

SENATE BILL REPORT

ESHB 1031

As Reported By Senate Committee On:
Ways & Means, March 23, 2005

Title: An act relating to problem gambling.

Brief Description: Providing long-term funding for problem gambling.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Cody, Simpson, Wood, Green, McIntire, Morrell, Kenney, P. Sullivan and Darnelle; by request of Governor Locke).

Brief History: Passed House: 3/14/05, 57-39.

Committee Activity: Ways & Means: 3/23/05 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Fairley, Pflug, Pridemore, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Brandland, Hewitt, and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Parlette and Roach.

Staff: Paula Faas (786-7449)

Background: A 1999 study estimated that between 53,200 and 137,900 Washington residents could be classified as problem or pathological gamblers. "Pathological gambling" is a mental disorder characterized by: (1) loss of control over gambling; (2) progression in preoccupation with gambling and finding ways to obtain money to gamble; and (3) continuation of gambling despite adverse consequences. Problem gambling is an earlier stage of the disorder.

In 2002, a program was established in the Department of Social and Health Services (DSHS) for the treatment of pathological gambling. During fiscal year 2003 a \$500,000 transfer from the revenues of the newly-authorized multi-state MegaMillions lottery game paid for the treatment program. To receive treatment under the program, a person must have needed treatment for pathological gambling, be "most amenable to treatment," and unable to afford it. No state funding for this program was authorized after fiscal year 2003.

Summary of Amended Bill: A program for the prevention and treatment of problem and pathological gambling is established in DSHS, to be paid out of a newly established fund, the Problem Gambling Account. Funding for the program is derived from a B&O tax on the net win of all licensed contests of chance (card rooms, bingo, raffles, punch-boards and pull-

tabs), as well as parimutuel horse racing. Additionally, the lottery commission will transfer a percentage of net receipts, defined as the revenue received from lottery and shared game lottery ticket sales minus the payments to winners. The funds for the transfer will come from the shared lottery game. The initial rates for the B&O tax and the transfer are 0.10 percent, and increases to 0.13 percent on July 1, 2006, and the amounts will be deposited into the Problem Gambling Account. The Gambling Commission is prohibited from imposing any fee for the same purposes.

Amended Bill Compared to Original Bill: The lottery transfers are to come from the shared lottery game as opposed to the moneys allocated by statutory formula to assist in paying the debt service of the Mariners stadium. A provision is added clarifying that the "gross income of the business" for horse racing does not include amounts paid for winning wagers, or taxes and distributions required by the horse racing statutes.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.

Testimony For (on companion SB 5037): The proposal is the result of a task force convened by the Office of the Governor and included a broad range of stakeholder interests. It provides a reasonable and streamlined approach to funding problem gambling treatment, at a cost of \$1.30 per \$1,000 of gambling activity. The personal, emotional, physical, legal, and financial trauma caused by pathological and problem gambling affects not only the gamblers, but also their families and loved ones. Some treatment providers consider it to be the most insidious addiction, one which is incapable of a "quick fix," and requires comprehensive follow-up.

Testimony Against (on companion SB 5037): The funding mechanism is not equitable, and the amount anticipated to be raised is inadequate to meet the needs of those who have pathological or problem gambling issues and who cannot pay for it themselves.

Who Testified: PRO: Dick Van Wagenen, Governor's Policy Office; Amy Hunter, WA State Gambling Commission; Gary Hanson, WA State Council on Problem Gambling; Donna Whitmire, private treatment provider; Linda Selymes, Kristina Kraus, private citizens; Dolores Chiechi, Recreational Gaming Association.

CON: Jennifer McAusland, Second Chance Washington.