



January 9, 2024

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
1111 E. Broad Street
Richmond, VA 23219

Re: FY23 Annual Report – Sports Betting

Dear Governor Youngkin:

I am pleased to provide our annual report of legal sports betting activity for the 2023 Fiscal Year, as required in Virginia Code § 58.1-4031. This annual report summarizes the monthly activity reporting, and any additional recommendations or particular items of note for the period.

The following summarizes the status of the authorized permits for mobile sports betting operations in Virginia:

Permit Holder	Approval Date	Start Accepting Wagers	Cease Operations
Betfair Interactive US LLC (FanDuel)	1/20/2021	1/20/2021	
Crown Virginia Gaming, LLC (Draft Kings)	1/24/2021	1/24/2021	
BetMGM, LLC	1/24/2021	1/27/2021	
Rivers Portsmouth Gaming, LLC (Rivers Casino Portsmouth)	1/26/2021	1/27/2021	
Caesars Virginia, LLC	1/27/2021	2/3/2021	
WSI US, LLC	3/4/2021	3/9/2021	8/11/2023
Golden Nugget Online Gaming VA, LLC	3/15/2021 (Temporary)	9/29/2021	5/4/2022
Ballys Interactive	3/15/2021	11/24/2021	
Penn Sports Interactive, LLC	3/15/2021	8/10/2021	
Unibet Interactive, Inc	4/21/2021	4/28/2021	
Colonial Downs Group, LLC	11/22/2021	12/15/2021	
Digital Gaming Corporation VA, LLC	11/24/2021	5/17/2022	
VHL, VA LLC a/k/a 888	11/25/2021	5/9/2022	
HR Bristol, LLC	3/31/2022	3/31/2022	
DC Sports Facilities Entertainment, LLC	12/14/2022	12/19/2022	
Hillside (Virginia), LLC a/k/a Bet365	8/15/2022	1/31/2023	
Betr VA, LLC	3/3/2023	9/6/2023	

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 bonuses and 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 following 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.

The 2022 General Assembly included budget language to restrict the deductibility of noncash winnings to an operator’s first 12 months of operation. This language became effective on July 1, 2022, and was in place for the full fiscal year. The language is continued in the current budget, effective for the 2024 fiscal year. This change had a significant impact on the taxable Adjusted Gross Revenues and associated taxes collected for sports betting activity, which more than doubled in FY23.

Individual tax reports and payments are filed by each active permit holder by the 20th of the month following the previous month’s wagering activity. The chart below details wagering activity reported by the permit holders during the 2023 fiscal year, compared to the previous fiscal year.

Wagering Activity July 1– June 30	Fiscal Year 2023 Totals	Fiscal Year 2022 Totals	% Change
Total wagers	\$5,125.6 Million	\$4,297.8 Million	19.3%
Cash winnings	(\$4,578.7 Million)	(\$3,913.9 Million)	17.0%
Noncash winnings	(\$23.0 Million)	(\$152.3 Million)	-84.9%
Void and Cancelled wagers	(\$37.1 Million)	(\$31.6 Million)	17.4%
Federal excise taxes	(\$12.4 Million)	(\$10.3 Million)	19.8%
Adjustments	(\$1.8 Million)	(\$6.4 Million)	-72.4%
Total, Adjusted Gross Revenues	\$472.7 Million	\$183.2 Million	158.0%

Virginia tax collections:

For the fiscal year, monthly tax payments were received based on the tax reports filed by the permit holders. At the 15% statutory tax rate (Virginia Code § 58.1-4037), total sports betting tax collections in FY23 were \$69,123,814.53. 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.

	Fiscal Year 2023 Totals	Fiscal Year 2022 Totals
General Fund	\$67,399,344.14	\$27,415,773.96
Problem Gambling Treatment and Support Fund	\$1,724,470.39	\$702,968.58
Total Taxes	\$69,123,814.53	\$28,118,742.54

Violations

If a permit holder violates a provision of the Sports Betting Law, a regulation promulgated by the Board, or a directive of the Lottery, the Director is authorized to take action after a hearing. There was one settlement agreement with a permit holder during the fiscal year, related to an operator's compliance with responsible gaming requirements.

Responsible Gaming

Regulations provide for individuals to request placement on a self-exclusion list for a period of two years, five years, or a lifetime. This self-exclusion listing is shared with permitted operators, who are required to prevent any individual on the self-exclusion list from opening a new account, and to suspend any existing account and refund any remaining balance to the individual. Permit holders are also required to ensure that no marketing materials are distributed to the individual. During fiscal year 2023, 406 individuals submitted voluntary requests for self-exclusion, and the program has a total of 716 individuals participating as of June 30, 2023.

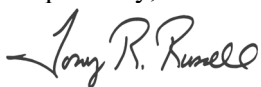
Items of Note

The General Assembly included provisions in the Appropriation Act (Item 494, Chapter 2, 2022 Special Session I) that limited the deductibility of allowable bonuses or promotions provided to bettors as an incentive to the first twelve months of a sports betting permit holder's operations. This change became effective on July 1, 2022, for all of fiscal year 2023. The provision is continued in Chapter 1, 2023 Special Session I, effective for fiscal year 2024.

The first operators' permits will be eligible for renewal in early calendar year 2024, with the renewal processes underway. Operating permits are issued with a three-year term. There is one permit that will become available for interested applicants in May 2024, due to the discontinuance of WSI, US LLC activities.

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

Respectfully,



Tony R. Russell

- c: The Honorable Janet D. Howell, Co-Chairwoman, Senate Finance & Appropriations Committee
 The Honorable George L. Barker, Co-Chairman, Senate Finance & Appropriations Committee
 The Honorable Barry D. Knight, Chairman, House Appropriations Committee
 The Honorable Roxann L. Robinson, Chairwoman, House Finance Committee
 The Honorable Jeff Goettman, Chief of Staff, Office of the Governor
 The Honorable Stephen E. Cummings, Secretary of Finance
 Michael Maul, Director, Department of Planning & Budget
 Sharon H. Lawrence, Acting State Comptroller
 April Kees, Director, Senate Finance & Appropriations Committee
 Anne E. Oman, Staff Director, House Appropriations Committee
 Ferhan Hamid, Chairman, Virginia Lottery Board