



Repeal:

WAC 230-13-067 Group 12—Electronic puzzle and pattern solving game standards.

- May 2016 – Final Action**
- April 2016 – Further Discussion**
- March 2016 – Further Discussion**
- February 2016 – Up for Discussion and Filing**

ITEM 6: May 2016 Commission Meeting Agenda.	Statutory Authority 9.46.070, 9.46.0201
Who proposed the rule changes?	
Commissioner, see attached request.	
Proposed Changes	
<u>Bold/Underline = Changes made after the April 2016 Commission Meeting</u>	
<p>In July 2015, the Commissioners authorized Group 12 amusement games to be played by persons 21 and over. Since this time, numerous questions and concerns have been raised. This proposed rule change provides the Commission with the option of repealing the rule authorizing Group 12 amusement games.</p> <p>A Small Business Economic Impact Statement was prepared and is available on our website.</p> <p>Attachment: Letter from Representative Christopher Hurst, dated January 26, 2016, asking the Commission to consider rescinding the authorization of Group 12 amusement games.</p> <p>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.”</p> <p><u>Letter from House Majority Leader Representative Pat Sullivan and House Minority Leader Representative J.T. Wilcox, dated April 8, 2016, asking the Commission to repeal Group 12 amusement games.</u></p> <p><u>Letter from Edward Murray, Mayor of the City of Seattle, dated April 13, 2016, asking the Commission to rescind authorization of Group 12 amusement games.</u></p>	
Licensee Impacts	
<ul style="list-style-type: none"> • <u>As of April 2016, we have approximately 385 Group 12 amusement games in Washington. A few licensees have not responded to our request for information on the number of games in their warehouse.</u> • As of February 8, 2016, there were approximately 430 Group 12 amusement games in the state with about 280 in operation at licensed locations. • Licensees have purchased or leased these amusement games from manufacturers. Licensees have indicated they will lose about \$9 million if Group 12 amusement games are no longer authorized. (This includes the actual cost outlay, license fees, research and development costs, and the value of the four-year rental contracts.) The amusement games could be resold to a jurisdiction where they are allowed. 	

Agency Impacts

Staff will work with licensees to remove group 12 amusement games from the state **and review other rules that will need to be changed.**

Statements Supporting or Opposing the Proposed Rule Change

At the April meeting, 11 people testified. Seven testified in support of Group 12 amusement games and requested gift cards and replays be allowed. Two people were opposed and requested the rule authorizing the game be repealed. In addition, Ex-Officio Hurst asked that the rule authorizing the games be repealed or allow the games in a very limited way. Maureen Greeley, Evergreen Council on Problem Gambling, was neutral and urged the Commissioners to be aware of gambling problems.

At the March meeting, 8 people testified. Seven were in support of Group 12 amusement games and one wanted to focus on modernizing gambling activities. Of those in favor of Group 12 amusement games three testified on needing replays to keep the games viable, one wanted to give cash back by issuing gift cards up to \$40, one thought the ID stamps would provide revenue, and another stated that requiring the appearance of the games to be changed would be expensive.

At the February meeting, 13 people testified. Twelve were in support of Group 12 amusement games and one was against. Of the twelve that were in favor of Group 12 games, four testified that the replay of prizes won (sometimes referred to as "credits") was important; four said gift cards as prizes was important, as this encourages patrons to stay at the business.

Staff Recommendation

Final Action.

Proposed Effective Date for Rule Change

31 days from filing.

Repealed Section:

~~WAC 230-13-067 Group 12—Electronic puzzle and pattern solving game standards.~~

~~In Group 12 games, players must correctly solve a puzzle to win a prize, which is viewable by the player before each puzzle is presented.~~

~~(1) The game must allow the player to view the prize that is available before each play of the game without the insertion of money or any other thing of value; and~~

~~(2) Prizes are awarded based upon the player's skill in correctly discerning a pattern and completing that pattern; and~~

~~(3) When a game presents a potential winning pattern, the puzzle must be capable of completion within the predetermined time period; and~~

~~(4) Group 12 amusement games are for adults over the age of twenty-one only and may only be operated by licensees where persons under the age of twenty-one are prohibited from entering.~~

~~[Statutory Authority: RCW 9.46.070 and 9.46.033]. WSR 15-15-063 (Order 713), § 230-13-067, filed 7/10/15, effective 8/10/15.]~~

Griffin, Tina (GMB)

From: Hunter, Amy (GMB)
Sent: Thursday, January 28, 2016 6:45 AM
To: Griffin, Tina (GMB)
Subject: Fwd: rule change

Sent from my Verizon Wireless 4G LTE smartphone

----- Original message -----

From: Julia Patterson <jpatt3kids@gmail.com>
Date: 01/27/2016 8:35 PM (GMT-08:00)
To: "Hunter, Amy (GMB)" <amy.hunter@wsgc.wa.gov>
Subject: rule change

Because the rules process takes several months, I would like to have staff prepare a rule for the possible repeal of Group 12 amusement games.

I won't be present at the February meeting, but am hopeful that Chair Stearns will consider putting this rule up for discussion and possible filing at that time.

Filing this rule is not an indication of support or opposition to repeal. It simply provides the commission with this option, should our deliberations on Group 12 amusement games lead us in this direction.

Please share this request with Chair Stearns, and my fellow Gambling Commissioners.

Thank you,
Commissioner Julia Patterson



January 26, 2016

Chair Sterns
P.O. Box 42400
Olympia, WA 98504

Chair Sterns, Commissioners and Staff:

I am writing today to express my serious concerns with the decision to extend the concept of "amusement games" in the State of Washington to electronic terminals that greatly resemble video lottery terminals or slot machines. I think we should slow the process to implement additional rules and scale back Group 12 games to what the legislature intended amusement games to be.

When the legislature authorized amusement games in 1973, it did so only as a social pastime for charities. We authorized skill-based games where the outcome depends on a material degree of skill and where only merchandise could be awarded. The legislature only gave the Commission authority to regulate these types of games to ensure that the games were fair.

In July 2015, the Commission passed a rule allowing for a brand new class of amusement games – Group 12 games – where players must correctly solve an electronic puzzle in order to win a prize. In concept, the games sound rather innocuous, but in practice, they are a departure from Groups 1-11. They are not traditional carnival games, crane games, arcade games, cake walks, and fishing derbies. Group 12 games, currently deployed in some 80 locations throughout the state, look nearly indistinguishable from traditional slot machines.

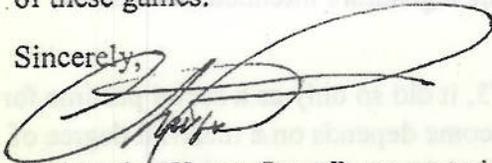
These new games do more than award prizes of "hard merchandise." Many businesses throughout the state are currently awarding gift cards that function as cash cards. These cards, in some instances, are worth hundreds of dollars. The establishment then allows a patron to buy a nominal item with the card and receive his or her change in cash. This is very disturbing considering that we now have a game that looks like a slot machine paying back cash to the players like a slot machine.

I also understand from testimony provided before the Commission on January 14, 2016, that these 204 "electronic puzzle games" currently deployed in the state include random number generators and/or games sets, but have not been subjected to any kind of testing to ensure they meet the standards of fair play. In at least one establishment, a single machine brought in \$3,600 in gaming revenues in a single month. With a win per unit of \$120 per day, the Commission should take steps to ensure the machines are actually fair, similar to the rigorous testing and regulation other gaming equipment in this state must endure.

Repeated polling by the Commission over the years, as well as public votes on gaming initiatives, have demonstrated to us that our citizens believe there is sufficient gaming already in play in the state to meet demand. Now, with the authorization of these Group 12 games, we are entering into the uncharted waters of convenience gambling in the state, a place from which it is difficult to pull back. Before we end up with 12,000 video lottery-like machines in 4,000 bars and restaurants like Oregon, or 25,000 of these machines in our convenience stores and gas stations like Georgia, the citizens of this state are entitled to a better policy making process. There should be a legislative process rather than a rule making one before the Commission. To forge ahead into convenience gaming, particularly with a tax statutorily capped at 2%, without a larger policy conversation would be unwise.

I appreciate that the Commission is struggling with these Group 12 games and how to regulate them. I believe that effort precisely illustrates how different these games are from Groups 1-11. Therefore, I ask that you consider rescinding your authorization of Group 12 games, go back to the drawing board and seek legislative approval prior to the expansion of, or additional licensing of these games.

Sincerely,



Christopher Hurst, State Representative
31st Legislative District

cc: Governor Jay Inslee
Speaker Frank Chopp

Budget Proviso

SECOND ENGROSSED SUBSTITUTE HOUSE BILL 2376

FOR THE GAMBLING COMMISSION

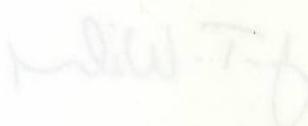
State Lottery Account: For transfer to gambling revolving account \$1,000,000

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.


Representative J. T. Wilcox
House Minority Floor Leader


Representative
House Majority Leader

State of
Washington
House of
Representatives

RECEIVED

APR 11 2016

GAMBLING COMMISSION
DIRECTOR'S OFFICE

April 8, 2016

Commissioner Chris Stearns
Washington State Gambling Commission
PO Box 42400
Olympia, WA 98504



Subject: Group 12 Amusement Games

Dear Chair Stearns,

We are writing to you today to express our serious concern with the direction the Washington State Gambling Commission is headed with respect to its newly approved group 12 amusement games.

As you know, the legislature recently agreed upon a supplemental operating budget. As part of that budget, we specifically directed you "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." See ESHB 2376, Part VIII, Section 805(3) (emphasis added). We hope that this specific directive gives the Commission the guidance it needs to pull back these games altogether while it considers the impacts their proliferation will have on historic state gambling policy.

We find it very disconcerting that, without any specific rules to implement these newly authorized games, the industry has already deployed hundreds of machines all across our state, with no consideration of the broader policy and fiscal impacts it will have. Current marketing materials of some manufacturers prey on the fact that these games are akin to slot machines, and tavern owners statewide are leasing and installing machines at a rapid clip. We understand that as of February, there were already more than 400 in play.

We ask that you repeal your Group 12 authorizing rules and carefully consider whether this is a path the Commission should pursue. While it was too late in session to consider offering legislation to ban these games and we were forced to ask for reconsideration through the budget, we will introduce legislation during the next session should these games continue forward on their current trajectory. We are committed to taking whatever legislative action necessary to pull back this expansion of gambling.

Thank you for your consideration.

Sincerely,

Handwritten signature of Representative Pat Sullivan.

Representative Pat Sullivan
House Majority Leader

Handwritten signature of Representative J.T. Wilcox.

Representative J.T. Wilcox
House Minority Floor Leader



April 13, 2016

Commissioner Chris Stearns
Washington State Gambling Commission
PO Box 42400
Olympia, WA 98504

Dear Chair Stearns,

I am writing to express my concerns with the Gambling Commission's decision last summer to expand the "amusement games" concept to the so-called Group 12 series of gaming devices. I have reservations about the impacts these games may have on state and local revenues, the fairness and accuracy of the games, and the idea of allowing convenience gambling in Washington State.

The State Legislature has authorized amusement games as a social pastime only, not for gambling, and those games must demonstrate that outcomes depend upon a material degree of skill to successfully complete. They must also award only merchandise and not cash to "winners". It is my understanding that Group 12 games do not meet these criteria and instead more closely resemble traditional slot machines, with minimal skill required. And it is worrisome that many businesses are substituting gift cards in place of hard merchandise, allowing customers to buy nominal items and then cash out the remaining value, sometimes worth hundreds of dollars, further blurring the line between amusement and gambling games.

Further concern stems from the lack of state testing of these machines, which include random number generators and game sets, to determine that they meet standards of fair play. We should not be subjecting our constituents to possible losses due to our negligence in oversight.

In addition, given the slow recovery of state revenues since the Great Recession, it is vital that we understand the impacts of this type of gaming on the Lottery, which funds critical state programs. Losses to state funds have direct corollary impact on local dollars and in a time when funding for homelessness, mental health and education is reaching crises points we should not be risking diverting dollars from state coffers.

Given that a larger conversation regarding expanding into convenience gambling has yet to take place either within the legislature or with the public, and that the significant policy and fiscal impacts of such expansion is not fully understood, it would seem proper for the Commission to rescind their authorization of Group 12 games until a more thoroughly vetted policy making

process can be completed. I urge the Commission to withdraw their authorization and allow the legislature to consider fully the implications of allowing the use of these games.

Sincerely,



Edward B. Murray
Mayor, City of Seattle