

# HOUSE BILL REPORT

## E2SHB 2776

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**As Passed House:**

March 2, 2004

**Title:** An act relating to the treatment of problem gambling.

**Brief Description:** Concerning problem gambling.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Cody, McCoy, Conway, Wood, Hudgins, Crouse, Kagi, Kenney, McMorris, Murray and McIntire).

**Brief History:**

**Committee Activity:**

Commerce & Labor: 1/29/04, 2/5/04 [DPS];

Appropriations: 2/9/04, 2/10/04 [DP2S(w/o sub CL)].

**Floor Activity:**

Passed House: 3/2/04, 92-2.

**Brief Summary of Engrossed Second Substitute Bill**

- Authorizes the Legislature to make transfers from the State Lottery Account and the Gambling Revolving Fund to a new Problem Gambling Treatment Account to pay for a problem gambling prevention and treatment program in the Department of Social and Health Services in the 2003-2005 biennium.
- Convenes a task force that includes representatives of sectors of the gambling industry. The task force is directed to recommend to the Legislature by December 1, 2004, a fair system for all who conduct gambling activities to contribute to funding treatment of problem gambling.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; McMorris, Ranking Minority Member; Crouse, Holmquist, Hudgins, Kenney and McCoy.

**Minority Report:** Do not pass. Signed by 1 member: Representative Condotta, Assistant Ranking Minority Member.

**Staff:** Susan Kavanaugh (786-7106).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Commerce & Labor. Signed by 16 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Boldt, Cody, Conway, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McIntire, Miloscia, Ruderman and Schual-Berke.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Buck, Chandler, Clements, Cox, McDonald, Sump and Talcott.

**Staff:** Amy Skei (786-7140).

### **Background:**

A 1999 study commissioned and funded by the Washington State Lottery Commission found that 5.1 percent of the Washington adult population had experienced gambling problems or compulsive gambling at some point in their lives, with 2.3 percent reporting such difficulties in the year immediately preceding the survey. A similar study also completed in 1999 by the Lottery Commission indicated that 7.5 percent of adolescents were at risk of developing gambling problems and 0.9 percent were problem gamblers.

In 2002, in legislation authorizing Washington participation in a multi-state lottery, the Legislature established a program for the treatment of pathological gambling in the Department of Social and Health Services (Department). The program is to serve people wanting treatment but unable to afford it. Treatment under the program is limited to funds available to the Department.

The Legislature provided \$500,000 in revenue from the multi-state lottery for this program in FY 2003 only. The pathological gambling program operated for nine months, from October 2002 through June 2003, subsidizing treatment for 203 problem gamblers and providing training on treatment of problem gambling for 25 mental health professionals. The program is not currently funded.

The Gambling Commission (Commission) contributes funding for a problem gambling hot-line and signs that are posted in establishments that conduct gambling activities advertising the hot-line telephone number.

Licensing fees and fines from commercial and non-profit gambling establishments and employees regulated by the Commission are deposited to the Gambling Revolving Fund.

Likewise, under tribal-state compacts, fees charged to tribes for state certification of Class III tribal gaming employees and management entities are deposited to the Gambling Revolving Fund.

**Summary of Engrossed Second Substitute Bill:**

The purpose of the Department's gambling program is broadened to cover:

- prevention and treatment for problem gambling, broadly defined to include both compulsive and under-age gambling; and
- training of professionals in identification and treatment of problem gambling.

The Problem Gambling Treatment Account (Account) is established in the state treasury. Funds in the Account are to be spent for the purposes of the Department's problem gambling program.

The Legislature is authorized to make transfers from the excess fund balances of the Gambling Revolving Fund and the State Lottery Account to the Problem Gambling Treatment Account during the 2003-2005 biennium. Of any transfer from the Gambling Revolving Fund, half must come from tribal gaming establishments and half from commercial gambling establishments regulated by the gambling commission.

A joint legislative task force on problem gambling is established. There are nine voting members of the task force, including one individual representing the governor and eight legislators, two each from the two largest caucuses of the House and the Senate. There are, in addition, nine non-voting members, including the following: one representing gambling establishments operated by federally recognized tribes; one representing commercial gambling establishments regulated by the Commission; one representing a non-profit organization involved in prevention and/or treatment of problem gambling; two representing the public; and three liaison representatives, one each from the Commission, the Lottery Commission, the Horse Racing Commission and the Department. With the exception of the agency liaisons, non-voting members are appointed jointly by the president of the Senate and the speaker of the House. The tribes are to be consulted regarding appointment of a tribal gambling establishment representative.

The task force is directed to make recommendations to the Legislature by December 1, 2004, regarding the scope of the need for problem gambling treatment; a mechanism for equitable contributions, by all who conduct gambling activities, to funding for treatment of problem gambling; and a mechanism to ensure that funding for treatment of problem gambling increases in proportion to increases in gambling activities.

Legislative findings and intent regarding problem gambling are provided, and it is noted that the bill may be cited as "Ben's bill."

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (Commerce & Labor) A 1999 gambling study recommended using a "gambling privilege fee" to fund problem gambling treatment, and that is essentially what this bill does. To have the Lottery contribute to funding, take \$500,000 from their advertising budget. Five percent of the 91 percent of adults who gamble and 8 percent of adolescents face gambling problems. Washington is the only gaming state with no publically funded treatment of problem gambling, and is at the bottom of the ladder for outreach. The proposed substitute hands responsibility back to the Gambling Commission to set the fees. The Governor has promised to sign this legislation if it gets to him. Oregon treats problem gambling using a public health model, with broad-based funding. Of 3,500 treated since the program began in the early 1990s, 75 percent were abstinent or had significantly reduced gambling three months post-treatment. Studies show public awareness efforts reduce problem gambling and treatment programs further drive down the rate. Many people can't stop gambling without treatment. A congressional study showed that without treatment, problem gamblers cost states a great deal. This issue is urgent to address - if this funding plan isn't acceptable to the gaming industry, they must find one that is. Prevalence and accessibility of gambling opportunities, particularly casinos, as well as community attitudes, affect the prevalence of problem gambling. An untreated pathological gambler is a drain on society, while one who has received treatment and stopped gambling contributes. Costs of gambling include unemployment, loss of careers, crime, defaults on loans, bankruptcies, homelessness, suicide attempts, and abandonment of children. It is not important where the money comes from, so long as treatment is available to those who need it. Family members and friends of problem gamblers are also hurt by problem gambling. Adolescents are surrounded by billboards and other advertising for gambling. Counselors with specialized training in compulsive gambling are important. Insurance often offers only limited coverage of problem gambling.

The DSHS supports the concept. If the funding is provided, the DSHS will contract out for treatment rather than using state FTEs. The DSHS doesn't want to have any more false starts to the treatment program, as in 2003.

**Testimony For:** (Appropriations) Both treatment and public awareness campaigns save the state money. Studies show that problem gamblers cost society at least \$10,000 each. In the recent state-funded gambling treatment program, clients were treated for \$1400 each with a high level of success. Providing treatment will result in direct savings to the state. The task force is important for permanently solving this funding problem. This may be a bitter pill to swallow, but the state is benefitting from gambling and should take

responsibility for paying these costs.

(With concerns) The committee should use a public health model; it should leave these funds in their respective commissions and use the money for prevention and public awareness. When there is a permanent funding base, DASA should do another treatment program. Prevention and public awareness are as much a part of the cure as is treatment.

We are glad to see support for problem gambling issues. The Lottery currently spends \$100,000 for direct assistance with gambling issues and \$400,000 on public awareness through print and other media. We have concerns about removing \$500,000 from our Lottery's advertising budget since research shows a 9:1 return on advertising. We estimate conservatively that a \$500,000 loss to our advertising budget would equate to a \$4 million loss in sales and would reduce education funding by \$1.3 million. If the funds were taken straight out of our account there would be \$854,000 more for education funding over the current bill.

**Testimony Against:** (Commerce & Labor) Problem gambling treatment is important, but all parts of the gambling industry ought to contribute to funding it. In this bill, 32 percent of the industry is being asked to pay 100 percent of the cost of the treatment program. Most people in the industry want to do the right thing, but need to sit down together and work something out.

**Testimony Against:** (Appropriations) None.

**Persons Testifying:** (Commerce & Labor) (In support) Richard Lobel, Gary Hanson and Denise Anderson, Washington State Council on Problem Gambling; Jennifer McCausland; Ken Stark, Division of Alcohol and Substance Abuse Department of Social and Health Services; Jeff Marotta, Oregon Department of Health Services; Donna Whitmire; Eli Bunch; Jim Ehart; and Kristina Holloway.

(Opposed) Steve Griffiths, Recreational Gaming Organization; and Michael Transue, Washington Restaurant Association.

**Persons Testifying:** (Appropriations) (In support) Gary Hanson, Washington State Council on Problem Gambling; Richard Lobel, Washington State Council on Problem Gambling; and Jennifer McCausland.

(With concerns) Kathy Kreiter, Lottery Commission.

**Persons Signed In To Testify But Not Testifying:** (Commerce & Labor) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.