

# EXPANDING INTO SPORTS BETTING AND ILOTTERY DURING TURBULENT TIMES



**Beth Bresnahan**, Executive Director, DC Office of Lottery and Gaming (DC Lottery)



**PGRI Introduction:** 2020 has been a most turbulent year for everyone, but perhaps even more so for the DC Lottery which launched sports betting in the midst of a near global event shutdown and had to contend with a major drop-off of its primary player-base of commuter traffic. Thankfully, the Director of the DC Lottery brings a wealth and diversity of experience to the task of leading in these challenging times. Prior to her appointment as Executive Director of the DC Lottery, Beth served as Executive Director of the Massachusetts Lottery, recognized for its status as the highest per-capita sales jurisdiction in the world. That assignment followed a successful tenure as Director of Marketing and Communications. Sales at the Massachusetts Lottery increased every year during Beth's five years of senior management, breaking the \$5 billion mark in her last year of leadership there.

And now, the DC Lottery is on a tear. In spite of pandemic, 2020 has been an eventful year of implementing new game categories and opening up new channels of distribution, like internet and Mobile. I asked Director Bresnahan to provide some insight and color to the interesting set of challenges and opportunities incumbent with managing both traditional games and GambetDC, the DC Lottery's sports betting app, and now launching iLottery right on the heels of sports- betting.

**Paul Jason:** The DC Lottery serves as both regulator, license administrator, and operator of sports betting. Could you explain the District's sports betting regulatory model.

**Beth Bresnahan:** It is a unique structure compared to other U.S. jurisdictions that have legalized sports betting. On December 18, 2018, the Council of the District of Columbia passed the Sports Wagering Lottery Amendment Act of 2018 which legalized sports betting in the District and named the Office of Lottery and Gaming as both the regulator of private-operated sports book facilities and as an operator of its own sports book offered via the DC Lottery brand. This legislation cleared congressional review and became law on May 3, 2019. The legislation also changed our formal name from the Office of Lottery and Charitable Gaming to the Office of Lottery and Gaming (OLG) to reflect our newly-expanded role. DC Lottery is the brand under which the OLG markets and sells its games.

The statute is fairly complex as there are two classes of private operator licenses (Class A and Class B) that we are responsible for licensing and monitoring for operational compliance, as well as establishes and codifies several areas where betting activity is restricted.

The statute dictates that Class A Operator licenses may be issued at

four designated stadiums and arenas in the District – Audi Field, Capital One Arena, Nationals Park and St. Elizabeths East Entertainment and Sports Arena. Class A Operators may conduct sports betting independently or in conjunction with a licensed Management Services Provider (another license type) to run the sports book operation. There is a 2-block exclusionary zone around each of the Class A facilities where no sports wagering activities can be licensed. The Class A facilities can run their mobile app within their 2-block zones, but the DC Lottery app is restricted from operating within it. A Class A license is valid for 5 years and the initial fee is \$500,000. We issued the first Class A license on July 31, 2020 to American Wagering, Inc. (doing business as William Hill) for a sportsbook at Capital One Area – home of the Washington Capitals and the Washington Wizards. There are two additional Class A applicants in varied stages of the licensing process.

Like Class A Operators, a Class B Operator may apply to conduct its sportsbook operations independently or in conjunction with a licensed Management Services Provider. There is no restriction on the type of business a Class B Operator can be (could be a bar, restaurant or hotel setting as just a few examples). There is no designation where a Class B facility must be located. However, it is important to note

*Continued on page 42*

that a Class B License cannot be issued within the 2-block zone of a Class A facility or in areas of the District where gaming licensed or operated by the OLG is prohibited (commonly referred to as the Federal enclave). A Class B License is valid for 5 years and the initial fee is \$100,000. There are several Class B applicants in varied stages of the licensing process.

**B. Bresnahan:** Once legislation of any kind is approved by the D.C. council and is signed off by the mayor, it is then sent to Congress for approval. So, it literally takes an act of Congress to make changes here. For instance, the complicated location-based restrictions that we are required to comply with are embedded into federal legislation and would require Congressional

sponsorship opportunities because so many events are held either within the National Mall or in that governmental core. In fact, the core business district of the District of Columbia falls within that Shipstead-Luce mapped area. That makes it difficult to grow our footprint and revenue as we can't do business where most of our commuters or visitors and the general public are conducting their everyday business.

**“The pandemic has cut hugely into that commuter traffic and therefore a significant source of our revenue. Diversifying our portfolio of games and modernizing the ways we make those games available to the players has truly become mission-critical to the goal of growing revenues.”**

**It just does not seem like the Shipstead-Luce Act of 1930 or the Appropriations Act that created the DC Lottery in 1982 intended this level of regulatory fussiness over games and media channels that did not even exist then!**

**B. Bresnahan:** Of course, many states must deal with the problem of obsolete statutes or regulatory restrictions that need to be modernized for a new world that includes the internet, smart-phones, and new game categories like sports betting. Every jurisdiction that offers mobile gaming has to comply with the Federal Wire Act and implement geofencing to prevent transactions from outside of their jurisdictional borders. The thing that makes our situation unique is that the boundaries wind around individual blocks within a very small geographical area, and our regulatory statutes must be addressed by the U.S. Congress which always has more than a few other issues on their plate, most of which are more pressing than issues like the location-based operational restrictions on the DC Lottery.

In addition to license application fees associated with privately-operated sports wagering, the District collects a 10 percent tax on operators' monthly gross gaming revenue.

After much fanfare, which included a controversial contract award to our gaming system vendor to stand up a lottery-operated sports book, a court-ordered temporary restraining order to stop all work under the contract, and a pandemic that caused a global shutdown of nearly all sports, we launched the much-anticipated DC Lottery-operated sports betting platform, GambetDC, on May 28, 2020. Wagers on the mobile app and website can be placed in many areas of the city; however, no wagers can be accepted within the 2-blocks surrounding the four major arenas designated as Class A locations, as well as within the “Federal enclave” that includes the monumental and governmental core of the District, along much of the Potomac waterfront, or land abutting Rock Creek Park. There's a lot of intricate geofencing involved, to say the least. In addition to the digital component of GambetDC, we will file regulations and begin rolling out a network of retail sports betting locations in mid-2021.

action to strike down. The Appropriations Act that created the DC Lottery in 1982 stipulated that the Lottery cannot license or advertise its products within the area defined under the Shipstead-Luce Act of 1930. The Shipstead-Luce Act created the U.S. Commission of Fine Arts to protect the architectural integrity of the buildings in the monumental core of the District. The Lottery did not exist in 1930 and the internet did not exist when the restrictions were placed in 1982, but that congressional act is now interpreted as prohibiting online gaming transactions offered or licensed by the Lottery.

### **How would you geofence broadcast TV?**

**B. Bresnahan:** That is not technically possible without refraining from all TV advertising but, we made every effort to ensure that any of our land-based out-of-home advertising does not cross over into the restricted areas. For instance, when we purchase advertising on the sides of busses, we refrain from placement on busses that have routes passing through these prohibited zones. We are not penalized if it happens because of detours or unforeseen events. But we do need to be very careful and mindful of all the location-based restrictions. We miss out on a tremendous amount of

**Are there incidents wherein the geofencing system fails to detect that a player is on the wrong side of the street?**

**B. Bresnahan:** The system works quite well and does accomplish what it is tasked to do. The problem, though, is that the average consumer does not know, or care about, about the implications of the Shipstead-Luce Act on where you can play lottery games, right? The player may be walking down Pennsylvania Ave, does not realize they crossed into a restricted area even though they are still within the boundaries of the District, and does not understand why they are halted from wagering on GambetDC, the DC sports betting app. They just think our app is malfunctioning. We have been proactive with consistent messaging, but consumers do not always pay rapt attention to pop-ups and digital

*Continued on next page*

messaging that does not seem relevant to the specific activity they are interested in. So, some players mistakenly conclude that our iLottery app doesn't work so feel there is no reason to come back to our website until we get it fixed. Not the ideal user-experience.

But to your question: Yes, geofencing works quite well, almost flawlessly as far as we know. To be on the safe side, we apply a 200-plus meter buffer zone surrounding the jurisdictional borders. You can access your GambetDC account from anywhere and you can deposit funds from anywhere. When you then click on 'play' or 'bet', you are checked again for geolocation. If you fall outside of the District's boundaries, or you are within one of the restricted zones, the system shuts down access to wager, generates a pop message explaining the laws along with the map showing the restricted areas, and that you need to go to a place where betting is allowed within the District. There may be some regulatory tolerance for the boundaries of the restricted areas not being perfectly precise in every single instance. But there is zero tolerance for non-compliance with jurisdictional boundaries as those are proscribed by federal laws and require a fail-safe buffer zone.

## We are rarely satisfied with the current status of anything, and are always working toward continuous improvement, adding to the foundational layers that have been built while taking on new projects that enhance the relevance of the DC Lottery.

**It's great that your political constituents are authorizing the DC Lottery to expand into new game categories and channels of distribution.**

**B. Bresnahan:** We are fortunate to have supportive leadership in the Chief Financial Officer and that the D.C. Council has recognized the need to modernize and diversify gaming options to grow transfer to the General Fund. The OLG is now taking on the licensing and regulation of electronic games-of-skill, also known as the "gray machines". The legislation in D.C. largely mirrors the COAM (coin-operated-

amusement-games) legislation in Georgia, except that cash payouts up to \$600 will be allowed and the locations where they can be placed are very specific. Bars and restaurants licensed and endorsed by the District's Alcoholic Beverage Regulation Administration will be allowed to apply to offer these electronic skill-based games, but not convenience stores, liquor stores or other locations that traditionally sell lottery games.

**So, in 2020 you were tasked with licensing operators for sports betting and electronic games as well as launching your own lottery-operated sports book and iLottery. Quite the action-packed agenda. Causes me to wonder if we should be careful what we wish for!**

**B. Bresnahan:** We haven't slowed down in nearly three years. When I came onboard in 2018, I asked the staff to provide a SWOT analysis of sorts as to where the organization has been and where we wanted to go. The team wanted to be formidable players in this extremely competitive market, and recognized that in order to do so we needed to modernize our portfolio and take on as much as we could to maximize the potential of the

and Maryland and commute to the District for work. The pandemic has cut hugely into that commuter traffic and therefore a significant source of our revenue. Diversifying our portfolio of games and modernizing the ways we make those games available to the players has truly become mission-critical to the goal of growing revenues. So, we committed to doing whatever it takes to get there ... beginning video-conferencing calls at 7 a.m. or working into the night to finish draft regulations required the following day, or editing functional specifications to perfection and detailing launch plans for every component to flow smoothly. Then when it comes down to implementation, the devil is in the details. You need to think like a consumer, really put yourself in their shoes. I, along with members of the team, pour over the actual player experience to learn what it feels like to navigate our digital systems and player journey. We are constantly looking to refine and improve. We analyze in granular detail how our messages are being communicated to the players and retailers to ensure they are consumed as intended.

There have been many days, particularly this year, that we broke down thinking we had hit a wall in our progress or that may not have the bandwidth to do more, but that caused us to pause and reflect on all that we have accomplished, get motivated and more resourceful to take the next step. We are a small lottery with limited resources that must operate like the 'little engine that could'. The days have been extremely long, but DC Lottery staff can each take personal pride for being a part of the tight-knit team that makes it happen.

**And it's not as if you can relegate sports betting to a status of being complete and finished so now you can move onto iLottery.**

**B. Bresnahan:** This is not an iterative process, completing one task and moving onto the next. It is accretive – we are rarely satisfied with the current status of anything, and are always working toward continuous improvement, adding to the foundational layers that have been built while taking on new projects that enhance the relevance of the DC Lottery. There is always the need for change to meet and exceed consumer expectations, and the opportunity to improve with new and better process and technology. And in the end, we can look back on one of

DC Lottery and its contributions to the District. We are sandwiched between two extremely successful lotteries with Virginia and Maryland. This is also the third most successful North American casino market with six casinos in neighboring Maryland, including MGM National Harbor just five miles from our office. We are a very small jurisdiction with limited revenue-generating opportunities, so we need to be innovative and seize whatever opportunity we can. Combine that systemic challenge with the fact that our player-base is heavily comprised of commuters, people who live in Virginia

the most disrupted years of our lives, and we can be proud of all we have done together.

**Your resume is interesting for its diversity – print and digital media strategist, head of marketing at one of the most successful lotteries in the world in Massachusetts, then director of the Mass Lottery, and now navigating a complicated political regulatory structure as you lead the DC Lottery.**

**B. Bresnahan:** I was a journalism major who had aspirations of becoming a sports reporter. It didn't play out as I had hoped, and I went to work in a PR role for the state of Massachusetts.

I started at the Mass. Lottery in 2005 and was fortunate to learn from some of the best and brightest people in the industry. Industry legend Jimmy O'Brien (who had left the Mass. Lottery to work for Scientific Games) would often preach to us "do not let an administrative problem get in the way of a great marketing plan." It was there, and largely from Jimmy, where I learned that no matter what the challenges may be, there is always a way to make things work and was able to see how resourceful people can get things done in spite of obstacles. Whether it be an antiquated IT system, limited operating budgets, or inadequate advertising funds, if you think innovatively and creatively there will always be a way to get it done. Our system was at end of life and when duct tape and fishing wire wouldn't work to "MacGyver" terminals together, we had to search on eBay for parts that were obsolete, yet we still managed to generate \$5 billion in sales.

I count myself blessed to have learned these on-the-job lessons and apply them to the various roles I've served in throughout my career and certainly at the DC Lottery.

**The management model of the Massachusetts Lottery is so different from the DC Lottery. Are there advantages to outsourcing much of the daily gaming operations and IT to commercial partners?**

**B. Bresnahan:** In Massachusetts, we owned and ran our own gaming system. It took some getting used to working with a vendor and not having the bulk of the gaming operations or staff on site. For many years, the DC Lottery staff largely viewed its role to be contract administrators. There was an impulse to turn responsibility over to our vendors, our commercial

partners, to figure everything out and make it work. We do appreciate the support of our vendor and put no small amount of demands on them to produce creative solutions and execute on them. But we, the DC Lottery, are ultimately responsible for the outcome so we've taken a much more significant role in shaping our products and platforms for our specific market.

I am so proud and appreciative of the entire DC Lottery team for being flexible, resilient, and resourceful in putting forth quality offerings. They all embraced the opportunity to step out of their comfort zones, to get involved in unfamiliar areas of the business and be a part of the solution in ways they were not necessarily accustomed to.

**Is there anything that you might comment that you would do differently or that surprised you about the sports betting implementation?**

**B. Bresnahan:** That is hard to say what we would have done differently because the circumstances we faced during implementation and launch were so unique with the political and statutory structure, the geographic restrictions and then adding in a pandemic. We were standing up a licensing and compliance program for private operators while simultaneously working to structure the lottery-operated offering. Things were moving very quickly and there was a great deal of pressure to deliver, so I am certain that we have areas where we can improve on both the regulatory and operations side. We continue to observe both programs in action and will work to refine regulations and recommend statutory changes, where appropriate, to ensure the District of Columbia's sports books offer world-class entertainment options to bettors.

**Did the challenge of the pandemic accelerate the implementation of sports betting and iLottery?**

**B. Bresnahan:** The pandemic created challenges in the launch of sports betting. We initially planned to launch the digital platform, GambetDC, in March 2020 and roll it out at retail in Fall 2020. As we were preparing for a pre-launch demonstration of GambetDC, the NCAA canceled March Madness and MLB announced its season was suspended. In the days that followed, more leagues suspended play and it caused us to press pause on the launch until there

were more events to wager on. We went live on May 28, 2020. GambetDC at retail locations was moved to later in 2021 and we advanced the launch of iLottery, which was initially slated for 2021, to fill the gap.

**Has the easy access and increased variety of game categories caused the modern consumer to be more willing to migrate to new and different games – lottery players trying casinos and sports betting and vice versa?**

**B. Bresnahan:** There are so many viable entertainment options available, so the days when players stayed true to a gaming category and did not try new brands or experiment with new game types seem to be behind us. We saw, for instance, that during the pandemic instant scratch-off sales surged in states where casinos closed down. Some of that increase has dissipated with the casinos reopening, but lots of play across categories continues. Here in D.C., we have a limited number of residents (500,000 adults) and a reduced number of daily commuters, so we are using our players club, which up until May focused solely on promoting traditional lottery games, to as a way to introduce everyone to our new game categories and ways to play. We will also use our digital sales platforms, but we are first focused on standing up our channels to make sure the operational components are solid and our digital connection with the player-base is established before we start aggressively cross-promoting. And more consumer-facing cross-promoting is in our future. Portfolio management will take on a whole new dimension as lottery operators diversify into new categories of gaming and offer new channels of distribution.

The DC Lottery is not the biggest lottery in the country, but we are set on a very progressive path towards modernizing our portfolio of games and the way we make those games available to the consumer. As more and more states authorize their lotteries to transform operations to achieve their full potential, to manage games of chance in a responsible way that protects the players and serves society and maximize funds for good causes, and as we eventually emerge from this time of pandemic ... I think these opportunities represent the beginning of a golden era for everyone – for players and lottery stakeholders alike. ■