

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2900 HB	<b>Title:</b> Consistency in gaming
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## Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF- State	Total	GF- State	Total	GF- State	Total
Washington State Gambling Commission	0	849,294	0	5,816,163	0	5,729,624
Department of Revenue	0	18,391,620	0	116,480,260	0	122,610,800
<b>Total \$</b>	0	19,240,914	0	122,296,423	0	128,340,424

Local Gov. Courts *						
Local Gov. Other **		790,760		48,914,240		52,531,028
Local Gov. Total		790,760		48,914,240		52,531,028

## Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Gambling Commission	8.4	0	1,445,605	44.5	0	5,266,154	44.5	0	5,001,254
Department of Revenue	1.0	144,200	144,200	2.1	261,300	261,300	1.8	222,000	222,000
Department of Social and Health Services	Indeterminate								
<b>Total</b>	9.4	\$144,200	\$1,589,805	46.6	\$261,300	\$5,527,454	46.3	\$222,000	\$5,223,254

Local Gov. Courts *									
Local Gov. Other **	Indeterminate								
Local Gov. Total									

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<b>Prepared by:</b> Doug Jenkins, OFM	<b>Phone:</b> 360-902-0563	<b>Date Published:</b> Final 3/ 5/2002
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2900 HB	<b>Title:</b> Consistency in gaming	<b>Agency:</b> 117-Washington State Gambling Comm
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2002	FY 2003	2001-03	2003-05	2005-07
Gambling Revolving Account-Non-Appropriated 884-6		849,294	849,294	5,816,163	5,729,624
<b>Total \$</b>		849,294	849,294	5,816,163	5,729,624

### Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.0	16.8	8.4	44.5	44.5
<b>Fund</b>					
Gambling Revolving Account-Non-Appropriated 884-6	0	1,445,605	1,445,605	5,266,154	5,001,254
<b>Total \$</b>	0	1,445,605	1,445,605	5,266,154	5,001,254

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/22/2002
Agency Preparation: Cam Dightman	Phone: (360) 486-3497	Date: 03/01/2002
Agency Approval: Rick Day	Phone: (360)486-3446	Date: 03/01/2002
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/01/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 2900 will have significant expenditure impacts on the Washington State Gambling Commission and would also have revenue impacts for the Gambling Commission and for the State of Washington.

Expenditure Impacts:

The Washington State Gambling Commission will charge license fees for the activities authorized below at a level sufficient to cover the increased expenditures.

Section 1 revises the state of Washington’s public policy on gambling. The revision removes language asserting a purpose to “keep the criminal element out of gambling and to promote the social welfare of the people by limiting the nature and scope of gambling activities and by strict regulation and control.” The revised policy asserts a purpose to “maintain the course regarding gambling policies through continued strict and comprehensive oversight, continued regulatory diligence, providing freedom of choice to those who choose to gamble, providing uniformity and consistency in gambling opportunities, and providing protection of the public and those engaged in the investment in, promotion of, and operation of lawful gambling”.

Section 2 defines pull-tabs to include “electronic pull-tabs” and does the following:

- Defines them to be consistent with the electronic scratch ticket game operated as part of the tribal lottery system (TLS). (TLS machines look and play similar to slot machines, but use a “cashless” pay system. The TLS was negotiated in 1998 through Compact agreements between the Tribes and state as a result of a lawsuit entered into between the Tribes and the state in 1994.)
- States that electronic pull-tabs are played by use of computer hardware and software to manufacture, store, distribute, sell, and display electronic pull-tabs to players (For the TLS, the system consists of three separate computer systems: the manufacturing computer, the central computer, and the player terminals. Slot machines, in contrast, consist of one stand-alone machine).

Section 3 does the following:

- Removes the requirement that commercial businesses be “primarily” engaged in the food and drink business for on premises consumption in order to qualify for a gambling license. We assume, therefore, that any business with a restaurant or sit down deli type area in them would now qualify for a gambling license. Examples might include convenience stores, grocery stores, department stores, etc.
- Amends the Gambling Act to allow commercial businesses to operate raffles, amusement games, contests of chance, and electronic pull-tabs. Currently, only bona fide charitable and non-profit organizations can conduct raffles. Currently, no charitable organization or commercial business can conduct contests of chance (other than promotional contests of chance, as defined in RCW 9.46.0356, which usually do not involve a cost to enter). Commercial businesses are already authorized to conduct amusement games, such as “crane games,” and have been since 1991; this simply moves the reference to a different section of the Gambling Act.
- Defines “contests of chance” to be similar and consistent with those authorized and adopted by the state and clearly states that these contests of chance are in addition to card games allowed. Currently, the number of card tables is limited to 15; under this section, there would be no limit on the number of raffles or "contests of chance" a business could operate. We assume "contests of chance" would include games, such as craps, roulette, keno, and baccarat (baccarat is a card game). (These are currently allowed in tribal casinos and at "fund-raising" events. Currently, only bona fide charitable and nonprofit organizations can operate fund-raising events; they are not popular and few organizations conduct them anymore).
- Authorizes no more than 200 terminals per each house-banked card room, which operates at least five house-banked "Phase II" tables. (Currently, a house-banked card room may increase its betting limits from \$25 to \$100 after six months; this is called "Phase II.")
- Limits the number of eligible card rooms to no more than 200. Although this section authorizes up to 40,000 machines

(200 eligible licensees X 200 machines per location), we assume that the total number operated would be approximately 20,000.

- Allows card rooms to contract with other card rooms for "unused" electronic pull-tab terminals with a total cap of 500 terminals per card room (This is similar to a provision in the tribal/state compacts, where Tribes may lease the right to operate another Tribe's TLS terminals; for tribal casinos the cap per facility is 1500).
- Allows house-banked card rooms to contract with bona fide charitable and non-profit organizations to operate activities authorized under RCW 9.46.0311. Activities under 9.46.0311 include bingo, raffles, amusement games, punchboard/pull-tabs, fund raising events and social card games. The intent of this provision is unclear because these organizations are not defined as "eligible" licensees to operate these machines. Therefore, we are assuming they would not be eligible to contract any rights in them. Because of this, we don't consider this provision to have any fiscal impacts.

Section 4 does the following:

- Authorizes the Commission to issue licenses to bona fide charitable and nonprofit organizations for contests of chance and electronic pull tabs. However, as explained above, these organizations are not defined as "eligible" licensees. Because of this, we are assuming this provision would not have any fiscal impacts.
- Authorizes the Commission to issue licenses to commercial businesses, which are defined in Section 3 as "eligible" licensees.
- Subsection (11) of Section 4 authorizes the Commission to set the scope and manner of conducting gambling activities to be similar to and consistent with the games authorized and operated in the state. Accordingly, subsection (14) authorizes the Commission to adopt rules that are similar to and consistent with the games authorized and operated in the state. We assume that this would include making Commission rules consistent with provisions in tribal/state Compacts. Therefore, the betting limits for card rooms, would be increased to \$250 during a card rooms initial six months of operation and increased to \$500 after that.

Section 5 removes the limitation that the price of a single chance for punchboards/pull-tabs be \$1. We assume, therefore, that pull-tab manufactueres will begin to manufacture traditional paper pull tab games that exceed \$1 and that the electronic pull tab chances would also exceed \$1. (The current limit per chance for the TLS is \$5.00). In accordance with subsection (11) and (14) of Section 4, the prizes for pull-tabs, which are currently limited by Commission rule to \$500, would also be increased. There are no limits, for example, on prizes for pull-tabs operated at tribal casinos.

Revenue Impacts:

Section 5 does the following:

Decreases the maximum tax a local jurisdiction can impose on social card rooms from 20% of gross receipts to 10% of "net win." "Net win" is defined as the amount of revenue retained by the licensee from games after prizes and the cost of games, for games that are a paper punch board or pull-tab series, have been paid but before any expenses are paid. (Currently, Commission rules define "gross receipts" for house-banked card rooms as "net win," which is defined as gross wagers received by the licensee less the amount paid to player for winning wagers. Although local jurisdictions are not required to use the Commission's definition of "net win," we are not aware of any that don't use this definition for house-banked card rooms. In addition, many already tax below the currently authorized level of 20%; therefore, this will be a practical tax decrease for only some local jurisdictions.)

Section 6 does the following:

- Requires that the Department of Revenue adopt rules for the collection of taxes generated from electronic pull-tab sales.
- Creates a state tax of ten percent of the net win on electronic pull-tabs and contests of chance.
- Requires that 5% of the proceeds from the state tax collected under this section be allocated for problem gaming prevention, youth education, public awareness, training, help line services, and to the division of alcohol and substance abuse in the department of social and health services, for treatment.
- Creates a local tax of up to five percent of the net win on electronic pull-tabs.
- Allows the local tax to be "credited" against the amount of the state tax; therefore, we assume the total tax would not exceed 10% of the net win.
- Defines "net win" as the amount of revenue retained by the licensee after prizes have been paid out but before any

expenses have been paid.

**II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Assumptions:

Based upon our analyses of the proposed legislation we anticipate the following additional license applications:

Commercial Operations.

- A. House Banked Card Rooms: 131
- B. Electronic Pull-Tabs: 200
- Total: 331

Charitable/Nonprofit Operations.

- A. None

Other Types of License Applications.

- A. Employees for House Banked Card Rooms: 2,620

Grand total: 2,951 new licenses

Of the number of new licenses, 30% will be issued licenses during the period January through June of FY 03, 60% will be issued licenses during FY 04, and 10% during FY 05.

Employee turnover rate for house banked card rooms will be 10%.

Other Assumptions:

Electronic Pull-Tab Machines.

- A. The average number of TLS machines per licensee will be 100.
- B. The average daily hold per machine per day will be \$85.00
- C. The total number of roulette tables will be 100.
- D The average daily net win per roulette table will be \$1,690.
- E. The total number of craps tables will be 100.
- F. The average daily net win per craps table will be \$2,700.

Fees will be established to recover start-up costs over three years. Subsequent adjustment to fees may be considered by the Commission.

State tax revenues will be addressed in the fiscal note prepared by the Department of Revenue.

The agency will incur substantial first year costs that will be recovered in ensuing years. During FY 03 the projected expenditures will exceed the projected revenue by \$596,000. If the Gambling Revolving Fund does not have a sufficient fund balance to absorb this shortfall, the agency will not be able to implement this legislation in the timely manner portrayed in this fiscal note.

**II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Assumptions:

Licensing and ongoing regulation and control of 131 additional house-banked cardrooms and licensing and ongoing regulation and control of 200 locations operating electronic pull-tabs requires 44.5 FTEs. The Licensing Operations Division requires 13 FTEs, the Field Operations Division needs 20 FTEs, and Headquarters operations (including training, special investigations, laboratory testing of electronic pull-tab machines) requires 9.5 FTEs.

A. It will take the first six months of FY 03 to hire and train the first increment of additional staff required, and to formulate and pass rules. During this period, licenses, including those for electronic pull-tabs, will not be issued. Licenses will be issued after January 1, 2003.

B. Of the 200 electronic pull tab licensees (see Revenue Assumptions concerning number of licensees), 30% will be issued licenses during the period January through June of FY 03, 60% during FY 04, and 10% during FY 05.

C. Employee turnover rate for house banked card rooms will be 10%.

D. Current regulatory procedures will apply.

E. Local jurisdictions that currently ban house-banked card rooms (including Seattle, Bellevue, Vancouver, etc.) will ban electronic pull-tabs also.

F. The agency will incur substantial first year costs that will be recovered in ensuing years. During FY 03 the projected expenditures will exceed the projected revenue by \$596,000. If the Gambling Revolving Fund does not have a sufficient fund balance to absorb this shortfall, the agency will not be able to implement this legislation in the timely manner portrayed in this fiscal note.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years		16.80	8.4	44.5	44.5
A-Salaries and Wages		633,446	633,446	3,451,398	3,451,398
B-Employee Benefits		145,692	145,692	793,820	793,820
C-Personal Service Contracts					
E-Goods and Services		408,863	408,863	799,716	681,516
G-Travel		13,104	13,104	74,520	74,520
J-Capital Outlays		244,500	244,500	146,700	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	\$0	\$1,445,605	\$1,445,605	\$5,266,154	\$5,001,254

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
Attorney	49,956		0.3	0.2	1.0	1.0
Field Office Asst Senior	26,376		0.3	0.2	1.0	1.0
Financial Analyst 3	41,520		0.5	0.3	1.0	1.0
Financial Analyst 4	43,644		0.5	0.3	1.0	1.0
Gambling License Tech	31,032		3.5	1.8	7.0	7.0
HR Consultant Assistant	31,740		0.5	0.3	1.0	1.0
ITAS 1	35,808		0.5	0.3	1.0	1.0
ITAS 2	41,520		0.5	0.3	1.0	1.0
ITSS 2	41,520		0.5	0.3	1.0	1.0
Office Assistant	24,636		1.0	0.5	2.0	2.0
Research Analyst 2	34,092		0.3	0.2	1.0	1.0
Secretary Senior	27,636		1.1	0.6	2.5	2.5
Special Agent 2	40,479		2.5	1.3	9.0	9.0
Special Agent 3	44,735		3.8	1.9	12.0	12.0
Special Agent 4	47,601		1.0	0.5	3.0	3.0
<b>Total FTE's</b>			16.8	9.0	44.5	44.5

## Part IV: Capital Budget Impact

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

This bill would require substantial rulemaking. Although the state has a framework for regulating the TLS, which is found in the state's Tribal Compacts, this bill adds additional activities, which the state does not currently regulate. In addition, with this bill, there would be an increase in the number of licensees and types of new licenses; therefore, many licensing rules would also need to be changed (unlike the compacts, where only a few additional manufacturers were licensed). We estimate the rules would not become effective for approximately six months after the effective date of the law and that the Commission would not issue licenses until the rules were effective.

The following sections of the bill require agency rulemaking:

Section 3, including "electronic pull-tabs" as an authorized activity for commercial businesses. Although the state does have a regulatory framework for these because of the TLS Compact, substantial rule making would be required. The Compact agreements, for example, are over 50 pages long. They do not include licensing requirements, which would also be needed here.

Section 3, allowing "eligible" licensees to contract with each other to operate electronic pull-tabs. Basic rules would be needed to address what information would need to be submitted to the Commission and when the licensees could begin to operate these.

Section 5, which adds contests of chance as authorized activities for commercial businesses. This would require rulemaking, governing licensing requirements through regulation, including record keeping requirements and rules governing their play.

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2900 HB	<b>Title:</b> Consistency in gaming	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2002	FY 2003	2001-03	2003-05	2005-07
Custodial Acct.-State NE - EW -		18,391,620	18,391,620	116,480,260	122,610,800
<b>Total \$</b>		18,391,620	18,391,620	116,480,260	122,610,800

### Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.9	1.2	1.0	2.1	1.8
<b>Fund</b>					
GF-STATE-State 001-1	66,900	77,300	144,200	261,300	222,000
<b>Total \$</b>	66,900	77,300	144,200	261,300	222,000

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/22/2002
Agency Preparation: Ray Philen	Phone: 570-6078	Date: 03/04/2002
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 03/04/2002
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/05/2002



Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 defines electronic pull-tabs as being consistent with the electronic scratch ticket game operated as part of the tribal lottery system. Each electronic pull-tab game consists of a finite number of electronic pull-tabs, with a predetermined number of winning pull-tabs that would entitle a player to a prize. Electronic pull-tabs are accessed through a system of linked player terminals that allow players to compete against each other, but not against the terminal.

Section 5 removes the current \$1 limitation on the cost of a pull-tab/punch board chance.

Section 5 also changes the limitation on the taxation of bingo and raffles from a percentage of gross receipts to 10 percent of the "net win." "Net win" is defined as the amount of revenue retained by a licensee from games after prizes and other costs associated with the game have been paid, but before general expenses of the operator are paid. The same change is made with regard to taxation of punch boards and social card games.

Section 6(1) directs the Department of Revenue to adopt rules for the collection of taxes generated from electronic pull-tab sales. The tax is set at ten percent of the net win from the sales of electronic pull-tabs. All proceeds from taxes collected under this act are directed to a custodial account subject to allotment procedures under Chapter 43.88 RCW, but an appropriation is not required for expenditures.

Section 6(2) authorizes the legislative authority of any county, city- county, city, or town, by local law and ordinance to provide for the collection of taxes generated from electronic pull-tab sales. The tax is set at up to five percent of the net win from the sales of electronic pull-tabs and is credited against the amount authorized in Subsection 1.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

The following additional license application assumptions were provided by the Washington State Gambling Commission:

Commercial Operations:  
New Electronic Pull-Tabs Licenses: 2667

Charitable/Nonprofit Operations:  
New Electronic Pull-Tabs Licenses: 373

New licenses will be issued at the following rate:

30% in FY 2003  
60% in FY 2004  
10% in FY 2005

Although the bill is effective immediately upon signature by the Governor, the state revenues are assumed to phase in as new licenses are issued.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This legislation does not result from recent audits.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Currently, the tax rate on bingo and raffles is 5 percent of gross receipts minus the amount awarded in cash or prizes. The first \$10,000 of raffles conducted by charities, and the first \$5,000 of bingo is exempt from taxes. Nonprofit punch boards are taxed at 10 percent of gross receipts minus amounts paid in cash or prizes. Commercial licensees are taxed at 5 percent of gross receipts, or 10 percent minus awards for punch boards. Card game operations are capped at 20 percent of gross revenue. All taxes on gambling activities are levied by local jurisdictions, not the state.

Assuming that a total of 3,040 new electronic pull-tab licenses are issued by the Gambling Commission, this bill will result in revenue of \$18.4 million in FY 03 and \$55.1 million in FY 04. The revenue amounts reflect a tax credit allowed for local taxes authorized in section 6. This is based on assumptions provided by the Gambling Commission that shows that on average there will be 10 pull-tab machines at each licensee location and that the net win is \$85.00 per machine per day.

The above assumptions add up to a net win per year of \$310,250 for electronic pull-tab machines. Current pull-tab "net win" is \$71,758 per licensee per year.

Currently, cities and counties collect 70% of the maximum amount possible for gambling activity. It is assumed that this percentage will remain the same and that 70% of the maximum local tax authorized in Section 6 will be collected. This amount is credited against the state portion of the tax authorized in Section 6. Local taxes will result in revenues of approximately of \$9.9 million in FY 03 and \$29.7 million in FY 04.

It is assumed that 30%, 60% and 10% of licenses are issued in each of fiscal years 2003, 2004, and 2005.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2002	-	
FY 2003	-	\$18,392
FY 2004	-	55,175
FY 2005	-	61,305
FY 2006	-	61,305
FY 2007	-	61,305

Local Government, if applicable (cash basis, \$000):

FY 2002	-	
FY 2003	-	\$9,903
FY 2004	-	29,709
FY 2005	-	33,011
FY 2006	-	33,010
FY 2007	-	33,011

II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Because this bill would take effect immediately upon the Governor's signature, the Department would have to modify exiting computer systems to collect the new tax. This would require the immediate efforts of 0.9 FTE split evenly between

an ITAS 3 and an ITAS 4. Early in the FY 03, the agency would have to prepare a new rule, as required by the bill and modify an exiting rule to reflect the provision of this bill. The rule effort would cost approximately \$10,000. Auditing, taxpayer education and compliance efforts would entail 1.04 FTEs during FY 03. Costs for the current biennium would total \$143,600. Ongoing administration and enforcement of the tax, including auditing of businesses would require two and a third FTEs in the 2003-2005 biennium and would cost \$289,000. Without an appropriation, the agency would not be able to implement this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.9	1.20	1.0	2.1	1.8
A-	43,370	45,200	88,570	177,900	158,200
B-	11,300	11,800	23,100	46,300	41,200
E-	5,100	11,000	16,100	23,700	21,000
G-				2,300	1,600
J-	7,100	9,300	16,400	11,100	
Total \$	\$66,870	\$77,300	\$144,170	\$261,300.00	\$222,000

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
Fiscal Tech	27,636		0.0			
HEARINGS SCHEDULER	30,900		0.0			
Info Tech Application Spec 3	46,992	0.4		0.2		
Info Tech Application Spec 4	51,864	0.4		0.2		
Revenue Agent 3	44,481		0.5	0.3	0.4	0.3
Revenue Auditor 3	45,592				1.3	1.3
Revenue Auditor 4	52,863		0.0			
RULES MANAGER	69,500		0.0			
RULES POLICY SPECIALIST	68,598		0.0			
TAX POLICY SPEC 2	52,839		0.0			
TAX POLICY SPECIALIST 3	59,740		0.1			
Tax Service Rep 2	32,417		0.5	0.3	0.4	0.3
Total FTE's		0.9	1.2	1.0	2.1	1.9

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

The agency would create one new rule in Title 458 WAC and modify WAC 458-20-131. Parties interested in the rule making would include restaurants, taverns, and various other businesses operating gambling games.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2900 HB	<b>Title:</b> Consistency in gaming	<b>Agency:</b> 300-Dept of Social and Health Services
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## Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

Estimated Expenditures from:

<b>Indeterminate Impact</b>
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/22/2002
Agency Preparation: Bart Giard	Phone: 360-902-8171	Date: 02/22/2002
Agency Approval: Dave Daniels	Phone: 360-902-8174	Date: 02/27/2002
OFM Review: Tom Saelid	Phone: 360-902-0562	Date: 02/28/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 6 creates a new tax set at ten percent (10%) of the net win from the sales of electronic pull-tabs and from contests of chance. Proceeds of this tax are to be deposited in an account in the custody of the state treasurer. The custodial account is subject to allotment controls; but does not require an appropriation for expenditures. Five percent (5%) of proceeds from these taxes shall be allocated for problem gambling prevention, youth education, public awareness, help line services, and to the Division of Alcohol and Substance Abuse (DASA) for treatment.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The amount of funding that may be available to DASA for treatment activities is undetermined.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 2900 HB	<b>Title:</b> Consistency in gaming
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Gambling revenue records may be more accurate for electronic gaming. This could result in reduced auditing and enforcement costs. Since electronic pull-tabs are not currently allowed, cost savings, if any, are unknown.

### Estimated revenue impacts to:

Jurisdiction	FY 2002	FY 2003	2001-03	2003-05	2005-07
City		604,582	604,582	37,352,837	40,132,026
County		186,178	186,178	11,561,403	12,399,002
Special District					
<b>TOTAL \$</b>		790,760	790,760	48,914,240	52,531,028
<b>GRAND TOTAL \$</b>					102,236,028

### Estimated expenditure impacts to:

<b>Indeterminate Impact</b>
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## Part III: Preparation and Approval

Fiscal Note Analyst: Brian Myhre	Phone: (360) 725-5035	Date: 02/24/2002
Leg. Committee Contact:	Phone:	Date: 02/22/2002
Agency Approval: Val Richey	Phone: 360-725-5036	Date: 03/01/2002
OFM Review: Mike Cheney	Phone: 360-902-0582	Date: 03/01/2002

Part IV: Analysis

A. SUMMARY OF BILL

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

This bill would change the taxation method for various types of gaming and would add electronic pull-tabs and contests of chance to the types of games authorized by the state.

Section 2 defines electronic pull-tabs.

Section 3(1) authorizes any business, engaged in selling food or drink for consumption on the premises, to conduct electronic pull-tab games and contests of chance.

Section 3(2) limits the number of electronic player terminals allowed for food and drink businesses that operate five or more house-banked, phase two card tables. The limit would be two-hundred terminals per license at no more than two hundred licensed locations.

Section 5(2) removes the current limit of one dollar per punchboard or pull-tab.

Section 5(3)(a) would base taxes for bingo and raffles on “net win”.

Section 5(3)(e) would authorize counties, cities and towns to tax punch boards, social card games and pull-tabs at a rate not to exceed ten percent of “net win”.

Section 5(3)(f) defines the term “net win” for punch boards and pull-tabs.

Section 6(2) provides a local taxing option on electronic pull-tabs and contests of chance at up to five percent of the net win.

Section 7 contains an emergency clause that would have the bill take effect immediately.

B. SUMMARY OF EXPENDITURE IMPACTS

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

Indeterminate. Gambling revenue records may be more accurate for electronic gaming. This could result in reduced auditing and enforcement costs. Since electronic pull-tabs are not currently allowed, cost savings, if any, are unknown.

SOURCES:

Washington State Gambling Commission  
Association of Washington Cities  
Washington Association of Counties  
City of Tacoma  
Pierce County

C. SUMMARY OF REVENUE IMPACTS

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

Total revenue to local governments would be \$790,760 in fiscal year 2003, \$22,648,726 in fiscal year 2004, and \$ 26,265,514 annually in fiscal years 2005, 2006 and 2007. See attachment for detail.

Card room revenues would decrease due to a reduction in the current maximum tax rate allowed of twenty percent of gross revenue, to ten percent of net revenue. Pull-tab revenues would decrease due to competition from electronic pull-tabs. Authorizing electronic pull-tabs and contests of chance would introduce new revenue sources to counties and cities.

DISCUSSION

The revenue impacts, if any, of section 5(3)(a) are not included in this analysis since the term “net win” for bingo and raffles is not defined by either current law or in the bill. Projections for card room revenues and taxes use the term “net win” as defined in WAC 230.02.109, since the term, as it applies to social card games, is also not defined in the bill.

It is estimated that competition from electronic pull-tabs will result in a 25 percent reduction in traditional pull-tab/punchboard revenue. Electronic pull-tab revenue is calculated based on Washington State Gambling Commission estimates of an electronic pull-tab machine

phase-in period of 30% in FY 03, an additional 60% in FY 04, and the final 10% in FY 05.

Electronic pull-tab and contests of chance revenue will not appear until the second half of fiscal year 2003 due to the time it will take establishments to apply for, and gain, license approval before they are allowed to put the games into operation.

Assumptions:

- While language in the bill possibly indicates that any food or drink establishment could operate electronic pull-tabs, this fiscal note is based on an assumption by the Gambling Commission that the bill allows only 200 establishments with house-banked, phase two card tables to operate electronic pull-tab terminals.
- The division of taxes is estimated at 23 percent county and 77 percent city for card rooms, and 21 percent county and 79 percent city for punchboard/pull-tabs based on 2001 data reported to the Washington State Gambling Commission. For calculating the county/city share of tax collections for electronic pull-tabs and contests of chance, the estimated county/city share of tax collections for card rooms is used, since card room locations are where electronic pull-tabs and contests of chance would be licensed.
- Local jurisdictions will impose the maximum tax rate of 5% on electronic pull-tab and contests of chance revenue.
- Gambling receipts remain stable for the periods pertaining to the fiscal analysis.
- Auditing and enforcement activities would not increase. Entities subject to compliance audits under the provisions of this bill would be the same as those currently audited.

SOURCES:

Washington State Gambling Commission  
Washington State Department of Revenue  
Association of Washington Cities  
Washington Association of Counties  
City of Tacoma  
Pierce County



## HB 2900 REVENUE IMPACTS - SUMMARY

Total Revenues Due to HB 2900	FY03	FY04	FY05
County Pull-tab	-\$45,185	-\$1,603,300	-\$1,663,547
County Cardrooms	-\$1,115,405	-\$1,115,405	-\$1,115,405
County Electronic Pull-tabs	\$1,070,363	\$6,422,175	\$7,135,750
County Contests of Chance	\$276,405	\$1,658,432	\$1,842,703
<b>County Total (Annual)</b>	<b>\$186,178</b>	<b>\$5,361,902</b>	<b>\$6,199,501</b>
City Pull-tabs	-\$169,981	-\$6,031,463	-\$6,258,104
City Cardrooms	-\$3,734,181	-\$3,734,181	-\$3,734,181
City Electronic Pull-tabs	\$3,583,387	\$21,500,325	\$23,889,250
City Contests of Chance	\$925,358	\$5,552,143	\$6,169,048
<b>City Total (Annual)</b>	<b>\$604,582</b>	<b>\$17,286,824</b>	<b>\$20,066,013</b>

Based on Fiscal Year 2001 data  
Washington State Gambling Commission

## HB 2900 PUNCHBOARD/PULL-TAB REVENUE IMPACTS

### Punchboard/Pulltab Revenues

Total Net Receipts in 2001**	\$151,337,175
Supplies (Cost of Games)**	-\$36,581,855
Total "Net Win" as defined in HB 2900 (Net Receipts less Cost of Games)	<b>\$114,755,320</b>

	<b>FY03 (.5 year)</b>	<b>FY04</b>	<b>FY05</b>
Total "Net Win" as defined in HB 2900 (Net Receipts less Cost of Games)	\$57,377,660	\$114,755,320	\$114,755,320
Revenue reduction due to electronic pull-tabs phase-in:*	-\$2,151,662	-\$25,819,947	-\$28,688,830
New Total Net Win per year after revenue reductions	<b>\$55,225,998</b>	<b>\$88,935,373</b>	<b>\$86,066,490</b>
Maximum tax collection at 10% Tax Rate per HB 2900	\$5,522,600	\$8,893,537	\$8,606,649
Current local tax collections	\$5,737,766	\$16,528,300	\$16,528,300
Maximum tax collection at 10% Tax Rate per HB 2900	\$5,522,600	\$8,893,537	\$8,606,649
<b>Total loss due to HB 2900</b>	<b>-\$215,166</b>	<b>-\$7,634,763</b>	<b>-\$7,921,651</b>
<b>County Share (21%)</b>	<b>-\$45,185</b>	<b>-\$1,603,300</b>	<b>-\$1,663,547</b>
<b>City Share (79%)</b>	<b>-\$169,981</b>	<b>-\$6,031,463</b>	<b>-\$6,258,104</b>

\*A 25% reduction in pull-tab revenues due to electronic pull-tab play is estimated by the Washington State Gambling Commission

\*Electronic pull-tabs terminal phase-in is estimated at 30% of terminals in the second half of the first year, an additional 60% in the second year and the remaining 10% in the third year.

\*(25% reduction x .5 year x 30% of electronic machines phased-in for FY03)

\*(25% reduction x 90% of electronic machines phased-in for FY04)

\*(25% reduction x 100% of electronic machines phased-in for FY05)

\*\*Based on Fiscal Year 2001 data - Washington State Gambling Commission

## HB 2900 ELECTRONIC PULL-TAB REVENUE IMPACTS (3 YEAR PHASE IN PERIOD)

		County Share *(23%)	City Share *(77%)
<b>Phase-in period* revenue</b>			
30% of machines operating in one half of 1st fiscal year (30% of total machines operating) FY03	\$4,653,750	<b>\$1,070,363</b>	<b>\$3,583,387</b>
Additional 60% of machines operating in 2nd year (30%+60%) = 90% of machines operating FY04	\$27,922,500	<b>\$6,422,175</b>	<b>\$21,500,325</b>
All machines operating by 3rd year (30%+60%+10%) = 100% of machines operating FY05	\$31,025,000	<b>\$7,135,750</b>	<b>\$23,889,250</b>
 <b>Phase-in period tax collections based on the following data:</b>			
Total number of electronic pull-tab machines after phase-in period*	20,000		
Daily electronic pull-tab machine net win per machine*	\$85		
Annual net win per machine (\$85 X 365)	\$31,025		
Statewide annual net win total (\$31,025 X 20,000 machines)	\$620,500,000		
<b>Total tax collections after phase-in period - based on tax rate of 5% of net win per HB 2900</b>	<b>\$31,025,000</b>		

\* Based on Washington State Gambling Commission estimates

## HB 2900 CARDROOM REVENUE IMPACTS

### CardRoom Revenues

Total Gross Receipts (Net Win plus Chair Fees)*	\$228,458,120
Total Net Win (92.8% of Gross Receipts)*	\$212,009,135
Maximum tax collection at 10% tax rate per HB 2900	\$21,200,914
Current local tax collections*	\$26,050,500
Maximum tax collection at 10% tax rate per HB 2900	\$21,200,914
<b>Total loss due to HB 2900</b>	<b>-\$4,849,586</b>
<b>County Share (23%)**</b>	<b>-\$1,115,405</b>
<b>City Share (77%)**</b>	<b>-\$3,734,181</b>

\*Based on Fiscal Year 2001 data - Washington State Gambling Commission

\*\* Based on Washington State Gambling Commission estimates

## HB 2900 CONTESTS OF CHANCE REVENUE IMPACTS

		County Share *(23%)	City Share *(77%)
<b>Phase-in period* revenue</b>			
30% of tables operating in one half of 1st fiscal year (30% x .5 year revenue) FY03	\$1,201,763	\$276,405	\$925,358
Additional 60% of tables operating in 2nd year (30%+60%) = 90% of tables operating FY04	\$7,210,575	\$1,658,432	\$5,552,143
All tables operating by 3rd year (30%+60%+10%) = 100% of tables operating FY05	\$8,011,750	\$1,842,703	\$6,169,048
Craps: Net daily win*	\$2,700		
Roulette: Net daily win*	\$1,690		

### Phase-in period tax collections based on the following data:

Craps net win per table per year (\$2,700 x 365)	\$985,500
Roulette net win per table per year (\$1,690 x 365)	\$616,850
Estimated Number of "Contest of Chance" Tables:*	
Craps	100
Roulette	100
Total Statewide Craps table net win (\$985,500 x 100)	\$98,550,000
Total Statewide Roulette table net win (\$616,850 x 100)	\$61,685,000
<b>Total Contests of Chance Net Win</b>	<b>\$160,235,000</b>
Maximum per year tax collection at 5% tax rate per HB 2900	\$8,011,750

\* Based on Washington State Gambling Commission estimates