
HOUSE BILL 2044

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Taylor, Kirby, Ross, Haler, Haigh, Johnson, Reykdal, Kretz, and Alexander

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1 AN ACT Relating to equity and fairness through the creation and
2 regulation of electronic scratch ticket machines for nontribal gambling
3 establishments; amending RCW 67.70.040, 67.70.330, and 9.46.291; adding
4 a new chapter to Title 67 RCW; and providing an effective date.

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

6 NEW SECTION. **Sec. 1.** This act may be known and cited as the
7 gaming equity and fairness act of 2011.

8 NEW SECTION. **Sec. 2.** (1) The purpose of this act is to extend
9 electronic scratch ticket games, which are currently allowed only to
10 tribal entities, to house-banked card room licensees in the same form
11 and manner that is allowed under the Indian gaming regulatory act. The
12 legislature declares that house-banked card rooms operating at least
13 five card games may use the types of electronic scratch ticket games,
14 devices, and player terminals authorized under this chapter.

15 (2) The legislature further declares that electronic scratch
16 tickets are a legal form of gambling in the state of Washington. This
17 chapter is intended to grant specific authority to the commission to
18 regulate electronic scratch ticket gambling by house-banked card rooms.

1 (3) The legislature finds this chapter will assist in job creation
2 and retention. The legislature further finds that this chapter is
3 necessary for the immediate preservation of public health and safety
4 and the support of state government and its existing public
5 institutions as it is intended to generate revenue appropriated in the
6 2011-2013 biennium. Programs dependent upon the additional revenue
7 forecasted under this chapter provide for the health, education, and
8 welfare of the citizens of the state of Washington.

9 NEW SECTION. **Sec. 3.** The definitions in this section apply
10 throughout this chapter unless the context clearly requires otherwise.

11 (1) "Central accounting and auditing computer system" means a
12 computer system owned and operated by the commission that provides a
13 secure means to monitor, receive, store, and access data, and record
14 critical functions and activities of the player terminals.

15 (2) "Central computer" has the same meaning as provided in Appendix
16 X2 to the state-tribal gaming compact, as it exists on the effective
17 date of this section or as hereinafter amended.

18 (3) "Commission" means the Washington state lottery commission.

19 (4) "Electronic scratch ticket" has the same meaning as provided in
20 Appendix X2 to the state-tribal gaming compact, as it exists on the
21 effective date of this section or as hereinafter amended.

22 (5) "Electronic scratch ticket game" has the same meaning as
23 provided in Appendix X2 to the state-tribal gaming compact, as it
24 exists on the effective date of this section or as hereinafter amended.

25 (6) "Electronic scratch ticket game set" has the same meaning as
26 provided in Appendix X2 to the state-tribal gaming compact, as it
27 exists on the effective date of this section or as hereinafter amended.

28 (7) "Electronic scratch ticket game subset" has the same meaning as
29 provided in Appendix X2 to the state-tribal gaming compact, as it
30 exists on the effective date of this section or as hereinafter amended.

31 (8) "House-banked card room" means the holder of a house-banked
32 card room license from the gambling commission.

33 (9) "Manufacturing computer" has the same meaning as provided in
34 Appendix X2 to the state-tribal gaming compact as it exists on the
35 effective date of this section or as hereinafter amended.

36 (10) "Net win" means gross wagers received from gambling activities
37 minus the:

- 1 (a) Amount paid to players for winning wagers; and
- 2 (b) Accrual of prizes for progressive jackpot contests; and
- 3 (c) Repayment of amounts used to seed guaranteed progressive
- 4 jackpot prizes.

5 (11) "Player terminals" has the same meaning as provided in
6 Appendix X2 to the state-tribal gaming compact, as it exists on the
7 effective date of this section or as hereinafter amended.

8 NEW SECTION. **Sec. 4.** (1)(a) All electronic scratch ticket
9 systems, games, and player terminals approved for operation by the
10 gambling commission as a tribal lottery system under tribal-state class
11 III gaming compacts in the state pursuant to RCW 9.46.360 may be put
12 into use under this chapter to the same extent and in the same manner
13 as electronic scratch tickets are regulated under the tribal-state
14 gaming compact by house-banked card rooms operating at least five card
15 games. All computers and player terminals and the combination and
16 components thereof in each system must conform to this chapter and the
17 rules adopted under this chapter.

18 (b) Electronic scratch ticket systems, games, and player terminals
19 not approved for operation by the gambling commission under the tribal-
20 state class III gaming compact in the state may be put to use after
21 approval is obtained from the commission under the requirements of this
22 chapter and rules adopted under this chapter.

23 (2) The electronic scratch ticket game consists of a finite number
24 of electronic scratch tickets, a certain number of which, if drawn,
25 entitle a player to prize awards at various levels. The scratch
26 tickets are designed from a template in conformity with this chapter
27 and are created in game sets on a manufacturing computer from which
28 scratch tickets are randomly selected and placed into scratch ticket
29 subsets. Each game set has a predetermined number of winners and
30 values and is designed so as to assure players of an at least seventy-
31 five percent payback of the amounts paid in the aggregate for all
32 tickets in the set. As a game set's tickets are placed into subsets,
33 the pool of tickets available from that game set for placement into
34 subsets diminishes, until each ticket in the game set has been placed
35 into a subset.

36 (3)(a) Electronic scratch ticket game subsets are transmitted to
37 the central computer, where they are stored until dispensed

1 electronically on demand to player terminals. Scratch tickets are
2 electronically dispensed from the central computer in the order within
3 each subset in which the tickets were received. Players compete
4 against each other to draw winning tickets. As subsets are used, they
5 are replaced by additional subsets that have been created and delivered
6 to the central computer in the same manner, until the game set has been
7 depleted, ending that particular game. Different games based on
8 different game sets may be offered simultaneously through the central
9 computer.

10 (b) Each game set must be consistent with the provisions of
11 Appendix X2 as adopted under the most current tribal-state class III
12 gaming compact in Washington state or as hereafter amended and meet the
13 following minimum requirements:

14 (i) Each game set must be made up of a finite number, that cannot
15 be limited by rule, of electronic scratch tickets;

16 (ii) All scratch tickets in a particular game set must be of the
17 same purchase price, not to exceed five dollars, but a single ticket
18 may offer more than one opportunity to win a prize on the same wager;

19 (iii) The payout percentage for the entire game set must be no less
20 than seventy-five percent of the total purchase price of all tickets in
21 the set combined;

22 (iv) Each game set must be assigned a unique serial number; and

23 (v) Each ticket must have a specific outcome and prize level
24 associated with it.

25 (4) A central accounting and auditing computer system must monitor
26 the electronic scratch ticket games and their related systems. This
27 central accounting and auditing computer system must be:

28 (a) Controlled, owned, and operated by the commission;

29 (b) Connected to electronic scratch ticket systems operated by
30 licensees to communicate a licensee's electronic scratch ticket game
31 system information; and

32 (c) For the purpose of assuring the integrity, security, honesty,
33 and fairness in the operation and administration of electronic scratch
34 ticket games.

35 (5) The maximum number of electronic scratch ticket game player
36 terminals is limited to two hundred per licensed location with a
37 maximum number of terminals for all licensed locations limited to seven
38 thousand eight hundred seventy-five.

1 (6) Video and/or electronic surveillance is required by electronic
2 scratch ticket game licensees.

3 (7) The commission must adopt rules defining the remaining
4 electronic scratch ticket system operating requirements including rules
5 regarding internal controls, software auditing, player terminals, the
6 standards for random number generators, accounting, security,
7 reporting, storage requirements, testing, and auditing of system
8 operations that must be consistent with the provisions of Appendix X2
9 as adopted under the most current tribal-state class III gaming compact
10 in Washington state or as hereafter amended.

11 NEW SECTION. **Sec. 5.** (1) Play of all electronic scratch ticket
12 games is restricted to players who are twenty-one years of age or
13 older.

14 (2) Placement of player terminals for electronic scratch ticket
15 games are allowed only:

16 (a) On premises and in areas of premises meeting the liquor control
17 board's requirements for barrier and signage as contained in WAC 314-
18 02-025(3) as it exists on the effective date of this section; and

19 (b)(i) Where the entire facility is not restricted to persons of
20 age twenty-one;

21 (ii) In areas of the premises designated as off-limits and
22 restricted to persons under the age of twenty-one; or

23 (iii) In premises designated as off-limits to persons under the age
24 of twenty-one in their entirety.

25 (3) Duties of employees who are eighteen, nineteen, and twenty must
26 comply with the provisions of chapter 66.44 RCW and the rules adopted
27 by the liquor control board under that chapter.

28 NEW SECTION. **Sec. 6.** (1) In order to be eligible for an
29 electronic scratch ticket license, the commission must, at a minimum,
30 require the applicant to demonstrate that the applicant is:

31 (a) A holder of a house-banked card room license from the gambling
32 commission operating at least five card games on the effective date of
33 this section; or

34 (b) A holder of a house-banked card room license who obtains the
35 license after the effective date of this section and who has operated
36 at least five card games for at least five years.

1 (2) Electronic scratch ticket licensees may lease and/or revenue-
2 share with persons or entities, including route operators,
3 distributors, and manufacturers licensed by the commission to engage in
4 such activity for the purposes of obtaining and operating scratch
5 ticket devices. Contracts between a route operator and a licensee must
6 be in writing, signed by the parties, and submitted to the commission
7 before the installation of player terminals.

8 (3)(a) Except as provided in (b) of this subsection, nothing in
9 this section prohibits the sale of a house-banked social card game
10 business operating electronic scratch ticket games, sale of nongambling
11 assets of a house-banked social card game business, or change of
12 location of a house-banked social card game business.

13 (b) If a house-banked social card game business ceases to operate,
14 the following are prohibited:

15 (i) Sale of the business, other than a sale in connection with a
16 change of location outside the jurisdiction; and

17 (ii) A change of location of the business within the jurisdiction.

18 (c) For the purposes of this subsection "ceases to operate" means
19 a business does not owe any taxes imposed under RCW 9.46.110 for twelve
20 consecutive months.

21 NEW SECTION. **Sec. 7.** Individual licensees may electronically
22 interconnect the player terminals on separate licensed locations.
23 However, capacity for remote access or control of any player terminal
24 from a remote device without written commission approval is not
25 allowed. All communications to and from the player terminals that
26 constitute a wide area network system must be encrypted for security
27 purposes and coverage and must comply with the encryption scheme of the
28 electronic accounting system.

29 **Sec. 8.** RCW 67.70.040 and 2006 c 290 s 3 are each amended to read
30 as follows:

31 The commission (~~(shall have)~~) has the power(~~(, and it shall be~~
32 ~~its)~~) and duty:

33 (1) To adopt rules governing the establishment and operation of a
34 state lottery as it deems necessary and desirable in order that such a
35 lottery be initiated at the earliest feasible and practicable time, and
36 in order that such lottery produce the maximum amount of net revenues

1 for the state consonant with the dignity of the state and the general
2 welfare of the people. Such rules (~~shall~~) include, but (~~shall~~) are
3 not (~~be~~) limited to, the following:

4 (a) The type of lottery to be conducted which may include
5 electronic scratch tickets as defined in section 2 of this act, and the
6 selling of tickets or shares, but such tickets or shares may not be
7 sold over the internet. The use of electronic or mechanical devices or
8 video terminals which allow for individual play against such devices or
9 terminals shall be prohibited. An affirmative vote of sixty percent of
10 both houses of the legislature is required before offering any game
11 allowing or requiring a player to become eligible for a prize or to
12 otherwise play any portion of the game by interacting with any device
13 or terminal involving digital, video, or other electronic
14 representations of any game of chance, including scratch tickets, pull-
15 tabs, bingo, poker or other cards, dice, roulette, keno, or slot
16 machines. Approval of the legislature (~~shall be~~) is required before
17 entering any agreement with other state lotteries to conduct shared
18 games;

19 (b) The price, or prices, of tickets or shares in the lottery;

20 (c) The numbers and sizes of the prizes on the winning tickets or
21 shares;

22 (d) The manner of selecting the winning tickets or shares, except
23 as limited by (a) of this subsection;

24 (e) The manner and time of payment of prizes to the holder of
25 winning tickets or shares which, at the director's option, may be paid
26 in lump sum amounts or installments over a period of years;

27 (f) The frequency of the drawings or selections of winning tickets
28 or shares. Approval of the legislature is required before conducting
29 any online game in which the drawing or selection of winning tickets
30 occurs more frequently than once every twenty-four hours;

31 (g) Without limit as to number, the type or types of locations at
32 which tickets or shares may be sold;

33 (h) The method to be used in selling tickets or shares, except as
34 limited by (a) of this subsection;

35 (i) The licensing of agents to sell or distribute tickets or
36 shares, except that a person under the age of eighteen (~~shall~~) may
37 not be licensed as an agent;

1 (j) The manner and amount of compensation, if any, to be paid
2 licensed sales agents necessary to provide for the adequate
3 availability of tickets or shares to prospective buyers and for the
4 convenience of the public;

5 (k) The apportionment of the total revenues accruing from the sale
6 of lottery tickets or shares and from all other sources among: (i) The
7 payment of prizes to the holders of winning tickets or shares, which
8 (~~shall~~) may not be less than forty-five percent of the gross annual
9 revenue from such lottery, (ii) transfers to the lottery administrative
10 account created by RCW 67.70.260, and (iii) transfer to the state's
11 general fund. Transfers to the state general fund (~~shall~~) must be
12 made in compliance with RCW 43.01.050;

13 (1) Such other matters necessary or desirable for the efficient and
14 economical operation and administration of the lottery and for the
15 convenience of the purchasers of tickets or shares and the holders of
16 winning tickets or shares.

17 (2) To ensure that in each place authorized to sell lottery tickets
18 or shares, on the back of the ticket or share, and in any advertising
19 or promotion there (~~shall~~) must be conspicuously displayed an
20 estimate of the probability of purchasing a winning ticket.

21 (3) To amend, repeal, or supplement any such rules from time to
22 time as it deems necessary or desirable.

23 (4) To advise and make recommendations to the director for the
24 operation and administration of the lottery.

25 **Sec. 9.** RCW 67.70.330 and 1987 c 511 s 15 are each amended to read
26 as follows:

27 (1) The director (~~shall have~~) has the power to enforce this
28 chapter and the penal laws of this state relating to the conduct of or
29 participation in lottery activities and the manufacturing, importation,
30 transportation, distribution, possession, and sale of equipment or
31 paraphernalia used or for use in connection therewith. The director,
32 the deputy director, assistant directors, and each of the director's
33 investigators, enforcement officers, and inspectors (~~shall~~) have the
34 power to enforce this chapter and the penal laws of this state relating
35 to the conduct of or participation in lottery activities and the
36 manufacturing, importation, transportation, distribution, possession,
37 and sale of equipment or paraphernalia used or for use in connection

1 therewith. They shall have the power and authority to apply for and
2 execute all warrants and serve process of law issued by the courts in
3 enforcing the penal provisions of this chapter and the penal laws of
4 this state relating to the conduct of or participation in lottery
5 activities and the manufacturing, importation, transportation,
6 distribution, possession, and sale of equipment or paraphernalia used
7 or for use in connection therewith. They (~~shall~~) have the power to
8 arrest without a warrant, any person or persons found in the act of
9 violating any of the penal provisions of this chapter and the penal
10 laws of this state relating to the conduct of or participation in
11 lottery activities and the manufacturing, importation, transportation,
12 distribution, possession, and sale of equipment or paraphernalia used
13 or for use in connection therewith. To the extent set forth in this
14 section, the office of the director (~~shall be~~) is a law enforcement
15 agency of this state with the power to investigate for violations of
16 and to enforce the provisions of this chapter and to obtain information
17 from and provide information to all other law enforcement agencies.

18 (2)(a) The gambling commission has primary responsibility with
19 regard to enforcement of chapter 67.--- RCW (the new chapter created in
20 section 12 of this act), relating to the conduct of and participation
21 in electronic scratch ticket games.

22 (b) The director has sole responsibility with regard to licensing
23 and rule making under chapter 67.--- RCW (the new chapter created in
24 section 12 of this act).

25 **Sec. 10.** RCW 9.46.291 and 1982 2nd ex.s. c 7 s 39 are each amended
26 to read as follows:

27 (1) Except as specified by subsection (2) of this section, the
28 provisions of this chapter (~~shall~~) do not apply to the conducting,
29 operating, participating, or selling or purchasing of tickets or shares
30 in the "lottery" or "state lottery" as defined in RCW 67.70.010 when
31 such conducting, operating, participating, or selling or purchasing is
32 in conformity to the provisions of chapter 67.70 RCW and to the rules
33 adopted thereunder.

34 (2) The commission must enforce compliance with state law with
35 regard to the conduct of and participation in electronic scratch ticket
36 games as defined by chapter 67.--- RCW (the new chapter created in
37 section 12 of this act) by house-banked card rooms.

1 NEW SECTION. **Sec. 11.** (1) The commission must develop a
2 compensation system for house-banked card rooms from the net win of
3 electronic scratch ticket games. The remaining net win not retained by
4 the commission under subsection (2) of this section must be returned to
5 the house-banked card room as agent compensation.

6 (2) The commission must retain thirty-five percent of the net win
7 from electronic scratch ticket games and deposit the proceeds in the
8 gaming equity and fairness account hereby created in the custody of the
9 state treasurer. Expenditures from the account must be used as
10 specified in this section. The legislature may not appropriate funds
11 from the account inconsistent with this section unless approved by an
12 affirmative vote of at least sixty percent of the members of each house
13 of the legislature.

14 (3) The money in the gaming equity and fairness account must be
15 expended as follows:

16 (a) Up to two percent of the proceeds may be used to reimburse the
17 state gambling commission and the state lottery commission for their
18 reasonable expenses for administration and enforcement of chapter
19 67.--- RCW (the new chapter created in section 12 of this act);

20 (b) One-half of one percent of the proceeds must be used only for
21 problem gaming prevention, youth education, public awareness, training,
22 help-line services, and treatment;

23 (c) Five percent of the proceeds must be distributed proportionally
24 to local governments in which a house-banked card room is located,
25 based on the total net win attributable to any card room within such
26 local government's boundaries; and

27 (d) The remaining proceeds must be spent as follows:

28 (i) Fifty percent for K-12 education;

29 (ii) Thirty percent for health and human service programs; and

30 (iii) Twenty percent for public safety programs.

31 NEW SECTION. **Sec. 12.** Sections 1 through 7 and 11 of this act
32 constitute a new chapter in Title 67 RCW.

33 NEW SECTION. **Sec. 13.** This act takes effect August 1, 2011.

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