Amend

WAC 230-03-185 Applying for a manufacturer license.
WAC 230-03-190 Applying for a distributor license.
WAC 230-06-110 Buying, selling, or transferring gambling equipment.

New Section

WAC 230-06-112 Buying, selling, renting and leasing amusement games.

May 2016 – Further Discussion
April 2016 – Up for Discussion and Possible Filing

ITEM 9: May 2016 Commission Meeting Agenda.	Statutory Authority 9.46.070, 9.46.0201

Who proposed the rule changes?

Staff

Proposed Changes and Licensee Impacts

In March 2016, the Commissioners approved rule changes that required distributors of group 12 amusement games to be licensed. Staff realized upon passage of the rule change that the rules would have required Class B and above amusement game licensees who would like to own and/or lease group 12 amusement games to have a distributor's license in addition to, or in place of, the license they currently have. This was not the intent of the original rule change.

This rules package clearly defines:

- The activities of a manufacturer and distributor of group 12 amusement games, Class A amusement game licensees, Class B and above amusement game licensees; and
- Who needs a distributor license.

Businesses will need a:

- Distributor's license if they buy or lease a group 12 amusement game from another licensee and sell or lease the group 12 amusement game to a Class B or above amusement game licensee; or
- Class B or above amusement game license if they:
  - Own and operate group 1 through 12 amusement games at their licensed premises; and
  - Lease or buy group 12 amusement games from a licensed manufacturer or distributor and lease or rent them to a Class A amusement game licensee; and
  - Lease or rent group 1 through 11 amusement games to Class A amusement game licensees.

Manufacturers will only be able to sell or lease group 12 amusement games to licensed distributors or Class B or above amusement game licensees.

Only Class B and above licensees will be able to rent or lease group 12 amusement games to Class A amusement game licensees.

Attachment:
Budget Proviso (the following language was included in the budget passed by the legislature):
"The commission is directed to review and reconsider, including repeal, rules adopted to authorize the amusement games classified as group 12 under WAC 230-13-067, recognizing the impact such games may have on state lottery revenues used to support public education programs."

Stakeholder Impacts

Without this rule change, some class B and above licensees would need to get an additional distributor's license, which would be more costly to licensees.

Agency Impacts
• Without clear definitions of the type of license needed for the activity being conducted, we will have inconsistency in licensing. • We would not have an accurate reporting of gross receipts from group 12 amusement games if we do not clearly define the activity at each level.
Staff Recommendation
Further discussion.
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. Manufacturers of group 12 amusement games that were approved before the effective date of this rule must apply by May 1, 2016, and be licensed by December 31, 2016. Manufacturers of group 12 amusement games can sell or lease group 12 amusement games to a licensed distributor or a Class B or above amusement game licensee.
(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.

(5) Buy or lease a group 12 amusement game from another licensee and sell or lease the group 12 amusement game to a Class B and above amusement game licensee.

[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 230-06-110 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 prelicensing 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 to Class B and above amusement game licensees by a licensed manufacturer or distributor ~~to a licensee~~. Class B and above amusement game licensees can lease or rent group 12 amusement games to Class A amusement game licensees. Lease agreements entered into prior to the effective date of this rule may continue until the manufacturer is licensed or December 31, 2016, whichever occurs first.

(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.]

New Section

WAC 230-06-112 Buying, selling, renting and leasing amusement games.

(1) Class A amusement game licensees can rent or lease amusement games from Class B and above amusement game licensees.

(2) Class B and above amusement game licensees can:

a. Own and operate group 1 through 12 amusement games at their licensed premises; and

b. Buy or lease group 12 amusement games from a licensed manufacturer or distributor and lease or rent them to Class A amusement game licensees.

c. Rent or lease group 1 through 11 amusement games to Class A amusement game licensees.

Budget Proviso
SECOND ENGROSSED SUBSTITUTE HOUSE BILL 2376

FOR THE GAMBLING COMMISSION
State Lottery Account: For transfer to gambling revolving account $1,000,000

The transfer in this section is subject to the following conditions and limitations:
(1) ((~~The commission shall maintain working capital reserves in the gambling revolving account of no more than five percent of projected expenses in the account~~)) This funding is provided solely for the costs of enforcement of gambling activities, including but not limited to evaluation, analysis, and dissemination of information on individuals and groups who are suspected of being involved in illegal gambling and other associated crimes.
(2) The commission shall not approve any electronic raffle systems to conduct fifty-fifty raffles until the legislature has reviewed all impacts to the state lottery.
(3) The commission is directed to review and reconsider, including repeal, rules adopted to authorize the amusement games classified as group 12 under WAC 230-13-067, recognizing the impact such games may have on state lottery revenues used to support public education programs.