

Fiscal Year 2017 Budget and Financial Plan Questions
DC Lottery

1. Please list all program enhancements, technical adjustments, and reductions included within the FY 2017 budget. Please break down these costs by program. In addition, please provide a narrative description and rationale for each, along with associated dollar amounts and FTEs (if applicable). Please provide job title and job description for positions being added or eliminated for FY 2017. Include in your response an explanation for the decrease in CSG 35 – “Occupancy Fixed Costs” and the increase in the following CSGs:
 - 12- “Regular Pay – Other”;
The increase in “Regular Pay – Other” is due to a temporary IT staff person assigned to DC Lottery since December 2014. IT personnel are assigned to DC Lottery from the Office of the Chief Information Officer (OCIO). (Agency Management Programs - AMP)
 - 15 - “Overtime Pay”;
The increase in “Overtime Pay” is due to the Draw Division, Gaming Operations Program (GOP), Property and Fleet Management (PFM), Agency Management Program (AMP) and Information Technology, (GOP). The increase in Draw is to reflect the activity receiving the benefit of the overtime, instead of the employee performing the overtime. PF&M increased due to the CBE Mobile Vending contract. Although a vendor will be performing the sales function on the Lucky Lottery Mobile (LLM), DC Lottery is responsible for driving the LLM to and from events. Some of these events occur outside DC Lottery’s normal tour of duty hours. IT increased due to anticipated costs that could arise should it be necessary for IT personnel to spend several consecutive days or nights at DC Lottery headquarters due to any unforeseen circumstances (such as inclement weather).
 - 20 – “Supplies and Materials”;
The “Supplies and Materials” increased due to the CBE Retailer Store Makeover contract activity in Trade Development. DC Lottery is responsible for purchasing all lottery equipment (i.e., play stations, ticket dispensers, signage, etc.) associated with the makeovers for the identified retailer locations. (GOP)
 - 34 – “Security Services”;
The increase in “Security Services” is due to the shared services charge DC Lottery is being assessed by the Department of General Services (DGS) for building security at 2235 Shannon Place, SE. This is in addition to the security services contract DC Lottery has with its own vendor. (AMP)

- 35 – “Occupancy Fixed Costs”; and
The decrease in “Occupancy Fixed Costs” is due to the zero dollar requests from DGS for DC Lottery for this assessed charge in FY 2017. There were no actuals for this cost in FY 2014 and FY 2015. (AMP)
 - 70 – “Equipment and Equipment Rental”.
The increase in “Equipment and Equipment Rental” is due to the anticipated purchase of 5- 6 new vehicles due to the age of the current fleet. (AMP)
2. Please provide a list of all space that will be used by the Lottery, including: facility name, location, square footage, description, leased/owned designation, rent, and other fixed costs that are included in the cost of rent (utilities, security, etc.). Please note any space changes.

FY 2017

- 2235 Shannon Place SE-
 - DC Lottery allotted space is 46,106 sf
 - Building description is office space
 - 15 year Leased facility
 - Rent- 2nd year of lease - \$2,067,353
 - Security Cost
 - Watkins Security - \$550,000
 - DGS (building security - \$1,368,479
 - Utilities projected cost- \$592,382
3. Will the proposed FY 2017 budget allow you to meet all statutory mandates? If not, please explain.

The DC Lottery’s proposed FY 2017 budget is sufficient to meet its statutory requirements.

4. What is the anticipated transfer from the Lottery to the General Fund in FY 2017 and how does this compare to the projected and actuals (to date) for FY 2016? What can we do to increase the transfer amount?

DC Lottery budgeted \$48.4 million in transfer to the General Fund in FY 2017; however, we anticipate the transfer to be in the mid \$50 million range. DC Lottery projected a transfer of \$55 million for FY 2016 and has transferred \$29 million dollars as of March 31, 2016.

5. Please provide a detailed explanation of the proposed changes to the following Program and Activities, including the need for the increase or decrease in funding and how the increase funding will be spent, if applicable:
- (1040) Information Technology;
 - (130F) Fiscal Officer;
 - (6300) Trade Development; and
 - (6400) Draw Division.

- (1040) Information Technology;
Information Technology (IT) increased due to the re-aligning of the gaming contract to the IT division as they are the managers of the activity and performance.
 - (130F) Fiscal Officer;
The reduction in the Fiscal Office is due to net of increases and decreases to prizes, commissions and transfers to the General Fund.
 - (6300) Trade Development;
The increase in Trade Development is due to the awarding of CBE contracts for Retailer Recruitment and Store Makeover services. The awarding of the contracts assisted DC Lottery in meeting the 35% CBE requirement for the Instant Ticket contract.
 - (6400) Draw Division.
The Draw Division decreased due to the re-aligning of the gaming contract to the IT division as they are the managers of the activity and performance.
6. Please provide an overview and listing of the online (kiosk-based) games offered, including examples of games and locations. Please also list/indicate any new or planned games for FY 2017. How is the success of these offerings measured? Will this be the primary area of potential expansion for the Lottery going forward?

Our MP kiosks offer all of our online games. We have 88 MP devices deployed strategically throughout our agent base. We carefully analyze and monitor the performance of each MP to make sure they are deployed at agent locations in which they will generate the maximum revenue for the DC Lottery. MPs are an important part of our product distribution network but they are not necessarily the “primary area of potential expansion” as their inability to offer Instant tickets, the product line with the most sales upside, cannot be dispensed from an MP. MPs are, however, an important part of our plans to offer players and agents a convenient device from which to purchase lottery tickets.

We are constantly introducing and refreshing our product line of instant tickets, Fast Play games and Tap-N-Play games. We are researching the viability of a raffle style lottery game and we are exploring the possibility of conducting a regional lottery game with Maryland and Virginia. The success of any new product is measured by its sales and transfer contribution. Traditional lottery game offerings will be on the only expansion of lottery moving forward.

7. Please list all RFPs that are out for solicitation or expected to be out for solicitation by the end of FY 2017 or during FY 2017, along with a brief description of the work and expected timeline for award.

Attached is a list of all RFPs that are out for solicitation or expected to be out for solicitation by the end of FY 2017 or during FY 2017, along with a brief description of the work and expected timeline for award.

8. You had previously mentioned exploring a regional game for DC, Maryland and Virginia. What plans do you have for FY 2017 for this endeavor, and how can we be helpful?

We are still in discussions with Virginia and Maryland regarding the development and execution of a regional game idea. Since we share many of the same players, we are hoping to create a fun/winning experience that will only be available for sale in DC, VA and MD. Although it is still very early in the process and many discussions are still left to be had, we are hopeful to have something exciting to bring to market in FY 2017.

9. What is the status of implementing recommendations included in the Best Practices Review of the DC Lottery? Please include in your response any actions that will need to be implemented in FY 2017 (as opposed to immediate implementation).

Recommendations

- **The DC Lottery should 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 his final report is due in May.
- **The DC Lottery should require Intralot to upgrade control objectives and testing in the next annual SSAE 16 Type 2 audit as recommended in section 2.1.1 of this report.** This recommendation will be implemented as a part of the FY 2017 SSAE audit.
- **Tel-sell and Sales staff should focus on reducing the out-of-stock conditions for Win Stations and instant ticket dispensers.** Additional review and analysis of this recommendation is being conducted by the best practice consultant and his final report is due in May.

10. Within the past year, you referenced some potential points of confusion about the legal structure of the DC Lottery because the D.C. Code is not consistent with federal law. Please provide suggested legislative language to make the D.C. Code consistent with federal law.

There are several provisions contained in the D.C. Official Code (the “Code”) that must be amended to conform the Code to federal legislation that transferred the functions and personnel of the DC Lottery to the OCFO. The OCFO is in the process of drafting suggested legislation that will address the required amendments to the Code.

11. I have often asked what, if anything can we do or help do to increase our lottery presence in the city? Is there any reason or challenges to exploring whether the Lottery could have a presence in city owned facilities or buildings, such as the department of motor vehicles? Is there any legislation or legal authority that would be necessary to permit this endeavor? If so, please provide suggested language.

We would love to have a presence in every city owned facility or building, but need help getting into them. Provided that the District owned facilities or buildings are not located within the federal enclave as defined by the Shipstead—Luce Act, no additional legislation is required. The DC Lottery would only require the approval

of the District government department that controls the building or facility—
generally the Department of General Services.