Virginia Gaming Commission Operating Model



Agenda

- # Topic
- 1 Introduction
- 2 Overview of Recommendations
- 3 Potential Option for VGC Transition Readiness Governance
- 4 Appendix



History of the Virginia Gaming Commission Study

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



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



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



JLARC Report

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



HJR 10/SJR 12

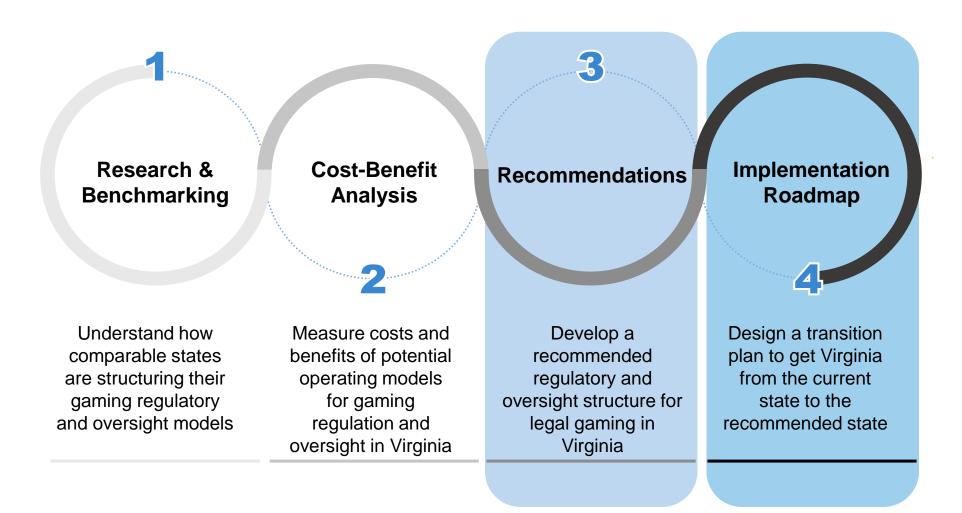
Continued the joint subcommittee to study the feasibility of establishing the Virginia Gaming Commission for two additional years, through November 30, 2025



Recommendations

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

Engagement Progress



Agenda

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Setting up the Virginia Gaming Commission for Success

The recommended operating model aligns with the following design principles:

- Maintaining funding of beneficiaries
- Providing the best support to prevent, treat, and provide recovery services for problem gamblers
- Allowing existing employees to continue to serve their customers while benefiting from cross-training opportunities and additional resources
- Creating a structure that can effectively regulate diverse gaming types and is sustainable for new gaming types
- Allowing the Commonwealth to understand new gaming types and their impact to the existing gaming landscape
- Bolstering the accountability ecosystem through consistent compliance and regulatory standards
- Providing state and local law enforcement, industry, the public, and other stakeholders with a single point of contact and information



Executive Summary: Recommendations (1/2)

The General Assembly may wish to consider the following recommendations:

- 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
- Creating the Virginia Gaming Commission (Board) and assigning it regulatory and oversight responsibilities over all gaming types except live horse racing and the lottery
- Maintaining the Virginia Racing Commission (Board) and transferring HHR, ADW, and simulcast racing regulatory and oversight responsibilities to the Virginia Gaming Commission (Board)
- Directing the Charitable Gaming Board to advise the Virginia Gaming Commission on all aspects of the conduct of charitable gaming in Virginia
- 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 prevention, recovery, and treatment efforts
- 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:

- 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
- Maintaining existing beneficiaries of revenue streams from each gaming type (e.g., HHR revenue continuing to support the live horse racing industry)
- Directing the Virginia Gaming Commission to review consolidating technology systems to increase efficiency of core functions (e.g., licensing, auditing)
- Directing the Virginia Gaming Commission to develop a standardized approach for reporting to the General Assembly on a regular basis across all gaming types
- Following implementation of the consolidated gaming commission, consider how to further invest in gaming enforcement
- Following the successful launch of the Virginia Gaming Commission, reconsider Virginia Lottery operations consolidation

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Potential Option for VGC Transition Readiness Governance

To continue carrying out foundational work for the future Virginia Gaming Commission, a temporary transitional body could be established for the next phase of the VGC's transition:

Stakeholder	Potential Members	Potential Responsibilities	
Virginia Gaming Transition Oversight Committee	Members of the General Assembly and relevant agency heads (e.g., Lottery, VDACS, VRC)	Provide legislative oversight and policy direction (as needed) to enable the foundational work needed for the Virginia Gaming Commission until permanent governance is established.	
Legislative Transition Executive Committee	Subgroup of General Assembly members from the Virginia Gaming Oversight Committee	Make decisions and provide direction to the work of the PMO team and guide broader decisions related to the VGC (as appropriate).	
Project Management Office (PMO)	Team led by Division of Legislative Services (DLS)	Serve as the PMO, with PMO staff leading transitional work under the direction of DLS on behalf of the Virginia Gaming Oversight Committee and its Executive Committee. Assistance would be provided by key Virginia agencies as needed (e.g., DHRM, DGS, VITA).	

Sample VGC Transition Readiness Tasks

- Facilitate options for facilities transition
- Prepare and begin technology application rationalization
- Collect and analyze data, documentation, processes, and financials for each agency/group expected to transition
- Develop and execute change management plan

- Plan and set up transition workstreams
- Establish hiring priorities and develop recruitment strategy
- Prepare job descriptions/EWPs for new roles in VGC
- Conduct staffing analysis (in partnership with DHRM)
- Assist in developing branding and marketing materials



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Engagement Background

Study Mandate¹

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 costbenefit analysis consistent with the establishment of the Virginia Gaming Commission or any other gaming regulation and oversight consolidation options.
- 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



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

	VA Lottery	
Option B Consolidation	LotteryiLottery	Sports wageringCasinosCharitable gaming

 Fantasy contests Live horse racing HHR

VGC (Independent Agency)

New gaming types¹

· Simulcast racing

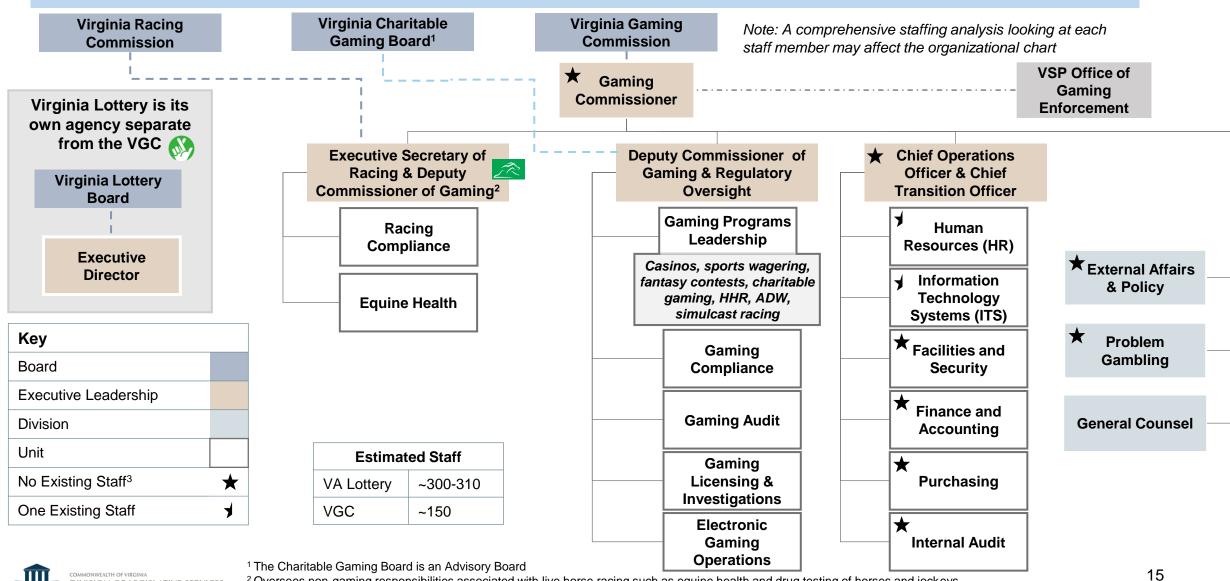
ADW

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 gamingrelated criminal activity across all gaming types



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)



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 live horse racing and the lottery

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.



Recommendation 3: Creating the Virginia Gaming Commission (Board) and assigning it regulatory and oversight responsibilities over all gaming types except live horse racing and the lottery

Virginia Charitable **Virginia Gaming** Virginia Racing Note: A comprehensive staffing analysis looking at each Gaming Board¹ Commission Commission staff member may affect the organizational chart **VSP** Office of Virgi **Virginia Gaming Commission (Board)** own The Virginia Gaming Commission (Board) could regulate and oversee all gaming types in the Commonwealth, except for live horse racing and 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 airs Providing recommendations to the Gaming Commissioner and studying the future direction of gaming in the Commonwealth Conflict of Interest Key VGC board members shall have no direct or indirect ownership, financial interests, or management interests in any gaming Board activities or services in connection with any gaming establishment or gaming activity Executiv Consideration Division isel Other stakeholders (e.g., VSP, member of VRC, member of Charitable Gaming Board, Executive Secretary of Racing) could Unit serve in an ex-officio capacity No Existing Co Note: The Virginia Lottery Board would continue to promulgate and adopt regulations governing the establishment and operation of the lottery **Operations**

² Oversees non-gaming responsibilities associated with live horse racing such as equine health and drug testing of horses and jockeys

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¹ The Charitable Gaming Board is an Advisory Board

³ Requires all new hires

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

Virginia Charitable Gaming Board¹

Virginia Gaming Commission

Gaming

Co

Note: A comprehensive staffing analysis looking at each staff member may affect the organizational chart

VSP Office of

Vii

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

Operations

- 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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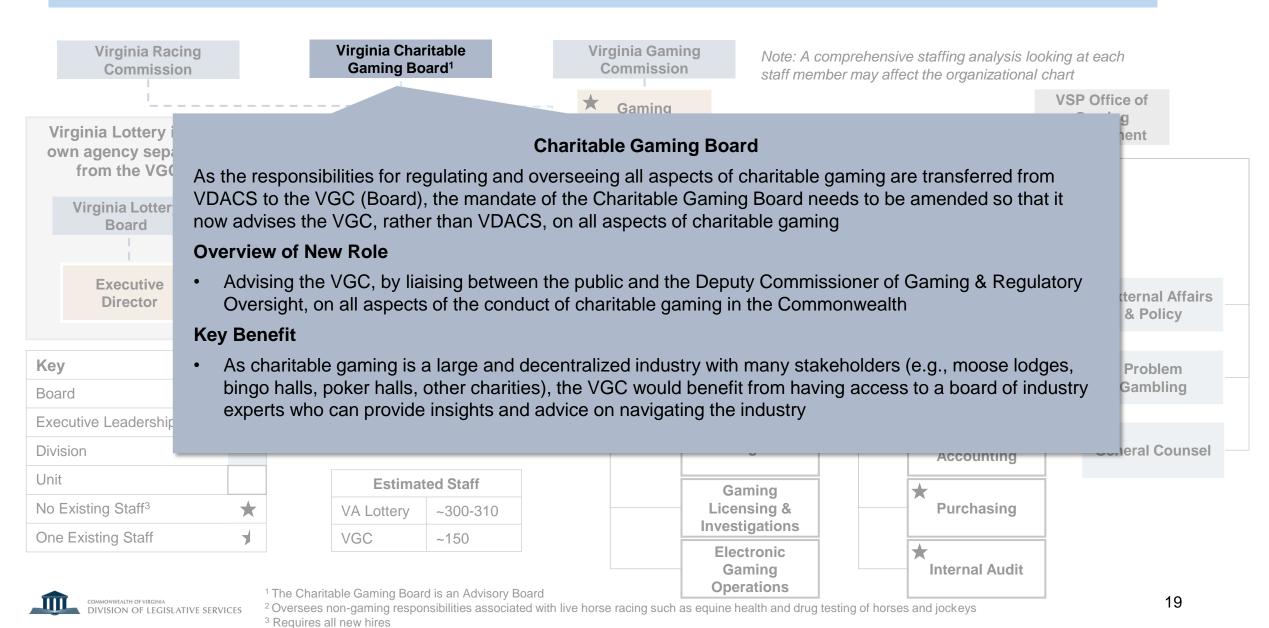
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¹ The Charitable Gaming Board is an Advisory Board

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



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

Virginia Charitable Virginia Gaming Virginia Racing Note: A comprehensive staffing analysis looking at each Gaming Board¹ Commission Commission staff member may affect the organizational chart **VSP Office of** Gaming Virg **Enforcement VGC Problem Gambling Division** owr 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 **External Affairs** Developing and directing funding for an annual research agenda to inform problem gambling policy & 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) Key **Problem** Gambling Supporting helpline operations Board Collecting and disseminating problem gambling data Execu **General Counsel** Coordinating with Virginia universities to further research problem gambling Divisio Unit Working with the VGC External Affairs and Policy Division to recommend legislation to research and provide prevention, treatment, and recovery services for problem gamblers No Ex **Key Benefit:** Enhanced problem gambling research, prevention, treatment, and recovery services One E

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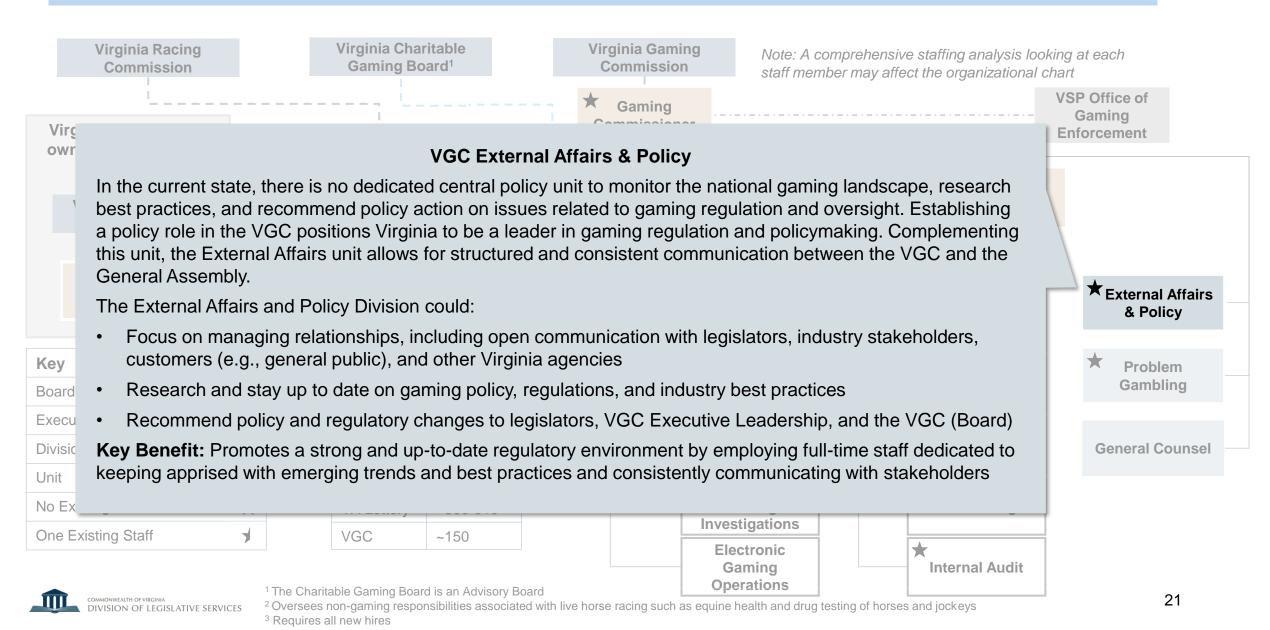
¹ The Charitable Gaming Board is an Advisory Board

Operations

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



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

Virginia Racing

Key Responsibilities

- Establish long-term strategic direction for agency, balancing priorities of each division
- Confer regularly with the Board on the regulation and oversight of gaming types under the VGC's purview
- Serve as a central point of contact for all policy matters related to existing and new gaming types except lottery*
- Make agency staffing decisions
- Report regularly to the Governor, the Secretary of Finance, the Chairmen of the Senate Committee on Finance and Appropriations, House Committee on Finance, and House Committee on Appropriations

*The Executive Director of Lottery would serve as the central point of contact for all policy matters related to the lottery



Executive Secretary of Racing & Deputy

Commissioner of Gaming²

Deputy Commissioner of Gaming & Regulatory Oversight Chief Operations Officer & Chief Transition Officer

Key Responsibilities

- Establish strategic direction for, direct, and oversee all activities of the division, specifically live horse racing regulation
- Develop, maintain, and monitor relationships with other state agencies, horse industry stakeholders, the news media and the national horse racing industry
- Oversee the day-to-day operations of regulating live horse racing
- Serve as a member of the Association of Racing Commissioners International's Board of Directors and Model Rules Committee

Key Responsibilities

- Establish strategic direction for, direct, and oversee all activities of the division, specifically compliance, audit, licensing and investigations, and electronic gaming operations
- Ensure that gaming is conducted in strict compliance with laws and regulations set forth in Virginia Code
- Oversee the day-to-day operations of regulating gaming
- Assist in the formation and administration of the agency's comprehensive, multi-faceted gaming regulation operations

Operations

Key Responsibilities

- Establish strategic direction for, direct, and oversee all activities of the division, specifically HR, finance and accounting, information technology services, and facilities and security
- Collaborate with VGC Executive Leadership to set and drive the organizational vision, operations and IT strategy, and hiring plan
- Strategically allocate resources to support the regulatory and oversight functions of the VGC
- Lead the transition process to ensure continuity of operations



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 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

Lottery: MS Technologies

VDACS: Oracle/Excel

VRC: Network drive

Future State

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

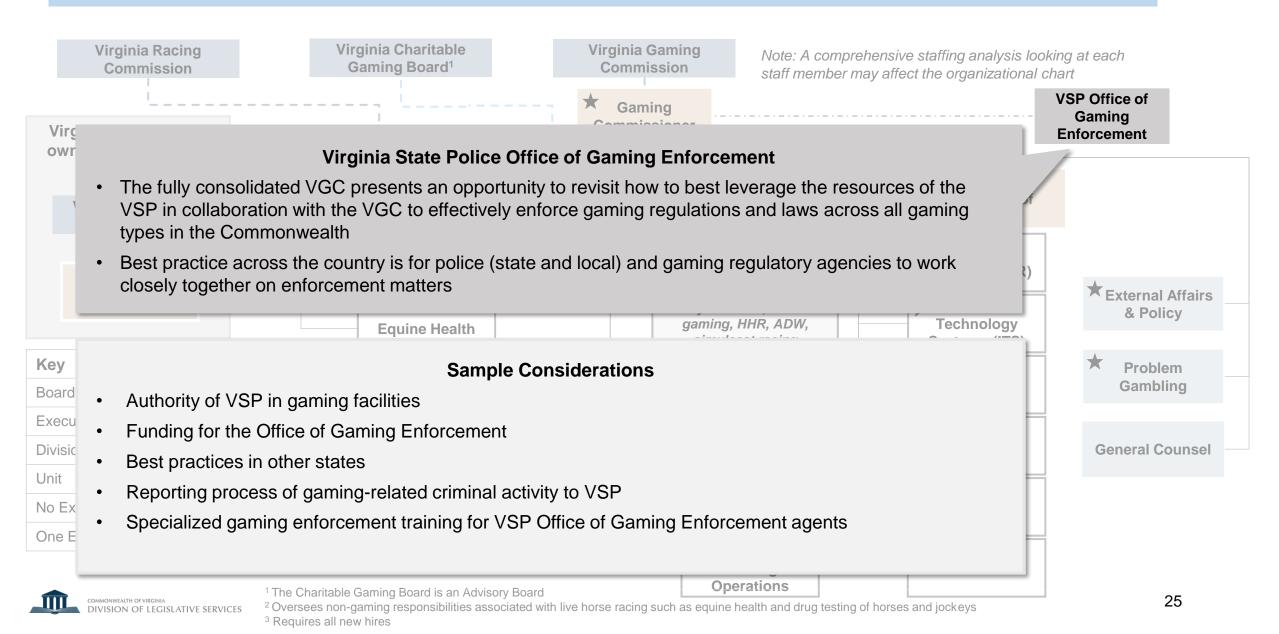
Benefits of Centralized Reporting Requirements

- 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



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 wageringCasinosCharitable gaming	 Fantasy contests HHR New gaming types¹ 	Live horse racingSimulcast racingADW

Long-term option

Option D Consolidation

- Lotterv iLottery
- Sports wagering
 - Casinos
 - Charitable gaming
- Fantasy contests
- HHR

VGC

New gaming types

- Live horse racing
- Simulcast racing
- ADW