Government of the District of Columbia
Office of the Chief Financial Officer

Glen Lee
Chief Financial Officer

Of MEMORANDUM

TO: **The Honorable Phil Mendelson**
Chairman, Council of the District of Columbia

FROM: **Glen Lee**
Chief Financial Officer

DATE: **November 18, 2026**

SUBJECT: **Fiscal Impact Statement – Internet Gaming and Consumer Protection Act of 2026**

REFERENCE: **Bill 26-656, Draft Committee Print as provided to the Office of Revenue Analysis on November 17, 2026**

Conclusion

Funds are not sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill. While the bill will increase revenues starting in fiscal year 2028, the bill also has a cost of $246,000 in fiscal year 2027. The net impact over the entire financial plan is a $58.7 million increase in resources. Under the bill and the Fiscal Year 2027 Budget Support Act of 2026[1], certain portions of the new revenue are dedicated for specific purposes. These dedications include revenue sufficient for the Office of Lottery and Gaming (OLG) to implement the bill.

Background

The bill legalizes internet gaming with licensed vendors in the District and increases the age that an individual may participate in any legal gambling activity (except the Lottery) from 18 to 21. The bill charges OLG with licensing internet gaming vendors, enforcing internet gaming laws and regulations, and collecting fees and taxes from the vendors.

Internet gaming is defined in the bill as participating in a casino-style game, or a social plus[2] sweepstakes style game conducted through an internet gaming platform in which a patron can wager

[1] Section 2292 of the Fiscal Year 2027 Budget Support Act of 2026, effective October 2, 2026 (D.C. Law 26-189; D.C. Official Code § 36-681.01).
[2] A social plus game is a contest or sweepstakes offered online, in which a person provides money directly or indirectly to participate in casino-style games to win a prize or prize equivalent through a dual-currency gaming product. A dual currency gaming product uses two or more forms of currency- such as credits, tokens,

money or something of value for the opportunity to win money, a prize, or prize equivalent. Examples include poker, slots, blackjack, roulette, live dealer games, and other games that OLG may establish by rule. Excluded from internet gaming regulations are the Lottery, sports wagering, and games of skill machines.

The bill requires internet gaming to be offered only when a player is physically located in the District (or in another jurisdiction that permits it), and for providers to only offer a maximum of two internet gaming brands approved by OLG. The bill does not require operators to have set payout percentages for players but authorizes OLG to set payout percentages if it deems it necessary to address business practices that are deceptive, predatory, or contrary to public interest.

Licensing

The bill establishes three internet gaming license types: an Operator ("Operator") license for the main company providing internet gaming to players; a Supplier ("Supplier") license for those who provide internet gaming goods or services to Operators; and a Gaming Attendant ("Attendant") license for those who are physically present in live dealer internet game studios. Live dealer games are internet games conducted by Attendants with live video and audio streamed, and with the ability to communicate and interact with gaming Attendants and other players.

The bill allows OLG to determine by rule any other occupational or license category necessary to protect the public interest. The bill outlines information applicants must provide to OLG so OLG can process license applications and determine if applicants are qualified. No employee of OLG may be an applicant or obtain any of these licenses.

An Operator license has a non-refundable application fee of $2 million, and it may be renewed every five years for a fee of $1 million, provided the Operator is in good standing. License fees will be deposited in the General Fund. Entities that already have a valid sports wagering Class A[3] or Class C[4] operator license or any other valid gaming license issued by OLG are entitled to an expedited review, allowing OLG to utilize prior background investigations or history in the review, provided the investigation was completed less than five years ago. Also, licenses are not transferrable without approval from OLG.

Applicants seeking to become Operators are required to offer live-dealer games and provide evidence that the operator or subcontractors have entered into a labor peace agreement[5] for individuals employed at a live-dealer internet game studio and be bonded in an amount determined by OLG. The bill requires all live-dealer games to be conducted at a physical studio in the District. If the game provides an image of a dealer or game presenter on the screen, that must be conducted as a live-dealer game. The bill allows Operators to simulcast the live-dealer games occurring in the District to

---

or points- either purchased or awarded, which can be redeemed, converted, or transferred for cash or prizes. This is different from standard casino-style games, where only real currency is being wagered.

[3] D.C. Official Code § 36–621.06(b)(1).

[4] D.C. Official Code § 36–621.06(c-1)(1).

[5] Labor peace agreement must be a written agreement between the labor organization and the entity that contains, at a minimum, a provision protecting the District's revenues by prohibiting the labor organization or its members from engaging in any picketing, work stoppage, boycott, or other economic interference with the applicant's internet and live-dealer gaming operations during any effort by the labor organization to organize employees for purposes of collective bargaining representation.

other jurisdictions where it is also permissible. Attendant applicants are subject to background checks and fingerprinting, and must provide any other information required by OLG.

Operator applicants must obtain approval from the Department of Small and Local Business Development (DSLBD) of their Certified Business Enterprise (CBE) plan demonstrating that at least 35 percent of the applicant's District-related operating budget for internet gaming will be contracted with one or more CBEs. The applicant may instead demonstrate it has entered into a joint venture with a CBE approved by DSLBD or OLG, or obtain a waiver from DSLBD for the requirement. If DSLBD does not deny or approve a waiver request within 30 days after submission, the waiver will be deemed approved.

A Supplier license is required for individuals providing gaming goods or services designed for internet gaming to an Operator in the District. This includes selling or leasing equipment, systems, or other items necessary for gaming. Some individuals may be exempted if the goods or services are not gaming specific or are used for game integrity or patron protection. The Supplier license has a non-refundable application fee of $10,000 and may be renewed annually for $5,000 if the Supplier is in good standing. As with Operators, OLG may utilize prior submissions to inform a Supplier application. Suppliers must also show a labor peace agreement has been executed.

Operator and Supplier licenses may be suspended or revoked if OLG finds the applicant or licensee has violated the bill's rules or additional regulations from OLG. Licensees must also notify OLG of any material change in ownership, control, key personnel, financial condition, or information previously provided within ten days of the change. Before direct or indirect ownership or controlling interest change occurs, OLG must provide written approval.

Taxes and Assessments

In addition to application fees, Operators must pay a tax of 25 percent of their adjusted gross internet gaming revenue to the District, except that any live-dealer adjusted gross internet gaming revenue will be taxed at 12.5 percent. Taxes will be deposited into the Internet Gaming Revenue Fund[6] ("Fund"). Adjusted gross gaming revenue is defined as gross internet gaming revenue minus winnings and cancelled, voided, or refunded wagers. Credits for cancelled or refunded wagers may be allowed in a manner prescribed by rule from OLG.

Under current law[7], annually the first $750,000 of tax revenue in the Fund will be transferred to the Department of Behavioral Health (DBH) for prevention, education, and treatment services related to gambling addiction and related behavioral health needs while the remainder of tax revenue in the Fund is available for Local Funds. The bill clarifies that the funding to DBH may only support a contract with a third-party vendor to deliver problem gambling related services to the District, including education, prevention, and crises intervention for problem gamblers, as well as advertising and public service announcements.

Operators must pay a community impact assessment ("Community Impact Assessment") of two percent of adjusted gross internet gaming revenue to the District, which will also be deposited in the Fund. Current law directs Community Impact Assessment revenue to be distributed annually as

[6] Section 2292 of the Fiscal Year 2027 Budget Support Act of 2026, effective October 2, 2026 (D.C. Law 26-189; D.C. Official Code § 36-681.01).
[7] D.C. Official Code § 36–681.01.

follows: 30 percent to DISB for debt management, financial counseling, consumer financial protection, and financial literacy programs and services; 30 percent to the Office of Victim Services and Justice Grants (OVSJG), for domestic violence, intimate partner violence, survivor services, and family stability programs; 10 percent to the Department of Health ("DC Health"), for research and evaluation services on gambling behavior and gambling addiction; and 30 percent to the Department of Employment Services (DOES) for youth development and training programs related to artificial intelligence, gaming, coding and software development, and related technology fields.

Operators must also pay a regulatory assessment ("Regulatory Assessment") of two percent of their adjusted gross internet gaming revenue to the District, to be deposited into a dedicated account in the General Fund. The Regulatory Assessment will be used solely for the administration, regulation, and enforcement of the bill by OLG. Any unspent funds in the administrative fund at the end of the year will be transferred to the unassigned fund balance of the General Fund.

Patron Requirements and Consumer Protections

In addition to being 21 years old, patrons may not have more than one account with the same internet gaming brand unless OLG approves. Operators must use geolocation and identity verification methods to enforce the bill's requirements and suspend accounts if the account holder is not meeting these requirements or is engaging in cheating or unlawful activity. Operators must prevent underage play, protect confidentiality and security of information and account data, provide clear house rules, establish complaint procedures, maintain sufficient customer support, and maintain sufficient reserves. OLG must require reserves in an amount it deems appropriate, but not less than $500,000. Operators must have segregated accounts for patrons, although shared wallets are authorized, if approved by OLG, provided credit cards are not an approved payment method.

Operators must submit an annual audit of financial transactions to OLG, prepared by a certified public accountant in accordance with accounting principles and law. Operators must also make reasonable efforts to prohibit Operator employees and any relative living in the same household from creating an internet wagering account or placing a wager with that Operator. Operators must implement controls to ensure that payment methods used to fund an account are owned lawfully by the patron. Operators must, at a minimum, provide the following responsible gaming tools: limits on deposits, spending, and loss set on a daily, weekly and monthly basis; session time limits, cooling off periods of at least 72 hours; self-exclusion and account closure options; real time or near real time access to account history; periodic reminders of time spent and activity during a session; and procedures to evaluate requests made by third parties to exclude an individual from internet gaming. OLG is also required to establish and maintain a voluntary exclusion program to allow individuals to request to be excluded from internet gaming.

The bill also sets requirements for internet gaming advertising. Advertising must be truthful and not misleading to a reasonable consumer and not intentionally target persons under 21 years of age. It must also include responsible gaming messaging, and a phone number for the National Council on Problem Gambling Helpline. OLG may restrict advertising or promotional practices it finds unfair, deceptive, or contrary to the public interest.

Promotional gaming credits, including free wagers to attract customers, may not exceed 1.75 percent of an operators adjusted gross internet gaming revenue for the fiscal year. However, OLG may authorize a temporary higher cap during the first 12 months of an Operator's initial licensure.

Operators and Suppliers must implement and maintain information security and cybersecurity controls reasonably designed to protect patron data, wagering data, and critical systems. OLG may require industry-recognized information technology frameworks. All primary systems processing the internet gaming wagers must be in the United States. Operators and Suppliers must maintain records of each wager, deposit, and credit for at least 3 years, and must provide access to the data to OLG.

Reporting

OCFO in coordination with OLG and other agencies must submit a report on internet gaming to the Council by April 30 each year and publish it on a publicly accessible website. The report must include information about the total amounts collected and expended, uses by each agency, outcomes and performance metrics.

OLG must also submit an Annual Report to the Council by April 30 each year to include the number of licensed Operators and Suppliers, aggregate gaming revenue, amounts directed to other agencies, enforcement actions taken, complaint trends, data on voluntary exclusions, and Operator compliance with CBE plans.

Enforcement

For violations of the bill or regulations issued to support the bill, OLG will have the authority to: issue a reprimand or corrective order; impose a fine of not more than $100,000 per violation to be paid to the General Fund; impose a fine of not more than $500,000 for violations arising out of the same transaction where OLG finds aggregation appropriate; suspend or revoke licenses; and require restitution or remedial measures authorized by law. Entities may have a right to a hearing before OLG, and the right to appeal at Superior Court.

OLG is authorized to issue cease and desist orders to people engaged in unlicensed internet gaming or unlawful sweepstakes gaming and seek injunctive relief in court.

The Attorney General for the District may also bring action in court to enforce the bill.

Implementation

The bill requires that OLG establish an application process for Operators and Suppliers within 120 days of the effective date of the bill and launch internet gaming as soon as practicable but not later than 120 days, unless the Mayor transmits written determination that additional time is required to ensure public protection, regulatory readiness, or system integrity. Rules must be issued by OLG within 90 days of the effective date of the bill. OLG has indicated it will need six months to build sufficient structure and capacity to begin to implement the bill.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill. The bill has a cost in fiscal year 2027 of $246,000 and increases revenue by $28.7 million beginning in fiscal year 2028, with a net increase in resources of $58.7 million over the budget and financial plan.

The tax on gaming revenue constitutes $15.5 million of the total revenue in fiscal year 2028, and $47.3 million over the financial plan and will be deposited in the Internet Gaming Revenue Fund. License fees constitute $12.3 million of the total revenue in fiscal year 2028 and $12.6 million over the financial plan and will be deposited in the unassigned General Fund. The Regulatory Assessment and the Community Reinvestment Assessment fees constitute a combined $2.75 million of the total revenue in fiscal year 2028 and $7.85 million over the financial plan. Community Impact Assessment fees will go to the Internet Gaming Revenue Fund but are dedicated (as described above) to DISB, DC Health, DOES, DBH, and OVSJG, while revenues from the Regulatory Assessment are dedicated to support OLG management of the internet gaming program, including issuing licenses and developing and enforcing regulations.

These new revenues will be accompanied by a projected reduction in sports wagering taxes due to the bill's increase in the legal gambling age to 21, as well as a reduction in traditional Lottery earnings, as some consumers will decide to engage in internet gaming instead of traditional Lottery. The Office of Tax and Revenue (OTR) will be able to set up new online forms for collection of the various taxes within current administrative resources.

The detailed impacts of the bill are in the chart below:

Internet Gaming and Consumer Protection Act of 2026 FY 2027- FY 2030 ($ in thousands)					
	FY 2027[a]	**FY 2028**	**FY 2029**	**FY 2030**	**Four-Year Total**
License Fee Revenue [b]	$0	$12,320	$160	$160	$12,640
Tax on gaming revenue[c]	$0	$15,499	$15,758	$16,056	$47,314
Decrease in lottery earnings[d]	$0	($1,149)	($1,139)	($1,130)	($3,417)
Decrease in sports wagering taxes[e]	($246)	($500)	($508)	($520)	($1,774)
Regulatory Assessment (dedicated to OLG)[f]	$0	$1,288	$1,310	$1,335	$3,932
Dedicated Tax – Community Impact Assessment[g]	$0	$1,288	$1,310	$1,335	$3,932
TOTAL (NET) REVENUE	**($246)**	**$28,747**	**$16,890**	**$17,236**	**$62,627**
OLG Regulatory Costs		($1,288)	($1,310)	($1,335)	($3,932)
Net Impact on Resources	**($246)**	**$27,459**	**$15,580**	**$15,901**	**$58,694**

Table Notes:

(a) In addition to the time required for the bill to become law, OLG requires approximately six months of preparation to begin to issue gaming licenses. These constraints make it unlikely to recognize revenue in fiscal year 2027.

Internet Gaming and Consumer Protection Act of 2026 FY 2027- FY 2030 ($ in thousands)					
	FY 2027[(a)]	**FY 2028**	**FY 2029**	**FY 2030**	**Four-Year Total**

(b) For Operators, the license fee is $2 million for initial application and $1 million for renewal every five years. For Suppliers, the license fee is $10,000 for the initial application and $5,000 for an annual renewal.
(c) Revenues from tax on adjusted gross gaming revenue is taxed at 25 percent, except for live-dealer gaming which is taxed at 12.5 percent. Adjusted gross gaming revenue is gross internet gaming revenue minus winnings (including cash equivalent of merchandise awarded as a prize) and cancelled, voided or refunded wagers. The first $750,000 of the tax is dedicated to DBH and the remainder is available for Local Funds.
(d) The impact of consumers choosing to spend their gaming dollars on internet gaming offerings instead of the traditional lottery. Lottery earnings net of OLG costs are transferred to the District's General Fund.
(e) The loss of sports wagering revenues due to the increase in the legal gambling age from 18 to 21 and the elimination of wagering by those in that age group.
(f) The Regulatory Assessment rate is two percent of Operator adjusted gross gaming revenue.
(g) The Community Impact Assessment is two percent of Operator adjusted gross gaming revenue.