
SUBSTITUTE SENATE BILL 5037

State of Washington

59th Legislature

2005 Regular Session

By Senate Committee on Labor, Commerce, Research & Development
(originally sponsored by Senators Prentice, Kohl-Welles, Kline,
Deccio and Franklin; by request of Governor Locke)

READ FIRST TIME 03/02/05.

1 AN ACT Relating to problem gambling; amending RCW 43.20A.890,
2 67.70.340, 82.04.350, 82.04.290, and 9.46.071; adding a new section to
3 chapter 43.20A RCW; adding new sections to chapter 82.04 RCW; creating
4 a new section; providing an effective date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

7 (a) The costs to society of problem and pathological gambling
8 include family disintegration, criminal activity, and financial
9 insolvencies;

10 (b) Problem and pathological gamblers suffer a higher incidence of
11 addictive disorders such as alcohol and substance abuse;

12 (c) Residents of Washington have the opportunity to participate in
13 a variety of legal gambling activities operated by the state, by
14 federally recognized tribes, and by private businesses and nonprofit
15 organizations; and

16 (d) A 1999 study found that five percent of adult Washington
17 residents and eight percent of adolescents could be classified as
18 problem gamblers during their lifetimes, and that more than one percent
19 of adults have been afflicted with pathological gambling.

1 (2) The legislature intends to provide long-term, dedicated funding
2 for public awareness and education regarding problem and pathological
3 gambling, training in its identification and treatment, and treatment
4 services for problem and pathological gamblers and, as clinically
5 appropriate, members of their families.

6 **Sec. 2.** RCW 43.20A.890 and 2002 c 349 s 4 are each amended to read
7 as follows:

8 (1) A program for (a) the prevention and treatment of
9 ~~((pathological))~~ problem and pathological gambling; and (b) the
10 training of professionals in the identification and treatment of
11 problem and pathological gambling is established within the department
12 of social and health services, to be administered by a qualified person
13 who has training and experience in ~~((handling pathological))~~ problem
14 gambling ~~((problems))~~ or the organization and administration of
15 treatment services for persons suffering from ~~((pathological))~~ problem
16 gambling ~~((problems))~~. The department may contract for any services
17 provided under the program. The department shall track program
18 participation and client outcomes.

19 (2) To receive treatment under subsection (1) of this section, a
20 person must:

21 (a) Need treatment for ~~((pathological))~~ problem or pathological
22 gambling, or because of the problem or pathological gambling of a
23 family member, but be unable to afford treatment; and

24 (b) Be targeted by the department of social and health services as
25 ~~((to be))~~ being most amenable to treatment.

26 (3) Treatment under this section is ~~((limited to))~~ available only
27 to the extent of the funds appropriated or otherwise made available to
28 the department of social and health services for this purpose. The
29 department may solicit and accept for use any gift of money or property
30 made by will or otherwise, and any grant of money, services, or
31 property from the federal government, any tribal government, the state,
32 or any political subdivision thereof or any private source, and do all
33 things necessary to cooperate with the federal government or any of its
34 agencies or any tribal government in making an application for any
35 grant.

36 (4) The department of social and health services shall ~~((report to~~
37 ~~the legislature by September 1, 2002, with a plan for implementing this~~

1 section)) establish an advisory committee to assist it in designing,
2 managing, and evaluating the effectiveness of the program established
3 in this section. The committee shall include, at a minimum, persons
4 knowledgeable in the field of problem and pathological gambling and
5 persons representing tribal gambling, privately owned nontribal
6 gambling, and the state lottery.

7 ~~(5) ((The department of social and health services shall report to~~
8 ~~the legislature by November 1, 2003, on program participation and~~
9 ~~client outcomes.))~~ For purposes of this section, "pathological
10 gambling" is a mental disorder characterized by loss of control over
11 gambling, progression in preoccupation with gambling and in obtaining
12 money to gamble, and continuation of gambling despite adverse
13 consequences. "Problem gambling" is an earlier stage of pathological
14 gambling which compromises, disrupts, or damages family or personal
15 relationships or vocational pursuits.

16 NEW SECTION. Sec. 3. A new section is added to chapter 43.20A RCW
17 to read as follows:

18 The problem gambling account is created in the state treasury.
19 Money in the account may be spent only after appropriation.
20 Expenditures from the account may be used only for the purposes of the
21 program established under RCW 43.20A.890.

22 Sec. 4. RCW 67.70.340 and 2002 c 349 s 3 are each amended to read
23 as follows:

24 (1) The legislature recognizes that creating a shared game lottery
25 could result in less revenue being raised by the existing state lottery
26 ticket sales. The legislature further recognizes that the two funds
27 most impacted by this potential event are the student achievement fund
28 and the education construction account. Therefore, it is the intent of
29 the legislature to use some of the proceeds from the shared game
30 lottery to make up the difference that the potential state lottery
31 revenue loss would have on the student achievement fund and the
32 education construction account. The legislature further intends to use
33 some of the proceeds from the shared game lottery to fund programs and
34 services related to problem and pathological gambling.

35 (2) The student achievement fund and the education construction
36 account are expected to collectively receive one hundred two million

1 dollars annually from state lottery games other than the shared game
2 lottery. For fiscal year 2003 and thereafter, if the amount of lottery
3 revenues earmarked for the student achievement fund and the education
4 construction account (~~are~~) is less than one hundred two million
5 dollars, the commission, after making the transfer required under
6 subsection (3) of this section, must transfer sufficient moneys from
7 revenues derived from the shared game lottery into the student
8 achievement fund and the education construction account to bring the
9 total revenue up to one hundred two million dollars. The funds
10 transferred from the shared game lottery account under this subsection
11 must be divided between the student achievement fund and the education
12 construction account in a manner consistent with RCW 67.70.240(3).

13 ~~(3) ((For fiscal year 2003, the commission shall transfer from~~
14 ~~revenues derived from the shared game lottery to the violence reduction~~
15 ~~and drug enforcement account under RCW 69.50.520 five hundred thousand~~
16 ~~dollars exclusively for the treatment of pathological gambling as~~
17 ~~prescribed by RCW 67.70.350.))~~ (a) The commission shall transfer, from
18 revenue derived from the shared game lottery, to the problem gambling
19 account created in section 3 of this act, an amount equal to the
20 percentage specified in (b) of this subsection of net receipts. For
21 purposes of this subsection, "net receipts" means the difference
22 between (i) revenue received from the sale of lottery tickets or shares
23 and revenue received from the sale of shared game lottery tickets or
24 shares; and (ii) the sum of payments made to winners.

25 (b) In fiscal year 2006, the percentage to be transferred to the
26 problem gambling account is one-tenth of one percent. In fiscal year
27 2007 and subsequent fiscal years, the percentage to be transferred to
28 the problem gambling account is thirteen one-hundredths of one percent.

29 (4) The remaining net revenues, if any, in the shared game lottery
30 account after the transfers pursuant to this section shall be deposited
31 into the general fund.

32 NEW SECTION. Sec. 5. A new section is added to chapter 82.04 RCW,
33 to be codified between RCW 82.04.220 and 82.04.310, to read as follows:

34 (1) Upon every person engaging within this state in the business of
35 operating contests of chance; as to such persons, the amount of tax
36 with respect to the business of operating contests of chance is equal

1 to the gross income of the business derived from contests of chance
2 multiplied by the rate of 1.5 percent.

3 (2) An additional tax is imposed on those persons subject to tax in
4 subsection (1) of this section. The amount of the additional tax with
5 respect to the business of operating contests of chance is equal to the
6 gross income of the business derived from contests of chance multiplied
7 by the rate of 0.1 percent through June 30, 2006, and 0.13 percent
8 thereafter. The money collected under this subsection (2) shall be
9 deposited in the problem gambling account created in section 3 of this
10 act.

11 (3) For the purpose of this section, "contests of chance" means any
12 contests, games, gaming schemes, or gaming devices, other than the
13 state lottery as defined in RCW 67.70.010, in which the outcome depends
14 in a material degree upon an element of chance, notwithstanding that
15 skill of the contestants may also be a factor in the outcome. The term
16 includes social card games, bingo, raffle, and punchboard games, and
17 pull-tabs as defined in chapter 9.46 RCW. The term does not include
18 race meets for the conduct of which a license must be secured from the
19 Washington horse racing commission, or "amusement game" as defined in
20 RCW 9.46.0201.

21 (4) "Gross income of the business" does not include the monetary
22 value or actual cost of any prizes that are awarded, amounts paid to
23 players for winning wagers, accrual of prizes for progressive jackpot
24 contests, or repayment of amounts used to seed guaranteed progressive
25 jackpot prizes.

26 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW
27 to read as follows:

28 (1) Upon every person engaging within this state in the business of
29 conducting race meets for the conduct of which a license must be
30 secured from the Washington horse racing commission; as to such
31 persons, the amount of tax with respect to the business of parimutuel
32 wagering is equal to the gross income of the business derived from
33 parimutuel wagering multiplied by the rate of 0.1 percent through June
34 30, 2006, and 0.13 percent thereafter. The money collected under this
35 section shall be deposited in the problem gambling account created in
36 section 3 of this act.

1 (2) If the persons described in subsection (1) of this section
2 receive income from sources other than those described in subsection
3 (1) of this section or provide services other than those named in
4 subsection (1) of this section, that income and those services are
5 subject to tax as otherwise provided in this chapter.

6 (3) For purposes of this section, "gross income of the business"
7 does not include amounts paid to players for winning wagers.

8 (4) The tax imposed under this section is in addition to any tax
9 imposed under chapter 67.16 RCW.

10 **Sec. 7.** RCW 82.04.350 and 1961 c 15 s 82.04.350 are each amended
11 to read as follows:

12 Except as provided in section 6(1) of this act, this chapter shall
13 not apply to any person in respect to the business of conducting race
14 meets for the conduct of which a license must be secured from the horse
15 racing commission.

16 **Sec. 8.** RCW 82.04.290 and 2004 c 174 s 2 are each amended to read
17 as follows:

18 (1) Upon every person engaging within this state in the business of
19 providing international investment management services, as to such
20 persons, the amount of tax with respect to such business shall be equal
21 to the gross income or gross proceeds of sales of the business
22 multiplied by a rate of 0.275 percent.

23 (2) Upon every person engaging within this state in any business
24 activity other than or in addition to (~~those enumerated in RCW~~
25 ~~82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,~~
26 ~~82.04.298, 82.04.2905, 82.04.280, 82.04.2907, 82.04.272, 82.04.2906,~~
27 ~~and 82.04.2908, and~~) an activity taxed explicitly under another
28 section in this chapter or subsection (1) of this section; as to such
29 persons the amount of tax on account of such activities shall be equal
30 to the gross income of the business multiplied by the rate of 1.5
31 percent.

32 (3) Subsection (2) of this section includes, among others, and
33 without limiting the scope hereof (whether or not title to materials
34 used in the performance of such business passes to another by
35 accession, confusion or other than by outright sale), persons engaged
36 in the business of rendering any type of service which does not

1 constitute a "sale at retail" or a "sale at wholesale." The value of
2 advertising, demonstration, and promotional supplies and materials
3 furnished to an agent by his principal or supplier to be used for
4 informational, educational and promotional purposes shall not be
5 considered a part of the agent's remuneration or commission and shall
6 not be subject to taxation under this section.

7 **Sec. 9.** RCW 9.46.071 and 2003 c 75 s 1 are each amended to read as
8 follows:

9 (1) The legislature recognizes that some individuals in this state
10 are problem or ((~~compulsive~~)) pathological gamblers. Because the state
11 promotes and regulates gambling through the activities of the state
12 lottery commission, the Washington horse racing commission, and the
13 Washington state gambling commission, the state has the responsibility
14 to continue to provide resources for the support of services for
15 problem and ((~~compulsive~~)) pathological gamblers. Therefore, ((~~at a~~
16 ~~minimum,~~)) the Washington state gambling commission, the Washington
17 horse racing commission, and the state lottery commission shall jointly
18 develop informational signs concerning problem and ((~~compulsive~~))
19 pathological gambling which include a toll-free hot line number for
20 problem and ((~~compulsive~~)) pathological gamblers. The signs shall be
21 placed in the establishments of gambling licensees, horse racing
22 licensees, and lottery retailers. In addition, the Washington state
23 gambling commission, the Washington horse racing commission, and the
24 state lottery commission may also contract with other qualified
25 entities to provide public awareness, training, and other services to
26 ensure the intent of this section is fulfilled.

27 (2)(a) During any period in which section 5(2) of this act is in
28 effect, the commission may not increase fees payable by licensees under
29 its jurisdiction for the purpose of funding services for problem and
30 pathological gambling. Any fee imposed or increased by the commission,
31 for the purpose of funding these services, before the effective date of
32 this section shall have no force and effect after the effective date of
33 this section.

34 (b) During any period in which section 5(2) of this act is not in
35 effect:

36 (i) The commission, the Washington state horse racing commission,

1 and the state lottery commission may contract for services, in addition
2 to those authorized in subsection (1) of this section, to assist in
3 providing for treatment of problem and pathological gambling; and
4 (ii) The commission may increase fees payable by licenses under its
5 jurisdiction for the purpose of funding the services authorized in this
6 section for problem and pathological gamblers.

7 NEW SECTION. Sec. 10. If any provision of this act or its
8 application to any person or circumstance is held invalid, the
9 remainder of the act or the application of the provision to other
10 persons or circumstances is not affected.

11 NEW SECTION. Sec. 11. This act is necessary for the immediate
12 preservation of the public peace, health, or safety, or support of the
13 state government and its existing public institutions, and takes effect
14 July 1, 2005.

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