

# Virginia Gaming Commission Operating Model

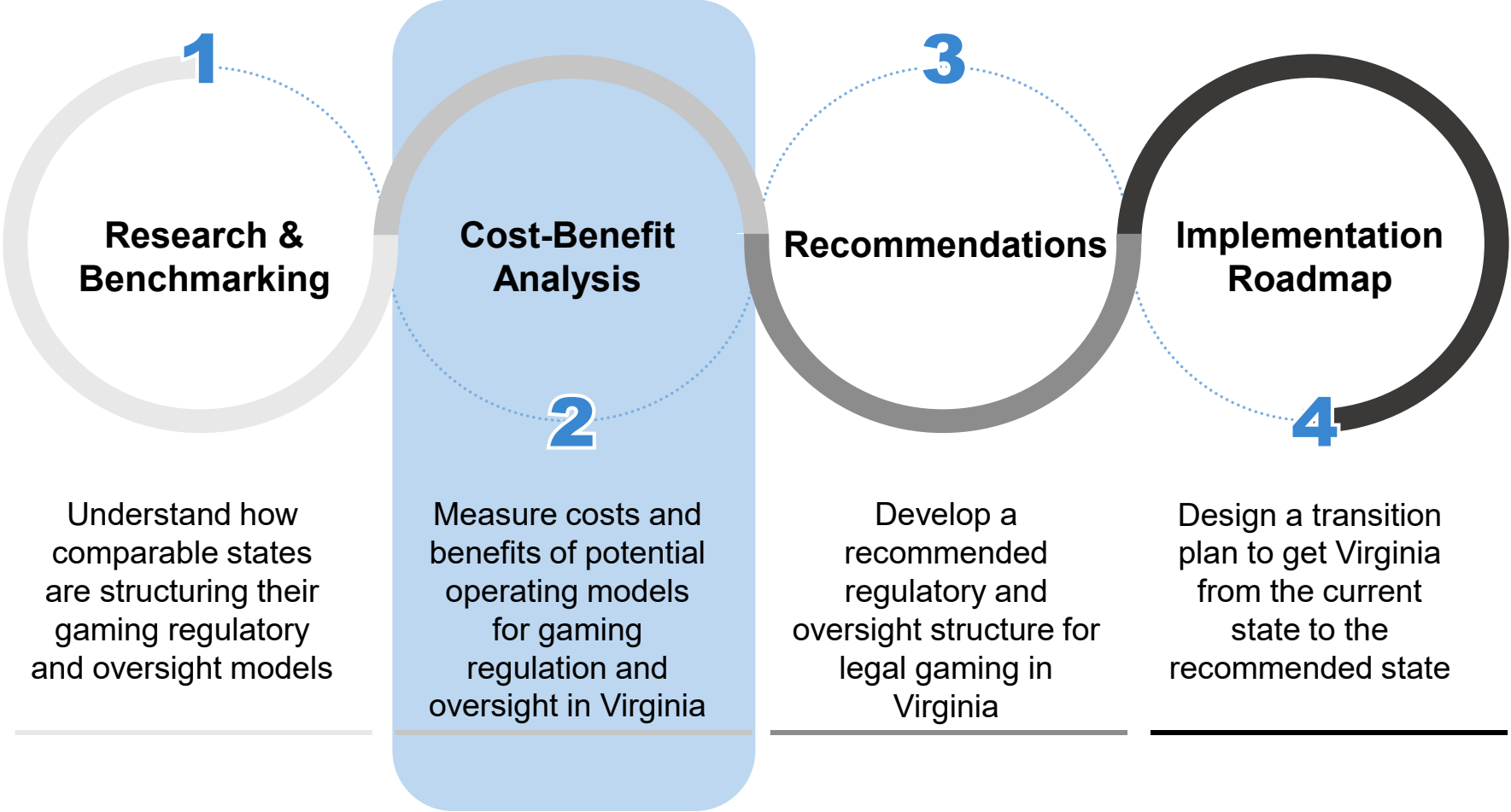
May 21, 2024



# Agenda

1. Engagement Overview
2. Current Gaming Landscape in Virginia
3. Consolidation Considerations
4. Scale of Consolidation
5. Next Steps
6. Appendix

# Engagement Overview



# 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 ( <i>Note: limited operations</i> ) <sup>1</sup>	2,870	
VDACS	Charitable gaming <sup>2</sup>	1,390	1/1/23 – 12/31/23
	Fantasy contests <sup>3</sup>	Not reported	
VRC	Historical horse racing (HHR)	4,160	1/1/23 – 12/31/23
	Live horse racing <sup>4</sup>	5	
	Simulcast racing	30	
	Advance-deposit wagering (ADW)	120	

<sup>1</sup> Bristol was operational for the 12-month period, Portsmouth opened in Jan. 2023, and Danville opened in May 2023

<sup>2</sup> Includes bingo, electronic and paper pull-tabs, and raffles. *Note: poker was not live in 2023*

<sup>3</sup> 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

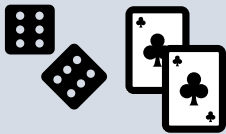
<sup>4</sup> Includes live Thoroughbred racing, live Harness racing, and live Steeplechase wagering

## Gaming in Virginia by the Numbers

**\$1 Billion**



Gaming revenue generated in 2023



**3** Operating casinos<sup>5</sup>  
in Danville,  
Bristol, and  
Portsmouth

**\$636 Million** in  
sports bets placed  
in March 2024

**2,790**



HHR terminals

**27** Live

Thoroughbred  
racing days



**218** Charitable gaming  
licenses issued in FY 2023

**BINGO**

<sup>5</sup> A casino is authorized but not yet operational in Norfolk. SB628 (2024) also added Petersburg to the list of cities eligible to host a casino in the Commonwealth pending referendum and reenactment.

# Consolidation Considerations

<div>Decentralized</div> <div>Centralized</div>	Relative Benefits	Relative Costs
	<ul style="list-style-type: none"><li>Minimizes potential conflicts of interest</li><li>Limited short-term transition costs</li></ul>	<ul style="list-style-type: none"><li>Scaling difficulties and potential duplication of efforts</li><li>Multiple points of contact and accountability for players, legislators, operators, etc.</li><li>Unclear who will regulate emerging gaming types</li></ul>
	<ul style="list-style-type: none"><li>Economies of scale (e.g., workforce, technology)</li><li>Streamlined, standardized approach to regulation and oversight (e.g., licensing, investigations, auditing)</li><li>Easier to facilitate a state-wide problem gambling strategy</li><li>Single source of specialized information and resources</li><li>Transparency and accountability sit with one or few entities</li><li>Easier to respond to emerging gaming types</li></ul>	<ul style="list-style-type: none"><li>Potential for conflicts of interest</li><li>Potential for short-term competition among agency objectives and cultures during transition</li><li>Transition costs and coordination</li><li>New staff and technology systems</li></ul>

# Scale of Consolidation

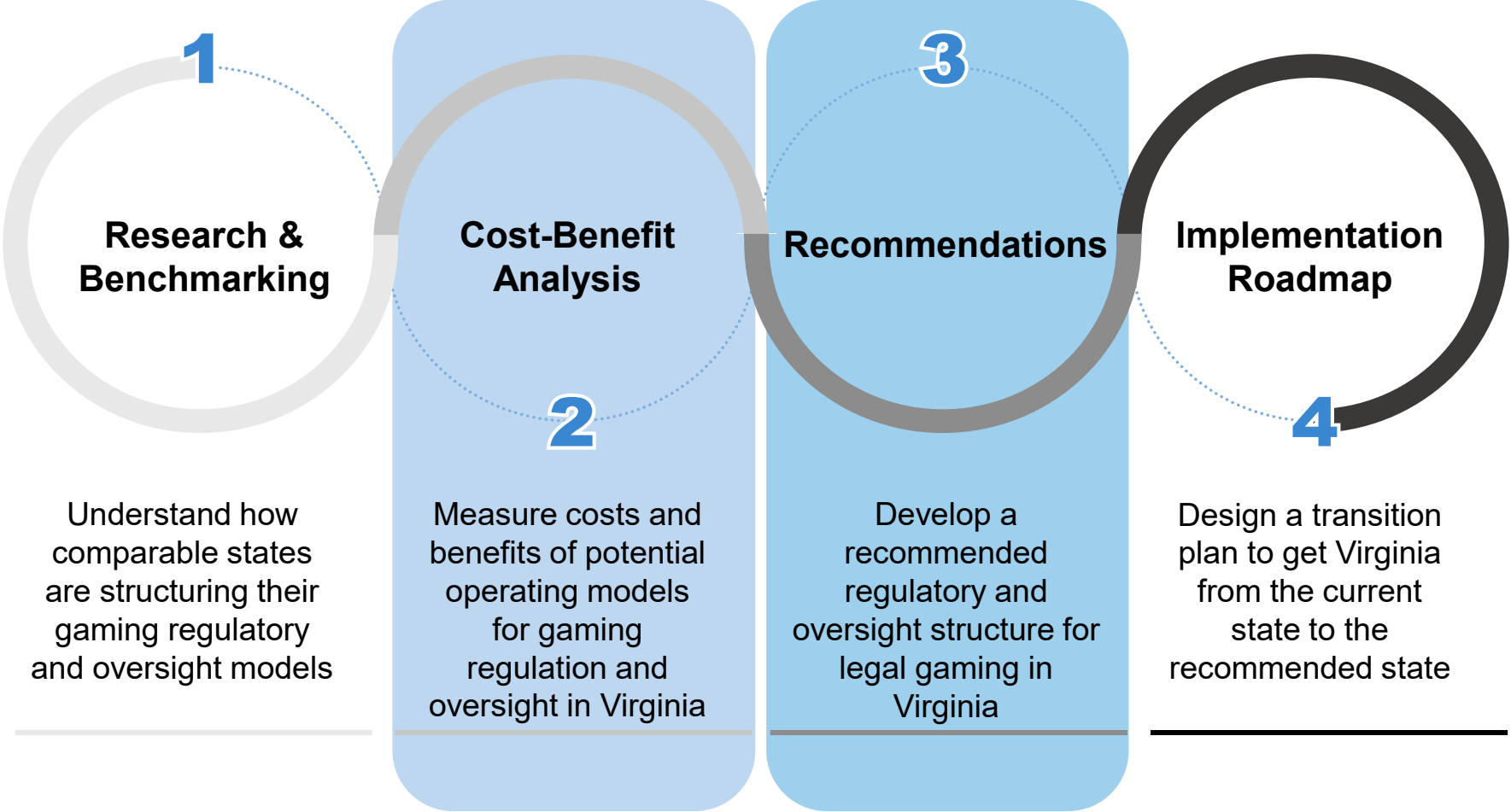
Decentralized	Lottery		VDACS	VRC		Peer states with similar models <sup>1</sup>
	<ul style="list-style-type: none"><li>• Lottery</li><li>• iLottery</li></ul>	<ul style="list-style-type: none"><li>• Sports wagering</li><li>• Casinos</li></ul>	<ul style="list-style-type: none"><li>• Charitable gaming</li><li>• Fantasy contests</li></ul>	<ul style="list-style-type: none"><li>• HHR</li><li>• Live horse racing</li></ul>	<ul style="list-style-type: none"><li>• Simulcast racing</li><li>• ADW</li></ul>	
	New gaming types <sup>2</sup>					
Option A Consolidation	Lottery	VGC			VRC	<ul style="list-style-type: none"><li>• Indiana</li><li>• New Jersey</li><li>• Ohio</li><li>• Pennsylvania</li></ul>
	<ul style="list-style-type: none"><li>• Lottery</li><li>• iLottery</li></ul>	<ul style="list-style-type: none"><li>• Sports wagering</li><li>• Casinos</li><li>• Charitable gaming</li></ul>	<ul style="list-style-type: none"><li>• Fantasy contests</li><li>• HHR</li><li>• New gaming types<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• Live horse racing</li><li>• Simulcast racing</li><li>• ADW</li></ul>		
Option B Consolidation	Lottery	VGC				<ul style="list-style-type: none"><li>• Michigan</li><li>• Massachusetts</li></ul>
	<ul style="list-style-type: none"><li>• Lottery</li><li>• iLottery</li></ul>	<ul style="list-style-type: none"><li>• Sports wagering</li><li>• Casinos</li><li>• Charitable gaming</li></ul>	<ul style="list-style-type: none"><li>• Fantasy contests</li><li>• HHR</li><li>• New gaming types<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• Live horse racing</li><li>• Simulcast racing</li><li>• ADW</li></ul>		
Option C Consolidation	Lottery/VGC				VRC	<ul style="list-style-type: none"><li>• Maryland</li></ul>
	<ul style="list-style-type: none"><li>• Lottery</li><li>• iLottery</li></ul>	<ul style="list-style-type: none"><li>• Sports wagering</li><li>• Casinos</li><li>• Charitable gaming</li></ul>	<ul style="list-style-type: none"><li>• Fantasy contests</li><li>• HHR</li><li>• New gaming types<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• Live horse racing</li><li>• Simulcast racing</li><li>• ADW</li></ul>		
Option D Consolidation	Lottery/VGC					<ul style="list-style-type: none"><li>• No peer states</li></ul>
	<ul style="list-style-type: none"><li>• Lottery</li><li>• iLottery</li></ul>	<ul style="list-style-type: none"><li>• Sports wagering</li><li>• Casinos</li><li>• Charitable gaming</li></ul>	<ul style="list-style-type: none"><li>• Fantasy contests</li><li>• HHR</li><li>• New gaming types<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• Live horse racing</li><li>• Simulcast racing</li><li>• ADW</li></ul>		
Additional Decision Point	Independent Agency vs. Executive Branch Agency <sup>3</sup>					

<sup>1</sup> Out of seven peer states, charitable gaming is only regulated by the gaming commission in Indiana. Peer states were identified based on gaming environment, population, gaming revenue, median income, and geographic proximity.

<sup>2</sup> New gaming types that may be authorized in the future

<sup>3</sup> Executive branch agencies are subject to the requirements of the Virginia Public Procurement Act, the Personnel Act, and the Virginia Information Technology Access Act, and receive budgetary funding from the Appropriations Act

# Next Steps



# Appendix



# Engagement Background

## Study Mandate<sup>1</sup>

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, and the Virginia Racing Commission, 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.

<sup>1</sup> Language from HJR 548 (2023) and the Appropriations Act (2023 Special Session I). HJR10 and SJR12 (2024) continue the study and Joint Subcommittee.