

# Fact Sheet/ Backgrounder

## Washington's House-Banked Card Room Industry

- **The Recreational Gaming Association (RGA)**

The RGA speaks on behalf of the largest sector of our state's non-tribal gaming industry, with over \$228 million in net gaming receipts in 2010. That's behind tribal casinos, which had an estimated \$1.75 billion in Class III gaming revenue, but ahead of any other source, including the state lottery.

- **Jobs and Economic Vitality**

At its peak in 2005, card rooms employed 10,400 people--the same number of people Boeing employs at the Renton 737 plant. It generated \$302 million in receipts and contributed more than \$55 million in state and local taxes.

In addition to \$218 million in wages, card rooms spent millions more on equipment, supplies, and services. The state Office of Financial Management (OFM) estimates that the economic multiplier effect attributed to comparable hospitality businesses generates 32 additional jobs for every \$1 million in receipts. That would mean some 7,000 additional jobs statewide supported by the card room industry.

- **Valued Community Partners**

Card rooms operate in 46 communities across the state, from Aberdeen to Zillah. Gambling taxes are levied by the individual jurisdictions at rates of up to 20% of gross receipts. In FY 2009 these taxes amounted to over \$25 million, helping to fund important community services and amenities. Since 2005, several local jurisdictions have actually reduced their gambling tax rates in an effort to keep card rooms operating in their communities. In 2008, Lakewood voters decisively (62%-38%) voted to keep its card rooms, in one of the largest election turnouts in history.

- **Competitive Challenges**

Card rooms suffer from major competitive disadvantages with respect to tribal casinos, which don't pay B&O and gambling taxes and enjoy a monopoly on popular gaming options, such as electronic gaming machines, dice games, and roulette. Over the past four years, Washington's house-banked card rooms have experienced an 11% decrease in their market share and averaged a 4% decline in net receipts per year.

- **Modern Gaming Technology is Key**

Recreational gaming venues depend on meeting the preferences and expectations of their patrons. As new gaming technology enters the market, patrons migrate to venues that offer them.

In 1999 the state-tribal compact was amended to authorize machine gaming for the tribes that is modeled after the State Lottery's scratch ticket games. Electronic Scratch Ticket machines look like and offer some of the action features of slot machines, but they are fundamentally different. They do not constitute an expansion of gaming, because, in principle, the game is no different than repeatedly purchasing scratch tickets or pull tabs.

- **Tribal Monopoly on Machine Gaming**

Under the state-tribal compact, the tribes are authorized to operate 27,300 machines and currently operate about 23,000. While similar compacts in 11 states provide for some type of revenue sharing with the tribes, Washington does not, and there is no indication that the tribes would agree to such revenue sharing in the foreseeable future.

- **A Sensible, Realistic Proposal**

The RGA has crafted a narrowly drawn legislative proposal to allow card rooms to operate Electronic Scratch Ticket machines. Locations would be limited to qualified house banked card rooms only, with a maximum of 200 machines per location and a maximum of 7,875 machines for all licensed locations. Net win from electronic machines would be taxed at 30% by the state, with an additional 5% by local governments who choose to impose the tax. 0.37 % of the taxes collected would go to problem gambling education, awareness and treatment programs.

- **Significant Tax Revenues**

An economic study completed this February for RGA by Gaming Market Advisors, an experienced marketing firm, estimates revenues for state and local governments at about \$380million per biennium, going to over \$400 million by the 2015-17 biennium. In 2012-13 the proposal would raise about \$340 million

- **Public Support for Limited Footprint**

Initiative 892 in 2004 would have authorized these machines in some 2,900 locations, including licensed restaurants, taverns and bingo operators similar to Oregon, which allows 3,000 locations. RGA's new proposal provides for the smallest possible footprint, by limiting machines only to qualified card rooms, currently 63 locations. New card rooms have to be in operation for at least 5 years before they would be allowed to operate machines. No more than 200 machines would be allowed per location. A recent poll conducted by Elway research for RGA shows that voters support this approach by over 62%.

- **Sustaining a Valuable Industry**

Without legislation to authorize electronic gaming for non-tribal card rooms, this industry will continue to decline, with more losses in jobs, local tax revenues, and other economic benefits it provides.

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