

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1574-S1

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

2. Patron: Norment

3. Committee: Appropriations

4. Title: Revenue sharing; gaming in the Commonwealth.

5. Summary: Creates a revenue sharing program, if gaming is authorized in the Commonwealth, which would require the owner or operator of any gaming establishment to pay 14 percent of its adjusted gross receipts in its first year of operation to the Gaming Proceeds Fund (Fund). A gaming operation is required to pay the following percentage of its adjusted gross receipts to the Fund after its first year of operation:

- 13 percent for a gaming establishment with less than \$200 million in annual gross receipts;
- 14 percent for a gaming establishment with at least \$200 million, but less than \$300 million in annual adjusted gross receipts; and
- 15 percent for a gaming establishment with at least \$300 million in annual adjusted gross receipts.

The revenue deposited into the Fund would be distributed as follows:

- 30 percent would be used to support transportation construction and maintenance;
- 30 percent to support school construction and modernization at public elementary and secondary schools;
- 10 percent to support teach pay increases;
- 10 percent to support initiatives to limit tuition and fee increases at public institutions of higher education;
- 10 percent returned to the county or city in which the gaming operation is located on a pro rata basis;
- Nine percent to support Commonwealth tourism marketing and promotion activities; and
- One percent to support initiatives to prevent and treat gambling addiction.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: The proposed legislation would require the owner, operator, and licensee of a gaming establishment or operation to participate in a revenue sharing program in the Commonwealth. "Gaming", as defined in the proposed legislation, means 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, historical horse racing conducted at a significant infrastructure facility as defined in § 59.1-365 of the Code of Virginia, or any other activity that is authorized by the General Assembly as a wagering game or device. For the purposes of this legislation, "gaming" does not include lottery games authorized pursuant to Chapter 40 (§ 58.1-4000 et seq.) of Title 58.1 of the Code of Virginia or horse racing and pari-mutuel wagering authorized pursuant to Chapter 29 (§ 59.1-364 et seq.) of Title 59.1 of the Code of Virginia, other than historical horse racing conducted at a significant infrastructure facility. The creation of the revenue sharing program is contingent upon the General Assembly authorizing any gaming activities through separate legislation.

The proposed legislation would require a gaming operation to pay a portion of its adjusted gross receipts, defined as the gross receipts from gaming less winnings paid to winners, to the Gaming Proceeds Fund (Fund).

Senate Bill 1574-S1 establishes the revenue sharing program upon the approval of the General Assembly authorizing any gaming activity through separate legislation and transfers a percentage of the adjusted gross receipts from gaming to the Gaming Proceeds Fund. The number of gaming operations, as defined in the proposed legislation, that would be required to participate in the revenue sharing program is not known; therefore, the additional revenue deposited into the Gaming Proceeds Fund cannot be determined.

9. Specific Agency or Political Subdivisions Affected: Local school divisions, institutions of higher education, and Virginia Tourism Corporation.

10. Technical Amendment Necessary: No.

11. Other Comments: The proposed legislation is similar to Senate Bill 1126-ES2 (Lucas).

Senate Bill 1126-ES2 includes a similar definition of "gaming", except Senate Bill 1126-ES2 provides the Virginia Lottery Board with the authority of determining whether an activity or device is considered "gaming". Senate Bill 1574-S1 would provide the General Assembly with the authority of determining whether an activity or device is considered "gaming".

Senate Bill 1126-ES2 requires the Joint Legislative Audit and Review Commission (JLARC) to conduct a review of casino gaming laws in other states and report its findings to the Chairmen of the Senate General Laws and Technology Committee and the House General Laws Committee on or before November 1, 2019. The bill prohibits a referendum 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. Senate Bill 1126-ES2 prohibits the Lottery Board from issuing casino gaming operation licenses before July 1, 2020.