

VIRGINIA LOTTERY  
Gaming Compliance Committee  
December 20, 2024

The Virginia Lottery Board Gaming Compliance Committee met on December 20, 2024, at 9 a.m. at Lottery Headquarters in Richmond, Va.

Members Present:                   Orrin Gallop, Chairman  
  Ferhan Hamid, Board Chairman  
  Jonathan Comer  
  Scott Price  
  Adam Tolbert

Staff Present:                       Khalid Jones, Executive Director  
  Amy Dilworth, General Counsel  
  Deborah Courtney, Deputy Executive Director of Finance and  
  Administration  
  Ray Dunkle, Deputy Executive Director of Gaming Compliance  
  Tony Russell, Deputy Executive Director of ITS and Operations  
  Jo Murphy, Executive Assistant

Chief Gallop, chairman, presided, and Jo Murphy was the recording secretary.

Call to Order

Chief Gallop called the meeting to order and noted that a quorum was present.

Illegal Gaming Enforcement Update

First Sergeant Kevin Johnson, Gaming Enforcement Unit Coordinator for the Virginia State Police, Bureau of Criminal Investigation, Special Investigations & Programs Division, provided an update on illegal gaming enforcement. He provided an overview of how the Gaming Enforcement Unit (GEU) was created. Mr. Johnson said that the purpose of the GEU was to coordinate the enforcement of Virginia's gaming laws across the State Police (Criminal), Virginia Department of Agriculture and Consumer Services (VDACS), the Lottery, the Virginia Racing Commission (VRC) and other state agencies, attorneys for Virginia and local law enforcement. He provided an overview of how the investigations are handled. The GEU predominantly receives its cases from three sources: referrals from state regulatory agencies, the illegal gaming tip line and local and federal law-enforcement. He also provided an overview of the types of cases the unit handles. Mr. Johnson said that the GEU works in coordination with state agencies and local law enforcement. He thanked Amy Dilworth, Ray Dunkle and Ray Dunkle's team for their support. Lastly, he provided an overview of the tip line. He said that it was established in January 2023 and codified under Title 52-54. The three methods of reporting are by telephone, online/web form or text. Mr. Johnson said that they are excited to continue to expand the unit in the upcoming year.

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Mr. Hamid said that there are hundreds of offshore online betting operations that operate in Virginia. He asked Mr. Johnson if they are aware of this issue. Mr. Johnson said that they are aware of the illegal market both in the U.S. as well as offshore markets. He also said that other jurisdictions in other states have issued cease-and-desist letters. Mr. Hamid said that our licensed operators have gone through a rigorous process and expense to be licensed in Virginia. He further said that, if we are not enforcing illegal gambling laws, we are doing a disservice to our licensees. Mr. Johnson said that they can speak with the Virginia Attorney General's office about this in the future.

Mr. Hamid asked how they are handling enforcement of the ban on skill games. Mr. Johnson said that it is a criminal offense for any individual to play the device and for the operator to operate the device. The unit's focus is providing awareness and education to the retailers. He said that there has been ambiguity in the law over the past couple of years. They are working with the Commonwealth's Attorneys to determine who will ultimately be held responsible if the law is broken. Mr. Hamid asked if they have considered sending a letter to retail associations. Mr. Johnson said that some jurisdictions in Virginia have provided letters to businesses and have been successful, but he was not sure if letters have gone to retail associations.

Casino Update

Mr. Dunkle provided an update on the Norfolk casino. He said that he and his team are working with Boyd Gaming regarding what needs to be done to complete Boyd Gaming's application. Mr. Dunkle said that Boyd Gaming has been phenomenal to work with and that the licensing-investigation process is going well. Chief Gallop asked for the projected opening date. Mr. Dunkle said that the projected opening date will be late October 2025 or early November 2025 but no later than November 25, 2025. He also said that the temporary casino will be very small due to the size of the plot of land.

Mr. Dunkle said that they have had initial meetings with the Petersburg group. He said that, during the meetings, they discussed what needs to be provided for the licensing and investigation process to begin. They also discussed a potential tent facility.

Legislative Update

Mr. Jones said that budget language has come out stating that the Lottery may have a role in the formation of the Virginia Gaming Commission (VGC), but we are awaiting the completed bill containing additional information. He said that our role is yet to be defined. The timeline may be quick based on what he has read in publicly available documents. If the timeline is compressed and we have a significant role, we want to ensure that we have the resources available to do that and to do our primary jobs. Mr. Jones will keep the Board updated. Mr. Hamid said that the Joint Subcommittee to Study the Feasibility of Establishing the Virginia Gaming Commission report

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stated that it would be a two-year timeline to stand up a new agency. Mr. Jones said that we will get the official guidance when the bill is final. Mr. Jones said that the budget language mentioned a potential \$10 million line of credit for the Lottery to be involved in the setup of the new VGC.

Mr. Jones said that we have heard that there might be an iGaming bill. iGaming would be a new form of gaming, and we predict that the Lottery would be charged with its regulation. It would be a statewide form of gaming in the online space that offers games that are visually like what we currently offer.

Chief Gallop asked if we have concerns that the Lottery is stretching its resources. Mr. Jones said that we will inform our stakeholders what our capacity is and where our expertise lies. In the end, if the bill gets passed and we are tasked with assisting, we will ensure that we do it to the best of our ability. Mr. Hamid asked Ms. Courtney how the \$10 million line of credit would work. Ms. Courtney said that the Lottery currently has a line of credit for Lottery operations and for gaming compliance. She said that the \$10 million would be a new line of credit from the Treasurer that we would have access to. Ms. Courtney said that the money would be used to support the creation of the new entity.

Public Comment

None.

Closed Meeting

Mr. Price made the following motion, which was seconded by Mr. Hamid.

In accordance with the provisions of Virginia Code section 2.2-3711.A.17, I move that the Committee convene a closed meeting for the purpose of discussion, consideration or review of:

- investigations of sports betting and casino licensees and permittees;

Reconvened Meeting

Following its closed meeting, the committee reconvened in open session. Mr. Price read the following certification for the closed meeting:

WHEREAS, the Virginia Lottery Gaming Compliance Committee 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

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Committee that such closed meeting was conducted in conformity with Virginia law.

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NOW, THEREFORE, BE IT RESOLVED that the Virginia Lottery Gaming Compliance Committee 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 Committee.

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

Next Meeting

Chief Gallop said that the next meeting date is to be determined. Mr. Hamid suggested setting all the meeting dates for 2025 soon. He asked for prospective dates to be circulated.

Adjournment

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

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Khalid R. Jones, Secretary

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Jonathan Comer, Chairman