



Joint Subcommittee to Study the Feasibility of Establishing the Virginia Gaming Commission

June 17, 2024, at 2:00 p.m.

General Assembly Building, Senate Room A, Room 305

<https://studies.viriniageneralassembly.gov/studies/667>

The Joint Subcommittee to Study the Feasibility of Establishing the Virginia Gaming Commission (the Joint Subcommittee) met in Richmond with Senator Bryce E. Reeves, chair, presiding.¹ The meeting began with opening remarks followed by presentations and discussion. Materials presented at the meeting are accessible through the [*Joint Subcommittee's meetings webpage*](#).

Presentation: Virginia Gaming Commission Study — Cost-Benefit Analysis

Colin Hood, Director, Guidehouse

Julie Wedig, Managing Consultant, Guidehouse

Anaita Kasad, Engagement Partner, Guidehouse

Mr. Hood provided an update on the work that Guidehouse has done on behalf of the Joint Subcommittee, including the following key takeaways from the cost-benefit analysis of the four options for the consolidation of gaming in Virginia: (i) all options for a consolidated Virginia Gaming Commission are feasible, (ii) the benefits of consolidation options appear to outweigh the one-time transition and new ongoing operational costs, and (iii) any challenges and new costs associated with consolidation can be mitigated through governance structures and future cost savings, respectively.

He also explained the benefits of consolidation as they relate to improved mission delivery, noting the possibility of enhanced regulation and oversight across gaming types in Virginia including efficient background checks and issuance of licenses, knowledge sharing and development of institutional knowledge across auditing and compliance experts, and improved analytics, reporting, and potential improvements of compliance processes due to centralization of compliance-related data. He also explained how consolidation allows for the improved ability to forecast revenues for gaming types and easier communication, data collection, and logistical coordination to support the problem gambling work of the Department of Behavior Health and Developmental Services (the Department) and the Virginia Council on Problem Gambling.

Ms. Kasad highlighted the benefits of transparency and streamlined communication through consolidation, which include (a) clarifying the points of contact for key stakeholders by creating a single source of specialized information and resources for gaming and allowing for more effective collaboration with the Virginia State Police Office of Gaming Enforcement in order to combat gaming-related criminal activity across all gaming types, (b) increasing transparency through centralized annual reporting to the public and state government, and (c) ensuring that

¹ **Members Present:** Senator Bryce E. Reeves (chair), Delegate Paul E. Krizek (vice-chair), Senator Adam P. Ebbin, Senator Jeremy S. McPike, Delegate Terry L. Austin, Delegate David L. Bulova

Members Absent: Senator Todd E. Pillion, Delegate Luke E. Torian

accountability for gaming regulation and oversight across Virginia lies with one entity, such as the Virginia Gaming Commission, or fewer entities than it does currently.

Ms. Wedig explained how consolidation can position the Virginia Gaming Commission to leverage future synergies and scale with industry growth and gave examples of how staff could be cross-trained in functions that are similar across gaming types, minimizing the impact from periods of increased workload for certain gaming types through strategic collaboration, and how technology could be consolidated to streamline key processes. She also explained the relative costs associated with consolidation, such as hiring new staff, and presented the number of estimated staff needed and the approximate additional annual cost of staffing for each consolidated option. She also noted operational and transition costs, including potential acquisition or expansion of office space, public awareness campaigns, consolidation of internal operation procedures and policies, and branding and marketing costs.

Mr. Hood explained that consolidation carries the risk of potential conflicts of interests between gaming types and noted that the Virginia Lottery is operated by the Commonwealth and runs as a business with revenue generation as a key goal whereas the Commonwealth serves a regulatory and oversight role for other forms of gaming with no incentive to promote one kind of gaming over another.

He also explained the technology costs associated with consolidation, noting that there are minimal immediate technology costs required for consolidation and that the potential for long-term cost savings as well as operation benefits and efficiencies exists.

Mr. Hood noted the three key decisions that need to be made across all four options for the consolidation of gaming in Virginia: (1) whether the Virginia Lottery/iLottery should remain a separate entity; (2) whether racing, including live horse racing, simulcast racing, and advance-deposit wagering, should be regulated separately; and (3) whether the new gaming commission should be an independent or executive branch agency. He also explained the benefits of being independent, noting that 81 percent of gaming commissions in the United States are independent organizations and two years is the typical timeline that other states have followed for consolidation.

Finally, Mr. Hood said that the next steps in the study process are for Guidehouse to develop a recommended regulatory and oversight structure for legal gaming in Virginia and to design a transition plan.

Presentation: Virginia's Problem Gambling Treatment and Support

Anne Rogers, Department of Behavioral Health and Developmental Services

Dr. Carolyn Hawley, Virginia Council on Problem Gambling

Dr. Hawley said that the number of calls to the Virginia Problem Gambling Helpline increased 117 percent from 2020 to 2023 and currently averages 90 to 95 intake calls per month. She also outlined the impact of the Virginia Partnership for Gaming and Health (the Partnership), which brings together state agencies, the Virginia Council on Problem Gambling, and health care providers throughout the Commonwealth to provide treatment services for individuals who need support for problem gambling. She noted that the linchpin of the Partnership's treatment and recovery model is peer recovery specialists and that five such specialists currently serve the Department's five regions of the Commonwealth. She also provided the Partnership's data for the first quarter of 2024, including referrals, intakes, and clinical services, noting that the



demographic trends in gambling addiction were shifting and younger males were developing problems faster.

Dr. Hawley indicated that the top three most prevalent modes of gambling are slots at casinos, skill games, and sports betting. She indicated that Virginia is behind some comparable states in its state allocations for problem gaming and also noted that Maryland has almost double the number of peer recovery specialists as compared to Virginia.

Ms. Rogers discussed the Problem Gambling Treatment and Support Fund (the Fund) and how services to address problem gambling are being delivered in the Commonwealth. She noted that enrollments in the Virginia Lottery's voluntary exclusion program for those individuals who wish to exclude themselves from Virginia sports betting, casino gaming, and account-based lottery showed a steady increase across the two-year, five-year, and lifetime categories. She also discussed current funding needs for the Fund and gave an overview of how the Department coordinates and collaborates between the gaming regulatory agencies in Virginia.

Presentation: Mobile Sports Wagering — A Snapshot of Virginia's Legalized Marketplace

Sarah Koch, Of Counsel, Orrick

Ms. Koch provided a regional snapshot of legal mobile sports betting in Virginia, noting that there are 15 licensed online sportsbooks operating in the Commonwealth and that sports betting adjusted gross revenue in Virginia showed steady growth from 2021 to 2023. She noted that Virginia ranks in the top 12 in revenue per adult among states with competitive, multi-operator markets coming in at about \$81 per adult. She also said that Virginia has a developing sports betting market that shows room for continued growth and noted that sports betting generated nearly \$175 million in additional tax revenue for Virginia from January 2021 through April 2024, including \$4.4 million directed to the Fund. Ms. Koch also highlighted the consumer protection framework that is in place in the Commonwealth, pointing out that a coalition of gaming operators have also created the Responsible Online Gaming Association to conduct independent studies and research in an effort to promote responsible online gaming.

Presentation: An Overview of Fantasy Contests in the Commonwealth

John Mohrmann, Senior Government Affairs Manager, DraftKings, Fantasy Sports Alliance

Mr. Mohrmann presented a brief overview of fantasy contests in Virginia, including their legalization by the Fantasy Contests Act (McDougle, 2016); their regulatory oversight by the Department of Agriculture and Consumer Services; the financial requirements for fantasy contest operators in Virginia, which include an \$8,300 registration fee and no tax rate; and the number of operators currently registered in Virginia, which is 17. He explained the statutory definition of "fantasy contest," noting that clause (ii) of the definition, which provides that "all winning outcomes reflect the relative knowledge and skill of the participants and shall be determined by accumulated statistical results of the performance of individuals, including athletes in the case of sports events," is the primary source of controversy and confusion concerning fantasy contests in Virginia.

He explained that a shift in the offerings by fantasy contest operators from peer-to-peer contests, where players compete against other individuals, to "pick'em-style" contests, where players compete against metrics established by the operator, has created confusion as to whether the latter offerings constitute "sports betting," which is authorized under a different law from the



Fantasy Contests Act and is regulated by a separate entity, and may allow fantasy contest operators to offer sports betting products without paying the appropriate sports betting license fees and taxes and without adhering to sports betting age and wagering restrictions.

Mr. Mohrmann explained Virginia Attorney General Opinion 23-058 (2023), which provided that gambling arrangements that involve customers betting on athletes' performance metrics against an operator's established baseline, rather than against other contest participants, constituted sports betting, not fantasy contests. He noted that, despite the Attorney General's opinion, neither the Department of Agriculture and Consumer Services nor the Virginia Lottery has enforced the legal position provided by the Commonwealth, and several fantasy contest operators continue to offer "pick'em-style" contests. He emphasized that the Attorney General's opinion was not unique and said that other state gaming control agencies, including those in Maryland, Maine, and New York, issued similar opinions over the past two years. Lastly, he highlighted that while Virginia was one of the earliest authorizers of fantasy contests, other states such as Maryland and Iowa provide a more robust regulatory scheme.

Presentation: An Overview of Internet Gaming

Michelle MacGregor, Senior Policy Advisor, Sports Betting Alliance

Ms. MacGregor provided an overview of the background and current state of Internet gaming, also known as "iGaming," outlining the current size of illegal iGaming operations and stating that Americans bet nearly \$338 billion with illegal iGaming operators in 2021. She said that, generally, iGaming involves online casino games of chance and that eight states have legalized iGaming and 10 other states have considered legalization bills over the past year. She explained that three states near Virginia — Delaware, Pennsylvania, and West Virginia — have legalized iGaming, adding that North Carolina and Maryland have recently considered legislation that would legalize the practice, and provided a brief overview of typical regulatory frameworks for iGaming, noting that they typically mirror regulatory frameworks for sports betting operations.

Ms. MacGregor outlined existing consumer protection measures for regulated iGaming markets, emphasizing the typical components included in legislation and regulation, including age, identity, and location verification, user self-limitation protections, monitoring and intervention capabilities, and problem gaming hotlines.

She said that, according to a 2022 study by the American Gaming Association, Virginia's illegal iGaming market equates to \$350 million per year in gross gaming revenue and referenced a study that found that Virginia could generate an additional \$5.3 billion dollars in new taxable revenue over a five-year period if it legalized iGaming. She also said that iGaming legalization could spur growth in employment at land-based gaming operations as well.

Presentation: Casino Gaming on Cruise Ships in the Offshore Waters of the Commonwealth

Frank Wagner, Princess Cruise Lines

Tray Adams, McGuireWoods Consulting

Mr. Wagner presented a brief history of cruise line activity in Virginia and said that cruise schedules for 2025 are estimated to bring 100,000 passengers into Norfolk and that those passengers are expected to bring \$15 million into Virginia's economy. He also outlined the requirements for membership in the Cruise Line International Association, a cruise industry trade association that requires members to adopt guidelines regarding casino operations. Mr. Adams



discussed the rules and regulations regarding shipboard casinos and outlined actions taken in other states related to taxes and fees and how the relative time that cruise ships spend in the waters of a particular state impacts taxes and fees.

Public Comment

The Joint Subcommittee heard three public comments that were submitted online, all of which opposed legalizing cruise ship casino gaming in the offshore waters of the Commonwealth.

Next Meeting

No date was set for the next meeting of the Joint Subcommittee.

For more information, see the [*Joint Subcommittee's website*](#) or contact the Division of Legislative Services staff:

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