

PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2017 AND 2018 SPENDING AND PERFORMANCE BY THE
OFFICE OF THE CHIEF FINANCIAL OFFICER

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

The Honorable Jack Evans, Chairman

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Hearing Room 412, John A. Wilson Building



Testimony of
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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. I am honored to have this opportunity to present testimony on the DC Lottery’s performance for Fiscal Years 2017 and 2018. Joining me today are my colleagues Agency Fiscal Officer Craig Lindsey, and Chief Counsel for the DC Lottery Ridgely Bennett.

I had the privilege of joining the DC Lottery on January 8, 2018. To this position, I bring two decades of experience in marketing, communication, and sales including nearly 10 years with the Massachusetts Lottery where I helped grow sales to \$5 billion and net profit to \$1 billion. While the DC Lottery is currently far from generating billion-dollar figures, that doesn’t mean we can’t operate like a billion-dollar profit center. We are a small, but mighty operation with many opportunities to grow. I, along with my 68 colleagues, are working diligently to seize those opportunities by proving lottery players in the District with entertaining and innovative gaming experiences.

Since selling our first ticket 36 years ago, the DC Lottery has awarded more than \$3 billion in prizes to players, transferred more than \$2 billion to the District’s General Fund, and helped local nonprofits raise more than \$131 million to support important causes.

While these figures are impressive, there is no escaping the fact that we have seen a decline in our sales and transfer marks in recent years.

Fiscal Year 2018 Lottery sales (as of January 31, 2018) total \$69 million, compared to \$70.6 million through the same period last year – a \$1.6 million, or 2.3 percent year-over-year decrease. Fiscal Year 2018 year-to-date terminal game sales are \$53.4 million, compared to \$54 million through the same period last year. FY 2018 year-to-date instant ticket sales are \$15.5 million, compared to \$16.5 million through the same period last year.

A confluence of factors lends to this trend, including the region’s highly-competitive and rapidly-growing gaming environment that is home to two large state lotteries and the MGM Casino at National Harbor, and current legislative restrictions which impact the depth and breadth of the DC Lottery’s footprint in the marketplace.

To help reverse this trend, we are revisiting what helped to rank us among one of the top 10 lotteries in the nation— we are going “back to basics.” This may sound like an overly simplistic approach, but without the basics, any retail product, including a lottery, can disconnect with target audiences and greatly affect sales and net profit.

Our “basic training” initiative entails regularly-implemented focus group testing of DC Lottery players and retailers. Our licensed retail partners are a particularly important group to convene because they are our direct interface with our players, and with potential new players, so their observations on customer behavior and insight into those interactions are valuable. Feedback from our retailers, combined with direct input from our players, will help to arm the DC Lottery with tools necessary in responding to marketplace demands and in producing lottery games that players enjoy and are excited to purchase. Simply put: By reverting to basics, we will be able to take stock of what needs to change in order to navigate game sales away from further decline, while creating

a plan for how to maximize the DC Lottery's revenue generation in the short-term and for long-term sustainability.

Geographically speaking, we are a small lottery surrounded by much bigger gaming entities competing for our players' discretionary dollars. With this challenge facing us, we have been innovative in our thinking and strategy to differentiate DC Lottery games and player experiences from those offered in surrounding jurisdictions. We have developed unique DC-centric games and offerings that are resonating with core consumers and helping to attract new players. Last year's popular *Neighborhoods* scratcher is one of the top five selling instant games produced by the DC Lottery at the \$10 price point. The new *DC Love* scratcher, which was introduced earlier this month, is performing phenomenally in its first few weeks of sales. The \$5 game is currently trending to be the DC Lottery's third-best selling instant scratcher of all time. Our DC Lottery App, which was refreshed and relaunched in October 2017, is another approach in differentiating the DC Lottery in a sea of competition and aims to build relevance with the next generation of lottery players while also appealing to, and rewarding, our core audience for their loyal play. To further refresh our game portfolio, we will also be adding new easy-to-play terminal games to the mix this fiscal year including a pick two draw game and a monitor-based game. We will be working with our licensed retailers in the coming months to introduce these exciting new offerings to players.

Licensed Retailers

The DC Lottery currently maintains some 400 plus licensed retailers whose businesses are operating in every quadrant of the District. These businesses range from locally-owned "mom and

pop” stores to national supermarket and convenience chains. Last year, DC Lottery retailers earned \$14.4 million in commissions from selling lottery games. Each one of our retail business partners plays a role in the DC Lottery meeting its sales objectives and to its overall success. Our retailers serve as our first line of player interaction, introducing their customers to new Lottery games, educating players on game details, and promoting the DC Lottery brand.

Charitable Licensing

In addition to lottery operations, the organization also regulates charitable gaming activities in the District of Columbia. In FY 2017, the DC Lottery issued 84 licenses to local nonprofits to legally enable them to conduct charitable gaming events such as raffles, bingo, and ‘Monte Carlo Night’ activities. These activities generated more than \$1.2 million in funding for important social causes that impact residents of the District. Our Charitable Gaming division is actively working to promote the availability of event licenses to local nonprofits and helping to insert fun into their fundraising efforts.

Union Station and the Lucky Lottery Mobile

In its sixth year, The Official DC Lottery Store at Union Station continues to be a top-performing retailer and the only lottery-exclusive retail location. This ‘winning destination’ located in the iconic Union Station railway terminal has been an incubator for lottery sales promotions, and a choice backdrop for media interests in times of high jackpot amounts. This flagship location is our fifth highest-performing location among more than 400 retailers. This site exceeded its FY 2017 sales goal of \$3 million by \$110 thousand or 3.5 percent.

The Lucky Lottery Mobile is our sales truck used for promotions and at scheduled events to expand the excitement of lottery games beyond the reach of our traditional brick and mortar retailers. The Lucky Lottery Mobile, operated with the help of our CBE partner, offers the convenience of bringing the lottery experience to consumers, as a complement to the in-store experience. In FY 2017, the Lucky Lottery Mobile was present at 88 sales events and generated nearly \$84,000. We have a robust schedule of events with the truck planned for the coming weeks and months to help increase the DC Lottery's presence in areas where there are currently no brick and mortar retailers.

In closing Chairman Evans, 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.