

Washington State's Card Rooms:  
Sustaining a Valuable Economic Resource  
•  
An Updated Industry Profile

## Executive Summary

In 1997, Washington's legislature authorized the operation of house-banked (Blackjack Style) card games. The federal Indian Gaming Regulatory Act authorized Casino style gambling for federally recognized tribes in 1988. The first tribal casino in Washington was opened in 1992.

Since then, recreational gaming has grown in popularity in Washington State and across the nation. At the end of 2010, a broad range of gambling activities was legal in all but two states (Utah and Hawaii).

Net gambling receipts in Washington have grown from \$576 million in 1997 to \$2.29 billion in 2010. A majority of that growth has been generated by tribal casinos, which had an estimated \$1.75 billion in Class III gambling receipts during FY 2010.

Currently, 63 licensed house-banked card rooms are operating in the state of Washington. Though non-tribal card rooms are a relatively small part of Washington's gaming industry, they provide significant benefits to the communities in which they operate and to the state as a whole in the form of jobs, tax revenues, civic and charitable contributions.

Card rooms have proven themselves to be valued community partners, and several local jurisdictions have reduced their gambling tax rates to help these businesses sustain their operations.

At its peak in 2005, the card room industry employed 10,400 people and generated more than \$55 million in state and local government taxes on receipts of \$302 million. In addition, it paid \$218 million in employee wages and spent millions more on equipment, supplies and services in local communities and throughout the state. Comparable figures from the Office of Financial Management (OFM) show that about 32 jobs are generated statewide for every \$1 million in receipts.

Most card room jobs are family-wage jobs, because in addition to wages, front line employees receive tips that range from 1 to 1.5 times minimum wage for bar and restaurant workers, and from 2 to 3 times minimum wage for dealers.

Between FY 2005 and FY 2010, Washington's house banked card rooms have experienced a 9% decrease in their market share and averaged a 4.8% decline in net receipts

per year. From FY 2009 to FY 2010, card room revenues declined by 11.3%, following a decline of 10% between FY 2008 and FY 2009.

In addition to existing economic conditions, the decline in revenues and profitability can be attributed to several main factors: (1) an increase in hourly minimum wages; (2) a smoking ban imposed on Washington businesses (but not tribal casinos); and (3) increases in the Business & Occupation tax. Card rooms pay the highest B&O tax rate, which stands at 1.93% of net gambling receipts as of May 2010. Net gambling receipts are composed of gross receipts minus winnings paid out, but before operating expenses.

The card room industry also suffers from major competitive disadvantages relative to tribal gaming venues, which don't pay gambling or B&O taxes and enjoy a monopoly on popular gaming options, such as "slot-like" machines, dice games, and roulette.

Washington's card room industry is a valuable resource that contributes significantly to the economic vitality of the state and local communities. Its continued viability depends on its ability to compete effectively with other gaming venues, especially when it comes to modern gaming technology.

To that end, the industry will look to the legislature for allowing card rooms to offer up-to-date gaming technology, such as "slot-like" machines.

This action will help assure the survival of the card room industry and sustain the contributions it makes to state and local economies.

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## **Introduction**

An economic profile of Washington's card room industry was last completed in 1999 to describe the effects and benefits of the legislature's 1997 action to authorize house-banked (Blackjack style) card games. Since the initial surge of growth, as card rooms entered the business, the industry has matured and stabilized. After peaking in 2005, revenues have declined, along with a decreasing share of the recreational gaming market.

At the same time, overall gaming receipts have continued to grow, driven mainly by tribal casinos, which dominate the gaming market through their ability to offer gaming options that are not allowed in non-tribal establishments.

The Recreational Gaming Association of Washington, the house-banked card rooms' trade organization, commissioned this updated economic profile to assess the industry's status in the current competitive environment and to determine its future viability.

Along with additional economic and marketing data, this report is intended to support the industry's position as a valuable, sustainable economic resource for the communities in which it operates, as well as the state as a whole.

## **Background**

The state legislature first authorized recreational gaming activities by charitable organizations and commercial food and drink establishments in 1973. Card rooms offering social card games, such as poker, in which players only competed against each other, were authorized the following year.

Casino style gambling did not emerge in Washington State until passage of the federal Indian Gaming Regulatory Act of 1988 (IGRA), which required states that allowed recreational gaming to negotiate compacts with federally recognized tribes. Under the act and the compacts, tribal governments were granted the right to operate any gaming activity authorized by the state on their reservations. The first tribal casino was opened by the Tulalip Tribe on July 19, 1992.

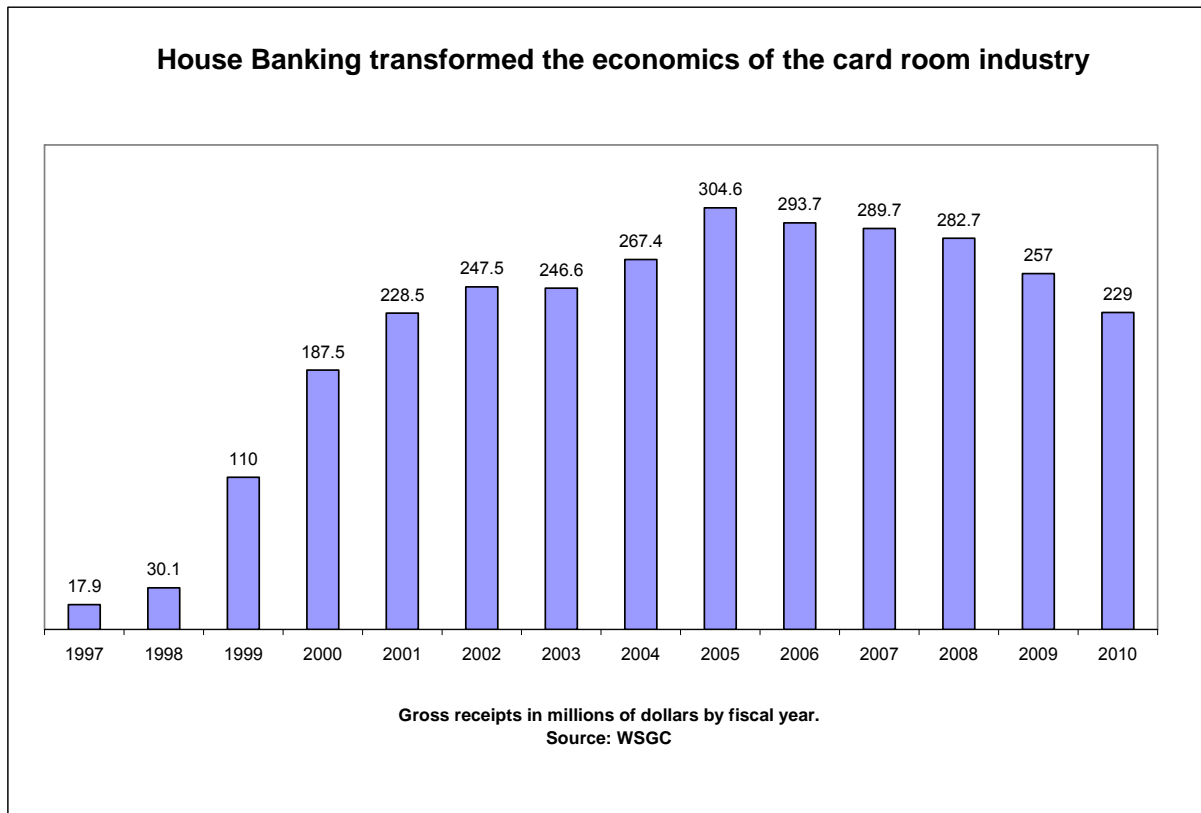
In 1997, the legislature amended RCW 9.46 to allow card rooms to operate house-banked card games, such as blackjack, with strict regulation and oversight by the Washington State Gambling Commission. Since then, recreational gaming has continued to grow in popularity in Washington and across the nation. At the end of 2010, a broad range of gambling activities was legal in all but two states (Utah and Hawaii).

## **Card Rooms and the Recreational Gaming Market**

Net gambling receipts in Washington grew from \$576 million in 1997 to \$2.29 billion in 2010. "Net" gambling receipts as used in this report are amounts received after paying out winnings, but before operating expenses and taxes. The overwhelming majority of that growth was generated by tribal casinos, which posted nearly \$1.75 billion in estimated Class III net receipts during FY 2010.

As illustrated in Figure 1, house-banked card rooms experienced relatively strong revenue growth from \$17.9 million at their inception in 1997 to a peak of \$304.6 million in FY 2005. After a start-up surge from 1997 to 2001, the rate of growth settled to between 8% and 13% annually as the industry matured through FY 2005. Since FY 2005, net receipts have declined by an average of 4.8 % a year, to \$228.6 million in FY 2009. Market share, too, has declined from a high of 22 % in FY 2000 to just 10 % in FY 2010. (See Figure 2)

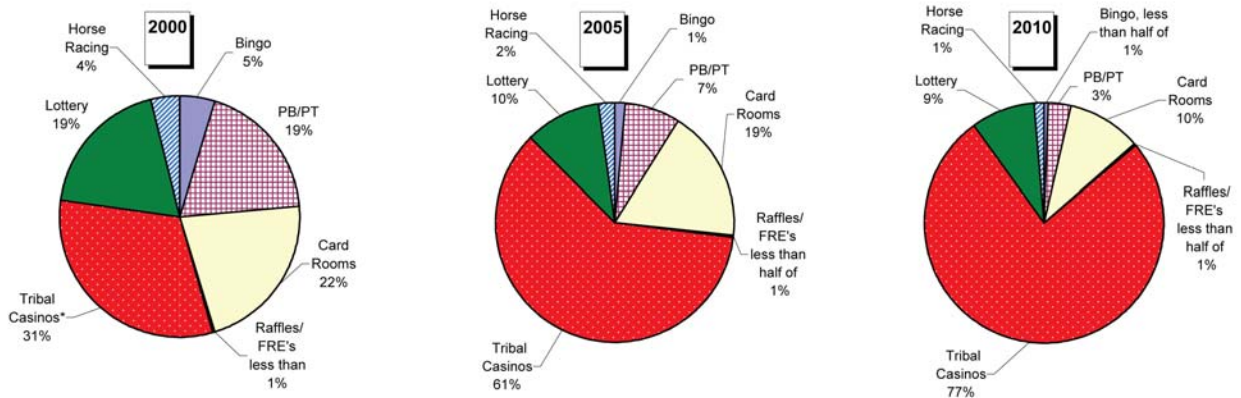
**Figure 1: House-banked card room growth**



As illustrated in Figures 2 & 3, while card rooms and other recreational gaming venues, from the State Lottery to charitable fund raising events, experienced moderate revenue growth or declines, tribal casino receipts continued to grow exponentially, from just \$162.4 million in FY 1999 to nearly \$1.75 billion in FY 2010. These numbers reflect only estimated Class III gaming activities, such as card and table games. Bingo, Keno, Pull Tabs, and Class II electronic machines are excluded from these figures.

Figure 2: Comparable Gambling Receipts

FISCAL YEAR NET RECEIPTS COMPARISON



2000	2005	2010
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(In Millions)

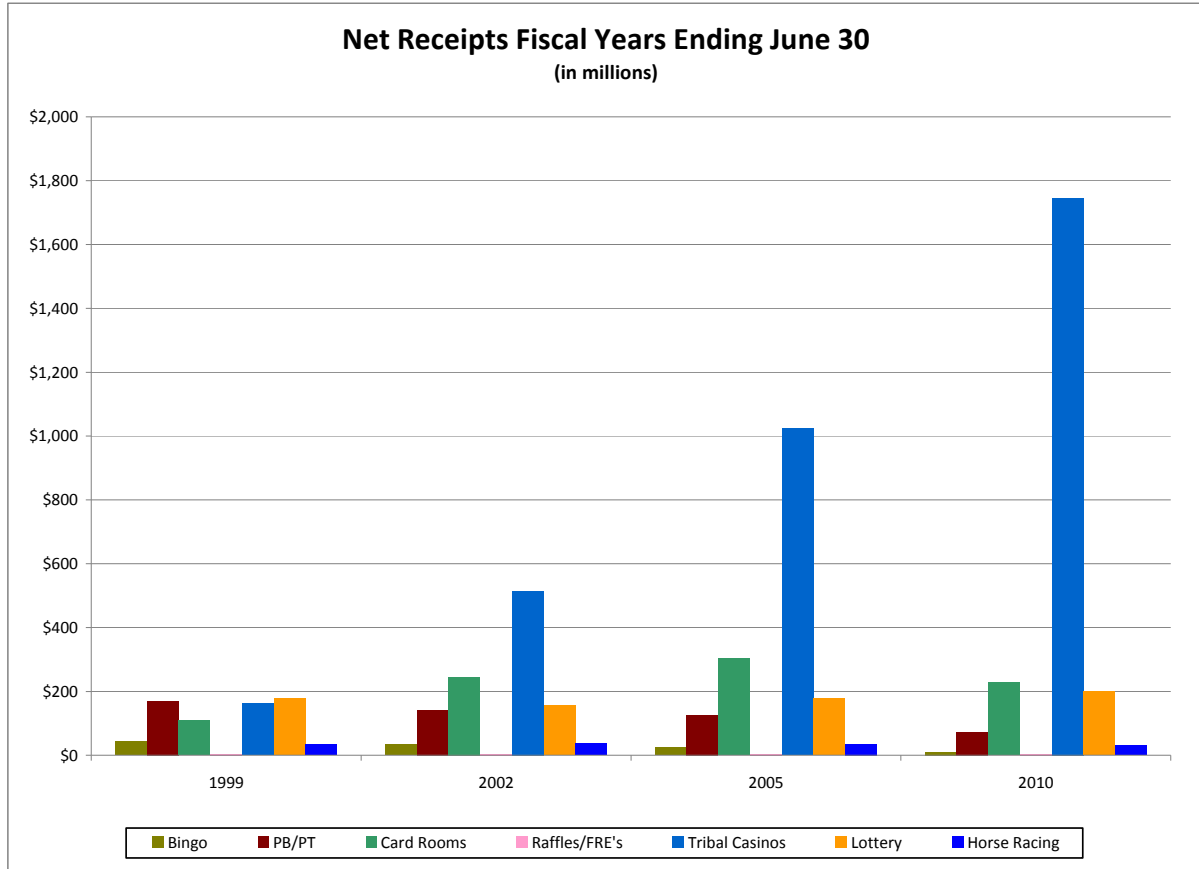
Bingo	41.2	25.1	10.7
PB/PT	162.5	126.2	72.8
Card Rooms	186.9	302.6	228.6
Raffles/FRE's	3.9	4.6	4.2
Tribal Casinos	272.6	1,023.9	1,745.9
Lottery	163.2	177.2	199.2
Horse Racing	33.1	35.5	30.6
<b>Total</b>	<b>\$863.4 M</b>	<b>\$1.695 B</b>	<b>\$2.292 B</b>

Figure 3 highlights the disparity in the recreational gaming market with respect to the tribal casinos' dominance. This disparity can be expected to grow with the tribal monopoly on slot-like machine gaming, coupled with other competitive advantages, such as larger venues, variety of games, higher betting limits, headline entertainment, reduced food and beverage prices and expanded food and beverage offerings. Tribal casinos also enjoy a tax exempt status though they still receive their share of both state and federal services.

The market dominance of tribal gaming venues amounts to a "Trading of Economies" that impacts the distribution of available entertainment dollars spent by patrons. Ultimately, it erodes the ability of non-tribal businesses to compete and survive.

The ability of non-tribal businesses to compete impacts not only business operators, their employees, and vendors, but local jurisdictions that rely on tax revenues generated by these businesses to meet crucial local needs. This situation is exacerbated by the fact that tribal venues do not pay any state or local taxes like commercial card rooms.

**Figure 3: Net Receipts Growth**



### Card Room Economics: Direct Taxes on Receipts

In 2009 there were 67 house-banked card room licensees (down from 81 in 2007, and 74 in 2008) of which 61 (as of March 15, 2011) are currently operating in communities throughout the state, from Aberdeen to Zillah (See Figure 4). In FY 2009 they contributed \$25.5 million dollars in gambling taxes to these communities (down from \$32 million in FY2005) as well as hundreds of thousands of dollars more in cash and in-kind contributions to civic and charitable organizations.

The taxes generated by card rooms contribute significantly to local government revenues, supporting crucial community services and amenities. In addition, operators and employees are active in local civic life, hosting civic events and volunteering their time and resources to charitable causes.

As Figure 4 shows, taxes paid to local jurisdictions have more than doubled since 1999. In 1981, the limit for local gambling taxes on card room receipts increased to 20% on card room net receipts. The average rate for local jurisdictions statewide is currently 7.6%.

In addition, using the revenue figures reported for FY2009, the card room industry is estimated to have paid:

- \$3.8 million in state B&O taxes at the then effective rate of 1.5% of net gambling receipts; and
- \$250 thousand in state B&O taxes (0.13%) to the state’s Problem Gambling Treatment, Education, and Awareness program.

These amounts bring the total direct taxes on gaming revenues before operating expenses to nearly \$30 million—more than three times the \$9.0 million in total net income reported by the industry in its financial statements for the same period.

**Figure 4: Local Taxes FY1999 and FY 2009**

For Fiscal Year ending:	June 30, 1999			June 30, 2009			March 15, 2011
City	Taxes	# HBCR	Tax Rate	Taxes	# HBCR	Tax rate	# HBCR
Aberdeen				\$ 9,218	▲1	1	0
Arlington				\$ 111,503	1	6 (was 20)	1
Auburn	\$ 319,067	1	10	\$ 748,482	1	4 (was 12)	1
Bellingham	\$ 24,353	1	10	\$ 191,478	1	10	1
Bremerton				\$ 129,844	▲2	2	1
Burien	\$ 39,849	1	11	\$ 144,403	1	11	1
Clarkston				\$ 67,700	1	10	1
Cle Elum				\$ 7,185	1	2.5	1
East Wenatchee				\$ 284,794	2	8	2
Ellensburg				\$ 101,642	1	8	1
Everett	\$ 160,200	3	3.5	\$ 898,540	▼3	10	0
Federal Way	\$ 711,734	2	20	\$ 889,056	1	10 (was 20)	1
Fife				\$ 134,895	1	4	1
Kelso				\$ 164,113	▲1	10	0
Kenmore	\$ 148,075	1	10	\$ 333,966	▲1	15	0
Kennewick	\$ 269,139	1	10	\$ 724,464	■4	10	2
Kent	\$ 15,206	1	10	\$ 521,726	1	11	1
King County (unincorporated)	\$ 571,043	2	11	\$ 1,997,754	●▲6	11	3
Kirkland				\$ 780,520	2	11	2
Kitsap County (unincorporated)	\$ 48,561	1	2	\$ 130,185	▲2	2	1
La Center	\$ 1,818,290	3	15	\$ 3,106,874	4	10	4
Lacey				\$ 338,540	1	7.5	1
Lake Stevens				\$ 20,784	▲1	5	0
Lakewood	\$ 213,756	1	20	\$ 2,719,089	▲5	11	4
Longview	\$ 190,396	1	15	\$ 393,729	1	11.25	1
Moses Lake	\$ 58,998	1	10	\$ 301,577	▲2	10	1
Mountlake Terrace				\$ 971,994	▲3	10	2
Oak Harbor				\$ -	▲2	0	1
Olympia				\$ 31,324	▲1	3	0
Pasco				\$ 525,974	1	10	1
Pierce County (unincorporated)	\$ 173,388	1	20		0	0	0
Port Angeles				\$ 77,231	▲1	10	0
Pullman				\$ 54,659	1	10	1
Renton	\$ 1,509,089	2	10	\$ 1,418,138	3	10	3
Richland	\$ 81,353	1	10	\$ 135,897	1	10	1
SeaTac				\$ 538,019	1	10	1
Shoreline	\$ 1,080,011	3	11	\$ 1,684,013	▲5	10	4
Snohomish County (unincorporated)	\$ 305,798	1		\$ 841,996	3	10	3
Spokane	\$ 1,375,405	5	20	\$ 413,144	2	10	2
Spokane County (unincorporated)	\$ 942,680	2	15	\$ 176,791	1	2	1
Spokane Valley				\$ 611,482	▲3	10	2
Yakima County (unincorporated)				\$ 87,831	1	10	1
Tacoma	\$ 50,191	1	11		0	0	0
Tukwila	\$ 1,110,001	4	10	\$ 1,861,987	▲4	10	3
Walla Walla				\$ 102,069	1	10	1
Yakima	\$ 37,358	2	10	\$ 758,981	2	10	2
Zillah				\$ 3,660	▲1	3	0
<b>Grand Total</b>	<b>\$ 11,253,941</b>	<b>42</b>		<b>\$ 25,547,251</b>	<b>84</b>		<b>61</b>

Notes:  
▲ one location in area CLOSED  
■ two location in area CLOSED  
● two locations annexed by cities  
▼ all locations in area CLOSED

Source: Association of Washington Cities



### Card Room Economics: Impact of Local Expenditures

The figures cited above only reflect direct taxes on card room net gambling receipts; i.e. receipts after winnings are paid, and before any employment costs, operating expenses or income taxes. The Gambling tax and B&O are paid on these receipts, regardless of whether the operators generate a profit or not.

The table in Figure 5 breaks out the major operating costs and taxes paid by card rooms in 2005 and 2008 (the most recent figures available) and shows significant positive impacts on state and local economies, despite declining dollar volumes.

**Figure 5: Card Room Receipts, Wages, and Taxes (Calendar Years)**

Description	2005	Percentage Change	2008
<b>Gross Gambling Receipts Calendar Year</b>	\$302,004,000	<b>-12.2%</b>	\$265,224,000
<b>Employment:</b>			
Employees (Full and Part-time/average per qtr.)	(Est.) 10,940	<b>-28.2%</b>	7850
Total Wages Paid to Employees	\$209,313,335	<b>-28.3%</b>	\$150,146,953
<b>State Taxes Paid:</b>			
Employment Taxes Paid to L&I	\$4,819,664	<b>-20.8%</b>	\$3,814,822
Employment Taxes Paid to Emp. Sec.	(Est.) \$ 3,274,000	<b>-28.3%</b>	\$2,349,000
Gambling Taxes Paid to Cities and Counties	\$32,005,000	<b>-12.1%</b>	\$28,128,000
B&O Taxes Paid to Dept. of Revenue	\$4,657,000	<b>-5.7%</b>	\$4,391,000
Sales Taxes Collected and Paid to Dept of Revenue	\$5,799,000	<b>-36.4%</b>	\$3,689,000
Licensee Fees Paid to WSGC (HBCR & CREs)	\$4,455,375	<b>-13.3%</b>	\$3,865,034
<b>Total Paid to State Governments</b>	<b>\$55,010,039</b>	<b>-15.9%</b>	<b>\$46,236,856</b>

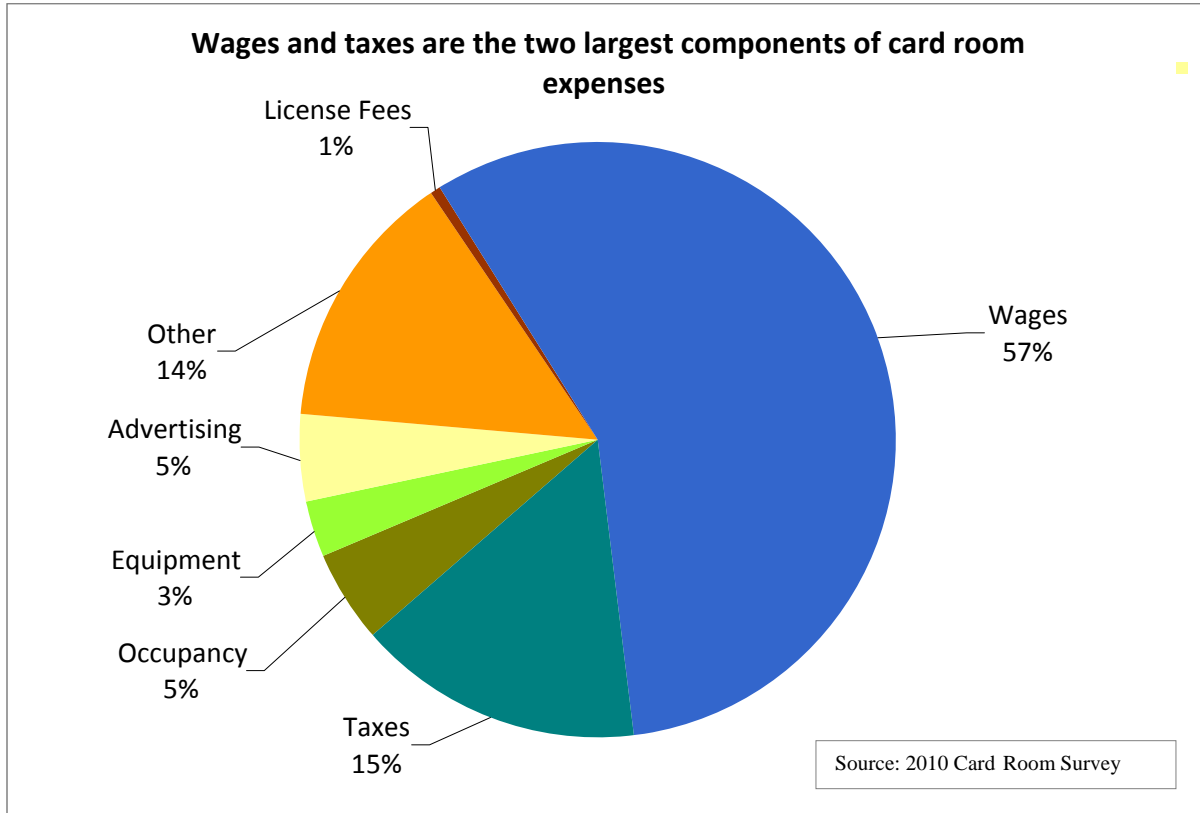
Source: Dept. of Revenue, Employment Security, Labor & Industries, Washington State Gambling Commission

Clearly, even though house-banked card rooms are a relatively small segment of Washington's recreational gaming industry, they provide significant benefits to the communities in which they operate in the form of jobs, taxes, and expenditures.

Figure 6 illustrates card room expenditures, based on a recent survey of house-banked card room licensees. The pie chart shows that 73% of total expenditures go to wages, taxes, and license fees. The 19% total reflected in "Advertising" and "Other" is spent on local vendors for food and beverage purchases, supplies, and services, including advertising.

Rents and leasehold improvements, and gaming and restaurant equipment account for the remaining 8% and represent purchases that have gone to local as well as out-of-state businesses.

**Figure 6: Card Room Expenditures Calendar year 2008**



The total expenses listed in the summary of house-banked card room financial statements published by the Washington State Gambling Commission for FY2008 were \$326.24 million. Based on the percentages listed in Figure 6 above, the total value of goods and services purchased locally by card rooms were approximately \$62 million.

These expenditures have a significant, positive impact on local economies, in addition to the wages, tax revenues and civic and charitable contributions provided by card rooms. It makes card rooms valued community partners, which is reflected in the fact that a number of cities, including Federal Way, Spokane, Aberdeen, Arlington and Auburn have recently reduced their gambling tax rates in order to keep card rooms operating in their communities. Federal Way reduced its rate from 20% to 10%, Arlington reduced its rate from 20% to 6% and Auburn from 12% to 4%.

### **Card Room Economics: Economic Multipliers**

The local and in-state purchases made by card rooms circulate funds through the local and statewide economies, which result in additional jobs and opportunities for businesses in Washington.

The state Office of Financial Management (OFM) publishes tables to calculate the number of jobs and economic impact created by one industry in all other related industries across the state. No tables exist for gaming specifically, but OFM personnel state that the multiplier for receipts in the service and hospitality sector can be reasonably used to project the card room industry's impact.

OFM's multiplier tables show that for every \$1.0 million in net receipts for "Food Service and Drinking Establishments," approximately 32 additional jobs are generated in the statewide economy. Based on these numbers, 9,664 additional jobs were sustained statewide by the house-banked card room industry in 2005. This number declined to about 8,400 jobs in 2008, as receipts declined, but still represents a significant benefit.

It is important to note that these projections are in addition to the industry's direct employment numbers and reflect the impact of net gaming receipts only. Additional jobs are sustained by the food and drink sales that are part of card room operations.

Although specific numbers have not been compiled, it can be assumed that card rooms also help stimulate and support local economies by attracting recreational gaming patrons from neighboring communities and states.

### **Card Room Economics: Jobs & Wages**

Card room operations are labor intensive, and payroll costs make up the largest part of the industry's expenses. Figure 5 shows that card rooms employed 10,940 people at its peak in 2005. This included both licensed personnel such as dealers, and service employees who are not required to be licensed by the State Gambling Commission, such as wait staff, cooks, or maintenance personnel.

In 2005, total wages paid amounted to \$209.3 million, plus payroll and state employment taxes. With declining revenues, employment and wages paid also declined—to 7,850 and \$150.1 million respectively in 2008.

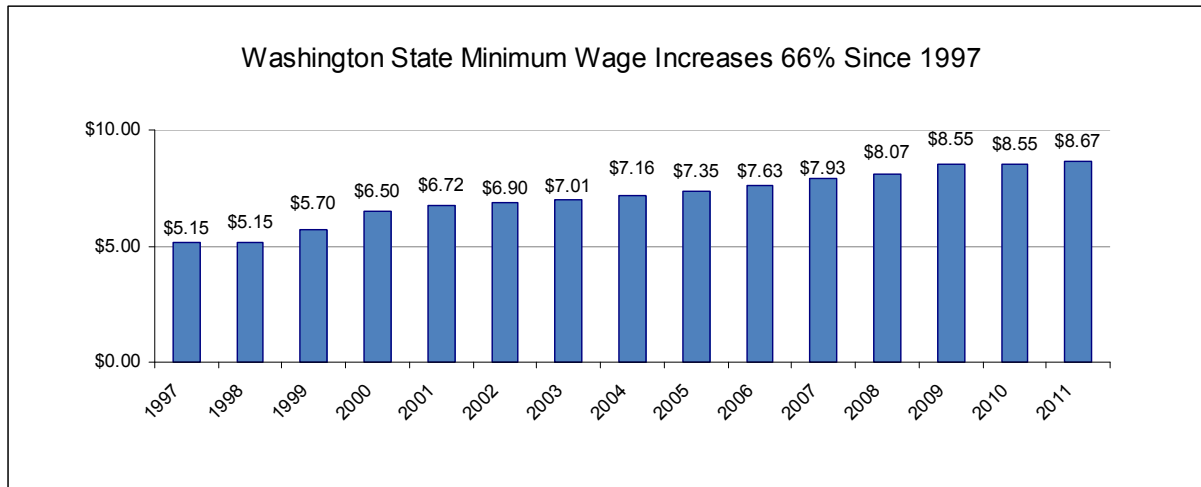
Frontline card room workers, as is the prevailing practice in the hospitality industry, receive both minimum wage and tip income. In the gaming industry, tips are substantial and dealers typically make 2 to 3 times the minimum wage rate in tip income alone—from \$17 to \$25 per hour. Bar and restaurant workers earn an additional \$8 to \$12 per hour in tips. Combined with Washington's minimum wage of \$8.55 per hour, which is the highest in the nation and is set at \$8.67 per hour for 2011, this combined compensation provides for a living wage to support households and families.

Benefits are offered to varying degrees to both frontline and management employees, depending on individual card rooms and the profitability of their operations.

Increasing minimum wage rates and accompanying payroll taxes are, however, putting pressure on card room operating efficiencies and competitiveness. Since 1997, the wage rate in Washington has climbed from \$5.15 to \$8.67 per hour in 2011, as illustrated in Figure 7. This is a 68% increase that is required to be paid to tipped employees, which in turn drives up

compensation for supervisory and management personnel as well as back of the house gaming and food and beverage staff.

**Figure 7: Minimum Wage Rates 1997-2011**



The impact of these increases on individual card rooms is significant, estimated at \$175,000 to \$850,000 in 2008, based on the work hours reported. Operators also pay employment taxes for each dollar earned by employees, including tip income.

Card rooms, like other hospitality businesses, have struggled to find ways to compensate for the impacts of rising hourly minimum wage rates, but the state legislature has so far resisted proposals to work out a reduced, fair minimum wage rate for employees who are compensated mostly by tip income.

### **Card Room Economics: The Regulatory Environment**

House-banked card rooms are among the most tightly regulated businesses in the state, with thorough background checks and vetting of licensees and licensed employees as well as continuing oversight and enforcement by the Washington State Gambling Commission.

In addition, card room facilities are also subject to regulations and compliance by state and local health departments, the state liquor board, the US Treasury Department (for currency transaction reporting), federal alcohol oversight (ATF), and immigration authorities (ICE).

Card rooms generally enjoy excellent relationships with local law enforcement, which, along with the operators' own surveillance and security resources, makes card room facilities safe and comfortable environments for a truly adult recreational gaming experience.

Underage and problem gambling—like underage drinking and alcohol abuse—is an ongoing concern to operators and the community alike. While the state's minimum age for gambling is eighteen, many card rooms require patrons to be 21 years of age. Legislation

adopted in 2009 created penalties on minors who gamble or attempt to gamble. The new law also allows licensees to conduct in-house controlled purchase programs. In addition to regular compliance checks by the Washington State Gambling Commission and the Liquor Control Board, operators have implemented their own programs to assure effective compliance with age restrictions. The RGA was instrumental in garnering support for the passage of this important law deterring minors from attempting to gamble.

The card room industry also fully supports the efforts of organizations like the Evergreen Council on Problem Gambling’s awareness, education, and treatment programs for problem gamblers. It contributed an estimated \$250 thousand (0.13% of net receipts) to the Council via an additional, dedicated portion of the state B&O tax.

### **Card Room Economics: Profitability**

Given the relatively high volume of money that flows through card room operations, it is often assumed that these must be highly profitable businesses. However, as discussed earlier in this report, the card room industry faces extraordinary challenges to remain even marginally profitable.

Aside from a competitive environment in which tribal casinos enjoy overwhelming advantages, card rooms have to contend with extremely high labor costs due to rising state minimum wage rates and extraordinarily high taxes—up to 20% in local gambling taxes, and the highest state B&O tax rate, set at 1.93% in 2010, on net gaming receipts. “Net” receipts are those amounts retained by card rooms after paying out winnings—the equivalent of gross receipts in other businesses; i.e. before any operating expenses or other tax payments.

House-banked card room licensees are required to provide audited, reviewed or compiled financial statements to the State Gambling Commission each business year, which compiles these figures in to a “House Banked Card Room Summary of Activity.”

As shown in Figure 8 below, during 2009, 29 licensees reported a net income of between \$46,031 and \$4,221,718; and 34 licensees reported net losses of between \$40,057 and \$3,830, 586. This indicates that 51% of card room operators had a net loss in 2009, as compared to 46% in 2008.

Moreover, financial statements are prepared on the assumption that the business is a “going concern,” i.e. that it will continue in operation for the foreseeable future. Auditors are required to issue an opinion reflecting any concerns about this assumption. Of the 63 licensees that reported in 2009, 13 (21%) had a “going concern” issue reflected in their financial statement report.

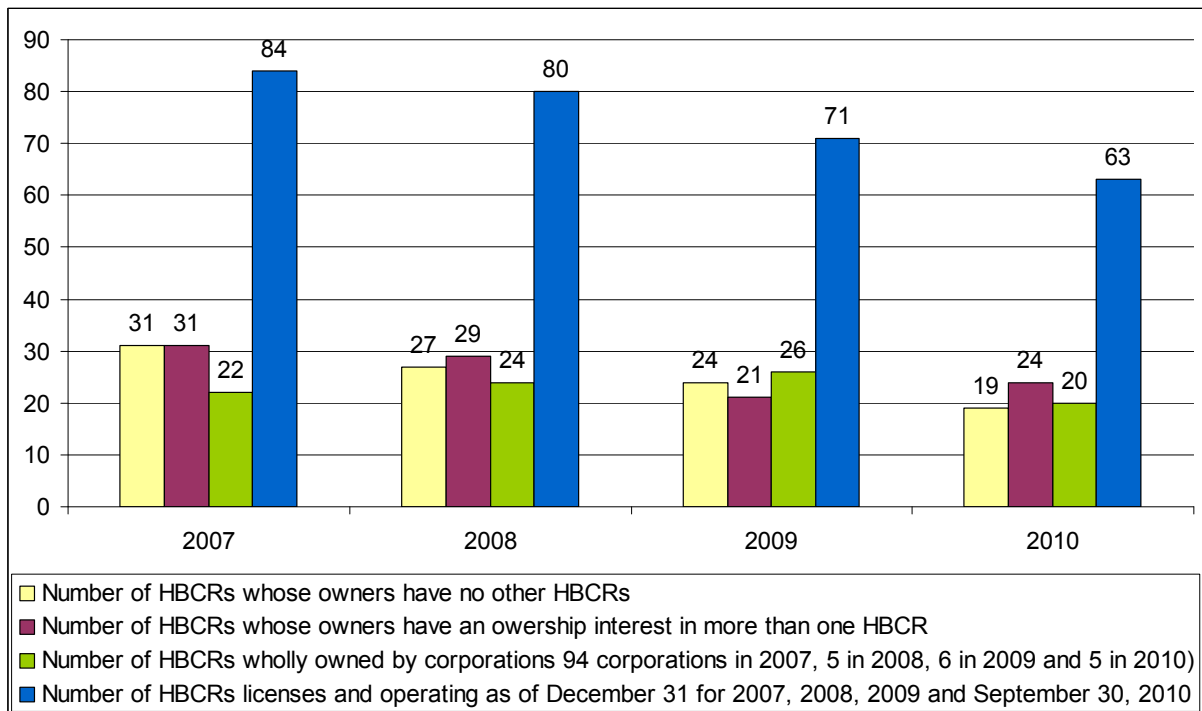
Considering the high initial investment costs, ranging from an absolute minimum of \$500,000 for venues that are part of existing bowling alleys or other facilities, to multi-million dollar expenditures for free-standing card rooms, these are unsustainable returns. Besides occupancy and leasehold improvements, card rooms require special surveillance equipment, gaming equipment, license fees, and payroll and start-up cash resources for winning payouts.

**Figure 8: WSGC House-Banked Card Room Summary of Activity**

	2007		2008		2009	
Licensees with positive Net Income	51	63%	38	51%	29	43%
Licensees with Net Losses	30	37%	34	46%	34	51%
Failed to Report	--		2	3%	4	6%
Total	81		74	100%	67	100%
Range of Net Income	\$3.9K to \$3.3mil		\$12K to \$2.5mil		\$46K to \$4.2mil	
Range of Net Loss	(\$24K to \$4.8 mil)		(<\$1K to \$3.56mil)		(\$40K to \$3.8mil)	

Figure 9 further illustrates the decline in the total number of operating house banked card rooms, as well as a decline in individual operators (vs. multiple and corporate ownership) since 2007.

**Figure 9: Number of Operating Card Rooms**



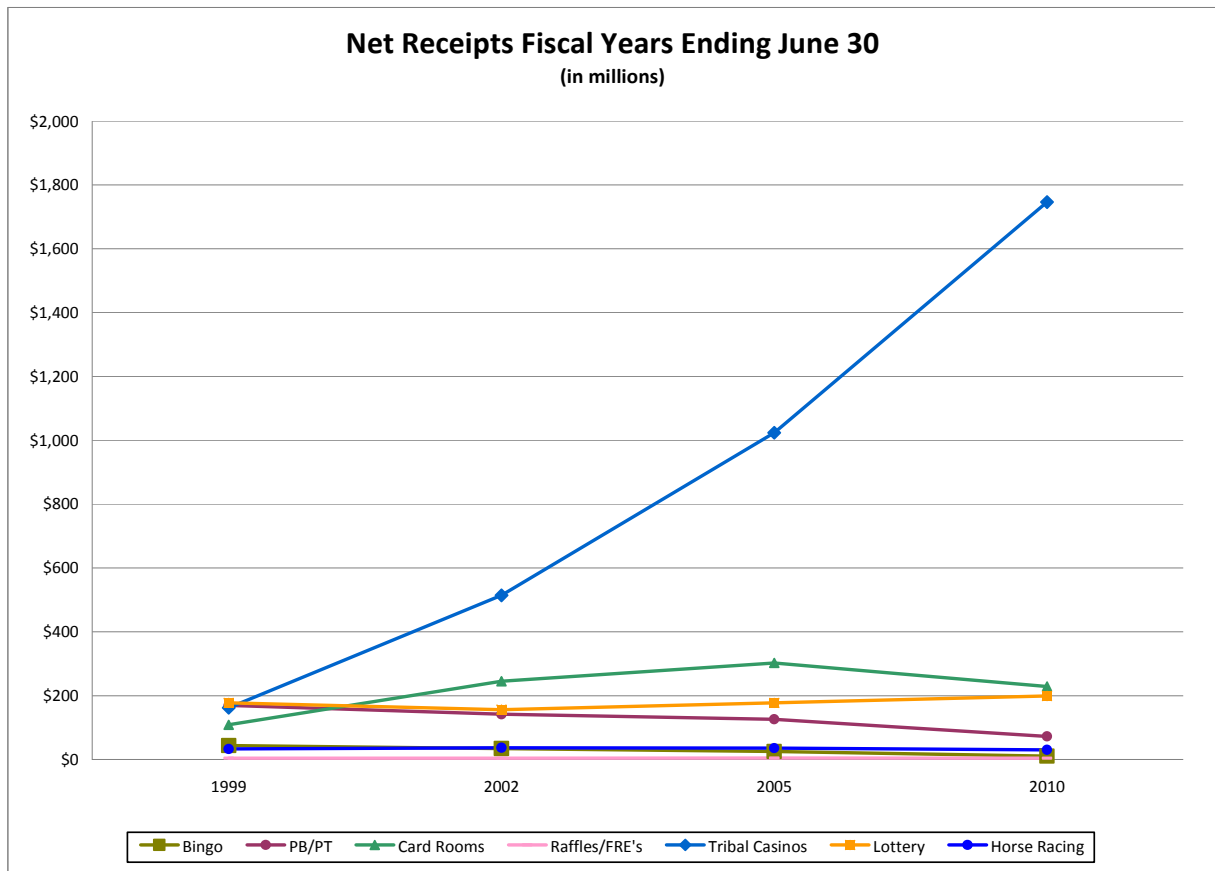
## Card Room Economics: Competitive Environment

As discussed earlier in this report, the recreational gaming industry and its growth has been dominated by tribal casinos since their emergence in Washington in 1992, following passage of the federal Indian Gaming Regulatory Act (IGRA) in 1988. Figure 10 shows the exponential growth tribal casinos have experienced since 1999. It also shows that other recreational gaming activities like the State Lottery and Horse Racing have remained fairly level, while card rooms declined after initial growth through 2005.

Since tribal casinos are not taxed by state and local jurisdictions in Washington, they don't face the significant expense imposed by local gambling taxes and the state B&O tax. Conservative estimates put these costs (based on \$1.6 billion in net receipts) at:

- \$121.6 million in local gambling taxes at an average 7.6% rate imposed on table games. If the more usual rate of 35% imposed on slot-like machines is applied, this amount would be significantly higher.
- \$24 million in state B&O taxes (at the 1.5% rate in effect in 2009).
- \$2.0 million for problem gambling programs.

**Figure 10: Comparable Recreational Gaming Growth**



The amounts discussed above are conservative estimates, because machine gaming represents a majority of tribal gaming revenues today. Machine gaming entails substantially lower operating costs and state taxing authorities that allow machines typically tax those revenues at much higher rates.

Washington State compacts, first negotiated with the tribes in 1992, grant tribal casinos a monopoly on slot-like machines, dice games, and roulette. They also don't have to comply with the state's minimum hourly wage rates, nor the indoor smoking ban imposed on all other businesses in December 2005.

Figure 11 details the gaming activities allowed respectively by state law and by the tribal compacts. It highlights the competitive advantages, including higher betting limits (\$500), afforded to tribal venues by regulatory means.

These regulatory advantages, in turn, drive other tribal advantages such as the size of their casinos, the ability to feature headline entertainment, and reduced food and beverage prices.

The legislature and the Gambling Commission responded to concerns about tribal dominance of the gaming market by first approving House Banked card games and increasing the number of tables allowed in house-banked card rooms to 15 in 1997 and, later in 2009, by raising betting limits to \$300, but these actions are becoming inadequate to help sustain the card room industry and the contributions it makes to local communities and the state economy.

**Figure 11: Authorized Gaming Activities**

Activity Authorized Under	State Law	Compact
	House-Banked Card Rooms	Tribal Casinos
<b>Gambling Activities</b>		
<b>House Banked Games:</b>		
Blackjack	Y	Y
Baccarat	Y	Y
Pai Gow	Y	Y
Craps/Dice	-	Y
Roulette	-	Y
House Banked Bet Limits	\$300	\$500
<b>Poker Table Games:</b>	Y	Y
Poker Bet Limits	\$40 (\$100 Pilot Program)	\$500
<b>Total Gaming Tables Allowed</b>	<b>15</b>	<b>75(*)</b>
<b>Other Gaming:</b>		
Pull Tabs / Punchboards	Y	Y
Horseracing	1 per County	Y
Lottery	Y	Y
Machine Gaming (slots)	-	Y
Keno	-	Y
Bingo	-	Y

(\*) Excludes poker tables where betting limits do not exceed state limits.

(Y) Activity Allowed by Washington State



## Conclusions & Recommendations

Recreational gaming is a dynamic industry that depends on its success and survival on the ability to meet the needs and expectations of its patrons. Adults who choose to gamble are drawn to venues that provide the atmosphere and excitement of the most current gaming technologies. Industry marketing professionals recognize the necessity of keeping the gaming experience fresh and interesting—as demonstrated, for example, by the State Lottery’s continuous updating and marketing of the games it offers.

Card rooms today are artificially—and perhaps unfairly—restrained from adequately serving its patrons to retain a reasonable share of the recreational gaming market and to sustain a viable industry that makes significant economic and civic contributions to local communities and the state.

It is beyond the scope of this report to present specific proposals on capturing and sustaining the economic potential the card room industry offers, but it follows from the considerations presented here that the state’s legislative and regulatory authorities should consider authorizing the use of up-to-date gaming technologies, including a limited number of slot-like, electronic scratch ticket machines of the type currently used in tribal casinos.

Washington’s house-banked card rooms are a substantial segment of the state’s hospitality and entertainment industry. They offer significant economic benefits to the local communities in which they operate, and they have the potential to offer significant economic and tax revenue benefits to the state, especially given the state’s current fiscal situation.

House Banked Card Rooms are a valuable economic resource that is worth sustaining.

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This report was prepared by Monty Harmon, CPA-CFF of Harmon Consulting, Inc., Olympia, WA on behalf of the Recreational Gaming Association of Washington (RGA). For additional information, please contact the RGA at PO Box 1787, Olympia, WA 98507, 360-352-0514 [www.rga-wa.org](http://www.rga-wa.org)