

February 26, 2021

The Honorable Ralph S. Northam
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
Richmond, VA 23219

Re: January 2021 Sports Betting Report

Dear Governor Northam:

I am pleased to provide our first report of legal sports betting activity for the month of January 2021, as required in Virginia Code § 58.1-4031 (2020).

The Virginia Lottery issued approvals for the first mobile sports betting operators to begin accepting legal sports wagers in late January. Two operators launched and began accepting wagers prior to the January 24, 2021 NFL championship games, and three additional operators entered the market shortly afterwards. We anticipate additional operators will continue to be approved in coming weeks as they fully meet the criteria for approved permits.

Sports betting activity is taxed based on a permit holder's adjusted gross revenue. Adjusted gross revenue is calculated as wagers **minus** cash and noncash winnings, voided and cancelled wagers, Federal excise taxes, and certain allowable adjustments. Virginia's sports betting statute defines noncash winnings to include the value of wager bonuses or promotions used to attract and retain registered account holders. That means the adjusted gross revenue for operators may be negative for a month, and if so, that negative balance is carried forward to the next month. These calculations adhere to the statutory provisions in Virginia Code § 58.1-4030 et seq., as enacted by the General Assembly in the 2020 Regular Session.

Virginia aggregate numbers:

	January Activity
Total wagers	\$58,896,564.76
Cash and noncash winnings	(\$61,653,564.89)
Void and Cancelled wagers	(\$272,552.09)
Federal excise taxes	(\$146,560.03)
Adjustments	(\$59,500.19)
Total, Virginia Adjusted Gross Revenues	(\$3,235,612.44)

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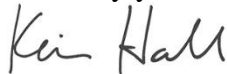
Due to the limited number of days that the initial permit holders were operating in January and their significant promotional efforts to inform interested players that legal sports betting was available in Virginia through the awarding of account bonuses and credits, the total adjusted gross revenue for January was negative for three of the active operators, meaning that tax collections occurred in the first partial month of legal sports betting activity from only one permit holder. It is anticipated that promotional expenses will level-off following the successful launch of Virginia's sports betting program, and monthly tax revenue collections will begin to reach a more sustainable level.

For the month of January, one permitted operator reported total adjusted gross revenue of \$264,735.37. At the 15% statutory tax rate (Virginia Code § 58.1-4037), total sports betting tax collections in February were \$39,710.31. From these taxes, the required 2.5% was apportioned to the Problem Gambling Treatment and Support Fund, with the remaining 97.5% directed to the general fund as required by Virginia Code § 58.1-4038.

	February 2021	FY2021 Year to Date
General Fund	\$38,717.55	\$38,717.55
Problem Gambling Treatment and Support Fund	\$992.76	\$992.76
Total Taxes	\$39,710.31	\$39,710.31

Please let me know if you have any questions, or if you would like more information.

Sincerely yours,



Kevin Hall

- c: The Honorable Janet D. Howell, Chairwoman, Senate Finance & Appropriations Committee
The Honorable Luke E. Torian, Chairman, House Appropriations Committee
The Honorable Vivian E. Watts, Chairwoman, House Finance Committee
The Honorable Clark Mercer, Chief of Staff, Office of the Governor
The Honorable Aubrey Layne, Secretary of Finance
Daniel S. Timberlake, Director, Department of Planning & Budget
David A. Von Moll, State Comptroller
April Kees, Director, Senate Finance & Appropriations Committee
Anne E. Oman, Staff Director, House Appropriations Committee
Ferhan Hamid, Chairman, Virginia Lottery Board