

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE HOUSE BILL 1031**

59th Legislature  
2005 Regular Session

Passed by the House April 18, 2005  
Yeas 63 Nays 32

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**Speaker of the House of Representatives**

Passed by the Senate April 6, 2005  
Yeas 36 Nays 12

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 1031** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**ENGROSSED SUBSTITUTE HOUSE BILL 1031**

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AS AMENDED BY THE SENATE

Passed Legislature - 2005 Regular Session

**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 67.70.340, 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 advisory committee shall give due consideration  
4 in the design and management of the program that persons who hold  
5 licenses or contracts issued by the gambling commission, horse racing  
6 commission, and lottery commission are not excluded from, or  
7 discouraged from, applying to participate in the program. The  
8 committee shall include, at a minimum, persons knowledgeable in the  
9 field of problem and pathological gambling and persons representing  
10 tribal gambling, privately owned nontribal gambling, and the state  
11 lottery.

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

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

23 The problem gambling account is created in the state treasury.  
24 Money in the account may be spent only after appropriation.  
25 Expenditures from the account may be used only for the purposes of the  
26 program established under RCW 43.20A.890.

27 **Sec. 4.** RCW 67.70.340 and 2002 c 349 s 3 are each amended to read  
28 as follows:

29 (1) The legislature recognizes that creating a shared game lottery  
30 could result in less revenue being raised by the existing state lottery  
31 ticket sales. The legislature further recognizes that the two funds  
32 most impacted by this potential event are the student achievement fund  
33 and the education construction account. Therefore, it is the intent of  
34 the legislature to use some of the proceeds from the shared game  
35 lottery to make up the difference that the potential state lottery  
36 revenue loss would have on the student achievement fund and the

1 education construction account. The legislature further intends to use  
2 some of the proceeds from the shared game lottery to fund programs and  
3 services related to problem and pathological gambling.

4 (2) The student achievement fund and the education construction  
5 account are expected to collectively receive one hundred two million  
6 dollars annually from state lottery games other than the shared game  
7 lottery. For fiscal year 2003 and thereafter, if the amount of lottery  
8 revenues earmarked for the student achievement fund and the education  
9 construction account ((are)) is less than one hundred two million  
10 dollars, the commission, after making the transfer required under  
11 subsection (3) of this section, must transfer sufficient moneys from  
12 revenues derived from the shared game lottery into the student  
13 achievement fund and the education construction account to bring the  
14 total revenue up to one hundred two million dollars. The funds  
15 transferred from the shared game lottery account under this subsection  
16 must be divided between the student achievement fund and the education  
17 construction account in a manner consistent with RCW 67.70.240(3).

18 (3) (~~For fiscal year 2003, the commission shall transfer from~~  
19 ~~revenues derived from the shared game lottery to the violence reduction~~  
20 ~~and drug enforcement account under RCW 69.50.520 five hundred thousand~~  
21 ~~dollars exclusively for the treatment of pathological gambling as~~  
22 ~~prescribed by RCW 67.70.350.)) (a) The commission shall transfer, from  
23 revenue derived from the shared game lottery, to the problem gambling  
24 account created in section 3 of this act, an amount equal to the  
25 percentage specified in (b) of this subsection of net receipts. For  
26 purposes of this subsection, "net receipts" means the difference  
27 between (i) revenue received from the sale of lottery tickets or shares  
28 and revenue received from the sale of shared game lottery tickets or  
29 shares; and (ii) the sum of payments made to winners.~~

30 (b) In fiscal year 2006, the percentage to be transferred to the  
31 problem gambling account is one-tenth of one percent. In fiscal year  
32 2007 and subsequent fiscal years, the percentage to be transferred to  
33 the problem gambling account is thirteen one-hundredths of one percent.

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

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

3           (1) Upon every person engaging within this state in the business of  
4 operating contests of chance; as to such persons, the amount of tax  
5 with respect to the business of operating contests of chance is equal  
6 to the gross income of the business derived from contests of chance  
7 multiplied by the rate of 1.5 percent.

8           (2) An additional tax is imposed on those persons subject to tax in  
9 subsection (1) of this section. The amount of the additional tax with  
10 respect to the business of operating contests of chance is equal to the  
11 gross income of the business derived from contests of chance multiplied  
12 by the rate of 0.1 percent through June 30, 2006, and 0.13 percent  
13 thereafter. The money collected under this subsection (2) shall be  
14 deposited in the problem gambling account created in section 3 of this  
15 act. This subsection does not apply to businesses operating contests  
16 of chance when the gross income from the operation of contests of  
17 chance is less than fifty thousand dollars per year.

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

28           (4) "Gross income of the business" does not include the monetary  
29 value or actual cost of any prizes that are awarded, amounts paid to  
30 players for winning wagers, accrual of prizes for progressive jackpot  
31 contests, or repayment of amounts used to seed guaranteed progressive  
32 jackpot prizes.

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

35           (1) Upon every person engaging within this state in the business of  
36 conducting race meets for the conduct of which a license must be  
37 secured from the Washington horse racing commission; as to such

1 persons, the amount of tax with respect to the business of parimutuel  
2 wagering is equal to the gross income of the business derived from  
3 parimutuel wagering multiplied by the rate of 0.1 percent through June  
4 30, 2006, and 0.13 percent thereafter. The money collected under this  
5 section shall be deposited in the problem gambling account created in  
6 section 3 of this act.

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

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

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

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

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

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

25 (2) Upon every person engaging within this state in any business  
26 activity other than or in addition to (~~those enumerated in RCW~~  
27 ~~82.04.230, 82.04.240, 82.04.250, 82.04.255, 82.04.260, 82.04.270,~~  
28 ~~82.04.298, 82.04.2905, 82.04.280, 82.04.2907, 82.04.272, 82.04.2906,~~  
29 ~~and 82.04.2908, and~~) an activity taxed explicitly under another  
30 section in this chapter or subsection (1) of this section; as to such  
31 persons the amount of tax on account of such activities shall be equal  
32 to the gross income of the business multiplied by the rate of 1.5  
33 percent.

34 (3) Subsection (2) of this section includes, among others, and  
35 without limiting the scope hereof (whether or not title to materials  
36 used in the performance of such business passes to another by

1 accession, confusion or other than by outright sale), persons engaged  
2 in the business of rendering any type of service which does not  
3 constitute a "sale at retail" or a "sale at wholesale." The value of  
4 advertising, demonstration, and promotional supplies and materials  
5 furnished to an agent by his principal or supplier to be used for  
6 informational, educational and promotional purposes shall not be  
7 considered a part of the agent's remuneration or commission and shall  
8 not be subject to taxation under this section.

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

11 (1) The legislature recognizes that some individuals in this state  
12 are problem or (~~(compulsive)~~) pathological gamblers. Because the state  
13 promotes and regulates gambling through the activities of the state  
14 lottery commission, the Washington horse racing commission, and the  
15 Washington state gambling commission, the state has the responsibility  
16 to continue to provide resources for the support of services for  
17 problem and (~~(compulsive)~~) pathological gamblers. Therefore, (~~at a~~  
18 ~~minimum,~~) the Washington state gambling commission, the Washington  
19 horse racing commission, and the state lottery commission shall jointly  
20 develop informational signs concerning problem and (~~(compulsive)~~)  
21 pathological gambling which include a toll-free hot line number for  
22 problem and (~~(compulsive)~~) pathological gamblers. The signs shall be  
23 placed in the establishments of gambling licensees, horse racing  
24 licensees, and lottery retailers. In addition, the Washington state  
25 gambling commission, the Washington horse racing commission, and the  
26 state lottery commission may also contract with other qualified  
27 entities to provide public awareness, training, and other services to  
28 ensure the intent of this section is fulfilled.

29 (2)(a) During any period in which section 5(2) of this act is in  
30 effect, the commission may not increase fees payable by licensees under  
31 its jurisdiction for the purpose of funding services for problem and  
32 pathological gambling. Any fee imposed or increased by the commission,  
33 for the purpose of funding these services, before the effective date of  
34 this section shall have no force and effect after the effective date of  
35 this section.

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



1       (i) The commission, the Washington state horse racing commission,  
2 and the state lottery commission may contract for services, in addition  
3 to those authorized in subsection (1) of this section, to assist in  
4 providing for treatment of problem and pathological gambling; and  
5       (ii) The commission may increase fees payable by licenses under its  
6 jurisdiction for the purpose of funding the services authorized in this  
7 section for problem and pathological gamblers.

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

12       NEW SECTION. Sec. 11. This act is necessary for the immediate  
13 preservation of the public peace, health, or safety, or support of the  
14 state government and its existing public institutions, and takes effect  
15 July 1, 2005.

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