

Staff Proposed Rule Change

- **Two-part payment plan for licensing fees.**

September 2013 – Final Action

August 2013 – Study Session

July 2013 – Up for Discussion and Possible Filing

June 2013 – No Meeting

May 2013 – Study Session

ITEM: 6

- a) **New Section: WAC 230-05-015**
Two-part payment plan for license fees.



Proposed Amendment to
WAC 230-05-015 Two-part payment plan for license fees.

September 2013 – Final Action

August 2013 – Study Session

July 2013 – Up for Discussion and Possible Filing

June 2013 – No Meeting

May 2013 – Study Session

ITEM 6 on the September 2013 Commission Meeting Agenda. Statutory Authority 9.46.070

Who proposed the rule change?

Staff.

Proposed Change

This proposed amendment adds language to ensure licensees know they are obligated to pay the license fee for the entire year, regardless if they go out of business halfway through the year, surrender their license, or have their license revoked during the license year. It also removes language that gross gambling receipts during the first half of the year cannot exceed fifty percent of the annual gross gambling receipts for licensees that use the two-part payment plan.

Attachment:

WAC 230-06-130 Exceeding license class.

History of Rule

This rule allows some organizations to use a two-part payment plan to pay their license fees. It also requires licensees in the plan to upgrade their license if their gross gambling receipts in the first six months of their license year exceed fifty percent of their authorized annual gross gambling receipts.

The current subsection (3) conflicts with WAC 230-06-130 (attached) which requires licensees to monitor their gross receipts, apply a projection of year-to-date receipts to the remaining period of their license and upgrade their license before they exceed their license class. Most licensees know when they will be making more or less money throughout the year. If they have higher earnings during the first half of their license year, it may seem like they are going to go over their class limit. However, the licensee might know that business drops off during the second half of the year. The current rule does not allow a licensee to monitor their own earnings and requires them to upgrade before the license year is even half over. This can cause them to have to upgrade when at the end of the year, they may not exceed their license class. This causes unnecessary work for staff to process upgrades and refunds.

The rule currently states that if you are renewing your license you may pay your license fee in two payments. Licensees can elect to pay their annual fee in two payments at renewal if their annual license fee is at least \$800 and they pay an administrative processing fee. We issue the participants of this plan a license for one year that shows the date of the second payment is due. If a participant does not pay their second-half payment on or before the due date, the license expires and the gambling activities must stop.

In the past, licensees have misinterpreted this rule to allow them to go out of business and not pay the second half of their license fee.

Over the last few years, the uncollectible license fees from individuals and organizations have increased as follows:

Uncollected License Fees (second half payments and exceeding class fees):

	Uncollected License Fees	Number of Licenses	Percent failure to pay the second half payment
2008	\$55,332.00	20	100%
2009	\$46,505.25	28	81%
2010	\$93,537.00	25	93%

The uncollected license fees are from licensees that fail to pay the second payment of their annual license fee or exceeding class fees. A majority of the licensees that fail to pay are licensees on the two-part payment plan who do not pay their second payment. When it comes time to pay the second payment, licensees who have chosen to cease their gambling activity may not pay the second payment. There is a misconception that the two-part payment plan is a "pay as you go" fee, and not an annual fee paid in two installments.

If the licensee fails to pay their second payment and has other gambling licenses, we notify them that we will take administrative action against their current licenses if they fail to pay their outstanding license fees. If the licensee does not have any other gambling licenses, we flag their file in our database to try to collect the outstanding license fees if they seek to obtain licensure in the future and send the debt to collections.

Our authority to send licensees to collections are found in the following RCW's:

RCW 9.46.350 states, "At any time within five years after any amount of fees, interest, penalties, or tax which is imposed pursuant to this chapter, or rules adopted pursuant thereto, shall become due and payable, the attorney general, on behalf of the commission, may bring a civil action in the courts of this state, or any other state, or of the United States, to collect the amount delinquent, together with penalties and interest. .. "

RCW 19.16.500 states, "Agencies may retain, by written contract, collection agencies licensed under this chapter for the purpose of collecting public debts owed by any person." The RCW goes on to state that any governmental entity using a collection agency may add a reasonable fee, payable by the debtor, to the outstanding debt for the collection agency fee incurred. The amount paid for collection services can include contingent fees up to 50% of the first \$100,000 of unpaid debt per account and up to 35% of the unpaid debt over \$100,000. A minimum fee of the full amount of debt up to \$100 per account is reasonable. The debt may not be assigned to a collection agency unless there has been an attempt to advise the debtor of the existence of the debt, the debt that may be assigned to a collection agency for collection if the debt is not paid and at least 30 days have elapsed from the time notice was attempted.

RCW 43.17.240 allows interest at a rate of 1 % per month to accrue on debts owed to the state, starting on the date the debt becomes past due.

Impact of the Proposed Change

Licensees will know they must pay their full license fee, even if they go out of business. In practice, they are already required to pay the fee, so the impact will be minimal.

Licensees in the two part payment plan will have to upgrade their license if their gross gambling receipts in the first half of their license year exceed fifty percent of the annual authorized gross gambling receipts. This places an additional financial burden on licensees whose gambling activity tends to be higher the first half of the license year but low in the last half their license year. It also causes more work for staff to process the upgrade and then a refund at the end of the license year because the licensee operated at the lower class level.

Under WAC 230-06-130, licensees will still be required to upgrade their license before they exceed their license class limits during the year.

Regulatory Concerns

This change is to put into rule current practice of seeking payment from licensees in the plan who fail to make their second-half payment.

Resource Impacts

Reduce staff time:

- Following-up with licensees that don't pay the second part of their license fee;
- Assigning unpaid debt to collections;
- Processing upgrades;
- Processing refunds.

Licensees:

Save licensees time and money by not requiring them to upgrade their license if they do not anticipate their annual gross gambling receipts will exceed their license class.

Policy Consideration

This stronger language reinforces to our licensees their payment obligations and may decrease the number of licensees sent to collections.

Statements Supporting the Proposed Rule Change

None.

Statements Opposing the Proposed Rule Change

None.

Licensees Directly Impacted By the Change

Licensees that use the two-part payment plan to pay license fees.

Staff Recommendation

Final Action.

Proposed Effective Date for Rule Change

Because this proposed change brings our rules in line with current practice, staff recommends an effective date of 31 days from filing the adopted rule, which would be approximately October 14, 2013, if the rule is adopted at the September 2013 Commission meeting.

Amended Section:

WAC 230-05-015 Two-part payment plan for license fees.

(1) If you are renewing an annual license or applying for an additional license, you may pay the license fee in two payments if:

(a) You elect to participate; and

(b) The license fee is at least eight hundred dollars; and

(c) You pay an administrative processing fee as set out in WAC 230-05-020 or 230-05-030, plus one-half of the annual license fee at the time of application or renewal.

(2) We issue licenses under the two-part payment plan with an expiration date of not more than one year and a second-half payment due date.

(a) If we receive your second-half payment on or before the due date, the license will remain in effect until the expiration date.

(b) If you ~~((fail to))~~ do not submit the second-half payment on or before the due date, the license expires and gambling activities must stop. You must pay us the second-half payment regardless if you stop operating the gambling activity, close your business, surrender your license, or your license is revoked. If you do not pay the second-half payment, we may take action against other licenses you hold or refer the debt to collections, or both.

(3) ~~Your gross gambling receipts during the first half payment period must not exceed fifty percent of the authorized class limitation for annual gross gambling receipts. Licensees whose gross gambling receipts exceed fifty percent of the authorized level must apply for a license at the appropriate license class and pay the full upgrade fee, plus an administrative processing fee, as set out in WAC 230-05-020 and 230-05-030.~~

WAC 230-06-130 Exceeding license class.

(1) Licensees must not exceed the gross gambling receipts limits for their license class during any annual license period.

(2) Licensees must apply a projection of year-to-date receipts to the remaining period of their license and, if it indicates that it is reasonably likely that they may exceed their license, they must immediately:

(a) Apply for a license that authorizes the anticipated level of gross gambling receipts; and

(b) Submit the fee required for the new license, minus the amount originally submitted for the previous license, plus a change of classification fee.

(3) If we issue a license upgrade, it is valid only for the remainder of the original term of the license.

(4) Licensees may exceed license class limits once, by the amount shown in the fees table, without having to upgrade or pay the penalties as long as they upgrade to the higher license class the next time they renew their license.

Staff Proposed Rule Change

- **Implementing 2013 legislation authorizing enhanced raffles.**

September 2013 – Final Action

August 2013 – Study Session

July 2013 – Up for Discussion and Possible Filing

ITEM: 7

Amendments are proposed to the following rules:

- (a) WAC 230-03-060 Fingerprinting of applicants.
- (b) WAC 230-03-320 Substantial interest holders not required to be licensed as representatives.
- (c) WAC 230-03-325 Office, clerical, or warehouse workers not required to be licensed as representatives.
- (d) WAC 230-03-335 Representatives must not work before receiving a license.
- (e) WAC 230-05-020 Charitable and non-profit organization fees.
- (f) WAC 230-05-030 Fees for other businesses.
- (g) WAC 230-05-035 Individuals license fees.
- (h) WAC 230-07-155 Reporting annual activity for raffles, enhanced raffles, amusement games, class A, B, or C bingo, or combination licenses.
- (i) WAC 230-11-012 Licensees may conduct a joint raffle.
- (j) WAC 230-11-014 Maximum raffle ticket price.
- (k) WAC 230-11-020 Record information on ticket stub.
- (l) WAC 230-11-030 Restrictions on ticket sales.
- (m) WAC 230-11-040 Place ticket stub in receptacle for drawing.
- (n) WAC 230-11-050 Using alternative drawing formats.
- (o) WAC 230-11-055 Authorized alternative drawing formats.
- (p) WAC 230-11-065 Raffle prizes.
- (q) WAC 230-11-070 Defining “members-only” raffles.

The following new rules are proposed:

- (r) WAC 230-03-152 Additional requirements for enhanced raffles.
- (s) WAC 230-03-232 Applying for a call center license.
- (t) WAC 230-03-317 Applying for a call center representative license.
- (u) WAC 230-11-002 The definition of raffle as used in this chapter.
- (v) WAC 230-11-102 Recordkeeping requirements for enhanced raffles.
- (w) WAC 230-11-103 Independent audit required for enhanced raffles.



The proposed amendments and new rules are listed below under proposed change.

September 2013 – Final Action

August 2013 – Study Session

July 2013 – Up for Discussion and Possible Filing

ITEM 7 (a-w) on the September 2013 Commission Meeting Agenda. Statutory Authority 9.46.070

Who proposed the rule change?

Staff.

Proposed Change

During the 2013 legislative session, ESSB5723 (attached) authorized the Commission to approve up to four enhanced raffles a year, where the grand prize for each enhanced raffle may be up to \$5 million. The only organizations that can offer enhanced raffles are licensed charitable/non-profit organizations, whose primary purpose is serving individuals with intellectual disabilities. This new law gives the Commission authority to amend and create rules for this new type of raffle and establish fees necessary to regulate it.

The enhanced raffle law also allows the charitable/nonprofit organization to hire consultants to assist with this new type of raffle. Consultants for enhanced raffles can be licensed under the Commission's existing rules for "gambling service suppliers;" therefore, no new rules changes were needed for the consultants.

Change made after the July 2013 Commission Meeting (Bold / Highlighted):

- **WAC 230-03-060 The Commissioners adopted an amendment to this rule at their August 2013 meeting as part of a fingerprinting rules package. The rule adopted at the August meeting is included in this package, with the enhanced raffle amendment incorporated into it.**
- **WAC 230-03-325 was amended for clarification.**
- **WAC 230-03-152 was amended to include a reference to 2013 session law. Due to a long session, a RCW number won't be assigned until October or November; therefore, we will cite to the bill.**
- **WAC 230-03-317 was amended to clarify that only individuals receiving enhanced raffle ticket sales at call centers and their supervisors need to be licensed, rather than all employees at call centers.**
- **WAC 230-11-002 was amended to include a reference to 2013 session law.**
- **WAC 230-11-102 was amended to require unsold tickets to be retained.**
- **WAC 230-11-103 Language was incorporated into WAC to require licensees to report any state or federal regulatory actions taken in relation to enhanced raffles. The new law requires this information to be included in our report to the legislature in 2016.**

Amendments are proposed to the following rules:

WAC 230-03-060 Fingerprinting of applicants.

Substantial interest holders in call centers for enhanced raffles and call center representatives may need to be fingerprinted.

WAC 230-03-320 Substantial interest holders not required to be licensed as representatives.

Substantial interest holders of call centers are not required to be licensed as a representative.

WAC 230-03-325 Office, clerical, or warehouse workers not required to be licensed as representatives.

Adds language to exempt workers at enhanced raffle call centers from this rule.

WAC 230-03-335 Representatives must not work before receiving a license.

Adds call center representatives as persons who must not work prior to receiving a license.

WAC 230-05-020 Charitable and non-profit organization fees.

Adds a license fee for enhanced raffles.

WAC 230-05-030 Fees for other businesses.

Adds a license fee for call centers.

WAC 230-05-035 Individuals license fees.

Adds a license fee for call center representatives.

WAC 230-07-155 Reporting annual activity for raffles, enhanced raffles, amusement games, class A, B, or C bingo, or combination licenses.

Requires annual activity reports for enhanced raffles.

WAC 230-11-012 Licensees may conduct a joint raffle.

Licensees of enhanced raffles may not offer joint raffles.

WAC 230-11-014 Maximum raffle ticket price.

Enhanced raffle tickets may be sold for up to two hundred fifty dollars each.

WAC 230-11-020 Record information on ticket stub.

Enhanced raffle licensees may provide a receipt that includes ticket confirmation numbers in lieu of a ticket stub.

WAC 230-11-030 Restrictions on ticket sales.

Enhanced raffle licensees may use licensed call center representatives to sell raffle tickets.

WAC 230-11-040 Place ticket stub in receptacle for drawing.

The word "ticket" was added.

WAC 230-11-050 Using alternative drawing formats.

Enhanced raffle licensees may not use alternative drawing formats.

WAC 230-11-055 Authorized alternative drawing formats.

Enhanced raffle licensees may not use alternative drawing formats.

WAC 230-11-065 Raffle prizes.

Requires enhanced raffle licensees to demonstrate that a smaller non cash prize is available or sufficient funds are held in reserve to purchase the prize.

WAC 230-11-070 Defining "members-only" raffles.

Enhanced raffle licensees may not offer members-only raffles.

The following new rules are proposed:

WAC 230-03-152 Additional requirements for enhanced raffles.

Lists items organizations must provide to us when requesting the Commissioners' approval to offer enhanced raffles.

WAC 230-03-232 Applying for a call center license.

Requires call centers to apply for a call center license and notifies applicants we may conduct on site visits of the call center to ensure compliance and qualification for licensure.

WAC 230-03-317 Applying for a call center representative license.
Requires call center representatives to apply for a license.

WAC 230-11-002 The definition of raffle as used in this chapter.
Establishes the definition of a raffle as used in this chapter.

WAC 230-11-102 Recordkeeping requirements for enhanced raffles.
Lists recordkeeping requirements for enhanced raffles.

WAC 230-11-103 Independent audit required for enhanced raffles.
Includes the requirements for an independent audit of enhanced raffles.

Attachments:

ESSB 5723
Fiscal note for ESSB 5723

History of Rule

Enhanced raffles are a new raffle activity.

Impact of the Proposed Change

The impact of the proposed change is the creation of new license classes and fees for enhanced raffles, call centers, and call center representatives.

Establishes requirements for:

- Licensing;
- What organizations must submit to the Commission when requesting approval to conduct an enhanced raffle;
- The independent audit to be conducted on all enhanced raffles; and
- Recordkeeping.

License Fees:

The new license fees should cover our licensing and regulatory costs. These proposed fee amounts are similar to the estimated fee amounts provided in the Fiscal Note (attached) related to this law. The new license fees are based on staff's best estimate of the time and resources required to perform our licensing and regulatory investigations to keep the criminal element out of gambling. These estimates are based on the type of work performed for other licenses. This work includes staff review of the application and licensing and a financial investigation of the applicant to ensure substantial interest holders qualify for licensure. Other work includes a review of the independent auditor's report for each enhanced raffle, review of the program expenses to ensure compliance with significant progress, records inspections, and review of activity reports.

A Small Business Economic Impact Statement was not prepared because licensees are not required to operate enhanced raffles.

Regulatory Concerns

None.

Resource Impacts
<ul style="list-style-type: none"> • Staff will have to create new forms and update current systems to account for the new enhanced raffle activity and applicable fees. • Additional training will be given to update staff on the new requirements. • Staff will have to create/revise investigative programs to this new activity. • Special Agents, as part of the regulatory program, may perform on-site investigations.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
Any charitable/non-profit organization, whose primary purpose is serving individuals with intellectual disabilities who qualifies and applies to participate in an enhanced raffle, call centers for enhanced raffles, call center representatives, and consultants for enhanced raffles who are licensed as gambling service suppliers.
Staff Recommendation
Final Action.
Proposed Effective Date for Rule Change
Because these rules are needed to operate enhanced raffles authorized during the 2013 legislative session, staff recommends an effective date of 31 days from filing the adopted rule, which would be mid-October 2013.

Amendatory Section

WAC 230-03-060 Fingerprinting of applicants.

Applicants or persons holding a substantial interest may undergo a national criminal history background check, using fingerprints for the following licenses:

- (1) Amusement games for commercial use: Class E and above; and
- (2) Card games: Class E, Class F and house-banked card rooms; and
- (3) Punch boards/pull tabs for commercial stimulant: Class F and above; and
- (4) Manufacturers: Class B and above; and
- (5) Distributors: Class B and above; and
- (6) Gambling service suppliers; and
- (7) Call centers for enhanced raffles; and**
- (8) Representatives for distributors, manufacturers, gambling service suppliers, call centers for enhanced raffles, and linked bingo prize providers; and
- (9) Managers of commercial gambling operations; and
- (10) Public card room employees; and
- (11) Linked bingo prize providers.

The amendment above was filed at the July 2013 Commission meeting. At their August 2013 meeting, the Commissioners adopted an amendment to WAC 230-03-060. The WAC adopted at the August meeting is below, with the enhanced raffle amendment incorporated in it.

WAC 230-03-060 Fingerprinting

- (1) The following persons must submit fingerprints and undergo a national criminal history background check:
 - (a) Substantial interest holders of commercial businesses and charitable or nonprofit organizations who live or have lived out of the state in the last ten years; and
 - (b) Card room employees, commercial and nonprofit gambling managers, and manufacturer, distributor, service supplier, call centers for enhanced raffles, and linked bingo prize provider representatives; and
 - (c) Any other substantial interest holder when we have information they may not be qualified for licensure or to participate in a gambling activity.
- (2) Applicants or licensees for the following activities do not need to submit fingerprints: recreational gaming activities, agricultural fair permits, and Class A commercial amusement games.

Amendatory Section

WAC 230-03-320 Substantial interest holders not required to be licensed as representatives.

If you are a substantial interest holder in a business licensed to operate a manufacturer, distributor, gambling service supplier, call centers for enhanced raffles, or linked bingo prize provider or a spouse of the same, you do not have to have an additional license to perform representative duties connected with that licensed business.

Amendatory Section

WAC 230-03-325 Office, clerical, or warehouse workers not required to be licensed as representatives.

Except for ((workers at enhanced raffle call centers)) enhanced raffle call center representatives, if you are an office, clerical, or warehouse worker and have contact with customers or potential customers only by telephone at your employer's business premises and work under the immediate and direct supervision of a substantial interest holder or a licensed manager or supervisor, you do not have to have a representative license.

Amendatory Section

WAC 230-03-335 Representatives must not work before receiving a license.

If you are applying for a license as a representative for a manufacturer, distributor, gambling services supplier, call centers for enhanced raffles, or linked bingo prize provider, you must not work until you receive a license from us.

Only the new language to be incorporated into this rule is included below:

WAC 230-05-020 Charitable or nonprofit organization fees.

Bona fide charitable and nonprofit organizations must pay the following fees to us when applying for gambling licenses, permits, miscellaneous changes, or inspection services:

7. Enhanced raffles

<u>License</u>	<u>Fee</u>
<u>Annual</u>	<u>\$6,000</u>
<u>Additional fee per enhanced raffle \$7,800</u>	

Only new language to be incorporated into this rule is included below:

WAC 230-05-030 Fees for other businesses.

All other business license applicants must pay the following fees to us when applying for gambling licenses, miscellaneous changes, or inspection services:

6. Call centers for enhanced raffles

<u>License</u>	<u>Fee</u>
<u>Annual</u>	<u>\$4,500</u>

Only new language to be incorporated into this rule is included below:

WAC 230-05-035 Individuals license fees.

Individuals must pay the following fees to us when they apply for gambling licenses, permits, miscellaneous changes:

5. ((~~Manufacturer's representative~~)) Representatives for manufacturers or call centers for enhanced raffles

Amendatory Section

WAC 230-07-155 Reporting annual activity for raffles, enhanced raffles, amusement games, Class A, B, or C bingo, or combination licenses.

- (1) Raffle, enhanced raffle, amusement game, Class A, B, or C bingo, or combination licensees must submit an annual report of all their activities in the format we require.
- (2) We must receive the completed report in our office postmarked no later than thirty days following the expiration of their license(s).
- (3) The highest ranking officer or his/her designee must sign the report.
- (4) If the licensee has someone else prepare the report, then the preparer must include his/her name and phone number on the report.
- (5) Licensees that operate retail sales activities in conjunction with bingo games must report the net income from those retail sales activities.

Amendatory Section

WAC 230-11-012 Licensees may conduct a joint raffle.

Except for enhanced raffles, raffle licensees may jointly conduct a raffle if:

- (1) Licensees maintain in writing the method by which the income, expenditures for prizes, and all other expenses, received and expended in connection with the raffle will be divided among them; and
- (2) One licensee sets up a separate bank account into which all of the proceeds from the raffle are

deposited and from which all of the expenses in connection with the raffle, including but not limited to, all payments for prizes, are made; and

(3) Participating licensees keep records which clearly disclose the amount of money received or each licensee expends in connection with the raffle and the purpose(s) for which the money was spent; and

(4) Licensees count all gross receipts that each participating licensee received toward their gross receipts limit.

SELLING TICKETS

Amendatory Section

WAC 230-11-014 Maximum raffle ticket price.

- (1) Raffle tickets must not be sold for more than one hundred dollars each; and
- (2) Enhanced raffle tickets must not be sold for more than two hundred fifty dollars each.

Amendatory Section

WAC 230-11-020 Record information on ticket stub.

If an organization sells raffle tickets to the general public or conducts raffles that do not require the winner to be present at the drawing, the organization must include a stub or other detachable section bearing a number, letter, or symbol matching the number, letter, or symbol on the ticket or object representing the participant's ticket. The organization's portion must include the participant's name, complete address, telephone number, and other information necessary to notify the winner. Licensees operating an enhanced raffle may provide a receipt that includes ticket confirmation numbers in lieu of a ticket stub.

Amendatory Section

WAC 230-11-030 Restrictions on ticket sales.

- (1) Only the following people, who are at least eighteen years old, may sell raffle tickets:
 - (a) Members of the organization, except as explained in subsection (2) of this section; and
 - (b) Volunteers under the supervision of a member; and
 - (c) Licensed enhanced raffle call center representatives.
- (2) Organizations may allow members under the age of eighteen to sell tickets when the organization has:
 - (a) Development of youth as a primary purpose; and
 - (b) At least three members or advisors who are at least eighteen years old and who supervise the operation of the raffle; and
 - (c) An adult member or advisor designated as the manager of the raffle.
- (3) Organizations must sell tickets for a particular raffle for the same price unless offering an authorized discount plan; and
- (4) Organizations must not:
 - (a) Sell raffle tickets via the internet; or
 - (b) Require anyone to purchase more than one raffle ticket; or
 - (c) Give an opportunity to participate in a raffle drawing to a person who has not purchased a ticket.

DRAWING TICKETS

Amendatory Section

WAC 230-11-040 Place ticket stubs in receptacle for drawing.

Each person who sells a raffle ticket must give the organization all tickets, ticket stubs or other detachable sections of all tickets sold. The organization must place each ticket, ticket stub or other detachable section of each ticket sold into a receptacle from which the organization will draw the winning tickets unless they use one of the authorized alternative drawing formats.

Amendatory Section

WAC 230-11-050 Using alternative drawing formats.

Except for enhanced raffles, licensees may use alternative drawing formats that randomly determine winners if licensees:

- (1) Fully disclose to each player the random selection process used in the alternative drawing format before selling tickets; and
- (2) Maintain a copy of the disclosure with the permanent raffle records; and
- (3) Use controls and accounting procedures that:
 - (a) Provide the ability to audit gross gambling receipts from ticket sales; and
 - (b) Have sufficient controls to prevent manipulation of the random selection process; and
 - (c) Document the random selection process.

Amendatory Section

WAC 230-11-055 Authorized alternative drawing formats.

Except for enhanced raffles, licensees may use the following types of alternative drawing formats or similar random selection processes:

Mock races.

(1) The licensee sells participants consecutively numbered tickets that identify a specific corresponding numbered mock animal(s), ball(s), or other similar object(s) that can use natural elements to move the objects (water, gravity, wind) in a race. All objects must be identical in weight, size, and shape, to have an equal opportunity to win. The licensee must release all objects simultaneously at a start line. The first numbered object to cross the finish line wins.

Poker runs.

(2) The licensee sells participants consecutively numbered tickets or poker tally sheets to participants. Participants travel a predetermined course with predetermined drawing stations (typically five drawing stations). At each drawing station, participants draw one playing card for each ticket purchased. Station attendants must verify the card drawn and record the card value on the poker ticket tally sheet. After all participants have completed the course, the participant with the best recorded poker hand wins.

Ball drops.

(3) The licensee sells participants consecutively numbered tickets that identify a specific corresponding numbered ball. All balls must be equal in size, weight, and shape, to have an equal opportunity to win. The licensee suspends all purchased numbered balls in the air and simultaneously releases them over a target zone. The ball, closest or first, to hit the predetermined target wins.

Animal plops.

(4) The licensee sells participants consecutively numbered tickets that identify a specific corresponding square on a numbered grid. The licensee releases the animal into the grid area until the animal has completed its plop. The numbered square containing the plop wins.

Multiple stage drawings.

(5) The licensee sells participants consecutively numbered tickets. The licensee uses multiple drawing phases to eliminate participants until the licensee declares the remaining ticket holder(s) the winner(s). The licensee may use second element of chance plans as long as the plans meet the criteria set out in WAC 230-11-060.

Bucket raffles.

(6) The licensee sells participants consecutively numbered tickets. Participants place their tickets into any number of separate buckets or other receptacles for separate prizes. We consider the multiple drawings one single raffle. If licensees use different tickets for each receptacle, we consider each drawing an individual raffle.

Calendar raffles.

(7) The licensee sells participants consecutively numbered calendars with removable stubs. The licensee places all sold calendar stubs into the drawing receptacle. On predetermined dates identified on the calendar, the licensee conducts drawings. The licensee places all winning stubs back into the drawing receptacle for future drawings.

PRIZES

Amendatory Section

WAC 230-11-065 Raffle prizes.

- 1) Organizations must own the prizes offered to winners before the date of the drawing. However, if the winner has an option to receive a cash prize instead of the merchandise, the organization may enter into a contract to purchase the merchandise prize after the winner chooses his or her option. The organization must have the funds to make the purchase on account before the date of the drawing.
- (2) At the time and date of any raffle drawing, the organization must have on deposit an unencumbered amount of money that is equal to or greater than all cash prizes being offered in the raffle. The organization must have these funds deposited in the gambling receipts account, if required, or in a recognized Washington state depository authorized to receive funds. The organization must not reduce the balance of funds available from this account below the required amount before awarding the prize(s).
- (3) Raffle prizes must:
 - (a) Be available at the time and place of the drawing; and
 - (b) If cash, be United States currency or an equivalent amount of negotiable instruments; and
 - (c) For licensees, not exceed forty thousand dollars per prize or three hundred thousand dollars in total raffle prizes in a license year, except as authorized in WAC 230-11-067.
- (4) For enhanced raffles, a purchase contract is not necessary for smaller noncash prizes, but the bona fide charitable or nonprofit organization must be able to demonstrate that such a prize is available and sufficient funds are held in reserve in the event that the winner chooses a noncash prize.

Amendatory Section

WAC 230-11-070 Defining "members-only" raffles.

A "members-only raffle" means a raffle where the organization sells tickets only to full and regular members and a limited number of guests and does not include enhanced raffles. All aspects of the raffle must take place during the same event at the same location. Winners must be determined from among those members and guests that have purchased tickets.

New Section

WAC 230-03-152 Additional requirements for enhanced raffles.

- (1) The commissioners may vote to approve a bona fide charitable or nonprofit organization, whose primary purpose is serving individuals with intellectual disabilities, to conduct enhanced raffles when they meet the requirements of ((~~RCW 9.46.xxxx~~)) Chapter 310, 2013 Laws and submit a plan as designated below.
- (2) The bona fide charitable or nonprofit organization must submit a plan to us for each enhanced raffle that includes at least the following information:
 - (a) The organization's primary purpose for conducting the enhanced raffle; and
 - (b) A brief overview of the licensee's mission and vision including the type of programs supported by the licensee and clients served; and
 - (c) Specific details of the raffle rules including:
 - (i) Date and location of the grand prize drawing and associated smaller raffles; and
 - (ii) A description of additional related entries and drawings such as early bird, refer a friend, and

- multiple ticket drawings; and
- (iii) Cost of raffle tickets; and
- (iv) Prizes available; and
- (v) Security of prizes; and
- (vi) Plans for selling raffle tickets; and
- (vii) Description of how the licensee protects the integrity of the raffle; and
- (d) An explanation of how the proceeds from the raffle will be used; and
- (e) A plan to protect the licensee in the event of low ticket sales and other risks; and
- (f) An explanation of how the licensee will purchase the prize(s) for the raffle; and
- (g) A projected budget including:
 - (i) Estimated gross gambling receipts, expenses, and net income for the raffle; and
 - (ii) Minimum number of projected ticket sales to break even; and
 - (iii) Corresponding sales and prize levels with projected revenues and expenses for each level; and
 - (iv) Minimum and maximum prizes available; and
- (h) Name of the dedicated employee of the organization who will be responsible for oversight of the enhanced raffle operations; and
- (i) Name of any licensed service supplier managing the enhanced raffle; and
- (j) Name of any licensed call centers contracted to receive enhanced raffle tickets sales; and
- (k) Any other information that we request.

New Section

LICENSING CALL CENTERS (new header)

WAC 230-03-232 Applying for an enhanced raffle call center license.

- (1) You must apply for an enhanced raffle call center license if you receive authorized enhanced raffle ticket sales.
- (2) The licensing process may include an on-site review of your call center process to ensure compliance with applicable gambling laws and rules, and your qualifications for licensure.

New Section

WAC 230-03-317 Applying for an enhanced raffle call center representative license.

You must apply for an enhanced raffle call center representative license if you are employed by a licensed enhanced raffle call center **to receive enhanced raffle ticket sales or to supervise those who do.**

New Section

WAC 230-11-002 The definition of raffle as used in this chapter.

“Raffle” as used in this chapter means raffle as defined in RCW 9.46.0277 and enhanced raffle as defined in **RCW 9.46.xxxx Chapter 310, 2013 Laws.**

RECORDKEEPING FOR ENHANCED RAFFLES

New Section

WAC 230-11-102 Recordkeeping requirements for enhanced raffles.

Licensees conducting enhanced raffles must prepare a detailed record for each raffle they conduct. Licensees must:

- (1) Prepare detailed records in the format we require; and
- (2) Maintain the following:
 - (a) Validated deposit receipts for each deposit of raffle proceeds; and
 - (b) All winning tickets; and
 - (c) Name, address, and telephone number of all winners of a prize with a fair market value of

- more than fifty dollars; and
 - (d) All enhanced raffle tickets placed in the receptacle; and
 - (e) **All unsold tickets; and**
 - (f) Invoices and other documentation recording the purchase or receipt of prizes; and
 - (g) Invoices and other documentation recording the purchase of tickets and other expenses of the raffle; and
- (3) Complete all records no later than thirty days following the drawing.

New Section

WAC 230-11-103 Independent audit required for enhanced raffles.

- (1) Charitable or nonprofit licensees conducting enhanced raffles must have an independent audit conducted on each enhanced raffle and the associated smaller raffles.
- (2) Licensees must hire an independent, certified public accountant or firm licensed by the Washington state board of accountancy to conduct the audit.
- (3) The licensee must submit the auditor's report no later than sixty days following the date of the enhanced raffle grand prize drawing.
- (4) We may grant an organization additional time to submit the information required if a written request is received before the due date. The president of the organization must sign any request for additional time and include a statement explaining the hardship causing the delay, and the expected date the required report(s) will be submitted.
- (5) The independent auditor's report must include:
 - (a) For the enhanced raffle grand prize drawing and each associated smaller raffles:
 - (i) Date of the drawing;
 - (ii) Location of the drawing;
 - (iii) Gross receipts; and
 - (iv) Prizes awarded;
 - (b) List of all expenses used to calculate net proceeds;
 - (c) Itemized list of all expenses and associated amounts for conducting the enhanced raffle;
 - (d) Source of funds for purchasing prizes and conducting the enhanced raffle;
 - (e) The amount of funds that the charitable or nonprofit licensee used or that will be used towards their stated purpose;
 - (f) **Report any state or federal regulatory actions taken in relation to enhanced raffles in Washington; and**
 - (g) Any other information we require to ensure completeness of the information reported.

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5723

63rd Legislature
2013 Regular Session

Passed by the Senate April 23, 2013
YEAS 36 NAYS 12

President of the Senate

Passed by the House April 12, 2013
YEAS 94 NAYS 2

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5723** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5723

AS AMENDED BY THE HOUSE

Passed Legislature - 2013 Regular Session

State of Washington 63rd Legislature 2013 Regular Session

By Senate Commerce & Labor (originally sponsored by Senators Hewitt, Conway, Brown, and Kline)

READ FIRST TIME 02/21/13.

1 AN ACT Relating to enhanced raffles; adding a new section to
2 chapter 9.46 RCW; and providing an expiration date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 9.46 RCW
5 to read as follows:

6 (1) A bona fide charitable or nonprofit organization, as defined in
7 RCW 9.46.0209, whose primary purpose is serving individuals with
8 intellectual disabilities may conduct enhanced raffles if licensed by
9 the commission.

10 (2) The commission has the authority to approve two enhanced
11 raffles per calendar year for western Washington and two enhanced
12 raffles per calendar year for eastern Washington. Whether the enhanced
13 raffle occurs in western Washington or eastern Washington will be
14 determined by the location where the grand prize winning ticket is to
15 be drawn as stated on the organization's application to the commission.
16 An enhanced raffle is considered approved when voted on by the
17 commission.

18 (3) The commission has the authority to approve enhanced raffles
19 under the following conditions:

1 (a) The value of the grand prize must not exceed five million
2 dollars.

3 (b) Sales may be made in person, by mail, by fax, or by telephone
4 only. Raffle ticket order forms may be printed from the bona fide
5 charitable or nonprofit organization's web site. Obtaining the form in
6 this manner does not constitute a sale.

7 (c) Tickets purchased as part of a multiple ticket package may be
8 purchased at a discount.

9 (d) Multiple smaller prizes are authorized during the course of an
10 enhanced raffle for a grand prize including, but not limited to, early
11 bird, refer a friend, and multiple ticket drawings.

12 (e) A purchase contract is not necessary for smaller noncash
13 prizes, but the bona fide charitable or nonprofit organization must be
14 able to demonstrate that such a prize is available and sufficient funds
15 are held in reserve in the event that the winner chooses a noncash
16 prize.

17 (f) All enhanced raffles and associated smaller raffles must be
18 independently audited, as defined by the commission during rule making.
19 The audit results must be reported to the commission.

20 (g) Call centers, when licensed by the commission, are authorized.
21 The bona fide charitable or nonprofit organization may contract with a
22 call center vendor to receive enhanced raffle ticket sales. The vendor
23 may not solicit sales. The vendor may be located outside the state,
24 but the bona fide charitable or nonprofit organization must have a
25 contractual relationship with the vendor stating that the vendor must
26 comply with all applicable Washington state laws and rules.

27 (h) The bona fide charitable or nonprofit organization must be the
28 primary recipient of the funds raised.

29 (i) Sales data may be transmitted electronically from the vendor to
30 the bona fide charitable or nonprofit organization. Credit cards,
31 issued by a state regulated or federally regulated financial
32 institution, may be used for payment to participate in enhanced
33 raffles.

34 (j) Receipts including ticket confirmation numbers may be sent to
35 ticket purchasers either by mail or by e-mail.

36 (k) In the event the bona fide charitable or nonprofit organization
37 determines ticket sales are insufficient to qualify for a complete
38 enhanced raffle to move forward, the enhanced raffle winner must

1 receive fifty percent of the net proceeds in excess of expenses as the
2 grand prize. The enhanced raffle winner will receive a choice between
3 an annuity value equal to fifty percent of the net proceeds in excess
4 of expenses paid by annuity over twenty years, or a one-time cash
5 payment of seventy percent of the annuity value.

6 (1) A bona fide charitable or nonprofit organization is authorized
7 to hire a consultant licensed by the commission to run an enhanced
8 raffle; in addition, the bona fide charitable or nonprofit organization
9 must have a dedicated employee who is responsible for oversight of
10 enhanced raffle operations. The bona fide charitable or nonprofit
11 organization is ultimately responsible for ensuring that an enhanced
12 raffle is conducted in accordance with all applicable state laws and
13 rules.

14 (4) The commission has the authority to set fees for bona fide
15 charitable or nonprofit organizations, call center vendors, and
16 consultants conducting enhanced raffles authorized under this section.

17 (5) The commission has the authority to adopt rules governing the
18 licensing and operation of enhanced raffles.

19 (6) Except as specifically authorized in this section, enhanced
20 raffles must be held in accordance with all other requirements of this
21 chapter, other applicable laws, and rules of the commission.

22 (7) For the purposes of this section:

23 (a) "Enhanced raffle" means a game in which tickets bearing an
24 individual number are sold for not more than two hundred fifty dollars
25 each and in which a grand prize and smaller prizes are awarded on the
26 basis of drawings from the tickets by the person or persons conducting
27 the game. An enhanced raffle may include additional related entries
28 and drawings, such as early bird, refer a friend, and multiple ticket
29 drawings when the bona fide charitable or nonprofit organization
30 establishes the eligibility standards for such entries and drawings
31 before any enhanced raffle tickets are sold. No drawing may occur by
32 using a random number generator or similar means.

33 (b) "Early bird drawing" means a separate drawing for a separate
34 prize held prior to the grand prize drawing. All tickets entered into
35 the early bird drawing, including all early bird winning tickets, are
36 entered into subsequent early bird drawings, and also entered into the
37 drawing for the grand prize.

1 (c) "Refer a friend drawing" means a completely separate drawing,
2 using tickets distinct from those for the enhanced raffle, for a
3 separate prize held at the conclusion of the enhanced raffle for all
4 enhanced raffle ticket purchasers, known as the referring friend, who
5 refer other persons to the enhanced raffle when the other person
6 ultimately purchases an enhanced raffle ticket. The referring friend
7 will receive one ticket for each friend referred specifically for the
8 refer a friend drawing. In addition, each friend referred could also
9 become a referring friend and receive his or her own additional ticket
10 for the refer a friend drawing.

11 (d) "Multiple ticket drawing" means a completely separate drawing,
12 using tickets distinct from those for the enhanced raffle, for a
13 separate prize held at the conclusion of the enhanced raffle for all
14 enhanced raffle ticket purchasers who purchase a specified number of
15 enhanced raffle tickets. For example, a multiple ticket drawing could
16 include persons who purchase three or more enhanced raffle tickets in
17 the same order, using the same payment information, with tickets in the
18 same person's name. For each eligible enhanced raffle ticket purchased,
19 the purchaser also receives a ticket for the multiple ticket drawing
20 prize.

21 (e) "Western Washington" includes those counties west of the
22 Cascade mountains, including Clallam, Clark, Cowlitz, Grays Harbor,
23 Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San
24 Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, and Whatcom.

25 (f) "Eastern Washington" includes those counties east of the
26 Cascade mountains that are not listed in (e) of this subsection.

27 (8) By December 2016, the commission must report back to the
28 appropriate committees of the legislature on enhanced raffles. The
29 report must include results of the raffles, revenue generated by the
30 raffles, and identify any state or federal regulatory actions taken in
31 relation to enhanced raffles in Washington. The report must also make
32 recommendations, if any, for policy changes to the enhanced raffle
33 authority.

34 (9) This section expires June 30, 2017.

--- END ---

Individual State Agency Fiscal Note

Bill Number: 5723 E S SB AMH OVER H2143.1	Title: Enhanced raffles	Agency: 117-Washington State Gambling Comm
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Gambling Revolving Account-Non-Appropriated 884-6	15,766	31,532	47,298	31,532	
Total \$	15,766	31,532	47,298	31,532	

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.4	0.2	0.3	0.1	0.0
Account					
Gambling Revolving Account-Non-Appropriated -6 884	28,369	31,532	59,901	31,532	0
Total \$	28,369	31,532	59,901	31,532	0

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/07/2013
Agency Preparation: Donna Khanhasa	Phone: (360) 486-3565	Date: 04/10/2013
Agency Approval: Dave Trujillo	Phone: (360) 486-3512	Date: 04/10/2013
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 04/10/2013

Request # 117-15-13-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sec. 1, subsection (1) authorizes a bona fide charitable or nonprofit organization, whose primary purpose is serving individuals with intellectual disabilities, to conduct "enhanced raffles" if licensed by the gambling commission.

Sec. 1, subsection (7) defines "enhanced raffles" as a game in which tickets bearing an individual number are sold for not more than two hundred fifty dollars each and in which a grand prize and smaller prizes are awarded on the basis of drawings from the tickets by the person or persons conducting the game. An enhanced raffle may include additional related entries and drawings, such as early bird, refer a friend, and multiple ticket drawings when the bona fide charitable or nonprofit organization establishes the eligibility standards for such entries and drawings before any enhanced raffle tickets are sold.

Sec. 1, subsection (2) authorizes the commission to approve two enhanced raffles per calendar year for western Washington and two enhanced raffles per calendar year for eastern Washington.

Sec. 1, subsection (3) authorizes the commission to approve enhanced raffles under the following conditions:

1. The grand prize per raffle must not exceed five million dollars.
2. For enhanced raffles only, tickets can be sold for not more than two hundred fifty dollars.
3. Sales may be made in person, by mail, by fax, or by telephone only. Raffle ticket order forms may be printed from the bona fide charitable or nonprofit organization's website, but obtaining the form in this matter does not constitute a sale.
4. Tickets purchased as part of a multiple ticket package may be purchased at a discount.
5. Multiple smaller prizes are authorized during the course of an enhanced raffle for a grand prize including, but not limited to, "early bird," "refer a friend," and "multiple ticket" drawings. Sec. 1, subsection (7) further defines these drawings.
6. A purchase contract is not necessary for smaller noncash prizes, but the bona fide charitable or nonprofit organization must be able to demonstrate that such a prize is available and sufficient funds are held in reserve in the event that the winner chooses a noncash prize.
7. All enhanced raffles and associated smaller raffles must be independently audited, as defined by the commission during rule making. The audit results must be reported to the commission.
8. Call centers, when licensed by the commission, are authorized. The bona fide charitable or nonprofit organization may contract with a call center vendor to receive enhanced raffle ticket sales.
9. The bona fide charitable or nonprofit organization may hire a consultant licensed by the commission to run the enhanced raffle.
10. The bona fide charitable or nonprofit organization must be the primary recipient of the funds raised.
11. Sales data may be transmitted electronically from the vendor to the bona fide charitable or nonprofit organization.
12. Receipts including ticket confirmation numbers may be sent to ticket purchasers either by mail or by e-mail.
13. Credit cards, issued by a state regulated or federally regulated financial institution, may be used for payment to participate in enhanced raffles.
14. No drawing may occur by using a random number generator or similar means.

Request # 117-15-13-1

Sec. 1, subsection (4) authorizes the commission to set fees for bona fide charitable or nonprofit organizations conducting enhanced raffles, call center vendors receiving enhanced raffle tickets sales, and consultants running enhanced raffles.

Sec. 1, subsection (5) authorizes the commission to adopt rules governing the licensing and operation of enhanced raffles.

Sec. 1, subsection (8) requires the commission to report back, by December 2017, to the appropriate committees of the Legislature on enhanced raffles. The report must include results of the raffles, revenue generated by the raffles, and identify any state or federal actions taken in relation to enhanced raffles in Washington. The report must also make recommendations, if any, for policy changes to enhanced raffle authority.

Sec. 1, subsection (9) states this section expires on June 30, 2016.

Assumptions:

1. We assume that the commission will establish a fee schedule for bona fide charitable or nonprofit organizations conducting enhanced raffles, call center vendors receiving enhanced raffle tickets sales, and consultants running enhanced raffles in accordance with RCW 9.46.070(5). RCW 9.46.070(5) states that when the commission is establishing fees, the "fees shall provide to the commission not less than an amount of money adequate to cover all costs incurred by the commission relative to licensing under this chapter and the enforcement by the commission of the provisions of this chapter and rules and regulations adopted pursuant thereto." That provision also states that if in a particular case the basic license fee established by the commission for a particular class of license is less than the commission's actual expenses to investigate that particular application, the commission may at any time charge to that applicant such additional fees as are necessary to pay the commission for those costs. The commission may decline to proceed with its investigation and no license shall be issued until the commission has been fully paid therefor by the applicant.

2. Because the bill authorizes a new type of gambling activity (an enhanced raffle), the commission would have to create three new license categories for the enhanced raffle licensees, consultants, and call centers. In addition, we estimate the commission would have to change approximately ten additional raffle rules.

3. Commission staff will spend time on license processing, pre-licensing investigations, program reviews, records inspections, complaint investigations, and on-site inspection of the drawing for the enhanced raffle.

4. In accordance with subsection (8), we are assuming staff would prepare this type of report for the Commissioners, similar to a memo staff did in 2010 about large scale raffles, where raffles prizes exceeded the normal limits. Because of this, we are not factoring in extra expenditures due to this bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Sec. 1, subsection (2) authorizes the commission to approve two enhanced raffles per calendar year for western Washington and two enhanced raffles per calendar year for eastern Washington.

Sec. 1, subsection (4) authorizes the commission to set fees for bona fide charitable or nonprofit organizations conducting

enhanced raffles, call center vendors receiving enhanced raffle tickets sales, and consultants running enhanced raffles.

Sec. 1, subsection (9) states this section expires on June 30, 2016.

Assumptions:

1. We assume that the commission will establish a fee schedule for bona fide charitable or nonprofit organizations conducting enhanced raffles, call center vendors receiving enhanced raffle tickets sales, and consultants running enhanced raffles in accordance with RCW 9.46.070(5), as explained in the Summary.

2. We are assuming in the first year, the commission would license one enhanced raffle license, one call center, and one consultant. For the second and third year, we are assuming the commission would license two enhanced raffle licenses, and renew the licenses for the call center and enhanced raffle consultant. Because the section expires June 30, 2016, we will not receive any cash receipts after the third year.

3. Because the bill allows a grand prize of up to \$5,000,000, we are assuming that the enhanced raffle licensee would gross well over \$5,000,000 to offer such a prize. Based on the high amount of gross receipts, we estimate that the annual cost for an enhanced raffle basic license fee would be approximately between \$10,000 and \$29,000. By comparison, the current annual fee for a non-profit Bingo Class "J" license that can have gross receipts of up to \$5,000,000 is \$10,078. For a Bingo Class "O" license that can gross up to \$10,000,000, the fee is \$17,454. The highest Bingo annual license fee is \$29,454, which allows the licensee to gross up to \$14,000,000. For a non-profit Punch Board/Pull-tab Class "N" license that can gross up to \$2,000,000, the license is \$10,466.

4. For the purposes of this fiscal note, we used \$10,522 as the estimated annual license fee for an enhanced raffle. This is based on current billing rates and time spent on raffle licensees, including large scale raffles.

5. We are estimating the annual license fee for an enhanced raffle consultant would likely be similar to the license fees for a gambling service supplier, which is currently \$687, plus \$143 for each contract review. In addition, the enhanced raffle consultant license fee would also include the actual costs of a pre-licensing investigation. For the purposes of this fiscal note, we used \$687 as the basic annual license fee. However, depending of the complexity and extent of the duties the consultant would perform, the commission may set a different fee during rulemaking.

6. We are estimating the annual license for call center vendors receiving enhanced raffle tickets sales would be between \$4,000 and \$6,000, plus the cost of an on-site investigation. This is comparable to the linked bingo prize provider annual license fee of \$4,414. For the purposes of this fiscal note, we used \$4,414 as the license fee for call center vendors.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Sec. 1, subsection (2) authorizes the commission to approve four enhanced raffles per year for bona fide charitable or nonprofit organization, whose primary purpose is serving individuals with intellectual disabilities, under certain conditions.

Sec. 1, subsection (4) authorizes the commission to set fees for bona fide charitable or nonprofit organizations conducting enhanced raffles, call center vendors receiving enhanced raffle tickets sales, and consultants running enhanced raffles.

Sec. 1, subsection (3) authorizes the commission to pass rules related to independent audits for the raffles.

Sec. 1, subsection (5) authorizes the commission to adopt rules governing the licensing and operation of enhanced raffles.

Sec. 1, subsection (8) requires the commission to report back, by December 2017, to the appropriate committees of the Legislature on enhanced raffles. The report must include results of the raffles, revenue generated by the raffles, and identify any state or federal actions taken in relation to enhanced raffles in Washington. The report must also make recommendations, if any, for policy changes to enhanced raffle authority.

Sec. 1, subsection (9) states this section expires on June 30, 2016.

Assumptions:

Amending a rule takes approximately 25 hours on average per rule. We anticipate needing to create or amend approximately 13 rules for a total of 325 hours.

As part of the pre-licensing process for enhanced raffles, commission staff time would be spent on processing the application. Commission staff would go on-site to review organizational and financial records, conduct interviews, review contracts for compliance with RCW and WAC, and document the proposed operations of the enhanced raffle. Staff will need to confirm that the bona fide charitable or nonprofit organization will be the primary recipient of funds raised from an enhanced raffle. Staff time also includes time investigating the criminal history background of substantial interest holders. At the conclusion of the pre-licensing investigation, commission staff would prepare a report for the commissioners for their review.

After the first year, the bona fide charitable or nonprofit organizations conducting the enhanced raffle will need to show that they made significant progress, similar to what other large charitable/nonprofit organizations must do now. Staff will review audited financial statements, prepared by an independent CPA, and program expenditures to determine if the organization has demonstrated significant progress toward their stated purpose. This will take approximately three hours per organization.

Every three years, the commission would conduct a program review on the organization. This takes approximately 54 hours total for the staff involved plus their travel time. Commission staff will spend time preparing and conducting an on-site review that will include interviews, observations of the organization's services, and examination of their records to determine compliance with RCW and WAC rules regarding internal controls, financial records, and program expenditures to determine if the organization has demonstrated significant progress toward their stated purpose. Results of the program review are presented to the commissioners at a public meeting.

The commission staff estimates conducting a raffle records inspection as part of an enhanced raffle. Currently, staff conducts records inspections for large scale raffles, which takes approximately 30 hours of staff time plus travel time. Commission staff would review the organization's raffle records, raffle annual activity report, raffle summaries, raffle

ticket distribution logs, raffle winners' registers, and prize inventory control records. Staff will also spend time reviewing invoices or other documentation recording the purchase or receipt of prizes as well as the purchase of raffle tickets and other expenses of the raffle operations. Staff also reviews all unsold raffle tickets, all winning tickets, and all ticket stubs for the raffle(s) if the participants were not required to be present at the drawing. Bank statements, cancelled checks, validated deposit receipts for each deposit of raffle records, and check registers will also be reviewed.

Staff time will also be spent on an on-site inspection of the drawing. For each drawing, these will take approximately ten hours to complete plus travel time.

During the on-site pre-licensing investigation for the call center, commission staff would review organizational and financial records, conduct interviews, review contracts for compliance with RCW and WAC, and document the operations of the call center.

We also spend staff time investigating raffle complaints as well as assisting licensees and the public on raffle inquiries. In 2012, commission staff spent over 300 hours investigating raffle complaints, including 15 hours to investigate one complaint on a large scale raffle. Staff also spent over 500 hours assisting licensees and the public on raffle inquiries. For purposes of this fiscal note, we have not estimated additional time that may be needed to investigate enhanced raffles.

This bill requires the commission to report to the Legislature by December 2017 on results of the raffles, revenue generated by the raffles, and any state or federal actions taken in relation to enhanced raffles in Washington. The report must also make recommendations, if any, for policy changes to enhanced raffle authority. We are assuming staff would prepare this type of report for the Commissioners, similar to a memo staff did in 2010 about large scale raffles, where raffles prizes exceeded the normal limits. Because of this, we are not factoring in extra expenditures due to this bill.

Because the section expires June 30, 2016, we will not have any expenditures after the third year.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FT- Staff Years	0.4	0.2	0.3	0.1	
A-Salaries and Wages	18,240	20,298	38,538	20,298	
B-Employee Benefits	6,202	6,902	13,104	6,902	
C-Professional Service Contracts					
E-Goods and Other Services	1,809	480	2,289	480	
G-Travel	2,118	3,852	5,970	3,852	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$28,369	\$31,532	\$59,901	\$31,532	\$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Customer Service Specialist 3	35,040	0.0	0.0	0.0	0.0	
Special Agent	50,568	0.4	0.2	0.3	0.1	
Total FTE's	85,608	0.4	0.2	0.3	0.1	0.0

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sec.1, subsection (4) authorizes the commission to set fees for bona fide charitable or nonprofit organizations conducting enhanced raffles, call center vendors receiving enhanced raffle tickets sales, and consultants running enhanced raffles.

Sec. 1, subsection (3) authorizes the commission to pass rules related to independent audits for the raffles.

Sec. 1, subsection (5) authorizes the commission to adopt rules governing the licensing and operation of enhanced raffles.

Assumptions:

Because the bill authorizes a new type of gambling activity (an enhanced raffle), the commission would have to create three new license categories for the enhanced raffle licensees, consultants, and call centers. In addition, we estimate the commission would have to change approximately ten additional raffle rules. Amending a rule takes approximately 25 hours on average per rule. We anticipate needing to create or amend approximately 13 rules for a total of 325 hours.

The following raffle rules will likely need to be changed in addition to creating new rules as needed by the new RCW:

CONDUCTING A RAFFLE

230-11-001 Defining "licensees," "licensee," "organizations," and "organization."

SELLING TICKETS

- 230-11-014 Maximum raffle ticket price.
- 230-11-015 Provide rules to participants.
- 230-11-020 Record information on ticket stub.
- 230-11-025 Bundling and selling tickets at a discount.
- 230-11-030 Restrictions on ticket sales.
- 230-11-035 Incentives for selling tickets.

DRAWING TICKETS

230-11-040 Place ticket stubs in receptacle for drawing.

PRIZES

230-11-065 Raffle prizes.

RECORDKEEPING FOR RAFFLES

230-11-105 Retain and store raffle records.

Petition from the Public

Submitted by: Ashford Gaming, LLC

- **Allowing a new type of wager for the card game Mini-Baccarat.**

September 2013 – Up for Discussion and Possible Filing
August 2013 – Study Session

ITEM: 8

- a) **Amendatory Section WAC 230-15-040**
Requirements for authorized card games.



Proposed Amendment to
WAC 230-15-040 Requirements for authorized card games.

September 2013 – Up for Discussion and Possible Filing
August 2013 – Study Session

ITEM 8 (a) on the September 2013 Commission Meeting Agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Ashford Kneitel, Ashford Gaming LLC, currently not a licensee.	
Proposed Change	
<p>The petitioner is requesting in the game of mini-baccarat that a player be allowed to make an optional wager on either the player hand or banker hand winning the next three consecutive games. Under the current rule, a player's win or loss must be determined during a <i>single</i> card game. Mini-Baccarat uses community cards where two shared hands are dealt to positions called the "bank" and the "player;" but, unlike other card games, players are not dealt their own individual hands. Players bet on one of the two shared hands dealt, rather than on their own hand.</p> <p>The petitioner has not yet submitted this new card game for formal staff review. The petitioner informally discussed the concept of his game with a Special Agent, who advised him the game would not be authorized because the player's win or loss must be determined during a single card game. Therefore, he is submitting this petition for a rule change.</p> <p>Attachments:</p> <ul style="list-style-type: none"> • Proposed amendment to WAC 230-15-040. • Letter dated July 18, 2013, and Petition for Rule Change from Ashford Kneitel. • Game rules for "Baccarat World." • Letter dated March 5, 2013, from the Nevada Gaming Control Board granting approval to operate "Baccarat World" in Nevada. 	
History of Rule	
<p>In 2008, Mini-Baccarat was authorized as a card game in Washington in response to a petition for rule change from the card room industry.</p> <p>WAC 230-15-040 requires a player's win or loss to be determined during the course of a <i>single</i> card game.</p> <p>In July 2012, this rule was amended to allow for carryover pots. A carryover pot is an optional pot that accumulates as a dealer and participating players contribute to the pot. The pot is not necessarily determined after one game and can be carried over to more than one game. Carryover pots can carry over for up to ten (10) games. Participants include at least one player and the dealer competing for the highest winning hand. Game rules determine how the pot is distributed.</p>	
Impact of the Proposed Change	
<p>House-banked card room operators would be allowed in the game of mini-baccarat to offer players an optional wager on the player or banker hand winning the next three consecutive games.</p> <p>A Small Business Economic Impact Statement was not prepared because the rule change would not impose additional costs on any licensees because licensees are not required to offer Mini-Baccarat.</p>	

Regulatory Concerns

Staff is not aware of any complaints related to the 2012 change. Based on the experience with the 2012 change, staff doesn't anticipate significant regulatory concerns with the petitioner's proposal.

Nevada:

This game is authorized in Nevada (authorization letter attached). Staff spoke with an agent from the Nevada Gaming Control Board to see if there were concerns with this game. We were told Nevada does not track games after they are approved, so they did not know if the game is popular or there have been concerns. The Nevada agent was not aware of any complaints regarding the game.

Resource Impacts

New card games may be submitted for review and approval to be played in Washington State. When new card games are submitted for formal staff review, agents from both Field and Licensing Operations review game rules for compliance with rules and laws. Agents' time spent to review new games is billed to the individual that submits the game.

Policy Consideration

None.

Statements Supporting the Proposed Rule Change

None.

Statements Opposing the Proposed Rule Change

None.

Licensees Directly Impacted By the Change

House-banked card game licensees that offer the game Mini-Baccarat, manufacturers, distributors, and service suppliers.

Options Available to the Commission Regarding the Petition

Under the requirements of the Administrative Procedure Act, the Commission must take action on a Petition within 60 days of receiving it. At the September 2013 meeting, the Commission must:

- 1) Initiate rule-making proceedings (file the rule for further discussion);
- 2) Deny the petition in writing, stating the reasons for the denial and specifically address the concerns stated in the petition. If appropriate, the Commission must indicate alternative means by which the agency will address the concerns raised in the petition; or
- 3) Propose an alternative version of the rule.

Staff Recommendation

File for further discussion.

Proposed Effective Date for Rule Change

January 1, 2014.

Amendatory Section:

WAC 230-15-040 Requirements for authorized card games.

(1) In order for a card game to be authorized, it must be approved by the director or the director's designee and must:

(a) Be played with standard playing cards or with electronic card facsimiles approved by the director or the director's designee; and

(b) Offer no more than four separate games with a single hand of cards. However, no more than three of the games may offer a wager that exceeds five dollars each. We consider bonus features and progressive jackpots separate games. If a player does not have to place a separate wager to participate, we do not consider it a separate game. An example of this is an "envy" or "share the wealth" pay out when another player achieves a specific hand; and

(c) Not allow side bets between players.

(2) Card game licensees may use more than one deck of cards for a specific game. They also may remove cards to comply with rules of a specific game, such as Pinochle or Spanish 21.

(3) Players must:

(a) Compete against all other players on an equal basis for nonhouse-banked games or against the house for house-banked games. All players must compete solely as a player in the card game; and

(b) Receive their own hand of cards and be responsible for decisions regarding such hand, such as whether to fold, discard, draw additional cards, or raise the wager; and

(c) Not place wagers on any other player's or the house's hand or make side wagers with other players, except for:

(i) An insurance wager placed in the game of Blackjack; or

(ii) An "envy" or "share the wealth" wager which allows a player to receive a prize if another player

(iii) A tip wager made on behalf of a dealer.

(4) Mini-Baccarat is authorized when operated in the manner explained for Baccarat in the most current version of *The New Complete Hoyle, Revised* or *Hoyle's Encyclopedia of Card Games*, or similar authoritative book on card games we have approved. However:

(a) Card game licensees may make immaterial modifications to the game; and

(b) Subsection (3) of this section does not apply; and

(c) The number of players is limited under WAC 230-15-055.

(5) A player's win or loss must be determined during the course of play of a single card game, except for:

(a) A carryover pot game. A carryover pot is an optional pot that accumulates as a dealer and participating players contribute to the pot. The winner of the pot is not necessarily determined after one game and the pot can be carried over to more than one game. Carryover pots must not carryover more than ten games. Participants must include at least one player and the dealer competing for the highest qualifying winning hand. Game rules must state how the pot is distributed. If the carryover pot has not been won by the tenth game, the dealer will divide it equally between the remaining players still participating in the pot and the house or, if allowed by game rules, only the players still participating in the pot; and ((-))

(b) In the game of mini baccarat, a player may make an optional wager on the player hand winning the next three consecutive games, or the banker hand winning the next three consecutive games.

July 18, 2013

To: Washington State Gambling Commission

From: Ashford Kneitel, Manager
Ashford Gaming LLC
10620 Southern Highlands Pkwy
STE 110-138
Las Vegas, NV 89141

Email: Ashford@AshfordGaming.com
Phone: (310) 435-5865

I am submitting this form in order to propose a rule amendment to WAC 230-15-040. This change will allow me to market a new bonus bet for the game of mini-baccarat. The game is currently approved in Nevada, and I am including the approval letter from the Nevada Gaming Control Board. You will notice that my company name is different from my company name in the Nevada letter. This is due to a business name change in order to better reflect the product offering. The name of the game, "Baccarat World," remains the same and is still approved in Nevada. Thank you for your time and consideration!



PETITION FOR ADOPTION, AMENDMENT, OR REPEAL OF A STATE ADMINISTRATIVE RULE

Print Form

In accordance with RCW 34.05.330, the Office of Financial Management (OFM) created this form for individuals or groups who wish to petition a state agency or institution of higher education to adopt, amend, or repeal an administrative rule. You may use this form to submit your request. You also may contact agencies using other formats, such as a letter or email.

The agency or institution will give full consideration to your petition and will respond to you within 60 days of receiving your petition. For more information on the rule petition process, see Chapter 82-05 of the Washington Administrative Code (WAC) at <http://apps.leg.wa.gov/wac/default.aspx?cite=82-05>.

CONTACT INFORMATION *(please type or print)*

Petitioner's Name Ashford Kneitel

Name of Organization Ashford Gaming LLC

Mailing Address 10620 Southern Highlands Pkwy, STE 110-138

City Las Vegas State NV Zip Code 89141

Telephone (310) 435-5865 Email Ashford@AshfordGaming.com

COMPLETING AND SENDING PETITION FORM

- Check all of the boxes that apply.
- Provide relevant examples.
- Include suggested language for a rule, if possible.
- Attach additional pages, if needed.
- Send your petition to the agency with authority to adopt or administer the rule. Here is a list of agencies and their rules coordinators: <http://www.leg.wa.gov/CodeReviser/Documents/RClst.htm>.

INFORMATION ON RULE PETITION

Agency responsible for adopting or administering the rule: Washington State Gambling Commission

1. NEW RULE - I am requesting the agency to adopt a new rule.

The subject (or purpose) of this rule is: _____

The rule is needed because: _____

The new rule would affect the following people or groups: _____

2. AMEND RULE - I am requesting the agency to change an existing rule.

List rule number (WAC), if known: 230-15-040

- I am requesting the following change: To allow a player to wager on a streak of three consecutive games of mini-baccarat.
- This change is needed because: This rule change is needed to market a new game in the State of Washington.
- The effect of this rule change will be: Players will be able to wager on a streak of three consecutive games of mini-baccarat.
- The rule is not clearly or simply stated: _____

3. REPEAL RULE - I am requesting the agency to eliminate an existing rule.

List rule number (WAC), if known: _____

(Check one or more boxes)

- It does not do what it was intended to do.
- It is no longer needed because: _____
- It imposes unreasonable costs: _____
- The agency has no authority to make this rule: _____
- It is applied differently to public and private parties: _____
- It conflicts with another federal, state, or local law or rule. List conflicting law or rule, if known: _____
- It duplicates another federal, state or local law or rule. List duplicate law or rule, if known: _____
- Other (please explain): _____

World™

A bonus bet for baccarat



Premise:

The player may bet on a streak of three Banker wins, or on a streak of three Player wins. The bet pays 9 to 1 (labeled 10 for 1 on the layout).

- Baccarat players are always looking for streaks, so let's give them a way to bet on it!
- Provides players a way to 'press' their desired winning side.
- Players can also use the bet as a way to 'hedge' their standard baccarat bet, although, of course there is no way to actually hedge the bet - it will only increase the house advantage.

House Advantage:

Player side = 11.14%. Banker side = 3.55%.

Contact us today:
(310) 435-5865
Ashford@AshfordGaming.com

Ashford Gaming™

Procedures for the baccarat World™ wager

1. The *World* consists of two betting opportunities: The guest can wager that the Banker side will win the next three hands in a row. Alternatively, the guest can wager that the Player side will win the next three hands in a row.
2. The payout for a winning *Banker World* wager is 9-to-1. The payout for a winning *Player World* wager is either 9-to-1 or 10-to-1 (casino's choice of which payout to offer).
3. The guest loses the *World* wager if there is a loss for the chosen side or a tie during the next three hands.
4. The guest can make a *World* wager on any round, including those rounds where the guest already has an unresolved *World* wager. The guest may also wager on both the *Player World* and *Banker World* at the same time.
5. It is the casino's discretion whether to make a guest wager on the standard baccarat game in order to place a *World* wager.
6. The guest may remove their unresolved *World* wager at any time prior to a new hand being dealt. This would be advantageous to the casino (similar to a guest removing their *don't pass* wager after a point is established in craps).
7. If the end of the shoe is reached, and an unresolved *World* wager remains, then the guest may either remove their wager, or continue the wager to the next shoe.

How to track the *World* wager: After the desired hand wins, the dealer moves the wager from the *World* betting area to the first tracking spot. After the second win, the dealer moves the wager to the second tracking spot. The wager is paid after the third consecutive win.



BRIAN SANDOVAL
Governor

STATE OF NEVADA

GAMING CONTROL BOARD

1919 College Parkway, P.O. Box 8003, Carson City, Nevada 89702
555 E. Washington Avenue, Suite 2600, Las Vegas, Nevada 89101
3650 S. Pointe Circle, Suite 203, P.O. Box 31109, Laughlin, Nevada 89028
557 W. Silver Street, Suite 207, Elko, Nevada 89801
9790 Gateway Drive, Suite 100, Reno, Nevada 89521
750 Pilot Road, Suite H, Las Vegas, Nevada 89119

A. G. BURNETT, *Chairman*
SHAWN R. REID, *Member*
TERRY JOHNSON, *Member*

March 5, 2013

Las Vegas
(702) 486-2020
Fax: (702) 486-2230

Mr. Ashford Kneitel
Manager
Accurate Chip Rack, LLC
10620 Southern Highlands Parkway, Suite 110-138
Las Vegas, Nevada 89141

Re: Case #2013-7201-LV
"Baccarat World"

Dear Mr. Kneitel:

The Gaming Control Board's Enforcement Division has reviewed your information regarding the game, "Baccarat World." "Baccarat World" is played using eight standard 52 card decks.

Your modification of the standard game of Baccarat offers an optional side wager that pays if the Player's hand or the Banker's hand wins three consecutive rounds. If the Player's hand or the Banker's hand does not win three consecutive rounds, the "Baccarat World" side wager loses. Tie hands lose. Players may bet on either the Player's hand or the Banker's hand to win. Also, players may make a "Baccarat World" side wager on any round, including those rounds where an unresolved side wager already exists.

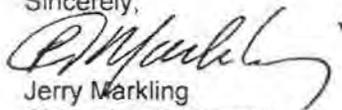
Note: It is the casino's discretion whether or not the player has to make the standard baccarat wager prior to any cards being dealt.

The Gaming Control Board's Technology Division reviewed the mathematical analysis certification from a Nevada Independent Test Laboratory. They determined that the mathematical percentages of the player payback and house advantage of the enclosed paytables are within the Board's required percentage hold.

Approval is granted to operate "Baccarat World." As "Baccarat World" is a modification of the statutorily approved game of Baccarat, a field trial will not be necessary.

Further questions regarding this matter should be directed to the Enforcement Division's Operations Unit, at 555 East Washington Avenue, Suite 2600, Las Vegas, Nevada 89101.

Sincerely,


Jerry Markling
Chief of Enforcement

JM/JB

cc: Enforcement (Las Vegas/Laughlin/Carson City/Reno/Elko)
Enclosure

"Baccarat World" – Paytables

Outcome	Pays	House Edge
Player Win	9 to 1	11.14%
	10 to 1	2.25%

Outcome	Pays	House Edge
Banker Win	9 to 1	3.55%