

ESHB 1031 - S COMM AMD
By Committee on Ways & Means

ADOPTED AS AMENDED 04/06/2005

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that:

4 (a) The costs to society of problem and pathological gambling
5 include family disintegration, criminal activity, and financial
6 insolvencies;

7 (b) Problem and pathological gamblers suffer a higher incidence of
8 addictive disorders such as alcohol and substance abuse;

9 (c) Residents of Washington have the opportunity to participate in
10 a variety of legal gambling activities operated by the state, by
11 federally recognized tribes, and by private businesses and nonprofit
12 organizations; and

13 (d) A 1999 study found that five percent of adult Washington
14 residents and eight percent of adolescents could be classified as
15 problem gamblers during their lifetimes, and that more than one percent
16 of adults have been afflicted with pathological gambling.

17 (2) The legislature intends to provide long-term, dedicated funding
18 for public awareness and education regarding problem and pathological
19 gambling, training in its identification and treatment, and treatment
20 services for problem and pathological gamblers and, as clinically
21 appropriate, members of their families.

22 **Sec. 2.** RCW 43.20A.890 and 2002 c 349 s 4 are each amended to read
23 as follows:

24 (1) A program for (a) the prevention and treatment of
25 ((pathological)) problem and pathological gambling; and (b) the
26 training of professionals in the identification and treatment of
27 problem and pathological gambling is established within the department
28 of social and health services, to be administered by a qualified person
29 who has training and experience in ((handling pathological)) problem

1 gambling (~~(problems)~~) or the organization and administration of
2 treatment services for persons suffering from (~~(pathological)~~) problem
3 gambling (~~(problems)~~). The department may contract for any services
4 provided under the program. The department shall track program
5 participation and client outcomes.

6 (2) To receive treatment under subsection (1) of this section, a
7 person must:

8 (a) Need treatment for (~~(pathological)~~) problem or pathological
9 gambling, or because of the problem or pathological gambling of a
10 family member, but be unable to afford treatment; and

11 (b) Be targeted by the department of social and health services as
12 (~~(to be)~~) being most amenable to treatment.

13 (3) Treatment under this section is (~~(limited to)~~) available only
14 to the extent of the funds appropriated or otherwise made available to
15 the department of social and health services for this purpose. The
16 department may solicit and accept for use any gift of money or property
17 made by will or otherwise, and any grant of money, services, or
18 property from the federal government, any tribal government, the state,
19 or any political subdivision thereof or any private source, and do all
20 things necessary to cooperate with the federal government or any of its
21 agencies or any tribal government in making an application for any
22 grant.

23 (4) The department of social and health services shall (~~(report to~~
24 ~~the legislature by September 1, 2002, with a plan for implementing this~~
25 ~~section)) establish an advisory committee to assist it in designing,~~
26 managing, and evaluating the effectiveness of the program established
27 in this section. The advisory committee shall give due consideration
28 in the design and management of the program that persons who hold
29 licenses or contracts issued by the gambling commission, horse racing
30 commission, and lottery commission are not excluded from, or
31 discouraged from, applying to participate in the program. The
32 committee shall include, at a minimum, persons knowledgeable in the
33 field of problem and pathological gambling and persons representing
34 tribal gambling, privately owned nontribal gambling, and the state
35 lottery.

36 (5) (~~(The department of social and health services shall report to~~
37 ~~the legislature by November 1, 2003, on program participation and~~
38 ~~client outcomes.)) For purposes of this section, "pathological~~

1 gambling" is a mental disorder characterized by loss of control over
2 gambling, progression in preoccupation with gambling and in obtaining
3 money to gamble, and continuation of gambling despite adverse
4 consequences. "Problem gambling" is an earlier stage of pathological
5 gambling which compromises, disrupts, or damages family or personal
6 relationships or vocational pursuits.

7 NEW SECTION. Sec. 3. A new section is added to chapter 43.20A RCW
8 to read as follows:

9 The problem gambling account is created in the state treasury.
10 Money in the account may be spent only after appropriation.
11 Expenditures from the account may be used only for the purposes of the
12 program established under RCW 43.20A.890.

13 Sec. 4. RCW 67.70.340 and 2002 c 349 s 3 are each amended to read
14 as follows:

15 (1) The legislature recognizes that creating a shared game lottery
16 could result in less revenue being raised by the existing state lottery
17 ticket sales. The legislature further recognizes that the two funds
18 most impacted by this potential event are the student achievement fund
19 and the education construction account. Therefore, it is the intent of
20 the legislature to use some of the proceeds from the shared game
21 lottery to make up the difference that the potential state lottery
22 revenue loss would have on the student achievement fund and the
23 education construction account. The legislature further intends to use
24 some of the proceeds from the shared game lottery to fund programs and
25 services related to problem and pathological gambling.

26 (2) The student achievement fund and the education construction
27 account are expected to collectively receive one hundred two million
28 dollars annually from state lottery games other than the shared game
29 lottery. For fiscal year 2003 and thereafter, if the amount of lottery
30 revenues earmarked for the student achievement fund and the education
31 construction account (~~are~~) is less than one hundred two million
32 dollars, the commission, after making the transfer required under
33 subsection (3) of this section, must transfer sufficient moneys from
34 revenues derived from the shared game lottery into the student
35 achievement fund and the education construction account to bring the
36 total revenue up to one hundred two million dollars. The funds

1 transferred from the shared game lottery account under this subsection
2 must be divided between the student achievement fund and the education
3 construction account in a manner consistent with RCW 67.70.240(3).

4 ~~(3) ((For fiscal year 2003, the commission shall transfer from~~
5 ~~revenues derived from the shared game lottery to the violence reduction~~
6 ~~and drug enforcement account under RCW 69.50.520 five hundred thousand~~
7 ~~dollars exclusively for the treatment of pathological gambling as~~
8 ~~prescribed by RCW 67.70.350.))~~ (a) The commission shall transfer, from
9 revenue derived from the shared game lottery, to the problem gambling
10 account created in section 3 of this act, an amount equal to the
11 percentage specified in (b) of this subsection of net receipts. For
12 purposes of this subsection, "net receipts" means the difference
13 between (i) revenue received from the sale of lottery tickets or shares
14 and revenue received from the sale of shared game lottery tickets or
15 shares; and (ii) the sum of payments made to winners.

16 (b) In fiscal year 2006, the percentage to be transferred to the
17 problem gambling account is one-tenth of one percent. In fiscal year
18 2007 and subsequent fiscal years, the percentage to be transferred to
19 the problem gambling account is thirteen one-hundredths of one percent.

20 (4) The remaining net revenues, if any, in the shared game lottery
21 account after the transfers pursuant to this section shall be deposited
22 into the general fund.

23 NEW SECTION. Sec. 5. A new section is added to chapter 82.04 RCW,
24 to be codified between RCW 82.04.220 and 82.04.310, to read as follows:

25 (1) Upon every person engaging within this state in the business of
26 operating contests of chance; as to such persons, the amount of tax
27 with respect to the business of operating contests of chance is equal
28 to the gross income of the business derived from contests of chance
29 multiplied by the rate of 1.5 percent.

30 (2) An additional tax is imposed on those persons subject to tax in
31 subsection (1) of this section. The amount of the additional tax with
32 respect to the business of operating contests of chance is equal to the
33 gross income of the business derived from contests of chance multiplied
34 by the rate of 0.1 percent through June 30, 2006, and 0.13 percent
35 thereafter. The money collected under this subsection (2) shall be
36 deposited in the problem gambling account created in section 3 of this

1 act. This subsection does not apply to businesses operating contests
2 of chance when the gross income from the operation of contests of
3 chance is less than fifty thousand dollars per year.

4 (3) For the purpose of this section, "contests of chance" means any
5 contests, games, gaming schemes, or gaming devices, other than the
6 state lottery as defined in RCW 67.70.010, in which the outcome depends
7 in a material degree upon an element of chance, notwithstanding that
8 skill of the contestants may also be a factor in the outcome. The term
9 includes social card games, bingo, raffle, and punchboard games, and
10 pull-tabs as defined in chapter 9.46 RCW. The term does not include
11 race meets for the conduct of which a license must be secured from the
12 Washington horse racing commission, or "amusement game" as defined in
13 RCW 9.46.0201.

14 (4) "Gross income of the business" does not include the monetary
15 value or actual cost of any prizes that are awarded, amounts paid to
16 players for winning wagers, accrual of prizes for progressive jackpot
17 contests, or repayment of amounts used to seed guaranteed progressive
18 jackpot prizes.

19 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.04 RCW
20 to read as follows:

21 (1) Upon every person engaging within this state in the business of
22 conducting race meets for the conduct of which a license must be
23 secured from the Washington horse racing commission; as to such
24 persons, the amount of tax with respect to the business of parimutuel
25 wagering is equal to the gross income of the business derived from
26 parimutuel wagering multiplied by the rate of 0.1 percent through June
27 30, 2006, and 0.13 percent thereafter. The money collected under this
28 section shall be deposited in the problem gambling account created in
29 section 3 of this act.

30 (2) For purposes of this section, "gross income of the business"
31 does not include amounts paid to players for winning wagers, or taxes
32 imposed or other distributions required under chapter 67.16 RCW.

33 (3) The tax imposed under this section is in addition to any tax
34 imposed under chapter 67.16 RCW.

35 **Sec. 7.** RCW 82.04.350 and 1961 c 15 s 82.04.350 are each amended
36 to read as follows:

1 Except as provided in section 6(1) of this act, this chapter shall
2 not apply to any person in respect to the business of conducting race
3 meets for the conduct of which a license must be secured from the horse
4 racing commission.

5 **Sec. 8.** RCW 82.04.290 and 2004 c 174 s 2 are each amended to read
6 as follows:

7 (1) Upon every person engaging within this state in the business of
8 providing international investment management services, as to such
9 persons, the amount of tax with respect to such business shall be equal
10 to the gross income or gross proceeds of sales of the business
11 multiplied by a rate of 0.275 percent.

12 (2) Upon every person engaging within this state in any business
13 activity other than or in addition to (~~those enumerated in RCW~~
14 ~~82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,~~
15 ~~82.04.298, 82.04.2905, 82.04.280, 82.04.2907, 82.04.272, 82.04.2906,~~
16 ~~and 82.04.2908, and~~) an activity taxed explicitly under another
17 section in this chapter or subsection (1) of this section; as to such
18 persons the amount of tax on account of such activities shall be equal
19 to the gross income of the business multiplied by the rate of 1.5
20 percent.

21 (3) Subsection (2) of this section includes, among others, and
22 without limiting the scope hereof (whether or not title to materials
23 used in the performance of such business passes to another by
24 accession, confusion or other than by outright sale), persons engaged
25 in the business of rendering any type of service which does not
26 constitute a "sale at retail" or a "sale at wholesale." The value of
27 advertising, demonstration, and promotional supplies and materials
28 furnished to an agent by his principal or supplier to be used for
29 informational, educational and promotional purposes shall not be
30 considered a part of the agent's remuneration or commission and shall
31 not be subject to taxation under this section.

32 **Sec. 9.** RCW 9.46.071 and 2003 c 75 s 1 are each amended to read as
33 follows:

34 (1) The legislature recognizes that some individuals in this state
35 are problem or (~~compulsive~~) pathological gamblers. Because the state
36 promotes and regulates gambling through the activities of the state

1 lottery commission, the Washington horse racing commission, and the
2 Washington state gambling commission, the state has the responsibility
3 to continue to provide resources for the support of services for
4 problem and ((~~compulsive~~)) pathological gamblers. Therefore, ((~~at a~~
5 ~~minimum,~~)) the Washington state gambling commission, the Washington
6 horse racing commission, and the state lottery commission shall jointly
7 develop informational signs concerning problem and ((~~compulsive~~))
8 pathological gambling which include a toll-free hot line number for
9 problem and ((~~compulsive~~)) pathological gamblers. The signs shall be
10 placed in the establishments of gambling licensees, horse racing
11 licensees, and lottery retailers. In addition, the Washington state
12 gambling commission, the Washington horse racing commission, and the
13 state lottery commission may also contract with other qualified
14 entities to provide public awareness, training, and other services to
15 ensure the intent of this section is fulfilled.

16 (2)(a) During any period in which section 5(2) of this act is in
17 effect, the commission may not increase fees payable by licensees under
18 its jurisdiction for the purpose of funding services for problem and
19 pathological gambling. Any fee imposed or increased by the commission,
20 for the purpose of funding these services, before the effective date of
21 this section shall have no force and effect after the effective date of
22 this section.

23 (b) During any period in which section 5(2) of this act is not in
24 effect:

25 (i) The commission, the Washington state horse racing commission,
26 and the state lottery commission may contract for services, in addition
27 to those authorized in subsection (1) of this section, to assist in
28 providing for treatment of problem and pathological gambling; and

29 (ii) The commission may increase fees payable by licenses under its
30 jurisdiction for the purpose of funding the services authorized in this
31 section for problem and pathological gamblers.

32 NEW SECTION. Sec. 10. If any provision of this act or its
33 application to any person or circumstance is held invalid, the
34 remainder of the act or the application of the provision to other
35 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 11.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 July 1, 2005."

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5 On page 1, line 1 of the title, after "gambling;" strike the
6 remainder of the title and insert "amending RCW 43.20A.890, 67.70.340,
7 82.04.350, 82.04.290, and 9.46.071; adding a new section to chapter
8 43.20A RCW; adding new sections to chapter 82.04 RCW; creating a new
9 section; providing an effective date; and declaring an emergency."

EFFECT: The share of problem gambling funding from the Washington
State Lottery will be funded from a transfer from net receipts of the
shared game lottery instead of a transfer of moneys allocated by
statutory formula to assist in paying the debt service of the Mariners
stadium.

A provision is added clarifying that the "gross income of the
business" for horse racing does not include amounts paid for winning
wagers, or taxes and distributions required by the horse racing
statutes.

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