

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB533

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

2. Patron: Reeves

3. Committee: General Laws and Technology

4. Title: Pari-mutuel wagering; breakage; distribution for problem gambling treatment and support.

5. Summary: Alters the required distribution of the legitimate breakage from each pari-mutuel pool for live, historical, and simulcast horse racing by requiring that 80 percent be deposited in the Problem Gambling Treatment and Support Fund, created by the bill, and 20 percent be deposited in the Racing Benevolence Fund for gambling addiction and substance abuse counseling or recreational, educational, nutritional, or other related programs. Under current law, 70 percent of the breakage is required to be distributed to the horse racing licensee to be used for capital improvements and 30 percent of the breakage is required to be distributed to the Racing Benevolence Fund for gambling addiction and substance abuse counseling or recreational, educational, or other related programs. The Problem Gambling Treatment and Support Fund, administered by the Department of Behavioral Health and Developmental Services, would be used to provide counseling to compulsive gamblers, implement problem gambling treatment and prevention programs, and provide grants to organizations that assist problem gamblers.

6. Budget Amendment Necessary: See Item 8.

7. Fiscal Impact Estimates: See Item 8.

8. Fiscal Implications: This legislation creates the Problem Gambling Treatment and Support Fund, to be administered by the Department of Behavioral Health and Developmental Services (DBHDS). The fund will be used solely for providing counseling and other support services for compulsive and problem gamblers, developing and implementing problem gambling treatment and prevention programs, and providing grants to supporting organizations that provide assistance to compulsive gamblers.

Revenues to be deposited into the fund include the legitimate breakage on pari-mutuel wagering. Breakage, as defined in § 59.1-365, means the odd cents by which the amount payable on each dollar wagered exceeds a multiple of \$0.10. Historical horse racing is to the penny not the dime. The amount of breakage from each pari-mutuel pool for live, simulcast, and historical horse racing for the 12 months ended December 31, 2019, was \$223,772. Of that amount, based

on current Code requirements, \$67,132 is to be deposited into the Racing Benevolence Fund and \$156,640 is retained by the racetrack licensee for capital improvements.

The Racing Benevolence Fund is established in § 59.1-392(T)(2) of the Code of Virginia. Currently, thirty percent of the legitimate breakage from pari-mutuel wagering on live, simulcast, and historical horse racing is deposited in the Racing Benevolence Fund for gambling addiction and substance abuse counseling, recreational, educational or other related programs as approved by the Virginia Racing Commission. In the past, the majority of the expenditures from this fund have been used to benefit the horsemen that live and work on the backside of the racetrack during the live racing seasons in the form of meal tickets, dental care, a shuttle service for those without transportation, a racetrack chaplain, and other benevolent purposes for the lower wage workers such as grooms or hotwalkers.

This legislation would reduce the amount deposited into the Racing Benevolence Fund to twenty percent, while the remaining eighty percent would be deposited into the newly created Problem Gambling Treatment and Support Fund. Using the breakage figure from 2019, \$44,755 would be deposited into the Racing Benevolence Fund and the remaining \$179,017 would be deposited into the newly created Problem Gambling Treatment and Support Fund, to be administered by DBHDS. The racetrack licensee would not retain anything for capital improvements. This bill would not result in a fiscal impact to the Virginia Racing Commission.

Currently, DBHDS does not provide any counseling or rehabilitative services for gambling addiction. If DBHDS is expected to establish a comprehensive program for problem gambling, the amount to be deposited into the fund will not be adequate.

Previous estimates, based on the population density of Virginia, projected that a comprehensive program would require 24 local positions through the Community Services Boards and one central office position at the DBHDS central office at a cost of \$1.9 million per year in staffing. Additionally, using the costs of administering the Mental Health First Aid program as a blueprint, DBHDS projects the need for an additional \$1.1 million for training and treatment services at the regional level.

Expense	Cost	Number of FTEs	Total
CSB Staff	\$75,000 per position	24	\$1,875,000
Central Office Staff	\$75,000 per position	1	\$75,000
Treatment/Training Programs	\$1,100,000	-	\$1,100,000
		25	\$3,050,000

The figures above are in line with average per capita expenditures on problem gambling programs nationwide. Based on a 2016 survey done by the National Council on Problem Gambling, the average per capital allocation for problem gambling services for states that have

such programs was \$0.37. The census of Virginia, according to the US Census Bureau, is estimated at approximately 8.5 million. The average allocation applied to the Virginia census equals \$3,145,000, which is in line with the DBHDS estimate.

If the legislation is not interpreted to require a comprehensive program, and requires only the disbursement of the funds deposited, there is no fiscal impact, however it is unlikely that the available funds would be adequate to provide any substantial form of treatment or support.

9. Specific Agency or Political Subdivisions Affected: Department of Behavioral Health and Developmental Services

10. Technical Amendment Necessary: No.

11. Other Comments: None.