

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: HB1661

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: Carr

3. Committee: General Laws

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

5. Summary: Authorizes casino gaming in the Commonwealth to be regulated by the Virginia Lottery Board. The bill limits casino gaming to certain cities that meet the criteria outlined in the bill and requires that, prior to the establishment of casino gaming operations in such city, the voters of the city approve a referendum on the question of allowing casino gaming in the city. The bill also provides that if an operator license to conduct casino gaming is issued to an owner that is a Virginia Indian tribe as described in the bill for any city that meets the criteria outlined in the bill, any entity holding an owner's or operator's license from the Virginia Racing Commission that is operating in the same city shall be allowed to conduct casino gaming.

6. Budget Amendment Necessary: Indeterminate – see Item 8.

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

8. Fiscal Implications: The bill limits casino gaming to Richmond, Norfolk, Portsmouth, Danville, and Bristol pending approval of individual, unique local referendum. The bill also places the oversight responsibilities of casino gaming establishments after local referendum passage, within the Virginia Lottery. The casino gaming operation is required to have a minimum capital investment of \$200 million, which may include investments in land, facilities, infrastructure, equipment, and furnishings. The bill does not specify a tax on casino gaming, nor does the bill specify the beneficiary of any tax.

The Virginia Lottery would require additional employees to regulate and provide oversight of casino gaming operations in the Commonwealth. The Joint Legislative Audit and Review Commission's (JLARC) 2019 report, "Gaming in Virginia", estimated the Virginia Lottery would need approximately 100 staff to regulate the casino gaming industry, the Virginia Lottery Board's role and composition would need to change, and the Virginia Lottery would need to expand its mission of supporting K-12 education. JLARC estimated the Virginia Lottery's administrative costs of its casino gaming program to be at least \$16 million each year.

The bill does not impose a revenue tax on casino gaming to support the administration and oversight of the Virginia Lottery's casino gaming program. The Virginia Lottery uses money

received from lottery ticket sales, less prize payments and compensation to Lottery retailers, to support the administration of the lottery program, pursuant to § 58.1-4022. The Virginia Lottery is prohibited from spending more than 10 percent of the total annual estimated gross revenues generated from lottery sales to support the lottery program's administrative expenses. Because the bill does not identify a source of revenue to support the Virginia Lottery's costs to implement the provisions of this bill, the Virginia Lottery would need either general fund appropriation or authority to use money received from lottery ticket sales to support its casino gaming program. The use of lottery profits to support the casino gaming program's estimated \$16 million annual cost would reduce funding dedicated to public education.

The authorization of casino gaming in the Commonwealth is projected to impact lottery profits used to support public education. The JLARC report projected lottery sales to decrease by \$105 million and lottery proceeds to decrease by \$30 million with the introduction of casino gaming. The annual reduction of \$30 million in lottery proceeds would be equal to 0.5 percent of funding provided for public education. Additional general fund revenue to support public education would be needed to address the decline in lottery proceeds or the education programs supported by Lottery revenue would need to be reduced. The JLARC report also identified historical horse racing and charitable gaming as other sources of state revenues that may be impacted by casino gaming.

The bill provides that if an operator license to conduct casino gaming is issued to an owner that is a Virginia Indian tribe as described in the bill for any city that meets the criteria outlined in the bill, any entity holding an owner's or operator's license from the Virginia Racing Commission (VRC) that is operating in the same city shall be allowed to conduct casino gaming. The fiscal impact to the VRC is indeterminate. This bill would allow for Rosie's in Richmond, which is operated by the Colonial Downs Group (CDG) and its parent company Peninsula Pacific Entertainment, a casinos and gaming company, to offer casino gaming if the Pamunkey Tribe was to be awarded a license to conduct casino gaming in the City of Richmond. If CDG were to move from historical horse racing (HHR) to all casino gaming in order to be competitive with the new casino, VRC would lose approximately \$6 million per year in revenue from HHR, most of which would be turned over to the general fund at the end of each fiscal year. In addition, New Kent County and the City of Richmond would each lose approximately \$2 million per year in revenue that would have been generated by HHR wagering at the Richmond site operated by CDG.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Lottery, Department of Education, Virginia Racing Commission, Virginia Department of Agriculture and Consumer Services, and localities.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** This bill is similar to HB 4, HB 374, HB 428, HB 560, HB 1343, SB 36, SB 102, SB 374, and SB 1083.