Washington State Gambling Commission

Agency Overview & Update

Senate Commerce & Labor Committee
January 21, 2015

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

Chris Stearns
Chair

Bud Sizemore
Vice-Chair

Kelsey Gray

Julia Patterson

Ed Troyer
Ex Officio Members – Our Link to the Legislature

Senator
Steve Conway
29th District

Senator
Mike Hewitt
16th District

Representative
Chris Hurst
31st District

Representative
Bruce Chandler
15th District
Gambling Licensing, Background, & Financial Investigations

23,300 criminal background checks completed

- 3,195 new licenses issued
- 15,966 licenses renewed

58% of card room employees renewed online

- 4,000 (over 60%) gambling activity reports received online

- 20 licensing transactions available online
Gambling Enforcement & Investigations

500 complaint investigations

510 investigations initiated by Special Agents

4571 inspections (annual average)

“The criminal element and gambling will always intersect.”
Frank Harrill
FBI Special Agent
Eastern WA
Illegal Gambling Investigations

Internet Gambling

Animal Fighting

Cheating

Sports Wagering
Gambling Enforcement & Investigations

2014 Criminal Case Forensic Assists
Ellensburg Police Dept.
Lacey PD
Lewis County
Spokane Co.
Spokane PD
Tumwater PD

72 criminal cases sent to prosecutors
32 other criminal cases assisted other law enforcement agencies
Tribal-State Compact Negotiation, Co-Regulation & Investigations

Recognize and respect the sovereign status of the Tribes and work as partners to promote the principles of the government-to-government relationship.

**Tribal Gaming Unit**

- Monitor compliance with terms of Tribal-State Compacts
- Co-regulatory with Tribal Gaming Agencies
- Conduct reviews
- Provides training

**Electronic Gambling Lab**

Tests electronic gambling equipment
Budget Update

Budget/FTEs have Decreased, while our Criminal Work Increases

<table>
<thead>
<tr>
<th>Biennium</th>
<th>Millions</th>
<th>FTEs</th>
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<tr>
<td>09-11</td>
<td>$32.5M</td>
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<td>15-17</td>
<td>$27.3M</td>
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<tr>
<td>15-17</td>
<td>$24.3M</td>
<td>114</td>
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</table>

Approved FTEs

Biennium Budget

If $3M General Fund is Received

If $3M General Fund is NOT received
Questions?

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Washington State Gambling Commission

Proposed 27 Tribe Compact Amendment

Senate Commerce & Labor Committee Hearing

John A. Cherberg Building, Hearing Room 1

Wednesday, January 21, 2015
1:30 pm
Indian Gaming Regulatory Act

Congress passed “IGRA” in 1988 to:

• Provide a regulatory framework for Indian gaming.

• Promote economic development, self sufficiency, and strong Tribal governments.
IGRA

The State must negotiate in good faith when a Compact or amendment is requested by a Tribe.

Negotiated topics may include:

• Casino style gaming activities that are allowed for any person, for any purpose.
• Criminal and civil jurisdiction.
• Fees for state regulation.
• Remedies for breach of contract.
• Standards of operation.
Washington State Tribal Gaming Compact Approval Process (RCW 9.46.360)

• Compact negotiation request sent by Tribe to Governor
• Governor requests Commission Director to negotiate
• Compact negotiated by Commission Director
• Compact submitted to Commission and Legislature
• Legislature shall hold a hearing and forward comments to the Commission within 30 days of receiving notice
Washington State Tribal Gaming Compact Approval Process (9.46.360)

• Commission has 45 days to act:
  – May hold public hearings
  – Vote to forward to Governor or return to Director for further negotiations

• Governor reviews and has final execution authority

• Tribe forwards to Secretary of Interior for approval
Existing Compacts

• First Compact – August 1991
• Compacts with all 29 recognized Tribes
• 22 Tribes operate 28 Tribal casinos
• Tribal Lottery System (TLS) approved in February 1999 (Appendix X)
• Revisions to Appendix X (Appendix X2) approved in 2007
Tribal Casino Locations

Casinos (28 in operation)
State’s Public Protection Interests
Respect-Based Regulatory Partnership

• No criminal involvement
• Gaming conducted fairly and honestly
• Gaming limited to authorized activities
• Minimize negative community impacts on local law enforcement and emergency services
Appendix X (1998)

- Each Tribe received an allocation of 425 player terminals
- After one year, the allocation could be increased to 675
- Each Tribe may operate a maximum of 1,500 player terminals per facility by leasing them from another Tribe’s unused allocation
Appendix X2 (2007)

- Negotiated between the State and 27 of the 29 Tribes (excluding the Spokane and Cowlitz Tribes who did not have Compacts at the time)

- The Compacts were amended simultaneously

- Each Tribe received an allocation of 975 Player Terminals

- Each Tribe may operate additional player terminals by leasing them from another Tribe’s unused allocation
Today’s Proposed Compact Amendment
1. Restriction on Electronic Benefits Cards

All cash dispensing outlets & point of sale machines within a Tribe’s gaming facilities must not accept electronic benefits cards.

The Tribes have been following this requirement since it was enacted.
2. Smoking Cessation & Problem Gambling Contributions Payments

All contribution payment timeframes will match.

Appendix X2 required contribution payments by the 15th day of the month following the close of the Tribe’s fiscal year.

Amendment would require each Tribe to pay within one year of the close of the Tribe’s fiscal year, matching other required contribution timeframes.
3. Annual Regulatory Fees

Appendix X2 required:

• Tribes to reimburse actual costs that are reasonably incurred

• State to provide an estimate to the Tribes each year based on prior year’s incurred costs

• However, Appendix X and X2 allowed credits and a 10% discount for payment in advance, and Appendix X2 allowed for alternative fee agreements

Amendment:

• Eliminates the alternative regulatory fee agreement, credits, and 10% pre-payment discount options

• Regulatory fees return to actual cost reimbursement
3. Annual Regulatory Fees (continued)

Cost Allocation – Regulatory fees shall be set by the State’s current cost allocation model.

Revisions to the Cost Allocation Model – The State will provide 90 day’s notice before revising its cost allocation model.

Audit – The State shall give each Tribe an audited accounting of its actual costs by April 30th of the following year.
4. Player Terminal Allocations

Appendix X2 authorized each Tribe 975 Player Terminals

Proposed Amendment allows each Tribe an allocation of 1,075 Player Terminals

The proposal does not change the maximum number of machines allowed at a facility.
5. Appendix X2 Addendum

Each Tribe may increase its allocation by 50 player terminals when 500 or fewer player terminals are available for lease, as follows:

- A Tribe provides the State written notice and a certification from an independent accounting firm confirming the number of player terminals available.

- Within 30 days, the State shall review the certification, verify the player terminals available for lease in the state, and provide written notification the allocation of player terminals can be increased.

- The allocation increase is limited to 1 per 12 month period.

- When a Tribe increases its allocation under this section, any other compacted Washington Tribe may receive the same increase.
Next Steps

Today:

• Hold required public hearing
• Answer questions

At the February 13, 2015, public Commission meeting:

• Commissioners and Legislative Ex-Officios will vote. Options are to:
  ▪ Forward proposed amendment to the Governor for review and final execution; or
  ▪ Return the proposed amendment to the Director with instructions for further negotiation.
Questions?

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