

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: HB271 **Patron:** Krizek
Bill Title: Virginia Gaming Commission established; penalties.

Bill Summary: Establishes the Virginia Gaming Commission as an independent agency of the Commonwealth, exclusive of the legislative, executive, or judicial branches of government, to oversee and regulate all forms of legal gambling in the Commonwealth except for the state lottery. The bill sets eligibility requirements for the appointment of a Commissioner and Virginia Gaming Commission Board members, provides powers and duties of such Commissioner and Board members, and provides for the transfer of current employees of relevant state agencies to the Commission. The bill contains numerous technical amendments.

Budget Amendment Necessary: Yes **Items Impacted:** Items 1, 90, 94, 98, 99, 299, 479
Explanation: This bill creates a new gaming commission as an independent agency and moves powers and duties from other agencies under the newly created one as described in the bill. The fiscal impact for the bill is unknown at this time; however, it is expected to create an impact to several state agencies described below.

Fiscal Summary: This bill authorizes the Virginia Gaming Commission, which will consolidate gaming regulatory activities from the Virginia Department of Agriculture and Consumer Services, Virginia Racing Commission, and Virginia Lottery into one agency. This includes both personnel from impacted regulatory functions, as well as fees and other nongeneral fund revenues. The bill will also create the Virginia Gaming Commission Board.

While there are criminal penalties associated with this legislation, the legislation only moves existing provisions to new *Code* sections in Title 29.5 and does not expand the applicability of the existing felonies. Therefore, there is no expected change to state prison bed needs due to this legislation. According to the Department of Juvenile Justice, the impact of the bill on the bed space needs of juvenile detention facilities cannot be determined.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
House (101) Item 1	\$0	\$4,800	\$0	\$0	\$0	\$0
Senate (100) Item 1	\$0	\$3,600	\$0	\$0	\$0	\$0
VDACS (301) Item 94	\$0	(\$2,275,939)	(\$2,275,939)	(\$2,275,939)	(\$2,275,939)	(\$2,275,939)
TOTAL	\$0	(\$2,267,539)	(\$2,275,939)	(\$2,275,939)	(\$2,275,939)	(\$2,275,939)

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

General Fund Revenue Impact Estimates:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VRC - State Racing Operations Fund Deposit (405)	\$0	(\$34.2 mil)	(\$33.1 mil)	(\$30.7 mil)	(\$28.6 mil)	(\$25.9 mil)
Virginia Department of Agriculture and Consumer Services (Item 94)	\$0	(\$2,724,174)	(\$2,724,174)	(\$2,724,174)	(\$2,724,174)	(\$2,724,174)
Virginia Gaming Commission	\$0	TBD	TBD	TBD	TBD	TBD
TOTAL	\$0	TBD	TBD	TBD	TBD	TBD

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VDACS (301) Item 90	\$0	\$268,376	\$268,376	\$268,376	\$268,376	\$268,376
VDACS (301) Item 94	\$0	(\$116,744)	(\$116,744)	(\$116,744)	(\$116,744)	(\$116,744)
VRC (405) Item 98	\$0	(\$3,700,000)	(\$3,700,000)	(\$3,700,000)	(\$3,700,000)	(\$3,700,000)
VRC (405) Item 99	\$0	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)
Virginia Lottery (172) Item 479	\$0	(\$110,665,677)	(\$110,665,677)	(\$110,665,677)	(\$110,665,677)	(\$110,665,677)
VGC (Virginia Breeders Fund - 02204)	\$0	\$1,649,511	\$1,605,470	\$1,504,646	\$1,397,835	\$1,297,775
Virginia Gaming Commission	\$0	TBD	TBD	TBD	TBD	TBD
TOTAL	\$0	TBD	TBD	TBD	TBD	TBD

Nongeneral Fund Revenue Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Virginia Department of Agriculture and Consumer Services (Item 94)	\$0	(\$173,317)	(\$173,317)	(\$173,317)	(\$173,317)	(\$173,317)
VRC (405) Item 98	\$0	(\$3,700,000)	(\$3,700,000)	(\$3,700,000)	(\$3,700,000)	(\$3,700,000)

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

VRC (405) Item 99	\$0	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)
Problem Gambling Treatment and Support Fund	\$0	\$989,707	\$963,282	\$902,788	\$838,701	\$778,665
Virginia Lottery (172) Item 479	\$0	TBD	TBD	TBD	TBD	TBD
Virginia Gaming Commission	\$0	TBD	TBD	TBD	TBD	TBD
TOTAL	\$0	TBD	TBD	TBD	TBD	TBD

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VDACS (301) Item 90 NGF	0	1	1	1	1	1
VDACS (301) Item 94 GF	0	(26)	(26)	(26)	(26)	(26)
VDACS (301) Item 94 NGF	0	(1)	(1)	(1)	(1)	(1)
VRC (405) Item 99 NGF	0	(10)	(10)	(10)	(10)	(10)
Virginia Lottery (172) Item 479	0	(140)	(140)	(140)	(140)	(140)
Virginia Gaming Commission	0	TBD	TBD	TBD	TBD	TBD
TOTAL	0	TBD	TBD	TBD	TBD	TBD

Fiscal Analysis: This bill consolidates established gaming regulatory activities into a single agency. Charitable gaming and fantasy sports, currently under the Virginia Department of Agriculture and Consumer Services (VDACS); the Virginia Racing Commission (VRC); and sports betting and casino oversight, currently under the Virginia Lottery (Lottery), will all move to the Virginia Gaming Commission (VGC). The bill requires the Lottery to operate as the project management organization to oversee and execute the work of the Virginia Gaming Oversight Commission.

It is anticipated that all VDACS positions and appropriation related to charitable gaming and fantasy sports (Item 94 in the introduced budget) will move to VGC. Currently, VDACS has 19 filled positions and 6 vacant positions in charitable gaming, and the program is actively recruiting for one of those vacant positions. The program manager position supervises a VDACS office that, in addition to charitable gaming and fantasy sports, includes charitable solicitations and additional regulatory programs but is paid out of charitable gaming general funds. VDACS has one filled position that is paid out of fantasy sports. This position is a supervisor that also oversees the regulatory programs unit. The regulatory programs unit includes two additional compliance positions that would not transfer to VGC. Two additional positions are necessary to continue the management of charitable solicitations and regulatory programs; the fund already has one vacant position

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

that could be used for this position. This would require additional nongeneral fund appropriation in Item 90 (introduced budget) at a cost of \$268,376. There is sufficient annual revenue and cash to fund the new positions. The charitable solicitations program already has one vacant position that could be used for one of the positions, however, an additional FTE would be needed for the second position.

The charitable gaming unit maintains significant data in both databases and hard copy files that would need to be transferred to VGC. This could require additional fiscal resources to effectuate the transfer, but the cost is unknown at this time.

Currently, charitable gaming at VDACS is supported with general fund appropriation. Per Item 94 of the appropriation act, VDACS is required to deposit any and all fees paid by any organization conducting charitable gaming under a permit issued by VDACS to the general fund. Without this language, VGC may be able to retain fees to support administration and operation of the Commission without general fund support. The fiscal year 2026 general fund support for charitable gaming is \$2.2 million, while fiscal year 2025 deposits to the General Fund for charitable gaming were over \$2.7 million.

Fantasy sports is currently funded with nongeneral funds, and the fiscal year 2026 appropriation is \$111,487, while fiscal year 2025 revenues were \$173,317. It is anticipated that if VGC is not funded with general fund support the revenue generated by charitable gaming and fantasy sports would be sufficient to cover the operation and administration of those activities.

It is anticipated that all VRC positions and appropriation (Items 98 and 99 in the introduced budget) will move to the new agency. In fiscal year 2027 all appropriation and positions are supported by nongeneral funds. It is anticipated that if the Commission is not funded with general fund support the revenue generated by live horse racing, historical horse racing, and simulcast horse racing would be sufficient to cover the operation and administration of those activities. Per Item 98 of the appropriation act, VRC is required to deposit any fund balances at the end of each fiscal year in excess of \$900,000 to the general fund. Without this language VGC will retain year end balances and this could reduce total annual transfers to the general fund. The proposed bill also doubles the allocation to the Virginia Breeders Fund from 0.025% to 0.05% of HHR pari-mutuel pools. This will provide additional funding to support Virginia's horse breeding industry, including breeder incentive programs, stallion awards, and other initiatives designed to promote the breeding of quality racehorses in the Commonwealth. The allocation to the Problem Gambling Treatment and Support Fund established pursuant to § 37.2-314.2 would increase from 0.01% to 0.025%. The Fund is subject to appropriation and is not anticipated to require additional resources from DBHDS without additional appropriation. The projected increase ranges from \$974,145 in FY2026 to \$725,662 in FY2032. Lastly, this bill repeals the Code section for the State Racing Operations Fund and creates the Horse Racing Operations Fund.

It is anticipated that appropriately \$110.7 mil in nongeneral fund appropriation and 140 positions will need to move from the Lottery to the newly created Virginia Gaming Commission to support sports betting and casinos. In fiscal year 2025, over \$7.5 million in proceeds from application and renewal fees related to sports betting and casino operations were deposited to the Gaming Regulatory Fund at the Virginia Lottery to offset the Lottery's costs associated with sports betting and casino regulations. The Lottery notes the application

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

and renewal fees do not currently generate enough revenue to support program costs, and a cash deficit is estimated by fiscal year 2029.

This bill would require sports betting and casino proceeds to be deposited to the Commonwealth Gaming Operations Fund rather than the Gaming Regulatory Fund. Taxation on gross receipts of casinos are required to be deposited to the Gaming Proceeds Fund. There are no provisions in the *Code* to allow the Lottery to retain these funds for operation and administration costs. This bill also does not allow VGC to retain funds from the Gaming Proceeds Fund for operation and administration costs. According to the Virginia Lottery, at current staffing levels for all forms of gaming the streams of revenue to the Virginia Gaming Commission, as currently structured, will not be sufficient for fiscal recovery of expenditures.

Per § 58.1-4022 of the *Code*, the Virginia Lottery currently has language in place to allow up to 10 percent of the total annual estimated gross revenues generated from lottery sales be used for the administration and execution of lottery activities, and ensures consistent funding for the goal of consistent, appropriate, effective and responsible gaming regulation. If a similar approach is taken with VGC it would also ensure that no general fund revenue would be necessary to support these specialized regulatory oversight functions.

The costs to consolidate operations, adjust all gaming regulatory oversight to a similar level, establish a policy office, and develop the dedicated infrastructure to support these key programs would need to be allocated to cover the costs of the individual programs during the transition period. Guidehouse produced a comprehensive study in 2024 that provided in depth information on potential costs and estimated it would cost between \$990,000 and \$4,950,000 in one-time start-up costs, along with \$4.8 mil ongoing in additional salary costs for the VGC as currently structured in this bill.

This bill repeals §§ 2.2-2455 and 2.2-2456 for the Charitable Gaming Board and creates the Charitable Gaming Advisory Board. The Charitable Gaming Advisory Board consists of nine members appointed by the Governor and subject to confirmation by the General Assembly. Compensation and expenses for members shall be paid by the VGC. The Charitable Gaming Board is currently paid from funds at VDACS and it is assumed those funds will be moving to the VGC to fund the new Charitable Gaming Advisory Board.

This bill creates the Virginia Gaming Oversight Commission consisting of four members of the House of Delegates and three members of the Senate of Virginia. The Commission shall expire on July 1, 2027, or upon the appointment of all members of the Virginia Gaming Commission Board. It is unknown how many times the Virginia Gaming Oversight Commission will meet, however, a commission of this nature typically meets four times a year. The compensation for members of the House of Delegates on the Commission is estimated to be \$4,800, and compensation for members of the Senate of Virginia is estimated to be \$3,600. Travel, lodging, and incidentals is estimated to be \$6,352 for the members of the House of Delegates, and \$4,764 for members of the Senate of Virginia.

This bill creates the Virginia Gaming Commission Board consisting of nine nonlegislative members with voting privileges and one member of the Virginia Racing Commission serving in an advisory role with nonvoting privileges. Members shall be compensated for their duties and reimbursed for reasonable and necessary

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

expenses. Funds for the costs of compensation and expenses will be provided by VGC. It is unknown how many times the Gaming Commission Board will meet, however, a Board of this nature typically meets four times per year. For the 10 nonlegislative members, compensation and expenses are estimated to be approximately \$17,880 per year.

Lastly, this bill adds one member of the Virginia Gaming Commission Board to the Virginia Racing Commission and reduces the number of members of the Lottery Board from seven down to five, removing the law enforcement officer and certified public accountant members from the Lottery Board.

It is unknown at this time if any employees of the Commonwealth will be eligible for severance benefits covered by the Workforce Transition Act due to the provisions of this bill, and what the fiscal impact of those severance benefits will be.

The impact to the Department of Taxation and Office of the Attorney General and Department of Law is unknown at this time. As information becomes available, the fiscal impact statement will be updated.

The fiscal impact to Virginia State Police (VSP) for the provisions of this bill is unknown at this time. Currently, the Civil and Applicant Records Exchange (CARE) of the Department is tasked with processing criminal history record background checks. It is unknown how many additional background checks will be required as a result of the proposed legislation. However, the Civil and Applicant Records Exchange (CARE) is currently operating at or above capacity with regards to the ability to conduct fingerprint based criminal history checks. Based on the current state of operations, VSP would require one additional Fingerprint Technician Trainee and one additional Program Support Technician to process the additional background checks if the number of background checks were to increase. The approximate cost of the two positions is \$199,510 per year. As provided in § 29.5-112 of this bill, the VGC will reimburse VSP for all costs of investigations, therefore, it is estimated that no additional general funds will be needed

Other: Similar to SB195.

If § 58.1-4048 of the *Code* is repealed, it is unclear what the requirements are for disbursement of the money from sports betting permits deposited to the Gaming Regulatory Fund.

§ 29.5-226, paragraph E references “Department” but should probably be updated to “Commission.”