

# Washington State Gambling Commission

## License Fees in Today's Environment Part 2



Mission Statement:

*"Protect the Public by Ensuring that  
Gambling is Legal and Honest"*

February 2015



# Today's Topics

- How Other States Fund Gambling Regulation
- Regulation of Activities
  - Licensed
  - Unlicensed
- Analysis of Revenue Received by Activity
- Public Input



# March's Topics

- Follow-up from February's Presentation
- Suggestions for Creating a New Fee Structure in Today's Environment
- Public Input



If we were to create a  
new fee structure  
today, what would it  
be?



# How Other States Fund Gambling Regulation



# How Other States Fund Bingo Regulation

Arizona, Arkansas, California, Colorado, Delaware, Kentucky, Maine, New York, Michigan, Minnesota, Mississippi, Montana, New Jersey, New Mexico, North Carolina, Ohio, Oregon, Washington, West Virginia, Wisconsin

License Fees and Other Fees

Indiana

Taxes

Illinois, Kansas, Louisiana, Massachusetts, Nebraska, New Hampshire, South Carolina, Virginia

License Fees and Taxes

Alaska, Connecticut, Georgia, Iowa, Maryland, Oklahoma, Texas

General fund but license fees and taxes are collected and paid into the general fund.

Missouri

General Fund

Florida

Local Law Enforcement Funds

Idaho

Lottery Sales



# How Other States Fund Charitable Pull-Tab Regulation

Colorado, Indiana, Kentucky, Maine, Michigan, Mississippi, New Jersey, New Mexico, Ohio, Washington, Wisconsin	License Fees and Other Fees
Illinois, Louisiana, Massachusetts, Nebraska, New Hampshire, Virginia, West Virginia	License Fees and Taxes
Connecticut, Maryland	General fund but license fees and taxes are collected and paid into the general fund.
Missouri	General Fund



# How Other States Fund Commercial Card Rooms Regulation

California, Kentucky, Montana, Washington	License Fees and Other Fees
Colorado, Florida, South Dakota	License Fees and Taxes
Minnesota	General Fund



# Some of the States That Have a Local Gambling Tax

State	State Tax	Local Tax	Casinos
Kansas	22% plus 2% to fund problem gambling treatment	3% local tax	2 land-based casinos
Maine	1% on the amount wagered and 39% on gross gaming revenue	3% tax on gross gaming revenue to the city of Bangor	2 land-based racinos with slot machines and table games
Michigan	8.1%	10.9% tax to the city of Detroit on gross gaming revenue	3 land-based casinos
Mississippi	Graduated tax up to 8% on gaming revenues	Up to an additional 4% tax on gaming revenues	30 dockside and land-based casinos



# Some of the States That Have a Local Gambling Tax

State	State Tax	Local Tax	Casinos
Nevada	Graduated state tax up to 6.75% on gross gaming revenue	Up to 1% additional fees and levies may be imposed by counties and cities	265 land-based casinos
Pennsylvania	Slot machines – 55%; Table games – 16%	Slot machines – 4% of the overall 55% tax to local governments; Table games – 2% of the overall 16% tax to local governments	11 land-based and racinos



# Regulation of Licensed and Unlicensed Activities



# Topics Covered

- Licensing Regulatory Program
- Regulation of Licensed & Unlicensed Activities
- Enforcement
  - Illegal & Legal Activities
  - Unlicensed & Licensed Activities
- Assistance Provided
- Training & Education Provided
- Intelligence Activities





# Licensing Regulatory Program

- Background investigation on individual licensees and substantial interest holders
- Organization qualifies as either:
  - Charitable, nonprofit organization (RCW 9.46.0209)
  - Commercial stimulant (RCW 9.46.0217)
- Financial investigation on the funds used to operate the gambling activity



# Background Investigations Conducted in Fiscal Year 2014

- 21,573 criminal records checks
- Criminal history actions
  - 79 applications withdrawn or denied
  - 44 licenses revoked or surrendered





# Licensing Regulatory Program Statistics for Fiscal Year 2014

- Issued 3,449 new organizational and individual licenses
- Processed 18,175 renewal and change applications
- Answered 14,180 phone calls to the agency's main phone line
- 46 applications withdrawn or administratively closed



# Financial Investigations Conducted

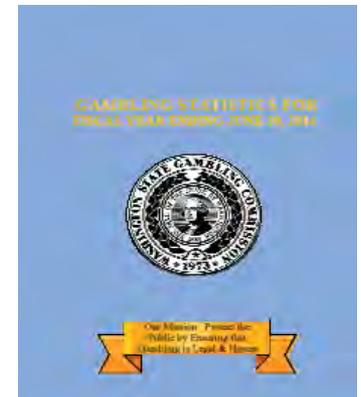
- New owners, leases, financing
- HBCR and charitable nonprofit financial statement reviews
- Manufacturer and charitable nonprofit reviews
- Game and equipment approvals and ownership verification





# Activity Reporting and Class Compliance for 2014

- Processed 6,317 quarterly, semi-annual and annual activity reports
- Compiled annual report of all gambling activity
- Coordinate with Field Operations on late activity reports
- Processed 154 exceeding class transactions totaling \$177,326
- Processed 42 previous year refunds





# Regulated Licensed Activities

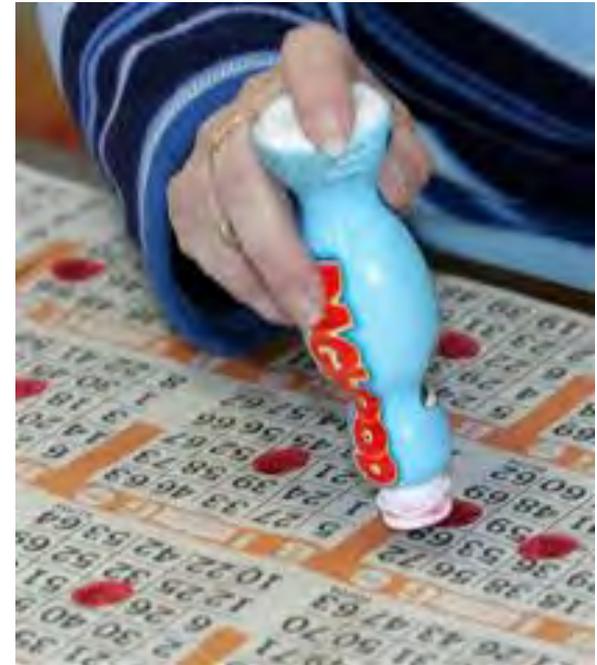
- Card Games
  - For Profit & Non-Profit
- Punchboards and Pull Tabs
  - For Profit & Non-Profit
- Bingo
- Raffles
- Amusement Games
- Fund Raising Events (FRE)





# Regulated Licensed Activities - Continued

- Manufacturers
- Distributors
- Service Suppliers





# Regulated Unlicensed Activities

- Charitable and Non-Profit Organizations  
(RCWs 9.46.0315 and 9.46.0321)
  - Card Games
  - Bingo
  - Raffles
  - Amusement Games
- Certain Coin and Dice Activities  
(RCW 9.46.0305)





# How Do We Regulate

- Voluntary Compliance
- Inspections:
  - Spot Inspections
  - Compliance Modules
  - Underage Inspections
  - Record Inspections
  - Financial Inspections/Audits





# Inspections at Non-Profits

Licensed Activity	2014	
	Number	Hours
Bingo	296	541
Raffle	97	247
Amusement Game	34	55
Punch Board/Pull-Tab (PB/PT)	813	2,106
Card Room	6	4
Fundraising Events (FRE)	17	110
Totals	1,263	3,063



# Inspections at For-Profits

Licensed Activity	2014	
	Number	Hours
<b>PB/PT</b>	<b>2,939</b>	<b>5,027</b>
<b>Amusement Game</b>	<b>109</b>	<b>93</b>
<b>Card Room</b>	<b>61</b>	<b>126</b>
<b>House-Banked Card Room (HBCR)</b>	<b>967</b>	<b>2,528</b>
<b>Underage Gambling</b>	<b>126</b>	<b>252</b>
<b>Service Supplier</b>	<b>4</b>	<b>2</b>
<b>Distributor</b>	<b>18</b>	<b>31</b>
<b>Totals</b>	<b>4,224</b>	<b>8,059</b>



# 2014 Inspection Totals

- **5,487 Inspections**
- **11,122 Hours**





# How Do We Regulate

- Investigations:
  - Agency Initiated
  - Complaints Received
  - Self Reporting





# Agency Initiated Investigations – Licensed Activities

Investigations	2014	
	Number	Hours
Bingo	3	41
Card Room – Employee	85	683
Card Room - HBCR	77	477
Card Room - Public (D,E,F)	6	63
Commercial Amusement Games	9	268
Distributor	20	99
Distributor Representative	1	4
FRE Equipment Distributor	1	2
FRE	2	4
Gambling Manager – Nonprofit (NP)	3	9
Manufacturer	19	142
PB/PT - NP	48	153
PB/PT - Profit	205	882
Raffle	15	121
Service Supplier	5	6
<b>Total Inspections</b>	<b>499</b>	<b>2,954</b>



# Agency Initiated Investigations of Unlicensed Activities - 2014

- 70 cases
- 2,825 hours
  - Illegal Gambling
  - Animal Fighting
  - Money Laundering/Structuring
  - Theft
  - Fraud/Forgery/Identity Theft/Counterfeiting





# Total Agency Initiated Investigations

Investigation Type	2014	
	Number	Hours
Licensed Activities	499	2,954
Unlicensed Activities	70	2,825
Total Investigations	569	5,779



# Complaints Investigated - Licensed

Licensee	2014	
	Number	Hours
Bingo	23	200
Card Room - Employee	74	973
Card Room – HBCR	102	1,113
Card Room - Public (D,E,F)	8	35
Commercial Amusement Games	2	21
Distributor	8	62
FRE	1	4
Gambling Manager - Charitable/NP	5	148
Manufacturer	2	152
PB/PT - NP	19	192
PB/PT - Profit	52	750
Raffle	16	141
<b>Totals</b>	<b>312</b>	<b>3,791</b>



# Complaints Investigated of Unlicensed Activities - 2014

- 150 complaints investigated
- 2,954 hours
  - Theft
  - Illegal Gambling
  - Animal Fighting
  - Fraud/Forgery/Identity Theft/Counterfeiting
  - Money Laundering/Structuring





# Total Complaints

Complaint Type	2014	
	Number	Hours
<b>Total Complaint Investigations – Licensees</b>	<b>312</b>	<b>3,791</b>
<b>Total Complaint Investigations – Unlicensed</b>	<b>150</b>	<b>2,954</b>
<b>Total Complaint Investigations</b>	<b>462</b>	<b>6,745</b>



# Enforcement

- Criminal Investigations
  - Unlicensed & Licensed Activities
  - Illegal & Legal Activities





# Enforcement Continued

- How are the Crimes Detected?
  - Internally Detected by Agents
  - Complaints Received
  - Requests for Assistance from Other Agencies
  - Cases Referred





# Types of Crimes Investigated

- Licensed Activities:
  - Cheating at card games
  - Theft of pull tabs
  - Theft of cash by bookkeeper
  - Check/Credit Card fraud





# Types of Crimes Investigated Continued

- Unlicensed Activities:
  - Theft of proceeds from a raffle
  - Illegal Sports Boards
  - Theft of cash by a bookkeeper
  - Check/Credit Card fraud





# Types of Crimes Investigated Continued

- **Illegal Gambling Activities:**
  - Bookmaking
  - Animal Fighting
  - Illegal Gambling Devices
  - Internet Gambling
  - Illegal Card & Dice Games
  - Loan Sharking





# 2014 Criminal Investigations

<b>Investigation Type</b>	<b>Number</b>	<b>Hours</b>
<b>Unlicensed Activities</b>	<b>217</b>	<b>5,670</b>
<b>Licensed Activities</b>	<b>65</b>	<b>1,640</b>
<b>Total Criminal Investigations</b>	<b>282</b>	<b>7,310</b>



# 2014 Top Types of Criminal Investigations Conducted

Types of Cases	Percentage of Cases	Percentage of Time
Theft	33%	30%
Cheating	17%	8%
Fraud, Forgery, & Counterfeiting	7%	6%
Money Laundering & Structuring	3%	10%
Bookmaking/Sports Wagering	3%	18%
Animal Fighting	2.5%	7%
Illegal Card/Dice Games	2.5%	6%



# General Assistance

- Licensees
- Public
- Other Law Enforcement Agencies
- City, County, State, and Federal Government Agencies
- Other States and Countries





# 2014 General Assistance

<b>Provided To</b>	<b>Hours</b>
<b>House-Banked Card Games</b>	<b>2,366</b>
<b>Licensee Commercial</b>	<b>883</b>
<b>Licensee Nonprofit</b>	<b>934</b>
<b>Law Enforcement</b>	<b>3,374</b>
<b>Public</b>	<b>646</b>
<b>Other</b>	<b>2,956</b>
<b>Total Hours</b>	<b>11,159</b>



# Training & Education Provided

- Licensees
- Public
- Other Law Enforcement Agencies
- City, County, State, and Federal Government Agencies
- Other States and Countries





# Training & Education Provided

- Licensed Gambling Activities
  - Card Room
  - Internal Controls to Non-Profits
- Underage Gambling Prevention
- Gambling Investigations
- Financial Crimes –
  - Money Laundering Detection
  - Structuring





# Training & Education Provided in 2014

## 506 Hours





# Criminal Intelligence Investigations

<b>2014</b>	<b>Hours</b>
<b>Criminal Background Investigations and Support</b>	<b>3,055</b>
<b>Bookmaking</b>	<b>1,002</b>
<b>Illegal Internet Gambling</b>	<b>434</b>
<b>Money Laundering &amp; Structuring</b>	<b>737</b>
<b>Computer Forensic Analysis</b>	<b>489</b>



# Criminal Background Investigations and Support 2014

- 262 Criminal background investigations
  - Theft, bookmaking, illegal raffles, counterfeiting, animal fighting, counterfeit checks, illegal gambling devices, cheating, structuring, money laundering, prostitution, and loan sharks
- Surveillance
- 4 Phone Tolls
- 1 Link Analysis
- 917 assists (interagency, intra-agency and public)



# Bookmaking and Illegal Internet Gambling Investigations in 2014

- Traditional Bookmaking – 2 cases
- Internet Bookmaking, Poker, Casinos, and Bingo – 19 cases
  - Do not investigate online horseracing and lotteries





# Internet Task Force Involvement

- Illegal Internet Gambling Task Force – Rick Herrington, co-chair
- Eastern Regional Internet Gambling
  - One SA deputized as US Marshall
- US Secret Service Electronic Crimes
  - One SA deputized as US Marshall

United States Secret Service

[WWW.SECRETSERVICE.GOV](http://WWW.SECRETSERVICE.GOV)



U.S. Marshals Service  
Justice. Integrity. Service.





# Money Laundering & Structuring Investigations in 2014

- State and federal investigations
- Reviewed 24,454 Currency Transaction Reports and Suspicious Activity Reports
- IRS Task Force Officer
  - One Special Agent deputized as an IRS agent





# Computer Forensic Analysis in 2014

- 8 Intra-agency exams
- 29 Inter-agency exams
  - Tumwater PD, Lewis County Sheriff's Office, Spokane PD/SO, Ellensburg PD, US Fish and Wildlife, and Lacey PD
- 8 laptops, 16 cell phones, 9 internal/external hard drives, 4 other electronic mediums (thumb drives and iPad)





# Intelligence Analysis in 2014

- 134 Informational Law Enforcement (LE) Bulletins
  - TGAs and HBCRs
- 22 Tactical Intelligence Reports
  - WSGC and local LE
- 1,090 Tips received and analyzed
- 107 Intelligence Queries
- Cybercrime Strategic Analysis report
- 2,147 Hours



# Training Provided in 2014

- Illegal internet gambling and cybercrime investigations - 64 Law Enforcement Officers (LEO)
  - Ontario PP, Toronto PD, Ontario Crown Prosecutor, Alcohol and Gaming Commission of Ontario, DE SP, Nashville PD, MT DOJ, US Veterans Affairs PD, AZ Gaming, OR SP, WSGC
- Electronic Evidence (CJTC BLEA) – 390 LEOs
- IACIS Computer forensic analysis – 520 LEOs
- 590 Training hours to 974 LEOs from 54 countries (Canada, Croatia, Germany) and the US



# Analysis of Revenue Received by Activity



# License Revenue by Source

Activity	FY 93		FY03		FY13	
<b>PB/PT</b>	\$4,646,412	70.2%	\$5,272,700	43.2%	\$3,004,261	39.3%
<b>Card Rooms</b>	271,151	4.1%	61,300	0.5%	33,343	0.4%
<b>HBCR</b>	^		2,146,100	17.6%	1,859,007	24.3%
<b>Bingo</b>	676,789	10.2%	415,700	3.4%	101,770	1.3%
<b>Mfg/Dist/Reps</b>	143,171	2.2%	202,300	1.6%	308,060	4.1%
<b>Amusement Games</b>	121,006	1.8%	316,400	2.6%	325,622	4.3%
<b>Raffles</b>	96,397	1.5%	158,000	1.3%	227,224	2.9%
<b>CREs</b>	*		1,377,600	11.3%	1,035,580	13.6%
<b>SS/LBP Providers/Reps</b>	#		70,000	0.6%	56,009	0.7%
<b>Comm/NP Mgrs</b>			49,400	0.4%	22,800	0.3%
<b>ID Stamps</b>	486,353	7.3%	643,200	5.3%	310,049	4.1%
<b>FREs/Combo</b>	112,940	1.7%	22,000	0.2%	39,385	0.5%
<b>Miscellaneous</b>	66,848	1.0%	1,464,100	12.0%	318,927	4.2%
	<b>\$6,621,067</b>	<b>100.0%</b>	<b>\$12,198,800</b>	<b>100.0%</b>	<b>\$7,642,037</b>	<b>100.0%</b>

^ House-Banked Card Rooms did not start until 1997.

# Service Suppliers established in 1998.

\* In FY93, revenue from CREs was combined with public card room revenue; commercial and nonprofit managers combined with bingo.



# License Fees as a Percentage of Net Receipts for FY 13

	License Fee Revenue		Net Receipts		License Fees as a Percentage of Net Receipts
<b>PB/PT</b>	\$3,004,261	39.3%	\$65,535,325	13.54%	4.58%
<b>Card Rooms</b>	33,343	0.4%	3,740,292	0.77%	0.89%
<b>HBCR</b>	1,859,007	24.3%	209,094,296	43.19%	0.89%
<b>Bingo</b>	101,770	1.3%	8,244,286	1.70%	1.23%
<b>Manufacturers</b>	114,532	1.5%	153,779,340	31.77%	0.07%
<b>Distributors*</b>	63,821	0.9%	19,588,724	4.05%	0.33%
<b>Amusement Games</b>	321,535	4.2%	19,211,782	3.97%	1.67%
<b>Raffles</b>	227,224	2.9%	4,655,769	0.96%	4.88%
<b>FREs/Combo/NP Amusement Games</b>	34,962	0.5%	261,706	0.05%	13.36%
<b>Service Suppliers*</b>	44,227	0.6%	Not collected		
<b>Other Revenue</b>	\$1,837,355	24.1%			
<b>TOTAL</b>	<b>\$7,642,037</b>	<b>100.0%</b>	<b>\$484,111,520</b>	<b>100.00%</b>	

\*Does not include representatives.



# Public Comment



# March's Topics

- Follow-up from February's Presentation
- Suggestions for Creating a New Fee Structure in Today's Environment
- Public Input



If we were to create  
a new fee structure  
today, what would it  
be?