

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: HB428

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

2. Patron: Scott

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. Casino gaming shall be limited to certain cities that meet the criteria that is outlined in the bill, and a referendum must be passed in the city on the question of allowing casino gaming in the city. This bill is a reenactment of the first enactment of Senate Bill 1126 of the 2019 legislative session.

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 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. The JLARC report also identified historical horse racing and charitable gaming as other sources of state revenues that may be impacted by casino gaming.

- 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 identical to HB 4, HB 374, HB 560, HB 1343, SB 36, SB 102, and SB 374. This bill is also similar to HB 1661 and SB 1083.