PUBLIC OVERSIGHT HEARING

ON

THE FISCAL YEAR 2008 AND 2009 SPENDING AND PERFORMANCE BY THE OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)

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

The Honorable Jack Evans, Chairman

March 6, 10:00 a.m.
John A. Wilson Building, Council Chamber

Testimony of
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Good morning Chairman Evans and members of the Committee on Finance and Revenue. I am Jeanette Michael, executive director of the D.C. Lottery and Charitable Games Control Board. Today, I am accompanied by Jeffrey "Jay" Young, chief operating officer, William Robinson, the Lottery's agency fiscal officer, and Associate General Counsel Ridgely Bennett. I am pleased to present testimony about the Lottery's Fiscal Year 2008 accomplishments and outlook for Fiscal Year 2009.

FY 2008 Sales and Transfer

The agency's approved budget for fiscal year 2008 was $266.7 million in sales and $1.5 million in investments and other income with a transfer goal of $73.3 million.

Due to a downward trend in the economy and higher than anticipated prize payouts, the agency revised its budget for Fiscal Year 2008 to $262.0 million ($260.5 million in sales and $1.5 million in other income) with a transfer of $70.0 million.

The Lottery transferred $70.3 million to the General Fund, exceeding its revised transfer goal. The actual revenue for FY 2008 was $253.5 million, which is 1.7 percent less than the $257.9 million generated in FY 2007. The declining economy strongly impacted sales of the D.C. Lottery's three and four-digit games: DC Lucky Numbers and DC-4. Additionally, POWERBALL® jackpots were low during the fiscal year.

Despite a decrease in overall sales, the D.C Lottery met its transfer goal in FY 2008 because of lower prize payouts during the last quarter of operations and cost reductions in other areas. Prize payouts decreased to 53.5 percent of sales compared to the historic prize payout of 56.8 percent in FY 2007.

In Fiscal Year 2008, the lagging economy strongly impacted the lottery industry nationwide, and the D.C. Lottery recognized the need to take action. The agency conducted player research and used the findings to develop games, marketing campaigns, and customer outreach programs to increase sales. The FY 2008 accomplishments include:

- Teaming up with the Virginia Lottery to promote and sell the *$2 Washington Nationals® Scratch Ticket*;
- increasing instant ticket profits by 16 percent;
- improving the Winner Awareness Program by garnering more media coverage of D.C. Lottery winners, agents, and games; and
- implementing the IT Modernization Project, which resulted in optimizing processes and performance throughout the agency.

And, during a time when helping others is critical, the D.C. Lottery licensed 156 local non-profit organizations to hold charitable gaming fund-raising events. Through raffles, bingo, Monte Carlo Parties, and Texas Hold 'Em events, these community groups raised $4.7 million with charitable gaming to assist in important causes that benefit our society.

FY 2009 Developments

The D.C. Lottery's approved budget for Fiscal Year 2009 is $265.0 million ($263.5 million in sales and $1.5 million in other income). The agency projected a transfer of $71.0 million to the General Fund.

As of January 31, 2009, D.C. Lottery revenues were $11.1 million behind the projected year-to-date amount needed to meet our revenue goal for FY 2009. While experiencing a decline in sales, this was offset by a prize payout of 48.3 percent, approximately 4.9 percent lower than what was budgeted. Additionally, other expenses were lower than what was anticipated through this period. Thus, we were $1.9 million ahead in meeting our transfer goal of $71.0 million.

The lottery industry, like most businesses across the nation, continues to be impacted by the current state of the economy. Established lotteries are reporting a decline in sales; therefore, the agency will be submitting a revised FY 2009 budget of $251.0 million in revenue and a transfer of $65.3 million, which is reflected in the certified revenue estimate released last month.

To meet the economic challenges, the D.C. Lottery is:

- Launching a new five-digit game;
- releasing the music-themed *LottoSoul* instant ticket featuring native Washingtonian Marvin Gaye;
- strengthening our winner awareness program;
- retooling the website – dclottery.com, and

- promoting the agency through its Lucky Mirrors "Lots of People Win" marketing campaign.

Thank you to the D.C. Lottery's agents, Advisory Council, and staff for their commitment to the agency. I appreciate their efforts as we continue to work as a team to accomplish the FY 2009 goals.

I ask the public to visit our website, dclottery.com, to learn more about the agency.

Mr. Chairman, thank you for this opportunity to present testimony on the D.C. Lottery and Charitable Games Control Board's performance. We are pleased to respond to questions.