

## Attachment J.3

### DC Lottery Facts Sheet

#### LOTTERY BACKGROUND

Like all subordinate offices within the Office of the Chief Financial Officer, the Lottery operates with integrity and security in carrying out our mission, while striving to provide the highest standard of service to the residents, businesses, visitors, and the government of the District of Columbia by being what we refer to as SMARTER – Service-driven, Motivated, Accountable, Respectful, Trustworthy, Empowered, and Results-oriented. We work hard towards our goal of being a “best in class” organization.

Lottery player demographics have remained constant, with a diverse group of individuals over the age of 18 playing the Lottery mirroring the population of the District. The Lottery directly benefits its players by paying out more than 55 percent of annual sales in prize money, which totals more than \$3.8 billion to date. The Lottery also directly benefits local businesses by providing commissions to its more than 400 retailer partners licensed to sell Lottery games and also by offering contracting opportunities to service and goods providers. Over the past 38 years, the Lottery’s Charitable Games Division has helped local nonprofits raise more than \$134 million for social causes benefiting the residents of the District of Columbia through the licensing of Bingo, Monte Carlo Night, Raffle, and other charitable gaming activities.

In terms of product offerings, the Lottery offers a robust portfolio of traditional lottery games sold through its network of 400+ retail partners located throughout the District. Included in the Lottery’s traditional game portfolio are a family of four Numbers games (*DC-2, DC-3, DC-4 and DC-5*); three multi-state “lotto” draw games (*Powerball, Mega Millions and Lucky for Life*); three Monitor games (*Keno, Race2Riches and The Lucky One*); an array of Tap-N-Play games played on a touch screen self-service terminal known as the “MP”; an array of Fast Play instant draw games sold via self-service and sales terminals; and Instant “scratcher” tickets.

In December 2018, the Lottery’s role expanded with the Council of the District of Columbia’s passage of the Sports Wagering Lottery Amendment Act of 2018 which legalized sports betting in the District. The legislation also designated the Lottery to assume two distinct roles in the District’s sports wagering offerings: Regulator and Operator. As regulator, the Lottery is regulating privately-operated sports betting throughout the District, licensing and monitoring these operations and their gaming-related suppliers for compliance with applicable District and federal laws. The Lottery issued its first private operator sportsbook on July 31, 2020 to American Wagering, Inc. (d.b.a. William Hill) at Capital One Arena. The law also allowed for the Lottery to operate sports betting in the District through a citywide mobile application, a website, and a network of licensed retailers. The

Lottery launched [GambetDC](#), the mobile app and sports betting website on May 31, 2020, and plans to roll out its retail sportsbook program in late summer 2021.

In addition to the launch of GambetDC, the Lottery will further expand its digital sales footprint in 2020 with the launch of its iLottery platform in December.

## **CURRENT LOGO AND TAGLINE**

The Lottery logo depicting the words DC Lottery creatively featuring a cherry blossom as the “O” in Lottery and tagline, “Lots of People Win”, are the primary marks principal currently used to identify the Lottery brand. Visit <https://dclottery.com/about-us> for the DC Lottery Brand Standards for secondary marks, Office of Lottery and Gaming marks, and further details on the brand.

## **COMPETITIVE LANDSCAPE & OPERATIONAL CHALLENGES**

The District of Columbia’s Lottery is the U.S. lottery industry’s smallest geographic jurisdiction, and the nation’s only city lottery. Geographically speaking, the DC Lottery is a small lottery surrounded by much bigger gaming entities competing for players’ discretionary dollars. It is situated in the heart of a highly-competitive and rapidly-growing gaming region that is home to two large, successful state lotteries (Maryland and Virginia) and six casinos, including the MGM Casino at National Harbor that looms just a few miles over the District’s border. For nearly 38 years, the Lottery was the only legalized form of gaming within the borders of the District of Columbia; however, with the legalization of private operated sports betting in 2018, and the recent authorization of electronic games of skill that will be licensed to operate at bars and restaurants throughout the District, the Lottery is no longer “the only game in town.”

There are also legislative restrictions that impact the depth and breadth of the Lottery’s footprint in the marketplace. A Federal law, the Shipstead-Luce Act, was enacted almost 90 years ago to regulate and protect the architectural integrity of buildings in certain areas of the nation’s Capital (these areas are also often referred to as “the Federal enclave”). The appropriations act that established the DC Lottery and its funding source in 1982 also included language that prohibited the advertising and sale of lottery games within the Federal enclave as geographically defined by the Shipstead-Luce Act. Thirty-eight years later, this prohibition is still in existence, which means that the Lottery cannot license retailers, sell games or advertise its games or brand within the monumental and governmental core of the District, along much of the Potomac waterfront, or abutting Rock Creek Park. Essentially, the Lottery cannot have any presence in the heart of the city where hundreds of thousands of people go every day to work, do business and come to visit.

Lottery sales also heavily rely on commuter population traveling into the city from surrounding states. Pre-pandemic, the District’s daytime population swelled to well over 1

million people, or by 72%, every workday as commuters pour into the city from the around the region. The numeric difference between District of Columbia's daytime and nighttime populations is second greatest in the US, bested only by New York City. Unlike other jurisdictions whose residents work within their state's business districts and live in their suburban areas, nearly three-quarters of DC's daytime visitors retreat to neighboring states each night – limiting when and how the Lottery can market to these potential customers.

As a result, effective advertising is critical in maintaining brand awareness and driving increased sales of lottery tickets and other game offerings.

## **FY20 GAME PERFORMANCE & FY21 GOALS**

The Lottery's fiscal year goes from October 1 – September 30. For FY19, traditional lottery sales totaled \$213 million. FY20 unaudited traditional lottery sales rang in at \$208 million, 2.3% (\$4.8 million) lower than FY19. The year-over-year decline is internally disappointing for the organization; however, the result was reasonable/justifiable taking into account the challenges faced, including the absence of large jackpots in the multi-state *Powerball* and *Mega Millions* games and the impact from the COVID-19 pandemic.

Due to the impact of the pandemic, the Office of Revenue Analysis (ORA) lowered the Lottery's FY20 transfer target for traditional lottery to \$39.447 million from \$46.6 million. The revised target is just 85% of the Lottery's average net profit over the last three years. This transfer does not factor any profit generated from the Lottery's newest addition to the portfolio: sports betting.

Below is an overview of the Lottery's unaudited FY20 financial performance by game category:

***NUMBERS GAMES*** (*DC-2, DC-3, DC-4, and DC-5*): The Numbers games are “online” games that are sold via the Lottery Terminal or Win-Station and have historically contributed to the bulk of lottery revenue. These four games, which are drawn twice daily, seven days a week, had a stellar performance in FY20 with an increase across all games in the category. Collectively, the family of Numbers games were up 8.5% (\$9.6 million) vs. FY19. The category represents 59% of the Lottery's traditional portfolio. *DC-3* and *DC-4* total sales were \$42 million and \$56 million, the highest in the past three fiscal years. *DC-5* also set a new high with \$24 million in total sales in FY20.

***MONITOR-BASED GAMES*** (*Keno, Race2Riches, and The Lucky One*): Tickets for Monitor games are purchased through the Lottery Terminal, Win-Station and MP “Touch” Self-Service Terminals; however, offer an interactive and visual experience on a TV monitor placed within licensed retail locations. These games are also considered to be rapid draw games happening every 4 minutes from 6am-2am. In FY20, *Keno* and *Race2Riches* performed on par with FY19. Including *The Lucky One* game, the category of monitor-based

games increased by 1% (\$164,000) in Fiscal Year 2020. Approximately 119 Lottery retailers throughout the District have TV monitors in their store displaying these games.

***MULTI-STATE JACKPOT/LOTTO GAMES*** (*Powerball, Mega Millions, and Lucky for Life*): These draw games are sold via the Lottery Terminal, Win-Station and MP “Touch” Self-Service Terminals and are available in many states across the U.S. The absence of large jackpots in *Powerball* and *Mega Millions* games, not only negatively impacted ticket sales in the District but had a distressing effect on all participating state lotteries across the country. *Powerball* jackpots reached \$750 million twice in FY19, while the maximum jackpot reached in FY20 was just \$394 million. Game sales were down 41% (\$4 million) vs. FY19. *Mega Millions* reached all-time high jackpot of \$1.6 billion in FY19. The maximum jackpot reached in FY20 was \$410 million. FY20 *Mega Millions* sales were lower by 51% (\$4.8 million).

Due to a significant drop in play during the height of the pandemic, both *Powerball* and *Mega Millions* had to make adjustments to their games to ensure the prize pools were adequately funded. The starting jackpots of both *Powerball* and *Mega Millions* were reduced to \$20 million from \$40 million and the increase of the jackpots between each drawing were changed from set amounts to actual game sales.

*Lucky for Life is experiencing a decline in sale. FY 20 Game sales were \$1.9 million, down 9% compared with the preceding fiscal year FY19.*

***INSTANT SCRATCHER TICKETS***: Instant tickets are scratch and reveal instant win games that are often prominently placed at the retail counter, in a display case or sold through self-service vending machines known in the District as “Win-Stations.” Each Instant ticket has a distinct theme, appearance, and prize structure. There are typically 25-28 games on the market at any given time period and the game “sell-out” time varies from six (6) to forty-five (45) weeks. On average, there are 35-38 new tickets launched in a fiscal year. FY20 brought a \$5.2 million year-over-year reduction in Instant ticket activations compared with FY19. Prior to the pandemic, activations in FY20 were comparable with the previous year. However, with stay-at-home orders in place, a significant reduction in commuter traffic and a number of stores temporarily closing, the Lottery issued/distributed a lower volume of tickets from March – September 2020. Also, due to these factors, the Lottery amended its launch plan and printed/launched only 28 games of the planned 35 games for FY20.

***INSTANT-TYPE ONLINE GAMES*** (*Fast Play and Tap-N-Play*): Fast Play tickets are generated at the Lottery Terminal, Win-Station and MP (touch screen) Units. On average, there is a mix of 20-25 games available at retail. Tap-N-Play games have an “arcade” type look and feel and are available at the Lottery MP Machines found in select retailers. There are currently 12 Tap-N-Play games available in market. Like Instant tickets, Fast Play and Tap-N-Play were also similarly affected by the pandemic. The game categories were

trending positive prior to the pandemic and suffered sales decline during the pandemic. The two game categories were down 3% and 7% respectively in FY20. Sales of Fast Play and Tap-N- Play improved in the final weeks of the fiscal year helping to reduce the YTD total shortfall.

***GAMBETDC (Sports Betting mobile app and website):*** The Lottery's sportsbook offering, GambetDC, allows players to wager while in the District on major sports worldwide from their mobile phone or computer. There are certain areas within the District where betting using GambetDC is prohibited. These areas include the area defined under the Shipstead-Luce Act, an area of jurisdiction for properties within, fronting, or abutting the monumental and governmental core of the city, much of the Potomac waterfront, and Rock Creek Park.

Players are also not able to place bets with GambetDC within 2 blocks of the following designated Class A Sports Wagering Facilities: Audi Field, Capital One Arena and, Nationals Park and St. Elizabeths East Entertainment and Sports Arena.

Perhaps the most visible impact that the pandemic had on the Lottery's FY20 operations was on the launch of sports wagering. Already delayed from its original January 2020 launch date due to a court ordered 24-day Temporary Restraining Order which stopped all work under the contract, the platform launch was planned for the end of March but this plan was impacted by the pandemic's global shutdown of nearly all sports. While the Lottery recognized there were only a limited number of events on which to wager, it debuted GambetDC with a "soft launch" of the website on May 28, 2020 and the iOS and Android apps on June 15, 2020. From launch through September 30, 2020, GambetDC took in \$6,376,166 in wagers, paid \$5,409,277 in winnings and generated Gross Gaming Revenue (GGR) of \$966,939. This represents an 85% payout/15% hold. Approximately 50% of the GGR is profit to the District (the other 50% is vendor fee + OLG administrative costs). Due to the impact of the pandemic, ORA zeroed out the FY20 transfer target for lottery-operated sports (from \$9.692 million).

***FY21 INITIATIVES AND PROJECTIONS:*** To maximize success in FY21 and in years to come, the Lottery as an organization must address several key priorities that revolve around four objectives. These objectives will provide a focus for the Lottery's strategic efforts over the next several years:

- Adapt to the "New Normal" that resulted from the pandemic
- Transform the Lottery into a modern and innovative operation
- Expand the total player base within the District in a sound and responsible manner
- Build trust and confidence among stakeholders and the public in general

The Lottery projects its transfer (net profit) to the District's General Fund reaching \$49 million in FY21 (\$40 million from lottery sales and \$9 million from GambetDC) and has set a goal to become the premier choice for lottery and sports betting for players in the DMV (District-Maryland-Virginia) region. To attain the \$49 million in FY21 net profits, this will

require lottery sales to reach approximately \$214 million and GambetDC GGR to reach \$293 million.

With plans for a number of new initiatives, enhancements and products in FY21, the Lottery is positioned to successfully meet these goals. This includes, but is not limited to:

- continued refinement of the GambetDC platform,
- the launch of iLottery (December 2020),
- the introduction of new and refurbished equipment at retail locations (April 2021),
- debut of an enhanced Race2Riches Monitor game (July 2021),
- schedule changes to the multi-state Lucky for Life and Powerball games (July 2021 and August 2021), and,
- roll out of retail sports betting (July 2021).

## 2.2 GAME PORTFOLIO RECAP (as of November 2020)

GAME	TYPE	SALES CHANNEL(S)	SALES BY FY
DC-2	2 digit – twice daily game	Retail (Counter, Win-Stations, and MP “touch” self-service terminals vending machines	FY20: \$632,465 FY19: \$539,849 FY18: \$572,655
DC-3	3 digit – twice daily game	Retail (Counter, Win-Stations, and MP “touch” self-service terminals vending machines)	FY20: \$41,916,764 FY19: \$38,554,475 FY18: \$39,528,988
DC-4	4 digit – twice daily game	Retail (Counter, Win-Stations, and MP “touch” self-service terminals vending machines)	FY20: \$56,021,982 FY19: \$51,757,218 FY18: \$52,460,631
DC-5	5 digit – daily game	Retail (Counter, Win-Stations, and MP “touch” self-service terminals	FY20: \$24,455,965 FY19: \$22,475,381 FY18: \$21,939,646

		vending machines)	
DC Keno	Rapid Draw Monitor	Retail (Counter, and MP “touch” self-service terminals vending machines)	FY20: \$6,653,831 FY19: \$6,605,485 FY18: \$7,445,525
Race2Riches	Rapid Draw Monitor	Retail (Counter, and MP “touch” self-service terminals vending machines)	FY20: \$8,937,348 FY19: \$8,710,317 FY18: \$8,506,544
The Lucky One	Rapid Draw Monitor	Retail (Counter, and MP “touch” self-service terminals vending machines)	FY20: \$67,514 FY19: \$178,683 FY18: \$112,404
Powerball	Lotto	Retail (Counter, Win-Stations, and MP “touch” self-service terminals vending machines); iLottery website(coming 12/20)	FY20: \$5,804,786 FY19: \$9,783,491 FY18: \$9,033,810
Mega Millions	Lotto	Retail (Counter, Win-Stations, and MP “touch” self-service terminals vending machines); iLottery website (coming 12/20)	FY20: \$4,728,102 FY19: \$9,563,054 FY18: \$7,136,278
Lucky For Life	Lotto	Retail (Counter, Win-Stations, and MP “touch” self-service	FY20: \$1,910,980 FY19: \$2,118,260 FY18: \$2,163,648

		terminals vending machines)	
Fast Play	Online Instant Win	Retail (Counter, Win-Stations, and MP “touch” self-service terminals vending machines)	FY20: \$7,838,159 FY19: \$8,110,148 FY18: \$9,248,122
Tap-N-Play	Online Instant Win	Retail (MP “touch” self-service machines)	FY20: \$2,170,896 FY19: \$2,330,809 FY18: \$2,617,719
DC Scratchers	Scratch Instant Tickets	Retail (counter and Win-Station vending machines)	FY20: \$46,686,031 FY19: \$52,335,075 FY18: \$49,492,568
e-Instants	Digital Electronic Instant Win	iLottery website (coming 12/20)	N/A
GambetDC	Sports Betting	Mobile app, website	FY20: \$6,376,166



## PREVIOUS ADVERTISING PRACTICES

Historically, the Lottery has contracted with advertising agencies to develop and execute dynamic marketing campaigns, promotions, events, and other projects that positively promote the Lottery's brand, games/products and services. While most projects are planned in advance, several projects were implemented to reflect the needs of each game in a rapid, ever-changing market. As such, the Lottery needs an advertising partner that is capable of incorporating both long range strategic planning and quick response and execution on changing marketing plans or project requirements.

### Historical Media Expenditures

The following presents approximate media expenditures for the Lottery during the last three (3) fiscal years.

Channel	FY20	FY19	FY18
TV	\$455,816	\$690,978	\$1,465,440
Radio	\$719,765	\$1,046,971	\$1,103,668
Digital	\$189,697	\$220,500	\$189,305
Social	\$59,223	\$41,287	\$10,283
OOH	\$361,438	\$291,381	\$343,350
Sponsorships	\$2,810,584	\$2,652,289	\$1,615,167
Print/Newspaper	\$59,559	\$69,615	\$91,111
POS	\$17,853	\$39,520	\$46,294
<b>Total</b>	<b>\$4,673,935</b>	<b>\$5,052,541</b>	<b>\$4,864,618</b>

## **Marketing Communications Program**

The Lottery's Marketing Communications program generally includes:

- Building consumer equity in the Lottery brand and positioning the brand within the competitive environment.
- Generating consumer awareness and driving trial of new games, game add-ons, game modifications, and promotions with paid advertising, retail point of sale and communication on a variety of "owned channels," as well as engaging earned media strategies.
- Engaging fans of the Lottery on a variety of social media platforms.
- Providing winner awareness and news conference support, introducing jackpot winners to the public.
- Supporting the launch of new games, game add-ons, game modifications and sales promotions with advertising and informational announcements directed to retailers, the news media, and the public.
- Promotional/sponsorship participation at public events throughout the District.
- Daily releases of winning numbers and identification of winners.
- Production and design of official Lottery publications.
- Promotional events at retailer locations.

## **Responsible Gaming Commitment**

The Lottery is deeply committed to Responsible Gaming. Players are encouraged to enjoy the fun and entertaining aspects of Lottery play, but to set limits and play responsibly. The Lottery Marketing and Advertising Code of Conduct is strictly adhered to, with all forms of advertising, ticket messaging, point of sale and social media content vetted for appropriateness and policy compliance. The Lottery commits funds to sponsorship of programs put forth by the National Council on Problem Gambling and participates in the NCPG's programs of consumer education regarding the risks of problem gambling and the services available to help individuals with gambling problems. All Lottery marketing and advertising materials include the Lottery's "Play Responsibly" logo and the messages, "Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call or text the National Council on Problem Gambling's 24 Hour Confidential National Helpline at 1-800-522-4700."

## **ADVERTISING GUIDELINES, GOALS, AND OBJECTIVES**

### **Advertising Guidelines**

Games and advertising must reflect the following mandates:

- Clearly identifies the Lottery as the DC Lottery.
- Does not seek to attract persons less than 18 years old, and where possible and appropriate, clearly contains the following language: "Must be 18 or older to play. Please play responsibly."
- Is dignified, clear, correct, legal, truthful, respectful, inclusive and conveys the utmost integrity.

- Maintains respect for the individual without degrading persons based on gender, sexual preference, age, race, religion, military status, socioeconomics or other protected status.
- The Lottery will not produce ads that pander to those who are legally prohibited from buying its products, and will strive not to purchase media during times when the viewers are predominantly children.
- The Lottery will make no promise of winning to its constituents.
- The Lottery will not advertise playing the lottery as an alternative to working, as a financial investment, or as a way to achieve financial security.
- The Lottery will place emphasis on factual aspects of the Lottery, for example, how to play, how to win, what can be won, who has won, or the details of a particular promotion.
- The Lottery will include responsible play messages in any advertising and press relations.
- Winner awareness advertising will emphasize real winners.
- Reflects the diversity of the District of Columbia's population.
- Does not promote Lottery as an alternative to employment or investment, as a guaranteed or likely way to financial security, or as a means of relieving personal financial difficulties.
- Does not contain false promises or present winning as the probable outcome and do not imply that Lottery games are games of skill.
- Does not portray product abuse, excessive play, preoccupation with gambling or any illegal activity. All advertising will include the following information: "Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call or text the National Council on Problem Gambling's 24 Hour Confidential National Helpline at 1-800-522-4700."

### **Advertising Goals**

The goals of Lottery advertising, marketing communications, and public information programs are to:

- Raise awareness of the Lottery brand and stimulate ticket sales across the Lottery's product lines (traditional lottery, iLottery and sports betting).
- Reinforce and enhance the image of the Lottery as a fun, innovative, and entertaining revenue source for the General Fund, benefiting the residents and the economic vitality of the District of Columbia.

### **Advertising Objectives**

Lottery advertising objectives include:

- Positioning the Lottery as a fun entertainment option that is uniquely relevant to life in the District of Columbia and delivering the brand promise – Lots of People Win.
- Increasing awareness and stimulating sales of existing and new Lottery games/product lines, and differentiating games based on player insights and individual game attributes and benefits.
- Creating awareness of all key Lottery product lines, programs, promotions and initiatives among all Lottery players.
- Increasing brand engagement among regular Lottery players, as well as among light, lapsed and potential new players.

- Increasing awareness of Lottery winners (and winnings) – with extra attention on top-tier prize winners – for all games.

### **Responsible Gaming Communication Objectives**

- Communicating responsible play messages designed to discourage compulsive gambling and reinforce the prohibition against underage gambling while maintaining a positive image and relationship with the NCPG.
- Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call or text the National Council on Problem Gambling's 24 Hour Confidential National Helpline at 1-800-522-4700.”

### **Media Objectives**

Lottery Media objectives include:

- Optimizing message reach and frequency among the target audience within available budgets for all advertising campaigns.
- Improving the effectiveness of the overall media budget by leveraging partners and sponsors to provide greater media reach and other promotional opportunities.
- Developing and sharing insights into any and all emerging media channels.

### **Intended Audience**

The intended audience for the Lottery differs for each game and product line but is broadly defined as including adults 18 years of age or older who are living, working, or visiting the District of Columbia, and who will play Lottery games responsibly.