

## **Department of Planning and Budget**

### **2022 Fiscal Impact Statement**

**1. Bill Number:** HB1123

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

**2. Patron:** Campbell, J.L.

**3. Committee:** General Laws

**4. Title:** Illegal gambling and unlawful gaming; Illegal Gambling and Unlawful Gaming Investigation Unit.

**5. Summary:** The bill creates the Illegal Gambling and Unlawful Gaming Investigation Unit (the Unit) within the Department of State Police (VSP). The bill describes the purposes of the Unit, including investigating instances of illegal gambling and unlawful gaming, and responding to complaints alleging such violations. The bill also lays out a process by which VSP may request documents and evidence from a casino gaming operator or other organization. It requires casino gaming operators and other organizations to report suspected gambling law violations to VSP. The bill also permits VSP to establish a reward fund in cooperation with legal betting operators and organizations to offer monetary rewards for information sufficient to procure a conviction for illegal gambling and unlawful gaming. Under the bill, VSP is required to submit an annual report to the Governor and General Assembly on the progress made in deterring such crimes.

The bill also increases the penalty for conducting an illegal gambling operation from a Class 6 to a Class 5 felony. It also increases the maximum fine for a conviction to \$100,000 from the current \$20,000, and increases the maximum term of imprisonment from ten to 20 years. The bill also increases the penalty for owning an illegal place of gambling and permitting its continuance from a Class 1 misdemeanor to a Class 6 felony. It increases the penalty for being an accessory to illegal gambling from a Class 1 misdemeanor to a Class 6 felony. It increases from \$25,000 to \$50,000 per device the maximum civil penalty for persons who conduct a gambling device in an unregulated location. Additionally, the bill increases from a Class 1 misdemeanor to a Class 6 felony the penalty for filing a false application, report or document, or making a false statement on any such document related to charitable gaming.

**6. Budget Amendment Necessary:** Yes. Items 404 and 430.

**7. Fiscal Impact Estimates:** Preliminary. See Item 8 below.

**8. Fiscal Implications:** The bill establishes within the Department of State Police, Bureau of Criminal Investigation, the Illegal Gambling and Unlawful Gaming Investigation Unit. The Unit shall (1) initiate independent inquiries and conduct independent investigations when the Department has reason to believe that illegal gambling and unlawful gaming may have been

or is currently being conducted and undertake studies to determine the extent of such illegal gambling and unlawful gaming; (2) respond to notification or complaints alleging illegal gambling and unlawful gaming generated by federal, state, or local police; other law-enforcement authorities, governmental agencies, or units; or any other person; and (3) review notices and reports of illegal gambling and unlawful gaming; select the incidents of suspected fraud that, in its judgment, require further detailed investigation; and conduct the investigations.

It also provides that the Superintendent may appoint such agents as he may deem necessary to assist the Illegal Gambling and Unlawful Gaming Investigation Unit in carrying out its powers and duties under this chapter.

The Department of State Police (VSP) estimates the Illegal Gambling and Unlawful Gaming Investigation Unit (the Unit) will require 62 positions to satisfy the requirements as provided in the bill. This includes special agents, supervisory sworn positions, intelligence analysts, administrative positions, and accountants. These positions will also require additional office space, furniture, information technology costs, vehicle and equipment costs, and supplies. VSP expects the unit will incur annual training costs as well. The agency's total costs are estimated as follows:

<b>Item</b>	<b>Quantity</b>	<b>Cost per Item</b>	<b>FY 2023 Total Cost</b>	<b>FY 2024 Total Cost</b>
Special Agent	30	\$127,761	\$3,832,840	\$3,832,840
Special Agent (Drug Task Force Coordinator)	2	\$112,487	\$224,974	\$224,974
Special Agent (Northern Virginia Rate)	5	\$145,106	\$725,532	\$725,532
Lieutenant	2	\$168,550	\$337,100	\$337,100
Captain	1	\$188,366	\$188,366	\$188,366
First Sergeant	6	\$148,953	\$893,720	\$893,720
First Sergeant (Northern Virginia Rate)	1	\$184,484	\$184,484	\$184,484
Senior Secretary	1	\$79,528	\$79,528	\$79,528
Executive Secretary	1	\$85,690	\$85,690	\$85,690
Senior Intelligence Analyst	6	\$94,277	\$565,663	\$565,663
Senior Accountant	7	\$101,545	\$710,816	\$710,816
Office Space Rental	---	---	\$221,340	\$221,340
Office Furniture	62	\$4,861	\$301,382	---
IT Hardware/Software	---	---	\$123,442	\$95,480
Vehicles, Supplies, and Equipment	---	---	\$4,180,165	\$385,165
Training	---	---	\$35,250	\$35,250
<b>Total Costs for VSP</b>			<b>\$12,690,292</b>	<b>\$8,565,948</b>

Additionally, the proposed legislation increases the criminal penalty for several different violations related to illegal gambling and unlawful gaming: it increases the penalty for conducting an illegal gambling operation from a Class 6 to a Class 5 felony and increases the maximum term of imprisonment that may be imposed from ten to 20 years; it increases the penalty for owning a place of illegal gambling and permitting its continuance from a Class 1 misdemeanor to a Class 6 felony; it increases the penalty for being an accessory to illegal gambling from a Class 1 misdemeanor to a Class 6 felony; and it increases from a Class 1 misdemeanor to a Class 6 felony the penalty for filing a false report related to charitable gaming.

A person convicted of a Class 5 felony is subject to a term of imprisonment of not less than one year nor more than 10 years, or in the discretion of the jury or the court trying the case without a jury, confinement in jail for not more than 12 months and a fine of not more than \$2,500, either or both. For someone convicted of a Class 6 felony, a judge has the option of sentencing the offender to a term of imprisonment of not less than one year nor more than five years, or in the discretion of the jury or the court trying the case without a jury, confinement in jail for not more than 12 months and a fine of not more than \$2,500, either or both. Therefore, this proposal could result in an increase in the number of persons sentenced to jail or prison. The bill also increases the maximum civil penalty that may be imposed for a violation of these sections.

According to the Case Management System (CMS) for General District Courts for FY 2016 to FY 2021, ten offenders were convicted of a misdemeanor for illegal gambling or unlawful charitable gaming. Five offenders did not receive an active term of incarceration to serve after sentencing. The other five offenders were given a local-responsible (jail) sentence with a median sentence of five days. According to Circuit Court CMS data for FY 2020 and FY 2021, one offender was convicted of a felony violation of operating an illegal gambling operation, but it was not the primary, or most serious, offense at sentencing. That individual received a jail sentence of nine months.

There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the state. The Commonwealth currently pays the localities \$4.00 a day for each misdemeanant or otherwise local-responsible prisoner held in a jail and \$12.00 a day for each state-responsible prisoner. It also funds a considerable 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 2021), the estimated total state support for local jails averaged \$37.58 per inmate, per day in FY 2020.

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 552, 2021 Acts of Assembly, Special Session I, requires that a minimum impact of \$50,000 be assigned to the bill.

Any potential impact on the Department of Juvenile Justice is indeterminate at this time. Any potential fiscal impact on the Commonwealth's Literary Fund, where civil fines are deposited, cannot be determined at this time.

**9. Specific Agency or Political Subdivisions Affected:** Department of State Police, Department of Corrections, Department of Juvenile Justice, Local and regional jails.

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

**11. Other Comments:** None.