

# HOUSE BILL REPORT

## HB 1260

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### As Reported By House Committee On:

Commerce & Labor

**Title:** An act relating to recreational gaming activities.

**Brief Description:** Regulating recreational gaming activities.

**Sponsors:** Representatives Wood, McMorris, Conway and Clements.

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/8/99, 3/1/99 [DPS].

#### Brief Summary of Substitute Bill

- Allows charitable and nonprofit organizations to engage in recreational gaming activity with participation limited to members and guests.
- Allows the sponsoring organization to raise money through donations of up to \$500 for participation in the event and allows an additional donation of up to \$200 for scrip or chips to use for gambling.
- Allows the sponsoring organization to contract with a person licensed by the Gambling Commission to organize and conduct the recreational gambling event.
- Authorizes the Gambling Commission to adopt rules regulating the recreational gaming activities.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; Lisk; McIntire and McMorris.

**Staff:** Pam Madson (786-7166).

**Background:**

The Gambling Commission permits and regulates recreational gaming activities. Recreational gaming is a non-gambling activity. Participants use scrip or chips rather than actual money or things of value to wager. Participants use Las Vegas style gambling equipment such as craps tables, roulette, and blackjack. The equipment is provided by distributors licensed by the commission. Only equipment that is authorized for fund-raising activities may be used for recreational gaming activities. Slot machines may not be used.

Any organization may seek a permit from the Gambling Commission to sponsor a recreational gaming activity. Recreational gaming is typically conducted along with a dinner or entertainment. The recreational gaming activity is incidental to the main event, and is used for entertainment purposes only. No actual gambling may take place. When the recreational games are over, participants redeem scrip or chips for prizes donated to the sponsoring organization or purchased for the event by the organization.

The organization conducting the event may not profit from the recreational gaming activity. The sponsoring organization may not charge a fee for the opportunity to participate or enter the premises. However, they may charge a fee that covers the organization's costs for conducting the event and the recreational gaming activity.

These events may be conducted by the sponsoring organization only twice a year and only members and guests may participate.

The Gambling Commission requires that recreational gaming activities be limited to eight hours and that the sponsoring organization notify local law enforcement about the activity.

Recreational gaming activity differs from fund-raising events sponsored by bona fide charitable and nonprofit organizations. Fund-raising events use Las Vegas style gambling equipment similar to equipment allowed for recreational gaming. However, participants at fund-raising events use actual money to place wagers. The purpose of these events is to raise money for the organization's charitable or nonprofit activities, not merely to provide entertainment.

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**Summary of Substitute Bill:** Recreational gaming activity is permitted and is limited to bona fide charitable and nonprofit organizations. Gambling equipment used for the activity must be obtained from individuals licensed by the Gambling Commission.

A sponsoring organization may raise money in the form of a donation of up to \$500 per person for the opportunity to participate in the event. Throughout the event,

participants may obtain additional scrip or chips through an additional donation of up to \$200.

The value of any prizes, meals or entertainment provided in conjunction with the event must be disclosed to persons making donations to participate.

All prizes must be donated to or provided by the sponsoring organization. The value of all prizes purchased by the sponsoring organization may not exceed 10 percent of the gross revenue from the recreational gambling activity.

Persons licensed by the commission to conduct and organize recreational gambling activities may provide equipment and personnel to operate the equipment but may not provide the facility. The persons licensed to provide equipment may only receive a fixed fee and may not share in the proceeds of the event.

Only members and guests of the sponsoring organization may participate in the event. The gambling activity is limited to eight hours in any 24-hour period. The sponsoring organization may operate only two events per year.

The Gambling Commission is authorized to adopt new rules regulating recreational gaming activities.

**Substitute Bill Compared to Original Bill:** The substitute bill: (1) designates this activity as a fund-raising activity for charitable and nonprofit organizations through the collection of donations from those participating; (2) limits participation in the activity to members and guests of the organization; (3) allows participants to obtain additional scrip or chips through an additional donation of up to \$200; (4) prohibits the gambling equipment contractor from providing any facility for the event; and (5) limits a charitable or nonprofit organization to two events per year.

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**Appropriation:** None.

**Fiscal Note:** Requested on February 4, 1999.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Original bill) Recreational gambling is another way for charitable and nonprofit organizations to raise money for their organizations. The history of current Gambling Commission regulations for recreational gambling started when entertainment for high school senior parties included gambling, using gambling equipment. The regulation addresses the circumstances under which gambling equipment is used for purely entertainment and not as a way to raise money for an

organization. Recreational gambling is being used now by organizations where donations are made to the organization at an event and scrip or chips are provided for participants to use to gamble. If participants want additional scrip or chips, an additional donation is made. Companies who provide the equipment and staff to organizations for these events are seeking clarification of requirements that need to be met in order to conduct these events. Allowing participants to purchase additional scrip or chips brings the activity closer to gambling activity requiring a change in the gambling laws. Recreational gambling events are different from fund-raising events, also known as Reno nights. At a Reno night, organizations use the same type of gambling equipment but conduct actual gambling activity using real money. Anyone may participate. The organization must use members of the organization to operate the gambling equipment or act as card dealers. Participants can be experienced gamblers who can take advantage of inexperienced dealers, and the sponsoring organization can actually lose money at the event. This bill does not change the rules for fund-raising events or Reno nights. Under this bill, there is less risk of an organization losing money when conducting a recreational gambling activity. As with fund-raising events, recreational gambling is limited to charitable and nonprofit organizations. There is concern with this limitation. Current commission rules allow any organization to conduct recreational gambling events. This bill is not an expansion of gambling.

**Testimony Against:** (Original bill) There is concern that this bill would expand gambling. There is no limit to the amount of scrip a participant can buy. Anyone can attend the event. No gambling interest wants another gambling interest to have an advantage. This causes continued growth of the gambling industry. Charitable and nonprofit organizations need to find other ways to raise money that is less risky. There is concern that these events may target high school students. Recreational gaming is being replaced with professional style gambling. It is becoming less of a recreational event and more of a professional gambling event.

**Testified:** (In favor) Dan Blagovich, West Coast Casino Parties; Geri Windecker, Wild Bill's Northwest; Davor Gjurasci, Wild Bill's Northwest and Westcoast Casino Parties; Stu Halsan, Washington State Federation of Clubs; Randy Ray, Charities Action Team; and Ed Fleisher, Washington State Gambling Commission.

(Opposed) Tod Trantum, Washington Evangelicals for Responsible Government.