

JOINT MEETING OF THE SPECIAL SUBCOMMITTEES
OF THE HOUSE COMMITTEE ON GENERAL LAWS AND THE SENATE
COMMITTEE ON GENERAL LAWS AND TECHNOLOGY STUDYING CHARITABLE
GAMING LAWS

June 22, 2009
Meeting Summary

The Special Subcommittees of the House Committee on General Laws and the Senate Committee on General Laws and Technology Studying Charitable Gaming Laws held a third joint meeting on June 22, 2009.¹ The meeting was held at Pop's Bingo World located at 120 Giant Drive, Richmond, Virginia. The chief objective of the meeting was a fact finding mission to see how charitable gaming is being conducted in the Virginia in 2009.

Chuck Lessin, legislative director for the Virginia Charitable Bingo Association began the meeting with a presentation on the future of charitable gaming in Virginia. Mr. Lessin introduced Mr. Mark Newton, Chairman of the Electronic Bingo Manufacturer's Association, and Mr. Rusty Morin, Chief Financial Officer of Video King, an electronic bingo manufacturer, both of whom would be making a part of the presentation.

Mr. Lessin proceeded with an overview of how bingo is currently played in Virginia using a typical gaming session run by the Jerusalem Connection charitable organization. Typically, the organization will produce a program or listing of games for a particular session. The player would use the program to determine which games he or she will play for the session and proceed to an admission or cashier's window to purchase the package of games. In addition, the player could purchase instant bingo pull tabs. According to Mr. Lessin, there are over one thousand different instant bingo pull tabs sold commercially and approximately 70 percent of charitable gaming proceeds come from instant bingo pull tab purchases. In addition, he stated that approximately 25 percent of bingo games in Virginia use electronic hand held devices to play the games and the devices are rented by the charitable organization from a supplier. At this point Delegate Abbitt moved to request the Charitable Gaming Board to delay taking further action on promulgating the regulations for the conduct of electronic bingo until the Special Subcommittee has completed its work. Chairman Jones asked Betty Bowman, Director of the Division of Charitable Gaming, Virginia Department of Agriculture and Consumer Services (the Division) to provide an update on the status of the regulations.

Ms. Bowman stated that in 2007 the Division issued a Notice of Intent of Regulatory Action (NOIRA) with the Virginia Registrar. A consultant has been hired to assist in developing the regulations and the agency is still working with the Virginia Information Technologies Agency to finalize the required changes to the computer systems to monitor the electronic bingo operations once they have commenced. Ms. Bowman indicated that the Board for Charitable Gaming will meet on June 30, 2009, to review the proposed regulations. Delegate Jones stated that there is an existing provision in the Administrative Process Act allowing a standing committee of the General

¹ House membership: Delegates Jones (chair), Albo, Scott, and Abbitt were present; Delegates Dance and Hull were absent. Senate membership: Senators Barker and Vogel were present; Senator McEachin was absent.

Assembly, with the concurrence of the Governor, to suspend the enactment of a regulation until the end of the next regular legislative session. Delegate Abbitt then withdrew his motion.

Mr. Lessin proceeded with his presentation by guiding the Subcommittees through demonstrations of the following games using the electronic hand held devices and paper bingo sheets and tabs: (i) Regular Bingo, (ii) Lucky Seven Progressive Bingo, (iii) 24 Number Bonanza, and (iv) pull tabs. At the conclusion of the gaming demonstrations, Mark Newton, Chairman of the Electronic Bingo Manufacturers' Association addressed the Subcommittees. Mr. Newton indicated that there were several products available but that Virginia is the only state that has passed a law allowing electronic pull tabs. He stated that electronic bingo games have a beginning and an end just like regular bingo games and proceeded to demonstrate some forms of the games on the hand held devices. After a couple of game presentations, Chairman Jones requested the presentation of games be limited to those that are legal in Virginia rather than games that are not currently legal. After demonstrating an example of an electronic bingo game, Mr. Newton turned the presentation over to Rusty Morin, Chief Financial Officer of Video King. Mr. Moring stated the Video King has been a manufacturer of electronic bingo games for over fifteen years. Mr. Moring indicated that there is a question regarding whether it would be better to monitor the actions of the various gaming operations through a central system or through a satellite reporting system. Delegate Albo asked if all bingo operators used the electronic hand held games would it be easier to audit the operations because all entities would be reporting to a central system. Mr. Moring replied that it would be easier to audit and to reconcile the proceeds from such games.

Chairman Jones asked if there was a "break even" point for organizations purchasing or renting the devices considering the associated software and hardware maintenance costs. Mr. Morin stated that it would depend on the type of machine involved. The more functions that were programmed into the individual device would result in a greater variety of games that could be played. This in turn would mean that the individual could generate more money thereby increasing affordability because it could pay for the purchase or rental more quickly. Chairman Jones then asked what would be the cost of the hardware for the device and Mr. Morin responded approximately \$100.

Public Comment

Chairman Jones then called for public comment.

Mr. Marty Williams, Fraternal Order of Police of Virginia (FOP) - Mr. Williams stated that is important to level the playing field across the state. He stated that the audit fee was too high and in effect amounted to a tax on the organizations. No other charitable groups are forced to undergo such a fee. Mr. Williams further stated that the FOP supports (i) re-calculating of the use of proceeds formula to be based on gross receipts minus actual expenses incurred in the operation of the bingo games, (ii) limiting a the number of games played during any given session to fifty-five excluding bingo games of decision, and (iii) prohibiting the use of credit cards or checks.

Mr. Williams further stated that the FOP opposed raising the jackpot amounts above the present level because doing so would be an unfair burden on smaller organizations. He suggested instead that a third "winner-take-all" game be allowed for each session. Doing so would allow an increase in prize money to be won by players while at the same time not causing additional financial burden to the groups operating the game. In addition, Mr. Williams stated that the FOP opposes increasing the maximum number of days that an organization may play bingo from two to four.

Mr. Richard Miller - Mr. Miller indicated that he is a former member of the Charitable Gaming Board and has been a landlord of a hall for over forty years. He stated that the Richmond area only shows a small part of the games operated in Virginia. Most games are operated in the Tidewater area and the Subcommittees needed to visit other areas to get another view of how gaming is conducted in the state. Mr. Miller stated that most of the games are played with using paper and, with the exception of some games in Norfolk, players in the Tidewater area do not want to use the electronic hand held devices.

Kathy Rooney - Ms. Rooney state that she is a bingo player and has worked as a volunteer and a bingo caller. She asserted that in the Petersburg-Colonial Heights area players do not want to use the electronic hand-held games. She noted that unique progressive games are favored and the success of any bingo game depends on the prize. Also, Ms. Rooney noted that most players could not afford the additional cost of playing with the electronic games and that smaller halls would be forced to close if required to use the devices. In addition raising the prize money will increase the costs of gaming, which will add to the decrease in the number of players.

Gary Byler - Mr. Byler stated he is the landlord of a hall used for bingo games in the Tidewater area. He asserted that micromanaging gaming will not work because of the variety of gaming from region to region. He noted that the market in Tidewater is different from Central or Northern Virginia markets citing for example that in the Tidewater area there were many more stand alone buildings operated solely as bingo halls. Mr. Byler stated that the problem has been with groups not being able to meet the 10 percent requirement; there was no problem with groups being able to meet the use of proceeds provisions. He stated that only three other states give more from charitable gaming proceeds to charities than Virginia. Mr. Byler noted that one change that would help organizations would be to reduce the time between games from one hour to 30 minutes. This would allow more time for gaming and prevent a loss of players due to the time gap between games. Mr. Byler also stated that there was near consensus across the industry on limiting the number of games to 55. He ended his comments by asking the Subcommittees to visit a facility in Tidewater.

Delegate Albo asked Mr. Byler if he was for or against raising the jackpot amount from \$100 to \$250 and Mr. Byler answered that he was opposed to any increase in the prize amount.

Janet Scott - Ms. Scott indicated that she has been a bingo caller for twenty years. She stated that the games at Pop's Bingo World were too expensive for many players. She noted that another bingo enterprise, Diversity Bingo, was more cost friendly. Ms. Scott stated that if video pull tabs were going to be used then some thought had to be given to players who could not afford to play. She suggested looking at pricing and costs that were associated with the various bingo halls.

Otis Luttrell, bingo Chairman, Manassas Elks Lodge #2512 - Mr. Luttrell stated that he was against any increase in the jackpot amounts because it would favor large games. If the prize money were increased to \$250 per game and the total jackpot increased to \$1,200, then most halls in his areas would not be able to hold enough players to be profitable and most small games would be put out of business. Mr. Luttrell also stated that the two-day limitation on gaming should be maintained because it would be a problem for many of the smaller organizations to get enough volunteers to staff the additional days. In addition, Mr. Luttrell maintains that basing the

percentage to charity on net proceeds is a bad idea because it would create an issue with the Internal Revenue Service because so little would be going to the charity.

Steve Burton - Mr. Burton indicated that he was associated with the Virginia Speed Skaters Association, which is one of the organizations that hold bingo games at the Pop's Bingo World facility. He stated that the prize money should not be increased and that organization should spend more time on increasing the player's experience. He further stated that the Subcommittees should pursue Lucky Seven games because the games increase the player's experience and add money to the organizations because there is not a winner every game.

Delegate Albo stated that there was a need to have market research done to determine what the players wanted. He suggested that the Subcommittees look into the possibility of having some form of market research done.

Ronald Hicks, President, Virginia Elks - Mr. Hicks stated that he was concerned about the competitive nature of bingo organizations and that there was a need to level the playing field. He asserted that the current system was not broken and asked that the payouts not be increased. Mr. Hicks maintained that the vast majority of licensed bingo games are small and they are struggling to make enough money to support their charities. He did not favor increasing the number of gaming days from two to four days because it will hurt the smaller organizations

Gary Briggs- Mr. Briggs indicated that he was a member of an American Legion Post in Stafford County. He stated that raising the price amount to \$250 would put his organization out of business because his hall, which holds about 125 people, could not hold enough people to support the games.

At the conclusion of the public comment segment, Chairman Jones thanked all of the participants. He stated that the Subcommittees would be polled for the next meeting.

The Honorable S. Chris Jones Chair
Maria J.K. Everett, Senior Staff Attorney