

Washington State Gambling Commission

Gambling Commission Licensing Fees – Seeking a Path to Sustainable Funding



May 2016

Mission Statement:

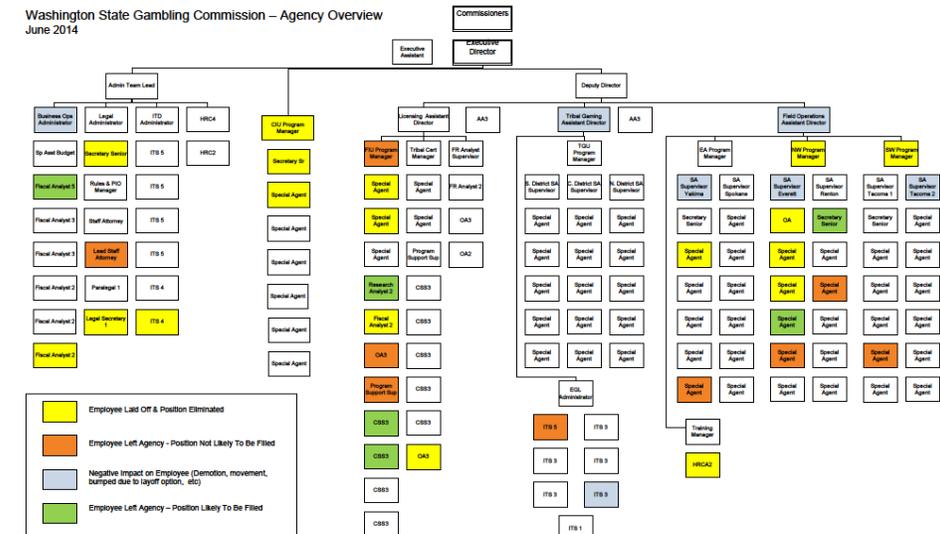
*"Protect the Public by Ensuring that
Gambling is Legal and Honest"*



Where we were in 2014/2015



- A fee structure that is hard to understand (194 individual fees)
- Started with a very low Working Capital Balance
- Reduced expenditures (cut staff) to align with reduced projected revenue
- Fees were increased by Commission action
- Met with Legislative and Governor's staff to raise awareness of our financial situation



Where we are in 2016

- Fee structure is still hard to understand
- Increased gambling activity is generating more revenue
- Healthy Working Capital Balance for now – but a variety of things could change that:
 - Increased benefits costs for staff (Health Insurance, Pension)
 - Additional cost of living increases imposed by Legislature
 - Payments to other agencies for central services (CIO, DES, OFM, AG)
 - Self Insurance rate increases
 - Right-sizing the agency – we cut to match revenues but are we staffed correctly?
- Wondering what would a fee structure look like if it were created today...



Current Fee Revenue Structure And Net Receipts with FY 15 Data

	License Fee Revenue		Net Receipts		License Fees as a Percentage of Net Receipts
PB/PT	\$3,105,472	54.34%	\$64,829,274	12.27%	4.79%
Card Rooms	\$62,262	1.09%	\$5,982,619	1.13%	1.04%
House-Banked Card Rooms	\$1,511,205	26.45%	\$228,803,109	43.32%	0.66%
Bingo	\$104,082	1.82%	\$7,960,474	1.51%	1.31%
Manufacturers*	\$122,776	2.15%	\$173,408,244	32.83%	0.07%
Distributors*	\$74,382	1.30%	\$19,527,956	3.70%	0.38%
Amusement Games	\$322,556	5.64%	\$21,460,371	4.06%	1.50%
Raffles	\$316,843	5.54%	\$6,022,322	1.14%	5.26%
Fund Raiser Events/Combo/NP Amusement Games	\$11,254	0.20%	\$299,155	0.04%	4.91%
Service Suppliers*	\$51,748	0.91%	Not collected		
Other Revenue	\$31,935	0.56%			
TOTAL	\$5,714,515	100.0%	\$528,223,524	100.00%	

*Does not include individuals or representatives licenses

SOURCES: FY2015 License Fee Revenue from State Enterprise reports, Net Receipts generated by GIMS from compiled activity reports



Commissioners' Guidance at Previous Commission Meetings

- Fee schedule must be much easier to understand
- Change should not be an extra burden to small businesses
- Create an equitable license fee based upon gross gambling receipts which would be paid the following quarter
- Consolidate commercial and charitable, nonprofit gambling activities into one fee structure and eliminate unused license classes
- Meet with stakeholders
- Post stakeholder meeting info as it becomes available
- Create an implementation plan



Two paths for consideration

Simplify Existing Fee Structure	Create a New Fee Structure
<u>Option A</u>	<u>Option B</u>
<i>Still estimating what your revenue will be</i>	<i>Paying on what revenue was</i>
<i>Same system with changes</i>	<i>New system</i>



Option A (Simplify Existing Fee Structure)

- Easiest to prepare
- Easiest to implement
- Reduces 194 License fees to about 120
- Charitable/nonprofit and commercial organizations fees would be the same
- Manufacturers/Distributors/Gambling Service Suppliers (Vendors) pay based on gross receipts
- Programming, rules and outreach are easier, but still exist.



Option A – (Simplify Existing Fee Structure) Factors

- Same problems of our current fee structure, which is based on what the industry model was in 1973.
- License fee revenue from bingo and pull-tabs continue to decline because today's gamblers look to other gambling activities. These fees were originally designed to account for the majority of the agency's revenue.
- Will still have:
 - Exceeding license class fees and penalties
 - Projecting revenues into the future



Option B (Create New Fee Structure)



- Accomplishes goal of fee equity
- Changes 43-year-old system
- Fees paid on actual gambling receipts, rather than estimated
- Accomplishes goal of being easier for licensees and staff
 - No more refunds for overpayment of license fees
 - No more exceeding class fees
- Accomplishes the goal of being adaptable to future gambling activities
- 2 fee schedules: 1 for manufacturers/distributors (vendors); 1 for charity/nonprofit and commercial organizations



Option B (Create New Fee Structure) Concerns

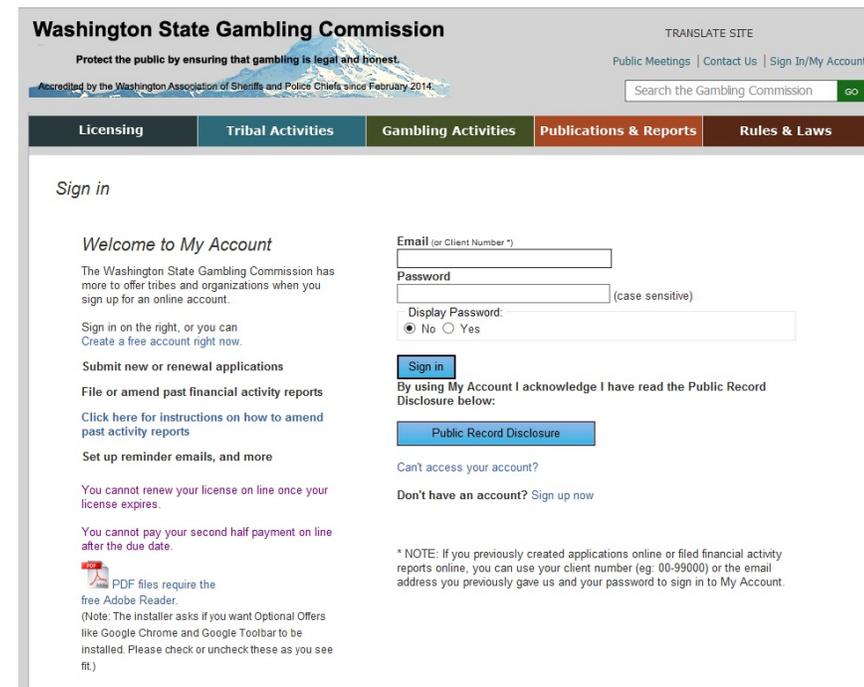
- All licensees will now be reporting gross receipts to us, so this will be a change for them.
- Possibility of under-reporting by licensees.
- Significant rulemaking.
- Some businesses will pay significantly more.
- Some vendors may pass increased fees onto customers.
- Extensive programming and outreach.



Option B (Create New Fee Structure)

Known Considerations

- Renewal fees: \$60 (organizations); \$650 (vendors)
- My Account will calculate and can be used to pay quarterly fee
- Pre-Implementation timeline is considerable
 - Stakeholder outreach and communication
 - Over 90 rules will need to be changed
 - Reprogram license database
 - Educate licensees
 - Make changes to My Account, forms, and internal processes
- Implementation is complex
- Working Capital Balance will need to be healthy enough to sustain impacts during the 16 month implementation



The screenshot shows the Washington State Gambling Commission website. At the top, there is a navigation bar with links for 'Public Meetings', 'Contact Us', and 'Sign In/My Account'. Below this is a search bar and a navigation menu with categories: 'Licensing', 'Tribal Activities', 'Gambling Activities', 'Publications & Reports', and 'Rules & Laws'. The main content area is titled 'Sign in' and includes a 'Welcome to My Account' message. It provides instructions for signing in, creating a new account, and submitting applications. There are input fields for 'Email (or Client Number *)' and 'Password', with a 'Display Password' option. A 'Sign in' button is present. Below the sign-in fields, there is a 'Public Record Disclosure' button and a link for 'Can't access your account?'. A note at the bottom states: '* NOTE: If you previously created applications online or filed financial activity reports online, you can use your client number (eg: 00-99000) or the email address you previously gave us and your password to sign in to My Account.'



Request of the Commission Today

Approve Commission Staff to:

1. Move forward on Option B
 - a) Refine estimated impacts on licensee groups and entities for Option B
 - b) Conduct Stakeholder Outreach for Option B
2. Bring findings back to Commission in October for decision



Proposed Stakeholder Outreach

1. Identify parties to be contacted.
 - Licensees / Industry
 - Tribal Government, Operations, and Industry
 - Legislative/Government
2. Prepare a short briefing document and have detailed proposed fee information available.
3. Set up meetings to share information and get feedback, particularly with those most impacted.
4. Provide other forums to gather stakeholder feedback.



Questions?

