

**PUBLIC ROUNDTABLE ON
THE DISTRICT OF COLUMBIA SPORTS WAGERING
PROGRAM**

**Before the
Committee on Business and Economic Development
Council of the District of Columbia**

The Honorable Kenyan R. McDuffie, Chairman

January 18, 2024, 9:30 a.m.



**Testimony of
Frank Suarez, Executive Director
Office of Lottery and Gaming**

**Glen Lee
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman McDuffie and members of the Committee on Business and Economic Development. I am Frank Suarez, Executive Director of the Office of Lottery and Gaming (OLG). I am honored to have this opportunity to present testimony on the District of Columbia Sports Wagering Program. Joining me today are my colleagues Ridgely Bennett, Chief Counsel for OLG, Craig Lindsey, Agency Fiscal Officer, and Peter Alvarado, Director of Regulation and Oversight.

OLG's mission is "to responsibly maximize revenue generation for the District of Columbia through the sale of innovative lottery and sports wagering products while providing gaming regulation and oversight that upholds the highest standards of integrity and public trust." As such, OLG is continuously assessing the performance of sports wagering in the District and its ability to responsibly maximize revenue.

Sports wagering in the District has been challenged by strong competition outside of its borders. In Fiscal Year 2023, private sports wagering operators obtained about 1.7 million wagers, down 23%

compared to Fiscal Year 2022, totaling approximately \$116 million in handle (dollar amount of wagers placed), which was down 27%. Tax revenue from private operators was also down compared to the prior year, totaling almost \$1.4 million, down \$58,841 or 4.1% compared to the prior fiscal year. Private sports wagering declined in Fiscal Year 2023 despite the approval and opening of a new Class B license for Over Under Sportsbook in December 2022.

Private sports wagering operators have had 422,156 wagers placed year-to-date (as of December 31,2023) in Fiscal Year 2024 resulting in approximately \$31.5 million in handle. This is a decrease in handle of almost \$12.8 million or 29% compared to the same period in Fiscal Year 2023. Tax revenue from private sports wagering has also continued to decrease year-to-date by \$187,773, totaling \$380,854, which is a decrease of 33%. Much of this decline can be attributed to the Class A operators, which account for 95% of the decline in tax revenue. Although competition remains strong, the expansion of retail sportsbooks in the District is expected to continue. Three companies have started a Class B

application, and it is expected one will complete its respective application soon.

GambetDC, the District-operated sportsbook, has also been challenged by increased competition, but was able to drive growth overall in Fiscal Year 2023. *GambetDC* surpassed private operators wager and handle growth rates, becoming the largest sportsbook in the District in Fiscal Year 2023 in terms of handle. Almost 2.2 million wagers totaling about \$69.6 million were placed via *GambetDC* in Fiscal Year 2023, that is a growth rate of 12% for wagers and 19% for handle respectively compared to Fiscal Year 2022. A key driver of *GambetDC*'s growth was the launch of its new mobile app with a significantly enhanced user interface combined with a new, more effective brand marketing campaign. *GambetDC* provided a net transfer to the District in Fiscal Year 2023 of almost \$1.3 million, which is about \$1.5 million lower than Fiscal Year 2022. This was primarily due to increased payouts and operational costs, such as retailer commissions, combined with a significant decrease in revenue from infraction fees.

The ongoing, intense competitive sports wagering environment in the DMV area has not only impacted private operators but has also now made it difficult for *GambetDC* to sustain its growth into Fiscal Year 2024 (as of December 31, 2023). *GambetDC* has had 572,840 wagers placed, equaling approximately \$17.3 million in handle, which is a decrease of 15.4% in handle compared to the same period in Fiscal Year 2023. As of December 31, 2023, *GambetDC* has transferred an estimated \$689,208, compared to \$696,000 for the same period last year, representing a \$6,792 or 1% decrease in Fiscal Year 2024.

While *GambetDC* may be experiencing a decline, *GambetDC's* year-to-date transfer in Fiscal Year 2024 is still 45% higher than all privately operated sports wagering tax revenue combined. This reiterates OLG's belief that maintaining a District-operated sportsbook as the sole mobile and online operator best accomplishes its mission of maximizing revenue because it provides a larger share of sports wagering revenue while mitigating risk. In Fiscal Year 2023, there were four instances

where a Class A or Class B operator did not provide monthly tax revenue due to a zero or negative GGR (Gross Gaming Revenue) for that month.

OLG recognizes that the decline in *GambetDC* revenue must be reversed. Accordingly, OLG is working with its vendor partner, Intralot, to identify a new subcontractor for OLG's sports wagering platform. OLG and Intralot have evaluated the current platform and believe that evolving to one of the current private operator platforms will better compete within the highly competitive DMV region, while still maintaining a larger share of revenue and mitigating risk. Having a strong, nationally recognized platform will help to quickly reverse the current trend and drive renewed revenue growth.

I am excited about what is to come and look forward to the continued, responsible growth of sports wagering revenue for the District. In closing Chairman McDuffie, I would like to thank you, the Council, and the Mayor for continued support of the Office of Lottery and Gaming

and for this opportunity today. This concludes my testimony, and I am happy to answer any questions the Committee may have.