensure we are operating safely while working to overcome the loss of retail traffic from commuters and tourists. In Fiscal Year 2021, OLG was able to surpass its pre-pandemic sales and revenue performance. Maintaining and building on that achievement will be an ongoing challenge as the District and OLG work toward the return to a more typical business environment.

By summer, OLG will have completed the upgrade of its central gaming system, providing new functionality for retailers, along with all new retailer terminals, ticket checkers, and multimedia screens. Race2Riches, the Lottery's horse-themed monitor game, will be re-launched with all new graphics, an improved prize structure, and new bet types. Lottery has also initiated an instant ticket optimization project that evaluates and enhances all aspects of instant ticket sales, including the portfolio mix, point-of-sale merchandising strategy, retailer allocations, and many other variables that impact the life cycle of an instant ticket and its success. We will continue to add new e-Instant games for iLottery players every three to four weeks. We will also enhance promotional and Customer Relationship Management capabilities that will help drive more effective iLottery player acquisition and retention.

We expect 2022 to be a year of continued growth and evolution for GambetDC. We will look to implement a total revamp of the user interface across the entire platform, making it a more intuitive and user-friendly experience for players that better aligns with private operator offerings. We increased the payout percentage cap to 90% in February 2022 to be more competitive with

private operators and neighboring states. GambetDC's retail program will continue its accelerated pace, having added 38 new GambetDC retailers in Fiscal Year 2022, while expanding to offer over-the-counter sales that will complement the self-serve terminals already in the market and add capacity during heavy traffic periods. We will also better position GambetDC amongst its competitors in the District with a new marketing campaign that includes optimized targeting of key player segments and a more efficient channel mix, utilizing digital display, social media, streaming radio and other cost-effective media channels, for a stronger return on investment.

Privately operated sports wagering will also continue to grow. The Lottery's Regulation and Oversight Division is working diligently towards the potential approval of a third Class A license at Audi Field later this spring and a second Class B license for a local business.

I am enthusiastic about the opportunity to build on the momentum we have achieved thus far and look forward to the continued, responsible growth of gaming revenue for the District. In closing, Chairman McDuffie, I would like to thank you, the Council, and the Mayor for continued support of the Office of Lottery and Gaming and for this opportunity today. This concludes my testimony, and I am happy to answer any questions the Committee may have.