

HOUSE BILL REPORT

SSB 6613

As Passed House:

March 2, 2006

Title: An act relating to reaffirming and clarifying the prohibition against internet and certain other interactive electronic or mechanical devices to engage in gambling.

Brief Description: Prohibiting internet gambling.

Sponsors: By Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Prentice, Keiser, Kline, Rasmussen and Shin).

Brief History:

Committee Activity:

Commerce & Labor: 2/22/06, 2/23/06 [DP].

Floor Activity:

Passed House: 3/2/06, 93-5.

Brief Summary of Substitute Bill

- Adds prohibitions to the Gambling Act and the State Lottery regarding the use of the Internet in wagering and in selling lottery tickets, respectively.
- Requires a 60 percent vote of the Legislature to permit the State Lottery to offer any game using a device that electronically replicates a game of chance.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins, Kenney and McCoy.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member and Crouse.

Staff: Kasa Tupua (786-7291) and Chris Cordes (786-7103).

Background:

Washington regulates wagering and lottery activities under various statutes. With some exceptions, these statutes do not expressly address Internet gambling.

Gambling Act

In 1973, the Gambling Act was enacted to regulate and limit the nature and scope of gambling activities for the purposes of keeping the criminal element out of gambling and promoting the social welfare of the people. It is a gross misdemeanor if a person knowingly sends or receives gambling information via certain technologies such as by telephone, telegraph, radio, semaphore, or similar means, or installs or maintains equipment for such transmission or receipt. The Gambling Act does not apply to the selling or purchasing of tickets or shares in the state lottery or to parimutuel wagering authorized by the Horse Racing Commission.

State Lottery

The Washington State Lottery Commission (Commission) is authorized to regulate and conduct lottery games for the purpose of generating state funds to be used for the general welfare of the people. The Commission promulgates rules that govern, among other things, the:

- type of games;
- price of tickets or shares;
- number and size of prizes;
- manner and frequency of selecting winning tickets or shares; and
- method of selling tickets or shares.

A budget proviso in the 2005-07 operating budget states that the appropriations for the State Lottery may not be used by the State Lottery for any purpose associated with a lottery game offered through any interactive electronic device, including the Internet.

Horse Racing

The Washington Horse Racing Commission (HRC) is responsible for regulating horse racing in Washington. The HRC licenses racing facilities and the employees who participate in horse racing. It determines the place, time, and duration of race meets and is responsible for supervision of the race meets. Under the authorizing statute, wagering on horse races is authorized only by the parimutuel method.

Advance deposit wagering (ADW) is a form of parimutuel wagering in which an individual deposits money in an account to be used to pay for wagers made by the individual in person, by telephone, or through communication by other electronic means. Since 2004, the HRC has been authorized to permit ADW when conducted by a licensed racing association under a HRC-approved contract with an operator of an ADW system. This authority expires October 1, 2007.

Summary of Bill:

The Internet and telecommunications transmission systems are added to the list of technologies that may not be used to send or receive gambling information under the Gambling Act. The penalty for knowingly transmitting or receiving gambling information through such technologies is increased from a gross misdemeanor, which is punishable by up

to one year in confinement and a \$5,000 fine, to an unranked Class C felony offense, which is punishable by up to one year in confinement and a \$10,000 fine.

The Washington State Lottery Commission is prohibited from offering any game in which tickets or shares are sold over the Internet.

An affirmative vote of 60 percent of both houses of the Legislature is required before the Commission may offer any game that allows or requires a player to become eligible for a prize or to use a device that electronically replicates any game of chance, including scratch tickets.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support) Internet gambling is prohibited under state law. The legislation is important because it clarifies and reaffirms the prohibition against Internet gambling, and provides an opportunity for public education on this issue.

(Neutral) The Washington Lottery takes no position on the legislation.

Testimony Against: None.

Persons Testifying: (In support) Neal Nunamaker, Washington State Gambling Commission; and Rick Day, Washington State Gambling Commission.

(Neutral) Lynn Maier, Washington State Lottery.

Persons Signed In To Testify But Not Testifying: None.