

# HOUSE BILL REPORT

## E2SSB 5634

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**As Passed House:**

April 10, 2023

**Title:** An act relating to problem gambling.

**Brief Description:** Concerning problem gambling.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Conway, Keiser, Hasegawa, Nguyen, Nobles and Stanford).

**Brief History:**

**Committee Activity:**

Regulated Substances & Gaming: 3/20/23, 3/21/23 [DP];

Finance: 3/31/23 [DP].

**Floor Activity:**

Passed House: 4/10/23, 71-27.

**Brief Summary of Engrossed Second Substitute Bill**

- Clarifies the responsibilities of the Health Care Authority and the Department of Health for the State Problem Gambling Program and the membership of an advisory committee for the program.
- Increases the transfer of funds from the Shared Game Lottery to the Problem Gambling Account.
- Increases the tax imposed on contests of chance and pari-mutuel wagering.

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### HOUSE COMMITTEE ON REGULATED SUBSTANCES & GAMING

**Majority Report:** Do pass. Signed by 9 members: Representatives Kloba, Co-Chair; Wylie, Co-Chair; Stearns, Vice Chair; Chambers, Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Cheney, Morgan, Reeves and Waters.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Minority Report:** Do not pass. Signed by 1 member: Representative Walsh.

**Staff:** Matt Sterling (786-7289).

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Berg, Chair; Street, Vice Chair; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member.

**Staff:** Kristina King (786-7190).

### **Background:**

If an activity meets the definition of "gambling" in the Gambling Act, it is prohibited unless authorized in law. The word "gambling" is defined as staking or risking something of value upon the outcome of a contest of chance or a future contingent event not under the person's control or influence, upon an agreement or understanding that the person or someone else will receive something of value in the event of a certain outcome. The term "contest of chance" means any contest, game, gaming scheme, or gaming device in which the outcome depends in a material degree upon an element of chance, notwithstanding that skill of the contestants may also be a factor therein.

Specific activities are excluded from the definition, such as fishing derbies, pari-mutuel wagering on horse racing regulated under other statutes, and bona fide business transactions valid under the law of contracts, including futures contracts for commodities.

### Problem Gambling Program.

The State Problem Gambling Program for the prevention and treatment of problem gambling and the training of treatment professionals is established in the Health Care Authority (Authority). The Department of Health may license and the Authority may contract with treatment facilities for program services. The Authority is required to track program participation and outcomes.

To receive treatment, a person must need treatment for problem gambling and be likely to benefit from treatment. Treatment is made available subject to the funds that are appropriated for that purpose. The Authority is required to establish an advisory committee to assist in the design, management, and evaluation of the program.

The Gambling Commission, the Horse Racing Commission, and the Lottery Commission must develop problem gambling informational signs and a toll-free hotline number for problem gambling. The Gambling Commission must establish a statewide self-exclusion

program for all licensees. The self-exclusion program allows persons to voluntarily exclude themselves from gambling at authorized gambling establishments.

Problem Gambling Account.

The State Lottery Commission is required to transfer 0.13 percent of the net receipts derived from the Shared Game Lottery to the Problem Gambling Account. Every business that is operating contests of chance is required to pay a tax of 1.5 percent of the gross income of the business derived from contests of chance. An additional tax of 0.13 percent of the gross income of the business is imposed on any business whose gross income from contests of chance is \$50,000 or more. Every business conducting horse racing is required to pay a pari-mutuel wagering tax of 0.13 percent of the gross income of the pari-mutuel business. The taxes that are collected from contests of chance and pari-mutuel wagering are deposited in the Problem Gambling Account.

**Summary of Bill:**

Problem Gambling Program.

The Health Care Authority (Authority) is required to establish and facilitate an ongoing advisory committee that will hold quarterly meetings to:

- track progress of recommendations from the 2022 Legislative Problem Gambling Task Force final report;
- provide advice and feedback on the State Problem Gambling Program upon request by the Authority; and
- discuss emerging issues related to problem gambling and identify possible strategies for improvement.

The advisory committee membership must include at least one representative from:

- the State Gambling Commission;
- the State Lottery Commission;
- the State Horse Racing Commission;
- the Health Care Authority;
- the tribal gaming industry;
- a business that is primarily engaged in the selling of food or drink and that offers punchboards, pull tabs, and social card games as a commercial stimulant;
- the Gambling Counselor Certification Committee;
- a nonprofit problem gambling organization; and
- a member of the recovery community who has lived experience with problem gambling.

Problem Gambling Account.

The State Lottery Commission for fiscal year 2024, is required to transfer 0.2 percent of the net receipts derived from the Shared Game Lottery to the Problem Gambling Account. Thereafter, the transfer to the Problem Gambling Account is increased to 0.26 percent of the net receipts from the Shared Game Lottery.

For businesses whose income is more than \$50,000 from the operation of contests of chance, for fiscal year 2024, there is an additional tax of 0.2 percent of the gross income from the operation of contests of chance. Thereafter, the tax is 0.26 percent of the gross income from the operation of contests of chance.

The pari-mutuel wagering tax is 0.2 percent of the gross income of the business through June 30, 2024, and 0.26 percent thereafter.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2023.

**Staff Summary of Public Testimony (Regulated Substances & Gaming):**

(In support) This bill implements the Problem Gambling Task Force (Task Force) recommendations. The Task Force was created by the Legislature in 2019 to provide strong recommendations to address the issue of addictive gambling. Many people have spent several years working on the Task Force trying to figure out if the state was doing the right thing with problem gambling in Washington. The bill does not encompass all of the recommendations of the Task Force, and everyone should review those recommendations and how problem gambling is a part of behavioral health. The report from the Task Force utilized a survey of the services that are available for problem gambling and the money that is being invested in addressing these problems, therefore the primary focus of this bill is to increase the funding and establish a working group. The first recommendation by the Task Force unanimously found that there are clear and significant gaps in services, prevention, and treatment for problem gambling and that increased funding was necessary to address these gaps. There is a lot of damage to families because of problem gambling. We are thankful for the leadership that brought about this bill to better address this behavioral health issue. This bill is very similar to the version that was passed by this committee. The Gambling Commission (Commission) voted unanimously in support of this bill, and they rarely support a bill. The Commission worked with the Task Force on the Task Force recommendations, and we hope the bill can keep moving forward.

(Opposed) None.

(Other) There is a lot of money involved in gambling with the total around \$3 billion in Washington. We are overdue to discuss updates to our tribal compacts to identify and require specific amounts of money to be deposited with the Health Care Authority (Authority) to work on the shared goals and solutions to address problem gambling. The tribes help a lot with problem gambling, but there is not a compact that requires them to take gambling money and provide it to the Authority. This bill was changed by an

amendment to take card rooms off of the advisory committee and to add businesses that sell food and drinks, and this change was a mistake.

**Staff Summary of Public Testimony:**

No public hearing was held.

**Persons Testifying (Regulated Substances & Gaming):** (In support) Senator Steve Conway, prime sponsor; Tommy Oakes, Washington State Gambling Commission; and Julia Patterson, Problem Gambling Task Force.

(Other) Nanci Watson.

**Persons Testifying (Finance):** No public hearing was held.

**Persons Signed In To Testify But Not Testifying (Regulated Substances & Gaming):**  
None.

**Persons Signed In To Testify But Not Testifying (Finance):** No public hearing was held.