

SENATE BILL REPORT

SB 6277

As of January 29, 2020

Title: An act relating to authorizing sports wagering at tribal casinos, card rooms, and racetracks.

Brief Description: Authorizing sports wagering at tribal casinos, card rooms, and racetracks.

Sponsors: Senators King and Rivers.

Brief History:

Committee Activity: Labor & Commerce: 1/30/20.

Brief Summary of Bill

- Authorizes sport wagering through sports pools and online sport pools by tribal casinos, pursuant to compacts, and by licensed card rooms and racetracks.
- Allows wagers to be placed in person, through self-service machines at the complex, or through online sports pool; all wagers must generally be places in the state.
- Prohibits certain activities and person and entities from placing wagers or owning a sport wagering operator; and provides penalties.
- Modifies and expands the Gambling Commission's authority related to sport wagering.
- Provides a 10 percent tax on gaming revenue.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Susan Jones (786-7404)

Background: Supreme Court Decision Regarding Sports Betting. In May 2018, in the case of *Murphy v. National Collegiate Athletic Association*, the United States Supreme Court ruled that the federal Professional and Amateur Sports Protection Act violates the Tenth Amendment to the United States Constitution by prohibiting states from authorizing sports

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betting. After this decision, some states have passed legislation allowing sports betting or wagering.

Indian Gaming Regulatory Act. The federal Indian Gaming Regulatory Act (IGRA) affirmed tribal gaming rights and provides a framework for Indian tribes and states to negotiate, on a government-to-government basis, for how class III gaming will be conducted within a state and on tribal lands. Types of gaming are separated into three classes under IGRA. Class III gaming is casino-style gaming including lotteries, roulette, and house-banked card games such as blackjack and baccarat. Tribes and the state negotiate regarding Class III gaming and how it will be authorized and regulated. Class I and II gaming is regulated by tribes only. Class I gaming includes social games for prizes of minimal value or traditional forms of Indian gaming engaged in by individuals in connection with tribal ceremonies or celebrations. Class II gaming includes bingo and certain non-house-banked card games.

Compact Negotiations. The Gambling Commission (Commission) negotiates compacts for Class III gaming with federally recognized Indian tribes. When a tentative agreement on a proposed compact is reached, the director of the Commission (Director) transmits a copy to all voting and ex officio members of the Commission and to the appropriate Legislative committees, which must hold a public hearing on the proposed compact and forward any comments to the Commission. The Commission may also hold public hearings on the proposed compact any time after receiving a copy of the compact from the Director. The Commission, including the ex officio members, votes on whether to return the proposed compact to the Director with instructions for further negotiation or to forward the proposed compact to the Governor for review and final execution.

Illegal Gambling Activities. Under Washington law, transmitting or receiving gambling information by means of the Internet is illegal and punishable as a class C felony. Additionally, operating an unauthorized bookmaking operation is punishable by up to a class B felony. "Bookmaking" is defined as accepting bets, upon the outcome of future contingent events, as a business or in which the bettor is charged a fee or vigorish for the opportunity to place a bet.

Sports Pool. Since 1976, a limited form of sports wagering called sports pools has been legal in Washington. To conduct sports pools no license is required. Sports pools are limited to a board or piece of paper divided into 100 equal squares, each of which constitutes a chance to win in the sports pool and each of which is offered to contestants for \$1 or less. All money paid by participants less taxes is paid out as the prize to the person holding squares assigned the winning score or scores.

Summary of Bill: Sports Wagering Authorized. The Legislature authorizes sport wagering through sports pools and online sport pools by a tribal casino pursuant to a compact and by a card room or racetrack. Authorized sports wagering does not constitute bookmaking and is not subject to civil or criminal penalties. The Gambling Commission (Commission) may negotiate tribal compacts authorizing sports wagering and issue all sports wagering licenses and renewals to card rooms and racetracks. A tribal casino and a sports wagering licensee may operate a sports pool in accordance with the act. Definitions are provided for various terms.

A tribal casino and a sports wagering licensee may enter into an agreement to jointly operate a sports pool at a racetrack. A tribal casino and a sports wagering licensee may conduct an online sports pool or may authorize an Internet sports pool operator licensed as a casino service industry enterprise to operate an online sports pool on its behalf with a Commission approved agreement.

Card Room & Racetrack Licenses. The Commission may charge a card room and a racetrack a license fee of \$500,000 for the initial issuance and a reasonable renewal fee based upon the expense associated with renewal, enforcement, and programs for the prevention and treatment of problem gambling. Licenses generally expire after five years. No sports wagering license may be issued by the Commission to any person or entity unless it has established its financial stability, integrity, responsibility, good character, and honesty.

Commission Reports. The Commission, following consultation with the sports wagering licensees, must annually provide a report to the Governor and the appropriate committees of the Legislature on the impact of sports wagering, including Internet wagering on sports events, on problem gamblers and gambling addiction in the state. The report must be prepared by a private entity with expertise in serving the needs of persons with gambling addictions. The report costs are borne by the authorized Internet gaming licensees. The Commission may also periodically report to the Governor and the appropriate legislative committees on the effectiveness of the statutory and regulatory controls in place to ensure the integrity of gaming operations through the Internet.

Licensees' Websites, Applications, Lounges. Each tribal casino and sports wagering licensee may provide no more than one branded sports wagering website, which may have a mobile application. No online sports pool may be opened to the public, and no sports wagering, except for test purposes, may be conducted until an Internet sports pool operator receives a sport wagering license or pursuant to the compact terms. The server or other equipment used by a tribal casino or a sports wagering licensee to accept wagers at a sports pool or online sports pool must be located in that tribal casino, card room, or racetrack complex. A sports pool must be operated in a sports wagering lounge located at the tribal casino, card room, or racetrack complex. A sports wagering lounge may be located at a casino simulcasting facility. The lounge must conform to all rules concerning square footage, design, equipment, and security measures. The operator must display the odds at which wagers may be placed on sports events. Sports wagering lounges are a permitted use in all commercial, retail, industrial, nonresidential, and mixed-use zoning districts of a municipality.

Accepting Wagers. An operator may accept wagers on sports events only: (1) from persons physically present in the sports wagering lounge; (2) through Commission authorized self-service wagering machines located in its complex; or (3) through an online sports pool. A person placing a wager on a sports event must be at least 18 years of age.

Prohibited Activities. Any person who offers a sports pool or an online sports pool without a license or pursuant to a compact is guilty of a class B felony and is subject to a fine of not more than \$25,000, and, in the case of a person other than a natural person, not more than \$100,000.

Persons or entities prohibited from having any ownership interest in, control of, or being employed by, an operator, a sports wagering licensee, or a facility in which a sports wagering lounge is located, or placing a wager is provided. A violator is guilty of a misdemeanor punishable by either imprisonment for not more than 90 days or a fine in of not more than \$1,000, or both.

An operator must adopt procedures to prevent persons who are prohibited from placing sports wagers from wagering on sports events. An operator may not accept wagers from any person whose identity is known to the operator and (1) whose name appears on any self-exclusion programs list; (2) who is the operator, director, officer, owner, or employee of the operator or any of their relatives living in the same household; (3) who has access to nonpublic confidential information held by the operator; or (4) who is an agent or proxy for any other person.

An operator must adopt procedures to obtain personally identifiable information from any individual who places any single wager in an amount of \$10,000 or more on a sports event while physically present in a tribal casino, card room, or racetrack complex.

Casino Service Industry Enterprise. The tribal casino or sports wagering licensee may contract with an entity to conduct the operation in accordance with the rules adopted by the Commission. That entity must obtain a license as a casino service industry enterprise prior to the execution of any contract.

Operator Reporting Requirement. An operator must promptly report to the Commission certain criminal or disciplinary proceedings commenced against the operator or its employees; any abnormal betting activity or patterns; any other conduct with the potential to corrupt a betting outcome; and suspicious or illegal wagering activities. The Commission may share this information with any law enforcement entity, team, sports governing body, or regulatory agency.

Location of Wagering. A casino or licensee may also conduct wagering through one or more Commission authorized kiosks or self-service wagering stations located within its complex. All wagers must be initiated, received, and otherwise made within this state unless otherwise determined by the Commission in accordance with applicable federal and state laws. Wagers may be accepted or pooled with wagers from persons who are not physically present in this state if the Commission determines that such wagering is not inconsistent with federal law or the law of the jurisdiction in which any such person is located, or such wagering is conducted pursuant to a reciprocal agreement to which the state is a party that is not inconsistent with federal law.

Other Licensing Requirements. Applicants for, and holders of, a sports wagering license must disclose the identity of certain board members, directors and person holding certain percentage interests in applicant or holder entity; and information about related holding or intermediary companies All persons employed directly in wagering-related activities in a sports wagering lounge and an online sports pool must be licensed as a sports wagering key employee or registered as a sports wagering employee. All other employees who are working in the sports wagering lounge may be required to be registered by the Commission.

Each operator must designate one or more sports wagering key employees. At least one key employee must be on the premises whenever sports wagering is conducted.

No tribal casino, card room, or racetrack may be authorized to operate a sports pool or online sports pool unless it has produced, to the satisfaction of the Commission, information, documentation, and assurances concerning its financial background and resources, including cash reserves, that are sufficient to demonstrate that it has the financial stability, integrity, and responsibility to operate a sports pool or online sports pool.

Commission Rules. The Commission may adopt rules applicable to sports wagering including the: amount of cash reserves for operators; acceptance of wagers on a series of sports events; maximum wagers which may be accepted by an operator from any one patron on any one sports event; type of wagering tickets which may be used; method of issuing tickets; method of accounting to be used by operators; types of records which must be kept; use of credit and checks by patrons; type of system for wagering; protections for a person placing a wager; and a disclosure regarding problem gambling.

House Rules. Each operator must adopt comprehensive house rules governing sports wagering transactions with its patrons approved by the Commission. The rules must be conspicuously displayed in the lounge, posted on the web site, and included in the terms and conditions of the account wagering system. Copies must be made available to patrons.

Gambling Tax. There is a 10 percent tax on gaming revenue, which is the total amount wagered less winnings paid out, administered by the Department of Revenue. Taxes paid on gaming revenue received from wagers or bets placed on tribal lands will be remitted to the tribe on whose lands the bet was placed. The business and occupations tax does not apply to any person in respect to a business activity with respect the ten percent tax is imposed.

Unclaimed Winnings. If a patron does not claim a winning sports pool wager within one year from the time of the event, the operator retains 50 percent and remits the 50 percent to the problem gambling account. Current sports pool laws are modified to refer to them as sports boards.

Other Gambling Law Modifications. Certain duties and authorities of the Commission are modified and other technical changes are made. Databases, hardware, software, or any other electronic data storage device of any person, entities conducting certain gambling activities are be subject to inspection and audit by the Commission. Other gambling laws are modified.

Certain prohibitions are provided related to influencing, bribing, manipulating, or cheating in certain gambling activities. Violators are guilty of a class C felony for which a person, upon conviction, shall be punished by imprisonment for not more than five years or a fine of not more than \$100,000, or both.

The Commission shall have the power to establish a sports integrity unit to prevent and detect competition manipulation through education and enforcement of the criminal provisions, or any other state criminal laws needed to protect the integrity of amateur and

professional sporting events and contests within the state; and to track and monitor gambling-related transactions occurring within the state and require any reporting as needed.

Transmitting or receiving information through the telephone or Internet relating to authorized sport wagering is not illegal.

Appropriation: None.

Fiscal Note: Requested on January 14, 2020.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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