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HOUSE BILL 2786

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State of Washington

62nd Legislature

2012 Regular Session

By Representatives Alexander, Finn, Kirby, Ross, Kretz, Johnson, Green, Armstrong, Takko, Clibborn, Blake, Hinkle, Rivers, and Angel

Read first time 02/16/12. Referred to Committee on State Government & Tribal Affairs.

1 AN ACT Relating to the authorization and regulation of electronic  
2 scratch ticket machines for house-banked card room establishments and  
3 providing funding for education, health and human services, and public  
4 safety; amending RCW 67.70.040, 67.70.330, and 9.46.291; creating a new  
5 section; adding a new chapter to Title 67 RCW; and declaring an  
6 emergency.

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

8 NEW SECTION. **Sec. 1.** This act may be known and cited as the  
9 electronic gaming revenue act of 2012.

10 NEW SECTION. **Sec. 2.** (1) The purpose of this act is to authorize  
11 electronic scratch ticket devices to house-banked card room licensees  
12 in the same form and manner as provided under the provisions in  
13 Appendix X2 to the state-tribal gaming compact as allowed by the  
14 federal Indian gaming regulatory act of 1988. The legislature declares  
15 that house-banked card rooms operating at least five card games may use  
16 the types of electronic scratch ticket games, devices, and player  
17 terminals authorized under this chapter.

1 (2) The legislature further declares that electronic scratch  
2 tickets are a legal form of gambling in the state of Washington. This  
3 chapter is intended to grant specific authority to the Washington state  
4 lottery commission to regulate electronic scratch ticket gambling by  
5 house-banked card rooms.

6 (3) The legislature finds this chapter will assist in job creation  
7 and retention. The legislature further finds that this chapter is  
8 necessary for the immediate preservation of public health and safety  
9 and the support of state government and its existing public  
10 institutions as it is intended to generate revenue appropriated in the  
11 2011-2013 biennium. Programs dependent upon the additional revenue  
12 forecasted under this chapter provide for the health, education, and  
13 welfare of the citizens of the state of Washington.

14 (4) The legislature finds that agencies adopting rules under this  
15 act should do so in an expedited manner to generate funds to the state  
16 as soon as practicable.

17 NEW SECTION. **Sec. 3.** The definitions in this section apply  
18 throughout this chapter unless the context clearly requires otherwise.

19 (1) "Central accounting and auditing computer system" means a  
20 computer system owned and operated by the Washington state lottery  
21 commission that provides a secure means to monitor, receive, store, and  
22 access data, and record critical functions and activities of the player  
23 terminals.

24 (2) "Central computer" has the same meaning as provided in Appendix  
25 X2 to the state-tribal gaming compact, as it exists on the effective  
26 date of this section or as hereinafter amended.

27 (3) "Electronic scratch ticket" has the same meaning as provided in  
28 Appendix X2 to the state-tribal gaming compact, as it exists on the  
29 effective date of this section or as hereinafter amended.

30 (4) "Electronic scratch ticket game" has the same meaning as  
31 provided in Appendix X2 to the state-tribal gaming compact, as it  
32 exists on the effective date of this section or as hereinafter amended.

33 (5) "Electronic scratch ticket game set" has the same meaning as  
34 provided in Appendix X2 to the state-tribal gaming compact, as it  
35 exists on the effective date of this section or as hereinafter amended.

36 (6) "Electronic scratch ticket game subset" has the same meaning as

1 provided in Appendix X2 to the state-tribal gaming compact, as it  
2 exists on the effective date of this section or as hereinafter amended.

3 (7) "House-banked card room" means the holder of a house-banked  
4 card room license from the gambling commission.

5 (8) "Manufacturing computer" has the same meaning as provided in  
6 Appendix X2 to the state-tribal gaming compact as it exists on the  
7 effective date of this section or as hereinafter amended.

8 (9) "Net win" means gross wagers received from gambling activities  
9 minus the:

10 (a) Amount paid to players for winning wagers; and

11 (b) Accrual of prizes for progressive jackpot contests; and

12 (c) Repayment of amounts used to seed guaranteed progressive  
13 jackpot prizes.

14 (10) "Player terminals" has the same meaning as provided in  
15 Appendix X2 to the state-tribal gaming compact, as it exists on the  
16 effective date of this section or as hereinafter amended.

17 NEW SECTION. **Sec. 4.** (1)(a) All electronic scratch ticket  
18 systems, games, and player terminals approved for operation by the  
19 gambling commission as a tribal lottery system under tribal-state class  
20 III gaming compacts in the state pursuant to RCW 9.46.360 may be put  
21 into use by house-banked card rooms operating at least five card games  
22 under this chapter to the same extent and in the same manner as  
23 electronic scratch tickets are regulated under the tribal-state gaming  
24 compact. All computers and player terminals and the combination and  
25 components thereof in each system must conform to this chapter and the  
26 rules adopted under this chapter.

27 (b) Electronic scratch ticket systems, games, and player terminals  
28 approved for operation by the gambling commission under the tribal-  
29 state class III gaming compact in the state may be put to use by  
30 house-banked card rooms meeting the requirements of this act after  
31 approval is obtained from the Washington state lottery commission under  
32 the requirements of this chapter and rules adopted under this chapter.

33 (2) The electronic scratch ticket game consists of a finite number  
34 of electronic scratch tickets, a certain number of which, if drawn,  
35 entitle a player to prize awards at various levels. The scratch  
36 tickets are designed from a template in conformity with this chapter  
37 and are created in game sets on a manufacturing computer from which

1 scratch tickets are randomly selected and placed into scratch ticket  
2 subsets. Each game set has a predetermined number of winners and  
3 values and is designed so as to assure players of an at least seventy-  
4 five percent payback of the amounts paid in the aggregate for all  
5 tickets in the set. As a game set's tickets are placed into subsets,  
6 the pool of tickets available from that game set for placement into  
7 subsets diminishes, until each ticket in the game set has been placed  
8 into a subset.

9 (3)(a) Electronic scratch ticket game subsets are transmitted to  
10 the central computer, where they are stored until dispensed  
11 electronically on demand to player terminals. Scratch tickets are  
12 electronically dispensed from the central computer in the order within  
13 each subset in which the tickets were received. Players compete  
14 against each other to draw winning tickets. As subsets are used, they  
15 are replaced by additional subsets that have been created and delivered  
16 to the central computer in the same manner, until the game set has been  
17 depleted, ending that particular game. Different games based on  
18 different game sets may be offered simultaneously through the central  
19 computer.

20 (b) Each game set must be consistent with the provisions of  
21 Appendix X2 as adopted under the most current tribal-state class III  
22 gaming compact in Washington state or as hereafter amended and meet the  
23 following minimum requirements:

24 (i) Each game set must be made up of a finite number, that cannot  
25 be limited by rule, of electronic scratch tickets;

26 (ii)(A) All scratch tickets in a particular game set must be of the  
27 same purchase price, but a single ticket may offer more than one  
28 opportunity to win a prize on the same wager.

29 (B) As of the effective date of this section, all scratch tickets  
30 in a particular game set must be set at a price not to exceed five  
31 dollars; however, the Washington state lottery commission must adjust  
32 the dollar threshold in this subsection (3)(b)(ii) annually based upon  
33 changes in the consumer price index during that period. For the  
34 purposes of this subsection "consumer price index" means, for any  
35 calendar year, that year's annual average consumer price index, for  
36 Washington state, for wage earners and clerical workers, all items,  
37 compiled by the bureau of labor and statistics, United States  
38 department of labor. If the bureau of labor and statistics develops

1 more than one consumer price index for areas within the state, the  
2 index covering the greatest number of people, covering areas  
3 exclusively within the boundaries of the state, and including all items  
4 must be used for the adjustments for inflation in this section. The  
5 Washington state lottery commission must calculate the new dollar  
6 threshold and transmit it to the office of the code reviser for  
7 publication in the Washington State Register at least one month before  
8 the new dollar threshold is to take effect;

9 (iii) The payout percentage for the entire game set must be no less  
10 than seventy-five percent of the total purchase price of all tickets in  
11 the set combined;

12 (iv) Each game set must be assigned a unique serial number; and

13 (v) Each ticket must have a specific outcome and prize level  
14 associated with it.

15 (4) For the purpose of assuring the integrity, security, honesty,  
16 and fairness in the operation and administration of electronic scratch  
17 ticket games, a central accounting and auditing computer system must  
18 monitor the electronic scratch ticket games and their related systems.  
19 This central accounting and auditing computer system must be:

20 (a) Controlled, owned, and operated by the Washington state lottery  
21 commission; and

22 (b) Connected to electronic scratch ticket systems operated by  
23 licensees to communicate a licensee's electronic scratch ticket game  
24 system information.

25 (5) The maximum number of electronic scratch ticket game player  
26 terminals is limited to two hundred per licensed location with a  
27 maximum number of terminals for all licensed locations limited to seven  
28 thousand eight hundred seventy-five.

29 (6) Video and/or electronic surveillance is required by electronic  
30 scratch ticket game licensees.

31 (7) The Washington state lottery commission must adopt rules  
32 defining the remaining electronic scratch ticket system operating  
33 requirements including rules regarding internal controls, software  
34 auditing, player terminals, the standards for random number generators,  
35 accounting, security, reporting, storage requirements, testing, and  
36 auditing of system operations that must be consistent with the  
37 provisions of Appendix X2 as adopted under the most current tribal-

1 state class III gaming compact in Washington state or as hereafter  
2 amended.

3 NEW SECTION. **Sec. 5.** (1) Play of all electronic scratch ticket  
4 games is restricted to players who are twenty-one years of age or  
5 older.

6 (2) Placement of player terminals for electronic scratch ticket  
7 games are allowed only:

8 (a) On premises and in areas of premises meeting the liquor control  
9 board's requirements for barrier and signage as contained in WAC 314-  
10 02-025(3) as it exists on the effective date of this section; and

11 (b)(i) On premises located within a facility that is in its  
12 entirety designated as having entry restricted to only persons age  
13 twenty-one or older; or

14 (ii) In the designated areas of the premises that have entry  
15 restricted to only persons age twenty-one or older, if such premises  
16 are located within a facility that is not restricted in its entirety to  
17 persons age twenty-one or older.

18 (3) Duties of employees who are eighteen, nineteen, and twenty must  
19 comply with the provisions of chapter 66.44 RCW and the rules adopted  
20 by the liquor control board under that chapter.

21 NEW SECTION. **Sec. 6.** (1) In order to be eligible for an  
22 electronic scratch ticket license, the Washington state lottery  
23 commission must require the applicant to demonstrate that the applicant  
24 is:

25 (a) A house-banked card room licensee who is operating at least  
26 five card games on the effective date of this section; or

27 (b) A house-banked card room licensee who obtained the license  
28 after the effective date of this section and who has operated at least  
29 five card games for at least five years after the effective date of  
30 this section.

31 (2) Electronic scratch ticket licensees may lease and/or revenue-  
32 share with persons or entities, including route operators,  
33 distributors, and manufacturers licensed by the Washington state  
34 lottery commission to engage in such activity for the purposes of  
35 obtaining and operating scratch ticket devices. Contracts between a  
36 route operator and a licensee must be in writing, signed by the

1 parties, and submitted to the Washington state lottery commission  
2 before the installation of the leased or revenue-shared player  
3 terminals.

4 (3)(a) Except as provided in (b) of this subsection, nothing in  
5 this section prohibits the sale of a house-banked social card game  
6 business operating electronic scratch ticket games, sale of nongambling  
7 assets of a house-banked social card game business, or change of  
8 location of a house-banked social card game business.

9 (b) If a house-banked social card game business ceases to operate,  
10 the following are prohibited:

11 (i) Sale of the business, other than a sale in connection with a  
12 change of location outside the jurisdiction; and

13 (ii) A change of location of the business within the jurisdiction.

14 (c) For the purposes of this subsection "ceases to operate" means  
15 a business does not owe any taxes imposed under RCW 9.46.110 for twelve  
16 consecutive months.

17 NEW SECTION. **Sec. 7.** Individual licensees may electronically  
18 interconnect the player terminals on separate licensed locations.  
19 However, capacity for remote access or control of any player terminal  
20 from a remote device without written Washington state lottery  
21 commission approval is not allowed. All communications to and from the  
22 player terminals that constitute a wide area network system must be  
23 encrypted for security purposes and coverage and must comply with the  
24 encryption scheme of the electronic accounting system.

25 **Sec. 8.** RCW 67.70.040 and 2006 c 290 s 3 are each amended to read  
26 as follows:

27 The commission (~~(shall have)~~) has the power(~~(, and it shall be~~  
28 ~~its))~~ and duty:

29 (1) To adopt rules governing the establishment and operation of a  
30 state lottery as it deems necessary and desirable in order that such a  
31 lottery be initiated at the earliest feasible and practicable time, and  
32 in order that such lottery produce the maximum amount of net revenues  
33 for the state consonant with the dignity of the state and the general  
34 welfare of the people. Such rules (~~(shall)~~) include, but (~~(shall)~~) are  
35 not (~~(be)~~) limited to, the following:

1 (a) The type of lottery to be conducted which may include  
2 electronic scratch tickets as defined in section 2 of this act, and the  
3 selling of tickets or shares, but such tickets or shares may not be  
4 sold over the internet. The use of electronic or mechanical devices or  
5 video terminals which allow for individual play against such devices or  
6 terminals (~~shall be~~) is prohibited. An affirmative vote of sixty  
7 percent of both houses of the legislature is required before offering  
8 any game allowing or requiring a player to become eligible for a prize  
9 or to otherwise play any portion of the game by interacting with any  
10 device or terminal involving digital, video, or other electronic  
11 representations of any game of chance, including scratch tickets, pull-  
12 tabs, bingo, poker or other cards, dice, roulette, keno, or slot  
13 machines. Approval of the legislature (~~shall be~~) is required before  
14 entering any agreement with other state lotteries to conduct shared  
15 games;

16 (b) The price, or prices, of tickets or shares in the lottery;

17 (c) The numbers and sizes of the prizes on the winning tickets or  
18 shares;

19 (d) The manner of selecting the winning tickets or shares, except  
20 as limited by (a) of this subsection;

21 (e) The manner and time of payment of prizes to the holder of  
22 winning tickets or shares which, at the director's option, may be paid  
23 in lump sum amounts or installments over a period of years;

24 (f) The frequency of the drawings or selections of winning tickets  
25 or shares. Approval of the legislature is required before conducting  
26 any online game in which the drawing or selection of winning tickets  
27 occurs more frequently than once every twenty-four hours;

28 (g) Without limit as to number, the type or types of locations at  
29 which tickets or shares may be sold;

30 (h) The method to be used in selling tickets or shares, except as  
31 limited by (a) of this subsection;

32 (i) The licensing of agents to sell or distribute tickets or  
33 shares, except that a person under the age of eighteen (~~shall~~) may  
34 not be licensed as an agent;

35 (j) The manner and amount of compensation, if any, to be paid  
36 licensed sales agents necessary to provide for the adequate  
37 availability of tickets or shares to prospective buyers and for the  
38 convenience of the public;



1 (k) The apportionment of the total revenues accruing from the sale  
2 of lottery tickets or shares and from all other sources among: (i) The  
3 payment of prizes to the holders of winning tickets or shares, which  
4 (~~shall~~) may not be less than forty-five percent of the gross annual  
5 revenue from such lottery, (ii) transfers to the lottery administrative  
6 account created by RCW 67.70.260, and (iii) transfer to the state's  
7 general fund. Transfers to the state general fund (~~shall~~) must be  
8 made in compliance with RCW 43.01.050;

9 (1) Such other matters necessary or desirable for the efficient and  
10 economical operation and administration of the lottery and for the  
11 convenience of the purchasers of tickets or shares and the holders of  
12 winning tickets or shares.

13 (2) To ensure that in each place authorized to sell lottery tickets  
14 or shares, on the back of the ticket or share, and in any advertising  
15 or promotion there (~~shall~~) must be conspicuously displayed an  
16 estimate of the probability of purchasing a winning ticket.

17 (3) To amend, repeal, or supplement any such rules from time to  
18 time as it deems necessary or desirable.

19 (4) To advise and make recommendations to the director for the  
20 operation and administration of the lottery.

21 **Sec. 9.** RCW 67.70.330 and 1987 c 511 s 15 are each amended to read  
22 as follows:

23 (1) The director (~~shall have~~) has the power to enforce this  
24 chapter and the penal laws of this state relating to the conduct of or  
25 participation in lottery activities and the manufacturing, importation,  
26 transportation, distribution, possession, and sale of equipment or  
27 paraphernalia used or for use in connection therewith. The director,  
28 the deputy director, assistant directors, and each of the director's  
29 investigators, enforcement officers, and inspectors (~~shall~~) have the  
30 power to enforce this chapter and the penal laws of this state relating  
31 to the conduct of or participation in lottery activities and the  
32 manufacturing, importation, transportation, distribution, possession,  
33 and sale of equipment or paraphernalia used or for use in connection  
34 therewith. They (~~shall~~) have the power and authority to apply for  
35 and execute all warrants and serve process of law issued by the courts  
36 in enforcing the penal provisions of this chapter and the penal laws of  
37 this state relating to the conduct of or participation in lottery

1 activities and the manufacturing, importation, transportation,  
2 distribution, possession, and sale of equipment or paraphernalia used  
3 or for use in connection therewith. They (~~shall~~) have the power to  
4 arrest without a warrant, any person or persons found in the act of  
5 violating any of the penal provisions of this chapter and the penal  
6 laws of this state relating to the conduct of or participation in  
7 lottery activities and the manufacturing, importation, transportation,  
8 distribution, possession, and sale of equipment or paraphernalia used  
9 or for use in connection therewith. To the extent set forth in this  
10 section, the office of the director (~~shall be~~) is a law enforcement  
11 agency of this state with the power to investigate for violations of  
12 and to enforce the provisions of this chapter and to obtain information  
13 from and provide information to all other law enforcement agencies.

14 (2)(a) The gambling commission has primary responsibility with  
15 regard to enforcement of chapter 67.--- RCW (the new chapter created in  
16 section 13 of this act), relating to the conduct of and participation  
17 in electronic scratch ticket games.

18 (b) The director has sole responsibility with regard to licensing  
19 and rule making under chapter 67.--- RCW (the new chapter created in  
20 section 13 of this act).

21 **Sec. 10.** RCW 9.46.291 and 1982 2nd ex.s. c 7 s 39 are each amended  
22 to read as follows:

23 (1) Except as specified by subsection (2) of this section, the  
24 provisions of this chapter (~~shall~~) do not apply to the conducting,  
25 operating, participating, or selling or purchasing of tickets or shares  
26 in the "lottery" or "state lottery" as defined in RCW 67.70.010 when  
27 such conducting, operating, participating, or selling or purchasing is  
28 in conformity to the provisions of chapter 67.70 RCW and to the rules  
29 adopted thereunder.

30 (2) The commission must enforce compliance with state law with  
31 regard to the conduct of and participation in electronic scratch ticket  
32 games as defined by chapter 67.--- RCW (the new chapter created in  
33 section 13 of this act) by house-banked card rooms.

34 NEW SECTION. **Sec. 11.** (1) The Washington state lottery commission  
35 must develop a compensation system for house-banked card rooms from the  
36 net win of electronic scratch ticket games. The remaining net win not

1 retained by the Washington state lottery commission under subsection  
2 (2) of this section must be returned to the house-banked card room as  
3 agent compensation.

4 (2) The Washington state lottery commission must retain thirty-five  
5 percent of the net win from electronic scratch ticket games and deposit  
6 the proceeds in the gaming revenue account hereby created in the  
7 custody of the state treasurer. Expenditures from the account must be  
8 used as specified in this section. The legislature may not appropriate  
9 funds from the account inconsistent with this section unless approved  
10 by an affirmative vote of at least sixty percent of the members of each  
11 house of the legislature.

12 (3) The money in the gaming revenue account must be expended as  
13 follows:

14 (a) Up to two percent of the proceeds may be used to reimburse the  
15 state gambling commission and the Washington state lottery commission  
16 for their reasonable expenses for administration and enforcement of  
17 chapter 67.--- RCW (the new chapter created in section 13 of this act);

18 (b) One-half of one percent of the proceeds must be used only for  
19 problem gambling prevention, youth education, public awareness,  
20 training, help-line services, and treatment;

21 (c) Five percent of the proceeds must be distributed proportionally  
22 to local governments in which a house-banked card room is located,  
23 based on the total net win attributable to any card room within such  
24 local government's boundaries; and

25 (d) The remaining proceeds must be spent as follows:

- 26 (i) Fifty percent for K-12 education;
- 27 (ii) Thirty percent for health and human service programs; and
- 28 (iii) Twenty percent for public safety programs.

29 NEW SECTION. **Sec. 12.** The Washington state gambling commission  
30 and the Washington state lottery commission must adopt rules and  
31 policies to fully implement the provisions of this act as expeditiously  
32 as possible.

33 NEW SECTION. **Sec. 13.** Sections 1 through 7 and 11 of this act  
34 constitute a new chapter in Title 67 RCW.

1        NEW SECTION.    **Sec. 14.**    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    immediately.

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