

Individual State Agency Fiscal Note

Revised

Bill Number: 2416 HB	Title: Gambling worker as player	Agency: 117-Washington State Gambling Commission
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

NONE

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.

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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.

Proposed legislation adds two new sections to Title 9.46 of the Gambling Act.

Section 1 makes it a misdemeanor for a person to participate as a player in gambling activities operated by their employer.

Section 2 exempts Tribal employers, Tribes operating class III operations, and bona fide charitable or nonprofit organization employees.

As written, the Commission assumes new rule-making would be necessary to authorize the suspension or revocation of an individual's license if they are found to have violated this law. Additional rule-making would be necessary to ensure that licensed commercial gambling businesses could have their gambling license suspended or revoked if they allowed their licensed employees to gamble at the place of employment.

Revision note: Fiscal note returned per agency request. Edits were not saved properly in first version.

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.

None.

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.

Base data for cost assumptions:

- Currently, licensed employees are allowed to gamble at their licensed places of employment, and it is not uncommon for employees to gamble at their places of employment.
- There are 46 house-banked card rooms with approximately 4,558 licensed employees and 9 card rooms that only offer poker with 220 licensed employees that would be covered under this law.
- There is one Tribally owned licensed card room with 70 employees who would be exempt under this law as written.
- Complaints received by the agency will cause Commission staff to expend between 1-5 hours per complaint. For a violation of this law, it would likely require a special agent to obtain video surveillance and business records from the licensed business to determine if a violation occurred.
- Modules: special agents will need to implement a regulatory tool or "module" to ensure consistency with enforcement. This will require special agents will make unannounced visits to all 46 house-banked card rooms and 9 poker rooms to ensure the licensees are in compliance with the new gambling laws and rules. This is important and effective when emphasizing compliance with a new criminal law or rule change. One module will take approximately 2-5 hours.
- Legal Costs: Approximately 50% of administrative cases incur significant outside legal costs (Attorney General and Office of Administrative Hearing) with average cost per case of \$2000-\$3000.

- Due to the number of employees and accepted current practice of gambling at your place of employment, there would likely be significant increased regulatory and enforcement costs over the first two years (FY19-FY20) to ensure compliance with the new law.
- Costs would likely be reduced and level off after two years due to effective enforcement operations causing lower rates of criminal citations and licensing actions. The primary cost to the agency will be higher enforcement and case costs, which would likely level out in subsequent years through the agency's education and enforcement activities.

Complaints, Investigations and Enforcement:

Costs for these activities are indeterminate, as we have no base data for individuals or businesses that will engage in or allow, respectively, this activity after it is determined illegal. Enforcement efforts will depend on the number of complaints and violations found when a licensed businesses and employees are randomly checked for compliance. With the volume of current statewide participants, the number of complaints, investigations, and enforcements that would result from enforcing this legislation are unknown.

Below are examples of possible cost ranges for comparison:

Complaints are received per year for the first two years on 3% of current player-employees that continue to gamble at their places of employment. Approximately 143 complaint investigations at \$55 to \$275 per case = \$39,325 for FY 2019 and \$39,325 for FY 2020. On-going costs after 2020 would be \$13,110.

If Complaints received were at 5% of player-employees that continue to gamble at their places of employment, the costs could be approximately 239 cases at \$55 to \$275 per case = \$65,725 for FY 2019 and \$65,725 for FY 2020. This would require an additional FTE of special agents. In addition, one-time costs for one new agent in the first year are an assigned vehicle (\$25,000 per staff member) and laptop with docking station (\$2,200 per staff member), increasing first year costs by \$27,200. Subsequent on-going costs after 2020 would be \$21,910.

Special Agents will perform 2 modules per year at each of the 46 house-banked card Rooms and 9 non house-banked card rooms for FY 2019 and FY 2020. 110 modules per year at \$110 to \$275 per module = \$30,250 for FY 2019 and \$30,250 for FY 2020.

Module and complaint totals:

FY 2019 - \$ 123,175

FY 2020 - \$ 95,975

On-going - \$ 21,910

Education and Outreach:

The agency will need to develop and implement an education campaign for licensed individuals and commercial businesses. There would likely be a two-pronged approach. First we would develop messaging, signage, and literature for distribution at all appropriate licensed card rooms. Second, we would develop online messaging directed to the public and individual licensees. The awareness campaign would be ramped up for the first 6-12 months and then have on-going messages/signage/brochures.

The Public Information Officer will be utilized for in the campaign. Cost of 0.2 FTE for FY19. Total cost = \$19,850.

3% of licensed employees and businesses incur administrative charges over the first two years and 50% of those charges incur significant legal costs. 73 cases costing \$146,000 to \$219,000 over FY 2019 and FY 2020. Ongoing costs after FY 2020 of \$10,000 to \$48,000 annually

Summary:

Known Costs

Education and Outreach - \$19,850, FY19 only

Indeterminate Cost Ranges

Complaints and Modules

\$19,965 - \$123,175 for FY19

\$19,965 - \$95,975 for FY20

\$13,110 – 21,910 for FY21 and on-going

Administrative Charges

\$146,000 - \$219,000 total for FY19 and FY20

\$10,000 - \$48,000 for FY21 and on-going

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.

New rules to: (1) authorize the suspension or revocation of an individual's license if they are found to have violated this law; and (2) authorize suspension or revocation of a licensed commercial gambling business if they allowed their licensed employees to gamble at the place of employment.