

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

General Fund Expenditure Impact:

| <u>Agency</u> | <u>FY2026</u> | <u>FY2027</u> | <u>FY2028</u> | <u>FY2029</u> | <u>FY2030</u> | <u>FY2031</u> |
|---------------------------------|---------------|---------------|--|---------------|---------------|---------------|
| Department of Corrections (799) | \$0 | \$0 | \$50,000 | \$0 | \$0 | \$0 |
| Direct Aid (197) | \$0 | \$0 | Additional general fund appropriations may be required for Direct Aid to Public Education if iGaming reduces lottery profits from iLottery | | | |
| TOTAL | \$0 | \$0 | \$50,000 | \$0 | \$0 | \$0 |

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> |
|--|---------------|---------------|--------------------|--------------------|--------------------|--------------------|
| Office of the Attorney General (141) Item 50 | \$0 | \$0 | \$161,226 | \$161,226 | \$161,226 | \$161,226 |
| Lottery (172) | \$0 | \$0 | \$1.6 mil | \$1.6 mil | \$1.6 mil | \$1.6 mil |
| TOTAL | \$0 | \$0 | \$1,761,226 | \$1,761,226 | \$1,761,226 | \$1,761,226 |

Position Impact:

| <u>Agency</u> | <u>FY2026</u> | <u>FY2027</u> | <u>FY2028</u> | <u>FY2029</u> | <u>FY2030</u> | <u>FY2031</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Office of the Attorney General (141) Item | 0 | 0 | 1 | 1 | 1 | 1 |
| Lottery (172) | 0 | 0 | 9 | 9 | 9 | 9 |
| TOTAL | 0 | 0 | 10 | 10 | 10 | 10 |

Fiscal Analysis: This bill will allow the Virginia Lottery (Lottery) to impose an internet gaming platform provider fee to any casino gaming operator that intends to conduct internet gaming with a fee of \$2 million per platform. A casino gaming operator may offer up to three internet gaming platforms, however, an internet gaming operator may offer a fourth internet gaming platform if the platform provider contracts with a qualified entertainment company to operate the internet gaming platform. The casino gaming operator will be allowed to operate the internet gaming platform for the term of the internet gaming operator's license, prorated accordingly for terms of less than five years. The platform renewal fee is \$1 million per platform. The Lottery may also issue an internet gaming operator license to a casino gaming operator for a fee of \$500,000 for a period of five years, with a renewal fee of \$250,000, and a qualified internet gaming entity can apply for a temporary internet gaming platform provider license at a supplemental fee of \$10,000 for one year, payable to the Lottery Board. It is unclear from the bill where the revenues from these fees will be deposited.

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The Lottery will collect a tax of 20% of the adjusted gross internet gaming revenue, with 3% of the revenues to be deposited to the Gaming Regulatory Fund and 2% deposited to the Problem Gambling Treatment and Support Fund. The remaining 95% is to be deposited to the newly created Modern Public Education Fund, to be used for public education purposes as provided in the appropriation act. Another 6% tax on the adjusted gross revenue shall be deposited to the Casino Gaming Hold Harmless Fund. The Problem Gambling Treatment and Support Fund is subject to appropriation and is not anticipated to require additional resources from DBHDS without additional appropriation. The amount of additional tax revenue that will be generated from these provisions is unknown.

The Lottery anticipates significant regulatory and administrative costs associated with implementing the provisions of this bill. These costs include the development and promulgation of new regulations, ongoing compliance monitoring, enforcement activities, and the establishment of technology systems for licensing, reporting, and consumer protection. While there will be new revenues to the Gaming Regulatory Fund, it is unknown if these revenues will be sufficient to cover the ongoing costs related to the provisions of this bill, necessitating additional funding sources or adjustments to fee structures. The Lottery will be responsible for administering new funds, including the Modern Public Education Fund and the Casino Gaming Hold Harmless Fund. This will require the development of criteria, processes, and systems for verifying claims and distributing funds to eligible casino operators, resulting in increased administrative costs. The bill also authorizes the Lottery Board to enter into agreements with other states for multijurisdictional iGaming. This may increase regulatory complexity and affect revenue projections.

The bill introduces new criminal and civil penalties for unlicensed internet gaming, tampering with gaming equipment, and illegal sweepstakes. It is anticipated that the Lottery will incur costs related to investigations, enforcement actions, hearings, and legal proceedings. Additionally, resources will be required to maintain and enforce the voluntary exclusion program for problem gamblers. The Lottery is required to implement robust consumer protection measures, including responsible gaming features such as deposit limits, time limits, self-exclusion options, and prominent display of problem gambling resources. These requirements will necessitate additional operational and technology investments, and public awareness initiatives.

Legalization of iGaming will create new tax revenue from that activity, but the Lottery indicates it is not projected to outpace the reduction in revenues from iLottery profits and taxes on casino gaming. If current iLottery users shift to iGaming, this could lead to a reduction in transfers to the Lottery Proceeds Fund. Reduction of transfers to the Lottery Proceeds Fund could have a potential impact to the general fund. Due to limited data, preliminary estimates of profit lost to the Lottery Proceeds Fund based on the current iLottery platform performance and the impact of iGaming on iLottery platforms in other jurisdictions are expected to range from \$77 million to \$163 million per year. It is unknown if deposits to the Modern Public Education Fund will offset Direct Aid losses from a reduction of deposits to the Lottery Proceeds Fund.

Estimates of additional personnel required implement the provisions of this bill, as provided by senior management of the gaming division of the Lottery based on their knowledge of current duties and workload,

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include an additional manager and eight investigators, resulting in an estimated \$1.16M of personnel expenses in fiscal year 2028, continuing for each following year.

The Lottery remains the regulator of iLottery and would also regulate a directly competing digital product (online slots/table games) with no statutory hold harmless for Lottery profits, while it gives casinos a hold harmless of their own. The Lottery points to two industry studies on the interplay between iGaming and iLottery in other states. A study by Analysis Group concluded that Lotteries with high retail sales (such as Michigan and Pennsylvania) have seen increased casino revenues due to iGaming. Evidence from Eilers & Krejcik Gaming suggests that iGaming slows iLottery growth. iLottery accounts for over half of the Lottery's sales and therefore even modest impacts to iLottery sales will have meaningful impacts and the increased casino revenue may not make up for the loss in iLottery sales.

This bill states that the Lottery shall promulgate regulations necessary to implement the provisions of this act by January 1, 2028. If multiple bills related to gaming or the creation of the Virginia Gaming Commission are passed by the General Assembly, the Lottery Board may not be able to adopt all such regulations by the deadline as some of the provisions of this act do not go into effect until July 1, 2027.

The impact to Direct Aid is unknown at this time, however, any reduction to the Lottery Proceeds Fund requires a corresponding general fund increase for Direct Aid.

The Department of Taxation (TAX) indicates this bill presents no fiscal impact to TAX.

The Virginia State Police (VSP) indicates this bill presents no fiscal impact.

The Office of the Attorney General and Department of Law (OAG) indicates that additional staff will likely be required to investigate violations of this section. The volume of potential violations cannot be quantified at this time, but the OAG is estimating they may need one additional attorney.

This bill creates a Class 5 felony and a Class 6 felony. Anyone convicted of a class 5 felony is subject to a term of imprisonment of not less than one year nor more than 10 years, or in the discretion of the jury or the court trying the case without a jury, confinement in jail for not more than 12 months 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 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 the localities \$5.00 a day for each misdemeanor or otherwise local-responsible prisoner held in a jail and \$15.00 a day for each state-responsible prisoner. It also funds a considerable 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

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(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 contains a clause requiring reenactment by the 2027 General Assembly.

Other: Implementation of the program could be impacted by the pending outcome of Virginia Gaming Commission Bills (HB271/SB609). This bill is similar to SB118.

It is unclear in the bill where the proceeds from the internet gaming operator license fee, internet gaming platform provider license fee, and supplemental platform fee should be deposited.

The provisions of this bill require the appropriation act to describe the use of moneys deposited to the Modern Public Education Fund.