



COMMONWEALTH of VIRGINIA

NELSON SMITH
COMMISSIONER

DEPARTMENT OF
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August 14, 2023

The Honorable Janet D. Howell, Chair, Senate Finance Committee
The Honorable Barry D. Knight, Chair, House Appropriations Committee
14th Floor, Pocahontas Building
900 East Main Street
Richmond, VA 23219

Dear Senator Howell and Delegate Knight:

Item 311 Chapter 2 item JJ.2 of the 2022 Special Session I *Budget Bill HB30* directs the Department of Behavioral Health and Developmental Services (DBHDS) to report on the Problem Gambling Treatment and Support fund budget allocation, expenditures and revenues to the Department of Planning and Budget and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by September 1 after the close of each fiscal year. The language states:

2. The Department of Behavioral Health and Developmental Services shall report annually, by September 1 of each year, on the revenue collections, expenditures and allocations of the Problem Gambling Treatment and Support Fund for the prior fiscal year to the Department of Planning and Budget and the Chairs of House Appropriations and Senate Finance and Appropriations Committees.

In accordance with this item, please find enclosed the report for the close of the fiscal year 2023 (July 1, 2022-June 30, 2023). Staff are available should you wish to discuss this report.

Sincerely,

Nelson Smith
Commissioner

Department of Behavioral Health & Developmental Services

CC:

The Honorable John Littel
Leah Mills
James Williams
Susan Massart
Mike Tweedy



Virginia Department of Behavioral Health
and Developmental Services

Report on Item 311 #JJ.2

Budget Bill – HB30 (Chapter 2)

Report on PGTS Expenditures, Revenues, and Allocations

To the Department of Planning and Budget and the Chairs of House
Appropriations and Senate Finance and Appropriations Committees

August 14, 2023

Preface

Item 311# Chapter 2 #JJ.2 the 2022 Special Session I Budget Bill HB30 requires a report to be submitted on the prior fiscal year of revenues and expenditures. The language states:

“JJ.1. The Department of Behavioral Health and Developmental Services shall establish a workgroup of relevant stakeholders to examine the Problem Gambling Treatment and Support Fund to determine the most effective strategies in serving individuals with gambling addiction. Specifically, the workgroup shall: (i) examine best practices and programs in other states; and (ii) determine whether the fund should support services at the Community Services Board level or statewide programs. The department shall report the findings and recommendations of the workgroup to the Governor and the Chairs of House Appropriations and Senate Finance and Appropriations Committees by November 15, 2022.

2. The Department of Behavioral Health and Developmental Services shall report annually, by September 1 of each year, on the revenue collections, expenditures and allocations of the Problem Gambling Treatment and Support Fund for the prior fiscal year to the Department of Planning and Budget and the Chairs of House Appropriations and Senate Finance and Appropriations Committees.”

Introduction

The Problem Gambling Treatment and Support (PGTS) Fund (further referred to as “the fund”) was created by the 2020 legislature to help mitigate any potential problems that may occur with the expansion of gambling in Virginia. Revenues began flowing into this fund in January 2021. The first source was from a temporary fee on illegal skill games (AKA Gray Machines) charged on electronic gaming machines (EGM) from July 2020 through June 2021. Two percent of the fees went to PGTS fund, \$2,179,688 in FY21. As of July 2021, EGMs were no longer regulated, therefore no revenues from this source were collected in FY23.

The PGTS Fund had an allocation of \$2,000,378 in FY23. In total, \$2,634,723 was received in revenues in FY23 to the fund. Revenue sources included sports betting, casinos, historical horse racing, gaming, and interest. As problem gambling prevention, treatment and recovery are still working to build services across the Commonwealth to meet the needs, expenditures will increase. In FY23 \$1,209,263 was spent on problem gambling prevention, treatment, and recovery services. The projected allocation need for FY24 is over \$2.4 million, with problem gambling services almost fully developed.

Revenues

In January 2021 funding from taxes collected on sports betting operators adjusted gross income began to accrue in the PGTS fund account. The fund receives 2.5% of sports betting taxes paid to the State. Between July 2022 and June 2023, \$1,724,470 of revenues from sports betting went into the PGTS fund in FY23. This is six times more than received in FY22, which was due to multiple factors. First, FY2023 we collected a full year of funding, versus only 6 months in FY22. Plus, more sports betting operators were open to the public in FY23. And last, with the change in the FY23 budget taking away the allowance of sports betting operators to deduct promotions and bonuses from what they owe in taxes, made a large impact on what the state was able to collect in revenue.

The first Casino opened in Bristol in July 2022, therefore revenues from casinos began being deposited into the fund by August 2022. The second casino to open was in Portsmouth in January 2023, and the third in Danville in May 2023. In FY23 \$402,684 was deposited into the fund. The amount deposited is 8/10 of one percent (0.8%) of the taxes paid to the State from casinos.

A third revenue source into the fund that began in August 2023, is from the horse racing licensee retainment, written in code under§ 59.1-392. The fund receives 0.01 percent of this retainment. Historical Horse Racing. \$352,748 was deposited in the fund from Historical Horse Racing Electronic Games in FY23.

A fourth revenue source to the fund comes from Casino Fines and unclaimed prizes. The amount deposit in FY23 was \$118,131.

Expenditures

Two full-time staff in DBHDS oversaw problem gambling treatment, recovery, and prevention services for the Commonwealth. Through a contractual partnership with Virginia Commonwealth University and the Virginia Council on Problem Gambling, \$214.258 of funding was spent to begin building problem gambling treatment and recovery services in Virginia. Over 50 treatment providers have been trained and certified in problem gambling treatment and five peers plus one recovery organization have been certified to provide peer recovery services for gambling disorder.

Treatment and recovery services provisions began in FY23. Screenings and treatment referrals began in the latter part of the year, with 527 people screened in FY23, and of those 332 were referred to treatment.

An additional \$793,790 in contractual agreements with all 40 Community Service Boards (CSB) was spent on providing problem gambling prevention services. This work included completing a needs assessment to determine areas of need including behaviors, knowledge, awareness, and beliefs on gambling and problem gambling. It also included building capacity internally, in communities, and across Virginia to build knowledge and skills to mitigate problem gambling. This process also included planning appropriate strategies and programs to help mitigate problem gambling. Some CSB's were able to implement awareness campaigns promoting the problem gambling helpline, as well as providing education and disseminating information on safer gambling practices, the importance of keeping gambling away from minors, and outreach to merchants that sell Lottery products and/or have skill games to provide merchant education on safer practices.

The Problem Gambling Treatment and Support Advisory Committee (PGTSAC) per § 37.2-304 was formed and the first meeting was planned in FY23, to occur July 2023. While no funds were expended on the development of the PGTSAC, this is included in the report because the Problem Gambling Prevention Coordinators time was used to coordinate the committee and plan the meeting. The Problem Gambling Prevention Coordinator position is paid for by the fund.

This report provides the budget allocation, expenditures and revenue received in FY23 for PGTS fund.

Problem Gambling Treatment and Support Fund Regulation: § 37.2-314.2.

A. As used in this section:

"Compulsive gambling" means persistent and recurrent problem gambling behavior leading to clinically significant impairment or distress, as indicated by an individual exhibiting four or more of the criteria as defined by the Diagnostic Statistical Manual of Mental Disorders in a 12-month period and where the behavior is not better explained by a manic episode.

"Problem gambling" means a gambling behavior that causes disruptions in any major area of life, including the psychological, social, or vocational areas of life, but does not fulfill the criteria for diagnosis as a gambling disorder.

B. There is hereby created in the state treasury a special nonreverting fund to be known as the Problem Gambling Treatment and Support Fund, referred to in this section as "the Fund." The Fund shall be established on the books of the Comptroller. All revenue accruing to the Fund pursuant to subsection A of § 58.1-4038 and moneys required to be deposited into the Fund pursuant to Chapter 41 (§ 58.1-4100 et seq.) of Title 58.1 shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purposes of (i) providing counseling and other support services for compulsive and problem gamblers, (ii) developing and implementing compulsive and problem gambling treatment and prevention programs, and (iii) providing grants to support organizations that provide assistance to compulsive and problem gamblers. Expenditures and disbursements from the Fund shall be

made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Commissioner.

2020, c. 1197, 1218, 1248, 1256, § 37.2-314.1.

Table 1: PGTS Fund Budget Allocation and Expenditures

The following table provides amounts and details budget and expenditures occurring in FY2023.

| Item | Budget | Expenditure | Explanation |
|-----------------------|--------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Administrative | \$547,652 | \$188,422 | Salary and benefits for 2 FTE's, supplies, technology, set-aside for other potential contracts and operations |
| Workforce Development | \$15,000 | \$8,177 | Training for staff, providers, and community organizations on problem gambling. Organizational memberships, conference fees. |
| CSB Grants | \$803,790 | \$793,790 | Grants to all 40 CSB's to conduct community needs assessments, build capacity, strategic planning, and implementation on problem gambling prevention services |
| VCU MOA | \$609,936 | \$214,258 | Contract with VCU and the Virginia Council on Problem Gambling to build a network of treatment and recovery providers and provide training on PG services. The contract crosses State Fiscal Year |
| Travel | \$24,000 | \$4,616 | Travel for conference, meetings, site visits |
| Total | \$2,000,378 | \$1,209,263 | Budget Allocation - Expenditure |

Table 2: PGTS Fund Revenues

The following table shows the details of revenues occurring in FY2023.

| Code | Description | Amount |
|------|----------------------------------------|----------------|
| 1135 | Hx Horse Betting | \$352,748.95 |
| 1208 | Sports Betting Tax | \$1,724,470.38 |
| 1209 | Casino Gaming Tax | \$402,684.04 |
| 7108 | Interest | \$36,689 |
| 8110 | Game Ref – Casino Fines | \$450 |
| 9035 | Gaming Prize – Unclaimed Casino Prizes | \$117,681 |