

Department of Planning and Budget 2022 Fiscal Impact Statement

1. Bill Number: HB763

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

2. Patron: Krizek

3. Committee: General Laws and Technology

4. Title: Charitable gaming.

5. Summary: Provides that electronic gaming, defined in the bill as charitable gaming conducted primarily by use of an electronic device, is restricted to social organizations, is limited to such organizations' social quarters, and is prohibited for any individual under 21 years of age. The bill provides that all receipts attributable to electronic gaming shall be reported to the Department of Agriculture and Consumer Services and shall be subject to application, audit, and administration fees.

The bill eliminates exceptions in current law for veterans and fraternal organizations. Without the exceptions, such organizations shall be subject to two prohibitions that, under current law, apply to all other organizations: (i) they are prohibited from offering bingo, instant bingo, pull tabs, or seal cards outside of their home locality and (ii) they are prohibited from offering such games at a Department of Alcoholic Beverage Control-licensed location unless they hold the license.

Additionally, the bill establishes a Class 1 misdemeanor penalty for anyone who conducts or participates in electronic gaming that is not permitted by the Department, and establishes a civil penalty of not less than \$25,000 and not more than \$50,000 for anyone person or organization that (i) conducts charitable gaming without first obtaining a permit to do so, (ii) continues to conduct such games after revocation or suspension of such permit, or (iii) otherwise violates any provisions of the charitable gaming statute.

6. Budget Amendment Necessary: Yes, Front Page and Item 404 of HB/SB30, as Introduced.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact: Department of Corrections, Item 404

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|----------------|--------------|
| 2023 | 50,000 | General Fund |

7b. Revenue Impact: Front Page

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|----------------|--------------|
| 2023 | 13,300,000 | General Fund |
| 2024 | 13,300,000 | General Fund |
| 2025 | 13,300,000 | General Fund |

| | | |
|------|------------|--------------|
| 2026 | 13,300,000 | General Fund |
| 2027 | 13,300,000 | General Fund |
| 2028 | 13,300,000 | General Fund |

8. Fiscal Implications: It is anticipated that this bill will have a general fund expenditure and revenue impact.

This bill establishes a Class 1 misdemeanor penalty for anyone who conducts or participates in electronic gaming that is not permitted by the Department. The penalty for a Class 1 misdemeanor penalty is confinement in jail for not more than twelve months and a fine of not more than \$2,500, either or both.

It is anticipated that this bill will have a general fund expenditure impact on correctional facilities, though that impact cannot be determined. According to the Virginia Criminal Sentencing Commission, not enough information is available to reliably estimate the increase in jail population as a result of this proposal. Pursuant to § 30-19.1:4 of the Code of Virginia, the estimated amount of the necessary appropriation cannot be determined for periods of imprisonment in state adult correctional facilities; therefore, Chapter 552 of the Acts of Assembly of 2021, Special Session I, requires the Virginia Criminal Sentencing Commission to assign a minimum fiscal impact of \$50,000. Pursuant to § 30-19.1:4, the estimated amount of the necessary appropriation cannot be determined for periods of commitment to the custody of the Department of Juvenile Justice. See the Virginia Criminal Sentencing Commission's impact statement for more detail.

Additionally, it is anticipated that this bill will have a general fund revenue impact. According to § 18.2-340.31, Code of Virginia, organizations must pay an audit and administration fee of 1.375 percent of total receipts, unless specifically exempted by the statute. This bill requires all social quarters to pay the 1.375 percent audit and administration fee on the gross receipts of their electronic pull tab revenue. In FY2021, \$964 million was collected in receipts. The Virginia Department of Agriculture and Consumer Services estimates that this bill will result in approximately \$13.3 million in additional annual revenue.

Item 106 A of HB30/SB30, as introduced, provides that all fees, including audit and administrative fees and permit fees, paid by any organization conducting charitable gaming under a permit issued by the department shall be deposited to the general fund. In FY2021, the Office of Charitable & Regulatory Programs deposited a total of nearly \$1.8 million in the general fund. Charitable Gaming is a general fund supported program.

Additionally, this bill establishes a civil penalty of not less than \$25,000 and not more than \$50,000 per incident for any person or organization that (i) conducts charitable gaming without first obtaining a permit to do so, (ii) continues to conduct such games after revocation or suspension of such permit, or (iii) otherwise violates any provisions of the charitable gaming statute. The amount of any such civil penalty revenue is indeterminate and is to be remitted to the Department.

The Virginia Racing Commission and Virginia Lottery also oversee electronic gaming; neither agency anticipates incurring a fiscal impact as a result of this bill.

9. Specific Agency or Political Subdivisions Affected: Virginia Department of Agriculture and Consumer Services, Department of Corrections, local and regional jails, courts, Commonwealth Attorneys, Public Defenders, Department of Juvenile Justice

10. Technical Amendment Necessary: No.

11. Other Comments: HB 766, SB 401, and SB 403 also address charitable gaming.