

DRAFT MINUTES

Charitable Gaming Board
Department of Agriculture and Consumer Services
102 Governor Street – 2nd Floor Board Room – Room 220
Richmond, Virginia
June 12, 2012

Call to Order

Mr. Randy Green called the meeting to order at 10:00 a.m. He asked Ms. Trent to call the roll to confirm that a quorum was present.

Members Present:

C. D. Crouch
Wesley I. Crowder
Clay L. Dawson
Randy W. Green
Renee T. Maxey
Thomas Stiles

Members Absent:

RoxAnne L. Christley
Ruth Modlin Ellett

Staff Present:

Andres Alvarez, Director, Division of Consumer Protection
Erin Williams, Policy & Planning Coordinator, Division of Consumer Protection
Michael Menefee, Acting Program Manager, Office of Charitable Gaming
Roz Trent, General Administration/Coordinator I, Office of the Director

Office of the Attorney General Staff Present:

Amy Dilworth, Assistant Attorney General
Josh Laws, Assistant Attorney General

Approval of Minutes

Mr. Green asked for a motion to approve the draft minutes of the March 13, 2012 Board meeting. A motion was made by Mr. Crouch, seconded by Mr. Green, and passed unanimously.

Report from Board Members

There was no report from any Board member.

Director's Report

Mr. Alvarez introduced Mr. Josh Laws from the Office of the Attorney General. Mr. Laws will be serving as the new counsel to the Board, replacing Ms. Amy Dillworth.

Mr. Alvarez introduced Exhibit E, "Disclosure Statement of Financial Impact When Public Body Member Chooses to Vote." This document served as written affirmation of Board members' acknowledgement of possible financial impact as a result of the vote concerning electronic pull-tabs regulations. Mr. Alvarez instructed members that prior to the vote on the proposed regulations, each member, if applicable, would affirm that he/she was able to make objective decisions regarding regulatory actions. If applicable, members would read the Disclosure Statement aloud, sign it, and submit to Mrs. Trent for the records.

Mr. Alvarez discussed the recent budget reductions impacting the Office of Charitable Gaming and efforts to make the best possible use of funds. At the request of Board members, Mr. Alvarez agreed to provide a summary of funding levels and the amounts that organizations have paid in audit and administration fees in recent years.

Program Manager's Report

Michael Menefee, Acting Program Manager of the Office of Charitable Gaming, gave the following report for the period of March through June, 2012:

Audit Unit:

- The audit team performed and issued 29 audits and seven (7) financial reviews.
- Approximately 453 permitted organizations filed their 2011 annual financial report, which was due on March 15.
- Currently, audit team members are processing first quarter of 2012 financial reports. Reports were due June 1.

Inspection Unit:

- Inspection team members were assigned 24 charitable gaming complaints.
- In addition, the inspectors performed approximately 400 inspections. This equates to approximately 80 inspections per inspector.
- During the 2012 fiscal year, the inspection unit has performed a total of 1,658 inspections.

License Unit:

- Ten supplier permits were renewed. The average number of days to process and issue renewal supplier permits was approximately ten calendar days.

- 15 bingo manager certificates of registration were issued. The average number of days to process and issue certificates was approximately 25 calendar days. As of June 1, there are 83 registered bingo managers within the Commonwealth.
- 17 bingo caller certificates of registration. The average number of days to process and issue certificates equated to approximately 14 calendar days. As of June 1, there are 107 registered bingo callers within the Commonwealth.
- Four organizations terminated their charitable gaming operations.
- 34 organizations renewed their charitable gaming permit. The average number of days to process and issue renewals was approximately 23 calendar days. In addition, four organizations did not renew their charitable gaming permit.
- Two new organizations were issued new charitable gaming permits. The average number of days to process and issue new permits was approximately 20 calendar days.
- The license team met with a group of 15 selected individuals from permitted organizations who agreed to test the new online system for the bingo caller and bingo manager certificates. This provided an opportunity to showcase the new online system and to provide instructions to the group on testing. The office received positive feedback from the group on the new online system.

Regulatory Update

Ms. Erin Williams, Policy & Planning Coordinator, Division of Consumer Protection, provided a detailed chronology of key milestones regarding 11 VAC 15-40, *Charitable Gaming Regulations*.

Ms. Williams indicated that the public comment period for the proposed stage ended on January 6, 2012.

Staff reviewed the comments and made appropriate amendments to the proposed regulation. In addition, staff met with representatives from Gaming Laboratories International to ensure that the language in the regulations accurately reflects the highly technical nature of this undertaking.

Many of the comments received pertained to the number of electronic pull-tab devices that should be permissible in a gaming premise and to the permissible sounds an electronic pull-tab device may emit. The previous electronic pull-tab device limits that were based on the size of the device and the maximum occupancy of the premises at which the device was used has been eliminated.

Provisions regarding electronic pull-tab device limits have been revised. The number of handheld electronic pull-tab devices that may be present at any premises that is open to the public at which charitable gaming is conducted shall be limited to 50.

The number of non-handheld electronic pull-tab devices that may be present at any premises that is open to the public at which charitable gaming is conducted shall be limited to 10.

The number of electronic pull-tab devices that may be used in social quarters – which is open only to members and their guests -- is limited to 5.

To address the comments regarding the sounds a device may emit, the regulation was revised to prohibit only those sounds and music that are solely intended to entice players to play. The regulation previously only allowed a sound similar to that of a paper pull-tab opening. The language now reflects the statutory provisions regarding the sound that an electronic pull-tab device may emit.

Also, the regulation to require that all game themes, sounds, and music be approved by the department was revised. The proposed text merely reserved the department's right to approve electronic pull-tab game themes. The text now requires that all game themes, sounds, and music be approved by the department prior to being available for play.

Other notable changes include:

- All references to “electronic game card” were replaced with “electronic pull-tab”. “Player device” was replaced with “electronic pull-tab device”.
- Certain references to “event game card” were deleted when they appeared in a series of items that included pull-tabs. This change was made because there is no gaming supply called an “event game card”, as event games are played with pull-tabs. Therefore, whatever provisions apply to pull-tabs will apply to those pull-tabs used in event games and, as such, a separate reference to an “event game card” is unnecessary and could cause confusion.
- “Session” has been redefined to capture the two hours of pull-tab sales that are permissible before and after the bingo game(s) are played.
- The current regulations refer to “volunteer game workers”. The word “volunteer” was struck in order to clarify that the requirements for volunteer workers also apply to those individuals who are paid to work. Provisions where this change occurs include the provisions regarding the receipt of complimentary food,

remuneration to workers' family members, and carrying a photo ID.

- The requirement that paper pull-tab dispensers be certified by a testing facility has been eliminated. Currently, the regulations do not establish the technical standards against which a dispenser must be tested.
- A new section was added to establish electronic random number generator (RNG) standards for those electronic RNGs being used to conduct bingo. This new section includes a grandfather clause for those RNGs being used prior to the effective date of the regulation.
- A new section was added to establish permitting requirements for manufacturers of games of chance systems. This section is very similar to the supplier permitting section.

Provisions requiring firewalls for electronic bingo systems and distributed pull-tab systems were added.

Ms. Williams recommend that the Board adopt the proposed language as the final text of the Charitable Gaming Regulations and asked for the Board's authorizations to file the final text with the Office of the Registrar for publication in The Virginia Register of Regulations.

Mr. Green (Lancaster Bingo), Mr. Crouch (VFW), Clay Dawson (Landlord) and Thomas Stiles (FOP) all read the Disclosure Statement of Financial Impact.

Mr. Crouch made a motion that the Board adopts the regulations, 11 VAC 15-40 – *Charitable Gaming Regulations*, and authorized staff to file the final text with the Office of the Registrar for publication in The Virginia Register of Regulations. Motion was seconded by Renee Maxey and approved unanimously.

New Business

There was no new business before the Board.

Next Board Meeting

The next Board meeting will be held on Tuesday, September 11, 2012, at the Virginia Department of Agriculture and Consumer Services in the 2nd Floor Board Room – Room 220.

Public Comment

Matt Benka (Virginia Charitable Bingo Association), Edward Mullen (Reed Smith), and Tray Adams (McGuireWoods, representing Veterans of Foreign Wars) expressed their support of the regulations.

Marty Williams (Fraternal Order of Police) expressed his concern with the limitation of 50 handheld devices per hall. He encouraged staff to move cautiously in implementing the limitation and to gradually work on a trial basis to determine if any problems arise. Mr. Williams also expressed his concerns regarding the Use of Proceeds (UOP) and proposed changing the formula used to determine the 10%.

Chuck Lessin (Virginia Charitable Bingo Association) shared the concerns of Mr. Williams regarding the limitation on handheld devices; however, he agreed that the regulations as currently written are appropriate. Mr. Lessin also expressed his concern regarding the budget impact on the Office of Charitable Gaming's Enforcement Unit, and stated that public dialogue with members of the General Assembly regarding how Charitable Gaming is funded needs to take place.

There being no further business, the Board adjourned at 10:55 a.m.

Respectfully submitted,

Roz Trent
General Administration/Coordinator I
Office of the Director