

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1356

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

2. Patron: Wagner**3. Committee:** Finance**4. Title:** Virginia Lottery Board; rename as Virginia Lottery and Sports Wagering Commission; Problem Gambling.

5. Summary: Renames the Virginia Lottery Board as the Virginia Lottery and Sports Wagering Commission (the Lottery) and directs it to operate a sports wagering facility at which the Department accepts wagers on professional sports and college sports, defined in the bill. The bill authorizes the Lottery to operate a digital platform to accept such wagers. The bill prohibits wagering on Virginia college sports and youth sports, also defined in the bill. The bill prohibits wagering by Lottery employees, participants in athletic events on which the wager is placed, and persons under age 21. The penalty for engaging in prohibited wagering is a Class 1 misdemeanor. The bill directs the Lottery to establish a voluntary exclusion program, which would allow individuals to request that the Lottery exclude them from buying lottery tickets or participating in sports wagering. The bill allows the Lottery to retain 2.5% of gross revenue, defined in the bill, to defray its costs of administering the program. The bill creates the Problem Gambling Treatment and Support Fund, administered by the Department of Behavioral Health and Developmental Services, to be used to provide counseling to compulsive gamblers, implement problem gambling treatment and prevention programs, and provide grants to organizations that assist problem gamblers. The Fund would be funded by 2.5% of adjusted gross revenue. The remaining adjusted gross revenue generated from sports wagering accrues to the general fund.

6. Budget Amendment Necessary: Yes – Department of Corrections (Item 391 of Senate Bill 1100, 2019).

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

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	\$0	0.00	-
2020	\$50,000	0.00	GF

8. Fiscal Implications: The proposed legislation is expected to have a state fiscal impact for the Virginia Lottery, Department of Behavioral Health and Developmental Services

(DBHDS), and Department of Corrections (DOC). The estimated cost for the impacted state agencies are explained below.

The Virginia Lottery is expected to incur additional costs for implementing the provisions of this bill; however, the costs cannot be determined at this time. The proposed legislation would place the oversight and operating responsibilities for sports wagering, to be conducted at specific establishments and through a digital platform, within the Virginia Lottery. The proposed legislation authorizes a 2.5 percent allocation of gross receipts from sports wagering to be used to operate and administer the program with 97.5 percent of adjusted gross revenues directed to the general fund, and 2.5 percent of adjusted gross revenues directed to the Problem Gambling Treatment and Support Fund. The proposed legislation authorizes the Sports Wagering Commission to contract with a third party to operate the program.

The proposed legislation requires the DBHDS to administer the Problem Gambling Treatment and Support Fund (Fund) to 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. Currently, DBHDS does not provide any counseling or rehabilitative services for gambling addiction. According to DBHDS, based on the population density of Virginia, this legislation may need up to 25 full-time equivalent positions through the Community Services Boards (CSB) and the DBHDS central office at a total 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 \$600,000 per year for the costs of regional training programs and \$500,000 in additional support to the CSBs for locally administered programs. The revenue deposited in the Fund is expected to be used to defray DBHDS' administrative costs.

The table below provides a break out of DBHDS estimated fiscal impact.

<u>Expense</u>	<u>Cost</u>	<u>Number of FTEs</u>	<u>Total</u>
CSB Staff	\$75,000/ per position	24.00	\$1,875,000
Central Office Staff	\$75,000/ per position	1.00	\$75,000
Treatment/Training Programs	\$1,100,000	-	\$1,100,000
Total		25.00	\$3,050,000

The proposed legislation imposes a Class 1 misdemeanor for anyone convicted of violating the provisions of the proposed legislation. For a Class 1 misdemeanor, confinement in jail for not more than twelve months and a fine of not more than \$2,500, either or both is required. Therefore, this proposal could result in an increase in the number of persons sentenced to jail or prison.

There is not enough information available to reliably estimate how many additional inmates in jail could result from this proposal. Ultimately, the presiding judge will decide if there is to be any time served in jail; however, any increase in jail population will increase costs to the state. The Commonwealth presently pays the localities \$4.00 a day for each misdemeanor or otherwise local responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g. correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2018), the estimated total state support for local jails averaged \$33.83 per inmate, per day in fiscal year 2017.

Due to the lack of data, the Virginia Criminal Sentencing Commission has concluded, pursuant to § 30-19.1:4 of the Code of Virginia, that the impact of the proposed legislation on state-responsible (prison) bed space cannot be determined. In such cases, Chapter 2 of the 2018 Acts of Assembly, Special Session I requires that a minimum impact of \$50,000 be assigned to the bill.

The estimated revenue impact of the proposed legislation cannot be determined at this time. The revenue generated would assume that federal and state legality of sports betting activities continue uninterrupted, regulatory and licensure activities are complete, and offerings are available on July 1, 2020. The lottery profits available would depend on the regulatory framework established by the Virginia Lottery and Sports Wagering Commission.

The Virginia Lottery director is authorized to impose a monetary civil penalty, within at least 15 days' notice and a hearing, of no more than \$1,000 for each violation of Article 2.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Lottery, Department of Education, Department of Behavioral Health and Developmental Services, Department of Corrections, Department of Accounts, Department of the Treasury, and localities.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** The revised fiscal impact statement includes some technical changes. The fiscal impact of the proposed legislation did not change.