Virginia Gaming Commission Operating Model



January 15, 2025

Agenda

#	Topic
1	**Introduction**
2	Overview of Recommendations
3	Appendix

History of the Virginia Gaming Commission Study

Below is a timeline of the key milestones from the Virginia Gaming Commission study.

Oct. 17 2022

HJR 548
Established a joint subcommittee to study the feasibility of establishing the Virginia Gaming Commission to regulate and oversee all forms of gaming in the Commonwealth

Feb. 21 2023

JLARC Report
Report to the Governor and the General Assembly of Virginia on Oversight and Administration of Gaming in the Commonwealth

Mar. 6 2024

HJR 10/SJR 12
Continued the joint subcommittee to study the feasibility of establishing the Virginia Gaming Commission for two additional years, through November 30, 2025

Jun. 17 2024

Cost-Benefit Analysis
Presentation to the Joint Subcommittee on the Cost-Benefit Analysis of the different consolidated operating models for the proposed Virginia Gaming Commission

Aug. 21 2024

Recommendations
Presentation to the Joint Subcommittee on the 13 recommendations for the proposed Virginia Gaming Commission

Nov. 8 2024

Vote
Joint Subcommittee voted to adopt the 13 recommendations and legislative approach to continue progressing towards establishing the Virginia Gaming Commission

Current Gaming Landscape in Virginia

Lottery, VDACS, and VRC regulate and oversee legal forms of gaming in the Commonwealth.
Note: Virginia ABC formerly regulated skill games.

Gaming Regulation & Oversight in Virginia

Agency	Gaming Operations	Total Handle *in Millions ($)*	Time Period
Lottery	Lottery	2,550	7/1/22 – 6/30/23
	iLottery	2,060	
	Sports betting	5,130	
	Casinos *(Note: limited operations)*[1]	*2,870*	
VDACS	Charitable gaming[2]	1,410	1/1/23 – 12/31/23
	Fantasy contests[3]	Not reported	
VRC	Historical horse racing (HHR)	4,160	1/1/23 – 12/31/23
	Live horse racing[4]	5	
	Simulcast racing	30	
	Advance-deposit wagering (ADW)	120	

[1] Bristol was operational for the 12-month period, Portsmouth opened in Jan. 2023, and Danville opened in May 2023
[2] Includes bingo, electronic and paper pull-tabs, and raffles. *Note: poker was not live in 2023*
[3] Although fantasy contests are not considered gambling in the Code of Virginia, it is a common practice for gaming commissions to regulate and oversee fantasy contests
[4] Includes live Thoroughbred racing, live Harness racing, and live Steeplechase wagering

Gaming in Virginia by the Numbers

$1.1 Billion Gaming revenue generated in 2024[5]

$761 Million in sports bets placed in November 2024

3 Operating casinos[6] *in Danville, Bristol, and Portsmouth*

4,452 HHR terminals[7]

44 Live Thoroughbred racing days (2025)

413 Charitable gaming licenses issued in FY 2024

BINGO

[5] As of October 2024, Source: American Gaming Association
[6] Casinos have been authorized but not yet operational in Norfolk and Petersburg
[7] As of November 30, 2024, Source: Virginia HHR Commission Report, November 2024

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Review of Recommended Operating Model

The recommended operating model would establish a new Virginia Gaming Commission that oversees and regulates all forms of legalized gaming in the Commonwealth other than the state lottery and iLottery, which would continue to fall under the purview of the Virginia Lottery. This new Virginia Gaming Commission would be an independent agency.

	VA Lottery	Virginia Gaming Commission (Independent Agency)		
Recommended Operating Model	• Lottery • iLottery	• Sports wagering • Casinos • Charitable gaming	• Fantasy contests • HHR • *New gaming types*[1]	• Live horse racing • Simulcast racing • ADW

The target operating model for the VGC is an **efficient, cost-effective, and strong regulator**, designed to:

- Respond to new regulatory and oversight needs from emerging gaming types
- Maintain the Commonwealth's commitment to the horse racing and charitable gaming industries
- Capture long-term forecasted economies of scale and operational efficiencies in staffing and technology as the gaming industry continues its rapid growth
- Increase transparency through centralized annual reporting to the public and the Virginia government and increase accountability for gaming regulation and oversight
- Facilitate a consistent state-wide problem gambling strategy across gaming types
- Clarify the points of contact for key stakeholders (e.g., Virginia State Police [VSP] and local law enforcement, legislators, players, industry) by:
  - Creating a centralized source of specialized information and resources for gaming
  - Encouraging effective collaboration with VSP Office of Gaming Enforcement to combat gaming-related criminal activity across all gaming types

[1] New gaming types that may be authorized in the future

Executive Summary: Recommendations (1/2)

The General Assembly may wish to consider the following recommendations:

1	Consolidating all gaming regulatory and oversight operations in the Commonwealth (except VA Lottery) into an independent, centralized Virginia Gaming Commission
2	Structuring the Virginia Gaming Commission to maximize forecasted economies of scale, facilitate cross-training, and leverage best practices within similar functions across different gaming types
3	Creating the Virginia Gaming Commission (Board) and assigning it regulatory and oversight responsibilities over all gaming types except the lottery *(this does not include non-gaming matters related to horse racing)*
4	Maintaining the Virginia Racing Commission (Board) and transferring HHR, ADW, and simulcast racing regulatory and oversight responsibilities to the Virginia Gaming Commission (Board)
5	Directing the Charitable Gaming Board to advise the Virginia Gaming Commission on all aspects of the conduct of charitable gaming in Virginia
6	Establishing a Problem Gambling Division in the VGC that could coordinate with local, state (e.g., DBHDS, VCPG), and national stakeholders to manage problem gambling research, prevention, recovery, and treatment efforts
7	Establishing an External Affairs & Policy Division in the VGC to recommend gaming policy decisions to legislators and communicate with relevant stakeholders in Virginia

Executive Summary: Recommendations (2/2)

The General Assembly may wish to consider the following recommendations:

8	Establish the Executive Leadership team in the VGC and define roles and responsibilities with clear division of duties, including elevating the role of the Executive Secretary of Racing
9	Maintaining existing beneficiaries of revenue streams from each gaming type (e.g., HHR revenue continuing to support the live horse racing industry)
10	Directing the Virginia Gaming Commission to review consolidating technology systems to increase efficiency of core functions (e.g., licensing, auditing)
11	Directing the Virginia Gaming Commission to develop a standardized approach for reporting to the General Assembly on a regular basis across all gaming types
12	Following implementation of the consolidated gaming commission, consider how to further invest in gaming enforcement
13	Following the successful launch of the Virginia Gaming Commission, reconsider Virginia Lottery operations consolidation

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Engagement Background

Study Mandate[1]

Analyze and make recommendations with respect to:

1. **The feasibility of establishing a new agency** in the executive branch of state government, to be known as the Virginia Gaming Commission (the Commission), under which all legal forms of gaming in the Commonwealth, except for the state lottery established and operated pursuant to the Virginia Lottery Law (§ 58.1-4000 et seq.), shall be consolidated for the purposes of regulation and oversight.
2. **The timely and orderly transition of the regulatory authority** over casino gaming and sports betting, charitable gaming, and pari-mutuel wagering on horse racing from the Virginia Lottery, the Virginia Department of Agriculture and Consumer Services (VDACS), and the Virginia Racing Commission (VRC), respectively, to the Commission.
3. **Ways to effectively prioritize problem gambling prevention and treatment** efforts.
4. **All potential options to consolidate gaming regulation and oversight** and provide a **detailed transition plan** in support of recommendations.

Our Role

1. Providing project management support.
2. Conducting independent research and review.
3. Reporting on gaming oversight and regulatory models implemented by other states.
4. Determining the feasibility and conducting a cost-benefit analysis consistent with the establishment of the Virginia Gaming Commission or any other gaming regulation and oversight consolidation options.
5. Developing a transition plan in support of any gaming regulation and oversight recommendations.

[1] Language from HJR 548 (2023) and the Appropriations Act (2023 Special Session I). HJR10 and SJR12 (2024) continue the study and Joint Subcommittee.

Review of Cost Benefit Analysis Key Takeaways

- Following a review of costs and benefits, the team deemed **options for a consolidated Virginia Gaming Commission feasible and consolidation could be pursued**
- Although there are additional temporary costs to consolidation, a **Virginia Gaming Commission would be more beneficial to the Commonwealth** than the current fragmented structure
- **Separating lottery operations** from a centralized commission **would best mitigate the risk of a conflict of interest,** while still capturing most synergies



	Relative Benefits	Relative Costs and Risks
Option A Consolidation **Option B Consolidation** **Option C Consolidation** **Option D Consolidation**	• **Improved mission delivery** – streamlined, standardized approach to regulation and oversight (e.g., licensing, investigations, auditing, enforcement) • Improved ability to forecast gaming revenues • Easier to facilitate a state-wide problem gambling strategy • Single source of specialized information and resources for gaming (policy, enforcement, industry partners) • Increased **transparency and accountability** • Increased **scalability** (e.g., workforce, technology) • Best position to respond to emerging gaming types	• **New staff** • **Operational update and transition costs** • Potential for short-term competition among agency objectives and cultures during transition • New governance to mitigate **conflicts of interests** and protect the existing policy autonomy and revenue streams of gaming types (e.g., live horse racing) • New **technology systems** in the long-term (if pursued)

Recommendation 1: Consolidating all gaming regulatory and oversight operations in the Commonwealth (except VA Lottery) into an independent, centralized Virginia Gaming Commission

Option B Consolidation

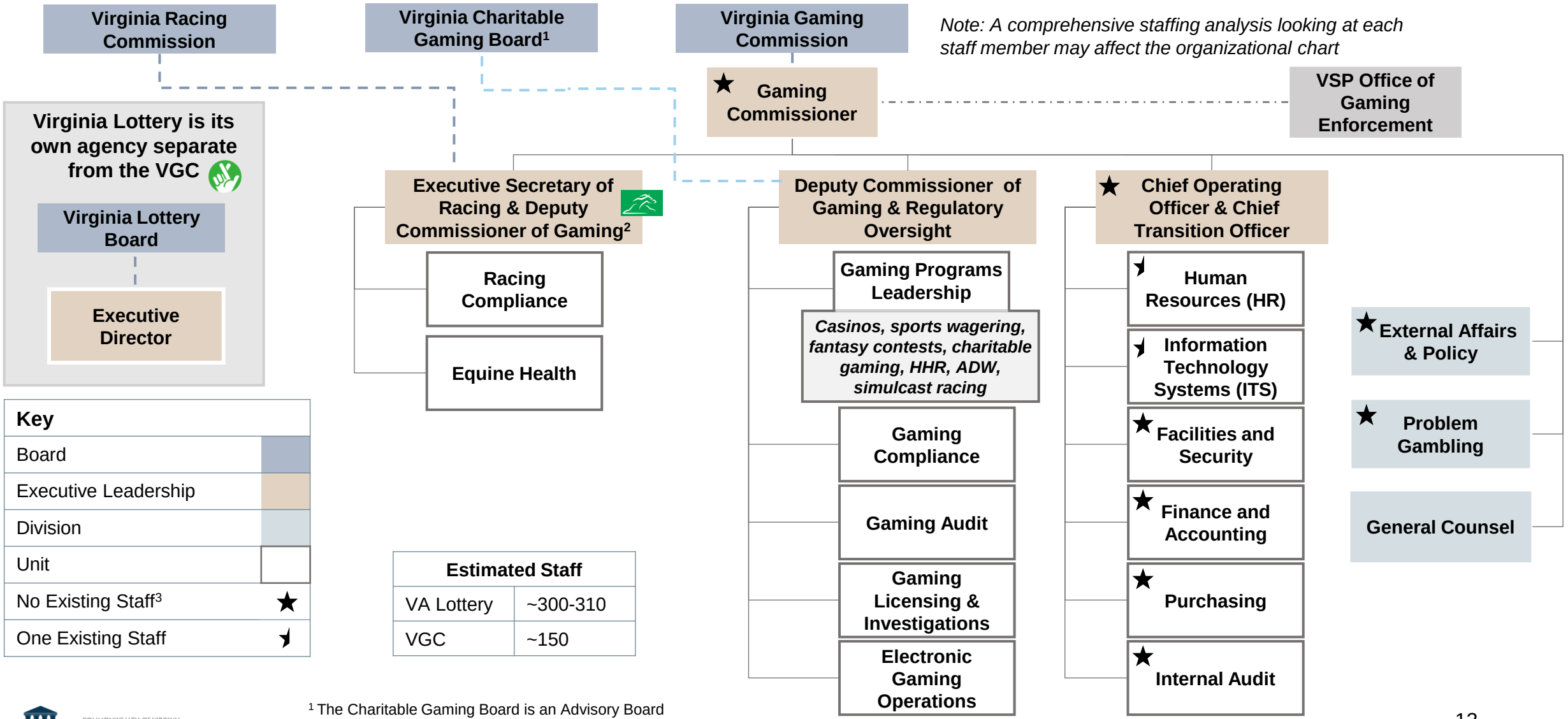
VA Lottery	VGC (Independent Agency)		
• Lottery • iLottery	• Sports wagering • Casinos • Charitable gaming	• Fantasy contests • HHR • *New gaming types*[1]	• Live horse racing • Simulcast racing • ADW

The target operating model for the Virginia Gaming Commission is an **efficient, cost-effective, and strong regulator**. This is achieved through consolidation Option B, which is designed to:

- Respond to new regulatory and oversight needs from emerging gaming types
- Maintain the Commonwealth's commitment to the horse racing and charitable gaming industries
- Capture long-term forecasted economies of scale and operational efficiencies in staffing and technology as the gaming industry continues its rapid growth
- Increase transparency through centralized annual reporting to the public and the Virginia government and increase accountability for gaming regulation and oversight
- Facilitate a consistent state-wide problem gambling strategy across gaming types
- Clarify the points of contact for key stakeholders (e.g., Virginia State Police [VSP] and local law enforcement, legislators, players, industry) by:
  - Creating a centralized source of specialized information and resources for gaming
  - Encouraging effective collaboration with VSP Office of Gaming Enforcement to combat gaming-related criminal activity across all gaming types

[1] New gaming types that may be authorized in the future

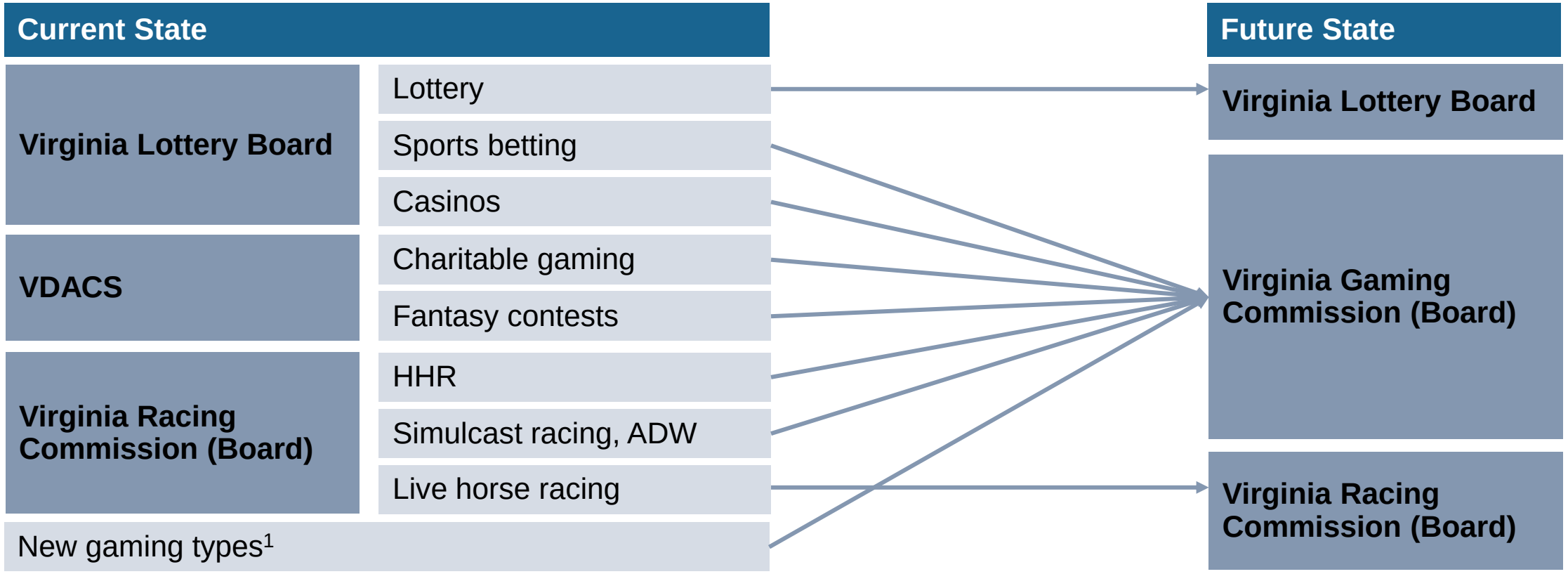
Recommendation 2: Structuring the Virginia Gaming Commission to maximize forecasted economies of scale, facilitate cross-training, and leverage best practices within similar functions across different gaming types *(illustrative organizational structure below)*



[1] The Charitable Gaming Board is an Advisory Board
[2] Oversees non-gaming responsibilities associated with live horse racing such as equine health and drug testing of horses and jockeys
[3] Requires all new hires

Recommendation 3: Creating the Virginia Gaming Commission (Board) and assigning it regulatory and oversight responsibilities over all gaming types except the lottery *(this does not include non-gaming matters related to horse racing)*

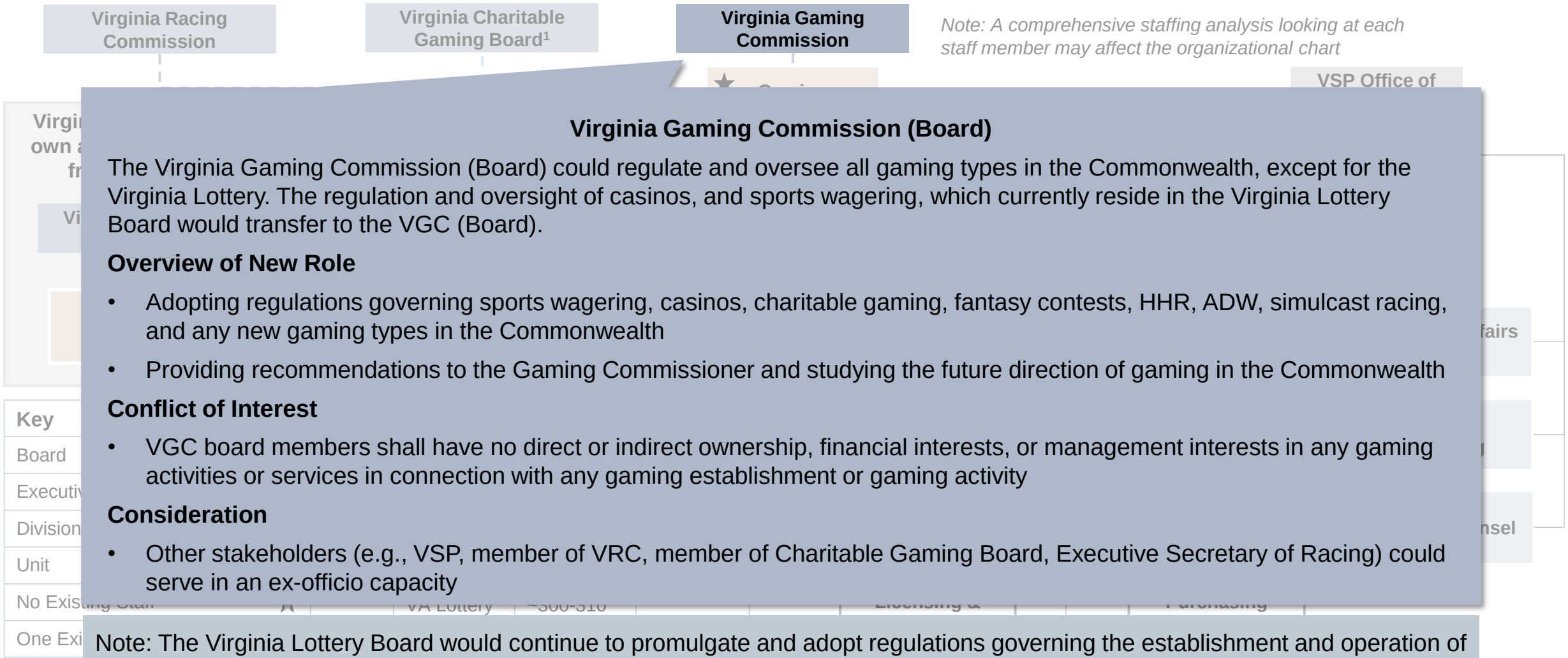
Recommendation 4: Maintaining the Virginia Racing Commission (Board) and transferring HHR, ADW, and simulcast racing regulatory and oversight responsibilities to the Virginia Gaming Commission (Board)



Note: In the current state, the Virginia Charitable Gaming Board advises VDACS on charitable gaming. In the future state, they would advise the Virginia Gaming Commission.

[1] New gaming types that may be authorized in the future

Recommendation 3: Creating the Virginia Gaming Commission (Board) and assigning it regulatory and oversight responsibilities over all gaming types except the lottery *(this does not include non-gaming matters related to horse racing)*



Virginia Gaming Commission (Board)

The Virginia Gaming Commission (Board) could regulate and oversee all gaming types in the Commonwealth, except for the Virginia Lottery. The regulation and oversight of casinos, and sports wagering, which currently reside in the Virginia Lottery Board would transfer to the VGC (Board).

Overview of New Role

- Adopting regulations governing sports wagering, casinos, charitable gaming, fantasy contests, HHR, ADW, simulcast racing, and any new gaming types in the Commonwealth
- Providing recommendations to the Gaming Commissioner and studying the future direction of gaming in the Commonwealth

Conflict of Interest

- VGC board members shall have no direct or indirect ownership, financial interests, or management interests in any gaming activities or services in connection with any gaming establishment or gaming activity

Consideration

- Other stakeholders (e.g., VSP, member of VRC, member of Charitable Gaming Board, Executive Secretary of Racing) could serve in an ex-officio capacity

Note: The Virginia Lottery Board would continue to promulgate and adopt regulations governing the establishment and operation of the lottery

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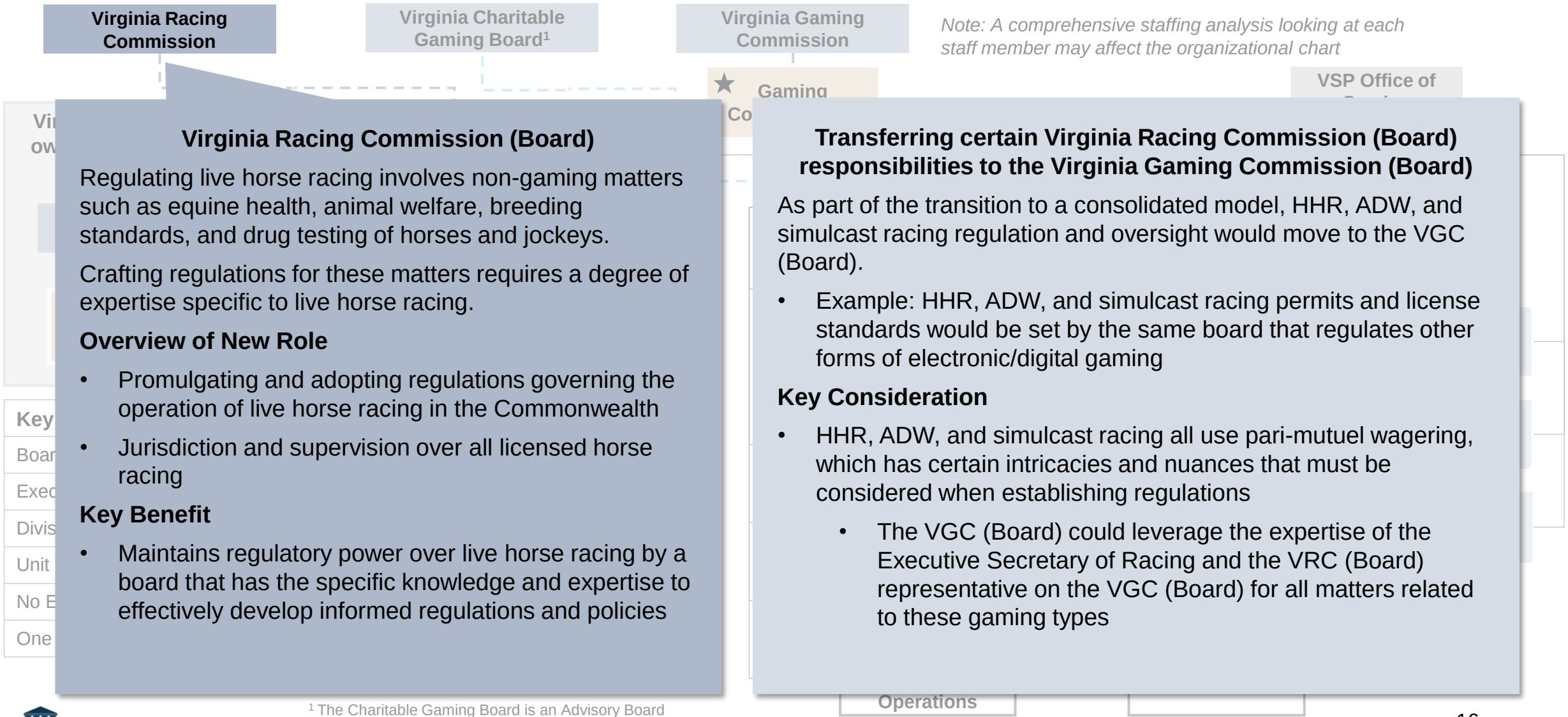
Recommendation 4: Maintaining the Virginia Racing Commission (Board) and transferring HHR, ADW, and simulcast racing regulatory and oversight responsibilities to the Virginia Gaming Commission (Board)



Virginia Racing Commission (Board)

Regulating live horse racing involves non-gaming matters such as equine health, animal welfare, breeding standards, and drug testing of horses and jockeys.

Crafting regulations for these matters requires a degree of expertise specific to live horse racing.

Overview of New Role

- Promulgating and adopting regulations governing the operation of live horse racing in the Commonwealth
- Jurisdiction and supervision over all licensed horse racing

Key Benefit

- Maintains regulatory power over live horse racing by a board that has the specific knowledge and expertise to effectively develop informed regulations and policies

Transferring certain Virginia Racing Commission (Board) responsibilities to the Virginia Gaming Commission (Board)

As part of the transition to a consolidated model, HHR, ADW, and simulcast racing regulation and oversight would move to the VGC (Board).

- Example: HHR, ADW, and simulcast racing permits and license standards would be set by the same board that regulates other forms of electronic/digital gaming

Key Consideration

- HHR, ADW, and simulcast racing all use pari-mutuel wagering, which has certain intricacies and nuances that must be considered when establishing regulations
  - The VGC (Board) could leverage the expertise of the Executive Secretary of Racing and the VRC (Board) representative on the VGC (Board) for all matters related to these gaming types

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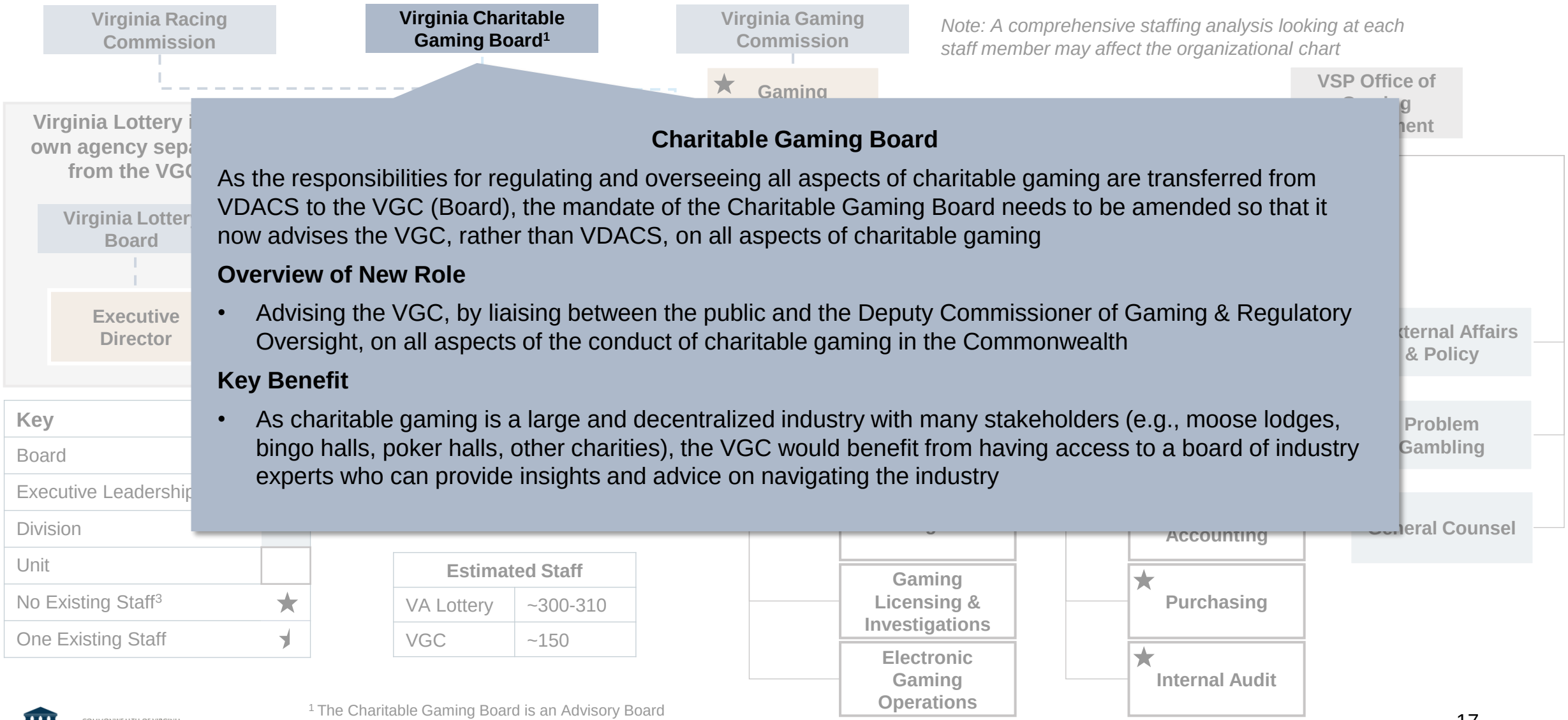
Recommendation 5: Directing the Charitable Gaming Board to advise the Virginia Gaming Commission on all aspects of the conduct of charitable gaming in Virginia



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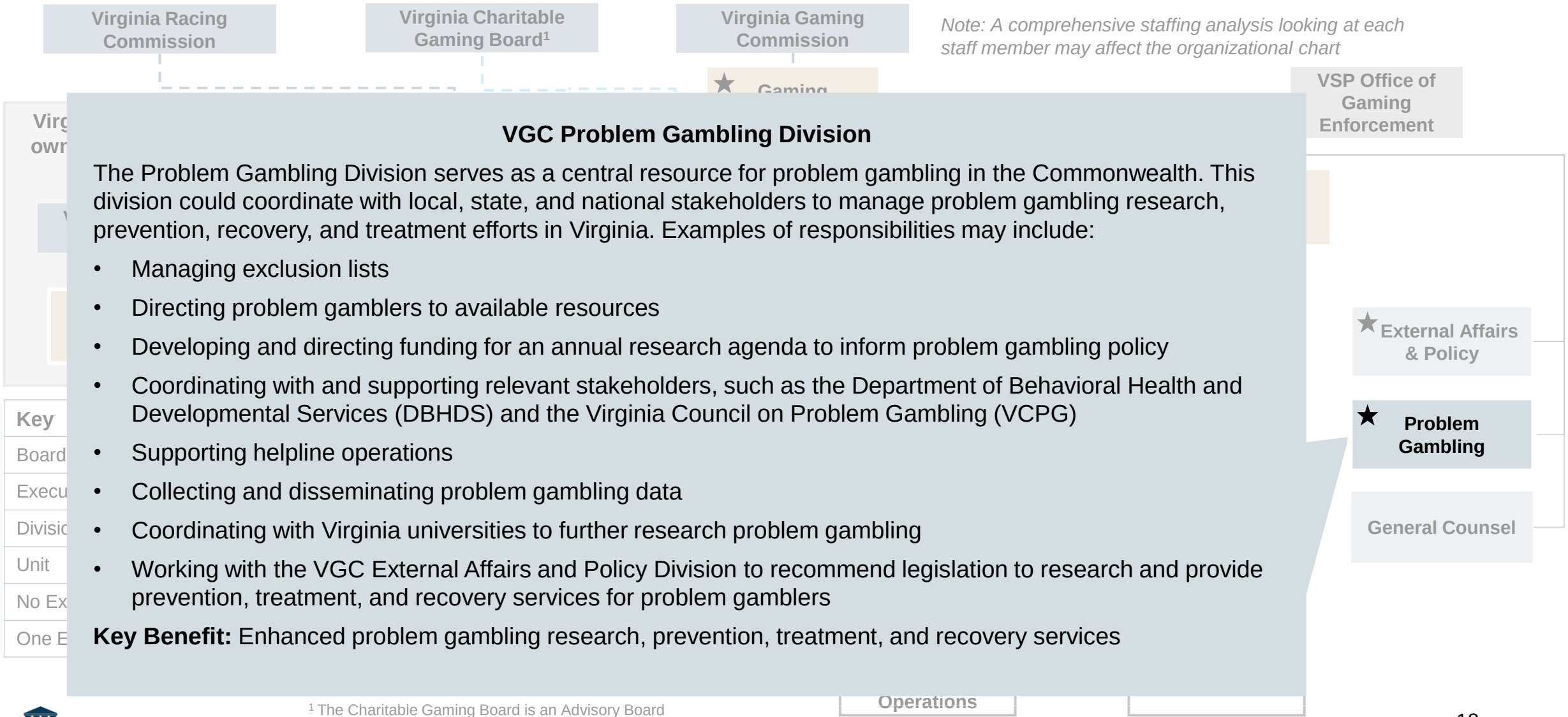
Recommendation 6: Establishing a Problem Gambling Division in the VGC that could coordinate with local, state (e.g., DBHDS, VCPG), and national stakeholders to manage problem gambling research, prevention, recovery, and treatment efforts



VGC Problem Gambling Division

The Problem Gambling Division serves as a central resource for problem gambling in the Commonwealth. This division could coordinate with local, state, and national stakeholders to manage problem gambling research, prevention, recovery, and treatment efforts in Virginia. Examples of responsibilities may include:

- Managing exclusion lists
- Directing problem gamblers to available resources
- Developing and directing funding for an annual research agenda to inform problem gambling policy
- Coordinating with and supporting relevant stakeholders, such as the Department of Behavioral Health and Developmental Services (DBHDS) and the Virginia Council on Problem Gambling (VCPG)
- Supporting helpline operations
- Collecting and disseminating problem gambling data
- Coordinating with Virginia universities to further research problem gambling
- Working with the VGC External Affairs and Policy Division to recommend legislation to research and provide prevention, treatment, and recovery services for problem gamblers

Key Benefit: Enhanced problem gambling research, prevention, treatment, and recovery services

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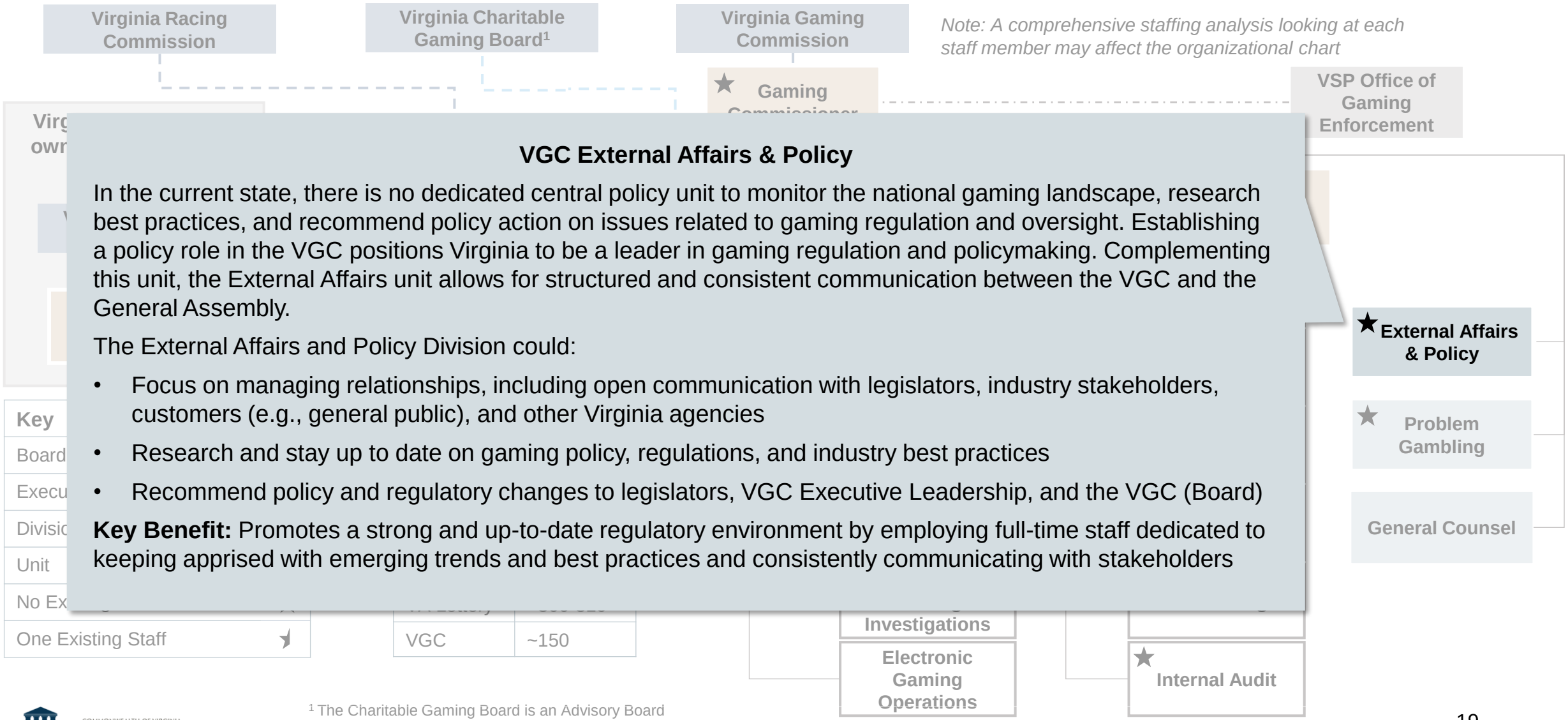
Recommendation 7: Establishing an External Affairs & Policy Division in the VGC to recommend gaming policy decisions to legislators and communicate with relevant stakeholders in Virginia



VGC External Affairs & Policy

In the current state, there is no dedicated central policy unit to monitor the national gaming landscape, research best practices, and recommend policy action on issues related to gaming regulation and oversight. Establishing a policy role in the VGC positions Virginia to be a leader in gaming regulation and policymaking. Complementing this unit, the External Affairs unit allows for structured and consistent communication between the VGC and the General Assembly.

The External Affairs and Policy Division could:

- Focus on managing relationships, including open communication with legislators, industry stakeholders, customers (e.g., general public), and other Virginia agencies
- Research and stay up to date on gaming policy, regulations, and industry best practices
- Recommend policy and regulatory changes to legislators, VGC Executive Leadership, and the VGC (Board)

Key Benefit: Promotes a strong and up-to-date regulatory environment by employing full-time staff dedicated to keeping apprised with emerging trends and best practices and consistently communicating with stakeholders

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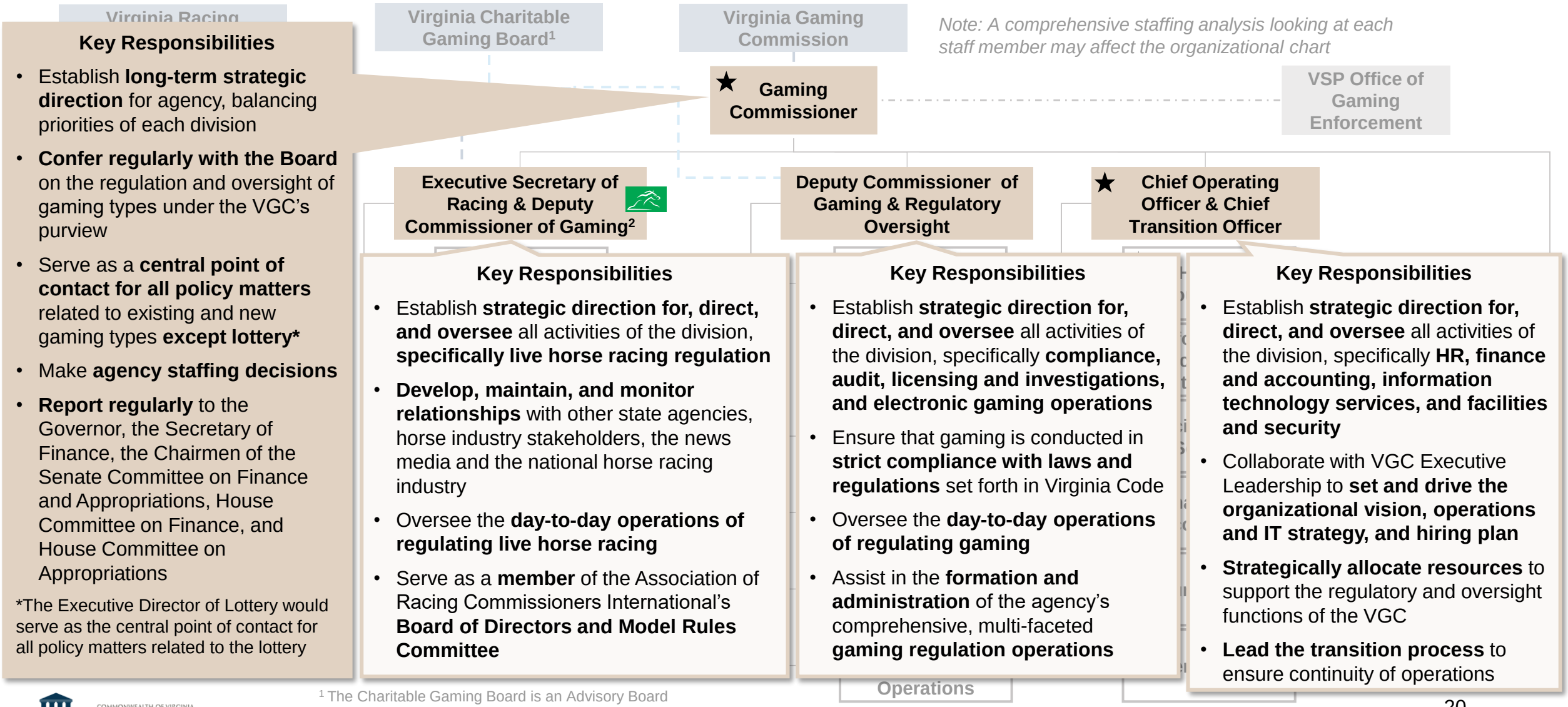
Recommendation 8: Establishing the Executive Leadership team in the VGC and defining roles and responsibilities with clear division of duties, including elevating the role of the Executive Secretary of Racing



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Recommendation 9: Maintaining existing beneficiaries of revenue streams from each gaming type through transition (e.g., HHR revenue continuing to support the live horse racing industry)

Currently, the proceeds (e.g., tax revenue, licensing fees) from each gaming type in Virginia have specific beneficiaries and funds:

Gaming Type	Funding Recipients
Lottery	Lottery Proceeds Fund (for public education in the Commonwealth), Literary Fund
Sports Wagering	Problem Gambling Treatment and Support Fund
Casinos	Localities hosting casinos, Virginia Indigenous People's Trust Fund, Problem Gambling Treatment and Support Fund, Family and Children's Trust Fund, School Construction Fund
Charitable Gaming	General Fund, lawful religious, charitable, community, or educational purposes for which the organization is specifically chartered or organized
Fantasy Contests	None
HHR	Problem Gambling Treatment and Support Fund, Virginia Breeder's Fund, Virginia-Maryland Regional College of Veterinary Medicine, Virginia Horse Center Foundation, Virginia Horse Industry Board, Racing Benevolence Fund
Live Horse Racing/ADW/Simulcast	Locality in which racetrack/satellite facility is located, Virginia Breeder's Fund, Virginia-Maryland Regional College of Veterinary Medicine, Virginia Horse Center Foundation, Virginia Horse Industry Board, Virginia Thoroughbred Association for the promotion of breeding in the Commonwealth, Racing Benevolence Fund

While the regulation and oversight of certain gaming types would transfer to the VGC (Board) (e.g., charitable gaming, HHR), maintaining existing beneficiaries minimizes disruption and maintains current goals of existing policy.

- As an example, while HHR would be regulated by the Virginia Gaming Commission (Board) rather than the Virginia Racing Commission (Board), proceeds from HHR could continue to support the Virginia horseracing industry, as originally intended when HHR was legalized.

Key Consideration: Funding for the oversight of each gaming type also comes from a small portion of the money generated by each gaming type (e.g., a portion of the fees collected from charitable gaming fund VDACS OCRP oversight operations for charitable gaming). These **funding sources may have to be reexamined**, as appropriate.

Recommendation 10: Directing the Virginia Gaming Commission to review consolidating technology systems to increase efficiency of core functions (e.g., licensing, auditing)

Benefits of Consolidation

- Increased efficiency of core functions through reduction of manual processes (e.g., using spreadsheets/paper-based processes)
- Standardization of similar processes across different gaming types (e.g., case management, auditing, licensing)

Sample System Consolidation: Case Management

Current State	Future State
Lottery: MS Technologies **VDACS:** Oracle/Excel **VRC:** Network drive	**VGC:** One central case management system

Recommendation 11: Directing the Virginia Gaming Commission to develop a standardized approach for reporting to the General Assembly on a regular basis across all gaming types

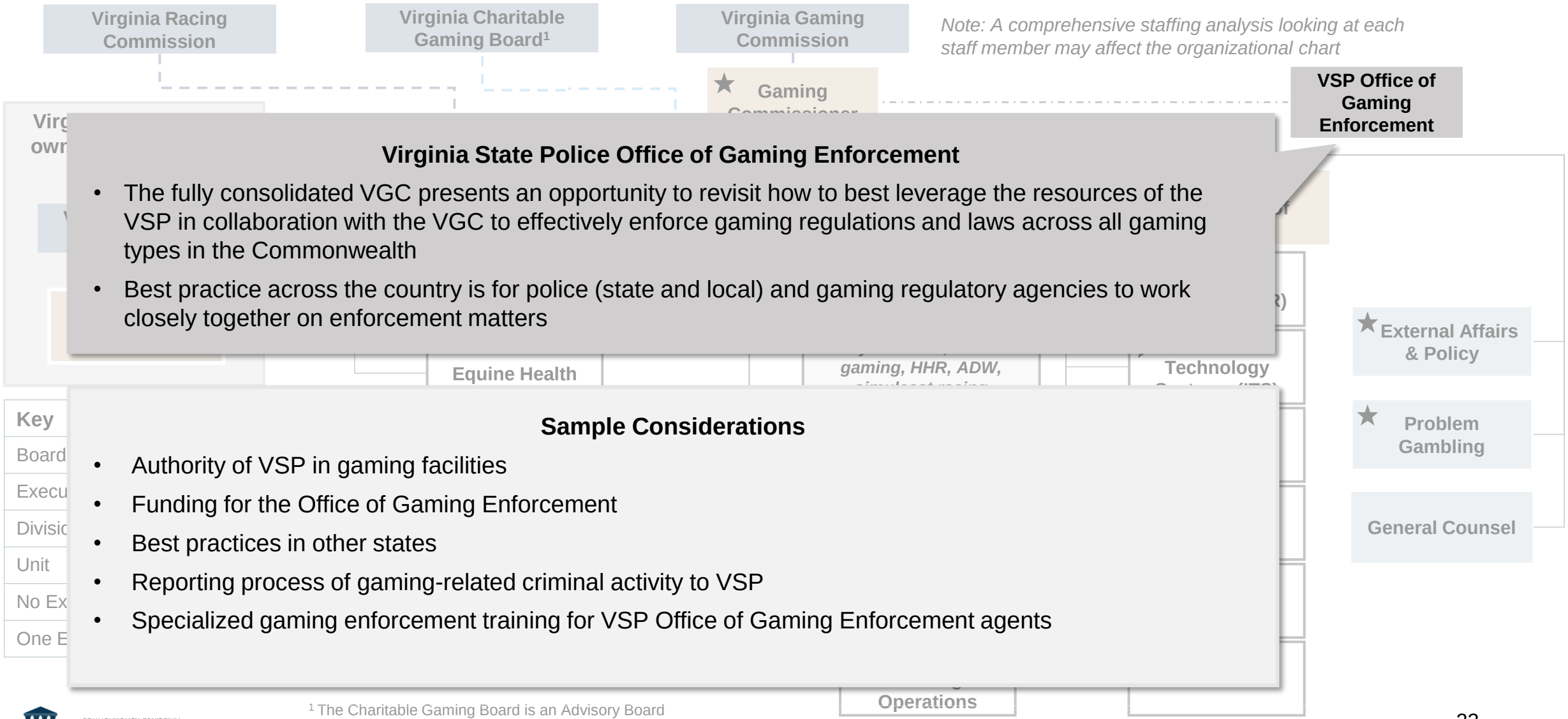
Benefits of Centralized Reporting Requirements

- Transparency to the Virginia government and the public
- Sharing of best practices for reporting among staff working on different gaming types
- Improved forecasting capabilities across gaming types

Sample of Consistent Reporting Standards

- Operators could be required to report the same data across gaming types (e.g., Fantasy contests operators and sportsbook operators could both report on total handle wagered)
- Standardized reporting periods (i.e., calendar year, fiscal year) for gaming types
- Same frequency of reports (e.g., monthly, quarterly, annually)

Recommendation 12: Following implementation of the consolidated gaming commission, consider how to further invest in gaming enforcement



Virginia State Police Office of Gaming Enforcement

- The fully consolidated VGC presents an opportunity to revisit how to best leverage the resources of the VSP in collaboration with the VGC to effectively enforce gaming regulations and laws across all gaming types in the Commonwealth
- Best practice across the country is for police (state and local) and gaming regulatory agencies to work closely together on enforcement matters

Sample Considerations

- Authority of VSP in gaming facilities
- Funding for the Office of Gaming Enforcement
- Best practices in other states
- Reporting process of gaming-related criminal activity to VSP
- Specialized gaming enforcement training for VSP Office of Gaming Enforcement agents

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Recommendation 13: Following the successful launch of the Virginia Gaming Commission, reconsider consolidation of Virginia Lottery operations

- The level of consolidation could be a phased decision; the Virginia General Assembly may choose to increase level of consolidation in the future
- The Generally Assembly could consolidate with Option B now, and move to Option D in the future, if it becomes apparent that full consolidation efficiencies in Option D outweigh other considerations in Option B

Near-term recommendation

Option B Consolidation

VA Lottery	VGC		
• Lottery • iLottery	• Sports wagering • Casinos • Charitable gaming	• Fantasy contests • HHR • *New gaming types*[1]	• Live horse racing • Simulcast racing • ADW

Long-term option

Option D Consolidation

VGC			
• Lottery • iLottery	• Sports wagering • Casinos • Charitable gaming	• Fantasy contests • HHR • *New gaming types*	• Live horse racing • Simulcast racing • ADW