

Multiple Agency Fiscal Note Summary

Bill Number: 5212 SB	Title: Sports wagering
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	171,000	0	0	238,000	0	0	238,000
Washington State Gambling Commission	0	0	10,487,250	0	0	7,324,514	0	0	7,324,514
Department of Revenue	3,400,000	3,400,000	3,400,000	4,900,000	4,900,000	4,900,000	5,100,000	5,100,000	5,100,000
Total \$	3,400,000	3,400,000	14,058,250	4,900,000	4,900,000	12,462,514	5,100,000	5,100,000	12,662,514

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	.6	0	0	171,000	.9	0	0	238,000	.9	0	0	238,000
Washington State Gambling Commission	26.8	0	0	9,665,668	20.7	0	0	6,750,704	20.7	0	0	6,750,704
Department of Revenue	2.2	648,800	648,800	648,800	.3	74,800	74,800	74,800	.0	0	0	0
Horse Racing Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	29.6	648,800	648,800	10,485,468	21.9	74,800	74,800	7,063,504	21.6	0	0	6,988,704

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Washington State Gambling Commission	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Horse Racing Commission	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

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Date Published:
Final 2/ 3/2021

Individual State Agency Fiscal Note

Bill Number: 5212 SB	Title: Sports wagering	Agency: 100-Office of Attorney General
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Legal Services Revolving Account-State 405-1	25,000	146,000	171,000	238,000	238,000
Total \$	25,000	146,000	171,000	238,000	238,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	1.1	0.6	0.9	0.9
Account					
Legal Services Revolving Account-State 405-1	25,000	146,000	171,000	238,000	238,000
Total \$	25,000	146,000	171,000	238,000	238,000

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.

Legislative Contact:	Phone:	Date: 01/15/2021
Agency Preparation: Amy Flanigan	Phone: 509-456-3123	Date: 02/01/2021
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 02/01/2021
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 02/02/2021

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 1 – New Section – definitions.

Section 2 – New Section – legislature authorizes sports wagering and issuance of licenses and rules for Gambling Commission (Commission).

Section 3 – New Section – what is allowed under a sports license.

Section 4 – New Section – sports pool may not be offered without a license.

Section 5 – New Section – who cannot place wagers and penalties.

Section 6 – New Section – ability for licensee to contract.

Section 7 – New Section – what must be reported to the Commission.

Section 8 – New Section – requirement to maintain records.

Section 9 – New Section – rules when kiosks allowed for wagering.

Section 10 – New Section – disclosure requirements for license applicants.

Section 11 – New Section – employee requirements for those employed in a lounge.

Section 12 – New Section – Commission authority and rule-making.

Section 13 – New Section – sport wagering operators must adopt rules.

Section 14 – New Section – revenue agreement.

Section 15 – New Section – tax on gaming revenue.

Section 16 – New Section – expiration on winnings.

Section 17 – New Section – must be physically present to place a wager.

Section 18 – New Section – zoning requirements.

Section 19 – New Section – severability clause.

Section 20 – New Section – tax liability.

Section 21 – New Section – Sections 1-18 are a new chapter in Title 9 RCW.

Section 22 – Amends RCW 9.46.0335 – adds sports boards.

Section 23 – Amends RCW 9.46.153 – adds violation of federal law.

Section 24 – Amends RCW 9.46.155 – adds to list of prohibited actions.

Section 25 – Amends RCW 9.46.210 – adding references to new chapter in Title 9 RCW and establishes a sports integrity unit.

Section 26 – Amends RCW 9.46.240 – adding references to new chapter in Title 9 RCW.

Section 27 – Amends RCW 67.04.010 – makes violation to bribe anyone involved in a sporting event.

Section 28 – Amends RCW 67.04.020 – makes violation to accept a bribe.

Section 29 – Amends RCW 67.04.030 – changes requirements to prove what constitutes a bribe.

Section 30 – Amends RCW 67.04.040 – changes definition of a “bribe” to include specified roles.

Section 31 – Amends RCW 67.04.050 – makes manipulation of a sporting event a Class C felony.

Section 32 – Amends RCW 67.04.060 – changes baseball game to sporting contest.

Section 33 – Amends RCW 67.04.070 – allows bonuses.

Section 34 – Amends RCW 67.04.080 – to broaden application of RCW 67.04.010-67.04.080.

Section 35 – New Section – recodifies RCW 67.24.010.

Section 36 – New Section – decodifies RCW 67.24.020.

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.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Gambling Commission (GMB). The Attorney General’s Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO’s authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency’s fiscal note. Appropriation authority is necessary in the AGO budget.

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.

Attorney General's Office (AGO) Agency Assumptions:

1. This bill is assumed effective 90 days after the end of the 2021 legislative session.
2. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.
3. Agency administration support FTE are included in the tables below, using a Management Analyst 5 as a representative classification.
4. The AGO Revenue & Finance Division (REV) has reviewed this bill and determined it will not significantly increase the division's workload in representing the Department of Revenue (DOR). The tax imposed by Section 15 will likely generate advice requests. In addition, it is assumed that the bill will result in only one or two refund actions each year. New legal services are nominal and costs are not included in this request.

Assumptions for the AGO Government Compliance & Enforcement Division's (GCE) Legal Services for the Gambling Commission (GMB):

1. The AGO will bill GMB for legal services based on the enactment of this bill.
2. This bill authorizes sports wagering through sports pools and online sports pools by card rooms and racetracks. Several sections of this bill require GMB to engage in rule-making, including the provisions relating to wagers and problem gambling (Section 12).

A. Several other sections of the bill will likely to lead the GMB to engage in rule-making, including sections relating to licensing fees and other requirements, house rules requirements, sports pool facility requirements, financial reserve requirements, temporary facility requirements, geographical location requirements, the pooling of wagers, operational entity requirements, and manufacturing requirements for sports wagering equipment.

B. GCE will advise GMB during the development, adoption, and implementation of these rules. Based on experience in advising GMB during the rule-making process, GCE assumes to utilize 200 Assistant Attorney General (AAG) hours in Fiscal Year (FY) 2022 and FY 2023.

3. Section 2 authorizes the issuance of sports wagering licenses to card rooms and racetracks. Section 11 of the bill authorizes the issuance of licenses to individual employees working in sports wagering lounges. This will lead to an increase in enforcement cases against licensees that violate the statutory provisions and rules adopted by GMB related to sports wagering. This increase in cases will lead to more referrals to GCE for litigation support.

A. GCE assumes an increase of 15 litigation referrals each FY. Each new litigation referrals will utilize 60 hours of AAG work, an increase of 900 AAG hours (60 x 15) in FY 2023 and in each FY thereafter.

4. Total workload impact:

FY 2022: 0.11 AAG and 0.06 Legal Assistant (LA) at a cost of \$25,000.

FY 2023: 0.61 AAG and 0.31 LA at a cost of \$146,000.

FY 2024 and in each FY thereafter: 0.5 AAG and 0.25 LA at a cost of \$119,000 per FY.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	25,000	146,000	171,000	238,000	238,000
Total \$			25,000	146,000	171,000	238,000	238,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	1.1	0.6	0.9	0.9
A-Salaries and Wages	17,000	96,000	113,000	156,000	156,000
B-Employee Benefits	5,000	30,000	35,000	50,000	50,000
E-Goods and Other Services	3,000	18,000	21,000	28,000	28,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		1,000	1,000	2,000	2,000
Total \$	25,000	146,000	171,000	238,000	238,000

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	108,600	0.1	0.6	0.4	0.5	0.5
Legal Assistant 3	54,108	0.1	0.3	0.2	0.3	0.3
Management Analyst 5	88,644		0.2	0.1	0.1	0.1
Total FTEs		0.2	1.1	0.6	0.9	0.9

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Government Compliance & Enforcement Division (GCE)	25,000	146,000	171,000	238,000	238,000
Total \$	25,000	146,000	171,000	238,000	238,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5212 SB	Title: Sports wagering	Agency: 117-Washington State Gambling Commission
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Gambling Revolving Account-Non-Appropriated 884-6	6,824,993	3,662,257	10,487,250	7,324,514	7,324,514
Total \$	6,824,993	3,662,257	10,487,250	7,324,514	7,324,514

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	32.9	20.7	26.8	20.7	20.7
Account					
Gambling Revolving Account-Non-Appropriated 884-6	6,290,316	3,375,352	9,665,668	6,750,704	6,750,704
Total \$	6,290,316	3,375,352	9,665,668	6,750,704	6,750,704

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.

Legislative Contact:	Phone:	Date: 01/15/2021
Agency Preparation: Christopher Stanley	Phone: 360-486-3489	Date: 01/25/2021
Agency Approval: Brian Considine	Phone: (360) 786-3489	Date: 01/25/2021
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 01/27/2021

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 1 is a definition section.

Section 2 authorizes sports wagering at cardrooms and racetracks. The Washington State Gambling Commission (WSGC) is empowered to perform all licensing, but may not issue any licenses until the execution of a tribal compact amendment authorizing sports wagering (already authorized under existing statute). Fees are set at \$100,000 for an initial license and reasonable fees for renewals as necessary to cover the costs of regulating the sports wagering market. A problem gambling report is required to be filed by WSGC annually.

Section 3 permits online wagering within the confines of the physical facility of the sports wagering licensee.

Section 4 creates a class B felony and associated fines for persons offering sports wagering without a license.

Section 5 restricts a variety of sports-related individuals from participating in the sports wagering market.

Section 6 permits sports wagering licensees to contract with an outside, licensed entity to conduct sports wagering on their behalf.

Section 7 requires operators to report promptly to WSGC any criminal or disciplinary proceedings commenced against the operator or its employees as well as any abnormal or suspicious wagering patterns. Section 8 requires operators to maintain sports wagering records required by WSGC.

Section 9 permits a sports wagering licensee to utilize kiosks or self-service wagering stations within its complex.

Section 10-12 authorize the licensing, regulation, and development of rules for the regulation of sports wagering by WSGC and set certain standards for the same.

Section 13 requires operators to adopt house rules relating to sports wagering.

Section 14 permits two licensees to jointly manage a sports wagering operation.

Section 15 establishes a tax of 10 percent on gaming revenue from sports wagering. Gaming revenue is defined as "the total amount wagered less winnings paid out".

Section 16 provides a one-year time frame for winners to collect their winnings and specifies a distribution of unclaimed winnings.

Section 17 states that wagers may be accepted or pooled from persons outside the state if WSGC determines that those wagers align with federal law.

Section 18 concerns the zoning of sports wagering lounges.

Section 19 is a severability clause.

Sections 22-34 amend existing statutes to bring them into alignment with the new sections added to the RCW as a new chapter under Title 9.

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.

The Washington State Gambling Commission (WSGC) is funded both by license fees and by tribal reimbursement of certain tribal regulatory costs. Were this bill to become law, license fees would be set by rule and dependent on projected costs. It is assumed that total revenues would be sufficient to fund the agency at a level that adequately funds the activities required by the bill, plus an 8.5% working capital reserve as permitted by the Office of Financial Management. While the detailed breakout of license fees is indeterminate, the total revenue figure is noted here.

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.

Please see the attached documents describing the expenditure impact of this bill.

The following attachments have been provided to assist with the explanation of estimated expenditures:

- Attachment A: The narrative attachment
- Attachment B: Licensing Unit Assumption Calculations
- Attachment C: Position Breakout (in order as presented in this narrative)
- Attachment D: Cost Model by Object and Certain Relevant Sub-Objects

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
884-6	Gambling Revolving Account	Non-Appropriated	6,290,316	3,375,352	9,665,668	6,750,704	6,750,704
Total \$			6,290,316	3,375,352	9,665,668	6,750,704	6,750,704

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	32.9	20.7	26.8	20.7	20.7
A-Salaries and Wages	2,561,071	1,621,106	4,182,177	3,242,212	3,242,212
B-Employee Benefits	921,985	583,598	1,505,583	1,167,196	1,167,196
C-Professional Service Contracts					
E-Goods and Other Services	434,744	349,383	784,127	698,766	698,766
G-Travel	78,973	49,619	128,592	99,238	99,238
J-Capital Outlays	1,074,474		1,074,474		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	1,219,069	771,646	1,990,715	1,543,292	1,543,292
9-					
Total \$	6,290,316	3,375,352	9,665,668	6,750,704	6,750,704

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Gambling Special Agent - EMS Band 1	77,916	21.6	10.6	16.1	10.6	10.6
Licensing Specialist	49,932	1.3	0.6	1.0	0.6	0.6
Management Analyst 4	77,952	7.0	7.0	7.0	7.0	7.0
Management Analyst 5	86,064	1.0	1.0	1.0	1.0	1.0
Special Agent Supervisor - EMS Band 2	90,312	2.0	1.5	1.8	1.5	1.5
Total FTEs		32.9	20.7	26.8	20.7	20.7

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

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.

Extensive rule making would be required to implement the entire bill. These costs are reflected as part of the overall costs in the narrative component.

Attachment A: Washington State Gambling Commission Expenditure Statement on Senate Bill 5212

II. C – Expenditures

The Washington State Gambling Commission assumes the following implementation plan:

- Sports wagering would be authorized in card rooms and at racetracks (such as Emerald Downs).
- Sports wagers could be placed on the premises of the card room or racetrack at a teller, kiosk, or through an online sports pool.

For the purposes of licensing and regulation, WSGC makes the following operating assumptions:

- 28 card room locations and 1 racetrack location will offer sports wagering:
- Sports wagering will be offered two ways:
 - Retail, with teller stations and kiosks
 - 1 mobile application per card room
- Risk Management (colloquially known as “bookmakers”) Assumptions:
 - Sports wagering activity may be leased out.
 - The card rooms will be ultimately responsible for those they contract with to provide risk management services.
 - The same risk manager for the retail operations will be the same for mobile applications.

The following attachments have been provided to assist with the explanation of estimated expenditures:

- Attachment A: This narrative attachment
- Attachment B: Licensing Unit Assumption Calculations
- Attachment C: Position Breakout (in order as presented in this narrative)
- Attachment D: Cost Model by Object and Certain Relevant Sub-Objects

Licensing Unit (please see Attachment B for calculation breakout on regulatory hours)

WSGC anticipates four new organizational licenses will be created to regulate this new activity:

- Sports Wagering License (29 licensees estimated)
 - Potential licensees include card rooms and a racetrack.
- Sports Wagering Operator (8 licensees estimated)
 - It is assumed that three new licensees will enter the new market and five other operators will want to be cross-licensed from the tribal-only sports wagering sector to enter the new market.
- Sports Wagering Service Provider (13 licensees estimated)
 - It is assumed that three additional licensees will enter the new market and ten other service providers will want to be cross-licensed from the tribal-only sports wagering sector to enter the new market.
- Sports Wagering Supplier/Processor (31 licensees estimated)
 - It is assumed that six additional licensees will enter the new market and twenty-five other suppliers/processors will want to be cross-licensed from the tribal-only sports wagering sector to enter the new market.

WSGC anticipates that two new individual licenses will be created to regulate this activity:

- Sports Wagering Key Employee (116 licensees estimated)
 - Assumption: Four per location
 - This assumption includes a cyber security official to monitor and secure online activity
- Sports Wagering Employee (348 licensees estimated)
 - All persons employed directly in wagering-related activities conducted in a sport wagering lounge and online sports pool
 - Assumption: 12 per location

To prepare for licensing of this new activity, the Licensing Unit will need to undertake the following:

• Draft Rules	200 hours
• Update internal licensing system (add the new licenses) classes	150 hours
• Create new forms; update existing forms	150 hours
• Update the MyAccount licensing portal	150 hours
• Educate and train WSGC licensing staff (15 staff x 15 hours)	225 hours
• Educate and train new licensees	150 hours

Total Preparation Work (First Year)	1,025 hours
Total Licensing Hours (First Year)	5,968 hours
Total Licensing Hours (Subsequent Years)	1,757 hours

Regulation Unit

The Regulation Unit conducts three primary types of regulation activities (assuming 25 locations):

Pre-Operational Review Function	Hours Per Location
Internal Controls Review	30
House Rules Review	10
Promotions Review	20
Surveillance	6
Test compliance with rules (Retail)	25
Test compliance with rules (Mobile)	20
Soft Opening Review	15
Review of Temporary Facility	100
Sub-Total	226/location; 6,554 hours total
We further assume that 20% of all licensees in the first year of implementation will require a second agent to assist on the review, for training purposes of our staff.	+ 1,311 hours
Total (first year of implementation)	7,865 hours for 29 locations
Total (subsequent years) *Assuming 3 new licensees per year	452 hours for 3 locations/year

Annual Compliance Program	Hours per Location	Total	Assumptions
Internal Control & House Rule Changes/Approvals	48	1,392	4 hours/month/location

Promotion Reviews/Approvals	72	2,088	2 promotions/location/month Review = 3 hours/location
Compliance Inspections Retail	72	2,088	6 hours/month/location
Compliance Inspections Mobile	36	1,044	3 hours/month/location
New Authorized Wager Request	40	1,160	2 new wager requests/location/year
Verify Unclaimed Winnings	6	150	
Total/Year	268	7,922	

Estimated # of Complaints per Year	Time to Resolve	Total Time To Resolve (includes writing a case report)
232	Average 1 hour	232
464	Average 4 hours	1,856
696	TOTAL	2,088

**Assuming 24 complaints/location/year, 1/3 resolved in 1 hour, and 2/3 resolved in 4 hours*

Additionally, similar to the reporting structure required in New Jersey, licensees would be required to submit each gaming day's wagering information and revenue reconciliation to WSGC. WSGC would then review any discrepancies and certify the reports for the Department of Revenue, thereby eliminating the need for additional revenue verification reported on Business and Occupation tax forms. Given that New Jersey uses 16 FTEs to process daily reports from 55 entities, we are assuming to start with a team of 7 FTEs (10,080 hours) for this function.

To prepare for regulation of this new activity, the Regulation Unit will need to undertake the following:

- Rules Development (includes Minimum Internal Control Standards) 200 hours
 - Compliance Program Development 100 hours
 - Educate and train WSGC licensing staff (26 staff x 40 hours) 1,040 hours
 - Educate and train new licensees (10 hours per location) 290 hours
-
- | | |
|---|---------------------|
| Total Preparation Work | 1,630 hours |
| Total Regulatory Work (First Year) | 17,875 hours |
| Total Regulatory Work (Subsequent Years) | 10,462 hours |

Criminal Enforcement Unit (CEU)

No fiscal impact to the Criminal Enforcement Unit as the unit is already staffing up for statewide enforcement activities under the prior initial authorization of sports wagering.

Electronic Gaming Laboratory (EGL)

No fiscal impact to the Electronic Gaming Laboratory as the unit is already staffing up for review activities under the prior initial authorization of sports wagering.

Administration

An increase in standard back-office functions, such as increased human resources, business office, and information technology services, is reflected in the 35% overhead rate for the agency.

Attachment B: Licensing Unit Assumption Calculations on Senate Bill 5212

FIRST YEAR OF IMPLEMENTATION				SUBSEQUENT YEARS				
License	New Licensees	Initial Year Staff Hours	Total Hours	New Licensees Per Year	Initial License Staff Hours	Renewal Licensees	Yearly Renewal Hours	Total Hours Subsequent Years
<u>Organizational Licenses:</u>								
Sports Wagering License Card rooms, racetracks, and tribal casinos will be authorized for sportsbetting. Each non-tribal facility must have a sports wagering license prior to offering sports wagering	29	30	870	2	30	31	10	370
Sports Wagering Operator Sports wagering partners and software and system suppliers; Runs the sports wagering operation on behalf of the premise.	8	400	3,200	1	400	9	40	760
Sports Wagering Service Provider Sell, lease, offer, provide or distribute equipment, or provide integrity services or odds; Offers sports wagering components or services	13	15	195	2	15	15	5	105
Sports Wagering Supplier/Processor Entity that provides goods or services that affects the conduct of sports wagering; Payment Processors with access to player accounts, Data Warehousing, Marketing Affiliates with revenue share.	31	25	775	4	25	35	10	450

Attachment B: Licensing Unit Assumption Calculations on Senate Bill 5212

<u>Individual Licenses:</u>								
Sports Wagering Key Employee								
Responsible for the operation of the sports pool. One per operator onsite at all time wagering is open; assumed to be four employees per location (this includes a cyber security official).	116	2	232	24	2	116	2	280
Sports Wagering Employee								
All person employed directly in wagering related activities conducted in a sport wagering lounge and online sports pool; assumed to be 12 employees per location	348	2	696	72	2	348	1	492
Total Hours for Licensing Unit			5,968					2,457
Sub-Total for Non-Agent Time			1,339					863
Sub-Total for Agent Time			4,629					1,594

**Attachment C: Position Breakout (in order as presented in Attachment A narrative)
for Senate Bill 5212**

Units (in order of narrative presentation)	Positions and Fiscal Year					
		Gambling Special Agent	Special Agent Supervisor	Licensing Specialist	Management Analyst 4	Management Analyst 5
Licensing Unit	FY 22	4.5		1.3		
	FY 23	1.4	-	0.6		
	FY 24	1.4	-	0.6		
	FY 25	1.4	-	0.6		
	FY 26	1.4	-	0.6		
	FY 27	1.4	-	0.6		
Regulation Unit	FY 22	17.1	2.0			
	FY 23	9.2	1.5			
	FY 24	9.2	1.5			
	FY 25	9.2	1.5			
	FY 26	9.2	1.5			
	FY 27	9.2	1.5			
Daily Wager Audit Team	FY 22				7.0	1.0
	FY 23				7.0	1.0
	FY 24				7.0	1.0
	FY 25				7.0	1.0
	FY 26				7.0	1.0
	FY 27				7.0	1.0
Total	FY 22	21.6	4.0	4.0	7.0	1.0
	FY 23	10.6	4.0	4.0	7.0	1.0
	FY 24	10.6	4.0	4.0	7.0	1.0
	FY 25	10.6	4.0	4.0	7.0	1.0
	FY 26	10.6	4.0	4.0	7.0	1.0
	FY 27	10.6	4.0	4.0	7.0	1.0

**For every 5-6 FTEs, a supervisor was added to simulate how positions would fit into an actual organizational structure.*

Attachment D: Cost Model by Object and Certain Relevant Sub-Objects for Senate Bill 5212

Program Title: All Agency

Title of Bill: SB 5212

Positions	Current		FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	
	Range & Step	Monthly Salaries													Annual Salaries
	Gambling Special Agent	EMS Band 1	\$6,493	\$77,916	21.6	10.6	10.6	10.6	10.6	10.6	\$ 1,684,510	\$ 823,975	\$ 823,975	\$ 823,975	\$ 823,975
Special Agent Supervisor	EMS Band 2	\$7,526	\$90,312	2.0	1.5	1.5	1.5	1.5	1.5	\$ 180,624	\$ 135,468	\$ 135,468	\$ 135,468	\$ 135,468	\$ 135,468
Licensing Specialist	42L	\$4,161	\$49,932	1.3	0.6	0.6	0.6	0.6	0.6	\$ 64,208	\$ 29,935	\$ 29,935	\$ 29,935	\$ 29,935	\$ 29,935
Management Analyst 4	60L	\$6,496	\$77,952	7.0	7.0	7.0	7.0	7.0	7.0	\$ 545,664	\$ 545,664	\$ 545,664	\$ 545,664	\$ 545,664	\$ 545,664
Management Analyst 5	64L	\$7,172	\$86,064	1.0	1.0	1.0	1.0	1.0	1.0	\$ 86,064	\$ 86,064	\$ 86,064	\$ 86,064	\$ 86,064	\$ 86,064
Staff FTEs/Salary & Wages Totals A				32.9	20.7	20.7	20.7	20.7	20.7	\$ 2,561,070	\$ 1,621,106	\$ 1,621,106	\$ 1,621,106	\$ 1,621,106	\$ 1,621,106
Employee Benefits: B															
At 36% of Total Salaries	0.36									\$ 921,985	\$ 583,598	\$ 583,598	\$ 583,598	\$ 583,598	\$ 583,598
Benefits Total:										\$ 921,985	\$ 583,598	\$ 583,598	\$ 583,598	\$ 583,598	\$ 583,598
Personal Service Contracts: C															
Personal Service Contracts Total:										\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Goods and Services: E															
EA Supplies	<i>Yearly</i>	\$1,200								\$ 39,487	\$ 24,810	\$ 24,810	\$ 24,810	\$ 24,810	\$ 24,810
EB Communications	<i>Yearly</i>	600								\$ 19,743	\$ 12,405	\$ 12,405	\$ 12,405	\$ 12,405	\$ 12,405
ED Rental & Leases (120sf x \$19.25)	<i>Yearly</i>	2,310								\$ 21,450	\$ 19,865	\$ 19,865	\$ 19,865	\$ 19,865	\$ 19,865
EG Employee Training	<i>Yearly</i>	1,250								\$ 41,132	\$ 25,843	\$ 25,843	\$ 25,843	\$ 25,843	\$ 25,843
Academy Trng (Field Agents only)	<i>One Time costs</i>	8,817								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EM Attorney General Services	<i>Yearly</i>									\$ 269,000	\$ 244,000	\$ 244,000	\$ 244,000	\$ 244,000	\$ 244,000
ES Vehicle Maintenance & Opns	<i>Yearly</i>	1,860								\$ 43,932	\$ 22,460	\$ 22,460	\$ 22,460	\$ 22,460	\$ 22,460
Goods and Services Total										\$ 434,744	\$ 349,383	\$ 349,383	\$ 349,383	\$ 349,383	\$ 349,383
Travel: G															
Travel Per Position	<i>Yearly</i>	\$2,400								\$ 78,973	\$ 49,619	\$ 49,619	\$ 49,619	\$ 49,619	\$ 49,619
Travel Total										\$ 78,973	\$ 49,619	\$ 49,619	\$ 49,619	\$ 49,619	\$ 49,619
Capital Outlays/Equipment: J															
Cubicle Equipment	<i>One Time costs</i>	7,000								\$ 65,001	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle (Agent ONLY)	<i>One Time costs</i>	30,000								\$ 708,587	\$ -	\$ -	\$ -	\$ -	\$ -
Computer		2,500								\$ 82,264	\$ -	\$ -	\$ -	\$ -	\$ -
Agent Equipment		9,256								\$ 218,623	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment Total										\$ 1,074,474	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Overhead (35%)										\$ 1,219,069	\$ 771,646	\$ 771,646	\$ 771,646	\$ 771,646	\$ 771,646
Fiscal Note Total										\$ 6,290,316	\$ 3,375,352	\$ 3,375,352	\$ 3,375,352	\$ 3,375,352	\$ 3,375,352

Department of Revenue Fiscal Note

Bill Number: 5212 SB	Title: Sports wagering	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 00 - 00 -	1,000,000	2,400,000	3,400,000	4,900,000	5,100,000
Total \$	1,000,000	2,400,000	3,400,000	4,900,000	5,100,000

Estimated Expenditures from:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.7	1.7	2.2	0.3	
GF-STATE-State 001-1	439,300	209,500	648,800	74,800	
Total \$	439,300	209,500	648,800	74,800	

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.

Legislative Contact:	Phone:	Date: 01/15/2021
Agency Preparation: Anna Yamada	Phone: 360-534-1519	Date: 02/03/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/03/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/03/2021

Request # 5212-1-1

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.

CURRENT LAW

Sports wagering is illegal except for:

- Sports wagering is allowed for Indian Tribes under RCW 9.46.360.
- Sports pools with a 100-square sports pool board is allowed under RCW 9.46.0336.
- Advanced deposit wagering are allowed for horse racings under RCW 67.16.260.

PORPOSED

This bill creates the sports wagering act, which authorizes sports wagering in Washington State through sports pools and online sports pools by cardrooms and horse racing tracks.

The bill grants the Gambling Commission (the Commission) the authority to license and regulate sports wagering at cardrooms and horse racing tracks. A sports wagering licensee may operate a sports pool in accordance with the provisions of this bill.

Wagers may be accepted from people within the state and those not physically in Washington if the Commission determines such wagering is not inconsistent with federal law or the jurisdiction where the person is located.

The Commission has the authority to charge a cardroom and a racetrack an initial license fee of \$100,000, and a renewal fee based on the expenses as required for regulations.

Section 15 of the bill creates a new excise tax on the gaming revenue for sports wagering licensees in the amount of 10% of the gaming revenue, which is the total amount wagered less winnings paid out. The Department of Revenue (Department) will collect and administer the tax.

Gaming revenue must be sourced to the location where the bet is placed, and reported to the Department, broken down by the locations where bets were placed.

Section 20 of the bill exempts business and occupation (B&O) tax on sports wagering activities.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

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

- Gambling revenue in this estimate is the total amount wagered less winnings paid out, also referred to as "net win" or "gross gambling revenue (GGR)" in some sources.
- Washington Gambling Commission (the Commission) grants sports wagering licenses only to non-tribal cardrooms, horse racing tracks and off-track betting locations (Licensees).
- The Department administers a new excise tax of 10% on sports wagering revenue received by the Licensees.
- Taxable revenue from the Licensees includes the revenue from the bets placed online from outside licensed locations via a sports wagering portal operated by the Licensees.

- The bill allows online revenue from the bets placed outside Washington via portals operated by the Licensees as long as online sports wagering is legal in that location outside Washington. However, this estimate assumes the amount of taxable revenue from out-of-state betting would be indeterminate and it is not included in this estimate.

Calculation of Revenue Impact:

- There is no data to assess revenue impact from the proposed sports wagering activities in Washington.
- This estimate assumes that the gambling revenue estimates, methods and assumptions used in a study performed by Oxford Economics in 2017 for the American Gaming Association will serve as a proxy for a revenue impact in Washington under this proposed bill.
- Current gambling revenue from non-tribal cardrooms, horse racing tracks and off-track betting locations in Washington represents 6% of the total gambling revenue from both tribal and non-tribal locations.
- The share of sports wagering at non-tribal locations would be similar to the current gambling revenue shares.
- By allowing online sports wagering to the on-site cardroom locations, the sports wagering revenue would increase by 58%.
- There will be no impact to horse racing betting locations, where advanced deposit wagering is already allowed in Washington under RCW 67.16.260.
- Compliance with this new excise tax is assumed to be high due to the small number of eligible taxpayers and the enforcement by the Commission provided for in the bill.
- Gambling activities will grow by mirroring the Consumer Price Index (CPI) forecasted in November 2020.

DATA SOURCES

- Oxford Economics publication: Economic Impact of Legalized Sports Betting (2017)
- Washington Gambling Commission: Website information, Annual Report Fiscal Year 2019
- Washington Horse Racing Commission: Website information and Annual Report (2019)
- Economic Revenue and Forecasting Council, November 2019 forecast of Consumer Price Index (CPI)
- Other online information and data sources

IMPLEMENTATION DATE

This estimate assumes effective date of January 1, 2022, allowing for the implementation of a new tax by the Department. This will result in 5 months cash collection for Fiscal Year 2022.

REVENUE ESTIMATES

Revenues will increase by \$3.4 million in the 2022-23 Biennium, \$4.9 million in the 2024-25 Biennium, and \$5.1 million in the 2026-27 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 -	\$ 1,000
FY 2023 -	\$ 2,400
FY 2024 -	\$ 2,400
FY 2025 -	\$ 2,500
FY 2026 -	\$ 2,500
FY 2027 -	\$ 2,600

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

ASSUMPTIONS:

- This bill affects 65 non-tribal card rooms, horse racing tracks, and off track betting locations.

FIRST YEAR COSTS:

The Department will incur total costs of \$439,300 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 2.73 FTEs.

- Testing system changes.
- Respond to additional emails, counter visits, and phone calls.
- Create a special notice to affected taxpayers and identify publications and web pages that need to be updated.
- Create new templates and forms.
- Create a new complex administrative rule.
- Answer interpretation and policy questions regarding this new tax.

Object Costs - \$92,400.

- Contracted system programming.

SECOND YEAR COSTS:

The Department will incur total costs of \$209,500 in Fiscal Year 2023. These costs include:

Labor Costs - Time and effort equates to 1.7 FTEs.

- Respond to additional emails, counter visits, and phone calls.
- Answer interpretation and policy questions regarding this new tax.

ONGOING COSTS:

Ongoing costs for the 2023-25 Biennium equal \$74,800 and include similar activities described in the second year costs. Time and effort equates to 0.3 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.7	1.7	2.2	0.3	
A-Salaries and Wages	215,200	138,900	354,100	49,400	
B-Employee Benefits	77,500	50,100	127,600	17,800	
C-Professional Service Contracts	92,400		92,400		
E-Goods and Other Services	35,100	18,500	53,600	6,800	
J-Capital Outlays	19,100	2,000	21,100	800	
Total \$	\$439,300	\$209,500	\$648,800	\$74,800	

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 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
EMS BAND 5	139,090	0.0		0.0		
EXCISE TAX EX 2	54,108	0.1	0.1	0.1		
IT QA-JOURNEY	85,644	0.1		0.1		
MGMT ANALYST4	70,956	0.4		0.2		
RECORDS MGMT SUPV	67,560	0.1		0.1		
TAX INFO SPEC 4	64,332	0.2		0.1		
TAX POLICY SP 3	82,344	1.5	1.3	1.4	0.3	
TAX POLICY SP 4	88,644	0.3	0.3	0.3		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		2.7	1.7	2.2	0.3	

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

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.

Should this legislation become law, the Department will use the complex process to adopt a new rule. Persons affected by this rule making would include card rooms and horse racing tracks.

Individual State Agency Fiscal Note

Bill Number: 5212 SB	Title: Sports wagering	Agency: 185-Horse Racing Commission
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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.

Legislative Contact:	Phone:	Date: 01/15/2021
Agency Preparation: Seth Flory	Phone: (360) 407-8165	Date: 01/19/2021
Agency Approval: Seth Flory	Phone: (360) 407-8165	Date: 01/19/2021
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 01/27/2021

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.

Senate Bill 5212 would authorize sports wagering at cardrooms and racetracks.

While the Washington Horse Racing Commission (WHRC) has a role in licensing racetracks for business, this legislation does not provide WHRC with any additional revenue. Agency does not anticipate this legislation will create any new costs or expenditures.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required