

SIGNIFICANT LEGISLATION – RCW 9.46

2009 There were several gambling related bills introduced in the 2009 session. Five passed, as well as the state budget bill, which included a study of consolidating four state agencies.

- Annexing house-banked card rooms (ESSB 5321)

Prime Sponsor: Sen. Prentice

This bill deals mainly with sales and use taxes for cities that annex. It also allows a city or town with a prohibition on house-banked card games to allow a house-banked card room to continue to operate if the:

- Business was licensed by the Gambling Commission as of July 26, 2009; and
- Business is located in a newly annexed area; and
- City is authorized to impose an “annexation tax”; and
- City can demonstrate that the card room tax will reduce the amount the city would have received from the state.

If a city or town allows a house-banked card room in an annexed area to continue to operate, it is not required to allow additional house-banked card rooms to operate within its boundaries.

Because this bill only applies in very specific situations, it will likely impact fewer than 10 house-banked card rooms.

The Gambling Commission specifically requested two bills, both of which passed:

- Determining amusement game locations (HB 1217)

Prime Sponsor: Rep. Simpson (SB 5324 Sen. Delvin)

Allows the Commission to determine where amusement games can be located, in addition to locations set by the Legislature.

- Creating a civil penalty for minors that gamble. (SSB 5040)

Prime Sponsor: Sen. Delvin (SHB 1040 Rep. Wood)

Allows Commission Agents to issue civil infractions to minors who gamble. The penalty may include a fine of up to \$125, up to 4 days of community restitution and court costs. The minor would also forfeit their winnings. The juvenile divisions of the superior courts have jurisdiction over these cases. In addition, the new law allows licenses to do in-house controlled purchase programs, which are test programs to see if their employees are allowing minors to gamble or not.

- Increasing the price of a raffle ticket from \$25 to \$100 (EHB 1053)

Prime Sponsor: Rep. Moeller (SB 5124 Sen. Pridemore)

Increases the maximum price a raffle ticket can be sold for from \$25 to \$100.

- Allowing local governments to conduct raffles if all of the net receipts are used for “community activities or tourism promotion activities” (HB 1273) Prime Sponsor: Rep. Condotta (SB 5645 Sen. Parlette)

Allows cities, counties and towns to conduct raffles if all revenue less prizes and expenses are used for community activities or tourism promotion activities.

- Study of consolidating agencies (ESHB 1244)

Prime Sponsors: Representatives Linville, Alexander, and Ericks

The state budget bill included a study to be conducted by the Office of Financial Management regarding the feasibility of some type of consolidation of the Gambling Commission, Liquor Control Board, Lottery Commission, and/or Horse Racing Commission. The report is due to the Governor and the legislative fiscal committees by November 15, 2009.

Other Gambling Related Bills that Died:

Three bills related to modifying the definition of gambling died (SB 6152/HB 2355/SB 6103)

Prime Sponsor: Senator Prentice (HB 2355 Rep. Simpson)

Limiting house-banked card rooms (HB 2162): A bill related to permitting local jurisdictions to limit house-banked card rooms within their jurisdictions died.
Prime Sponsor: Rep. Conway

2008 There were several gambling related bills in the 2008 session; only one passed.

- **Public disclosure exemption (ESB 5927)** – Sponsor: Sen. Delvin

- Creates a public disclosure exemption for internal control documents and supporting documents received from house-banked card room licensees; and
- Exempts internal control documents, financial statements and auditor's reports of Tribes who have Compacts with the state (House-banked card rooms got an exemption for their financial statements and auditor's reports in a law that passed during the 2007 session).

Several other gambling related bills were introduced, but didn't make it through the process.

The following agency request legislation did not pass during the 2008 legislative session:

- **Creating a \$256 penalty for minors who gamble (SB 5375/HB 1345)** (Sen. Murray and Rep. Wood)

HB 1345 passed the House by a vote of 96:1 early on in the session. The bill made it out of the Senate committee. It was on the Senate floor calendar during the last few days of session, but died there.

- **Creating a barring list for persons with serious gambling convictions or those who have been barred in other states (SHB 1346/SSB 5374)** (Rep. Wood, Sen. Murray)

Over ten other states have these types of barring lists, including Nevada and New Jersey. SHB 1346 passed the House by a vote of 94:0. This bill also made it out of the Senate committee and died on the Senate floor calendar.

Other gambling related bills that did not pass during the 2008 session:

- **Increasing the price of a raffle ticket from \$25 to \$100, or more if allowed by Commission rule (HB 2489)** (Rep. Mueller)

This bill passed the House 95:0, but died in Senate Rules.

- **Allowing local governments to conduct raffles if all of the net receipts were used for "community activities or tourism promotion activities"** (HB 3220) (Rep. Condotta)

This bill passed the House 95:0, but died in Senate Rules.

- **Increasing the legal gambling age from 18 to 21 (SB 6597)** (Sen. Hargrove)

This bill had a hearing, but died in committee.

Budget related bills that died:

- **Allowing the Commission to retain interest on the gambling revolving fund (HB 2749/SB 6316)** (Rep. Alexander, Sen. Prentice)

This would have brought in an estimated \$84,000 per year to the Commission. The Governor's office approved this request. The House Bill died in committee; However, SB 6316 unanimously passed the Senate and was passed out of the House Appropriations Committee. It was moved to the House floor, but was not voted on before the end of session.

- **Commission Fees (HB 2862/SB 6441)** (Rep. Simpson, Sen. Prentice)

These bills would have allowed the Commission to:

- Restructure some of our fees where we are not currently recovering our actual costs.
- Increase some small fees that we have been unable to increase for over ten years due to the usually low percentage of the fiscal growth factor.
- Change manufacturer fees to 3% of sales.
- Add two new fees that improved regulation and ensured cost recovery.

Increase all fees in each of the fiscal years during the current biennium to the fiscal growth factor percentage.

2007 Several bills relating to gambling were introduced during the 2007 legislative session; four passed:

Licensing (HB 1218) - Prime Sponsor: Rep. Conway

Allows the Director to issue temporary licenses to individual licensees and other businesses.

Allows the Director to issue orders of summary suspensions to individual licensees and other businesses for serious violations.

Military personnel can renew their licenses if they have been deployed and their license expired during deployment.

Public Disclosure Exemption for Financial Statements (HB 1449) - Prime Sponsor: Rep. Condotta

Creates a public disclosure exemption for independent auditor reports and financials statements required by the Commission for house-banked card rooms.

State Employee Raffles for Executive Branch Employees (HB 1599) - Prime Sponsor: Rep. Hunt

Removes the sunset clause for the limited waiver of sovereign immunity for tribal compacts (HB 1706) - Prime Sponsor: Rep. Conway

Several other gambling related bills were introduced, but didn't make it through the process and can be considered again during the 2008 legislative session.

The following agency request legislation did not pass during the 2007 legislative session:

- **Create penalties for minors who gamble (SB 5375/HB 1345)**

(Sen. Murray, Rep. Wood)

- **Create a barring list (SSB 5374/SHB 1346)**

(Sen. Murray, Rep. Wood)

Other gambling related bills that did not pass during the 2007 legislative session:

- **Limit the number of house-banked card rooms (ESSB 5558/HB 1477)**

(Sen. Prentice, Rep. Conway)

- **Affirmative defense by a player for Internet gambling (HB 1243)**

(Rep. Strow)

- **Internet gambling by the player - Misdemeanor (HB 2127)**

(Rep. Strow)

- **Internet gambling by the player - Gross Misdemeanor (SHB 2320)**

(Rep. Strow)

- **Legislative approval of Tribal gaming compacts (HB 1257)**

(Rep. Chandler)

2006 Several bills relating to gambling were introduced during the 2006 legislative session; one passed.

Prohibiting Internet Gambling (SSB 6613)

Internet gambling has never been an authorized activity in Washington. However, this legislation strengthens the law and makes it very clear that Internet gambling is illegal in Washington. The penalty was changed from a gross misdemeanor to a Class C felony. The bill was signed by the Governor and becomes effective June 7, 2006.

Several other gambling related bills were introduced, but didn't make it through the process.

- **Increasing the legal gambling age from 18 to 21**

(SHB 2872 & SSB 6523)

- **Gambling task force (SSCR 8415)**

- **Freezing the location of house-banked card rooms**

(SSB 6615)

- **Off reservation gambling (HB 3129/SB 6301)**

2005

Problem gambling (SHB 1031) - This new law funds problem gambling (including treatment) through a Business and Occupation tax on commercial and charitable licensees, as well as lottery and horse racing activities. The Department of Revenue will collect this tax, not the Gambling Commission. The tax is based on the gross income of the business (after prizes) and will be 0.1% through June 30, 2006, and 0.13% thereafter. This law will become effective July 1, 2005. This new law also nullifies the Problem Gambling Education and Awareness Fee passed by the Commission last November, which was not effective until July 1, 2005, and was set to expire if the Legislature passed a bill to fund problem gambling. The new law exempts licensees with fewer than \$50,000 in gross income (after prizes). The effect is that about two-thirds of small licensees will not have to pay this tax.

Several other gambling related bills were introduced, but didn't make it through the process. They may be reconsidered during the 2006 Legislative Session:

Card room gambling taxes (SSB 5287) - The original bill would have imposed a 10% state tax and would have applied to all commercial card rooms with gross receipts (including poker). This bill was amended to impose a 5% state tax on house-banked card rooms only. The bill would have reduced the maximum local tax cities and counties can collect from 20% to 10%. If the local tax is already above 10%, the licensee would get a credit. If the local jurisdiction already taxes above 10%, they cannot increase the tax beyond the rate it was on January 1, 2005.

Limiting the number of house-banked card rooms (SSB 5994) - This bill would limit the number of house-banked card rooms to locations licensed as of March 10, 2005, or that had submitted an application by then, unless the local jurisdiction subsequently enacts an ordinance "prohibiting such gambling."

Zoning card rooms (SB 5591)

Banning internet gambling (SSB 5878)

Prohibiting out-of-state gambling businesses from contributing towards gambling-related Initiatives in Washington (SB 5879)

Quarterly activity reporting for card rooms (SSB 6057)

Prohibiting charitable/nonprofit organizations from owning commercial gambling businesses (SHB 2175)

Allowing state agencies to conduct limited unlicensed raffles (SHB 1944)

2004

Engrossed Substitute House Bill 2459 - Supplemental Budget Fund Transfer - Passed. The bill was to remove \$3 million from the Commission's budget, with \$500,000 of that amount directed to problem gambling treatment programs, if HB 2776 passed. The Commission sent a letter to the Governor supporting problem gambling, but opposing the fund transfer. \$2.5 million was transferred from the Gambling Revolving Fund; however, the Governor vetoed the transfer of \$500,000 for problem gambling and requested the Commission consider its contributions to problem gambling.

Senate Bill 6481 - Pari-mutuel Wagering - Passed. This bill allows account wagering on horse races, via the internet. This will be the first law in Washington State that allows internet gambling, in limited circumstances (betting on horses).

Several other bills were discussed during the 2004 Session, but did not pass:

House Bill 2776 - Problem Gambling Treatment – This bill did not pass, but is very connected to the supplemental budget (above). In the 2003 session, \$500,000 was allotted to problem gambling treatment, but was only a one-time funding, which ran out in June 2003. The program had been very successful; this bill would have allowed the treatment program to resume. The hope that there will be a more permanent solution arrived at in the next session was discussed.

House Bill 1667 - Gambling Activity Zoning – This bill did not pass: It would have allowed local jurisdictions to zone gambling. This would likely increase gambling as cities/counties that do not currently allow gambling may allow it via zoning. Another bill concerning zoning (SB 6464) was introduced, but did not have a hearing.

There was a bill to give the Legislature the exclusive authority to increase all wagering limits, rather than the Gambling Commission (SB 6462) and a bill to freeze the wagering limit allowed for house-banked card rooms to the limits effective as of January 1, 2004 (SB6463). Neither of these bills had hearings.

HB 1948, which was introduced in the 2003 session and would have authorized electronic machines, did not have a hearing.

2003 **House Bill 1637** which allows the Commission to support problem gambling was passed effective July 27, 2003. The Commission issued a statement supporting this bill because the Commission recognizes the importance of the work with problem gambling.

A gambling Task Force was established in the state budget signed by Governor Locke on June 26, 2003. The Task Force will examine possible ways to enhance state revenue from gaming. The Task Force will be supported by the Lottery Commission and will be made up of one member from each of the four legislative caucuses, the executive directors of the Gambling and Lottery Commissions and the Governor's designee. The Task Force will report to the House Appropriations Committee in January 2004.

Several bills that related to gambling were discussed, none passed. Here is a brief summary.

House Bill 1446: Governor Locke announced combining the Gambling and Horse Racing Commissions into one agency called the Department of Gaming, as part of his proposed budget. The Commission issued a position statement opposing this bill.

House Bill 1948 would have allowed machine gambling, similar to those currently run by the Tribes.

House Bill 1397 and 1667 Related to local government land use and zoning of gambling activities. The Commission issued a statement opposing the bill stating the best interests of the state of Washington is supported by the existing law.

House Bill 1227 Use of vending machines in promotional contests of chance. The Commission issued a statement supporting this bill because it would provide clarification of the law and would reduce regulatory costs.

2002 The following bills were passed in the 2002 Legislative Session and became effective on June 13th.

House Bill (HB) 2631/Senate Bill (SB) 6491, the Gambling Commission/Liquor Board joint agency-request bill regarding criminal background checks passed so that the agencies could comply with federal requirements. This did not impose any additional requirements on applications.

SHB 2767, Electronic Benefit Cards, was also passed. It prohibits those who have the cards for public assistance and food stamps to be able to use them for gambling purposes.

SB 5064, the bill related to Cheating, passed both houses and was amended slightly. It allows up to a \$20,000 fine as the penalty for cheating. First Degree Cheating was reduced from a Class B to Class C felony.

HB 2918 authorizing bingo operations up to seven days a week for nonprofits passed. The bill had a moratorium section, and because of the way it was worded, it would have excluded smaller new licenses for all activities – raffles, punchboards and pull-tabs, and bingo. The ultimate result was that the Senate removed the moratorium altogether.

SB 6560 authorized the first multi-state lottery game in the state. Washington joined with nine other states in a game known as the Big Game.

2001 No gambling related bills were passed in the 2001 session, although there were several proposed. Here is a brief summary:

House Bill (HB) 1307/Senate Bill (SB) 5064 Cheating at Gambling

These bills would have combined the definition of cheating and penalties into a single statute, separating cheating into two degrees. Any cheating involving two or more people (or at least one licensee) would be a class B felony. Cheating by a single individual (as long as the person was not a licensee) would continue to be a gross misdemeanor.

HB 1446/SB 5429 Electronic Bingo

HB 1797/SB5905 Waiver of Immunity

These bills would have waived the state's sovereign immunity (11th amendment) defense in federal court cases involving disputes arising under IGRA and the State/Tribal compacts, conditional upon the Tribe giving a similar waiver. There was a hearing in the Senate; however, the bill did not pass out of the committee. There was no hearing in the House.

SB 5553 Task Force on Combining Gambling Agencies

This bill would have created an 18-member task force to study combining the Gambling Commission, the Lottery Commission, and the Horse Racing Commission into a single agency. The Chair of the Gambling Commission would have been one of the members. The task force would have reported to the legislature by 12/1/2001. In the past, the proposal was to merge the Liquor Control Board, Lottery Commission, and Gambling Commission. There was a hearing in the Senate, but the bill did not pass out of committee.

SB 5487 Prohibiting Smoking in House Banked Card Rooms

This bill would have added the category of "facilities licensed by the gambling commission to operate house-banked card rooms" to the locations where smoking is not allowed. Further, it would have removed the ability of a bar, tavern, bowling alley, or restaurant with a House Banked card room license to be designated as a smoking area in its entirety as is presently allowed. This bill did not pass out of committee.

SB 5573 Raffles by Student Groups and Public Hospitals

This bill would have allowed public student groups and public hospital associations to conduct unlicensed raffles up to a calendar year maximum of \$15,000 in gross receipts with no more than \$5,000 per individual raffle. It would have exempted these raffles from local taxation. NOTE: ASB and Parent/Teacher Associations are currently authorized to conduct two public unlicensed raffles per year with a total combined gross receipts of \$5,000. There was a hearing on the bill; however, it did not pass out of committee.

SB 5645 Issuance or Renewal of Gambling Licenses

This bill would have required the Gambling Commission to give notice to local governments before issuing or renewing any gambling license and allow local governments to file written objections to licenses and to request a formal public hearing. It would have allowed the commission to deny a license based on public safety concerns. There was no hearing on this bill.

The **Legislative Round Table on Gambling Policy Committee**, chaired by Senator Margarita Prentice, conducted Round Table meetings in the summer and fall of 2001. The Committee looked at all gambling activities, including lottery, horseracing, and commission-regulated gambling, such as

bingo, punchboards/pull-tabs, enhanced card rooms, and Tribal casinos.

On August 22nd, the first meeting was held in La Center, Washington. Discussion items:

- ◆ The present state of the bingo industry
- ◆ Gambling Commission staff delivered a report on House-Banked Card Rooms.
- ◆ The Recreational Gaming Association presented information on Senate Bill 6193. This bill would make many changes, including allowing commercial operators to have 200 electronic pull-tab machines, and charitable/nonprofit organization to have 50 electronic bingo machines, in addition to the pull-tab machines. It would also allow the state to tax the electronic pull-tab machines. Currently, only local jurisdictions can tax gambling activities.

On September 18th, the Round Table met in Spokane.

- The Washington State Lottery made a presentation about the recent law changes that will direct more lottery money directly to school construction. Lottery staff also discussed advertising issues, impacts of Powerball in other states, and the work the Lottery is doing in the area of problem gambling. The agency advised that it has funded new Public Service Announcements on radio and TV, are working to add problem gambling messages in Spanish and Korean, and will begin work on enforcement of underage gambling.
- Several local citizens talked to the members of the Round Table and listed the reasons they felt gambling was not good for the community and should be prohibited.
- Members of the Kalispel Tribe presented an update about their tribal casino.
- Gary Hanson, Executive Director of the Washington State Council on Problem Gambling, advised that his organization may be proposing legislation during the next legislative session. The situation with insurance carriers was also mentioned as it is difficult to get treatment even for those who can get their insurance to cover it.
- A presentation was made of a device that utilizes electronic facsimiles of playing cards by a company based in Spokane named DigiDeal. This system was followed with interest by the Legislature before they adjourned and this was a chance to demonstrate how it worked.
- The last presentation was from the Horse Racing Commission. They discussed the attempt in 1999 to open the Lilac Race Track in Spokane. Unfortunately, the track had to be closed after 13 months because of losses incurred during that time.

On October 24th, a meeting was held in Kennewick.

- Commission staff gave a report on charitable/nonprofit gambling and a demonstration on Internet gambling web sites.
- The charitable/nonprofit organizations gave a report on 2002 legislative proposals.
- There was a report on the nonprofit horse racing industry in the Tri-Cities.

On November 19th, a meeting was held in Bellingham.

- 2002 Legislative proposals for the charitable/nonprofit groups, and the Washington State Council on Problem Gambling and Industry Working Group on Problem Gambling.
- Commission staff presented a report on Tribal gaming issues, followed by a panel of tribal representatives.

The last meeting was held on November 30 in Olympia.

- Senator Prentice summarized the committee's activities over the past few months.
- Commission staff shared information gathered in a multi-state survey recently conducted to compare how gambling is regulated in other states.

Information gathered in these meetings will be useful for the next legislative session starting in January 2002.

2000	<u>HB 2353</u>	This was a Gambling Commission request bill to clarify the Commission's authority to receive non-conviction criminal history information for licensing purposes.
	<u>SHB 2358</u>	This bill modified the charitable fund raising events statute to allow such events to be conducted by vendors licensed by the commission. Previously, only members of the organization could manage or operate a fund raising event. These "limited" FRE's will be conducted by third party vendors who use scrip or chips with no cash value. The scrip or chips may only be cashed in for merchandise prizes. The total value of prizes may not exceed 10 percent of the gross revenue from the FRE.
	<u>SHB 2792</u>	This bill exempts from public disclosure most financial information submitted to the Gambling Commission, Liquor Board and State Lottery by a license applicant.
	<u>SSB 6373</u>	This bill updated the promotional contest of chance statute. The specific allowable entry methods specified in the previous law (RCW 9.46.0355) were repealed. Businesses may now conduct promotional contests for advertising or promotion purposes so long as no monetary consideration is required to enter the contest. Additional chances for promotional contests other than those received through the mail are allowed based on the purchase of goods or services if a free method of entry is also provided.
	<u>SSB 6557</u>	This bill allows credit unions to conduct unlicensed raffles where total revenues do not exceed \$5000, tickets are sold only to members, and the proceeds are devoted to the charitable purposes listed in RCW 9.46.0209.

The Legislative Gambling Policy Round Table continued to meet. They held two meetings to discuss issues related to Problem Gambling such as insurance coverage, as well as enhanced card rooms, and the state lottery.

1999 SB 5745 reduces tax on bingo and raffles from 10% to 5% of gross receipts minus prizes (net receipts). Bill effective January 1, 2000

Legislative Round Table created to address all forms of gambling in the state, including issues related to Problem Gambling. Holds five meetings in various cities.

- 1998 SSB 6562 – Amended pari-mutuel tax on horse racing to provide relief for equine industry. Budget amendments to fund state fairs by creating new lottery scratch games and to conduct a study of whether the state should allow casino-style gambling at race tracks in Auburn, Spokane, and Yakima were vetoed by Gov. Locke.
- 1997 SB 5560 – changed definition of social card game to include house banked games or player funded banked card games. Bill sponsored by the card room industry.
- SB 5034 - Raised cost of single punchboard/pull tab from 50 cents to \$1. Changed tax rate for punchboards/pulltabs from gross to net for nonprofits. Gave local jurisdiction option of net or gross basis for PB/PT tax for commercial businesses.
- SB 5330 – Authorized "Calcutta" golfing sweepstakes for charitable/nonprofit organizations.
- SB 5422 – Amended professional gambling definition to clarify intent of statute and assist prosecutors in pursuing cases.
- HB 1364 – Clarified process for seizure and forfeiture of gambling related property.
- SSB 5762 – Racetracks authorized to send and receive simulcast signals of live races outside Washington. Signals not allowed to be transmitted to satellite facilities, including tribal casinos.
- 1996 Card room enhancement:
- + Commission authorized to increase number of tables
 - + Removed limit and method of collecting fees
 - + Authorized jackpot schemes related to card games
- 1995 Raffle tickets increased from \$5 to \$25 per chance
- 1994 - Card room fees increased from \$2 to \$3 per half hour
- Changed definition of commercial stimulant
 - Definition of gambling device clarified to include video and other electronic devices
- 1993 The Legislative Task Force on Gambling Policy created (EHCR 4403)
- 1992 Compact negotiation process codified making Gambling Commission primary negotiator
- 1991 Expansion of amusement game locations (amusement parks, shopping malls, liquor licensees, movie theaters, bowling alleys, and family entertainment centers)

- 1985
 - Senate Floor Resolution 97 - Study to merge Gambling Commission, Liquor Board, and Lottery Commission
 - Punchboards/pull tabs chance increased from 25¢ to 50¢
 - Raffle tickets increased from \$1 to \$5 per chance
 - Increased card room fees from \$1 to \$2 per half hour
 - Music added to dice and coin games
- 1984
 - Increased limits for FRE from \$5,000 to \$10,000
 - Repeal of pull tab machine tax
- 1981
 - Tax on card games increased from 5% to 20%
 - Commission authorized to fine for minor violations
 - Increased requirements for winners register for PB/PT from \$5 to \$20
- 1978
 - Gambling Commission designated as a separate agency
- 1977
 - Fund raising events (Reno nights) authorized
 - Dice and coin games authorized for food and beverages
- 1976
 - Machine tax authorized
 - Sports pools authorized
 - Commission granted authority to establish locations for commercial amusement games
 - Promotional contests of chance expanded
 - Authorized limited bingo, raffles, and amusement games without a license
- 1974
 - Card rooms and social card games (including mahjongg) authorized
- 1973
 - Chapter 218, Laws of 1973 (SHB 711) created the Gambling Commission and authorized amusement games, bingo, raffles, punchboards/pull tabs, card rooms, mahjongg, and social card games for charitable/nonprofit organizations and commercial food and drink businesses. Governor Evans vetoed provisions authorizing card rooms, social card games, and mahjongg.