

VIRGINIA LOTTERY
Board Meeting
April 9, 2025

The Virginia Lottery Board met on April 9, 2025, at 9:30 a.m. at Lottery Headquarters in Richmond, Va. A livestream link to the meeting was available on the Virginia Regulatory Town Hall website. A video recording of the meeting can be viewed here:

<https://youtu.be/QDe1btZXOKk>

MEMBERS PRESENT: Ferhan Hamid, Chairman
Adam Tolbert, Vice Chairman
Jonathan Comer
Orrin Gallop
Cynthia Lawrence
Sherry Williams

PARTICIPATING VIA
ELECTRONIC MEANS: Scott Price

STAFF PRESENT: Khalid R. Jones, Executive Director
Amy Dilworth, General Counsel
Deborah Courtney, Deputy Executive Director of Finance and
Administration
Ray Dunkle, Deputy Executive Director of Gaming Compliance
Jennifer Mullen, Deputy Executive Director of Communications
and Customer Relations
Tony Russell, Deputy Executive Director of ITS and Operations
Jo Murphy, Executive Assistant

Mr. Hamid, chairman, presided, and Jo Murphy was the recording secretary.

CALL TO ORDER

Mr. Hamid called the meeting to order and noted that a quorum was present. Mr. Price participated remotely pursuant to Virginia Code section 2.2-3708.3 (2022). He received approval to participate remotely from the Board chairman after complying with the statutory notice requirements.

GAMING COMPLIANCE COMMITTEE REPORT

Mr. Comer said that the Gaming Compliance Committee met on February 5, 2025.

On motion duly made by Mr. Comer and seconded by Chief Gallop, the minutes from the Gaming Compliance Committee meeting held on December 20, 2024, were approved as recommended by the committee.

OPERATIONS COMMITTEE REPORT

Mr. Comer said that the Operations Committee met on February 5, 2025. He reported that that Mr. Jones provided a legislative update. Ms. Whitney presented the revised Internal Audit Charter.

On motion duly made by Ms. Williams and seconded by Mr. Comer, the minutes from the Operations Committee meeting held on December 20, 2024, were approved as recommended by the committee.

On motion duly made by Mr. Tolbert and seconded by Ms. Williams, the revised Internal Audit Charter presented at the February 5, 2025, Operations Committee meeting was approved as recommended by the committee.

Mr. Hamid said that the next meetings of the Gaming Compliance Committee and the Operations Committee will be July 9, 2025.

MINUTES OF LAST MEETING

On motion duly made by Ms. Williams and seconded by Mr. Comer, the minutes from the regular Board meeting held on January 14, 2025, were approved as distributed.

DIRECTOR'S REPORT

Mr. Jones provided an update on the Lottery's financial performance through March 31, 2025. Year-to-date profits were the second highest through the third quarter in the Lottery's history. Profits are currently \$43 million ahead of projected profits. Mr. Jones said that iLottery sales are up significantly. Scratcher sales and national jackpot games sales are down, but he said that national jackpot games account for 4% of sales. Those games bring substantial foot traffic and online traffic that support other games. Mr. Jones said that a four-member, on-premises team was recently hired to create a larger retailer footprint with bars and restaurants. He said that there is currently an ongoing pilot with Glory Days, and a pilot with Applebee's is coming soon.

Mr. Jones provided a legislative update. Two bills take effect on July 1, 2025, that pertain to the Lottery. The first bill prohibits the Lottery from disclosing the name, hometown of any individual winner whose prize is \$1 million or greater and exempts such information from disclosure under the Virginia Freedom of Information Act unless the winner consents to such disclosure. The second bill requires those legally authorized to sell Lottery tickets or conduct charitable gaming, horse racing with pari-mutuel wagering and casino gaming in the commonwealth to post, in a conspicuous place on their premises, a sign that bears the toll-free telephone number for the National Problem Gambling Helpline. Mr. Jones provided an update on

DIRECTOR'S REPORT (continued)

the Virginia Gaming Commission. He said that it was included in the governor's budget amendments but not agreed to by the legislature in special sessions held on April 2, 2025. Mr. Jones said that he is proud of the work that the Gaming Compliance team has done and continues to do.

Mr. Jones said that there were several notable highlights from the third quarter. The Lottery was named as a Richmond Times-Dispatch 2025 Top Workplace. This year, the Lottery is in the large (400-899 employees) category. Category winners will be announced on May 7, 2025. He said that the graduation for the Lottery's flagship leadership training program, LEAD, took place on April 16, 2025. Lastly, the 10th annual Thank a Teacher campaign kicked off in March 2025.

Annual SWaM Update

Mr. Jones provided an update on the Lottery's Small, Women-owned and Minority-owned Business (SWaM) program for FY24 based on a previous request from the Board. A SWaM update will take place on an annual basis. Mr. Jones said that real-time information and reporting is available from the Virginia Department of Small Business and Supplier Diversity website. He said that SWaM participation rates are calculated based on eligible spending. Historically, Lottery goals have been the same as the statewide goals even though the Lottery is not subject to these requirements. Goals for FY25 are more aligned with Lottery spending patterns and available industry partners. He shared the results for FY24 as well as the goals for FY25. He also provided examples of SWaM partners used by the Lottery.

BOARD ISSUES

Financial Report

Ms. Courtney provided preliminary results for the first three quarters of FY25. She said that total sales were \$4,246.8 million, which is 3.9% more than last year at this time. Scratcher sales were \$962.0 million, which is 7.5% more than last year at this time. Daily games sales are lagging this year compared to last year. Ms. Courtney also provided updates on Mega Millions and Powerball. Instants (iLottery) continue to experience strong growth.

Ms. Courtney reviewed sales versus prior years. She also reviewed expense rates versus the prior year and versus the forecast. Prize expense was 77.8%, which was 1.2% more than last year (76.6%) and 0.5% less than expected (78.3%). Retailer compensation was 5.8%, which was the same as last year and 0.1% more than expected (5.7%). Operating expenses were 4.0%, which was 0.3% more than last year (3.7%) and 0.3% less than expected (4.3%).

Ms. Courtney provided an update on the year-to-date profits.

BOARD ISSUES (continued)

Ms. Courtney provided an update on taxes from sports betting. She also provided an update on taxes from casinos. She said that there is a graduated tax rate on the Adjusted Gaming Revenue. The first \$200 million in Adjusted Gaming Revenue in a calendar year is taxed at 18%, and the next \$200 million is taxed at 24%. Both Rivers Casino Portsmouth (Rivers) and Caesars Virginia Danville (Caesars Virginia) exceeded \$200 million in Adjusted Gaming Revenue in Calendar Year 2024.

Ms. Courtney provided the tax breakdown for Hard Rock Bristol (HR Bristol), Rivers and Caesars.

Lastly, Ms. Courtney provided an update on the budget process.

Gaming Compliance Update

Mr. Dunkle said that there are currently 14 approved operators, but two operators are non-operational.

Mr. Dunkle provided an update on sports betting renewals for permit holders. He also provided an update on supplier renewals and vendor renewals.

Mr. Dunkle provided an update on the Voluntary Exclusion Program (VEP). As of March 31, 2025, 1,753 individuals are enrolled in the program. He provided the number of active (1,524), inactive (229) and those who have reapplied (42). Mr. Dunkle also provided a breakdown of enrollees by age. He shared a heat map showing active VEP enrollees by region.

Chief Gallop asked if there is any correlation between a down economy and an increased number of VEP enrollees. Mr. Dunkle said that they can investigate this.

Mr. Dunkle provided an update on casinos. He provided the number of active service permits as of March 31, 2025, for gaming (4,208), non-gaming (954) and vendors (827). He also shared the number of supplier permits issued as of March 31, 2025, for key manager (90), manufacturer (22) and contractor (3).

Mr. Dunkle provided an update on HR Bristol. He said that, during the last quarter, his department approved 11 scheduled projects, which involved 384 slot machines, and two table projects involving 15 tables. He said that the Poker Room located in HR Bristol opened in February 2025. He also said that his team is continuing to work with HR Bristol on day-to-day operations.

BOARD ISSUES (continued)

Mr. Dunkle provided an update on Rivers. He said that, during the last quarter, his department approved five scheduled projects, which involved 84 slot machines. Rivers celebrated its two-year anniversary on January 23, 2025. He also said that his team is continuing to work with Rivers on day-to-day operations.

Mr. Dunkle provided an update on Caesars Virginia. He said that, during the last quarter, his department approved 11 scheduled projects, which involved 284 slot machines, and one table project consisting of four tables. He also said that his team is continuing to work with Caesars Virginia on day-to-day operations.

Mr. Dunkle provided an update on the Norfolk casino. He said that the review of all pertinent investigations is in its final stages. Construction activities began in February 2025. Mr. Dunkle said that his team has made an initial visit to the site and will make regular site visits throughout the construction phases. Project meetings have been progressing well, and they are productive for all parties.

Mr. Dunkle provided an update on the Petersburg casino. The Lottery has received the initial organizational structure for review.

Mission Message and Responsible Gaming

Ms. Mullen provided an update on responsible gaming and messaging about the Lottery's mission to support Virginia K-12 public education. She provided an overview of all that the Lottery does specifically in support of National Problem Gambling Awareness Month (March). Ms. Mullen said that the gaming industry has adopted a lighter tone in promoting responsible gaming by focusing on moderation and self-awareness through engaging content. She shared a new PSA that was produced in-house this year.

Ms. Mullen provided a wrap-up of the recent Thank a Teacher Art Contest. Nearly 600 submissions were received. She shared a video of the three surprise presentations. Ms. Mullen thanked Chief Gallop for attending the presentation in Yorktown. She said that, now that the thank-you notecards are ready, it is time to encourage folks to send personal notes to their favorite teachers. She said that more than 70,000 notecard requests have already been received. Lastly, Ms. Mullen shared a video with highlights from our most recent Virginia Lottery Fall Teacher Tour, which was executed in partnership with Northern Virginia influencers Tommy + Kelly.

PUBLIC COMMENT

None.

OTHER BUSINESS

Mr. Hamid said that the next Board meeting is scheduled to take place on July 30, 2025, in Bristol, Va.

BOARD MEMBERS' OPEN DISCUSSION

Mr. Comer asked if there was any more discussion about the future of the Virginia Gaming Commission. Mr. Jones said that the desire for people to want unified gaming regulation is not going away. He stated that our posture remains one of readiness to accept and support any assignment we are given.

Ms. Lawrence said that she learned this week that she was not reappointed to the Board. She said that she was honored to be a part of the Lottery and its Board. Ms. Lawrence said that she was a Board member for 20 years, and she is proud of the accomplishments of the Lottery. She said that she hopes that the vigilance and integrity with which the Lottery operates will continue especially with the continued expansion of gaming in Virginia. Mr. Hamid thanked her for her service.

Chief Gallop said that he has not yet heard if he will be reappointed or not.

Mr. Tolbert thanked Ms. Lawrence and Chief Gallop for their service.

CLOSED MEETING

Mr. Comer made the following motion, which was seconded by Ms. Williams.

In accordance with the provisions of Section 2.2-3712 of the Code of Virginia, I move that the Board convene a closed meeting for the purpose of discussion, consideration, or review of:

Pursuant to subdivision A 17 of Section 2.2-3711, matters relating to specific lottery game design, prize structure and odds of winning; and matters related to proprietary lottery game information excluded from disclosure under subdivision 11 of Section 2.2-3705.7.

RECONVENED MEETING

Following its closed meeting, the Board reconvened in open session. Ms. Lawrence read the following certification for the closed meeting:

WHEREAS, the Virginia Lottery Board has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

RECONVENED MEETING (continued)

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law and the motion by which the closed meeting was convened;

NOW, THEREFORE, BE IT RESOLVED that the Virginia Lottery Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the Board.

By roll call, all members in the room voted in the affirmative that the certification was accurate as read.

On motion duly made by Chief Gallop and seconded by Ms. Williams, the prize structure range adjustment was approved as presented.

On motion duly made by Chief Gallop and seconded by Ms. Williams, the updated prize structures and odds for Virtual Sports (Football) were approved as presented.

On motion duly made by Chief Gallop and seconded by Ms. Williams, the prize structure for Virginia's New Year's Millionaire Raffle was approved as presented.

ADJOURNMENT

There being no further business to come before the Board, the chairman declared the meeting adjourned.

Khalid R. Jones, Secretary

Ferhan Hamid, Chairman