

SENATE BILL REPORT

SB 6193

As of January 30, 2002

Title: An act relating to consistency in gaming provisions.

Brief Description: Providing consistency in gaming.

Sponsors: Senators Prentice, Deccio, Gardner, Hewitt, Shin, T. Sheldon and Rasmussen.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/31/02.

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Staff: David Cheal (786-7576)

Background: Five different types of entities conduct legally authorized gambling activities in Washington: (1) charitable organizations, (2) commercial establishments (house-banked card rooms), (3) tribal governments, (4) state government (lottery), and (5) horse racing. There has been continuous and vigorous competition between these sectors for a larger share of gambling dollars and for expanded legal authority.

Charitable nonprofit organizations currently are allowed to conduct bingo three days per week, raffles, amusement games, certain house-banked card games and roulette, punch boards and pull-tabs, and social card games for members and guests only. Commercial establishments can offer house-banked black jack, nonbanked card games such as poker (all games limited to 15 tables), and punch boards/pull-tabs (not electronic). Tribal casinos may conduct many forms of bingo and bingo machines, blackjack, craps, roulette, baccarat, poker, keno, off-track betting, and electronic tribal lottery systems. The State Lottery offers Lotto, Quinto, the Daily Game, Lucky-For-Life, and scratch tickets. The one remaining race track in operation is authorized to conduct class 1 race meets and fair meets.

Gambling net receipts have grown from \$707.7 million in 1999 to an estimated \$1.1 billion in 2001.

As a result of several years of disagreement (including litigation) between tribal governments and the state over the legality of slot machines and other gaming devices, and hence whether they were the proper subject for state-tribal compacts, it was decided to settle the matter in a federal court lawsuit. Eventually, the court provided a framework for negotiations. Twelve tribes with existing compacts and the state eventually agreed on the types of devices that now constitute the tribal lottery system.

Current taxes on bingo and raffles is 5 percent of gross receipts minus the amount awarded in cash or prizes. The first \$10,000 of raffles conducted by charities, and the first \$5,000 of bingo is exempt from taxes. Nonprofit punch boards are taxed at 10 percent of gross receipts minus amounts paid in cash or prizes. Commercial licensees are taxed at 5 percent

of gross receipts, or 10 percent minus awards for punch boards. Card game operations are capped at 20 percent of gross revenue. All taxes on gambling activities are levied by local jurisdictions, not the state.

The Gambling Commission is the exclusive authority for granting gambling licenses. However, a local jurisdiction may prohibit any and all gambling activities for which a license is required. Local jurisdictions may not alter the scope of a license.

Summary of Bill: The gambling policy statement in current law is amended to declare that eligible charitable entities and commercial operators shall have an equal and uniform opportunity to engage in all lawful aspects of gambling.

The three day per week limitation on bingo conducted by charitable organizations is removed. Electronic bingo is allowed, with up to 50 terminals per location. The Gambling Commission is empowered to authorize electronic pull-tabs and contests of chance to be conducted by charities.

Electronic pull-tabs are defined as being consistent with the electronic scratch ticket game operated as part of the tribal lottery system. Each electronic pull-tab game consists of a finite number of electronic pull-tabs, with a predetermined number of winning pull-tabs that would entitle a player to a prize. Electronic pull-tabs are accessed through a system of linked player terminals that allow players to compete against each other, but not against the terminal. Player terminals are limited to 200 per licensee.

The description of commercial operators that may be licensed is changed from "an established business primarily engaged in selling of food or drink for consumption on the premises . . ." to an "established business engaged in the business of selling food or drink for consumption on the premises." The Gambling Commission is empowered to authorize commercial operators to offer "contests of chance," which are defined as those authorized by the state under the Indian Gaming Regulatory Act of 1988. These probably would include baccarat, keno, craps, and roulette.

The current \$1 limitation on the cost of a pull-tab/punch board chance is removed.

The limitation on the taxation of bingo and raffles is changed from 5 percent of gross receipts to 5 percent of the "net win." "Net win" is defined as the amount of revenue retained by a licensee from games after prizes and other costs associated with the game have been paid, but before general expenses of the operator are paid. The same change is made with regard to taxation of punch boards and social card games.

The Department of Revenue is directed to adopt rules for the collection of taxes generated from electronic pull-tab sales. That tax is set at 10 percent of the net win. The taxes collected are to be placed into a special account in the custody of the State Treasurer. Five percent of amounts collected are allocated to problem gambling prevention, youth education, public awareness, training, helpline services, and to the division of alcohol and substance abuse in the Department of Social and Health Services for treatment. Local governments may tax electronic pull-tabs conducted within their jurisdiction, up to 5 percent of the net win. Local government taxes are to be credited against the 10 percent levied by the state.

If gambling establishments are to be prohibited by a change in a local jurisdiction ordinance, the local jurisdiction must either (1) authorize the continued operation of existing licensees as a nonconforming preexisting use, subject to the terms of the license as it exists or is subsequently modified, or (2) compensate the owner/operator. Compensation is to be determined by an independent appraisal to determine the fair market value, assuming gambling activities could continue on the premises in perpetuity.

Appropriation: None.

Fiscal Note: Requested on January 24, 2002.

Effective Date: Ninety days after adjournment of session in which bill is passed.