

Department of Planning and Budget 2022 Fiscal Impact Statement

1. Bill Number: HB574

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

2. Patron: Krizek

3. Committee: Passed both houses

4. Title: Horse racing tax.

5. Summary: Provides that 0.01 percent of the amount that a horse racing licensee retains from wagering on historical horse racing pools shall be deposited in the Problem Gambling Treatment and Support Fund. The bill reduces from 0.75 percent to 0.74 percent the percentage of such retained amount that accrues to the general fund. The bill also differentiates between the first 3,000 authorized terminals,

6. Budget Amendment Necessary: See Item 8, below.

7. Fiscal Impact Estimates: Final. See Item 8, below

8. Fiscal Implications: Section 59.1-392 U, Code of Virginia, as written, requires licensees to retain 1.25 percent of the pari-mutuel pool generated by wagering on historical horse racing for distribution to the Commonwealth and localities, with .75 percent going to the Commonwealth and .50 percent going to the affected localities. This bill amends this requirement to only apply to the first 3,000 terminals authorized and shifts .01 percent of the .75 percent going to the Commonwealth to be sent to the Problem Gambling Treatment and Support Fund (PGTSF). According to the Virginia Racing Commission (VRC), using calendar year 2021 revenue as the basis for the estimate, this bill will result in an estimated annual deposit of \$327,200 to the Problem Gambling Treatment and Support Fund and a concurrent such loss therefore to the general fund.

This bill adds a requirement to licensees of the pari-mutuel pools generated by wagering on historical horse racing on the next 2,000 terminals, which were authorized by the seventh enactment of Chapters 1197 and 1248 of the Acts of Assembly of 2020, to retain 1.6 percent of such pools. This 1.6 percent is broken down into a .95 percent distribution to the Commonwealth as a license tax, .01 percent to the PGTSF, and either .64 percent to the locality, if generated at a racetrack, or .32 percent apiece to the localities of the racetrack and the satellite facility, if generated at a satellite facility. As of the end of 2021, the Commonwealth had 2,686 authorized terminals, an increase of 537 from the end of 2020. Current law allows for a maximum of 5,000 terminals throughout the Commonwealth.

Currently, all horse racing revenue allocated to the Commonwealth first goes to the VRC to cover its operating expenses up to the amount appropriated in the Appropriation Act. At the

end of each fiscal year, unexpended revenue collections are transferred to the general fund. VRC's FY2021 expenses were approximately \$1.1 million, and approximately \$21.0 million was transferred to the general fund at the end of the fiscal year. Based on FY 2021, this bill would result in a reduced deposit to the general fund of \$327,200, .01 percent of total revenues.

HB30/SB30, as introduced, includes an additional nongeneral fund appropriation of \$2.8 million to address anticipated workload due to increased racing days and the costs of regulating historical horse racing in the Commonwealth. As more racing activities are planned in the coming months, VRC anticipates greater operating expenses and greater wager pools in the future.

Any funds deposited into the PGTSF would be expended by the Department of Behavioral Health and Developmental Services (DBHDS) upon appropriation for counseling and other support services for compulsive and problem gamblers, the development and implementation of compulsive and problem gambling treatment and prevention programs, and the provision of grants to support organizations that provide assistance to compulsive and problem gamblers, pursuant to § 37.2-314.2, Code of Virginia. A budget amendment would be needed for the agency to expend the funds.

9. Specific Agency or Political Subdivisions Affected: Virginia Racing Commission,
Department of Behavioral Health and Developmental Services

10. Technical Amendment Necessary: No.

11. Other Comments: None