Washington State Gambling Commission

License Fees in Today’s Environment
Part 3

Mission Statement:
“Protect the Public by Ensuring that Gambling is Legal and Honest”

March 2015
Review of Previous Discussions

• Legislative Declaration and Funding
• Chronological Changes to License Fees
• Current License Fee Structure
• Other Fees Paid by Licensees
• Analysis of Gambling Receipts, Licensee Levels, Fees and License Fees as a Percentage of Receipts
Review of Previous Discussions

• Taxes on Gambling Activities
• Challenges with the Current Fee Schedule
• How Other States Fund Gambling Regulation
• Regulation of Activities
  – Licensed
  – Unlicensed
• Analysis of Revenue Received by Activity
Today’s Topics

• Follow-up from February’s Presentation
  – Pull-tab Fees and Recordkeeping in Three States

• Summary of Stakeholder Feedback

• Suggestions for Creating a New Fee Structure in Today’s Environment

• Analysis of Revenue Received By Activity

• Public Input
If we were to create a new fee structure today, what would it be?
Follow-up on Fees and Recordkeeping For Pull-Tabs in Three States
Mississippi

- Operated only by non-profit organizations in conjunction with bingo not to exceed 40 hours a week.
- Gross receipts and prizes paid must be recorded daily.
- License fee - $50.
- Taxes - 2.5% of all net proceeds from electronic pull-tab devices per meters and manual pull-tabs based on cash register sales.
Virginia

• Operated only by non-profit organizations in conjunction with bingo.
• Daily records of transactions that include gross receipts and prizes paid.
• License fee - $200
• Taxes - 1.125 % of gross receipts from cash register sales.
North Dakota

• Operated by non-profit organizations who may sign a rental agreement with a commercial location to operate pull-tabs on their behalf. Pull-tabs can only be sold when alcohol is served.

• Daily records detailing the gross receipts, prizes, and net receipts. Requirement to audit games by counting unsold tickets.

• License Fees -
  – Attorney General charges $150 annually.
  – Local government may charge $25 and may also charge a $100 fee for site authorization.

• Taxes - Gross proceeds determined by cash register sales:
  – <$1,500,000 - 1%;
  – More than $1,500,000 - 2.25%.
Summary of Stakeholder Feedback
Stakeholder Feedback Received

• Cumbersome nature of current fee schedule
  – Fees are based on projected sales for the next license year
  – Exceeding class penalties are punitive
  – Refunds take a long time to process if you operate in a lower license class
  – Make the license classes smaller
Stakeholder Feedback Received

- High local gambling tax rates
- Make license fees more affordable
- Reduce fees for the nonprofit organizations
- Do not have different fees for nonprofit and commercial activities
Stakeholder Feedback Received

• Charge a flat fee for licensing and running background checks

• Base license fee on a percentage of gross or net receipts
Suggestions for Creating a New Fee Structure in Today’s Environment
# Make Changes to Existing Fee Structure

<table>
<thead>
<tr>
<th>License Type</th>
<th>Number of Fees Currently</th>
<th>Suggested Number of Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable/Nonprofit</td>
<td>82</td>
<td>42</td>
</tr>
<tr>
<td>Commercial Stimulant</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Individuals</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Other Businesses</td>
<td>56</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>194</strong></td>
<td><strong>126</strong></td>
</tr>
</tbody>
</table>
Charitable/Nonprofit Licenses – From 82 Fees to 42 Fees

- Amusement games (5 classes) **
- Bingo (19 classes)
- Card Games (4 classes) **
- Punchboard/Pull-Tab (22 classes) **
- Raffles (6 classes) and Enhanced Raffle (2 classes)
- Fund Raising Events (11 classes)
- Combination Licenses (3 classes)
- Special Property Permit **
- Recreational Gaming Activity Permit **
- Other fees (8 1 fees) **

** Only have one fee for Commercial Stimulants and Nonprofits operating this activity.
Commercial Stimulant Businesses - 36 Fees

- Card Games
  - Nonhouse-banked (12 fees) **
  - House-banked (2 fees)

- Punchboard/Pull-Tab (22 classes) **

** Only have one fee for Commercial Stimulants and Nonprofits operating this activity.
Individuals – From 20 Fees to 8 Fees

- Public card room employees (6 fees)**
- Manufacturer, distributor, call center, linked bingo prize provider, and service supplier representatives (6 fees)**
- Commercial and non-profit gambling managers (6 fees)**
- Change of Name
- Duplicate License

** HBCR Employees and all Representatives (3 fees); and Public Card Room Employees and Nonprofit and Commercial Gaming Managers (3 fees)
Other Businesses – From 56 Fees to 40 Fees

- Amusement Games (6 fees)
- Distributor (5 fees)
- Manufacturer (6 fees)
- Service Supplier (2 fees)
- Linked Bingo Prize Provider (2 fees)
- Call Centers for Enhanced Raffles

** Only have one fee for Commercial Stimulants and Nonprofits operating this activity and eliminate Class A.

^ One fee schedule for Distributors, Manufacturers, Service Suppliers, Linked Bingo Prize Providers, and Call Centers for Enhanced Raffles and eliminated Class A.
Other Businesses – From 56 Fees to 40 Fees (cont.)

• Fund Raising Event Equipment Distributor (2 fees) #
• Permits:
  - Punchboard/Pull-Tab Service Supplier (2 fees)
  - Recreational Gaming Activity
  - Agricultural Fair (2 fees)
  - Manufacturer’s Special Sales
• Changes and Other Fees (10 fees)
• Identification Stamps (14 fees)

# Only have one fee for Commercial Stimulants and Nonprofits operating this activity.
Make Changes to Existing Fee Structure

• Nonprofit and Commercial fees would be the same for gambling activities
• Change the number of classes
• Evaluate gross receipt levels within the Combo licenses
• Eliminate the Class A license class for Amusement Games, Manufacturers, and Distributors
Fees Based on Gross Gambling Receipts

Progressive license fee for most gambling activities

- Base organization application fee would be credited against license fee
- Fees due quarterly based on prior quarter’s performance
Fees Based on Gross Gambling Receipts

- New applicants pay a:
  - Base fee plus actual costs of pre-licensing investigation and
  - Quarterly license fee
Fees Based on Gross Gambling Receipts

• Exceptions to the fee schedule:
  – 6 fees or less for one-time gambling activities
  – 6 fees or less for all individual applicants/licensees
  – Other fees
Fees Based on Gross Gambling Receipts

• Reduce or eliminate change fees if completed through My Account
• Use My Account to calculate license fee
• Paper convenience fee if not using My Account
Analysis of Revenue Received by Activity
## License Fees as a Percentage of Net Receipts for FY 14

<table>
<thead>
<tr>
<th></th>
<th>License Fee Revenue</th>
<th>Net Receipts</th>
<th>License Fees as a Percentage of Net Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PB/PT</strong></td>
<td>$3,004,261</td>
<td>$65,535,325</td>
<td>13.54%</td>
</tr>
<tr>
<td><strong>Card Rooms</strong></td>
<td>33,343</td>
<td>3,740,292</td>
<td>0.77%</td>
</tr>
<tr>
<td><strong>HBCR</strong></td>
<td>1,859,007</td>
<td>209,094,296</td>
<td>43.19%</td>
</tr>
<tr>
<td><strong>Bingo</strong></td>
<td>101,770</td>
<td>8,244,286</td>
<td>1.70%</td>
</tr>
<tr>
<td><strong>Manufacturers</strong>*</td>
<td>114,532</td>
<td>153,779,340</td>
<td>31.77%</td>
</tr>
<tr>
<td><strong>Distributors</strong>*</td>
<td>63,821</td>
<td>19,588,724</td>
<td>4.05%</td>
</tr>
<tr>
<td><strong>Amusement Games</strong></td>
<td>321,535</td>
<td>19,211,782</td>
<td>3.97%</td>
</tr>
<tr>
<td><strong>Raffles</strong></td>
<td>227,224</td>
<td>4,655,769</td>
<td>0.96%</td>
</tr>
<tr>
<td><strong>FREs/Combo/NP</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amusement Games</strong></td>
<td>34,962</td>
<td>261,706</td>
<td>0.05%</td>
</tr>
<tr>
<td><strong>Service Suppliers</strong>*</td>
<td>44,227</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td>$1,837,355</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$7,642,037</td>
<td>$484,111,520</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*Does not include representatives.
Public Comment
If we were to create a new fee structure today, what would it be?