
ENGROSSED SUBSTITUTE HOUSE BILL 1031

State of Washington

59th Legislature

2005 Regular Session

By House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Cody, Simpson, Wood, Green, McIntire, Morrell, Kenney, P. Sullivan and Darneille; by request of Governor Locke)

READ FIRST TIME 02/28/05.

1 AN ACT Relating to problem gambling; amending RCW 43.20A.890,
2 67.70.240, 82.04.350, 82.04.290, and 9.46.071; adding a new section to
3 chapter 43.20A RCW; adding new sections to chapter 82.04 RCW; creating
4 a new section; providing an effective date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

7 (a) The costs to society of problem and pathological gambling
8 include family disintegration, criminal activity, and financial
9 insolvencies;

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

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

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

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

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

8 (1) A program for (a) the prevention and treatment of
9 ~~((pathological))~~ problem and pathological gambling; and (b) the
10 training of professionals in the identification and treatment of
11 problem and pathological gambling is established within the department
12 of social and health services, to be administered by a qualified person
13 who has training and experience in ~~((handling pathological))~~ problem
14 gambling ~~((problems))~~ or the organization and administration of
15 treatment services for persons suffering from ~~((pathological))~~ problem
16 gambling ~~((problems))~~. The department may contract for any services
17 provided under the program. The department shall track program
18 participation and client outcomes.

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

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

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

26 (3) Treatment under this section is ~~((limited to))~~ available only
27 to the extent of the funds appropriated or otherwise made available to
28 the department of social and health services for this purpose. The
29 department may solicit and accept for use any gift of money or property
30 made by will or otherwise, and any grant of money, services, or
31 property from the federal government, any tribal government, the state,
32 or any political subdivision thereof or any private source, and do all
33 things necessary to cooperate with the federal government or any of its
34 agencies or any tribal government in making an application for any
35 grant.

36 (4) The department of social and health services shall ~~((report to~~
37 ~~the legislature by September 1, 2002, with a plan for implementing this~~

1 section)) establish an advisory committee to assist it in designing,
2 managing, and evaluating the effectiveness of the program established
3 in this section. The committee shall include, at a minimum, persons
4 knowledgeable in the field of problem and pathological gambling and
5 persons representing tribal gambling, privately owned nontribal
6 gambling, and the state lottery.

7 ~~(5) ((The department of social and health services shall report to~~
8 ~~the legislature by November 1, 2003, on program participation and~~
9 ~~client outcomes.))~~ For purposes of this section, "pathological
10 gambling" is a mental disorder characterized by loss of control over
11 gambling, progression in preoccupation with gambling and in obtaining
12 money to gamble, and continuation of gambling despite adverse
13 consequences. "Problem gambling" is an earlier stage of pathological
14 gambling which compromises, disrupts, or damages family or personal
15 relationships or vocational pursuits.

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

18 The problem gambling account is created in the state treasury.
19 Money in the account may be spent only after appropriation.
20 Expenditures from the account may be used only for the purposes of the
21 program established under RCW 43.20A.890.

22 Sec. 4. RCW 67.70.240 and 2001 c 3 s 4 are each amended to read as
23 follows:

24 The moneys in the state lottery account shall be used only:

25 (1) For the payment of prizes to the holders of winning lottery
26 tickets or shares;

27 (2) For purposes of making deposits into the reserve account
28 created by RCW 67.70.250 and into the lottery administrative account
29 created by RCW 67.70.260;

30 (3) For purposes of making deposits into the education construction
31 fund and student achievement fund created in RCW 43.135.045. For the
32 transition period from July 1, 2001, until and including June 30, 2002,
33 fifty percent of the moneys not otherwise obligated under this section
34 shall be placed in the student achievement fund and fifty percent of
35 these moneys shall be placed in the education construction fund. On
36 and after July 1, 2002, until June 30, 2004, seventy-five percent of

1 these moneys shall be placed in the student achievement fund and
2 twenty-five percent shall be placed in the education construction fund.
3 On and after July 1, 2004, all deposits not otherwise obligated under
4 this section shall be placed in the education construction fund.
5 Moneys in the state lottery account deposited in the education
6 construction fund and the student achievement fund are included in
7 "general state revenues" under RCW 39.42.070;

8 (4)(a) For distribution to a county for the purpose of paying the
9 principal and interest payments on bonds issued by the county to
10 construct a baseball stadium, as defined in RCW 82.14.0485, including
11 reasonably necessary preconstruction costs, and in fiscal year 2006 and
12 thereafter, for the purposes of making deposits to the problem gambling
13 account created in section 3 of this act. Three million dollars shall
14 be (~~distributed~~) allocated for distribution under this subsection
15 during calendar year 1996. During subsequent years, such
16 (~~distributions~~) allocations shall equal the prior year's
17 (~~distributions~~) allocation increased by four percent. The amount
18 allocated following the cessation of distributions under (b) of this
19 subsection shall be the amount of deposit determined in (c) of this
20 subsection;

21 (b) Distributions to the county specified in (a) of this subsection
22 shall be made from the amount allocated under (a) of this subsection
23 after first making the deposit under (c) of this subsection.
24 Distributions under this subsection (4)(b) shall cease when the bonds
25 issued for the construction of the baseball stadium are retired, but
26 not more than twenty years after the tax under RCW 82.14.0485 is first
27 imposed;

28 (c) Except as provided in (d) of this subsection, in fiscal year
29 2006 and thereafter a portion of the moneys allocated in (a) of this
30 subsection shall be deposited to the problem gambling account created
31 in section 3 of this act. The amount for deposit is equal to the
32 percentage of net receipts specified in this subsection. For purposes
33 of this subsection, "net receipts" means the difference between (i)
34 revenue received from the sale of lottery tickets or shares and
35 revenues received from the sale of shared game lottery tickets or
36 shares; and (ii) the sum of payments made to winners. In fiscal year
37 2006, the percentage is one-tenth of one percent. In fiscal year 2007

1 and subsequent years, the percentage is thirteen one-hundredths of one
2 percent;

3 (d) Moneys from the amounts allocated in (a) of this subsection may
4 not be deposited to the problem gambling account in any fiscal year in
5 which moneys dedicated to the debt service of a baseball stadium, as
6 defined in RCW 82.14.0485, are insufficient to pay the debt service;

7 (5) For distribution to the stadium and exhibition center account,
8 created in RCW 43.99N.060. Subject to the conditions of RCW
9 43.99N.070, six million dollars shall be distributed under this
10 subsection during the calendar year 1998. During subsequent years,
11 such distribution shall equal the prior year's distributions increased
12 by four percent. No distribution may be made under this subsection
13 after December 31, 1999, unless the conditions for issuance of the
14 bonds under RCW 43.99N.020(2) are met. Distributions under this
15 subsection shall cease when the bonds are retired, but not later than
16 December 31, 2020;

17 (6) For the purchase and promotion of lottery games and game-
18 related services; and

19 (7) For the payment of agent compensation.

20 The office of financial management shall require the allotment of
21 all expenses paid from the account and shall report to the ways and
22 means committees of the senate and house of representatives any changes
23 in the allotments.

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

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

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

1 deposited in the problem gambling account created in section 3 of this
2 act.

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

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

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

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

29 (2) If the persons described in subsection (1) of this section
30 receive income from sources other than those described in subsection
31 (1) of this section or provide services other than those named in
32 subsection (1) of this section, that income and those services are
33 subject to tax as otherwise provided in this chapter.

34 (3) For purposes of this section, "gross income of the business"
35 does not include amounts paid to players for winning wagers.

36 (4) The tax imposed under this section is in addition to any tax
37 imposed under chapter 67.16 RCW.

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

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

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

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

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

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

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

36 (1) The legislature recognizes that some individuals in this state

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

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

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

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

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

34 NEW SECTION. Sec. 10. If any provision of this act or its
35 application to any person or circumstance is held invalid, the
36 remainder of the act or the application of the provision to other
37 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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