

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

License Type	Number of Fees Currently	Suggested Number of Fees
Charitable/Nonprofit	82	42
Commercial Stimulant	36	36
Individuals	20	8
Other Businesses	56	40
Total Fees	194	126



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 (& 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 (8 6 fees) **
- Distributor (6 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

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

*Does not include representatives.



Public Comment



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