
HOUSE BILL 1948

State of Washington

58th Legislature

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By Representatives Grant, Woods, DeBolt, Sommers, Mielke, Fromhold, Buck, Gombosky, Alexander, Ruderman, Clements, O'Brien, Ahern, Hunt, Boldt, Quall, Cairnes, Kirby, Delvin, Sullivan, Orcutt, Romero, Nixon, Eickmeyer, Campbell, Morris, Cooper and Schoesler

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1 AN ACT Relating to the approval, licensing, and playing of
2 electronic scratch ticket games and systems by bona fide charitable or
3 nonprofit organizations; persons, associations, or organizations
4 operating a business primarily engaged in the selling of food or drink
5 for consumption on the premises; phase II house-banked card rooms
6 operating at least five house-banked card tables; and class 1 horse
7 racing facilities in operation for at least one year; amending RCW
8 9.46.010, 9.46.0311, 9.46.0325, and 9.46.070; adding a new section to
9 chapter 9.46 RCW; adding a new chapter to Title 9 RCW; and declaring an
10 emergency.

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

12 NEW SECTION. **Sec. 1.** (1) This chapter dictates the approval,
13 licensing, and playing of electronic scratch ticket games. The
14 legislature declares that the following groups may use the types of
15 electronic scratch ticket games, devices, and player terminals
16 authorized under this chapter: (a) Bona fide charitable or nonprofit
17 organizations conducting bingo games, raffles, amusement games, fund-
18 raising events, punch boards, pull-tabs, and electronic scratch ticket
19 games; (b) persons, associations, or organizations operating a business

1 primarily engaged in the selling of food or drink for consumption on
2 the premises to conduct social card games and punch boards, pull-tabs,
3 and electronic scratch ticket games; (c) phase II house-banked card
4 rooms operating at least five house-banked card tables; and (d) class
5 1 horse racing facilities in operation for at least one year under
6 chapter 67.16 RCW.

7 (2) The legislature further declares that electronic scratch
8 tickets are a legal form of gambling in the state of Washington. This
9 chapter is intended to grant specific authority to the commission to
10 regulate, within its existing powers, electronic scratch ticket
11 gambling by private enterprise as narrowly defined within this chapter.
12 In addition, any game approved under RCW 9.46.360 is authorized to the
13 same extent and in the same manner as electronic scratch tickets are
14 regulated under this chapter. The legislature finds this chapter will
15 assist in job creation and retention. The legislature further finds
16 that this chapter is necessary for the immediate preservation of public
17 health and safety and the support of state government and its existing
18 public institutions as it is intended to generate revenue appropriated
19 in the 2003-2005 biennium. The state faces a more than two billion
20 dollar deficit from recession, slow economic recovery, and soaring
21 health care costs. Programs dependent upon the additional revenue
22 forecasted under this chapter provide for the health, education, and
23 welfare of the citizens of the state of Washington.

24 **Sec. 2.** RCW 9.46.010 and 1996 c 101 s 2 are each amended to read
25 as follows:

26 The public policy of the state of Washington on gambling is to keep
27 the criminal element out of gambling and to promote the social welfare
28 of the people by limiting the nature and scope of gambling activities
29 and by strict regulation and control.

30 It is hereby declared to be the policy of the legislature,
31 recognizing the close relationship between professional gambling and
32 organized crime, to restrain all persons from seeking profit from
33 professional gambling activities in this state; to restrain all persons
34 from patronizing such professional gambling activities; to safeguard
35 the public against the evils induced by common gamblers and common
36 gambling houses engaged in professional gambling; and at the same time,
37 both to preserve the freedom of the press and to avoid restricting

1 participation by individuals in activities and social pastimes, which
2 activities and social pastimes are more for amusement rather than for
3 profit, do not maliciously affect the public, and do not breach the
4 peace.

5 The legislature further declares that the raising of funds for the
6 promotion of bona fide charitable or nonprofit organizations is in the
7 public interest as is participation in such activities and social
8 pastimes as are hereinafter in this chapter authorized.

9 The legislature further declares that the conducting of bingo,
10 raffles, and amusement games and the operation of punch boards, pull-
11 tabs, electronic scratch ticket games, card games, and other social
12 pastimes, when conducted pursuant to the provisions of this chapter and
13 any rules (~~and regulations~~) adopted pursuant thereto, are hereby
14 authorized, as are only such lotteries for which no valuable
15 consideration has been paid or agreed to be paid as hereinafter in this
16 chapter provided.

17 The legislature further declares that fishing derbies shall not
18 constitute any form of gambling and shall not be considered as a
19 lottery, a raffle, or an amusement game and shall not be subject to the
20 provisions of this chapter or any rules (~~and regulations~~) adopted
21 hereunder.

22 The legislature further declares that raffles authorized by the
23 fish and wildlife commission involving hunting big game animals or wild
24 turkeys shall not be subject to the provisions of this chapter or any
25 rules (~~and regulations~~) adopted hereunder, with the exception of this
26 section and RCW 9.46.400.

27 All factors incident to the activities authorized in this chapter
28 shall be closely controlled, and the provisions of this chapter shall
29 be liberally construed to achieve such end.

30 NEW SECTION. **Sec. 3.** A new section is added to chapter 9.46 RCW
31 to read as follows:

32 The definitions in this chapter apply throughout this chapter and
33 chapter 9.-- RCW (sections 1, 4, 5, and 9 through 15 of this act).

34 NEW SECTION. **Sec. 4.** The definitions in this section apply
35 throughout this chapter unless the context clearly requires otherwise.

1 (1) "Cashless transaction system" means the method by which a
2 player obtains, transfers, and redeems game play credits. The cashless
3 transaction system permits a player to play the electronic scratch
4 system without inserting cash, including coins, tokens or paper
5 currency, into, and to win prizes without receiving cash from, the
6 player terminal. A cashless transaction system includes the following
7 components:

8 (a) The electronic accounting system that contains one or more of
9 the following: Plastic, cardboard, magnetic, or smart cards; paper;
10 personal identification numbers; game play credits obtained from the
11 exchange of cash or cash equivalents; game play credits displayed on
12 the player terminal that were earned as prizes from prior play and not
13 redeemed; and other means for effectuating play and awarding prizes
14 without inserting or dispensing cash into or from the terminal if all
15 game play credits, other than credits earned from prior play and
16 remaining displayed on a player terminal, must have been paid for by
17 cash or cash equivalent;

18 (b) A means of accounting for player deposits of cash or cash
19 equivalents and exchanges for and redemption of game play credits that
20 is independent of the player terminal, through a player's account, a
21 voucher system, or a smart card or similar device for recording
22 individual player data; and

23 (c) A means by which players can redeem unused game play credits
24 for cash or cash equivalents, first by depositing credits into a player
25 account, a voucher system, or a smart card system or similar device for
26 recording individual player data, and then providing a means to
27 exchange such credits for cash or cash equivalents. All exchanges for
28 cash must be through a cashier or other separate redemption system.

29 (2) "Central accounting and auditing computer system" means a
30 computer system owned and operated by the commission that provides a
31 secure means to monitor, receive, store, and access data, and record
32 critical functions and activities of the player terminals.

33 (3) "Central computer" means a computer that conducts random
34 drawings for electronic scratch ticket games and stores and dispenses
35 electronic scratch tickets from scratch ticket subsets that have been
36 loaded into it from a manufacturing computer and are maintained in a
37 secure manner.

38 (4) "Commission" means the Washington state gambling commission.

1 (5) "Electronic scratch ticket" means a predetermined winning or
2 losing outcome in electronic form. Each scratch ticket represents a
3 chance from among the finite set of chances that comprise an electronic
4 scratch ticket game set.

5 (6) "Electronic scratch ticket game" means:

6 (a) A scratch ticket lottery game, together with its respective
7 operating system or systems, that is played in an electronic
8 environment. A game has a specific set of rules including: The theme
9 and types of symbols used; the total number of tickets in the game; the
10 ratio or mix of winning and losing tickets; the prize structure,
11 including number and dollar value of each prize; and price of a single
12 ticket. The game is played by use of computer hardware and software to
13 manufacture, store, distribute, sell, and display scratch tickets to
14 players;

15 (b) An electronic scratch ticket game includes: The licensed
16 systems that are connected to an electronic central accounting and
17 auditing computer system within the commission's control; a cashless
18 transaction system; player terminals with video displays that allow
19 players to purchase chances and obtain game result information; a
20 manufacturing computer that securely creates the finite set of chances
21 used in the scratch ticket portion of the system; and a central
22 computer containing an electronic accounting system. The electronic
23 scratch ticket game contains preexisting scratch tickets that are
24 dispensed in an electronic format to players through the player
25 terminals on an on-demand basis.

26 (7) "Electronic scratch ticket game set" means a finite set of
27 electronic scratch tickets that is based on a template, which number
28 cannot be limited by commission rule, that has been designed in
29 accordance with a specific set of rules, including the basic
30 requirements of game sets and subsets, governing the structure of an
31 electronic scratch ticket game. Based on that template, an electronic
32 scratch ticket game set is created in a manufacturing computer in a
33 secure and verifiable electronic form before the play of an electronic
34 scratch ticket game. Each electronic scratch ticket game set is
35 uniquely identifiable, by serial number or otherwise, so that it can be
36 distinguished from other game sets manufactured from the same template.

37 (8) "Electronic scratch ticket game subset" means a defined group
38 of electronic scratch tickets that has been randomly selected from an

1 electronic scratch ticket game set and transmitted to a central
2 computer in a fixed order for play. Each electronic scratch ticket
3 game subset is uniquely identifiable from all other subsets selected
4 from the same game set.

5 (9) "Game play credits" means the method of representing value
6 obtained from the exchange of cash or cash equivalents, or earned as a
7 prize, that is used to effectuate play. Game play credits may be
8 redeemed for cash or a cash equivalent.

9 (10) "Manufacturing computer" means a computer that creates
10 electronic scratch ticket game sets, randomly allocates tickets into
11 electronic scratch ticket game subsets, and delivers them to a central
12 computer.

13 (11) "Net win" means gross wagers received by a licensee from the
14 operation of an electronic scratch ticket game system less the amount
15 paid to players for winning wagers, the actual cost of merchandise
16 prizes awarded, accrual of prizes for progressive jackpot contests, and
17 repayment of amounts used to seed guaranteed progressive jackpot
18 prizes.

19 (12) "Player terminals" means electronic computer terminals housed
20 in cabinets with input devices and/or video screens and with which
21 players play the electronic scratch ticket games. Player terminals are
22 not capable of playing gambling games as stand-alone devices.

23 NEW SECTION. **Sec. 5.** (1)(a) All electronic scratch ticket
24 systems, games, and player terminals approved for operation by the
25 commission as a tribal lottery system under tribal-state class III
26 gaming compacts in the state may be put into use under this chapter by:
27 (i) Bona fide charitable or nonprofit organizations conducting bingo
28 games, raffles, amusement games, fund-raising events, and using punch
29 boards, pull-tabs, and electronic scratch ticket games; (ii) persons,
30 associations, or organizations operating an established business
31 primarily engaged in the selling of food or drink for consumption on
32 the premises to conduct social card games and to use punch boards,
33 pull-tabs, and electronic scratch ticket games; (iii) phase II house-
34 banked card rooms operating at least five house-banked card tables; and
35 (iv) class 1 horse racing facilities in operation for at least one year
36 under chapter 67.16 RCW. All computers and player terminals and the

1 combination and components thereof in each system shall conform to this
2 chapter and the rules adopted under this chapter.

3 (b) Electronic scratch systems, games, and player terminals not
4 approved for operation by the commission under tribal-state class III
5 gaming compacts in the state may be put to use after approval is
6 obtained from the commission under the requirements of this chapter and
7 rules adopted under this chapter.

8 (2) The electronic scratch ticket game consists of a finite number
9 of electronic scratch tickets, a certain number of which, if drawn,
10 entitle a player to prize awards at various levels. The scratch
11 tickets are designed from a template in conformity with this chapter
12 and are created in game sets on a manufacturing computer from which
13 scratch tickets are randomly selected and placed into scratch ticket
14 subsets. Each game set has a predetermined number of winners and
15 values and is designed so as to assure players of an at least seventy-
16 five percent payback of the amounts paid in the aggregate for all
17 tickets in the set. As a game set's tickets are placed into subsets,
18 the pool of tickets available from that game set for placement into
19 subsets diminishes, until each ticket in the game set has been placed
20 into a subset.

21 (3)(a) Electronic scratch ticket game subsets are transmitted to
22 the central computer, where they are stored until dispensed
23 electronically on demand to player terminals. Scratch tickets are
24 electronically dispensed from the central computer in the order within
25 each subset in which the tickets were received. Players compete
26 against each other to draw winning tickets. As subsets are used, they
27 are replaced by additional subsets that have been created and delivered
28 to the central computer in the same manner, until the game set has been
29 depleted, ending that particular game. Different games based on
30 different game sets may be offered simultaneously through the central
31 computer.

- 32 (b) Each game set shall meet the following minimum requirements:
- 33 (i) Each game set shall be made up of a finite number, that cannot
34 be limited by rule, of electronic scratch tickets;
 - 35 (ii) All scratch tickets in a particular game set shall be of the
36 same purchase price, not to exceed five dollars, but a single ticket
37 may offer more than one opportunity to win a prize on the same wager;

1 (iii) The payout percentage for the entire game set shall be no
2 less than seventy-five percent of the total purchase price of all
3 tickets in the set combined;

4 (iv) Each game set shall be assigned a unique serial number; and

5 (v) Each ticket shall have a specific outcome and prize level
6 associated with it.

7 (4) A central accounting and auditing computer system shall monitor
8 the electronic scratch ticket games and their related systems. This
9 central accounting and auditing computer system shall:

10 (a) Be controlled, owned, and operated by the commission;

11 (b) Be connected to electronic scratch ticket systems operated by
12 licensees to communicate a licensee's electronic scratch ticket game
13 system information; and

14 (c) Be for the purpose of assuring the integrity, security,
15 honesty, and fairness in the operation and administration of electronic
16 scratch ticket games.

17 (5) The commission shall adopt rules defining the remaining
18 electronic scratch ticket system operating requirements including rules
19 regarding internal controls, software auditing, player terminals, the
20 standards for random number generators, accounting, security,
21 reporting, storage requirements, testing, and auditing of system
22 operations that shall be consistent with the provisions of Appendix X
23 as adopted under the most current tribal-state class III gaming compact
24 in Washington state.

25 **Sec. 6.** RCW 9.46.0311 and 1987 c 4 s 26 are each amended to read
26 as follows:

27 The legislature hereby authorizes bona fide charitable or nonprofit
28 organizations to conduct bingo games, raffles, amusement games, and
29 fund-raising events, ~~((and))~~ to ~~((utilize))~~ use punch boards ~~((and))~~,
30 pull-tabs, and electronic scratch ticket games under chapter 9.-- RCW
31 (sections 1, 4, 5, and 9 through 15 of this act), and to allow their
32 premises and facilities to be used by only members, their guests, and
33 members of a chapter or unit organized under the same state, regional,
34 or national charter or constitution, to play social card games
35 authorized by the commission, when licensed, conducted, or operated
36 pursuant to the provisions of this chapter and rules ~~((and~~
37 ~~regulations))~~ adopted pursuant thereto.

1 pursuant thereto permitting said person, association, or organization
2 to ~~((utilize))~~ use punch boards ~~((and))~~, pull-tabs ~~((and))~~, and
3 electronic scratch ticket games under chapter 9.-- RCW (sections 1, 4,
4 5, and 9 through 15 of this act), to conduct social card games as a
5 commercial stimulant in accordance with the provisions of this chapter
6 and any rules ~~((and regulations))~~ adopted pursuant thereto, and to
7 revoke or suspend said licenses for violation of any provisions of this
8 chapter and any rules ~~((and regulations))~~ adopted pursuant thereto:
9 PROVIDED, That the commission shall not deny a license to an otherwise
10 qualified applicant in an effort to limit the number of licenses to be
11 issued: PROVIDED FURTHER, That the commission may authorize the
12 director to temporarily issue or suspend licenses subject to final
13 action by the commission;

14 (3) To authorize and issue licenses for a period not to exceed one
15 year to any person, association, or organization approved by the
16 commission meeting the requirements of this chapter and meeting the
17 requirements of any rules ~~((and regulations))~~ adopted by the commission
18 pursuant to this chapter as now or hereafter amended, permitting said
19 person, association, or organization to conduct or operate amusement
20 games in such manner and at such locations as the commission may
21 determine;

22 (4) To authorize, require, and issue, for a period not to exceed
23 one year, such licenses as the commission may by rule provide, to any
24 person, association, or organization to engage in the selling,
25 distributing, or otherwise supplying or in the manufacturing of devices
26 for use within this state for those activities authorized by this
27 chapter;

28 (5) To establish a schedule of annual license fees for carrying on
29 specific gambling activities upon the premises, and for such other
30 activities as may be licensed by the commission, which fees shall
31 provide to the commission not less than an amount of money adequate to
32 cover all costs incurred by the commission relative to licensing under
33 this chapter and the enforcement by the commission of the provisions of
34 this chapter and rules ~~((and regulations))~~ adopted pursuant thereto:
35 PROVIDED, That all licensing fees shall be submitted with an
36 application therefor and such portion of said fee as the commission may
37 determine, based upon its cost of processing and investigation, shall
38 be retained by the commission upon the withdrawal or denial of any such

1 license application as its reasonable expense for processing the
2 application and investigation into the granting thereof: PROVIDED
3 FURTHER, That if in a particular case the basic license fee established
4 by the commission for a particular class of license is less than the
5 commission's actual expenses to investigate that particular
6 application, the commission may at any time charge to that applicant
7 such additional fees as are necessary to pay the commission for those
8 costs. The commission may decline to proceed with its investigation
9 and no license shall be issued until the commission has been fully paid
10 therefor by the applicant: AND PROVIDED FURTHER, That the commission
11 may establish fees for the furnishing by it to licensees of
12 identification stamps to be affixed to such devices and equipment as
13 required by the commission and for such other special services or
14 programs required or offered by the commission, the amount of each of
15 these fees to be not less than is adequate to offset the cost to the
16 commission of the stamps and of administering their dispersal to
17 licensees or the cost of administering such other special services,
18 requirements or programs;

19 (6) To prescribe the manner and method of payment of taxes, fees
20 and penalties to be paid to or collected by the commission;

21 (7) To require that applications for all licenses contain such
22 information as may be required by the commission: PROVIDED, That all
23 persons (a) having a managerial or ownership interest in any gambling
24 activity, or the building in which any gambling activity occurs, or the
25 equipment to be used for any gambling activity, or (b) participating as
26 an employee in the operation of any gambling activity, shall be listed
27 on the application for the license and the applicant shall certify on
28 the application, under oath, that the persons named on the application
29 are all of the persons known to have an interest in any gambling
30 activity, building, or equipment by the person making such application:
31 PROVIDED FURTHER, That the commission shall require fingerprinting and
32 national criminal history background checks on any persons seeking
33 licenses, certifications, or permits under this chapter or of any
34 person holding an interest in any gambling activity, building, or
35 equipment to be used therefor, or of any person participating as an
36 employee in the operation of any gambling activity. All national
37 criminal history background checks shall be conducted using
38 fingerprints submitted to the United States department of justice-

1 federal bureau of investigation. The commission must establish rules
2 to delineate which persons named on the application are subject to
3 national criminal history background checks. In identifying these
4 persons, the commission must take into consideration the nature,
5 character, size, and scope of the gambling activities requested by the
6 persons making such applications;

7 (8) To require that any license holder maintain records as directed
8 by the commission and submit such reports as the commission may deem
9 necessary;

10 (9) To require that all income from bingo games, raffles, and
11 amusement games be recorded and reported as established by rule (~~or~~
12 ~~regulation~~) of the commission to the extent deemed necessary by
13 considering the scope and character of the gambling activity in such a
14 manner that will disclose gross income from any gambling activity,
15 amounts received from each player, the nature and value of prizes, and
16 the fact of distributions of such prizes to the winners thereof;

17 (10) To regulate and establish maximum limitations on income
18 derived from bingo. In establishing limitations pursuant to this
19 subsection the commission shall take into account (i) the nature,
20 character, and scope of the activities of the licensee; (ii) the source
21 of all other income of the licensee; and (iii) the percentage or extent
22 to which income derived from bingo is used for charitable, as
23 distinguished from nonprofit, purposes. However, the commission's
24 powers and duties granted by this subsection are discretionary and not
25 mandatory;

26 (11) To regulate and establish the type and scope of and manner of
27 conducting the gambling activities authorized by this chapter,
28 including but not limited to, the extent of wager, money, or other
29 thing of value which may be wagered or contributed or won by a player
30 in any such activities;

31 (12) To regulate the collection of and the accounting for the fee
32 which may be imposed by an organization, corporation, or person
33 licensed to conduct a social card game on a person desiring to become
34 a player in a social card game in accordance with RCW 9.46.0282;

35 (13) To cooperate with and secure the cooperation of county, city,
36 and other local or state agencies in investigating any matter within
37 the scope of its duties and responsibilities;

1 (14) In accordance with RCW 9.46.080, to adopt such rules (~~and~~
2 ~~regulations~~) as are deemed necessary to carry out the purposes and
3 provisions of this chapter. All rules (~~and regulations~~) shall be
4 adopted pursuant to the administrative procedure act, chapter 34.05
5 RCW;

6 (15) To set forth for the perusal of counties, city-counties,
7 cities and towns, model ordinances by which any legislative authority
8 thereof may enter into the taxing of any gambling activity authorized
9 by this chapter;

10 (16) To establish and regulate a maximum limit on salaries or wages
11 which may be paid to persons employed in connection with activities
12 conducted by bona fide charitable or nonprofit organizations and
13 authorized by this chapter, where payment of such persons is allowed,
14 and to regulate and establish maximum limits for other expenses in
15 connection with such authorized activities, including but not limited
16 to rent or lease payments. However, the commissioner's powers and
17 duties granted by this subsection are discretionary and not mandatory.

18 In establishing these maximum limits the commission shall take into
19 account the amount of income received, or expected to be received, from
20 the class of activities to which the limits will apply and the amount
21 of money the games could generate for authorized charitable or
22 nonprofit purposes absent such expenses. The commission may also take
23 into account, in its discretion, other factors, including but not
24 limited to, the local prevailing wage scale and whether charitable
25 purposes are benefited by the activities;

26 (17) To authorize, require, and issue for a period not to exceed
27 one year such licenses or permits, for which the commission may by rule
28 provide, to any person to work for any operator of any gambling
29 activity authorized by this chapter in connection with that activity,
30 or any manufacturer, supplier, or distributor of devices for those
31 activities in connection with such business. The commission shall not
32 require that persons working solely as volunteers in an authorized
33 activity conducted by a bona fide charitable or bona fide nonprofit
34 organization, who receive no compensation of any kind for any purpose
35 from that organization, and who have no managerial or supervisory
36 responsibility in connection with that activity, be licensed to do such
37 work. The commission may require that licensees employing such
38 unlicensed volunteers submit to the commission periodically a list of

1 the names, addresses, and dates of birth of the volunteers. If any
2 volunteer is not approved by the commission, the commission may require
3 that the licensee not allow that person to work in connection with the
4 licensed activity;

5 (18) To publish and make available at the office of the commission
6 or elsewhere to anyone requesting it a list of the commission
7 licensees, including the name, address, type of license, and license
8 number of each licensee;

9 (19) To establish guidelines for determining what constitutes
10 active membership in bona fide nonprofit or charitable organizations
11 for the purposes of this chapter; and

12 (20) To perform all other matters and things necessary to carry out
13 the purposes and provisions of this chapter.

14 NEW SECTION. **Sec. 9.** (1) A state tax is imposed on the net win
15 from the sale of all electronic scratch ticket games and is set at
16 twenty percent. All proceeds from taxes collected under this section
17 shall be deposited in an account in the custody of the state treasurer.
18 Five percent of the proceeds from taxes collected under this section
19 will be allocated for problem gaming prevention, youth education,
20 public awareness, training, help-line services, and to the division of
21 alcohol and substance abuse in the department of social and health
22 services for treatment.

23 (2) A local tax is imposed on the net win from the sale of all
24 electronic scratch ticket games and is set at five percent. The
25 legislative authority of any county, city-county, city, or town, by
26 local law or ordinance, and in accordance with this chapter and rules
27 adopted under it, may provide for the collection of taxes generated
28 from electronic scratch ticket games' sales or may enter into an
29 agreement with the state for such collection.

30 (3) The department of revenue shall adopt rules to implement this
31 section.

32 NEW SECTION. **Sec. 10.** (1) Play of all electronic scratch ticket
33 games is restricted to players who are twenty-one years of age or
34 older.

35 (2) Placement of player terminals for electronic scratch ticket
36 games shall only be allowed on premises and in areas of premises

1 meeting the liquor control board's requirements for barrier and signage
2 as contained in WAC 314-02-050(1) as it exists on the effective date of
3 this act and: (a) Where the entire facility is not restricted to
4 persons of age twenty-one; (b) in areas of the premises designated as
5 off-limits and restricted to persons under the age of twenty-one; or
6 (c) in premises designated as off-limits to persons under the age of
7 twenty-one in their entirety.

8 (3) Duties of employees who are eighteen, nineteen, and twenty
9 shall comply with the provisions of chapter 66.44 RCW and the rules
10 adopted by the liquor control board under that chapter.

11 NEW SECTION. **Sec. 11.** (1) The maximum number of electronic
12 scratch ticket game player terminals shall be determined as of January
13 1, 2003, for the initial allocation and January 1st of every year
14 thereafter for future allocations as set forth in section 12 of this
15 act and is set at the number authorized at any given time based upon
16 the cumulative number of electronic scratch ticket game player
17 terminals authorized under all current tribal-state class III gaming
18 compacts in the state. Of this maximum number, the following
19 distribution is established:

20 (a) Fifteen percent of the player terminals to the top forty gross
21 receipt bingo operations conducting bingo games, raffles, amusement
22 games, fund-raising events, or using punch boards or pull-tabs and
23 licensed as of January 1, 2003, with an established maximum number of
24 player terminals per location as set forth in section 12 of this act;

25 (b) Thirty-six percent of the player terminals to phase II house-
26 banked card rooms operating at least five house-banked card tables and
27 class 1 horse racing facilities in operation for at least one year with
28 an established maximum number of player terminals per location as set
29 forth in section 12 of this act; and

30 (c) Forty-nine percent of the player terminals to: (i) Persons,
31 associations, or organizations primarily engaged in the selling of food
32 or drink for consumption on the premises conducting social card games
33 and using punch boards, pull-tabs, and electronic scratch ticket games;
34 and (ii) bona fide charitable or nonprofit organizations conducting
35 bingo games, raffles, amusement games, fund-raising events, or using
36 punch boards or pull-tabs with an established maximum number of player
37 terminals per location as set forth in section 12 of this act.

1 (2) Electronic scratch ticket licensed locations under this chapter
2 shall not be licensed for player terminals under more than one of the
3 three categories described in section 12 of this act.

4 NEW SECTION. **Sec. 12.** (1)(a) The maximum number of player
5 terminals per licensed location shall be as follows:

6 (i) To the top forty gross receipt bingo operations, one hundred
7 twenty-five player terminals per location;

8 (ii) To phase II house-banked card rooms operating at least five
9 house-banked card tables and class 1 horse racing facilities in
10 operation for at least one year, one hundred twenty-five player
11 terminals per location;

12 (iii) To persons, associations, or organizations primarily engaged
13 in the selling of food or drink for consumption on the premises and
14 bona fide charitable or nonprofit organizations conducting bingo games,
15 raffles, amusement games, and fund-raising events other than those in
16 (a)(i) of this subsection as follows:

17	ANNUAL GROSS	MAXIMUM NUMBER OF
18	GAMBLING RECEIPTS	PLAYER TERMINALS
19		ALLOWED PER
20		LICENSED LOCATION
21	\$0 - 200,000	4 (All licensees in this
22		license class shall be
23		guaranteed a minimum of 4
24		player terminals)
25	\$200,001 - 300,000	5
26	\$300,001 - 400,000	6
27	\$400,001 - 500,000	7
28	\$500,001 - 600,000	8
29	\$600,001 - 700,000	10
30	\$700,001 - 800,000	12
31	\$800,001 - 1,000,000	14
32	\$1,000,001 - 1,250,000	16
33	\$1,250,001 - 2,000,000	18
34	\$2,000,001 - 2,500,000	20
35	\$2,500,001 - 3,000,000	22

(b) For purposes of the initial allocation of player terminals under section 11(1) (a) and (b) of this act and (a)(i) and (ii) of this subsection, the aggregate number of player terminals eligible for allocation shall be determined by dividing equally the number of player terminals available under section 11(1) (a) and (b) of this act and by the number of eligible licenses within each category.

(c) For purposes of the initial allocation of player terminals to licensees under section 11(1)(c) of this act and (a)(iii) of this subsection, gross gambling receipts shall be calculated and determined by the commission using a licensee's annual gross gambling receipts for any active years of operation in 1999 through 2002. However, licensees who operated for partial years or less than the full four years during this period shall have their gross gambling receipts annualized and calculated accordingly.

(2) For purposes of player terminal allocations after the initial January 1, 2003, allocation, the aggregate number of player terminals eligible to be allocated to individual licensees in each category established in section 11 of this act shall be determined by the commission on January 1st of every year by dividing equally amongst the applications pending for new or additional player terminals before the commission for allocation in the ensuing year by the number of player terminals available under this act in each of the allocation pools created in section 11(1) of this act. Each allocation pool consists of those player terminals not allocated in previous years, forfeited player terminals, plus additional player terminals, if any, that become available as a result of new tribal-state compacts or by amendments to tribal compacts. However, licensees that become eligible for player terminals after January 1st of any given year may be awarded player terminals by the commission only to the extent there are player terminals available for allocation within the particular category. Such a licensee may not receive more than the arithmetic average of player terminals as determined by the commission on the immediately preceding January 1st.

(3) Within each category established under section 11(1) of this act, no licensee can be awarded more than the arithmetic average of all the applications divided by the number of available player terminals available in the allocation pool. Licensees shall be prioritized

1 within each category established under section 11(1) of this act for
2 review for new or additional player terminals under this section based
3 upon the effective date of their underlying gambling license issued by
4 the commission. Electronic scratch ticket game licensees within each
5 category established under section 11(1) of this act may continue to
6 request additional player terminals subject to the maximum number of
7 player terminals per licensed location established in this section.

8 (4) Applications shall not be accepted for electronic scratch
9 ticket game systems by the commission until a licensee has held another
10 gaming license issued under prior statutory authority and issued by the
11 commission for a period of six months.

12 (5) The commission shall adopt rules applicable to circumstances
13 where pending applications within each category established under
14 section 11(1) of this act request more player terminals than are
15 arithmetically available for allocation.

16 (6) Electronic scratch ticket licenses to be issued under this
17 chapter shall be issued by the commission unless there exists a
18 specific statutory requirement that specifically mandates the
19 commission approve the underlying license.

20 NEW SECTION. **Sec. 13.** Video and/or electronic surveillance is not
21 required by electronic scratch ticket game licensees unless electronic
22 scratch ticket player terminals are located on premises where the
23 commission requires surveillance as a condition of holding any other
24 license issued previously by the commission. This applies to all
25 electronic scratch ticket game licensees and licensed premises unless
26 the commission makes specific written findings and conclusions
27 warranting a deviation.

28 NEW SECTION. **Sec. 14.** (1) In order to be eligible for an
29 electronic scratch ticket license, the commission shall, at a minimum,
30 require the applicant to demonstrate that the applicant, applying for
31 a license under this chapter, has held another gaming license issued
32 under prior statutory authority and issued by the commission for a
33 period of six months before the effective date of an electronic scratch
34 ticket game system license.

35 (2) Electronic scratch ticket licensees may lease and/or revenue-
36 share with persons or entities, including route operators,

1 distributors, and manufacturers licensed by the commission to engage in
2 such activity. Contracts between a route operator and a licensee shall
3 be in writing, signed by the parties, and submitted to the commission
4 before the installation of player terminals.

5 NEW SECTION. **Sec. 15.** Individual licensees may electronically
6 interconnect the player terminals on separate licensed locations.
7 However, there shall be no capacity for remote access or control of any
8 player terminal from a remote device without written commission
9 approval. All communications to and from the player terminals that
10 constitute a wide area network system shall be encrypted for security
11 purposes and coverage and shall comply with the encryption scheme of
12 the electronic accounting system.

13 NEW SECTION. **Sec. 16.** Sections 1, 4, 5, and 9 through 15 of this
14 act constitute a new chapter in Title 9 RCW.

15 NEW SECTION. **Sec. 17.** This act is necessary for the immediate
16 preservation of the public peace, health, or safety, or support of the
17 state government and its existing public institutions, and takes effect
18 immediately.

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