



Proposed Regulation Agency Background Document

Agency name	Virginia Charitable Gaming Board
Virginia Administrative Code (VAC) citation	11 VAC 15-40
Regulation title	Charitable Gaming Regulations
Action title	Consolidates two separate regulations, <i>Charitable Gaming Rules and Regulations</i> , 11VAC15-22, and <i>Supplier Regulations</i> , 11VAC15-31, into one regulation that will also establish guidelines regarding electronic games of chance systems for charitable gaming.
Date this document prepared	April 28, 2011

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Orders 14 (2010) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

Brief summary

In a short paragraph, please summarize all substantive provisions of new regulations or changes to existing regulations that are being proposed in this regulatory action.

The proposed regulation consists of five parts pertaining to (1) definitions, (2) charitable gaming organizations and the conduct of charitable gaming, (3) charitable gaming suppliers, (4) electronic games of chance systems, and (5) administrative process.

The section pertaining to charitable gaming organizations and the conduct of charitable gaming reflects the substance of the current regulation titled *Charitable Gaming Rules and Regulations*, 11VAC15-22. The section pertaining to charitable gaming suppliers reflects the substance of the current regulation titled *Supplier Regulations*, 11VAC15-31. The section pertaining to electronic games of chance systems includes rules for the conduct of electronic games of chance, requirements for manufacturers and suppliers of electronic games of chance systems, and construction and other standards for electronic games of chance systems. The

sections pertaining to definitions and the administrative process consolidate the definitions and administrative process sections found in the current regulations, 11VAC15-22 and 11VAC15-31.

Acronyms and Definitions

Please define all acronyms used in the Agency Background Document. Also, please define any technical terms that are used in the document that are not also defined in the "Definition" section of the regulations.

- "Electronic games of chance systems" means the computer hardware and related software necessary to support the playing of the electronic version of "pull-tabs," a type of bingo game that is authorized by § 18.2-340.28 of the Code of Virginia (Code) and which is typically played using paper "pull-tabs."
- "HB" means House Bill.
- "OCG" means Virginia Department of Agriculture and Consumer Services, Office of Charitable Gaming.

Legal basis

Please identify the state and/or federal legal authority to promulgate this proposed regulation, including (1) the most relevant law and/or regulation, including Code of Virginia citation and General Assembly chapter number(s), if applicable, and (2) promulgating entity, i.e., the agency, board or person. Describe the legal authority and the extent to which the authority is mandatory or discretionary.

Section 18.2-340.15 of the Code of Virginia authorizes the Charitable Gaming Board to prescribe regulations and conditions under which charitable gaming is to be conducted in Virginia to ensure consistency with the purpose for which such gaming is permitted. Additionally, Chapter 264 (HB 1998) of the 2007 Acts of Assembly amended the statute by requiring changes to the charitable gaming regulations in order to implement electronic games of chance systems. The Charitable Gaming Board approved the promulgation of a single regulation that will consolidate the two current regulations and provide for the implementation of regulations regarding electronic games of chance systems.

Purpose

Please explain the need for the new or amended regulation by (1) detailing the specific reasons why this regulatory action is essential to protect the health, safety, or welfare of citizens, and (2) discussing the goals of the proposal, the environmental benefits, and the problems the proposal is intended to solve.

The existence of two separate but closely interrelated regulations governing charitable gaming has resulted in duplicative, burdensome, and unnecessarily lengthy efforts in those instances when the agency has had to amend both regulations in response to a single change in the statute, as was the case with the passage of HB 1998 (Chapter 264 of the 2007 Acts of

Assembly). The promulgation of a single, consolidated regulation will greatly facilitate the agency's administration of the charitable gaming program.

Proponents of the legislation that resulted in the authorization of electronic games of chance systems in the Commonwealth have indicated that charitable gaming organizations will see significant increases in both attendance and revenues through the offering of electronic pull-tabs at their gaming events. Attendance at charitable gaming events has dropped considerably in the last few years, in some cases by as much as 40%, on account of changing demographics, as well as the economic downturn. The ability to offer electronic pull-tabs is expected to attract younger players to bingo halls across Virginia, to lower the gaming organizations' overhead costs through reduced expenses for paper supplies, and to improve the organizations' ability to meet the 10% Use of Proceeds required by the Charitable Gaming Board.

Substance

Please briefly identify and explain new substantive provisions (for new regulations), substantive changes to existing sections or both where appropriate. (More detail about all provisions or changes is requested in the "Detail of changes" section.)

The proposed regulation consolidates the substance of the current regulation titled *Charitable Gaming Rules and Regulations*, 11VAC15-22, as well as the substance of the current regulation titled *Supplier Regulations*, 11VAC15-31. Substantive changes include the addition of provisions regarding full automatic daubing of bingo numbers and progressive bingo games, both of which were authorized by Chapter 429 of the 2010 Acts of Assembly. The proposed regulations reduce the time required between gaming activities from one hour to 30 minutes. The existing regulations pertaining to electronic bingo devices (which are devices that support conventional bingo games and should not be confused with devices that support electronic pull-tabs) were modified to permit the use of electronic bingo device systems that do not identify at the point of sale the number of the electronic bingo device issued to the player.

The section pertaining to electronic games of chance systems includes rules for the conduct of electronic games of chance, requirements for manufacturers and suppliers of electronic games of chance systems, and construction and other standards for electronic games of chance systems.

Issues

Please identify the issues associated with the proposed regulatory action, including:

- 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions;*
- 2) the primary advantages and disadvantages to the agency or the Commonwealth; and*
- 3) other pertinent matters of interest to the regulated community, government officials, and the public.*

If the regulatory action poses no disadvantages to the public or the Commonwealth, please indicate.

The inclusion of provisions pertaining to electronic games of chance systems will provide charitable gaming organizations a new option to promote greater attendance at their gaming events. Greater attendance should increase the revenue organizations generate from their charitable gaming activities, which, in turn, should facilitate compliance with applicable requirements regarding the charitable use of organizations' proceeds.

The promulgation of a single, consolidated regulation will greatly facilitate the agency's administration of the charitable gaming program by eliminating the need for duplicative regulatory actions due to the existence of two interrelated regulations.

Special interest groups are monitoring the progress of this regulation to ensure that it does not lead to casino-style gambling or expand the type of gaming that is allowed in the Commonwealth. The agency has involved these stakeholders during relevant discussions it is not aware of specific concerns with the proposed regulations.

Requirements more restrictive than federal

Please identify and describe any requirements of the proposal, which are more restrictive than applicable federal requirements. Include a rationale for the more restrictive requirements. If there are no applicable federal requirements or no requirements that exceed applicable federal requirements, include a statement to that effect.

No applicable federal requirements exist.

Localities particularly affected

Please identify any locality particularly affected by the proposed regulation. Locality particularly affected means any locality which bears any identified disproportionate material impact which would not be experienced by other localities.

No locality will bear a disproportionate material impact from the proposed regulation.

Public participation

Please include a statement that in addition to any other comments on the proposal, the agency is seeking comments on the costs and benefits of the proposal and the impacts of the regulated community.

In addition to any other comments, the board/agency is seeking comments on the costs and benefits of the proposal and the potential impacts of this regulatory proposal. Also, the agency/board is seeking information on impacts on small businesses as defined in § 2.2-4007.1 of the Code of Virginia. Information may include 1) projected reporting, recordkeeping and other administrative costs, 2) probable effect of the regulation on affected small businesses, and 3) description of less intrusive or costly alternative methods of achieving the purpose of the

regulation. Anyone wishing to submit written comments may do so via the Regulatory Townhall website, www.townhall.virginia.gov, or by mail, email or fax to:

Erin Williams
Policy & Planning Coordinator
VDACS, Division of Consumer Protection
PO Box 1163
Richmond, VA 23218
Erin.Williams@vdacs.virginia.gov

Written comments must include the name and address of the commenter. In order to be considered, comments must be received by the last date of the public comment period.

A public hearing will be held and notice of the public hearing may appear on the Virginia Regulatory Town Hall website (www.townhall.virginia.gov) and the Commonwealth Calendar. Both oral and written comments may be submitted at that time.

Economic impact

Please identify the anticipated economic impact of the proposed new regulations or amendments to the existing regulation. When describing a particular economic impact, please specify which new requirement or change in requirements create the anticipated economic impact.

<p>Projected cost to the state to implement and enforce the proposed regulation, including (a) fund source, and (b) a delineation of one-time versus on-going expenditures.</p>	<p>The agency currently has field personnel whose duties include the inspection of permitted charitable organizations. These inspectors can monitor the initial deployment of devices that support electronic pull-tabs to ensure compliance with the regulations. Depending on the growth of this particular activity, though, the agency might need to request a non-general fund appropriation that could be funded through registration fees for the devices or through placed-into-service fees assessed at the time of device installation.</p>
<p>Projected cost of the <i>new regulations or changes to existing regulations</i> on localities.</p>	<p>Localities will not incur costs as a result of the proposed regulation.</p>
<p>Description of the individuals, businesses or other entities likely to be affected by the <i>new regulations or changes to existing regulations</i>.</p>	<p>Qualified charitable gaming organizations that elect to offer electronic pull-tabs, as well as the suppliers that offer the required equipment, will be affected by the proposed regulation.</p>
<p>Agency’s best estimate of the number of such entities that will be affected. Please include an estimate of the number of small businesses affected. Small business means a business</p>	<p>Currently, there are approximately 400 qualified charitable gaming organizations and 19 charitable gaming suppliers. OCG estimates that the majority of the charitable gaming</p>

<p>entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.</p>	<p>suppliers are small businesses. This proposed regulation will allow organizations to offer electronic pull-tabs and will allow suppliers to offer the equipment to support this new gaming activity.</p>
<p>All projected costs of the <i>new regulations or changes to existing regulations</i> for affected individuals, businesses, or other entities. Please be specific and include all costs. Be sure to include the projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses. Specify any costs related to the development of real estate for commercial or residential purposes that are a consequence of the proposed regulatory changes or new regulations.</p>	<p>Electronic pull tabs would be an entirely new bingo offering in Virginia, and charitable gaming organizations will not be obligated to offer electronic pull tabs to their gaming patrons. For organizations that choose to do so, they would need to contract with approved suppliers for the provision of the required equipment, equipment maintenance, and so forth. There is no historical information to estimate how much suppliers would charge the organizations for the equipment to support electronic pull tabs and for the maintenance of such equipment, or how those costs would be passed on to the gaming patrons. There are no real estate development costs associated with this regulation.</p>
<p>Beneficial impact the regulation is designed to produce.</p>	<p>Charitable gaming organizations will have a new avenue to promote greater attendance at their gaming events and increase their revenue, which, in turn, should facilitate compliance with applicable requirements regarding the charitable use of organizations' proceeds.</p>

Alternatives

Please describe any viable alternatives to the proposal considered and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the action. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in §2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulation.

The promulgation of charitable gaming regulations governing electronic games was required by HB 1998 by the 2007 General Assembly; therefore, no alternatives to this proposed action exist.

Regulatory flexibility analysis

Please describe the agency's analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable

law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) the establishment of less stringent compliance or reporting requirements; 2) the establishment of less stringent schedules or deadlines for compliance or reporting requirements; 3) the consolidation or simplification of compliance or reporting requirements; 4) the establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the proposed regulation.

Promulgation of this regulation is required by statute.

Public comment

Please summarize all comments received during the public comment period following the publication of the NOIRA, and provide the agency response.

Commenter	Comment	Agency response
Rick Sheets, AmVets Post 5	<p>-Questioned where he could find the new regulation so that he could review it.</p> <p>-Questioned how he would be affected by the new regulation.</p>	<p>-The public comment period was open following the publication of the Notice of Intended Regulatory Action, the first stage of Virginia’s regulatory process. Comments received during the first stage are considered during the drafting of the text of the new regulation which is available for review and public comment during the second stage of the regulatory process.</p> <p>-Charitable gaming organizations will have the option to conduct electronic games of chance which will provide charitable gaming organizations a new and unique opportunity to promote greater attendance at their gaming events. Greater attendance should increase the revenue organizations generate from their charitable gaming activities, which in turn should facilitate compliance with applicable requirements regarding the charitable use of proceeds.</p>
Bob Guest Moose Lodge 1655	<p>-Questioned where he could find the new regulation so that he could review it.</p> <p>-Questioned the reason electronic gaming regulations have not yet been promulgated.</p>	<p>-The public comment period was open following the publication of the Notice of Intended Regulatory Action, the first stage of Virginia’s regulatory process. Comments received during the first stage are considered during the drafting of the text of the new regulation which is available for review</p>

		<p>and public comment during the second stage of the regulatory process.</p> <p>-Subsequent to the enactment of HB 1998 in 2007, the Department of Charitable Gaming proposed regulations which would have established a centralized system of electronic gaming. Following feedback from interested parties and an independent gaming laboratory, the Office of Charitable Gaming, which joined the Department of Agriculture and Consumer Services in 2008, decided a distributed system of electronic gaming was a more economically feasible type of system to establish. The proposed regulations establish guidelines for a distributed system of electronic gaming.</p>
<p>Robert Goolrick Elks Lodge No. 2188; John</p>	<p>-Questioned where he could find the new regulation so that he could review it.</p>	<p>-The public comment period was open following the publication of the Notice of Intended Regulatory Action, the first stage of Virginia’s regulatory process. Comments received during the first stage are considered during the drafting of the text of the new regulation which is available for review and public comment during the second stage of the regulatory process.</p>
<p>Wadlow Gap Ruritan</p>	<p>-Asked the Board to consider deducting payments to registered suppliers from gross receipts in determining the audit and administration fee and the required use of proceeds amount.</p>	<p>-Section 18.2-340.31 of the Code of Virginia requires the Department to use an organization’s gross receipts in determining the organization’s audit and administration fee. Section 18.2-340.19 of the Code of Virginia requires that a percentage of an organization’s gross receipts be used towards charitable purposes. As the requirement that use of proceeds be determined by gross receipts is a statutory requirement, the suggested change cannot be made through the regulatory process.</p>
<p>Millwood Station Vol Fire and Rescue Co. 21</p>	<p>-Recommended the discontinuance of quarterly financial reports.</p>	<p>-Quarterly reports assist organizations in maintaining accurate records throughout the year and prevent organizations from having to pay the total audit and administration fee at one time.</p>

<p>Clinton Gordon, St. John's Young Men Bingo Association</p>	<p>-Requested that the regulations include electronic pull-tab devices and electronic machines and computers.</p>	<p>-The proposed regulations establish guidelines for a distributed system of electronic gaming.</p>
<p>Janis Dryer, President, Animal Assistance League of Virginia</p>	<p>-Requested the reinstatement of Winner-Take-All games, the elimination of the limit of 55 bingo games per session, and a reduction in the number of progressive bingo games that an organization may play.</p>	<p>-Chapter 429 of the 2010 Acts of Assembly amended the charitable gaming statute by eliminating Winner-Take-All games, limiting to 55 the number of bingo games that may be played during a session, and permitting organizations to play six progressive bingo games per session. These changes to the Code of Virginia cannot be reversed through the regulatory process.</p>
<p>Doug Zebley, President, Fraternal Order of Police Lodge #8</p>	<p>-Expressed belief that the audit and administration fee is a tax on non-profit organizations.</p> <p>-Requested consideration of methods to revitalize the play of bingo rather than focusing on electronic machines.</p>	<p>-The audit and administration fee is not prescribed in the regulations and, as such, can not be eliminated through the regulatory process.</p> <p>-Charitable gaming organizations will have the option to conduct electronic games of chance which will provide charitable gaming organizations a new and unique opportunity to promote greater attendance at their gaming events. Greater attendance should increase the revenue organizations generate from their charitable gaming activities, which in turn should facilitate compliance with applicable requirements regarding the charitable use of organizations' proceeds.</p>
<p>Anne Eller, Bristol Regional Speech and Hearing</p>	<p>-Expressed that bingo session attendance has declined and that bingo players are spending less money at bingo sessions. With the decrease in revenue and the expenses remaining the same, organizations struggle to meet the use of proceeds requirement. Suggests that the use of proceeds requirement should be 10% of net revenue, rather than 10% of gross revenue.</p>	<p>-Section 18.2-340.19 of the Code of Virginia requires that a percentage of an organization's gross receipts be used towards charitable purposes. As the requirement that use of proceeds be determined by gross receipts is a statutory requirement, the suggested change cannot be made through the regulatory process.</p>
<p>International Gamco, Inc.</p>	<p>International Gamco provided input regarding a variety of issues related to electronic pull-tabs as</p>	<p>OCG appreciates the technical suggestions provided by International Gameco regarding electronic pull-tabs.</p>

	<p>summarized below.</p> <ul style="list-style-type: none"> -Stated that electronic pull-tab devices should be allowed to emit sounds that provide feedback to players during the play of the game. -Stated that the marketplace generally addresses the minimum and maximum payout for pull-tab deals, but recommended a maximum payout of 90%. -Suggested device limitations be made by distinguishing between device type and venue (ex. commercial halls, fraternal clubs). Suggested limitations on console devices be based on occupancy, with 3 to 25 machines maximum permitted per location depending on the type of venue. Suggested limitations on handheld devices be set at 50% of the venue’s occupancy limit. -Recommended a limit of 50,000 tickets per deal. International Gamco feels that deals larger than 50,000 tickets blur the line between electronic pull-tabs and random number generator slot machines. -Recommended that VDACS require that a deal be played to completion before another deal may begin. Recommended prohibiting tickets being pulled from multiple deals simultaneously. Recommended prohibiting the replacement of tickets in a deal that is in play. -International Gamco prefers to bill organization on consignment, based on actual tickets sold by the organization. 	<ul style="list-style-type: none"> -The proposed regulations permit electronic pull-tab devices to emit specific sounds to provide feedback to players. -The proposed regulations do not set minimum or maximum payouts. -The proposed regulations establish that maximum occupancy will determine how many devices may be present in any location. -The proposed regulations establish requirements for game deals intended to prevent electronic pull-tabs from having the characteristics of random number generator slot machines.
Pacific Gaming	Pacific Gaming provided input regarding a variety of issues related to the current	-OCG appreciates the technical suggestions provided for electronic pull-tabs provided by Pacific Gaming.

	<p>regulations and electronic pull-tabs as summarized below.</p> <ul style="list-style-type: none"> -Provided suggestions for including electronic pull-tabs in the regulations. -Suggested that VDACS require each electronic pull-tab deal to have serial number. -Suggested that VDACS distinguish between the requirements for electronic bingo devices and the requirements for devices used to play electronic pull-tabs. -Requested that VDACS allow electronic pull-tab devices to accept credits purchased at the point of sale, rather than requiring a player to purchase electronic pull-tabs that are then loaded onto the device and must be played to completion. -Suggested that VDACS allow two-way communication between the server and the device to facilitate a credit system. -Recommended establishing a minimum payout, but not a maximum payout. Suggested establishing rules regarding the relationship between progressives and payouts. -Suggested that if VDACS establishes minimum and maximum payouts, organizations should be allowed to offer free cards exclusive of the payout limits. -Suggested that electronic devices that read paper pull-tabs should not be regulated as those electronic devices that operate without paper pull-tabs. -Requested clarification on permissible graphics. -Requested clarification on the extent to which large 	<p>-The proposed regulation prescribes the requirements for a distributed electronic pull-tab system. The regulation distinguishes between electronic pull-tabs and electronic bingo.</p>
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	<p>kiosks and cabinets with large display screens will be numerically limited.</p> <p>-Recommended that the regulation not prescribe the manner in which the central server system and locally installed servers interact. Suggested the regulation prescribe the information controls and reports needed.</p> <p>-Recommended the use of independent laboratories to test devices. Recommended that the State ensure adequate testing capacity.</p> <p>-Requested clarification on whether information regarding each electronic deal must be printed and posted in the bingo hall.</p> <p>-Requested that VDACS hold a workshop once the proposed regulation is published so that industry may ask questions and express concerns.</p> <p>-Suggested that VDACS permit organizations to conduct electronic pull-tab gaming for additional time before and after each bingo session and exclusive of bingo sessions.</p> <p>-Provided feedback on the previously proposed regulation pertaining to defects in devices used in a central system.</p>	
Eclipse Testing	-Provided technical corrections to the previously proposed regulation.	No response necessary.
Raja; Destin Photographer; TattooDesignsPictures; Tamara; Amanda; Stacy; Public Servers; Isaac Newton; Benzo Fury; John Burton	-Expressed thanks for the information provided	

Family impact

Please assess the impact of the proposed regulatory action on the institution of the family and family stability including to what extent the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one’s spouse, and one’s children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.

The proposed regulation will have no impact on the institution of the family and family stability.

Detail of changes

Please list all changes that are being proposed and the consequences of the proposed changes. If the proposed regulation is a new chapter, describe the intent of the language and the expected impact if implemented in each section. Please describe the difference between the requirements of the new provisions and the current practice or if applicable, the requirements of other existing regulations in place.

If the proposed regulation is intended to replace an emergency regulation, please list separately (1) all provisions of the new regulation or changes to existing regulations between the pre-emergency regulation and the proposed regulation, and (2) only changes made since the publication of the emergency regulation.

For changes to existing regulations, use this chart:

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change, rationale, and consequences
11 VAC 15-22-10	11 VAC 15-40-10	Definitions from the Charitable Gaming Rules and Regulations	The proposed definitions section incorporates the definitions from the Charitable Gaming Rules and Regulations and the Supplier Rules and Regulations. These definitions have been updated to reflect legislative changes that allow for automatic daubing and progressive bingo games. The proposed definition section also includes those definitions needed to clarify the portion of the regulation pertaining to electronic games of chance.
11VAC15-22-20	11 VAC 15-40-20	Eligibility for permit to conduct charitable gaming; when valid; permit requirements	Specific dollar amounts that are prescribed by the Code of Virginia have been replaced by references to the sections of the Code that prescribe these amounts. This will alleviate the

			<p>need to amend the regulation following any statutory changes to these amounts. Additional changes to this section reflect the Department’s implementation of the use of corrective action plans to assist organizations in achieving compliance.</p>
11VAC15-22-30	11 VAC 15-40-30	Permit application process	<p>Specific dollar amounts prescribed by and exemptions granted in the Code of Virginia have been replaced by references to the appropriate sections of the Code.</p> <p>The fee for a permit change has been eliminated.</p>
11VAC15-22-35	11 VAC 15-40-40	Suspension, revocation, or denial of permit	<p>The proposed changes reflect the Department’s use of compliance agreements rather than consent orders and remedial business plans rather than corrective action plans.</p>
11VAC15-22-40	11 VAC 15-40-50	Conduct of bingo, instant bingo, pull-tabs, seal cards, and raffles	<p>This section reflects changes needed due to Chapter 264 of the 2007 Acts of Assembly which allowed for electronic games of chance systems. The phrase “electronic game card” has been inserted where appropriate throughout this section.</p> <p>This section also reflects changes needed due to Chapter 429 of the 2010 Acts of Assembly which authorized the Board to prescribe regulations permitting nonmembers to participate in the conduct of bingo. The required break between charitable gaming activities has been reduced from one hour to 30 minutes.</p>
11VAC15-22-50	11 VAC 15-40-60	Rules of play	<p>This section reflects a change needed due to Chapter 429 of the 2010 Acts of Assembly which authorized full automatic daubing of bingo numbers. This section clarifies that no one involved in the conduct of bingo may play at any session they have worked. No one involved in the sale or redemption of pull-tabs may purchase pull-tabs during the day they have worked a gaming session or from the deal which they have helped sell or redeem.</p> <p>Prize amounts prescribed by the Code of Virginia have been replaced with references to the appropriate sections</p>

			of the Code. This section contains changes necessitated by Chapter 429 of the 2010 Acts of Assembly which permitted multiple progressive bingo games.
11VAC15-22-60	11 VAC 15-40-70	Bank accounts	The proposed change to this section is intended to clarify when organizations must deposit raffle proceeds.
11VAC15-22-70	11 VAC 15-40-80	Recordkeeping	References to prize thresholds at which reporting is required by the Internal Revenue Service have been replaced with references to the IRS publication that establishes those thresholds. Changes were made to clarify the recordkeeping required for raffles.
11VAC15-22-80	11 VAC 15-40-90	Financial reporting, penalties, inspections and audits	Specific exemptions granted by the Code of Virginia have been replaced by references to the appropriate section of the Code.
11VAC15-22-90	11 VAC 15-40-100	Use of proceeds	Language was inserted to clarify the account from which transfers to a special fund account may be made in order to be included in use of proceeds.
11VAC15-22-100	11 VAC 15-40-110	Requirements regarding renting premises, agreements and landlord participation	This section reflects changes needed due to Chapter 264 of the 2007 Acts of Assembly which allowed for electronic games of chance systems. The phrase "electronic game card" has been inserted where appropriate in this section.
11VAC15-22-110	11 VAC 15-40-420	Procedural rules for the conduct of fact-finding conferences and hearings	This section incorporates the procedural rules for the conduct of fact-finding conferences and hearings from the Charitable Gaming Rules and Regulations and the Supplier Rules and Regulations.
11VAC15-22-120	11 VAC 15-40-430	Reporting violations	This section incorporates the provisions regarding the reporting of violations from the Charitable Gaming Rules and Regulations and the Supplier Rules and Regulations.
11VAC15-31-10	11 VAC 15-40-10	Definitions	The proposed definitions section incorporates the definitions from the Charitable Gaming Rules and Regulations and the Supplier Rules and Regulations. These definitions have been updated to reflect legislative changes that allow for automatic daubing and progressive bingo games. The proposed definition section also includes those definitions

			needed to clarify the portion of the regulation pertaining to electronic games of chance.
11VAC15-31-20	11 VAC 15-40-120	Suppliers of charitable gaming supplies: application, qualifications, suspension, revocation or refusal to renew permit, maintenance, and production of records	This section reflects changes needed due to Chapter 264 of the 2007 Acts of Assembly which allowed for electronic games of chance systems.
11VAC15-31-30	11 VAC 15-40-130	Construction and other standards for bingo, instant bingo, pull-tabs, seal cards, event games, raffles, electronic bingo devices, and instant bingo, pull-tab and seal card dispensers	Exceptions to the prescribed construction standards for raffles must receive approval from the Department. This section reflects changes needed due to Chapter 429 of the 2010 Acts of Assembly which authorized full automatic daubing of bingo numbers. The reporting requirements for electronic bingo devices have been modified to permit electronic bingo device systems that do not identify at the point of sale the number of the electronic bingo device issued to a player.
11VAC15-31-40	11 VAC 15-40-140	Instant bingo, pull-tabs, or seal card randomization standards	No changes are proposed to the current section.
11VAC15-31-50	11 VAC 15-40-420	Procedural rules for the conduct of fact-finding conferences and hearings	This section incorporates the procedural rules for the conduct of fact-finding conferences and hearings from the Charitable Gaming Rules and Regulations and the Supplier Rules and Regulations.
11VAC15-31-60	11 VAC 15-40-430	Reporting violations	This section incorporates the provisions regarding the reporting of violations from the Charitable Gaming Rules and Regulations and the Supplier Rules and Regulations.

For new chapters, use this chart:

Section number	Proposed requirements	Other regulations and law that apply	Intent and likely impact of proposed requirements
11 VAC 15-40-150	Approval of distributed pull-tab systems, validation systems, point of sale stations, and redemption terminals. Requires that any distributed pull-tab system, validation system,		The intent of this section is to ensure the integrity and security of the components of distributed pull-pull tab systems.

	point of sale station, or redemption terminal used in the conduct of charitable gaming must be approved by a Department-approved testing facility.		
11 VAC 15-40-160	Distributed pull-tab system. Sets forth the basic functions a distributed pull-tab system shall capable of performing.		This section sets forth, in general terms, the basic functions of a distributed pull-tab system.
11 VAC 15-40-170	Dispensing of electronic game cards. Requires any distributed pull-tab system to dispense an electronic game card upon request and to draw cards, without replacement, from a single finite game set.		Electronic game cards must be drawn from a single finite game set, without replacement, to eliminate the use of an infinite pool of game cards as is used in slot machines.
11 VAC 15-40-180	Game set requirements. Establishes the size, price, and prize requirements for each game set.	Va Code § 18.2-340.33 (prescribes the maximum pull-tab prize amount)	Maximum game set size is prescribed to facilitate (i) the play of electronic game cards and (ii) the reporting and auditing of electronic game cards sales. Larger game sets will take longer to play to completion, creating potential challenges in reporting and auditing the sales of these game sets.
11 VAC 15-40-190	Game set definition. Establishes the criteria from which a game set is to be created if the game set is created by the distributed pull-tab system.		These requirements ensure the integrity and security of the game set creation.
11 VAC 15-40-200	Data required to be available for each game set. Establishes the data that must be available before a game set is opened and following the completion of a game set. Establishes that no audit or determination of		These requirements ensure the integrity and security of the game set and facilitate the reporting and auditing of electronic game card sales.

	<p>the status of a game set may occur while the game set is in play without causing the termination of the game set. Establishes that a terminated game set shall not be re-opened.</p>		
<p>11 VAC 15-40-210</p>	<p>Security requirements. Establishes requirements for physically securing the distributed pull-tab system computer. Establishes that the system must terminate a game set if information about the electronic game cards of an open game set are accessed. Requires that the system be capable of producing a log of data elements altered and information regarding the alteration. Requires that the system provide password security and secure verification of any distributed pull-tab system software components.</p>		<p>These requirements ensure the integrity and security of the distributed pull-tab system by placing controls on who may access the system and requiring the system to record specific information regarding specific alterations to the system's data.</p>
<p>11 VAC 15-40-220</p>	<p>Backup and recovery. Requires distributed pull-tab systems to have a separate physical medium for storing game sets that is mirrored by a backup medium. Requires data that the regulation requires be available to be retained for at least 3 years. Establishes the minimum information that must be recovered following a catastrophic failure of the distributed pull-tab system.</p>		<p>These requirements are intended to ensure secure storage of the system's data and to ensure necessary data is available for audit.</p>
<p>11 VAC 15-40-230</p>	<p>Electronic accounting and reporting. Requires that electronic accounting systems be capable of reporting specific information</p>		<p>These requirements are intended to facilitate the reporting and auditing of electronic game card sales and payouts.</p>

	regarding game sets, prizes, and liabilities. Requires that distributed pull-tab systems be capable of reporting specific information.		
11 VAC 15-40-240	Randomization. Requires that game sets be created using randomization procedures. Requires that the random number generation application used in creating game sets successfully pass standard tests for randomness and unpredictability.		These requirements are intended to ensure the integrity of game set creation.
11 VAC 15-40-250	Communications and network requirements. Requires the use of communication protocols that ensure erroneous data does not adversely affect linked components. Establishes requirements for the security of encryption keys. Establishes minimum standards for wireless products.		These requirements are intended to ensure the integrity and security of the distributed pull-tab system.
11 VAC 15-40-260	Significant events. Establishes those events occurring in the player device or point of sale that must be communicated to and stored by the distributed pull-tab system.		This requirement is intended to ensure the integrity of the distributed pull-tab system.
11 VAC 15-40-270	Validation system and redemption. Authorizes the use of a voucher printer as a method of redeeming unused game plays and winnings as long as the printer is linked to a validation system. Establishes the requirements for voucher validation systems. Requires that validation		This section provides the option of using a voucher validation system to facilitate electronic gaming transactions. The provisions of this section are intended to ensure the integrity and security of the validation system and the vouchers generated by the voucher printer and redeemed by the validation system.

	systems be capable of generating specific reports regarding vouchers.		
11 VAC 15-40-280	Point of sale; validation terminal. Authorizes the use of a point of sale terminal as a method of facilitating the sale of game cards or the redemption of credits following game play as long as the point of sale terminal is linked to a validation system or distributed pull-tab system. Establishes requirements for the point of sale terminals. Requires that point of sale terminals be capable of generating specific reports regarding transactions conducted at the terminal and vouchers redeemed at the terminal.		This section provides the option of using a point of sale terminal to facilitate electronic gaming transactions. The provisions of this section are intended to ensure the integrity and security of the point of sale terminal.
11 VAC 15-40-290	Location of equipment. Requires that all equipment used to facilitate the distribution, play, or redemption of electronic pull-tabs be physically located within the boundaries of the Commonwealth of Virginia.		This section is intended to assist the Department in gaining access to equipment used in electronic gaming.
11 VAC 15-40-300	Player device general requirements. Establishes both the required and the permissible components of a player device. Establishes restrictions for the physical attributes of player devices. Establishes limits on the number of player devices that may be present at any premise at which charitable gaming is conducted.		This section is intended to ensure the integrity and security of player devices. The restrictions on the physical attributes of player devices are intended to reflect the device restrictions set by the 2010 Session of the General Assembly in its amendments to § 18.2-340.19 of the Code of Virginia.

<p>11 VAC 15-40-310</p>	<p>Cabinet wiring. Establishes requirements for the cabinet wiring of all electronic devices.</p>		<p>This section is intended to ensure that the player device has been certified against the applicable safety standards and that the general public cannot access a player device's power and data cables.</p>
<p>11 VAC 15-40-320</p>	<p>Player device identification. Requires that player devices have an exterior badge that states specific identifying information.</p>		<p>This section is intended to provide a means for identifying and tracking the origination of each player device.</p>
<p>11 VAC 15-40-330</p>	<p>Doors; compartments. Establishes the physical attributes of the external door of any player device that allows access to the interior of the machine. Establishes the requirements for the system's response to any opening of the external door. Requires any player device that contains control programs in an accessible area to have a separate internal locked logic compartment. Establishes those electronic components that are required to be housed in a logic area.</p>		<p>This section is intended to ensure the security of player devices and to prevent unauthorized entry into the interior and logic compartments of a player device.</p>
<p>11 VAC 15-40-340</p>	<p>Memory clear. Establishes the process that the program must execute following the initiation of a memory reset procedure.</p>		<p>This section is intended to define the conditions on when and how critical memory may be cleared.</p>
<p>11 VAC 15-40-350</p>	<p>Critical memory. Establishes the data that must be stored on critical memory. Establishes the methodology by which critical memory storage must be maintained. Establishes additional requirements for critical memory.</p>		<p>This section is intended to ensure the security of critical memory and to ensure the secure storage of specific information regarding transactions and error conditions.</p>

<p>11 VAC 15-40-360</p>	<p>Program storage devices. Establishes requirements for program storage devices. Establishes requirements for any player device with a control program that is capable of being erased and re-programmed without being removed from the player device. Requires control programs to ensure the integrity of all critical program components.</p>		<p>This section is intended to ensure the integrity and security of critical files.</p>
<p>11 VAC 15-40-370</p>	<p>Touch screens. Establishes requirements for touch screens.</p>		<p>This section is intended to ensure the integrity and calibration of touch screens.</p>
<p>11 VAC 15-40-380</p>	<p>Bill acceptors. Authorizes the use of a bill acceptor mechanism on player devices. Establishes the requirements of the construction of bill acceptors. Establishes those events that any player device with a bill acceptor must be capable of detecting. Establishes the data that any player device with a bill acceptor must be capable of reporting.</p>		<p>This section provides the option of using a bill acceptor on a player device. This section is intended to ensure the integrity and security of the bill acceptor.</p>
<p>11 VAC 15-40-390</p>	<p>Payment by voucher printers. Authorizes the use of voucher printers with player devices. Establishes requirements for any player device with a voucher printer. Establishes the data that the player device must provide to the voucher validation system regarding each voucher printed. Requires voucher printers to use paper that contains security features. Requires printers to have</p>		<p>This section is intended to ensure the security of voucher printers and the integrity of voucher transactions.</p>

	mechanisms that will allow the player device to interpret and act upon specific, stated conditions.		
11 VAC 15-40-400	Payment by account. Authorizes the use of player accounts to which credits may be added via cashier, point of sale station, or player device.		This section provides the option of using a player account to facilitate the sale of electronic game cards.
11 VAC 15-40-410	Game play requirements. Establishes the methods by which a player may purchase the opportunity to play an electronic game card. Restricts the video display and audio effects produced by a player device. Requires a player device to have buttons to facilitate specific functions. Establishes the methods by which a player device may dispense prizes. Prescribes how a player may obtain his available balance and when a player may not obtain his available balance. Prohibits a player device from having hardware or software that determines or produces the outcome of any electronic game card. Prohibits obscene or offensive graphics. Prohibits a player device from simulating the play of games such as roulette, poker, keno, and blackjack. Requires specific electronic meters which display specific information on the player device video screen.		This section is intended to ensure the integrity of the player's interaction with a player device by requiring the device to display specific information to the player. The restrictions on the physical attributes of player devices are intended to reflect the restrictions set by the 2010 Session of the General Assembly in its amendments to § 18.2-340.19 of the Code of Virginia.