

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

General Fund Revenue Impact Estimates:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VRC - State Racing Operations Fund Deposit (405)	\$0	(\$34.2 mil)	(\$33.1 mil)	(\$30.7 mil)	(\$28.6 mil)	(\$25.9 mil)
VDACS (301) – Charitable Gaming Deposit (Item 94)	\$0	(\$2,724,174)	(\$2,724,174)	(\$2,724,174)	(\$2,724,174)	(\$2,724,174)
TOTAL	\$0	(\$36,924,174)	(\$35,824,174)	(\$33,424,174)	(\$31,324,174)	(\$28,624,174)

Nongeneral Fund Expenditure 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	\$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 and Gaming Authority (172) – Transfers from other agencies	\$0	\$10,817,262	\$10,817,262	\$10,817,262	\$10,817,262	\$10,817,262
Virginia Lottery and Gaming Authority (172) – Potential Additional Appropriation Needed	\$0	\$1.1 mil				
TOTAL	\$0	\$3,664,315	\$3,664,315	\$3,664,315	\$3,664,315	\$3,664,315

Nongeneral Fund Revenue Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VDACS – Fantasy Contests (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)

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VRC (405) Item 99	\$0	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)	(\$4,724,579)
Virginia Lottery and Gaming Authority* (172)	\$0	\$45,522,070	\$44,422,070	\$42,022,070	\$39,922,070	\$37,222,070
TOTAL	\$0	\$36,924,174	\$35,824,174	\$33,424,174	\$31,324,174	\$28,624,174

*This includes current general fund deposits that are required in Appropriation Act language in items 94 and 99

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 and Gaming Authority (172) Transfer	0	37	37	37	37	37
Virginia Lottery and Gaming Authority (172) New	0	7-14	7-14	7-14	7-14	7-14
TOTAL	0	8-15	8-15	8-15	8-15	8-15

Fiscal Analysis: This bill consolidates established gaming regulatory activities into a single agency. Charitable gaming and fantasy contests, currently under the Virginia Department of Agriculture and Consumer Services (VDACS) and the Virginia Racing Commission (VRC) will all move to the newly named Virginia Lottery and Gaming Authority (Authority). The Authority is vested with jurisdiction and supervision over these areas.

It is anticipated that all VDACS positions and appropriation related to charitable gaming and fantasy contests (Item 94 in the introduced budget) will move to the Authority. 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 contests, 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 contests. 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 the Authority. Two additional positions are necessary to continue the management of charitable solicitations and regulatory programs; the fund already has one vacant position 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

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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 the Authority. 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, the Authority 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. The above tables show the transfer of appropriation from VDACS to the Authority moving from general fund to nongeneral fund.

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 the Authority 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 Authority. 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 the Authority will retain year end balances and this could reduce total annual transfers to the general fund. This bill repeals the Code section for the State Racing Operations Fund and creates the Horse Racing Operations Fund.

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 and renewal fees do not currently generate enough revenue to support program costs, and a cash deficit is estimated by fiscal year 2029. Taxation on gross receipts of casinos are required to be deposited to the Gaming Proceeds Fund. This bill does not allow the Authority to retain funds from the Gaming Proceeds Fund for operation and administration costs. 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. This language does not allow the Virginia Lottery to use these funds for the additional areas of gaming. If a similar approach is taken with gaming regulation it would also ensure that no general fund revenue would be necessary to support

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these specialized regulatory oversight functions. Additionally, the current staffing levels are not keeping pace with growth.

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. At this time, we do not have an accurate estimate of all costs for consolidation, but the Lottery indicates they are expected to be significant. 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 \$1.1 mil ongoing in additional salary costs for the Authority as similarly structured in this bill, however, the study does have some differences when compared to this bill and the costs may differ. These estimated additional costs include more staff likely needed in human resources, legal, finance, and other areas to support the larger Authority. The Lottery may have cost increases related to rent, moving costs, information system integrations, and other expenditures during the consolidation. It is unclear in the bill if the agency is changing status from an independent agency to an authority and what that will entail.

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, the same as the current Charitable Gaming Board. Compensation and expenses for members shall be paid by the Authority. The Charitable Gaming Board is currently paid from funds at VDACS and it is assumed those funds will be moving to the Authority to fund the new Charitable Gaming Advisory Board.

The Virginia Lottery Board will become the Virginia Lottery and Gaming Authority Board and will still consist of seven members appointed by the Governor and subject to confirmation by the General Assembly.

Lastly, this bill moves the Virginia Racing Commission under the Virginia Lottery and Gaming Authority and establishes it as an advisory Board of the Authority. The number of members will stay the same at five members.

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 requirement to evaluate the Problem Gambling and Support Fund (the Fund) will have minimal fiscal impact on the Department of Behavioral Health and Developmental Services (DBHDS). Item 295, Chapter 725, 2025 Acts of Assembly, already requires DBHDS to conduct an annual evaluation and report of revenues to and expenditures from the Fund, including information on the disbursement and use of funds. It is assumed that the information contained in that report would fulfil the study requirements of this legislation that pertain to DBHDS. The Lottery is also expected to be able to absorb the impact of this reporting requirement with current resources.

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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 provisions of this bill appear to expand the office of the Gaming Enforcement Coordinator and may require additional resources. 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, with one-time costs of \$11,734. It is estimated that no additional general funds will be needed as the bill provides authority for VSP to bill the Authority for reimbursement of expenses.

Other: Similar to HB271.