

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1126-S3

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

2. Patron: Lucas

3. Committee: Conference

4. Title: Lottery Board; regulation of casino gaming; penalties.

5. Summary: Requires the Virginia Lottery Board (Board) to regulate casino gaming in the Commonwealth and specifies the licensing requirements for casino gaming, which is defined as baccarat, blackjack, twenty-one, poker, craps, dice, slot machines, sports betting, roulette wheels, Klondike tables, punchboards, faro layouts, keno layouts, numbers tickets, push cards, jar tickets, pull tabs, online gaming, and any other activity that is authorized by the Board as a wagering game or device. The Board is required to promulgate regulations to implement the provisions of this act beginning January 1, 2020 with the regulations completed by June 30, 2020. The Board is prohibited from issuing casino gaming operation licenses until after July 1, 2020.

Casino gaming is limited to a city that meets the following criteria:

- At least 40 percent of the land area must be exempt from local real property taxation, according to the Virginia Department of Taxation Annual Report for Fiscal Year 2017, and a population decrease of at least seven percent from 1990 to 2016, according to the U.S. Census Bureau
- An unemployment rate of at least five percent in November 2017, according to the U.S. Bureau of Labor Statistics; a poverty rate of at least 20 percent in 2016, according to the U.S. Census Bureau; and a population decrease of at least 20 percent from 1990 to 2016, according to the U. S. Census Bureau
- An unemployment rate of at least four percent in November 2017, according to data provided by the U.S. Bureau of Labor Statistics; a poverty rate of at least 20 percent in 2016, according to the U.S. Census Bureau; a population decrease of at least four percent from 1990 to 2016, according to the U.S. Census Bureau; and located adjacent to a state that has adopted a Border Region Retail Tourism Development District Act
- A population greater than 200,000, according to the 2017 population estimates from the Weldon Cooper Center for Public Service of the University of Virginia; at least 24 percent of the land area must be exempt from local real property taxation, according to the Virginia Department of Taxation Annual Report for Fiscal Year 2017, provided that such casino gaming is conducted by a Virginia Indian tribe recognized in House Joint Resolution 54 (1983) and acknowledged by the U.S. Assistant Secretary-Indian Affairs as an Indian tribe

within the meaning of federal law that has authority to conduct gaming activities as a matter of claimed inherent authority or under the authority of the Indian Gaming Regulatory Act.

The Joint Legislative Audit and Review Commission (JLARC) is required to conduct a review of casino gaming laws in other states and report its findings and recommendations to the Chairmen of the Senate General Laws and Technology Committee and the House General Laws Committee on or before December 1, 2019. A referendum is prohibited from being passed in the city on the question of allowing casino gaming in the city unless reenacted by the 2020 Session of the General Assembly. A referendum on casino gaming is also prohibited prior to the publication of the JLARC review and must be adopted prior to January 1, 2021.

6. **Budget Amendment Necessary:** No. JLARC is required to conduct a review of casino gaming laws in other states and report its findings and recommendations to the Chairmen of the Senate General Laws and Technology Committee and the House General Laws Committee on or before December 1, 2019. Conference amendment 31 #3c provides \$200,000 general fund appropriation in fiscal year 2019 for JLARC to contract with one or more third-party, independent reviewers to evaluate the Commonwealth's current and potential gaming governance structures, current and potential revenues to the Commonwealth, and any other relevant subjects it deems necessary pursuant to the study. The Conference report also includes amendment 255 #2c, which eliminates \$175,000 general fund appropriation in fiscal year 2020 provided in House Bill 1700/Senate Bill 1100, 2019 for the Secretary of Finance to contract with a third-party, independent reviewer to study the gaming governance structure of other states.

7. **Fiscal Impact Estimates:** Preliminary – see Item 8.

8. **Fiscal Implications:** The Virginia Lottery may incur costs for implementing the provisions of this bill; however, the administrative costs will be dependent upon the number of cities that have received approval to conduct casino gaming through a local referendum. Any costs incurred by the Virginia Lottery will occur beginning in fiscal year 2021 because the Virginia Lottery is prohibited from granting a license to operate a casino gaming establishment until after July 1, 2020. The issuance of a casino gaming license is contingent upon a locality passing a referendum authorizing the operation of a casino; however, a referendum is prohibited unless this bill is reenacted by the 2020 Session of the General Assembly.

JLARC is expected to incur costs in order to complete a review of casino gaming laws in other states, including lottery, historical horse racing, and horse racing with pari-mutuel wagering. A budget amendment is included in the Conference report, which provides \$200,000 general fund appropriation to JLARC in fiscal year 2019 for consultant costs associated with JLARC's analysis of proposals to expand legalized gambling in Virginia.

9. **Specific Agency or Political Subdivisions Affected:** Virginia Lottery, Joint Legislative Audit and Review Commission, courts, and localities.

10. Technical Amendment Necessary: Line 678, after historical, strike “horseracing” and insert “horse racing”.

Line 678, after “and horse racing”, strike “and” and insert “with”.

11. Other Comments: None.