

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

Fiscal Analysis: This bill authorizes the Virginia Lottery (Lottery) to approve up to 15,000 electronic gambling devices with a gaming tax of 30% of gross profits. The tax shall be allocated as follows: 5% of gross profits deposited to the Gaming Regulatory Fund; 15% of remaining gaming tax to the locality in which the host location operates; and 85% to the general fund.

The estimated gaming tax revenues are unknown at this time. The Joint Legislative Audit and Review Commission (JLARC) studied gaming in the Commonwealth in 2022. According to JLARC’s study, the net revenue per day per device from 2020 was \$152 as self-reported by the machine manufacturers to the Virginia Alcoholic Beverage Control Authority (ABC) in 2020. The same study included ABC estimates of 9,000 electronic gaming devices in Virginia in 2020. Below are tables showing estimated tax revenues if devices generate \$152 per day and there are 9,000 devices (as estimated by ABC in 2020) or 15,000 devices (maximum allowable per this bill). It is worth noting that when Georgia switched from self-reporting to a central accounting system (as also required in this bill) the reported revenues doubled. For comparison, machines at casinos in the Commonwealth generate about \$350 per day. The Lottery indicates that it is unknown how many electronic gaming devices or machines are in play in the commonwealth, and some estimates are as high as 90,000.

Estimated Tax Revenues (9,000 machines @ \$152 per day)	
5% to Gaming Regulatory Fund	\$24,966,000
15% of remaining total gaming tax – distributed to locality of host location	\$18,724,500
85% of remaining total gaming tax to the general fund	\$106,105,500
Total Gaming Tax (30% of gross profits)	\$149,796,000

Estimated Tax Revenues (15,000 machines @ \$152 per day)	
5% to Gaming Regulatory Fund	\$41,610,000
15% of remaining total gaming tax – distributed to locality of host location	\$31,207,500
85% of remaining total gaming tax to the general fund	\$176,842,500
Total Gaming Tax (30% of gross profits)	\$249,660,000

The bill also authorizes the Lottery to grant licenses for manufacturers, distributors, and hosts. The annual fee for manufacturers is \$1 million; the annual fee for distributors is \$250,000; and the initial host fee is \$3,000 per electronic gaming device and \$125 each year after. All fees shall be deposited into the Gaming Regulatory Fund at the Lottery. No more than 15,000 electronic gaming devices can be approved to operate in the Commonwealth at any one time. It is unknown how much revenue the license fees will generate.

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Additional staffing and spending authority will be necessary for the Lottery to promulgate regulations, establish the oversight and enforcement of this activity, establish a central accounting system, and distribute funds to localities by January 1, 2027. It is unknown at this time how many staff will be required for the provisions of this bill, but for comparison the state of Georgia has 54 positions to cover their equivalent of skill games. The cost of the central accounting system, as well as staffing and regulatory costs, is unknown, but estimated to exceed the allocation of tax revenues as set out in the bill (5% of the monthly gaming tax revenues) and licensing fees. The expenditure impacts shown in the table above are based solely on potential 5% of projected tax revenues, and do not reflect the estimated expenditures necessary for the program.

The Lottery indicates the time required to promulgate regulations may be longer than the delayed effective date of January 1, 2027, as it is expected that a significant number of comments will be received during the 30 day comment period.

It is unknown at this time if authorization of this gaming activity will reduce lottery profits and transfers to the Lottery Proceeds Fund. A reduction of transfers to the Lottery Proceeds Fund could result in the need for additional general fund support for K-12 education.

It is unknown at this time how much revenue will be deposited to the general fund and Literary fund due to civil penalties assessed due to the provisions of this bill.

According to the Office of the Attorney General and Department of Law (OAG), Lottery would potentially rely on OAG counsel to draft and amend regulations and provide other legal guidance. This process typically takes over a year and requires in-depth knowledge of gaming laws, particularly with regard to electronic gaming machines and their operations. The Office will need to hire an attorney to fulfill these duties. Within HB30/SB30, Item 50.C., the OAG can invoice for legal services to agencies wholly or partially non-generally funded. The OAG would need to invoice Lottery for legal costs, otherwise the Office would need 1 attorney to provide services to the Lottery funded by the general fund equaling \$160,226 annually, including salary and benefits.

The Department of Taxation will incur an estimated one-time expenditure of \$153,620 and on-going annual expenditure of \$12,500 to update technology systems and implement changes as required by this legislation to distribute the gaming tax revenues to localities.

The Virginia Alcoholic and Beverage Control Authority (ABC) indicates it can absorb the impact of this bill with current resources.

The provisions of this bill appear to expand the office of the Gaming Enforcement Coordinator and may require additional resources, however, the cost is unknown at this time.

This bill creates a Class 1 misdemeanor and Class 6 felony. Anyone convicted of a Class 1 misdemeanor is subject to a sentence of up to 12 months in jail and a fine of not more than \$2,500, either or both. Anyone convicted of a class 6 felony is subject to a term of imprisonment of not less than one year nor more than five years, or in the discretion of the jury or the court trying the case without a jury, confinement in jail for not

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more than 12 months and a fine of not more than \$2,500, either or both. Therefore, this proposal could result in an increase in the number of persons sentenced to jail or prison.

There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the state. The Commonwealth currently pays localities \$5.00 a day for each misdemeanor or otherwise local-responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g., correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2025), the estimated total state support for local jails averaged \$58.25 per inmate, per day in FY 2024.

Due to the lack of data, the Virginia Criminal Sentencing Commission has concluded, pursuant to §30-19.1:4 of the Code of Virginia, that the impact of the proposed legislation on state-responsible (prison) bed space cannot be determined. In such cases, Chapter 725, 2025 Acts of Assembly, requires that a minimum impact of \$50,000 be assigned to the bill.

This bill includes a January 1, 2027, delayed enactment clause for sections 1 and 5, with an enactment 7 providing that the provisions of this act shall expire on January 1, 2030.

Other: Implementation of the program could be impacted by the pending outcome of Virginia Gaming Commission Bills (HB271/SB609). This bill is similar to HB1272.