

HOUSE BILL REPORT

HB 2177

As Reported By House Committee On:

Commerce & Labor

Title: An act relating to the gambling commission process for applications for house-banked card rooms.

Brief Description: Authorizing cities and towns to halt consideration of license applications for minicasinos.

Sponsors: Representatives Conway, Clements, Barlean and Lantz.

Brief History:

Committee Activity:

Commerce & Labor: 2/22/99, 3/1/99 [DPS].

Brief Summary of Substitute Bill

- Requires a public involvement and notification process to be completed before the Gambling Commission approves participation in the card room pilot program or grants any subsequent house-banked card room license.
- Allows a city or county legislative authority to request that the Gambling Commission postpone consideration of an application and all further applications for participation in the card room pilot program or subsequent license until April 1, 2000.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; McIntire and McMorris.

Minority Report: Do not pass. Signed by 1 member: Representative Lisk.

Staff: Pam Madson (786-7166).

Background:

Beginning in 1996, a series of changes were made by the Legislature and the Gambling Commission in the operation of licensed card rooms. The number of tables a card room may operate increases from five to 15. Card room operators may use different methods to obtain money from card players. They may collect a per hand fee from each player or take a percentage or set amount of the total amount wagered in a game. A third option is to charge players by the hour. Player supported jackpots are authorized allowing players to contribute a separate amount per hand toward a jackpot that can continue to grow until a particular event occurs. The Gambling Commission began a pilot program to gather information about the impact of these new approaches and to determine what regulations need to be in place to adequately regulate the activity.

In 1997, house-bank or player-funded banking games were authorized through legislation and the commission's pilot test was expanded to include this new method of operation.

Information being gathered during this test period is the basis for permanent rules that are currently before the Gambling Commission. The rules are scheduled for adoption and implementation by July 1, 1999.

Card Room Pilot Program Process. To participate in the pilot study, the card room applicant must submit an application to the commission. In most cases, the applicant is a licensed card room that has passed initial review for licensing and is a licensee in good standing. The applicant must enter into a contract with the commission that covers the operation and management of the card room. The contract is approved in a public meeting of the full Gambling Commission. Any review of the applicants activity when moving to a higher wager limit comes before the full commission at a public meeting. The commission meets at different locations around the state for its regularly scheduled monthly public meetings.

No public notice to specific individuals occurs before a license is granted or before participation in the pilot is granted. There are no required public hearings prior to granting a license or participation in the pilot program, and no special notice is given to local residents or local governments. Local law enforcement may be contacted during review of an application.

The commission may not deny a license to an otherwise qualified applicant for the purpose of limiting the number of licenses.

Thirty-five card rooms have been approved under the pilot program. The Gambling Commission expects another 35 card rooms will seek authority to operate house-banked games by January 1, 2000, bringing the total to 70.

Local Government Involvement in Gambling Regulation. The Gambling Commission is the exclusive authority for licensing and regulating gambling activities. Cities and counties may pass ordinances only if they are consistent with state gambling laws and commission rules. A city or county may prohibit gambling activity within its jurisdiction but may not change the scope of activity allowed under a state license.

Local law enforcement must agree to a change in the hours of operation for a card room wishing to remain open past 2:00 a.m. The commission requires each card room location to limit its hours of operation to 20 hours per day. Card rooms must close between 2:00 a.m. and 6:00 a.m.

Cities and counties are authorized to tax card room activity.

Summary of Substitute Bill:

Public Notice and Involvement. Before the commission may grant an applicant's request for participation in the house-banked card room pilot program or grant any subsequent house-banked card room license established by the commission, the commission must hold public meetings in the local community affected by the application and must provide for written comments. Notice must be provided to all local media, local law enforcement agencies, other local agencies or organizations that request notice from the commission, residents and property owners within a half-mile radius of the applicant's location, and any churches, schools and public institutions within a half-mile radius of the applicant's location. The applicant must meet with those persons having reasonable concerns regarding the impact of gambling activity in the area.

Local Government Involvement. The commission must notify city or county officials when a new application is made for participation in the card room pilot program or for any subsequent house-banked card room license established by the commission. The city or county may request that no further action be taken on any applications or licenses. The commission must grant the request and take no further action until April 1, 2000.

Commission authority is clarified to allow the commission to halt action on applications if a request is received from a city or county legislative authority to do so.

Substitute Bill Compared to Original Bill: The substitute bill: (1) Requires counties, as well as cities and towns, to be notified of applications submitted to the Gambling Commission and allows a county, as well as a city, to request a halt to further consideration of card room applications by the Gambling Commission; (2) designates city and county legislative authorities, rather than the chief executive

officer, as the entities to receive notice and make the request to the Gambling Commission on card room applications; and (3) clarifies that a local jurisdiction request that consideration be halted on card room applications is a request that includes all applications received by the Gambling Commission within the local jurisdiction until April 1, 2000.

Appropriation: None.

Fiscal Note: Requested on February 17, 1999.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: (Original bill) Communities are looking for a way to slow down the explosion of mini casino card rooms. It has been a long standing state policy that local jurisdictions are not to be involved in gambling decisions, particularly licensing decisions. Local jurisdictions have certain limited options when it comes to dealing with gambling activity. They can ban the activity altogether, including presently operating businesses engaged in certain types of licensed gambling activity. They can tax the activity as high as 20 percent of gross revenues. It is unclear what ability a city or county has in applying zoning laws to restrict locations or to limit the number of facilities. This bill would provide a time out until April, 2000, to allow more discussion and exploration of options and to allow local jurisdictions to prepare for this change in business operation. What has come out of the debate over an increase in mini casinos is a lack of local awareness that these enhanced card rooms may begin operating in a local area at any time. Local communities, in trying to create different commercial and neighborhood environments, are without notice that a mini casino can sprout within the commercial district and within a neighborhood at any time. There is a need for community notification and a need to put businesses on notice that they must reach out to the community. However, even if the commission takes input from a local community, there is little discretion provided to the Gambling Commission in denying a license to an applicant that otherwise qualifies under the gambling laws. There is a need to explore whether there is a middle ground for local jurisdictions in decisions regarding the appearance of mini casinos in their community. Both cities and counties should be able to request a moratorium on granting approval of applications.

Testimony Against: (Original bill) Local jurisdictions have very few options. They can ban the activity or impose a 20 percent tax to deter card room businesses from operating. If local concerns are handled through zoning, there is a public hearing process where card room owners can make their case. Under this bill, cities can be asked to stop license applications with no guaranteed hearing. This practice establishes a monopoly for those currently licensed, and it may put at risk those who

seek a renewal of an existing license. This bill doesn't provide any additional options to the local jurisdiction or the Gambling Commission to deal with the situation. Local decisions should not be on an application-by-application basis. The basis for current state regulation grew out of a scandal in the early 1970s involving local decisions on who could operate what gambling activity. All parties should continue to work on this issue and seek a better solution.

Testified: (In favor) Representative Steve Conway, prime sponsor.

(With concerns) Ron Rosenbloom, Association of Washington Cities.

(Neutral) Ed Fleisher, Washington State Gambling Commission.

(Opposed) Delores Cheichi Whitmore, Recreational Gaming Association; and Michael Transue, Washington State Restaurant Association.