

HOUSE BILL REPORT

HB 1681

As Reported by House Committee On:

Regulated Substances & Gaming
Finance

Title: An act relating to problem gambling.

Brief Description: Concerning problem gambling.

Sponsors: Representatives Stearns, Lekanoff, Davis, Leavitt, Reeves, Pollet and Orwall.

Brief History:

Committee Activity:

Regulated Substances & Gaming: 2/7/23, 2/14/23 [DPS];

Finance: 2/21/23, 2/22/23 [DP2S(w/o sub RSG)].

Brief Summary of Second Substitute Bill

- Clarifies the responsibilities of the Health Care Authority and the Department of Health for the State Problem Gambling Program and the membership of an advisory committee for the program.
- Increases the transfer of funds from the Shared Game Lottery to the Problem Gambling Account.
- Increases the tax imposed on contests of chance and pari-mutuel wagering.

HOUSE COMMITTEE ON REGULATED SUBSTANCES & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kloba, Co-Chair; Wylie, Co-Chair; Stearns, Vice Chair; Chambers, Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Cheney, Morgan, Orwall, Reeves, Walsh and Waters.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Matt Sterling (786-7289).

Background:

If an activity meets the definition of "gambling" in the Gambling Act, it is prohibited unless authorized in law. The word "gambling" is defined as staking or risking something of value upon the outcome of a contest of chance or a future contingent event not under the person's control or influence, upon an agreement or understanding that the person or someone else will receive something of value in the event of a certain outcome. "Contest of chance" means any contest, game, gaming scheme, or gaming device in which the outcome depends in a material degree upon an element of chance, notwithstanding that skill of the contestants may also be a factor therein.

Specific activities are excluded from the definition, such as fishing derbies, pari-mutuel wagering on horse racing regulated under other statutes, and bona fide business transactions valid under the law of contracts, including futures contracts for commodities.

Problem Gambling Program.

The State Problem Gambling Program for the prevention and treatment of problem gambling and the training of treatment professionals is established in the Health Care Authority (Authority). The Department of Health may license and the Authority may contract with treatment facilities for program services. The Authority is required to track program participation and outcomes.

To receive treatment, a person must need treatment for problem gambling and be likely to benefit from treatment. Treatment is made available subject to the funds that are appropriated for that purpose. The Authority is required to establish an advisory committee to assist in the design, management, and evaluation of the program.

The Gambling Commission, the Horse Racing Commission, and the Lottery Commission must develop problem gambling informational signs and a toll-free hotline number for problem gambling. The Gambling Commission must establish a statewide self-exclusion program for all licensees. The self-exclusion program allows persons to voluntarily exclude themselves from gambling at authorized gambling establishments.

Problem Gambling Account.

The State Lottery Commission is required to transfer 0.13 percent of the net receipts derived from the Shared Game Lottery to the Problem Gambling Account.

Every business that is operating contests of chance is required to pay a tax of 1.5 percent of the gross income of the business derived from contests of chance. An additional tax of 0.13 percent of the gross income of the business is imposed on any business whose gross income from contests of chance is \$50,000 or more.

Every business conducting horse racing is required to pay a pari-mutuel wagering tax of 0.13 percent of the gross income of the pari-mutuel business. The taxes that are collected from contests of chance and pari-mutuel wagering are deposited in the Problem Gambling Account.

Summary of Substitute Bill:

Problem Gambling Program.

The Health Care Authority (Authority) is required to establish and facilitate an ongoing advisory committee that will hold quarterly meetings to:

- track progress of recommendations from the 2022 Legislative Problem Gambling Task Force final report;
- provide advice and feedback on the State Problem Gambling Program upon request by the Authority; and
- discuss emerging issues related to problem gambling and identify possible strategies for improvement.

The advisory committee membership must include at least one representative from:

- the State Gambling Commission;
- the State Lottery Commission;
- the State Horse Racing Commission;
- the Health Care Authority;
- the tribal gaming industry;
- a business that is primarily engaged in the selling of food or drink and that offers social gaming as a commercial stimulant;
- the Gambling Counselor Certification Committee;
- a nonprofit problem gambling organization; and
- a member of the recovery community who has lived experience with problem gambling.

Problem Gambling Account.

The State Lottery Commission, for fiscal year 2024, is required to transfer 0.2 percent of the net receipts derived from the Shared Game Lottery to the Problem Gambling Account. Thereafter, the transfer to the Problem Gambling Account is increased to 0.26 percent of the net receipts from the Shared Game Lottery.

For businesses whose income is more than \$50,000 from the operation of contests of chance, for fiscal year 2024, there is an additional tax of 0.2 percent of the gross income from the operation of contests of chance. Thereafter, the tax is 0.26 percent of the gross income from the operation of contests of chance.

The pari-mutuel wagering tax is 0.2 percent of the gross income of the business through June 30, 2024, and 0.26 percent thereafter.

Substitute Bill Compared to Original Bill:

The substitute bill changes the original bill by:

- amending the intent section and correcting references to the tribal gambling industry to the tribal gaming industry; and
- removing a representative of the commercial gambling industry from the advisory committee and replacing them with a representative from a business that is primarily engaged in the selling of food or drink and that offers social gaming as a commercial stimulant.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2023.

Staff Summary of Public Testimony:

(In support) We are very grateful to the Problem Gambling Task Force (Task Force) for the work done and the report that was submitted to the Legislature. This bill doubles the current funding for the state's Problem Gambling Program. The bill creates a permanent advisory body to track the progress of implementation of the Task Force recommendations. This bill is a strong step towards addressing problem gambling. Other states spend about 40 cents per capita for these programs and Washington spends about 10 per capita. Even though gambling opportunities have expanded tremendously, we have not increased the funding for treatment programs. This bill will ensure that there is an ongoing advisory committee to track the progress of implementation of recommendations, including the disproportionality of impacts on minority communities. The gaming industry is proud to take on the additional cost to fund this work on problem gambling. Most people who gamble recreationally do so without problems, but for some it can be devastating and can ruin lives. The risk of suicide is eight times higher for individuals diagnosed with a gambling disorder and many have co-occurring substance abuse problems. It is only about 1 to 3 percent of the patrons of gaming facilities that have problem gambling disorders, and the industry wants to make sure these individuals do not use gambling establishments and get the assistance they need.

(Opposed) None.

(Other) Problem gambling is a very important topic for the Gambling Commission. In 2018 the commission conducted a study for the scope of services available for problem gambling disorders and then recommended the formation of the Task Force. The Commission has been very involved with the recommendations from the Task Force and this bill addresses

many of the recommendations and creates a forum with the advisory committee for future discussions.

Persons Testifying: (In support) Representative Chris Stearns, prime sponsor; Vicki Christophersen, Maverick Gaming; and Julia Patterson, Problem Gambling Task Force.

(Other) Tina Griffin.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Regulated Substances & Gaming. Signed by 11 members: Representatives Berg, Chair; Street, Vice Chair; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

Minority Report: Do not pass. Signed by 2 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member.

Staff: Kristina King (786-7190).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Regulated Substances & Gaming:

The second substitute bill makes changes to the intent section and requires that one of the representatives on the advisory committee be from a business that sells food or drinks and offers punchboards, pull tabs, and social card games as a commercial stimulant.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 17, 2023.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2023.

Staff Summary of Public Testimony:

(In support) Problem gambling is a serious problem that impacts Washington communities and many people's lives. It is a seriously underfunded issue in our state. The help the state can offer people suffering from problem gambling can save lives. The Problem Gambling Task Force study found that about 90,000 people in Washington suffer from problem gambling, and of those, 10 percent or 9,000 people would likely seek treatment if it was available. Last year the state was only able to serve 336 people. The gap is significant.

This bill will double the amount in the Problem Gambling Account and would be used for research, treatment, and training for new gambling counselors. It is something Washington needs.

(Opposed) None.

(Other) The Gambling Commission supports the original bill. The Commission was not aware of an amendment that has been filed on the bill. The amendment is not consistent with the Gambling Act due to undefined terms.

Persons Testifying: (In support) Representative Chris Stearns, prime sponsor; and Tommy Oakes, Washington State Gambling Commission.

(Other) Tina Griffin, Washington State Gambling Commission.

Persons Signed In To Testify But Not Testifying: None.