

**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**

**July 13, 2022, 12:00 p.m.**  
**Virtual Meeting Platform**



**Testimony of**  
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**Chief Financial Officer**  
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Good afternoon 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 virtually 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." Our mission of responsibly maximizing revenue is no different for sports wagering than it is for traditional lottery. As such, maintaining OLG as the sole operator of mobile and online sports wagering across the District is the option that maximizes revenue for the District.

Private sports wagering operators have had 1,775,576 wagers placed year-to-date in Fiscal Year 2022 (as of June 30, 2022) resulting in approximately \$128.9 million in handle. This is an increase in handle of \$20.5 million, or 18.9%, compared to the same period in Fiscal Year 2021. However, tax revenue from private operators has decreased significantly year-to-date by \$581,848, totaling \$990,149, which is a decline of 37% when compared to the same period in Fiscal Year 2021. While tax revenue has declined, the number of private operators in the District has increased. In October, the first Class B licensee, Grand Central, began operations in Adams Morgan and most recently, FanDuel opened its retail sportsbook at Audi Field on June 30, 2022.

In contrast to private operators, GambetDC, the OLG operated sports book, is experiencing strong growth across the board with significant handle, wager, and transfer growth in Fiscal Year 2022 thus far (as of June 30, 2022). GambetDC has had 1,478,448 wagers placed, equaling about

\$45.6 million in handle, which is an increase of 49% in wagers and 31% in handle compared to the same period in Fiscal Year 2021. In fact, GambetDC wagers placed in May and June 2022 surpassed all wagers placed by private operators in the District. This strong growth has been driven by OLG's ongoing implementation of product enhancements. This includes increasing the GambetDC payout to 90%, which better aligns with the competitive payouts offered in Maryland and Virginia. Since the change to the 90% payout in February 2022, handle has been up 39.6% versus the same period last year. GambetDC has also rapidly expanded its retail locations in Fiscal Year 2022. As of June 30, 2022, GambetDC now has a total of 50 licensed GambetDC retailers. Retail wagers accounted for 37.9% of wagers and 25.6% of handle in June 2022. GambetDC retailers, which are small local businesses, have earned a total of \$390,864 in commissions since the launch of our retail network in July of 2021. Our continued enhancements to the player experience have also contributed to growth, such as streamlining registration and increasing the variety of events and leagues. This fall we will launch a significantly enhanced user experience that is more in line with what players experience when wagering with private operators.

Building a completely new sportsbook from the ground up required upfront investment that included high customer acquisition and marketing costs. In addition, GambetDC was responsible for the significant expense of regulating privately operated sportsbooks. These investments in the District's locally operated sportsbook resulted in GambetDC not providing a net transfer to the District in Fiscal Year 2021. However, most of the start-up costs have now been incurred and marketing expenses have normalized. GambetDC has an estimated year-to-date transfer of approximately \$2.2 million to the District's General Fund (as of June 30, 2022), which is more than double the amount of tax revenue that has been collected from private sports wagering operators in the District year-to-date. This is how the model was intended to work and it is now

functioning as designed, with the District operated sportsbook contributing a greater share of the profits.

The current 38% decline in tax revenue from private operators illustrates how the privately operated sports wagering model is the riskier revenue stream for the District. While the GambetDC model ensures that the District will receive a minimum of 10% of handle before expenses, regardless of the actual payout of the sportsbook, private operators offer no guaranteed tax revenue. By statute, private operators are only required to provide 10% of gross gaming revenue (GGR), which is handle minus payout. In highly competitive markets like the District, private operators are offering higher payouts to attract players from competitors, which has led to a much lower GGR and therefore lower tax revenue. Fiscal Year 2022 illustrates this risk with BetMGM not providing any tax revenue for the month of October 2021 and Caesar's William Hill, the District's largest retail sportsbook, only providing \$6,092 in tax revenue to the District in February 2022.

As stated above, OLG has a mission to maximize revenue, and we are confident that maintaining a District operated sportsbook as the sole operator best accomplishes that mission. An alternate option that is available per the Sports Wagering Lottery Amendment Act of 2018 would allow private operators to obtain licenses to operate mobile and online sports wagering across the District in lieu of the current model, which has District operated sports wagering as the sole mobile and online sports wagering provider that is District-wide. Under this alternate option, private operators would be taxed at a rate of 20% on GGR for mobile and online wagering. The average payout for private operators in the District in Fiscal Year 2022 year-to-date is 92.3%. If you assume that private operators would maintain the same average payout of 92.3% for mobile and online players and increase the tax rate on GGR to 20% as allowed by law, private operators will have to increase the current Fiscal Year 2022 handle achieved by GambetDC (\$45.6 million) by

more than 300% to provide tax revenue equal to the current GambetDC transfer amount of \$2.2 million in the same period of time. This would be quite a feat as private operators will not only have to improve their handle growth rates significantly beyond their current rate of only 18.9%, which is a little more than half of GambetDC's 31% growth rate in Fiscal Year 2022 year-to-date, but they will have to compete even more aggressively as Maryland will soon be offering mobile and online sports wagering, increasing the hurdle of achieving a 300% or more increase.

Not only would changing the model to a privately operated mobile and online model be riskier and provide a lower share of sports wagering profits to the District, but it also will increase regulatory costs. As a matter of fact, the District's privately operated sports wagering program has just barely broken even. The District has collected \$3.4 million in tax revenue from private operators through June 30, 2022. Total tax revenue combined with the \$2.1 million OLG has collected in licensing fees equals approximately \$5.5 million. Total regulatory costs, which include expenses like payroll for the regulatory team and costs for the licensing system software, equal about \$5.4 million since inception. Increasing the number of private operator licenses in the District will result in an increased regulatory scope, particularly as OLG will have to regulate adherence of multiple private operators to geographic restrictions along the District's border and within areas excluded due to the Shipstead-Luce Act. This will assuredly increase costs and further reduce the District's overall sports wagering revenue.

Much has been speculated about the success of the model in the District given the extremely high expectations that were set in 2018. One key method for measuring performance is to compare the District to other jurisdictions. However, it is important to note that this is an almost impossible task as there is no other sports wagering jurisdiction that is truly similar. Since the District has a unique sports-wagering model, and by far the smallest population, the best option is

to analyze overall sports wagering revenue on a per capita basis. Per capita comparison is utilized in the gaming industry because it minimizes bias due to population size variances. An analysis of the latest six months (October 1, 2021, through March 31, 2022) of sports wagering revenue data of the District and the twelve other U.S. jurisdictions that have had mobile and online sports wagering for at least one year, which can be seen in the table attached to my testimony, reflects that the District provided \$2.47 per capita of sports wagering revenue during that time. This is more than 50% higher than the \$1.63 per capita in tax revenue provided by Virginia, which has benefited from the retreat of the District's commuters during the pandemic and has been lauded as the most successful launch of sports wagering in the region. In addition, when you rank the jurisdictions based on sports wagering revenue per capita, the two best performing jurisdictions by far, New Hampshire and Rhode Island, have a sole operator model overseen by the state lottery. This further supports the current model in the District with OLG as the sole operator of mobile and online sports wagering and disputes the theory that to be more successful, you need a competitive market that is open to multiple licenses. In contrast, this would indicate that a sole operator model that provides a larger share of profits is the most effective in bringing revenue to the District.

These results and upcoming initiatives provide a glimpse of what is possible in the future for sports wagering in the District. We will continue to build on the momentum we have achieved thus far in Fiscal Year 2022. It will be an exciting time for GambetDC as we look to make ongoing enhancements as well as complete a total revamp of the mobile app and website experience this fall that will be more intuitive and user friendly for players and allow GambetDC to better compete against private operators in Virginia and Maryland. The increase of our payout percentage cap to 90% has proven to be a game changer for GambetDC and will continue to drive growth when combined with the revamped user interface. GambetDC's retail rollout will continue, providing a

low barrier to entry for small and local businesses and will expand to offer over-the-counter sales that will complement the self-serve terminals already in the market and add capacity during heavy traffic periods. A new marketing plan is being developed for GambetDC that will better position the brand amongst its competitors in the District, be better targeted at key player segments, and will provide a stronger return on investment as we look to not only acquire, but also retain players. The District's model is built to succeed in the long run and is now illustrating that, with the appropriate time, it will succeed.

I am excited to have the opportunity to build on our recent success and look forward to the continued, responsible growth of gaming 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.

**Mobile/Online Sports Wagering Jurisdictions - Transfer/Tax Revenue (October 2021 - March 2022)**

	<b>Jurisdiction</b>	<b>Handle</b>	<b>Tax Rate/ Revenue Share</b>	<b>Transfer/Tax Revenue</b>	<b>Population</b>	<b>Transfer/Tax Revenue per Capita</b>
1	<b>Rhode Island</b>	\$ 314,366,879	51%	\$ 12,557,385	1,095,610	\$ 11.46
2	<b>New Hampshire</b>	\$ 517,028,194	51%	\$ 13,471,247	1,388,992	\$ 9.70
3	<b>New Jersey*</b>	\$ 7,246,283,019	8.5% / 13%	\$ 53,211,604	9,267,130	\$ 5.74
4	<b>Pennsylvania</b>	\$ 4,394,004,661	36%	\$ 60,534,927	12,964,056	\$ 4.67
5	<b>Illinois</b>	\$ 4,928,052,234	15%	\$ 52,916,729	12,671,469	\$ 4.18
6	<b>Tennessee</b>	\$ 2,152,388,065	20%	\$ 25,994,320	6,975,218	\$ 3.73
7	<b>Indiana</b>	\$ 2,773,882,129	9.5%	\$ 17,662,018	6,805,985	\$ 2.60
8	<b>Washington DC**</b>	\$ 125,105,272	10%	\$ 1,652,458	670,050	\$ 2.47
9	<b>Iowa</b>	\$ 1,587,439,626	6.75%	\$ 6,067,068	3,193,079	\$ 1.90
10	<b>Virginia</b>	\$ 2,613,455,898	15%	\$ 14,107,679	8,642,274	\$ 1.63
11	<b>Colorado</b>	\$ 2,948,182,859	10%	\$ 7,074,573	5,812,069	\$ 1.22
12	<b>West Virginia</b>	\$ 388,943,443	10%	\$ 2,084,095	1,782,959	\$ 1.17
13	<b>Michigan</b>	\$ 2,947,135,375	8.4%	\$ 6,452,053	10,050,811	\$ 0.64

\*New Jersey is a unique jurisdiction with Atlantic City as a major gambling/sports betting center similar to Nevada. The tax rate is 8.5% for retail and 13% for mobile/online.

\*\*Washington DC includes both privately operated sports betting and GambetDC.

Tax revenue numbers do not account for costs associated with regulation and oversight.

Source for Handle and Tax Revenue data: <https://www.legalsportsreport.com/sports-betting/revenue/>

Source for 2021 Population Estimates: [https://www.census.gov/data/datasets/time-series/demo/popest/2020s-state-total.html#par\\_textimage\\_500989927](https://www.census.gov/data/datasets/time-series/demo/popest/2020s-state-total.html#par_textimage_500989927)



## DC Sports Wagering Fact Sheet

**2022 FYTD Snapshot**  
October 1, 2021 - June 30, 2022

	<b>GambetDC</b>	<b>Private Operators</b>
Tax Revenue	--	\$990,149
General Fund Transfer	\$2,157,000	--
Wagers	1,478,448	1,775,576
Handle	\$45,617,039	\$128,863,030

### Year-Over-Year Comparison (through June 30, 2022)

	<b>FYTD 2022</b>	<b>FYTD 2021</b>	<b>% Change</b>
GambetDC Transfer	\$2,157,000	0	N/A
GambetDC Wagers	1,478,448	995,759	49%
GambetDC Handle	\$45,617,039	\$34,771,339	31%
Private Operator Tax Revenue	\$990,149	\$1,571,997	(37.0%)
Private Operator Wagers	1,775,576	1,164,053	52.5%
Private Operator Handle	\$128,863,030	\$108,380,390	18.9%

### Key Facts

- Private operators are taxed at 10% of Gross Gaming Revenue (GGR), which is handle minus payout.
- The GambetDC contract guarantees that the District receives 10% of total handle before expenses.
- Total tax revenue received from private operators since inception of sports wagering through June 30, 2022 equals \$3,419,683. Total privately operated sports wagering license fees collected since inception (through June 30, 2022) equals \$2,133,400. When combined, total tax revenue and license fees equal \$5,553,083 received from private operators.
- Total expenses incurred by the District for regulating privately operated sports wagering since inception (through June 30, 2022) equals \$5,365,498. Therefore, the District has netted out an overall gain of \$187,585 from privately operated sports wagering thus far.
- An analysis of the latest six months (October 1, 2021, through March 31, 2022) of sports wagering revenue data shows that the District provided \$2.47 per capita of sports wagering revenue during that time. This is 51.5% higher than Virginia which reported obtaining \$1.63 per capita in tax revenue during the same time period.