Department of Planning and Budget 2025 General Assembly Session State Fiscal Impact Statement

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ORIGINAL

Bill Number:HB1742Patron:ReidBill Title:Pari-mutuel wagering; historical horse racing; percentage retained for distribution.

Bill Summary: Provides that with respect to all authorized historical horse racing terminals, of the amount that a horse racing licensee retains from wagering on historical horse racing pools and in addition to the current distribution required under law, 0.0125 percent each shall be provided to the Shenandoah County Fair Association and the Great Meadow Foundation. Also increases the distribution from .01 to .025 percent to the Problem Gambling Treatment and Support Fund.

Budget Amendment Necessary:No.Items Impacted:N/AExplanation:This bill would reduce the revenue received by the Virginia Racing Commission (VRC) and
increase the amount received by the Department of Behavioral Health and Developmental
Services (DBHDS) but would not require a budget amendment. See Fiscal Analysis below.

Fiscal Summary: This impact statement is preliminary. This bill would reduce VRC's nongeneral fund revenue by approximately \$3.4 million in FY 2026 and \$3.8 million each year thereafter while increasing DBHDS's nongeneral fund revenue by approximately \$1.7 million in FY 2026 and \$1.9 million each year thereafter. The result is a reduction in the transfer to the general fund of an equivalent amount each year.

Agency	<u>FY2025</u>	FY2026	FY2027	FY2028	FY2029	FY2030
405 (VRC)	\$0	-\$3,403,363	-\$3,812,010	-\$3,812,010	-\$3,812,010	-\$3,812,010
720 (DBHDS)	\$0	\$1,701,681	\$1,906,005	\$1,906,005	\$1,906,005	\$1,906,005
New entities	\$0	\$1,701,681	\$1,906,005	\$1,906,005	\$1,906,005	\$1,906,005
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

Nongeneral Fund Revenue Impact:

General Fund Revenue Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Front Page	\$0	-\$3,403,363	-\$3,812,010	-\$3,812,010	-\$3,812,010	-\$3,403,363
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

Fiscal Analysis: This bill directs 0.025 percent of the money wagered on historical horse racing (HHR) currently distributed to the VRC as a license tax to be sent to the Problem Gambling Treatment and Support Fund (PGTSF), up from the current 0.01 percent, and directs .0125 percent each of this money to the Shenandoah County Fair Association and the Great Meadow Foundation. As these are nongeneral fund dollars currently remitted to the VRC, each distribution would result in a concurrent reduction to nongeneral fund revenues for

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VRC. In the case of the PGTSF, which is managed by DBHDS, the same amount would be subtracted from VRC revenues and added to DBHDS revenues.

In fiscal year (FY) 2024, the total handle was \$4.5 billion; due to increasing numbers of HHR terminals, the current estimate for the FY 2025 handle is \$5.4 billion. Current estimates put the FY 2026 handle at \$6.8 billion and the FY 2027 handle at \$7.6 billion. In FY 2026, VRC estimates a reduction in license tax revenue of \$3.4 million, with increases of \$1.7 million to the PGTSF and \$850,841 each to the Shenandoah County Fair Association and Great Meadow Foundation. In FY 2027, VRC anticipates a reduction of \$3.8 million, with \$1.9 million going to the PGTSF and \$953,003 each to the Shenandoah County Fair Association and Great Meadow Foundation.

Estimates for FY 2026 and FY 2027 were calculated using a three-year per capita average. VRC forecasts beyond FY 2027 are unavailable due to uncertainty around competition from casinos and how patrons may shift between these and HHR facilities, and for the purposes of this impact statement, the FY 2027 estimate is straight-lined in FY 2028-FY 2030.

It is anticipated that DBHDS can absorb any costs associated with the implementation of this bill. Any additional deposits into the Problem Gambling Treatment and Support Fund would be subject to appropriation.

Budget language directs the annual transfer to the general fund of any unexpended balances, less \$900,000 for annual startup expenses, in VRC's operating fund to the general fund. It is anticipated that the change in the allocation in this bill will impact the portion received by the Commonwealth as license tax revenue. Last year, VRC transferred \$27.8 million to the general fund. The reduction in nongeneral fund revenue to be received by VRC is anticipated to result in an equivalent reduction in the transfer to the general fund each year.

Other: None.