



Amend

- WAC 230-03-185 Applying for a manufacturer license.
- WAC 230-03-190 Applying for a distributor license.
- WAC 230-05-030 Fees for other businesses.
- WAC 230-06-110 Buying, selling, or transferring gambling equipment.
- WAC 230-13-010 Approval of new amusement games.
- WAC 230-13-135 Maximum wagers and prize limitations.
- WAC 230-13-160 Basing rent on a percentage of gross receipts.

January 2016 – Up for Discussion and Possible Filing
December 2015 – No Meeting
November 2015 – Study Session

ITEM 2: January 2016 Commission Meeting Agenda. 9.46.0201	Statutory Authority 9.46.070,
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Who proposed the rule changes?

- WAC 230-03-185 Staff, operators and stakeholders
- WAC 230-03-190 Staff, operators and stakeholders
- WAC 230-05-030 Staff, operators and stakeholders
- WAC 230-06-110 Staff, operators and stakeholders
- WAC 230-13-010 Staff
- WAC 230-13-135 Staff and Commissioner input
- WAC 230-13-160 An operator and a charitable, nonprofit licensee

Proposed Changes and Licensee Impacts

In July 2015, the Commissioners authorized Group 12 amusement games to be played by persons 21 and over. With implementation of this new activity, staff has identified additional rule changes necessary to ensure effective regulation. The proposed rule changes would require:

- Manufacturers and distributors of Group 12 amusement games to be licensed. Currently, only the owners of amusement games are required to be licensed as Class B or above operators. The manufacturers or distributors are not licensed.
- All Group 12 amusement games to have an annual identification stamp, which would cost more than other amusement game stamps. Amusement game owners will have to begin putting annual identification stamps, which will be \$250 each, on their Group 12 amusement games. Currently, amusement game owners must purchase annual identification stamps for amusement games they place in various stores and businesses throughout the state. These annual stamps cost \$29.68. (The stamp cost is an odd amount because legislation, I-960 and I-601, prohibited us from rounding up to the next dollar amount).
- Testing of Group 12 amusement games by our gambling lab. Manufacturers will have to pay the cost of our review and testing of each game.
- Wagering limits of \$5 and prize limits of \$1,000 for Group 12 amusement games. Currently, there are wagering limits of \$3.50 and prize limits of \$500 on amusement games if school-aged minors are allowed to play amusement games in locations identified in rule but no prize or wagering limits exist for amusement games school-aged minors are not allowed to play.
- Currently, charitable and nonprofit organizations can rent amusement games. The rental fee can be based on a percentage of revenue the amusement games generates. The charitable and nonprofit organization must receive at least 22% or more of the gross receipts from the amusement games. Under this rule change, for Group 12 amusement games a certain percentage would not be required.

Agency Impacts

- With the required licensure of the Group 12 amusement game manufacturers and distributors, we anticipate an influx of new manufacturers and distributors within the first six months. License fees should cover these costs.
- The revenue from the higher identification stamp for Group 12 amusement games should help offset some of the costs to respond to complaints, inquiries, and rule-making.

Statements Supporting or Opposing the Proposed Rule Change

None.

Staff Recommendation

Up for discussion and possible filing.

Proposed Effective Date for Rule Change

31 days from filing.

Amended Section

WAC 230-03-185 Applying for a manufacturer license.

- (1) You must apply for a manufacturer license if you:
 - (a) Make or assemble a completed piece or pieces of gambling equipment for use in authorized gambling activities; or
 - (b) Convert, modify, combine, add to, or remove parts or components of any gambling equipment for use in authorized gambling activities ~~((:))~~; or
 - (c) Manufacture group 12 amusement games approved or modified after May 1, 2016.**
- (2) You must demonstrate your ability to comply with all manufacturing, quality control, and operations restrictions imposed on authorized gambling equipment that you want to manufacture or market for use in Washington State.
- (3) The licensing process may include an on-site review of your manufacturing equipment and process for each separate type of authorized gambling equipment to ensure compliance capability.

[Statutory Authority: RCW 9.46.070. WSR 09-11-085 (Order 646), § 230-03-185, filed 5/18/09, effective 7/1/09; WSR 06-07-157 (Order 457), § 230-03-185, filed 3/22/06, effective 1/1/08.]

Amended Section

WAC 230-03-190 Applying for a distributor license.

You must apply for a distributor license if you:

- (1) Buy or otherwise obtain a finished piece of gambling equipment for use in authorized gambling activities or a group 12 amusement game from another person and sell or provide that gambling equipment to a third person for resale, display, or use; or
- (2) Are a manufacturer who sells or provides gambling equipment you do not make to any other person for resale, display, or use; or
- (3) Service and repair authorized gambling equipment. However, distributors must not add, modify, or alter the gambling equipment; or
- (4) Modify gambling equipment using materials provided by manufacturers to upgrade equipment to current technology.

[Statutory Authority: RCW 9.46.070. WSR 06-07-157 (Order 457), § 230-03-190, filed 3/22/06, effective 1/1/08.]

Amended Section

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:

1. Commercial amusement games

License	Annual Gross Gambling Receipts	Fee
Class A	Premises only	\$347/\$159
Class B	Up to \$50,000	\$488
Class C	Up to \$100,000	\$1,256
Class D	Up to \$250,000	\$2,804
Class E	Up to \$500,000	\$4,918
Class F	Up to \$1,000,000	\$8,446
Class G	Over \$1,000,000	\$10,568

* We reduce the license fee by \$177 when you apply for additional licenses at the same business premises, apply for multiple licenses at the same business premises, or a licensee is renewing an annual license.

2. Distributor

License	Annual Gross Sales	Fee
Class A	Nonpunch board/pull-tab only	\$699
Class B	Up to \$250,000	\$1,398
Class C	Up to \$500,000	\$2,100
Class D	Up to \$1,000,000	\$2,804

License	Annual Gross Sales	Fee
Class E	Up to \$2,500,000	\$3,654
Class F	Over \$2,500,000	\$4,498

3. Fund-raising event equipment distributor

License	Description	Fee
Class A	Rents or leases equipment for fund-raising event or recreational gaming activity up to 10 times per year.	\$276
Class B	Rents or leases equipment for fund-raising event or recreational gaming activity more than 10 times per year.	\$699

4. Gambling service supplier

License	Fee
Annual	\$728
Financing, consulting, and management contract review	\$152

5. Linked bingo prize provider

License	Fee
Annual	\$4,680

6. Call centers for enhanced raffles

License	Fee
Annual	\$4,770

7. Manufacturer

License	Annual Gross Sales	Fee
Class A	Pull-tab dispensing devices only	\$699
Class B	Up to \$250,000	\$1,398
Class C	Up to \$500,000	\$2,100
Class D	Up to \$1,000,000	\$2,804
Class E	Up to \$2,500,000	\$3,654
Class F	Over \$2,500,000	\$4,498

8. Permits

Type	Description	Fee
Agricultural fair	One location and event only	\$29
Agricultural fair annual permit	Annual permit for specified different events and locations	\$200
Recreational gaming activity		\$63
Manufacturer's special sales permit		\$224
Punch board and pull-tab service business permit	Initial application fee	\$250
Punch board and pull-tab service business permit	Renewal	\$59

9. Changes

Application	Description	Fee
Name		\$29

Application	Description	Fee
Location		\$29
Business classification	Same owners	\$63
Exceeding license class	New class fee, less previous fee paid, plus	\$29
Duplicate license		\$29
Corporate stock/limited liability company shares/units		\$63
License transfers		\$63

10. Other fees

Type	Fee
Defective punch board/pull-tab cost recovery fees	Up to \$106
Failing to apply for license class upgrade	Up to fifty percent of the difference between our fees for the licensee's present license class and the new license class or one thousand dollars, whichever is less, plus \$29
Review of gambling equipment, supplies, services, ((or)) games, <u>or group 12 amusement games.</u>	Cost reimbursement

11. Identification stamps

Type		Fee
(a) Punch boards and pull-tabs		
(i) Standard	Wagers fifty cents and below	\$.30
	Wagers over fifty cents	\$1.18
(ii) Progressive jackpot pull- tab series	Per series	\$11.86
(iii) Pull-tab series with carry-over jackpots and cumulative prize pool pull-tab series	Per series	\$1.18
(b) Pull-tab dispensing devices		
(i) Mechanical and electro- mechanical		\$.30
(ii) Electronic	Dispensing devices that require initial and ongoing evaluation of electronic components or functions, such as reading encoded data on pull-tabs, accounting	\$118.76 annually

Type		Fee
	for income or prizes	
Replacement of identification stamps		\$28
(c) Disposable bingo cards		
(i) Single game sets of individual cards or sheets of cards		\$.30
(ii) Multigame card packets		\$1.29
(iii) Cards used to play for linked bingo prizes	Fee per 250 cards	\$.47
(iv) Cards used to play for linked bingo prizes	Fee per 5,000 cards	\$9.50
(d) Coin or token-activated amusement games		
Annually - operated at any Class A amusement game license location; <u>Group 1 – 11 games</u>		\$29.68
<u>Annually for Group 12 games</u>		<u>\$250.00</u>
(e) Electronic bingo card daubers		
Annual		\$11.86
(f) Electronic card facsimile table		
Annual		\$404.39

12. Two-part payment plan participation

Annual participation	\$29
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[Statutory Authority: RCW 9.46.070. WSR 14-19-123 (Order 704), § 230-05-030, filed 9/17/14, effective 11/1/14. Statutory Authority: RCW 9.46.070 and 9.46.0209. WSR 13-19-056 (Order 692), § 230-05-030,

filed 9/16/13, effective 10/17/13. Statutory Authority: RCW 9.46.070. WSR 09-17-077 (Order 657), § 230-05-030, filed 8/14/09, effective 1/1/10; WSR 07-23-083 (Order 621), § 230-05-030, filed 11/20/07, effective 1/1/08; WSR 07-03-082 (Order 606), § 230-05-030, filed 1/18/07, effective 1/1/08; WSR 06-07-157 (Order 457), § 230-05-030, filed 3/22/06, effective 1/1/08.]

Amended Section

WAC 230-06-110 Buying, selling, or transferring gambling equipment.

- (1) All licensees and persons authorized to possess gambling equipment must closely control the gambling equipment in their possession.
- (2) Before selling gambling equipment, licensees must ensure that the buyer possesses a valid gambling license or can legally possess the equipment without a license.
- (3) Before purchasing gambling equipment, licensees must ensure that the seller possesses a valid gambling license.
- (4) Applicants for Class F or house-banked card room licenses may purchase and possess gambling equipment during the precensuring process, but only after receiving written approval from us.
- (5) Charitable and nonprofit organizations conducting unlicensed bingo games, as allowed by RCW 9.46.0321, may possess bingo equipment without a license.
- (6) Group 12 amusement games can only be sold or leased by a licensed manufacturer or distributor to a licensee.
- (7) Licensees may transfer gambling equipment as a part of a sale of a business as long as a condition of the sale is that the buyer receives a gambling license before the sale is complete. Licensees must make a complete record of all gambling equipment transferred in this manner, including I.D. stamps. Licensees must report these transfers, including a copy of the inventory record, to us.

[Statutory Authority: RCW 9.46.070. WSR 08-11-044 (Order 628), § 230-06-110, filed 5/14/08, effective 7/1/08; WSR 07-21-116 (Order 617), § 230-06-110, filed 10/22/07, effective 1/1/08; WSR 06-17-132 (Order 601), § 230-06-110, filed 8/22/06, effective 1/1/08.]

Amended Section:

WAC 230-13-010 Approval of new amusement games.

(1) Operators may introduce new games that meet the standards of an authorized group 1-11 amusement game without approval of the director as long as they provide the director or his or her designee with a description of the game, the rules of play, and the group number of the game with an explanation of why that group was chosen at least sixty (60) days before introducing the game. The game cannot be introduced during this sixty (60) day period unless approved sooner by us. The sixty day period stops when we request additional information.

(2) The following procedures apply to all Group 12 amusement games:

(a) An application and deposit must be submitted requesting approval of a new Group 12 amusement games and the applicant will provide all requested information;

(b) All amusement game equipment, programs, and games must be submitted for our review to verify compliance with chapter 9.46 RCW and Title 230 WAC.

(i) The equipment, programs, and/or games submitted must be fully functional/operational and capable of being tested once our review begins.

(ii) If the equipment is not fully functional/operational and ready for testing and review, we may require additional equipment or information before we start our review process;

(c) Amusement game equipment, programs, games submitted for review must be identical to what will be marketed, distributed, and deployed in Washington;

(d) Group 12 amusement games must allow for a means of identifying and validating approved software that will demonstrate the authenticity of any software or game by a third-party program or device;

(e) We will have sixty (60) days to finish our review once your application is complete;

(f) We will notify you if we require additional information or if your equipment, program, or game malfunctions or is otherwise inoperable;

(i) You will have fourteen (14) days to provide any additional information or correct any equipment, program, or game malfunction and the sixty (60) day review period stops when this occurs. The review period will restart when we receive the requested additional information or when the problem is corrected. You will be responsible for any additional cost needed to review the additional information provided or review of any equipment, program, or game malfunction;

(ii) Review of your application may terminated if you do not respond within fourteen (14) days. You will be required to re-apply under this rule if your application is terminated.

(g) You can only begin selling, leasing, distributing, or operating these amusement games once all entities or individuals are licensed under WAC 230-03 and the amusement game equipment, program, and/or game(s) are approved by the director or director's designee;

(h) All licensed amusement games must operate as approved by the director or director's designee; and

(i) We may keep equipment, software, and/or games submitted for review to allow for continued testing and training as long as the equipment remains in play in Washington. We are not liable for any damage to equipment while in our possession.

(23) If the director or director's designee notifies the operator that the proposed game does not meet the standards or otherwise violates the gambling laws or rules, the operator:

(a) May not introduce the game;

(b) If already introduced, must remove it from play until the operator brings it into compliance with the authorized group;

(c) If you do not agree with the director or director's designee's decision, you may file a petition for declaratory order with the commission according to RCW 34.05.240 and chapter 230-17 WAC.

[Statutory Authority: RCW 9.46.070. WSR 07-15-064 (Order 612), § 230-13-010, filed 7/16/07, effective 1/1/08.]

Amended Section

WAC 230-13-135 Maximum wagers and prize limitations at certain amusement game locations.

(1) The maximum wager is three dollars and fifty cents and the maximum cost for a prize is five hundred dollars if school-aged minors are allowed to play amusement games at the following locations:

- (1a) Regional shopping centers; and
- (2b) Movie theaters; and
- (3c) Bowling alleys; and
- (4d) Miniature golf course facilities; and
- (5e) Skating facilities; and
- (6f) Family sports complexes.

(ai) A "family sports complex" is a facility, at a permanent location, to which people go to play sports. A family sports complex must offer multiple sports activities, such as indoor soccer, outdoor soccer, lacrosse, baseball, Frisbee, and lawn bowling and the gross receipts must be primarily from these sports activities.

(bii) A family sports complex does not include a facility owned or operated by a school or school district; and

- (7g) Amusement centers; and

(8h) Grocery or department stores. A "department or grocery store" means a business that offers the retail sale of a full line of clothing, accessories, and household goods, or a full line of dry grocery, canned goods, or nonfood items plus some perishable items, or a combination of these. A department or grocery store must have more than ten thousand square feet of retail and support space, not including the parking areas; and

(9i) Any business whose primary activity is to provide food service for on premises consumption.

(2) For Group 12 amusement games, the maximum wager is five dollars and the maximum cost for a prize is one thousand dollars.

[Statutory Authority: RCW 9.46.070, 9.46.0331, and 9.46.0201. WSR 11-04-004 (Order 674), § 230-13-135, filed 1/20/11, effective 2/20/11. Statutory Authority: RCW 9.46.070. WSR 09-15-067 (Order 650), § 230-13-135, filed 7/13/09, effective 8/13/09; WSR 08-11-036 (Order 625), § 230-13-135, filed 5/14/08, effective 7/1/08; WSR 07-15-064 (Order 612), § 230-13-135, filed 7/16/07, effective 1/1/08.]

Amended Section

WAC 230-13-160 Basing rent on a percentage of gross receipts.

Class B or above amusement game operators:

(1) May base the rent or consideration paid to a Class A commercial amusement game location or charitable or nonprofit amusement game location for Group 12 amusement games on a percentage of revenue the activity generates if the method of distribution is specific.

(2) May not base the rent or consideration paid to a charitable or nonprofit organization on a percentage of revenue the activity generates unless the amount returned to the organization is equal to or exceeds twenty-two percent of the gross gambling.

(3) Operators must pay the organization at least once a month.

(34) If located at regional shopping centers, may use a percentage of receipts to pay rental leases. They are also exempt from the profits restrictions of RCW 9.46.120 (2).

[Statutory Authority: RCW 9.46.070. WSR 07-15-064 (Order 612), § 230-13-160, filed 7/16/07, effective 1/1/08.]