



## Economic Impact Analysis Virginia Department of Planning and Budget

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**11 VAC 15-40 – Charitable Gaming Regulations**  
**Department of Agriculture and Consumer Services**  
July 1, 2011

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### **Summary of the Proposed Amendments to Regulation**

The Virginia Charitable Gaming Board (Board) proposes to consolidate two separate regulations, *Charitable Gaming Rules and Regulations*, 11VAC15-22, and *Supplier Regulations*, 11VAC15-31, into one regulation that will also establish rules regarding electronic games of chance systems for charitable gaming.

### **Result of Analysis**

The benefits likely exceed the costs for one or more proposed changes. There is insufficient data to accurately compare the magnitude of the benefits versus the costs for other changes.

### **Estimated Economic Impact**

Chapter 264 of the 2007 Virginia Acts of Assembly authorized the use of electronic games of chance, also known as electronic pull tabs, by charitable gaming organizations. The chapter also specifies that “No person shall offer to sell, sell or otherwise provide charitable gaming supplies to any qualified organization *and no manufacturer shall distribute electronic games of chance systems for charitable gaming in the Commonwealth* unless and until such person has made application for and has been issued a permit by the Department (of Agriculture and Consumer Services).” In practice electronic games of chance have not yet been available for charitable gaming since the Board has not yet promulgated regulations that would enable the issuing of a permit for the distribution of electronic games of chance. In the current action the Board proposes rules that would enable the distribution and use of electronic games of chance to go forward.

In calendar year 2009, the most recent year data is available, there were \$279 million in gross receipts for charitable gaming in Virginia.<sup>1</sup> Based on the experiences of other states which introduced electronic pull tabs, the Virginia Department of Agriculture and Consumer Services (Department) expects gross receipts from charitable gaming to at least triple with the advent of electronic pull tabs. Manufacturers and suppliers of electronic games of chance will certainly benefit with increased business. Purchasing and using electronic games of chance for fundraising is of course optional for charitable organizations; so the charitable organizations will only purchase and use them if they believe they will provide a net benefit through increased revenue available for their charitable purposes. A significant portion of Virginians believe that there is a negative impact on morality associated with gambling. The introduction and use of electronic pull tabs will very likely increase at least the dollar value of gambling in Virginia. It is beyond the scope of this analysis to compare the benefits of increased business for manufacturers and suppliers of electronic games of chance and the benefits of increased revenue for charitable organizations to use for their charitable purposes to the potential negative moral impact of increased gambling. That is intrinsically a subjective value judgment.

The Board proposes several other changes that will have some impact. The fee for a permit change would be eliminated. This is obviously beneficial for permit holders. The Board believes funds for operation are sufficient without charging this fee. The Department would use compliance agreements rather than consent orders and remedial business plans rather than corrective action plans. This would be less heavy handed and would likely create a more cooperative relationship between the Department and charitable organizations. The required break between charitable gaming activities would be reduced from one hour to 30 minutes. This would enable more time to be devoted to fundraising while still allotting sufficient transition time between charitable organizations. All of these changes provide benefit without significant cost.

Specific dollar amounts included in the current regulations that are prescribed by the Code of Virginia would be replaced by references to sections of the Code that prescribe these amounts. This is beneficial since when and if these dollar amounts are changed in the Code the dollar amounts currently listed in the regulations would then be in conflict with the Code. When

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<sup>1</sup> Data source: Virginia Department of Agriculture and Consumer Services

the Code and regulations conflict, the Code prevails. Thus, persons who read the regulations would be misled under these circumstances. Amending regulations can take a significant amount of time. Thus, replacing specified dollar amounts included in the current regulations that are prescribed by the Code with references to sections of the Code that prescribe these amounts would enable the regulations to always be accurate concerning the effective legal dollar figures. Thus this proposed change clearly provides a net benefit.

The current regulations state that volunteer game workers may not play bingo at any session they have worked or purchase instant bingo, pull-tab, or seal card products from organizations they assist on the day they have volunteered or from any deal they have helped sell, whichever is later. Under the proposed regulations “No one involved in the conduct of bingo may play bingo at any session they have worked or intend to work. No one involved in the sale or redemption of any instant bingo, pull-tabs, seal cards, or electronic game cards may purchase directly or through others instant bingo, pull-tab, seal card, or electronic game card products from organizations they assist on the day they have worked or from any deal they have helped sell or redeem, whichever occurs later.” Thus paid workers as well as volunteers are prohibited from gambling in games in which they work on the days they work as well as deals they have helped sell or redeem. Paid workers and volunteers could still gamble on other days provided that the games are not deals they have helped sell or redeem. This proposed change does introduce a new limitation on paid workers, but it seems a reasonable change to help ensure fairness while still permitting paid workers the opportunity to participate in games in which they are not directly involved.

## **Businesses and Entities Affected**

The proposed regulations will potentially affect the approximate 400 qualified charitable gaming organizations and 19 charitable gaming suppliers in the Commonwealth as well as manufacturers of electronic games of chance systems. The Virginia Department of Agriculture and Consumer Services estimates that the majority of the charitable gaming suppliers are small businesses.

## **Localities Particularly Affected**

The proposed amendments do not disproportionately affect particular localities.

## **Projected Impact on Employment**

The proposal to establish rules for electronic games of chance systems will enable the distribution and use of electronic games of chance to go forward. This will likely significantly increase business for manufacturers and suppliers of electronic games of chance. Employment at some of these firms will likely moderately increase.

## **Effects on the Use and Value of Private Property**

The proposal to establish rules for electronic games of chance systems will enable the distribution and use of electronic games of chance to go forward. This will likely significantly increase business for manufacturers and suppliers of electronic games of chance. The net value of these firms will likely increase.

## **Small Businesses: Costs and Other Effects**

The proposed amendments are unlikely to increase costs for small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed amendments are unlikely to significantly adversely affect small businesses.

## **Real Estate Development Costs**

The proposed amendments are unlikely to significantly affect real estate development costs.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small

businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.