

## Department of Planning and Budget 2022 Fiscal Impact Statement

1. **Bill Number:** SB401

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

2. **Patron:** Bell

3. **Committee:** Passed the Senate

4. **Title:** Enforcement of illegal gaming laws; Charitable Gaming Fund established.

5. **Summary:** Establishes the Charitable Gaming Fund (the Fund) as the receiver of all fees and penalties collected by the Department of Agriculture and Consumer Services (the Department) in its administration of charitable gaming laws. The bill allocates 50 percent of the collected funds to the Department to fund its costs of administering charitable gaming laws; five percent to the Virginia Lottery to fund the costs of the Illegal Gaming Enforcement Coordinator, a position created at the Virginia Lottery by the bill; one percent to the Problem Gambling Treatment and Support Fund; and 44 percent to the general fund. The bill charges the Illegal Gaming Enforcement Coordinator with coordinating local, state, and federal enforcement of illegal gaming laws and with establishing a tip line for members of the public to report concerns about illegal gaming. Beginning July 1, 2024, the bill allocates 95 percent of the proceeds to the Charitable Gaming Fund to the Department to fund its costs of administering charitable gaming laws and five percent to the Virginia Lottery to fund the costs of the Illegal Gaming Enforcement Coordinator.

6. **Budget Amendment Necessary:** Yes, Front Page and Items 106 and 494 of HB30/SB30, as introduced.

7. **Fiscal Impact Estimates:** Preliminary. See item 8.

8. **Fiscal Implications** This fiscal impact estimate is preliminary and assumes that the codification of proposed §18.2-340.35:1 as provided for in the second enactment of this bill takes effect July 1, 2024, and replaces proposed § 18.1-340.35:1 as provided in the first enactment. It is anticipated that this bill would have general fund and nongeneral fund revenue and expenditure impacts. Budget amendments to the Front Page, Item 106, and Item 494 would be required.

All fees paid by any organization conducting charitable gaming under a permit issued by the department, including audit and administrative fees and permit fees, are deposited to the general fund as required by Item 106 A., HB30/SB30, as introduced. A budget amendment to this language would be necessary to implement the provisions of this bill.

In FY 2021, the Virginia Department of Agriculture and Consumer Services (VDACS) received \$1.79 million in revenue generated from fees paid by charitable gaming

organizations; this revenue was deposited to the general fund. Based on prior year revenue collections, it is anticipated that charitable gaming fees will continue to generate approximately \$1.79 million in FY 2023 and FY 2024, which would be deposited to the general fund, as previously noted, under HB30/SB30, as introduced. HB30/SB30, as introduced, also includes a general fund appropriation of \$2.02 million in each year to support VDACS's regulation of charitable gaming in the Commonwealth.

Under the provisions of this bill, all fees and penalties collected by VDACS in its administration of charitable gaming laws would be deposited to the Charitable Gaming Fund established in this bill and allocated as follows for fiscal years 2023 and 2024: 50 percent to VDACS to fund its costs of administering charitable gaming laws; five percent to the Virginia Lottery to fund the costs of an Illegal Gaming Enforcement Coordinator position created at the Virginia Lottery by the bill; one percent to the Problem Gambling Treatment and Support Fund; and 44 percent to the general fund.

In FY 2023 and FY 2024, it is anticipated that this would result in a general fund revenue loss of approximately \$1.0 million in each year, as all of the revenue generated from charitable gaming fees collected by VDACS is presently deposited to the general fund. Under the provisions of this bill, VDACS would receive approximately \$895,000 in each year (50 percent of \$1.79 million). The Virginia Lottery would receive an estimated \$89,500 annually to support an Illegal Gaming Enforcement Coordinator position. The Department of Behavioral Health and Developmental Services (DBHDS) would receive an estimated \$17,900 annually to be deposited to the Problem Gambling Treatment and Support Fund, and the general fund would receive an estimated \$788,000 in each year (44 percent of \$1.79 million), a loss of approximately \$1.0 million annually.

Beginning in FY 2025, under the provisions of this bill, all fees and penalties collected by VDACS in its administration of charitable gaming laws would be deposited to the Charitable Gaming Fund established in this bill and allocated as follows: 95 percent to VDACS to fund its costs of administering charitable gaming laws; and five percent to the Virginia Lottery to fund the costs of an Illegal Gaming Enforcement Coordinator position created at the Virginia Lottery by the bill.

It is anticipated that beginning in FY 2025, this would result in a general fund revenue loss of \$1.79 million each year, as all of the revenue generated from charitable gaming fees collected by VDACS is presently deposited to the general fund. Under the provisions of this bill, VDACS would receive approximately \$1.7 million in each year (95 percent of \$1.79 million). The Virginia Lottery would continue to receive an estimated \$89,500 annually to support an Illegal Gaming Enforcement Coordinator position.

According to VDACS, the department will require \$2.02 million in FY2023 and FY 2024 to maintain oversight of charitable gaming at its current level of service and staff. With only \$895,000 going to VDACS from charitable gaming revenues each year pursuant to this proposal, \$1.13 million in general fund support will still need to be provided to the agency in FY2023 and FY 2024 to continue current services and staffing. In FY 2025 and beyond, \$325,000 in general fund support will be required annually to maintain current services and

staffing. If VDACS does not retain this general fund support, it would need to implement significant reductions to current services under this program and staffing. More specific estimates are not currently available.

In addition to establishing an Illegal Gaming Enforcement Coordinator position, the Virginia Lottery anticipates needing to operate a “tip line” to comply with the provisions of this bill. The Virginia Lottery estimates the salary, benefits, and nonpersonal services costs associated with this position, such as travel, tip line implementation, and operations, would be \$245,894. The Lottery does not have authorization to use either lottery proceeds or gaming regulatory fees to support this position. A general fund budget amendment to Item 494 or an adjustment in the proposed bill to the distribution of the charitable gaming revenues would be necessary to cover the full costs of this position.

Any funds deposited into the Problem Gambling Treatment and Support Fund would be expended by the Department of Behavioral Health and Developmental Services (DBHDS) upon appropriation for counseling and other support services for compulsive and problem gamblers, the development and implementation of compulsive and problem gambling treatment and prevention programs, and the provision of grants to support organizations that provide assistance to compulsive and problem gamblers, pursuant to § 37.2-314.2, Code of Virginia. At this time, a budget amendment for DBHDS is not required.

**9. Specific Agency or Political Subdivisions Affected:** Department of Agriculture and Consumer Services, Virginia Lottery, Department of Behavioral Health and Developmental Services

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** HB766 also creates the position of Illegal Gaming Enforcement Coordinator.