

# Gaming in Washington

Gaming in Washington is regulated by three state agencies: the Gambling Commission, the Horse Racing Commission, and the Lottery Commission. Local and tribal governments also have regulatory responsibilities. The Washington State Constitution requires a 60 percent vote for any expansion of gambling.

## **Gaming Agencies in Washington**

### Gambling Commission

Established in 1973, the Washington State Gambling Commission (WSGC) regulates charitable gaming such as bingo and fund raising events, and commercial gaming such as card games, punchboards, and pull-tabs. The WSGC is composed of five citizen members appointed by the Governor with the consent of the Senate. Four members of the Legislature act as ex officio members and do not vote, except on tribal gaming compacts

The WSGC is a non-appropriated agency and is funded through licensing fees and regulatory fees paid by licensees and tribal governments. No taxes are used to fund the agency. The agency maintains concurrent jurisdiction with local law enforcement agencies to investigate all reports of gambling violations.

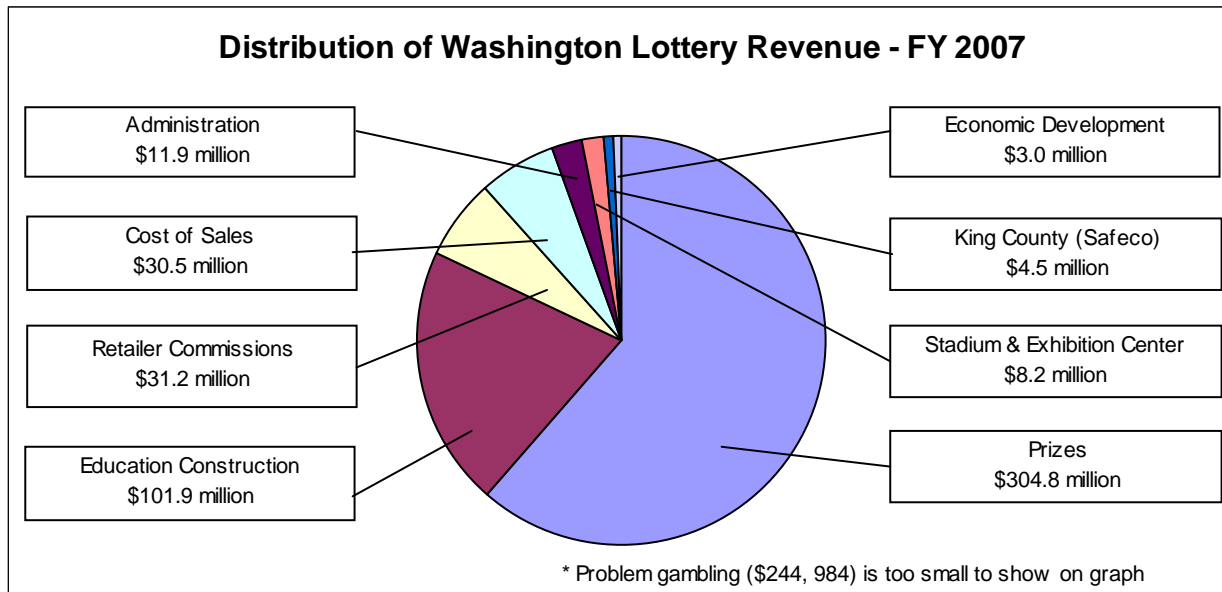
### Lottery Commission

The Legislature created the lottery in 1982 to generate revenues for state programs through the State General Fund. A five-member Lottery Commission, made up of members appointed by the Governor with the consent of the Senate, oversees the Lottery.

Since the Lottery's creation, three major changes to its revenue distribution have taken effect. First, a portion of Lottery revenues became a source of funding to support the cost of construction of the Seattle Mariners baseball stadium and the Seattle Seahawks football stadium and exhibition center. Second, in November 2000, voters approved Initiative Measure 728, which redirected Lottery revenue from the State General Fund to the Education Construction Fund. The Education Construction Fund supports K-12 and higher education construction projects, such as building, remodeling, or renovating schools.

The third major change occurred in 2002 when the state joined the multi-state Mega Millions Lottery. Under Mega Millions rules, all Lottery games must benefit education up to the level of \$102 million annually. Once \$102 million is contributed for education and problem gambling (see below), any additional net revenues from Mega Millions are deposited into the General Fund.

The distribution of Lottery revenue is shown below:



### Horse Racing Commission

The Horse Racing Commission (HRC), created in 1933, licenses racing facilities and the persons who participate in horse racing. The HRC regulates live horse race meets, satellite wagering, wagering on imported simulcasts, and advance deposit wagering, which allows persons to place wagers by electronic means. Emerald Downs in Auburn is the only class I (40 or more days of racing) racing association in the state.

Five commissioners are appointed by the Governor with the consent of the Senate. Four members of the Legislature serve as ex officio members and assist with policy-making.

### Tribal Gaming

The 1988 Federal Indian Gaming Regulatory Act (IGRA) confirmed the rights of Tribes to conduct gaming on tribal lands through agreements with the state (Tribal-State Gaming Compacts). IGRA requires the state to negotiate in good faith with Tribes regarding casino type (known as “Class III”) gambling activities that are allowed in some form in the state. The Director of the WSGC negotiates these compacts on behalf of the state. Legislative committees hold public hearings on the proposed compacts but do not vote on the compacts. The WSGC, including the legislative members, vote on whether to forward the compact to the Governor, who executes the compacts. The WSGC and the Tribes share in enforcement activities.

The machines in Tribal casinos (“tribal lottery machines” or “TLSs”) are modeled after the Lottery’s scratch ticket game. While they look like slot machines, they differ in several respects.

As of June, 2008, 28 of the 29 federally recognized tribes have entered compacts for Class III gaming. Twenty-two tribes operate 27 casinos under compact. Under compact negotiations concluded in 2007, the state-wide allocation of TLS was raised from 18,225 to 27,300. As of April 2008, Tribes were operating over 19,000 machines.

## House-Banked Card Rooms

In 1997, legislation passed authorizing house-banked Nevada-style card games, such as Blackjack, in commercial card rooms. A house-banked card room can operate up to 15 tables and betting limits are capped at \$200. Approximately 86 house-banked card rooms operate in the state. It is often stated that Tribal Casinos have forced card rooms to decrease their payroll or close doors altogether. The primary reason for this assertion is the Tribes' ability to operate TLSs while the commercial casinos are forced to compete without this advantage.

Since house-banked card rooms were introduced in 1997, a number of jurisdictions have taken steps to limit card rooms. Under state law, cities and counties may prohibit any and all gambling activities, but may not change the scope of activities allowed by a gambling license or otherwise regulate gambling. Whether a local government should be allowed to limit (but not completely ban) card rooms by zoning or enacting moratoria or by other means has been the subject of much debate.

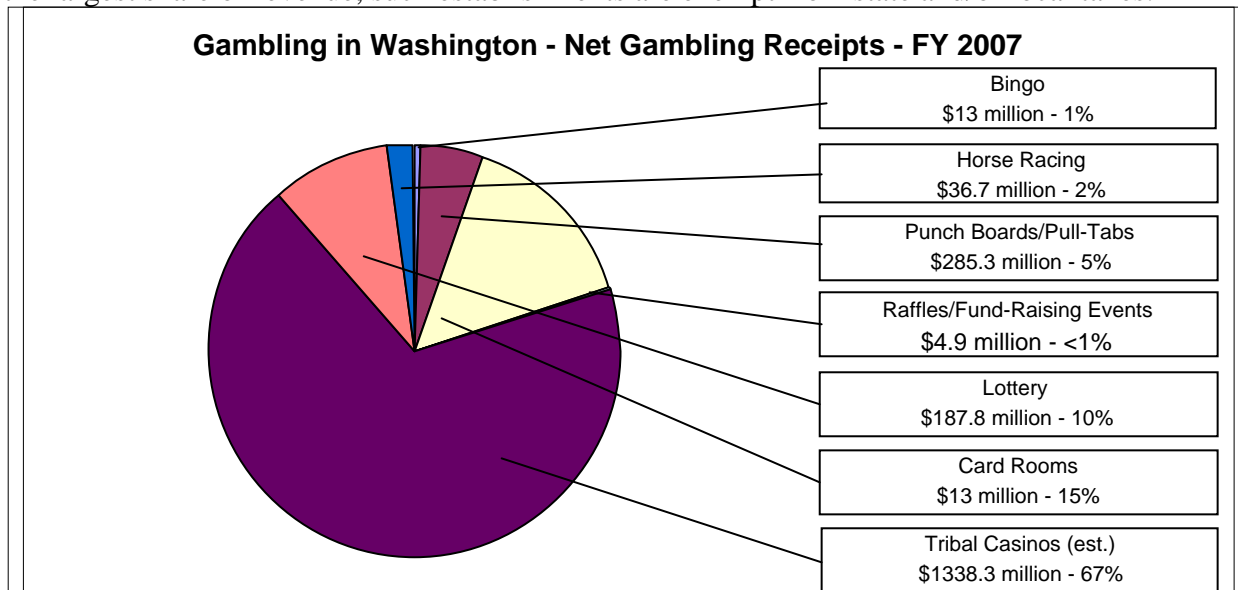
## Problem Gaming

In 2005, the Legislature provided long-term funding for the Problem Gambling Treatment Program in the Department of Social and Health Services. The Program is funded by transfers from the Lottery and by a B&O tax on larger gambling businesses. The Program provides both prevention and treatment services for problem gamblers, and their family members, who are unable to pay for services and are found amenable to treatment.

## Gaming Revenues

The state does not collect a gambling tax, but does collect a B&O tax on commercial gambling establishments. However, state law allows local cities or counties to tax gambling receipts. The maximum limitations are set forth in the law and vary depending on the gambling activity. Licensees paid about \$40 million in local gambling taxes in FY 2007.

The chart below shows the percentage of revenue each activity generates. Although Tribal casinos represent the largest share of revenue, such establishments are exempt from state and/or local taxes.



## **Recent Legislation**

HB 1477/ESSB 5558– House-banked card rooms (2007). These bills would have capped the number of house-banked card room licenses in the state and given local jurisdictions the option to zone for card rooms. Both bills died in the House.

HB 1948 and HB 2282– Allowing electronic scratch ticket gaming by certain licensees (2003). Both proposals would have given taverns, bowling alleys, card rooms, charity bingo operators, and class I horse racing facilities the same number of electronic scratch tickets that Tribes have under compacts. Both proposals provided for a portion of the revenues to be distributed to the state and HB 2282 also provided for local governments to receive a share. Neither bill received a hearing.

HB 2508 - Requiring reports on tribal community impact contributions (2006). This accountability bill would have required that the Governor annually report to the legislature on tribal community impact contributions made pursuant to class III gaming compacts. The report must include the amount of funds contributed, the distribution of those amounts, and a determination of whether or not these contributions are in compliance with the compact provisions requiring such contributions. This bill failed to receive a hearing in the House Commerce & Labor Committee.

HB 1257 - Requiring legislative approval of class III tribal-state gaming compacts (2007). This bill failed to receive a hearing in the House Commerce & Labor Committee.

HB 3129/SB 6301 - Concerning off-reservation tribal gaming (2006). This bill would have required a 60 percent affirmative vote of both houses of the Legislature before the Governor is authorized to concur with the Secretary of the Interior's determination that off-reservation lands acquired into trust for a tribe after the 1988 adoption date of IGRA may be approved for Class III gambling activities. The House version of this bill died in the Commerce & Labor Committee, and the Senate bill died in Senate Rules.

HB 2872 / SB 6523 - Increasing the minimum age for gambling (2006). HB 2872 would have prohibited participation in house-banked card games (not lottery) by persons under age 21. This bill would have also prohibited the Washington State Lottery from actively targeting advertisement to persons under age 21. HB 2872 died in Rules.

SB 6613 - Prohibiting internet gambling (2006) and SHB 2320 – Internet gambling penalty (2007). SB 6613 expressly made internet gambling illegal and increased the penalty from a gross misdemeanor to a Class C felony offense. SB 6613 passed the Legislature and was signed by the Governor. SSB 2320 would have reduced the penalty for internet gambling to a gross misdemeanor for a person who gambles in his or her home for recreational purposes. This bill died on House second reading.