



COMMONWEALTH of VIRGINIA

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COMMISSIONER

DEPARTMENT OF
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September 1, 2023

To: The Honorable Janet D. Howell, Co-Chair, Senate Finance and Appropriations Committee
The Honorable Barry D. Knight, Chair, House Appropriations Committee
Michael Maul, Director, Department of Planning and Budget

From: Nelson Smith, Commissioner, Department of Behavioral Health and Developmental Services

CC: The Honorable John Littel, Secretary, Health and Human Resources

RE: Item 311 Chapter 2 Item JJ.2, 2022 Special Session I Appropriations Act

Item 311 Chapter 2 Item JJ.2 of the 2022 Special Session I Appropriations Act 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 reads:

JJ.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.

The Problem Gambling Treatment and Support (PGTS) Fund was created in 2020 to help mitigate any potential problems that may occur as a result of expanding gambling in Virginia. Collection of revenues into the fund began in January 2021. Initially, there were two sources of revenue for the PGTS Fund: sports betting and a temporary fee on illegal skill games, also known as “gray machines.” The first problem gambling position at DBHDS was filled at the end of May 2021, so distribution of funds to begin building problem gambling services in Virginia did not begin until FY 2022. Since electronic gambling machines ceased to be regulated as of July 2021, no revenues from this source were collected in FY 2023.

Table 1 provides a comparison of Problem Gambling Treatment & Support fund budget versus expenditures for FY 2022. Table 2 describes revenues collected for the fund during FY 2023.

Table 1. PGTS Fund Budget Allocation and Expenditures

Item	Budget	Expenditure	Explanation
Administrative	\$547,652	\$188,422	Salary and benefits for 2 FTEs, 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 CSBs 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 problem gambling services. The contract crosses fiscal years
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

Code	Description	Amount
1135	Historical 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

In FY 2023, \$2 million was allocated to the PGTS fund. The PGTS fund received \$2.6 million in revenue for FY 2023. These revenues came from various sources, including sports betting, casinos, historical horse racing, gaming, and interest. As the demand for problem gambling prevention, treatment and recovery services continues to grow across the Commonwealth, expenditures are on the rise. In FY 2023, \$1.2 million was spent on these services. DBHDS projects the needed allocation for FY 2024 to exceed \$2.4 million, reflecting the nearly complete development of problem gambling services.

Revenues

- **Sports Betting** – The PGTS fund receives 2.5 percent of sports betting taxes paid to the Commonwealth. Revenues from sports betting were six times higher in FY 2023 than in FY 2022, bringing the revenues received by the PGTS fund to \$1.72 million. This can be attributed to several factors. FY 2023 was the first full year where sports betting taxes were allocated to the PGTS fund. Additionally, FY 2023 saw more sports betting operators open to the public. Finally, changes to the FY 2023 budget, which eliminated the allowance for sports betting operators to deduct promotions and bonuses from their tax obligations, had a significant impact on Virginia’s revenue collection.

- **Casinos** – The first casino opened in Bristol in July 2022, with deposit of casino revenues to the fund beginning by August 2022. A second casino opened in Portsmouth in January 2023, followed by a third in Danville in May 2023. In FY 2023, a total of \$402,684 was deposited into the fund, representing 0.8 percent of the taxes paid to the Commonwealth from casinos.
- **Horse Racing Licensing Retainment** – In August 2023, an additional revenue source to the fund was added: the horse racing licensee retainment, as outlined in code under § 59.1-392. The fund receives 0.01 percent of this retainment. In FY 2023, a total of \$352,748 was deposited into the fund from Historical Horse Racing Electronic Games.
- **Casino Fines and Unclaimed Prizes** – A fourth revenue source to the fund is casino fines and unclaimed prizes. The amount deposited to the fund in FY 2023 was \$118,131.

Expenditures and PGTS Activities

The two full-time coordinators whose salaries are supported by the PGTS fund oversaw the following activities and expenditures of the fund.

- **Treatment and Recover Services for Problem Gambling** – Through a contractual partnership with Virginia Commonwealth University and the Virginia Council on Problem Gambling, \$214,258 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 FY 2023. Screenings and treatment referrals began in the latter part of the year, with 527 people screened in FY 2023. Of those screened, 332 were referred to treatment.
- **Prevention Services for Problem Gambling** – An additional \$793,790 was allocated for contractual agreements with all 40 community services boards (CSB) to support problem gambling prevention services. These services encompassed a comprehensive needs assessment to identify areas of concern, encompassing behaviors, knowledge, awareness, and beliefs related to 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 initiative also involved strategic planning to develop suitable programs for problem gambling mitigation. Some CSBs successfully executed awareness campaigns, promoting the problem gambling helpline, offering educational resources, and disseminating information on responsible gambling practices. These efforts also extended to emphasizing the importance of preventing minors' access to gambling and outreach to merchants selling Lottery products and/or offering skill games to provide merchant education on safer practices.
- **Problem Gambling Treatment and Support Advisory Committee (PGTSAC)** – The Problem Gambling Treatment and Support Advisory Committee (PGTSAC) per § 37.2-304 was formed and the first meeting took place in July 2023. Code language requires the DBHDS Problem Gambling Prevention Coordinator to chair the PGTSAC. No funds were expended in the development of the PGTSAC.