

Office of Regulatory Management
Economic Review Form

Agency name	Department of Agriculture and Consumer Services
Virginia Administrative Code (VAC) Chapter citation(s)	11 VAC 20 - 20
VAC Chapter title(s)	Charitable Gaming Regulations
Action title	Promulgation of Charitable Gaming Regulations by Department of Agriculture and Consumer Services, including electronic gaming provisions
Date this document prepared	December 27, 2022

Cost Benefit Analysis

Table 1a must be completed for all actions. Tables 1b and 1c must be completed for actions (or portions thereof) where the agency is exercising discretion, including those where some of the changes are mandated by state or federal law or regulation. Tables 1b and 1c are not needed if **all** changes are mandated, and the agency is not exercising any discretion. In that case, enter a statement to that effect.

- (1) Direct Costs & Benefits: Identify all specific, direct economic impacts (costs and/or benefits), anticipated to result from the regulatory change. (A direct impact is one that affects entities regulated by the agency and which directly results from the regulatory change itself, without any intervening steps or effects. For example, the direct impact of a regulatory fee change is the change in costs for these regulated entities.) When describing a particular economic impact, specify which new requirement or change in requirement creates the anticipated economic impact. Keep in mind that this is the proposed change versus the status quo. One bullet has been provided, add additional bullets as needed.
- (2) Quantitative Factors:
 - (a) Enter estimated dollar value of total (overall) direct costs described above.
 - (b) Enter estimated dollar value of total (overall) direct benefits described above.
 - (c) Enter the present value of the direct costs based on the worksheet.
 - (d) Enter the present value of the direct benefits based on the worksheet.
- (3) Benefits-Costs Ratio: Calculate d divided by c OR enter it from the worksheet.
- (4) Net Benefit: Calculate d minus c OR enter it from the worksheet.
- (5) Indirect Costs & Benefits: Identify all specific, indirect economic impacts (costs and/or benefits), anticipated to result from the regulatory change. (An indirect impact is one that results from responses to the regulatory change, but which are not directly required by the regulation. Indirect impacts of a regulatory fee change on regulated entities could include a change in the prices they charge, changes in their operating procedures or employment levels, or decisions to enter or exit the regulated profession or market. Indirect impacts

also include responses by other entities that have close economic ties to the regulated entities, such as suppliers or partners.) If there are no indirect costs or benefits, include a specific statement to that effect.

- (6) Information Sources: Describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why they are not.
- (7) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

<p>(1) Direct Costs & Benefits</p>	<ul style="list-style-type: none"> ● The regulations set the predetermined percentage of adjusted gross receipts for electronic gaming at 20 percent <p>Direct Costs: VDACS does not have reliable data on which to base an estimate as to the number of organizations that currently do not contribute 20 percent of their electronic gaming adjusted gross receipts to their charitable cause and is therefore unable to provide a reasonable estimated dollar amount for this direct cost.</p> <p>Direct Benefits: The proposed change may benefit the charitable purpose of the organization as the proposed regulation requires that 20 percent of the organization’s electronic gaming adjusted gross receipts be used for that charitable purpose, where previously there was no such requirement. However, VDACS does not have reliable data to estimate how much of a benefit this will provide.</p> <ul style="list-style-type: none"> ● Social organizations must obtain both a charitable gaming permit and an electronic gaming authorization. The regulation establishes the fee for an electronic gaming authorization at \$200. <p>The Charitable Gaming Law provides that payment of a fee is required for an authorization to conduct electronic gaming and such fee shall be set by the Department.</p>	
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	<p>Direct Costs: The Department estimates that approximately 200 social organizations will seek to obtain an authorization to conduct electronic gaming and will incur the \$200 fee.</p> <p>Direct Benefits: VDACS does not have reliable data on which to base the quantitative benefits of the fee.</p> <ul style="list-style-type: none">● The regulation establishes the audit and administration fee at one-half of one percent of an organization’s electronic gaming adjusted gross receipts, in accordance with Va. Code Section 18.2-340.31(B). The one-quarter of one percent fee established in the regulation is in addition to the one-quarter of one percent fee required by Va. Code § 18.2-340.31(D). <p>Direct Costs: VDACS estimates this will have an additional cost of approximately \$695,000 to either the social organization or the electronic gaming manufacturer. Social organizations conducting electronic gaming were not previously subject to this fee. VDACS does not have reliable data to determine whether the fee will be paid by the organization or the manufacturer, either of which are allowed to pay this fee.</p> <p>Direct Benefit: The audit and administration fee was previously set by the Department at 1.125 percent. Chapters 722 and 767 of the 2022 Acts of Assembly require the Department to set an audit and administration fee not to exceed one-half of one percent. In response to the legislative mandate, the proposed regulation lowers the fee to 0.50 percent. Based on FY 2021 gross receipt figures of approximately \$135 million, VDACS collected \$1.2 million. Under the proposed regulations, based on the same figures, the permitted charitable gaming organizations would pay approximately \$675,000, which results in an increase of \$525,000 remaining with the organizations.</p>	
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	<ul style="list-style-type: none"> • The regulation establishes a schedule of late fees to be assessed on any electronic gaming manufacture that fails to submit required reports. <p>The Charitable Gaming Law provides that a late filing fee schedule shall be set by the Department.</p> <p>Direct Costs: The cost to regulated entities is unknown because VDACS can not estimate the number of manufacturers that will fail to submit timely reports.</p> <p>Direct Benefit: VDACS does not have reliable data on which to base the quantitative benefits of a late filing fee.</p>			
(2) Quantitative Factors	Estimated Dollar Amount	Present Value		
Direct Costs	(a) \$735,000	(c) \$6,457,790		
Direct Benefits	(b) \$525,000	(d) \$4,612,707		
(3) Benefits-Costs Ratio	0.71	(4) Net Benefit	\$-1,845,083	
(5) Indirect Costs & Benefits	<ul style="list-style-type: none"> • The regulations prescribe the conditions under which a social organization may lease its premises to a qualified organization to conduct electronic gaming, including required documentation and requirements for the lease agreement. The indirect benefits include the increased funds generated by electronic gaming that the qualified organization can use towards its charitable purpose. 			
(6) Information Sources				

(7) Optional		
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Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

This table addresses current requirements and the implications of not making any changes. In other words, describe the costs and benefits of maintaining the current regulatory requirements as is.

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> ● The regulations set the predetermined percentage of adjusted gross receipts for electronic gaming at 20 percent Chapters 722 and 767 of the 2022 Acts of Assembly requires VDACS to set a predetermined percentage of adjusted gross receipts from electronic gaming that must be used towards the organization’s charitable purpose. The percentage of adjusted gross receipts was not previously established in the regulation and VDACS does not have the option to maintain the current regulatory requirements. ● Social organizations must obtain both a charitable gaming permit and an authorization to conduct electronic gaming, and the fee for the authorization is set at \$200. Chapters 722 and 767 of the 2022 Acts of Assembly require that a fee be submitted with any application and gives VDACS the authority to set that fee. VDACS does not have the option to maintain the current regulatory requirements. ● The audit and administration fee is set at one half of one percent, in accordance with Va. Code § 18.2-340.31, in addition to the already mandated one quarter of one percent. The Charitable Gaming Law requires that the audit and administration fee on electronic gaming shall be based on adjusted gross receipts and such fee shall be set by the Department. As payment of the audit and administration fee is required pursuant to the Charitable Gaming Law, the Department has no discretion on establishing the audit and administration fee but does have discretion on the amount of the fee, up to one-half of one percent.
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	<ul style="list-style-type: none"> • The regulation establishes a schedule of late fees to be assessed on any electronic gaming manufacturer that fails to submit required reports. <p>Chapters 722 and 767 of the 2022 Acts of Assembly require VDACS to set a schedule of late fees. Therefore, VDACS does not have the option to maintain the current regulatory requirements.</p>		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a)	(c)	
Direct Benefits	(b)	(d)	
(3) Benefits-Costs Ratio		(4) Net Benefit	
(5) Indirect Costs & Benefits			
(6) Information Sources			
(7) Optional			

Table 1c: Costs and Benefits under an Alternative Approach

This table addresses an alternative approach to accomplishing the objectives with different requirements. These alternative approaches may include the use of reasonably available alternatives in lieu of regulation, or information disclosure requirements or performance standards instead of regulatory mandates.

<p>(1) Direct Costs & Benefits</p>	<ul style="list-style-type: none"> ● The regulation establishes the predetermined percentage of adjusted gross receipts for electronic gaming at 20 percent <p>The Charitable Gaming Law requires VDACS to set a percentage of adjusted gross receipts so there is no alternative to prescribing the percentage in the regulations. However, VDACS does have the discretion as to the amount of such percentage.</p> <ul style="list-style-type: none"> ● Social organizations must obtain both a charitable gaming permit and an authorization to conduct electronic gaming, and the fee for the authorization is set at \$200. <p>The Charitable Gaming Law requires VDACS to set a fee for the authorization so there is no alternative to prescribing the fee in the regulation. However, VDACS does have the discretion as to the amount of such fee.</p> <ul style="list-style-type: none"> ● The audit and administration fee is set at one half of one percent of electronic gaming adjusted gross receipts, in accordance with Va. Code § 18.2-340.31, in addition to the already mandated fee of one quarter of one percent. <p>The Charitable Gaming Law requires VDACS to set the audit and administration fee as long as it does not exceed one half of one percent, so there is no alternative to prescribing the fee in the regulations.</p> <ul style="list-style-type: none"> ● The regulations set a schedule of late fees to be assessed on any electronic gaming manufacture that fails to submit required reports. <p>The Charitable Gaming Law requires VDACS to set a schedule of late fees for electronic gaming manufactures, so there is no alternative to prescribing the late fees in the regulations. However, VDACS does have the discretion as to the amount of such fee.</p>
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(2) Quantitative Factors	Estimated Dollar Amount	Present Value
Direct Costs	(a)	(c)
Direct Benefits	(b)	(d)

(3) Benefits-Costs Ratio		(4) Net Benefit	
(5) Indirect Costs & Benefits			
(6) Information Sources			
(7) Optional			

Impact on Local Partners

- (1) Describe the direct costs and benefits (as defined on page 1) for local partners in terms of real monetary costs and FTEs. Local partners include local or tribal governments, school divisions, or other local or regional authorities, boards, or commissions. If local partners are not affected, include a specific statement to that effect and a brief explanation of the rationale.
- (2) Quantitative Factors:
 - (a) Enter estimated dollar value of total (overall) direct costs described above.
 - (b) Enter estimated dollar value of total (overall) direct benefits described above.
- (3) Indirect Costs & Benefits: Describe any indirect benefits and costs (as defined on page 1) for local partners that are associated with all significant changes. If there are no indirect costs or benefits, include a specific statement to that effect.
- (4) Information Sources: describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why they are not.
- (5) Assistance: Identify the amount and source of assistance provided for compliance in both funding and training or other technical implementation assistance.
- (6) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Note: If any of the above information was included in Table 1, use the same information here.

Table 2: Impact on Local Partners

(1) Direct Costs & Benefits	VDACS is not aware of any direct costs or benefits for local partners in terms of real monetary costs and FTEs.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a)

Direct Benefits	(b)
(3) Indirect Costs & Benefits	
(4) Information Sources	
(5) Assistance	
(6) Optional	

Economic Impacts on Families

- (1) Describe the direct costs and benefits (as defined on page 1) to a typical family of three (average family size in Virginia according to the U. S. Census) arising from any proposed regulatory changes that would affect the costs of food, energy, housing, transportation, healthcare, and education. If families are not affected, include a specific statement to that effect and a brief explanation of the rationale.
- (2) Quantitative Factors:
 - (a) Enter estimated dollar value of direct costs.
 - (b) Enter estimated dollar value of direct benefits.
- (3) Indirect Costs & Benefits: Describe any indirect costs and benefits (as defined on page 1) to a typical family of three that are most likely to result from the proposed changes.
- (4) Information Sources: describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why not.
- (5) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Note: If any of the above information was included in Table 1, use the same information here.

Table 3: Impact on Families

(1) Direct Costs & Benefits	VDACS does not have the requisite data to make a determination as to whether the proposed regulation will have a direct cost or benefit to families.
(2) Quantitative Factors	Estimated Dollar Amount

Direct Costs	(a)
Direct Benefits	(b)
(3) Indirect Costs & Benefits	
(4) Information Sources	
(5) Optional	

Impacts on Small Businesses

- (1) Describe the direct costs and benefits (as defined on page 1) for small businesses. For purposes of this analysis, “small business” means the same as that term is defined in § 2.2-4007.1. If small businesses are not affected, include a specific statement to that effect and a brief explanation of the rationale.
- (2) Quantitative Factors:
 - (a) Enter estimated dollar value of direct costs.
 - (b) Enter estimated dollar value of direct benefits.
- (3) Indirect Costs & Benefits: Describe the indirect benefits and costs (as defined on page 1) for small businesses that are most likely to result from the proposed changes.
- (4) Alternatives: Add a qualitative discussion of any equally effective alternatives that would make the regulatory burden on small business more equitable compared to other affected business sectors, and how those alternatives were identified.
- (5) Information Sources: describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why not.
- (6) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Note: If any of the above information was included in Table 1, use the same information here.

Table 4: Impact on Small Businesses

(1) Direct Costs & Benefits	<p>There is an indeterminate impact on small businesses.</p> <p>This regulation establishes requirements for charitable organizations, which are non-profit entities, not businesses. Section 2.2-4007.1 of the Code of Virginia defines a small business as a business entity that (i) is</p>
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	<p>independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales for less than \$6 million. Charitable organizations do not meet the first subdivision of this definition.</p> <p>Some electronic gaming manufacturers may meet the definition of a small business, but VDACS does not have the necessary data to make that determination.</p>
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a)
Direct Benefits	(b)
(3) Indirect Costs & Benefits	
(4) Alternatives	
(5) Information Sources	
(6) Optional	

Changes to Number of Regulatory Requirements

For each individual VAC Chapter amended, repealed, or promulgated by this regulatory action, list (a) the initial requirement count, (b) the count of requirements that this regulatory package is adding, (c) the count of requirements that this regulatory package is reducing, (d) the net change in the number of requirements. This count should be based upon the text as written when this stage was presented for executive branch review. Five rows have been provided, add or delete rows as needed.

Table 5: Total Number of Requirements

	Number of Requirements			
Chapter number	Initial Count	Additions	Subtractions	Net Change
11 VAC 20-20	301*	49**		49

This regulation consists of the regulatory provisions established in 11 VAC 15-40 by the Charitable Gaming Board and new provisions regarding electronic gaming.

*Existing requirements in 11 VAC 15-40.

**New requirements that pertain to electronic gaming.