

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: HB1832

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Scott, E.T.

3. Committee: General Laws

4. Title: Virginia Racing Commission; restricted wagering facilities authorized; penalty.

5. Summary: This bill: (i) permits, under certain conditions, pari-mutuel wagering on simulcast horse races at restricted wagering facilities; (ii) defines illegal wagering on horse racing and specifies the penalty for same; (iii) authorizes the Virginia Racing Commission (VRC) to set the levels of retainage in amounts in the best interest of the Virginia horse industry; (iv) increases the retainage and adds distribution to the Virginia Thoroughbred Association to the entities that qualify for a distribution of retainage; and (v) contains technical amendments and an enactment clause requiring VRC to promulgate regulations to implement the provisions of the act that are effective within 280 of enactment.

6. Budget Amendment Necessary: Possible, Item 119.

7. Fiscal Impact Estimates: Preliminary, See Item 8.

8. Fiscal Implications: (see below)

(i) Establishes restricted wagering facilities (RWFs):

This bill authorizes the operation of restricted wagering facilities (RWFs) in Virginia. These facilities may only be operated by a person holding unlimited licenses to own and operate a racetrack and at least three satellite facilities. In addition, the operation of an RWF requires: (i) the approval of the governing body of the locality in which it will be located; (ii) not more than five totalizator machines (defined as apparatus for registering and indication the total of operations, measurements, etc.) with pari-mutuel employees; (iii) a limit on operations of not more than five days a week; and (iv) a restriction on accepting wagers after 11:00 pm.

Fiscal Impact: While it is indeterminate the exact costs and revenues generated from operating an RWF in Virginia, a satellite wagering facility (SWF) currently in operation in Richmond, Virginia, serves as a valid point of comparison. The Richmond SWF, with only five machines in operation, would effectively qualify as an RWF under the guidelines and limitations proposed in the bill. This SWF generates a total amount wagered of approximately \$8,700 per day. When multiplied by the 250 days allowed by RWF restrictions, it is estimated that an RWF could generate as much as \$2,175,000 per year in

wagers. After conservatively adjusting the total annual wager for an RWF to \$2.0 million, the following calculations can be made as to amounts retained by the state, localities, and entities outlined in the bill:

Entity	Portion of Retainage (as set-out by HB1382 and not adjusted by VRC)	Approximate Annual Revenue to Entity per RWF (based on est. annual wagering of \$2.0 million)
Virginia Racing Commission	1.50%	\$30,000
Virginia Breeders' Fund	1.00%	\$20,000
Virginia-Maryland Regional College of Veterinary Medicine	0.15%	\$3,000
Virginia Horse Center	0.05%	\$1,000
Virginia Horse Industry Board	0.05%	\$1,000
Virginia Thoroughbred Assoc.	0.05%	\$1,000
Locality of the RWF*	0.40%	\$8,000
Operator of RWF	0.40%	\$8,000
Total Retainage	3.60%	\$72,000

** A blended rate of 0.40 percent is used for the locality within which the RWF is located based on the allocations outlined in the bill which grant 0.25 percent to the locality on win, place and show wagering, and 0.5 percent on all other wagers.*

Note: It is indeterminate how many RWFs could potentially begin operations in Virginia as a result of this bill, although there is the potential that revenue generated in northern areas of the state could potentially be more significant.

Additionally, VRC would be responsible for monitoring and enforcing the practices and operations of any additional RWF. However, VRC estimates that any additional workload associated with a new RWF is likely to be supported by additional revenues generated to VRC from that site (as is listed in the above chart, VRC could generate approximately \$30,000 in new revenue from each new RWF site). A significant increase in workload associated with new RWFs may require additional personnel for VRC; the personnel costs are assumed to be supported by additional revenue generated.

(ii) Defines illegal wagering; authorizes penalty

This bill classifies a violation of the provisions of the bill as a Class 1 misdemeanor offense.

Fiscal Impact: Class 1 misdemeanor outcomes result in sentences of up to 12 months in jail (and a fine of up to \$2,500). Any increase in jail population increases costs to the state. Presently, the state pays localities \$4.00 per day for each misdemeanant or otherwise local responsible prisoner held in a jail. In addition, the state funds most of the jails' operating costs on a per prisoner, per day basis, at an average of \$33.01 per state inmate, per day, according to the Compensation Board's FY 2009 Jail Cost Report (released November 1,

2010). Although it is unknown how many Class 1 misdemeanor charges will result from this bill, there is the likelihood that it could result in a fiscal impact to the state.

(iii) Authorizes the Virginia Racing Commission (VRC) to set percentage retained

This bill authorizes VRC to set the amount of percentage retained (“retainage”) on all situations resulting in pari-mutuel pools generated by wagering at the racetrack, satellite facilities, and restricted wagering facilities (which this bill authorizes). Under current law, the rates of retainage are established by Code.

Fiscal Impact: The fiscal impact on the state from this change is indeterminate. However, as the operations of VRC are supported by revenues obtained from retainage, it is assumed that any changes in the percentage allocations would consider costs and workload needs of the agency.

(iv) Increases the retainage and adds distribution to the Virginia Thoroughbred Association

This bill increases the retainage from one and one quarter percent of the total pari-mutuel pool generated by wagering, to one and thirty one-hundredths and allots the increase of five one-hundredths to the Virginia Thoroughbred Association for the promotion of breeding in the Commonwealth.

Fiscal Impact: This five-hundredths percent payment does not affect in anyway the amounts that would otherwise come to the state. VRC is responsible for making the additional distributions to the Virginia Thoroughbred Association but can absorb this responsibility within current resources.

(v) Contains technical amendments and an enactment clause requiring VRC to promulgate regulations to implement the provisions of the act that are effective within 280 days of enactment.

This bill makes technical amendments to the Code and requires VRC to promulgate regulations to implement the provisions of the bill.

Fiscal Impact: No impact from the technical amendments. Any workload for VRC associated with promulgating regulations in accordance with this bill is considered part of the agency’s responsibilities and can be absorbed within current resources.

9. Specific Agency or Political Subdivisions Affected: Virginia Racing Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: January 20, 2011

c: Secretary of Commerce and Trade