

**PUBLIC OVERSIGHT HEARING ON  
FISCAL YEAR 2017 PROPOSED BUDGET AND  
FINANCIAL PLAN  
FISCAL YEAR 2017 BUDGET SUPPORT ACT OF 2016**

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

**THE HONORABLE JACK EVANS, CHAIRMAN**

**APRIL 25, 2016 10 A.M.  
ROOM 412, JOHN A. WILSON BUILDING**



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

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

Good Morning, Chairman Evans and members of the Committee, I am Tracey Cohen, Interim Executive Director of the DC Lottery and Charitable Games Control Board. Having performed five years of service with the agency as its chief operating officer, and a year as its interim executive director, I am pleased to again come before this body to discuss budget and fiscal planning for the DC Lottery. With me today are Craig Lindsey, Interim Chief Operating Officer/Agency Fiscal Officer and Ridgely Bennett, Associate General Counsel for the DC Lottery.

As part of the OCFO's strategic plan and at the direction of the District's Chief Financial Officer Jeffrey DeWitt, an independent consultant completed a best practices study of the DC Lottery in March of this year. As reported by local media outlets and industry publications, the independent consultant found that *"[t]he DC Lottery is one of the most successful lotteries in the U.S., ranking seventh in the most important financial measure of a traditional lottery's success—operating income per capita. The DC Lottery's ranking as one of the top ten lotteries in the U.S. was reflected in the results of our findings."*

We add this standing and verification of the agency's processes, practices, and systems as best practices or 'exemplary' as affirmed by the study—which can be viewed on the OCFO website and dclottery.com—as confirmation of our ultimate goal to best serve the residents of the District of Columbia. While the results of this study are very encouraging, there were three minor recommendations that relate to current issues. I will list each recommendation and give the status of where resolution stands.

- 1) Add a staff position to oversee the tel-sell function. *Additional review and analysis of this recommendation is being conducted by the best practice consultant and the final report is due at the end of May 2016.*
- 2) Require Intralot to upgrade control objectives and testing. *This recommendation will be implemented in the FY17 SSAE audit.*
- 3) Tel-sell and Sales staff should focus on reducing out-of-stock conditions in Win Stations. *Additional review and analysis of this recommendation is being conducted by the best practice consultant. Final report due May 2016.*

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 \$127 million in support of charitable causes. These fiscal contributions are all made possible through the sale of DC Lottery games at 445 agent locations throughout the District that operate as small businesses and corporate retailers, and the licensing of charitable gaming activities.

The DC Lottery budgeted \$48.4 million for transfer to the General Fund for Fiscal Year 2017. As of March 31, 2016, the agency has transferred \$29 million to the District—\$2 million more than this time last year. Based on our current transfer to the General Fund, we are confident we can meet our FY 17 transfer expectation.

Although the DC Lottery has a strong foundation, it is not without challenges. The DC Lottery continues to combat pressures from surrounding jurisdictions and their efforts to sway 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 which is scheduled to open in November 2016 and has already begun significant marketing efforts in the area.

Our revamped approach in systems operations and programs, along with appealing product offerings and aggressive marketing strategies, make the agency well-positioned to counter these risks to our market share. Successful product rollouts, fully integrated marketing programs, enhancing our retailer base, utilizing the full complement of Certified Business Enterprises, and application of the suggestions from the best practices study will further augment the agency's efforts to grow our player base and increase revenue.

We have grown the profile of the agency through increased consumer and community engagement—a practice highlighted in the best practices report. We are engaging new audiences through sponsorships with high capacity sports venues such as the Verizon Center and increased commercial corridor sales with the Lucky Lottery Mobile. With our scratcher inventory reinstated, we are offering players a robust portfolio of games. Our high-performing product programs such as this year's \$2 The Walking Dead scratcher, our evergreen lineup of DC Fast Play games, and the 'more ways to win' approach of our Second Chance contests work to further brand recognition and player loyalty. We cannot ignore the positive impact of the agency's

recent marketing campaigns including “Unless I Win the Lottery,” have had on the market’s reception to newly introduced products.

During January’s history-making \$1.6 billion record-setting Powerball jackpot run, The Official DC Lottery Store at Union Station Lottery ranked number #1 for total sales of all lottery retail outlets. Location, foot traffic, and heavy sales have made this site a go-to location among local and national media outlets during peak jackpot periods. Since its opening in December 2012, this flagship store continues to be a showcase for the DC Lottery and a ‘winning destination’ for visitors from all over the country. This one-of-a kind model is home to many promotions and site specific events, and is uniquely situated for growing sales and favorable publicity. With its iconic location, this store has become a favorite backdrop for local and international news outlets during the media frenzy over “The World’s Largest Jackpot,” generating earned media that was greatly appreciated. Sales at this lottery-exclusive retailer have continued to outperform projections. FY 15 sales at the Union Station DC Lottery Store totaled \$2.6 million, an increase of more than 15% over last year’s tally. Overall, this store is our 5<sup>th</sup> highest performing lottery retailer.

The DC Lottery is currently in discussions with neighboring lotteries in the states of Virginia and Maryland to develop a regional game that would be sold exclusively among the three lotteries and would benefit the tri-market area as we share many of the same players.

We are also exploring expansion of product availability to WMATA subway stations to take advantage of the District’s swell in population during business hours and the accessible audience within the transit system.

The DC Lottery is continuing its work with the four identified Certified Business Enterprise to execute subject-specific functions including store makeover services, retailer recruitment, mobile services, and warehousing of instant tickets.

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 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 Nights, and raffle activities.

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.