

NEW KENT COUNTY CELEBRATES RETURN OF COLONIAL DOWNS

Independent Analysis Estimates County Will Gain Millions Annually in Tax Revenue; Facility Will Create Hundreds of Jobs in County

"We are thrilled to celebrate the return of horse racing at Colonial Downs. Good jobs and revenue are coming back to our county."

Thomas W. Evelyn

County Board of Supervisors Chairman

Source: ColonialDowns.com

Pamunkey tribe buys over 600 New Kent acres



"We're Pamunkey Indians. But we're also Virginians," Gray said. "We're working to do what will benefit both our tribe and the commonwealth as a whole."

Temporary Pennsylvania Sports Betting Regulations Are Going Awry

Eric Ramsey @Eric_Ramsey · Jun 21

REALLY FUN to be sharing all these "NY punts on everything" stories while folks in the great states of Delaware, New Jersey, Mississippi, Rhode Island, West Virginia, and Pennsylvania will all be wagering on sports this year.



The Week In Sports Betting: Goodbye New York, Hello Rhode Island

Lawmaker Says NY Sports Betting Bill 'Not Dead, But In A Coma;' Expects Wagering At Commercial Casinos In 2018

Lottery giant IGT is sole bidder to run sports betting in R.I.



West Virginia Lottery Commission continues work on rules for sports betting

Lawmakers Could Revisit Mississippi Sports Betting In Special Session

Amy Dilworth

From: Amy Dilworth
Sent: Monday, May 14, 2018 4:31 PM
To: 'ferhan [REDACTED]'; saprice [REDACTED]; Howard, Bob [REDACTED];
clawrence [REDACTED]
Cc: Kevin Hall
Subject: An update on the Supreme Court's opinion today re sports betting

Dear Board Members:

The Supreme Court issued its opinion today on the constitutionality of the Professional and Amateur Sports Protection Act (PASPA). The Court struck down PASPA, agreeing with the state of New Jersey that PASPA violated the 10th Amendment to the US Constitution, which prohibits Congress from issuing direct orders to the states. PASPA banned states from authorizing sports gambling, except for any state that did so within one year of the law's enactment in 1992. New Jersey did not pass a law authorizing betting on sports until 2014, at which time professional sports leagues brought a legal challenge based upon PASPA. The sports leagues had prevailed against New Jersey up until the case came before the Supreme Court.

Legal scholar Amy Howe's analysis of the Court's opinion reads in part, "Today's ruling could also have a much broader reach, potentially affecting a range of topics that bear little resemblance to sports betting. For example, supporters of so-called "sanctuary cities" – cities that refuse to cooperate with federal immigration officials to enforce immigration laws – have cited the 10th Amendment in recent challenges to the federal government's efforts to implement conditions on grants for state and local law enforcement. Challenges to the federal government's recent efforts to enforce federal marijuana laws in states that have legalized the drug for either recreational or medical use may also be based on the 10th Amendment."

Of the sports betting market itself, Howe observed that the economic impact of allowing sports betting cannot be understated. Legal sports betting in Las Vegas takes in over \$5 billion each year, and most estimates put the value of illegal sports betting in the United States at up to \$100 billion. The Lottery's preliminary research indicates that in Virginia, the sports betting market (which is illegal at the present time) is probably between \$2.2 billion to \$7.2 billion of wagers a year. On that, the betting providers' net win should be between \$177 million and \$432 million.

In anticipation of a Supreme Court ruling striking down PASPA, a number of states in addition to New Jersey already have sports betting legislation in the pipelines. Virginia does not. In Virginia, sports betting will remain illegal until such time as the General Assembly acts to legalize it. If you would like to keep an eye on sports betting legislation around the country, a helpful tool is available at <https://www.legalsportsreport.com/sportsbetting-bill-tracker/>.

-Amy

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we're game



gameplan

From: [Kevin Hall](#)
To: [Amy Dilworth](#)
Subject: FW: Oxford Study for American Gaming Association
Date: Friday, November 9, 2018 9:34:11 AM
Attachments: [Oxford AGA Study.xlsx](#)
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[C2BestWorkplace_e547d994-082e-4801-86e8-6639117f741d.png](#)

From: Kevin Hall
Sent: Monday, July 16, 2018 9:48 AM
To: kevin [REDACTED]
Subject: FW: Oxford Study for American Gaming Association

From: Kevin Hall
Sent: Thursday, March 8, 2018 2:09 PM
To: Amy Dilworth <ADilworth@VALOTTERY.COM>
Subject: FW: Oxford Study for American Gaming Association

Kevin Hall | Executive Director | Virginia Lottery
600 East Main Street, Richmond, Virginia 23219
Ph: +1 804-692-7100
KHall@VALOTTERY.COM



From: Alan Hussey
Sent: Thursday, March 8, 2018 12:04 PM
To: Kevin Hall <KHall@VALOTTERY.COM>
Cc: Tom Seaman <TSeaman@VALOTTERY.COM>
Subject: Oxford Study for American Gaming Association

I distilled the data in that 70 page study into 1 small table.

Oxford Economics believes annual sports betting activity in Virginia will reach a volume of \$2.2 billion to \$7.2 billion once fully implemented.

On that activity, they believe the betting provider should be able to win \$177 to \$432 million. Those are broad ranges.

Their estimates are lower if bets must be placed at brick and mortar retailers, higher if sports betting is allowed online.

Their study did not parse out varying effects from whether the providers are casinos, lotteries, or another structure.

If sports betting is run by the State, more of the GGR might flow to good causes than if it is operated privately and taxed.

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Amounts in millions, except jobs		Economic Impacts				Fiscal (Tax) Impacts			Gaming Tax Impacts			Gaming		
Tax Rate (% of GGR)	Impacts	Output (Sales)	Labor Income	Employment	GDP	Total	State & Local	Federal	Total Revenue Tax	Gaming Federal Handle Tax .25%	Handle	GGR Net Win		
Limited Casinos only	6.75%	Direct Impacts	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Indirect & Induced	106.9	32.7	493	65.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Total Impacts	106.9	32.7	493	65.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	10.00%	Direct Impacts	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Indirect & Induced	101.4	31.0	468	61.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Total Impacts	101.4	31.0	468	61.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	15.00%	Direct Impacts	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Indirect & Induced	81.8	25.0	377	49.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		Total Impacts	81.8	25.0	377	49.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Moderate Casinos + Retail Locations	6.75%	Direct Impacts	233.2	51.3	1,158	120.3	63.1	22.2	40.9	24.2	15.0	9.3	3,701.7	222.1
		Indirect & Induced	351.0	112.7	1,929	209.2	45.6	15.9	29.7					
		Total Impacts	584.2	164.0	3,087	329.5	108.7	38.1	70.6					
	10.00%	Direct Impacts	219.0	48.2	1,086	109.7	62.3	27.6	34.7	28.3	20.9	7.4	2,979.2	208.5
		Indirect & Induced	325.4	104.4	1,787	193.7	42.3	14.8	27.5					
		Total Impacts	544.4	152.6	2,873	303.4	104.6	42.4	62.2					
	15.00%	Direct Impacts	186.1	40.9	923	90.7	59.4	32.4	27.1	32.1	26.6	5.5	2,215.8	177.3
		Indirect & Induced	260.7	83.5	1,431	154.9	33.9	11.8	22.1					
		Total Impacts	446.8	124.5	2,354	245.6	93.3	44.2	49.1					
Convenient Casinos, Retail & Online	6.75%	Direct Impacts	439.3	85.3	1,788	230.9	116.9	41.1	75.8	47.2	29.2	18.0	7,199.0	431.9
		Indirect & Induced	563.1	181.9	3,146	335.1	73.0	25.4	47.6					
		Total Impacts	1,002.4	267.2	4,935	566.0	189.9	66.5	123.5					
	10.00%	Direct Impacts	421.0	81.6	1,709	216.5	120.3	52.8	67.5	57.0	41.4	15.5	6,217.5	414.1
		Indirect & Induced	522.7	168.7	2,920	310.8	67.8	23.6	44.2					
		Total Impacts	943.7	250.3	4,629	527.3	188.1	76.4	111.7					
	15.00%	Direct Impacts	385.7	74.4	1,552	188.6	125.5	67.4	58.1	70.0	57.0	13.0	5,214.8	379.8
		Indirect & Induced	451.8	145.8	2,530	268.1	58.5	20.4	38.1					
		Total Impacts	837.5	220.2	4,082	456.7	184.0	87.8	96.3					

Handle represents annual wagers, .25% federal tax assumed. Gross Gaming Revenue (GGR) represents the gaming operator's net win on those wagers.

Amounts in millions of dollars except jobs

			Economic Impacts									Fiscal Impacts			Gaming Tax Impacts				Gaming		Gaming Tax Impacts						
Availability	Tax Rate	Impacts	Output (Sales)			Labor Income			Employment			GDP			Total	State & Local	Federal	Total	Gaming Revenue Tax	Federal Handle Tax	Adult Population	Handle	Gaming Revenue	Total	Gaming Revenue Tax	Federal Handle Tax	
			Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total	Direct	Indirect & Induced													
Limited	Base	Total	101.4			31.0			468			61.9			0.0	0.0	0.0	0.0	0.0	0.0							
Limited	Base	Direct	0.0			0.0			0			0.0			0.0	0.0	0.0	0.0	0.0	0.0	6,585.5	0.0	0.0	0.0	0.0	0.0	
Moderate	10%	Total	544.4	219.0	325.4	152.6	48.2	104.4	2,873	1,086	1,787	303.4	109.7	193.7	104.6	42.4	62.2	28.3	20.9	7.4							
					0.0			0.0			0			0.0						0.0							
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From: [Kevin Hall](#)
To: [Amy Dilworth](#)
Subject: FW: DFS - related, but not exactly...
Date: Friday, November 9, 2018 9:35:09 AM
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[C2BestWorkplace_e547d994-082e-4801-86e8-6639117741d.png](#)

From: Kevin Hall
Sent: Monday, July 16, 2018 9:49 AM
To: kevin [REDACTED]
Subject: FW: DFS - related, but not exactly...

From: Kevin Hall
Sent: Wednesday, March 7, 2018 10:44 AM
To: Amy Dilworth <ADilworth@VALOTTERY.COM>
Subject: Fwd: DFS - related, but not exactly...

FWIW.

Sent from my iPhone

Kevin Hall | Executive Director | Virginia Lottery
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KHall@VALOTTERY.COM



Begin forwarded message:

From: Maureen Watson <MWatson@VALOTTERY.COM>
Date: March 7, 2018 at 10:23:01 AM EST
To: Alan Hussey <AHussey@VALOTTERY.COM>, Kevin Hall <KHall@VALOTTERY.COM>
Subject: RE: DFS - related, but not exactly...

I connected with Leger, our full-service research partner, and unfortunately the data supporting that initial PR document has been archived and they are unable to retrieve it. However, they provided some insights they published on Fantasy Football and Daily Fantasy Sports. This is based on additional research they have done on the topic.

Overall, Fantasy Football play in the 2016-17 season was 15% (October 2017).

- This is marginally higher than the previous season; in January 2017, their omnibus study showed 14% had played in a Fantasy Football league.
- As Fantasy Football play approaches a plateau among men, the growth in Fantasy Football play is now coming from women. See attached white paper.

Specific to Daily Fantasy Sports (such as playing on FanDuel or DraftKings), they put together a blog piece based on research they conducted in this area before the controversy and legislation issues were brought to light a couple of years ago. That document is also attached.

- As of January 2017, close to one in ten played Daily Fantasy Sports (DFS) on FanDuel or DraftKings.

On the subject of sports betting in general, Leger asked the following questions in their September omnibus**:

1. Would you support or oppose a decision by your state's government to legalize sports betting?

45% Support (overall); 51% among those in in the Northeast; 47% in the South.

24% Oppose

31% Don't Know

2. Suppose your state had legalized sports betting. How likely would you be to wager on sporting events if you were legally allowed to do so?

Net Likely	33%*
Very likely	16%
Somewhat	17%
Neither likely/unlikely	18%
Net unlikely	50%
Somewhat	8%

Very Unlikely 42%

*Jumps up to 40% of males vs. 27% of females (significantly higher among males than females)

*Among 18-29 yrs old, those Very/Somewhat Likely is 45%, then marginally declines with age (30-39; 40-49) and then declines significantly among those 50-64 (24%) and 65+ (11%)

**The omnibus is an online survey that is administered to 1,000 US Adults (18+; General Population) who are drawn from a panel nationwide, with the results weighted/balanced to statistically represent the US by CPS demos (age, gender, ethnicity, and region).

Among the one in three (33%) who are Very/Somewhat likely to wager on sporting events if legally allowed to do so, 27% claim they would spend more money on Fantasy Football and/or Daily Fantasy Sports vs. 14% who would spend less (for a net increase in spend of +13%).

Let me know if you have any questions.

Thanks,

Maureen

Maureen Watson | Research & Consumer Strategist | Virginia Lottery

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Daily Fantasy Sports Has Continued Interest

With the second week of the NFL season underway, many people in your professional and personal circles will talk about Fantasy Football and perhaps Daily Fantasy as well.

But what's missing this year? The onslaught of ads for DraftKings and FanDuel.

The level of advertising is nowhere near what we saw this time last year. In September 2015, advertising spend by DraftKings and FanDuel were [\\$60.5 million](#) and [\\$48.5 million](#), respectively. For garnering awareness, the ads were successful: our Leger October 2015 poll showed top-of-mind awareness for Draft Kings at 11%, 14% for FanDuel. When prompted, brand recognition or aided awareness jumps up to 42% and 46%, respectively. Overall, more than half (56%) of US adults in last year's poll were aware of either platform (aided). With this in mind, in terms of awareness the incessant ads in 2015 paid off.

The pullback of advertising this time around has impacted the level of awareness for the Coke and Pepsi of Daily Fantasy Sports. Our August 2016 poll showed top of mind awareness of 7% for DraftKings and FanDuel (when aided, awareness increases to 41% for DraftKings and 36% for FanDuel).

Despite the legal backlash that has occurred over the past 12 months around Daily Fantasy Sports (DFS), a new poll conducted by Leger in August 2016 showed nearly one in ten (10%) adults cite being 'extremely' likely to play DFS on sites such as DraftKings or FanDuel. Although the jury is out as to whether these adults will *actually* play DFS this season, interest in DFS remains somewhat intact.

The perception of DFS and fantasy football play as gambling among the general population seems to be a paradox of sorts. For the second year in a row, the perception of traditional fantasy (sport) league play as gambling eclipsed that for daily fantasy sports play. Just over one in five (22%) of US adults overall consider playing daily football sports on sites such as DraftKings or FanDuel as gambling; compared to more than one in three (35%) when referencing traditional fantasy leagues.

Our Leger August 2015 poll illustrates that those experienced in fantasy sports or DFS are far more likely to consider either activity as gambling. Nearly three-quarters of traditional fantasy football league players consider both traditional fantasy football play and DFS play as gambling. For those 'extremely likely' to play DFS this football season, perceptions of traditional fantasy football or DFS play as gambling jumps into the 80%+ range.

Simply put, players of daily fantasy sports or traditional fantasy sports play over-index the general population for perception of these activities as gambling. Despite this, even with the common knowledge that a number of states that have taken legislative steps to classify DFS in particular as gambling, nearly one in four of those who partake in either activity do not consider either activity as gambling.

This finding is an eye opener indeed, and opens the door to a healthy discussion between "perception versus reality" when it comes to these activities as gambling.

Methodology

The survey was conducted online with 1,000 respondents, 18 years of age or older, among the U.S. population from August 24th through August 29th, 2016, and was balanced/weighted to statistically represent the country by age, gender, ethnicity, and region. Based on this sample size, the results carry

a margin of error of approximately $\pm 3.1\%$ at the 95% confidence level.

For more information, contact:

Lance Henik
215-643-8744
lhenik@leger360.com

-###-

About Leger

Leger is the largest Canadian-owned polling, research, and strategic marketing firm with 600 employees in Montreal, Quebec City, Toronto, Edmonton, and Calgary in Canada, and Philadelphia in the United States. Leger is part of the WIN network partners in more than 100 countries, making Leger not only the largest Canadian-owned company in its sector, but also an internationally recognized brand.

Leger provides its clients with unique expertise in market research and information technology, in addition to business consulting and strategies in the fields of customer satisfaction, positioning, brand management, communication efficiency, corporate reputation, social acceptability, crisis management and customer experience. For more information on Leger, please consult our Web site, www.leger360.com.

FOR IMMEDIATE RELEASE

Women Continue to Drive Growth in Fantasy Football

Fort Washington, Pennsylvania, September 12, 2016 – The popularity of fantasy football in the United States continues to flourish, with close to one in five adults overall planning to participate in a fantasy football league for the upcoming 2016-2017 NFL season. In a new poll released by Leger, The Research Intelligence Group, 18% are planning on joining a traditional fantasy football league this season, representing a significant increase from last year (13%). The poll shows for the second consecutive year that women are joining in on the trend at a faster rate than their male counterparts.

“The size of the fantasy football pie expanded from last year, and the slice of that pie represented by women is larger as well,” said Lance Henik, Senior Account Manager at Leger, The Research Intelligence Group. “According to our 2016 poll, 27% of fantasy football players are now women, many of them playing for the first time, which is up from 23% in 2013. Not surprisingly, a majority of female rookies (56%) are Millennials.”

Gender differences occur on multiple levels. Men are far more entrenched with fantasy football, with 70% having also played last year, compared to only 44% among women. Furthermore, 69% of men play in multiple leagues, again ahead of their female counterparts at 63%, but a gap that is closing.

These two key differences may also help explain why men are more passionate about fantasy football. 44% of men playing this season are extremely enthusiastic in playing this season (having rated their enthusiasm a 9 or 10 on a 0-10 point scale). This level of enthusiasm slides down to 38% among women, with female rookies showing less enthusiasm than their veteran counterparts.

However, part of this gender gap may be related to the fact that women are already involved in other gaming activities of growing interest, including eSports. The Leger poll showed that 75% of women who plan on playing in a fantasy football league have watched an eSport or competitive video gaming event (men: 56%). Furthermore, nearly two-thirds of female fantasy football players (64%) are likely to watch an eSport or competitive video gaming in the future (men: 60%).

This younger wave of female fantasy football players are not just spectators of gaming, they are also ‘Gamers.’ More than nine in ten (94%) women who plan to play fantasy football this season also play video games (men: 86%). At the same time, women are nearly twice as likely as men (25% vs. 13%) to report playing games on a mobile device.

“This aligns with previous research conducted by Leger that shows that the fantasy football industry should ignore female players at their own peril. Women have a strong foothold in both the fantasy football market and other gaming communities, including eSports.”

As the popularity for traditional fantasy football league play continues to grow, interest in playership of its controversial ‘daily’ counterpart, for now, appears stable. Despite the legal backlash that has occurred over the past 12 months around Daily Fantasy Sports (DFS), nearly one in ten (10%) adults cite being ‘extremely’ likely to play DFS on sites such as DraftKings or FanDuel.

The perception of DFS play and fantasy football play as gambling among the general population seems to be a paradox of sorts. For the second year in a row, the perception of traditional fantasy (sport) league play as gambling eclipsed that for daily fantasy sports play. Just over one in five (22%) of US

adults overall consider playing daily football sports on sites such as DraftKings or FanDuel as gambling; compared to more than one in three (35%) when referencing traditional fantasy leagues.

The Leger poll illustrates that among those experienced in fantasy sports or DFS are far more likely to consider either activity as gambling. Nearly three-quarters of traditional fantasy football league players consider both traditional fantasy football play and DFS play as gambling. For those 'extremely likely' to play DFS this football season, perceptions of traditional fantasy football or DFS play as gambling jumps into the 80%+ range.

"It's an eye opener," said Henik. "Players of daily fantasy sports or traditional fantasy sports play over-index the general population for perception of these activities as gambling. Regardless, even with the common knowledge that a number of states that have taken legislative steps to classify DFS in particular as gambling, nearly one in four of those who partake in either activity do not consider either activity as gambling."

Methodology

The survey was conducted online with 1,000 respondents, 18 years of age or older, among the U.S. population from August 24th through August 29th, 2016, and was balanced/weighted to statistically represent the country by age, gender, ethnicity, and region. Based on this sample size, the results carry a margin of error of approximately $\pm 3.1\%$ at the 95% confidence level.

For more information, contact:

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lhenik@leger360.com

-###-

About Leger

Leger is the largest Canadian-owned polling, research, and strategic marketing firm with 600 employees in Montreal, Quebec City, Toronto, Edmonton, and Calgary in Canada, and Philadelphia in the United States. Leger is part of the WIN network partners in more than 100 countries, making Leger not only the largest Canadian-owned company in its sector, but also an internationally recognized brand.

Leger provides its clients with unique expertise in market research and information technology, in addition to business consulting and strategies in the fields of customer satisfaction, positioning, brand management, communication efficiency, corporate reputation, social acceptability, crisis management and customer experience. For more information on Leger, please consult our Web site, www.leger360.com.

From: [Kevin Hall](#)
To: [Amy Dilworth](#)
Subject: FW: Historical Risks to Lottery Sales and Profits
Date: Friday, November 9, 2018 9:29:25 AM
Attachments: [Historical Risks to Lottery Sales and Profits.docx](#)
[val_logo1_1a272d2d-434e-470a-b84d-665233ff4d7d.png](#)
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[30-Years-of-Fun-Logo_EMAIL_0989148c-428a-436a-8e39-afb6af5a58b0.png](#)
[C2BestWorkplace_e547d994-082e-4801-86e8-6639117f741d.png](#)

As discussed.

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From: Kevin Hall
Sent: Wednesday, September 5, 2018 4:00 PM
To: [REDACTED]
Subject: FW: Historical Risks to Lottery Sales and Profits

From: Alan Hussey
Sent: Wednesday, September 5, 2018 12:28 PM
To: Kevin Hall <KHall@VALOTTERY.COM>
Subject: Historical Risks to Lottery Sales and Profits

I added a 'graph about the Pamunkey tribe's plans.

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Historical Risks to Lottery Sales and Profits

North Carolina Education Lottery

On August 30, 2005, the NC Senate approved a lottery through a tie-breaking vote by Lt. Governor Purdue with two Republican no-votes absent. At the time, North Carolina was the last east coast state without a lottery. The Virginia Lottery had been estimating sales coming from out-of-state players for many years with a reliable, well established methodology. At the time, we were confident about 10% of Virginia Lottery purchases were being made by North Carolinians, equal to about \$136 million annually.

Since it took until March 30, 2006 for NCEL to start selling its first scratchers, the VA Lottery had time to develop a plan to offset that loss. Within 1 year of NCEL starting sales, we replaced Lotto South with Win for Life, launched our first \$20 scratcher, added Sunday draws for Pick 3, Pick 4 and Cash 5 and created a new Fast Play game category with Bingo (now called Print 'N Play category). Shortly thereafter, we also offered our first Millionaires' Raffle game and sold all 330,000 twenty-dollar tickets.

All of this required Herculean effort, as we were working toward converting from the in-house system we'd had since startup to IGT on 8/15/07. The actual conversion date ended up being 10/28/07. NCEL was able to do a rapid startup, offering scratchers, Powerball, Pick 3 and Cash 5 all in year 1. We estimated at the time that we lost \$68.3 million of sales on the North Carolina border. With these new initiatives, nearly all the sales loss was offset, but not all the profit. This was mainly because low prize expense had made FY06 such a profitable year.

Fiscal Year	Sales	Prize Expense	Profit
2005	\$1,333,946,125	\$774,558,373	\$423,521,322
2006	\$1,365,326,441	\$773,551,631 ↓	\$454,931,308 ↑
2007	\$1,362,342,592	\$791,785,078	\$437,180,128

Colonial Downs

We did not expect pari-mutuel wagering to impact lottery sales when OTBs opened in 1996. We were concerned about advance deposit wagering. Here is wagering history since the \$200 mil high in 2007:

Cal Year	Population	Per Capita	Track & OTBs	% of Handle	Phone & Internet	% of Handle	Total Wagered
2007	7,719,749	\$26.02	\$167,684,686	83%	\$33,206,726	17%	\$200,891,412
2008	7,795,424	\$25.26	\$149,629,200	76%	\$47,303,439	24%	\$196,932,639
2009	7,882,590	\$21.86	\$122,461,456	71%	\$49,850,493	29%	\$172,311,949
2010	8,024,417	\$19.80	\$105,505,800	66%	\$53,392,088	34%	\$158,897,888
2011	8,105,850	\$19.79	\$97,737,893	61%	\$62,646,844	39%	\$160,384,737
2012	8,186,628	\$19.69	\$91,927,194	57%	\$69,233,853	43%	\$161,161,047
2013	8,260,405	\$19.30	\$86,220,535	54%	\$73,205,095	46%	\$159,425,630
2014	8,326,289	\$13.82	\$21,198,321	18%	\$93,858,388	82%	\$115,056,709
2015	8,382,993	\$9.52	\$291,174	0%	\$79,478,623	100%	\$79,769,796
2016	8,411,808	\$9.45	\$2,726,164	3%	\$76,725,493	97%	\$79,451,657
2017	8,470,020	\$12.03	\$20,803,619	20%	\$81,076,535	80%	\$101,880,154
Total 1996 to 2017			\$2,201,716,646	74%	\$762,257,488	26%	\$2,963,974,134

The track at Colonial Downs opened in September 1997. CD began taking bets over land lines in late 2004. Devices such as Blackberry began making wagering digital by 2006. At its peak, advance deposit wagering reached \$93.86 million in 2014 before Colonial Downs' decline. Even while CD has been shuttered, Virginians have continued internet wagering legally on horseraces across the country through xpressbet, TVG (Betfair) and Twinpires.

To date, over one-quarter of the nearly \$3 billion legally wagered on horses in Virginia has been wagered by phone, internet or mobile. The track itself has seen attendance of less than 1500 for an entire annual racing meetⁱ, so nearly all its handle (bettor's wagers) arose from OTBs and digital wagering. **As such, it is dispersed across the state and any impact from it is untraceable.** Even before CD's recent troubles, its wagering handle had been dropping 4% a year from CY07 to CY13 (-\$41 million), while the Virginia Lottery was growing 4% a year from FY07 to FY13 (+\$327 million.)

Our tracking study asks Virginians if they have wagered on a horse or dog race in the past 12 months. Only 7% responded yes in FY18. Play of lottery games in the past year was close to 70% by comparison.

Addition of historical racing machines is a sudden step in CD's evolution. CD has secured an option to buy the defunct 140,000 square foot Kmart in south Richmondⁱⁱ to create a massive slots parlor. We would again expect visits to the track to take a back seat to visits to better-placed OTBs through the Commonwealth. It is likely that any impact from CD reopening and from historical horseracing machines will be widely dispersed and undetectable.

MGM National Harbor

Maryland commissioned a comprehensive study to determine the effects of casinos on their lotteryⁱⁱⁱ. The study states that casinos opened in Maryland reduced lottery sales by \$44 to \$50 million each, depending on the methodology used. These data were largely driven by Maryland Live! Casino. Over half of this impact was on their Keno product which isn't established here. Another 25% of the impact was on scratch, which is our lowest profit margin product.

Possibly due to market saturation and possibly due to its border location, the study only predicted \$18.7 million of annual impact on Maryland Lottery sales from MGM National Harbor. We should not expect more cannibalization of lottery sales on our side of the border, since Keno is not part of our present portfolio. Backing out what would have been impact on Keno, one certainly imagines less than \$10 million of sales impact in Virginia. Impact of this scale would represent less than half of one percent of our annual sales in Northern Virginia.



The key finding was the significance of driving time on lottery impact. They found that as travel time doubles, impact drops by more than half. While MGM hopes to be a tourist destination, much wagering there is likely to come from locals. Impact in zip codes an hour away was trivial. As we all know, travel in the DMV area is slow and difficult. A 15-minute drive time does not encompass much area.

Pamunkey Tribal Casino

Gross Gaming Revenue	Past 12 Months for Maryland Casinos		
	Slots	Tables	Total
Aug-17	85,574,306	51,905,726	137,480,031
Sep-17	86,201,969	48,333,764	134,535,733
Oct-17	83,240,652	49,995,048	133,235,700
Nov-17	80,157,525	50,385,813	130,543,338
Dec-17	84,830,839	56,203,287	141,034,126
Jan-18	79,316,700	48,467,756	127,784,456
Feb-18	84,718,498	51,852,782	136,571,280
Mar-18	92,549,246	57,524,712	150,073,958
Apr-18	90,246,181	53,245,010	143,491,191
May-18	96,561,553	59,994,040	156,555,593
Jun-18	93,704,105	55,199,912	148,904,017
Jul-18	95,395,316	51,102,715	146,498,031
12 Mos. Total	\$1,052,496,891	\$634,210,564	\$1,686,707,454
Share	62%	38%	100%

With the Pamunkey purchasing 600 acres on the New Kent/Henrico border, a \$700 million tribal casino is likely imminent. The land is one exit east of I-295 on I-64, less than 20 minutes from the Capital. The tribe and the Commonwealth have not agreed upon a gaming compact, so it is too early to tell whether it will only offer slots or whether it might offer table games as well. The \$44 to \$50 million per casino annual impact felt by the MD Lottery includes table gaming, though slots are most of the revenue.

Sport Betting

While the amount of money Americans illegally wagered offshore annually on sports is thought to be \$150 billion a year^{iv}, those numbers can be misleading^v. While lotteries are accustomed to profit margins of 25% to 33%, sports betting operators typically hold under 5% of the handle in profits. There isn't \$37 to \$50 billion of US profits in play, but more like \$7.5 billion. Sports betting operators handle a lot of money, but 95% of it simply flows from losers to winners. If a lottery contracted with a sports betting provider to facilitate wagering, then both entities would be trying to squeeze revenue from the same 5%. That provider could end up being someone like IGT, who was the only provider to submit a bid to the Rhode Island Lottery when they published an RFP.

If lotteries offer sports betting, they likely won't be able to hold more than the usual 5% of handle or their propositions will be inferior to illegal sites' and bettors won't switch. Even with a similar hold percentage, some bettors might still prefer illegal sites, since legal sites must withhold taxes.

Since Virginia represents 2.6% of the US population and the annual hold on US sports betting might be about \$7.5 billion, Virginia ought not to count on there being more than \$195 million a year of profits. Those profits would need to be divided between the Commonwealth and the sports book provider. Those profits would also be volatile, since it is hard for sports books to completely balance their wagering. Luck can affect the operator's profits if they can't align equal amounts of wagering on each side of their propositions.

ⁱ John Packett, “Colonial Downs makes a comeback during Thoroughbred season,” *Richmond Times-Dispatch*, Aug 4, 2011, https://www.richmond.com/archive/colonial-downs-makes-comeback-during-thoroughbred-season/article_0e86d802-ba7a-5adb-a849-fd1173dc4062.html (accessed Sep 4, 2018).

ⁱⁱ Graham Moomaw, “Colonial Downs eyeing former Kmart site in South Richmond for possible off-track betting parlor,” *Richmond Times-Dispatch*, Jul 16, 2018, https://www.richmond.com/news/local/city-of-richmond/colonial-downs-eyeing-former-kmart-site-in-south-richmond-for/article_1a772ec5-11e2-5108-bf84-171a1619dc42.html (accessed Sep 4, 2018).

ⁱⁱⁱ Cummings Associates in conjunction with Casinonomics Consulting LLC, “The Impacts of the Introduction of Casinos on the Sales of Traditional Lottery Products in Maryland,” Jul 24, 2014, <http://gaming.mdlottery.com/wp-content/uploads/2010/06/Casino-Impacts-Report-1107.pdf> (accessed Sep 4, 2018) Arlington, Massachusetts.

^{iv} American Gaming Association, “Gaming Industry Files Amicus brief with United States Supreme Court Detailing Impacts of Failing Federal Sports Betting Ban,” Sep 5, 2017, <https://www.americangaming.org/newsroom/press-releases/gaming-industry-files-amicus-brief-united-states-supreme-court-detailing> (accessed Sep 4, 2018).

^v Dustin Gouker, “Handle Does Not Equal Revenue In Sports Betting Or Daily Fantasy Sports, And Why It Matters To Get It Right,” *Legal Sports Report*, Aug 21, 2017 <https://www.legalsportsreport.com/15160/revenue-sports-betting-and-dfs/> (Accessed Sep 4, 2018).



Virginia Lottery FY19 Overview

Presentation for Senate Finance Committee

Kevin Hall
Executive Director



FY18 Results

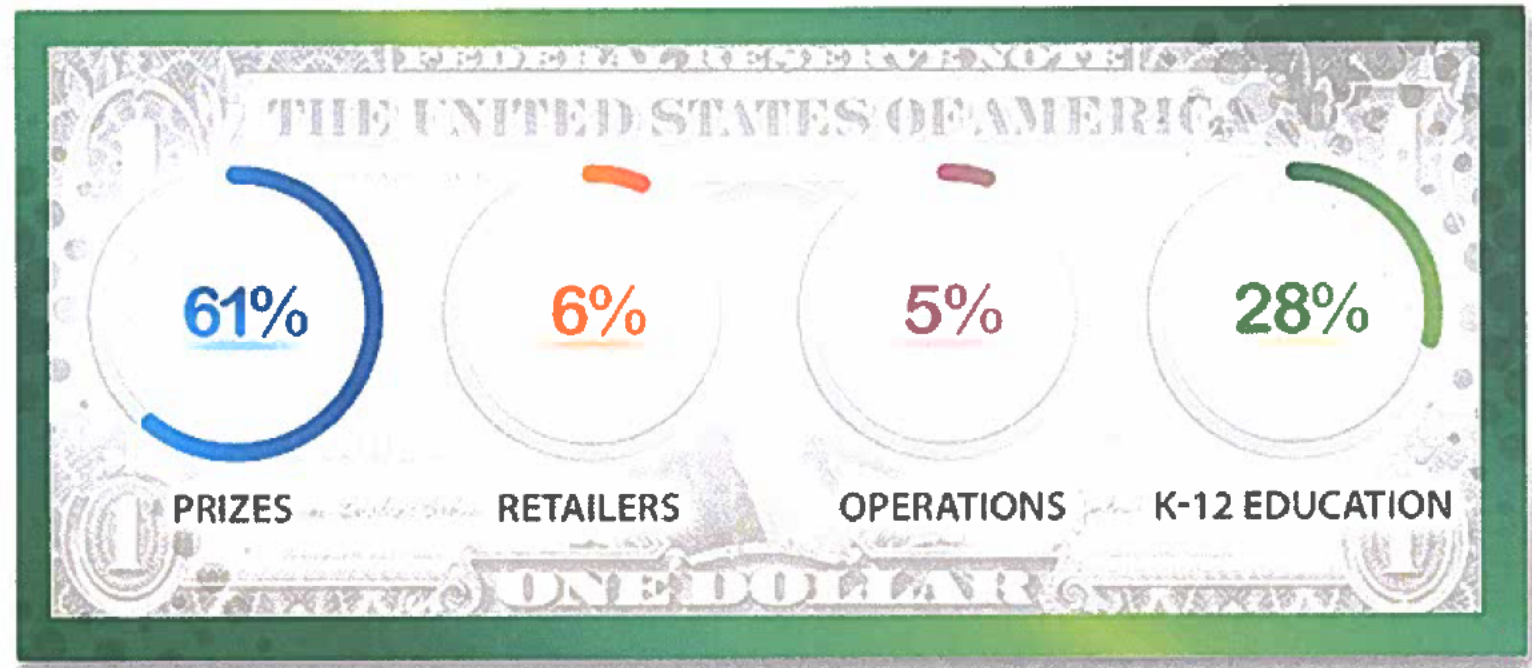
- Record sales of \$2.14 billion
- Record prize pay-out of \$1.3 billion
- Record retailer commissions of \$121 million
- Record annual profits of \$606 million

Deposited \$14 million in **unclaimed prizes** in Literary Fund
Collected \$4.7 million in Virginia **income tax withholdings**
Collected \$2 million in **overdue taxes, fines, child support**

Final audited results Aug. 2018



	1 st Quarter FY19	1 st Quarter FY18	Change from Prior Year
Lottery Sales	\$537.5M	\$521.4M	+ \$16.1M (+2.4%)
Less: Prizes	(\$331.0M) (61.6% of sales)	(\$308.7M) (59.2% of sales)	+ \$22.3M
Retailer Commissions	(\$30.3M) (5.6% of sales)	(\$30.1M) (5.8% of sales)	+ \$0.2M
Expenses	(\$25.5M) (4.8% of sales)	(\$25.5M) (4.9% of sales)	+\$0.0M
Lottery Profits	\$150.7M (28.0% of sales)	\$157.0M (30.1% of sales)	- \$6.3M



WHERE VIRGINIA LOTTERY PROFITS GO

Since 1999, all Virginia Lottery profits have been used for K-12 public education in the Commonwealth. The Virginia Lottery funds a wide variety of programs each year based on priorities set by the Governor and General Assembly.

Project Graduation

K-3 Primary Class-Size Reduction

SOL Algebra Readiness

Special Education

Virginia Preschool Initiative

At-Risk Students

Foster Children Education

School Division Priorities

English as a Second Language

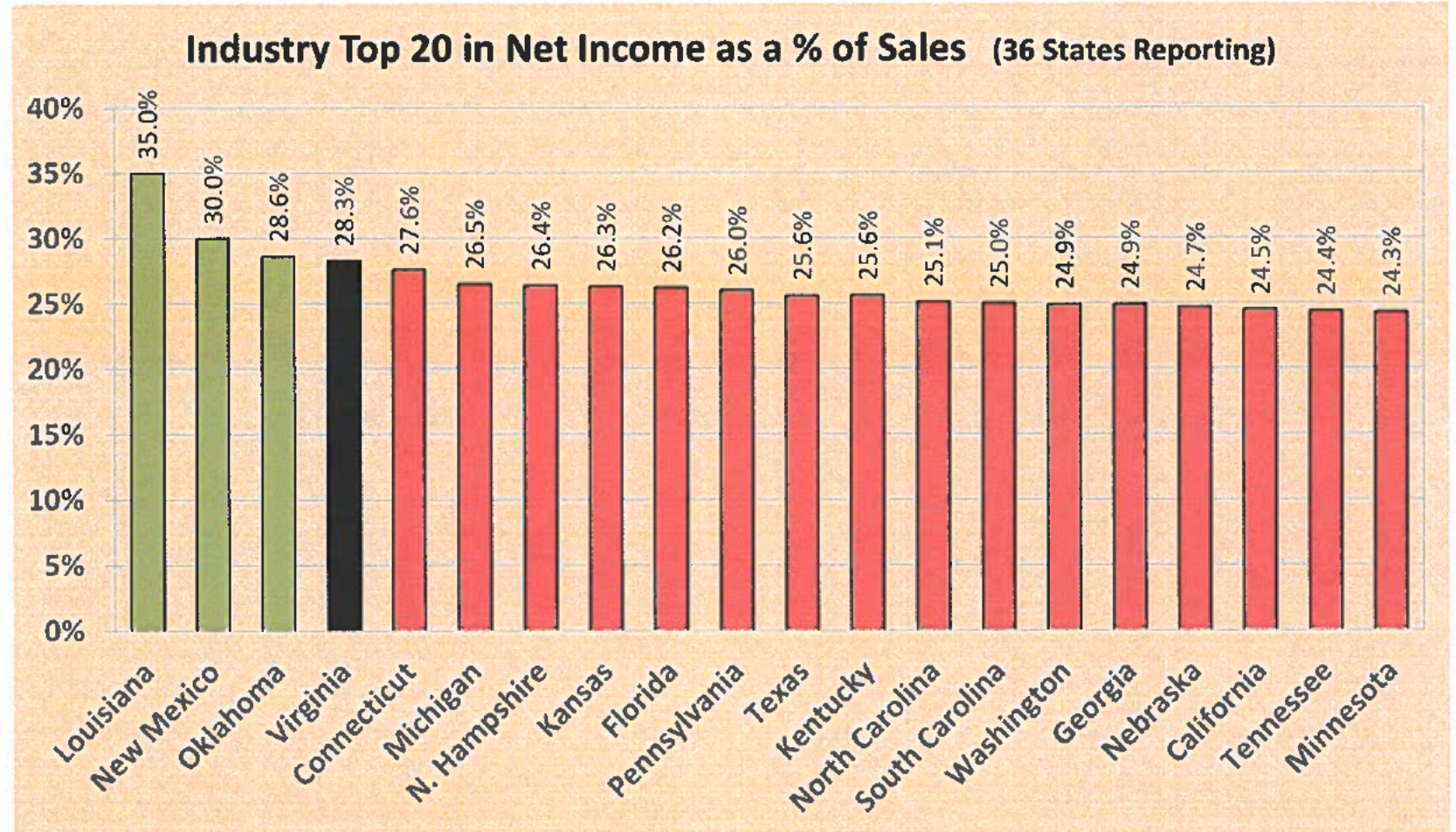
Early Reading Intervention

Career and Technical Education

Textbooks

School Breakfast

Profit % of Sales: Virginia Industry Comparison





Lottery's FY19 Business Plan

*Reach players in new ways
and in new places*



Lottery Vending Machines

Touchscreen vending in 1,750 grocery & drug stores



Mobile app

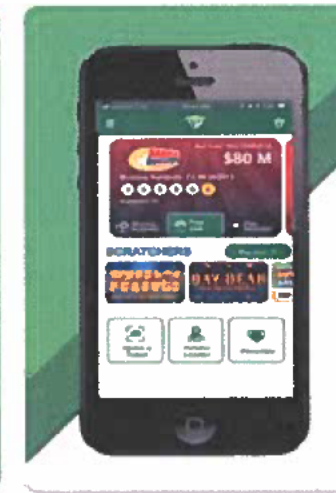
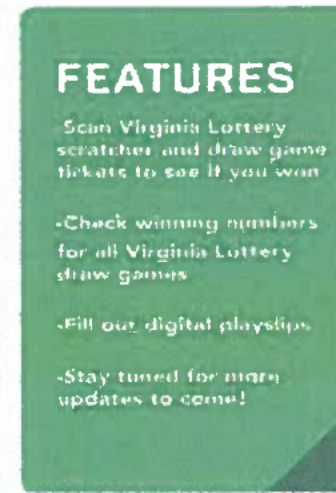
~37,000 downloads since soft launch in July



Virginia Lottery
VA Lottery

#5 in Games
★★★★★ 4.3, 25.3K Ratings
Free Offers In-App Purchases

Screenshots [iPhone](#) [iPad](#) [iMessage](#) [Apple Watch](#)




Descriptions

Are you a winner? FIND OUT! Scan a ticket, check winning numbers and even fill out digital playslips! It's the ultimate Virginia Lottery gaming app with everything you need, all from your mobile phone or tablet!



Phase 1: July 2018

Convenience App

- Information, latest winning numbers for all games
- GPS locator to find nearby licensed retailers
- Users can store their favorite numbers
- Digital playslip with  allows faster, more convenient transactions
- Camera feature can scan barcodes to see if a ticket is a winner





Phase 2: Nov 2018

Convenience App Enhancements

- **Sign-in to registered player accounts**
- **Age verification and opt-in gaming controls**
- **Ability to enter non-winning tickets for 2nd chance drawings**
- **Opt-in push notifications for information on jackpots and new game offerings**

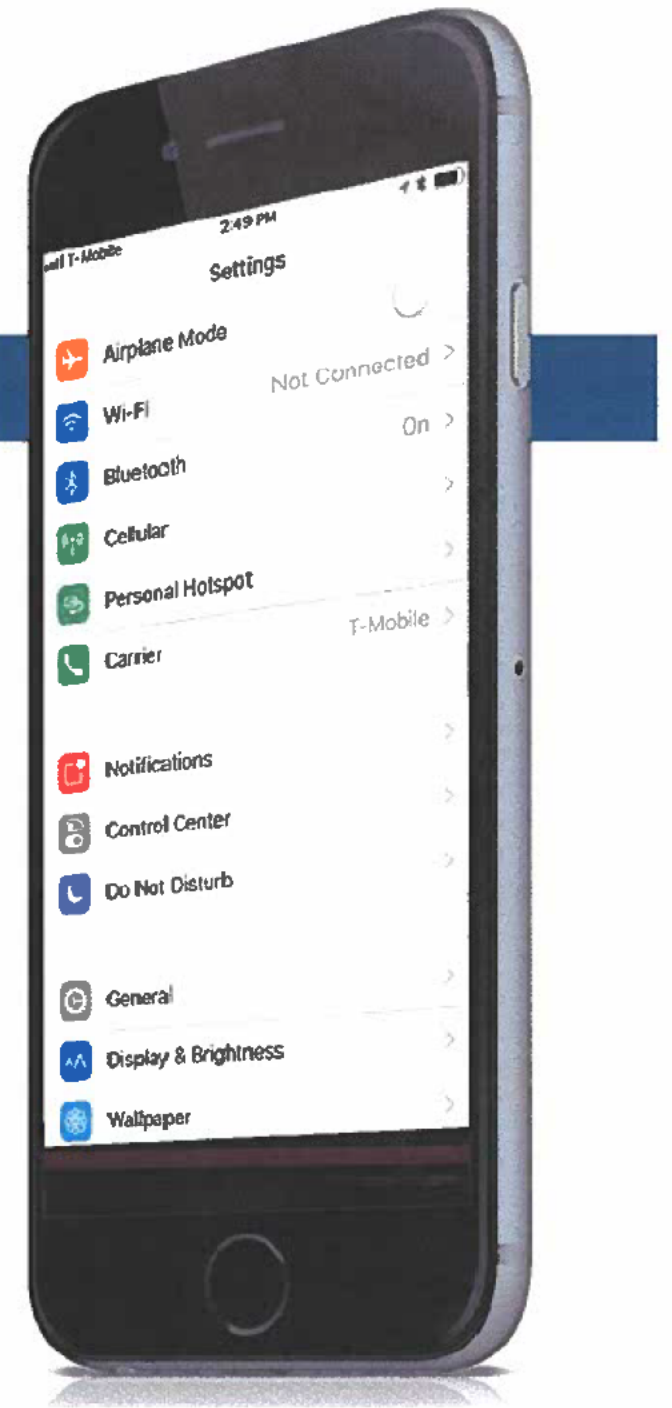




Phase 3: Feb/March 2019

MobilePlay

- **Bluetooth connection at licensed retail locations allows customers to purchase and download draw and instant win games**
- **Soft launch at 30 retailers in February, statewide launch in March 2019**
- **FY19 Goal: 200 new mobile-only retailers, including sports bars & microbreweries.**





Lottery Challenges

A more competitive gaming environment in Virginia

- **Historical video horse racing**
- **New Kent & Bristol casino proposals**
 - **Sports wagering**
- **Consumer shift to mobile commerce**



FY19 Business Plan Includes Marketing Emphasis on the Lottery's Positive Social Purpose





The Virginia Lottery is the Commonwealth's leading gaming authority, with a 30-year reputation for integrity, a robust retail footprint, proven marketing proficiencies, and a commitment to responsible gambling.





YEARS OF FUN!

More than \$9 Billion to Virginia Public Schools since 1999

Kevin Hall

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