

## Department of Planning and Budget

### 2021 Fiscal Impact Statement

**1. Bill Number:** HB1880

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

**2. Patron:** Krizek

**3. Committee:** General Laws

**4. Title:** Illegal gambling; skill games; temporary exemption for truck stops and alcoholic beverage control.

**5. Summary:** Delays by one additional year, from July 1, 2021, to July 1, 2022, the prohibition on the play or offering for play of skill games that was instituted in the 2020 Regular Session. The bill extends the one-year phase-out of existing skill games by one additional year to July 1, 2022, but decreases to 90 percent the total number of machines that a distributor may provide for play to truck stops and Virginia Alcoholic Beverage Control Authority retail licensees (ABC retail licensees) relative to the number of machines such distributor previously reported to the Virginia Alcoholic Beverage Control Authority (the Authority) on July 1, 2020.

The bill caps the total number of skill games that persons operating truck stops and ABC retail licensees may make available for play to no more than 20 and six, respectively. The bill extends the prohibition on distributors offering new skill games for play. The bill keeps oversight authority over skill games with the Authority. The bill extends the requirement that each distributor pay a monthly tax of \$1,200 for each skill game provided for play during the previous month. Revenues will accrue one percent to the Problem Gambling Treatment and Support Fund, three percent to the Authority for the purposes of implementing the bill, 33 percent to the localities in which the skill games are located, one percent to the Family and Children's Trust Fund, two percent to the Virginia Breeders Fund, and 60 percent to the Commonwealth Transportation Fund. The bill extends the requirement that distributors report monthly to the Authority the number of skill games provided for play. Finally, the bill prohibits persons younger than 21 years of age from playing skill games or redeeming the evidence of winnings for them.

**6. Budget Amendment Necessary:** No.

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

**Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2022	\$79.2 million	NGF
2023	\$7.2 million	NGF

- 8. Fiscal Implications:** The following revenue impact was provided by the Department of Taxation (TAX). According to TAX, this bill is expected to have a total positive revenue impact of \$118.2 million in fiscal year 2022 and \$10.8 million in fiscal year 2023. Such impact includes additional local revenues of \$39.0 million in fiscal year 2022 and \$3.6 million in fiscal year 2023. The bill is estimated to increase state nongeneral fund revenues by \$79.2 million in fiscal year 2022 and \$7.2 million in fiscal year 2023. The bill is not expected to impact the general fund. The estimated impact to localities and each fund is reflected below:

	<b>FY 2022 (11 months)</b>	<b>FY 2023 (1 month)</b>
Problem Gambling Treatment Fund	\$1,182,324	\$107,484
ABC	\$3,546,972	\$322,452
Localities	\$39,016,692	\$3,546,972
Children's Trust Fund	\$1,182,324	\$107,484
Virginia Breeders Fund	\$2,364,648	\$214,968
Commonwealth Transportation Fund	\$70,939,440	\$6,449,040
<b>Total Revenue</b>	<b>\$118,232,400</b>	<b>\$10,748,400</b>

This bill would limit the total number of machines provided for play in Virginia by a distributor to 90 percent of the total number of machines previously reported on July 1, 2020. The total number of machines reported on July 1, 2020, was 10,291. The total number of machines in play, amount of revenue raised, and distribution of revenue for July through October 2020 is as follows:

	<b>July 2020</b>	<b>August 2020</b>	<b>September 2020</b>	<b>October 2020</b>
Machines in Play	10,037	9,549	9,250	8,957
ABC	\$240,888	\$229,176	\$222,000	\$214,968
Gambling Prevention Fund	\$240,888	\$229,176	\$222,000	\$214,968
Localities	\$1,445,328	\$1,375,056	\$1,332,000	\$1,289,808
COVID Relief Fund	\$10,117,296	\$9,625,392	\$9,324,000	\$9,028,656
<b>Total Revenue</b>	<b>\$12,044,400</b>	<b>\$11,458,800</b>	<b>\$11,100,000</b>	<b>\$10,748,400</b>

The bill also provides that any distributor found by the Authority to be in violation of § 18.2-334.7 shall be subject to a civil penalty of not less than \$25,000 and not more than \$50,000 per incident. Civil penalties shall be paid to the COVID-19 Relief Fund.

According to the Virginia Lottery, the continuation of skill games for an additional year is not expected to impact lottery revenues because the impact of skill games is currently reflected in the Virginia Lottery's revenue forecasts.

The proposed legislation is not expected to have an expenditure impact.

**9. Specific Agency or Political Subdivisions Affected:** Virginia Alcoholic Beverage Control Authority, Department of Taxation, and localities in which skill games are located.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.