

Q & A

Important questions...and candid answers...about “Electronic Scratch Ticket” machines, and the proposal to allow them in non-tribal card rooms

Washington’s Recreational Gaming Association (RGA), the trade group that represents the state’s non-tribal card room operators, has proposed legislation that would allow electronic scratch ticket machines in card rooms. Currently, only tribal casinos are authorized to operate these machines.. This proposal brings up important questions that deserve candid, thoughtful answers.

Q. This is about “slot” machines, isn’t it?

A. Yes and No. Most people would describe these machines as “slot” machines. They look very similar, and have some of the features that are associated with Las Vegas type slots that make them fun to play. Frankly, that’s why operators want them---to give their customers the fun and excitement they are looking for in a casino setting.

But, there is a critical difference between slot machines and electronic scratch ticket machines. Slot machines, like those in Las Vegas, have a random number generator in each machine on which the winnings for that machine are solely based. Players play against individual machines.

The machines allowed in Washington State are essentially electronic versions of scratch lottery tickets and other games like pull tabs, which are existing forms of gambling. All of these machines are connected to a central computer, and winners are drawn from a pool of pre-determined winning tickets. A player at one machine is playing against everyone else who is sitting at other machines at any given time.

In principle, there is no difference between sitting at a slot-style machine and repeatedly buying scratch tickets at a convenience store counter, or buying pull tabs in a tavern.

Q. So, why not just call them slot machines?

A. First and foremost, Las Vegas type slots are illegal in the state of Washington. Even the tribes are not allowed to operate them. Electronic scratch ticket machines, on the other hand, have been found by the courts to be a legal form of gambling that is based on existing state lottery games.

That’s why it is necessary in legislative proposals to refer to these machines as something other than “slots.” In general discussions, the gaming industry uses generic terminology, such as “Electronic Gaming Device (EGD)”. For the sake of simplicity and clarity, we will refer to them as “electronic gaming machines”.

Q. Doesn’t allowing these machines constitute an expansion of gambling in our state?

A. No. Because electronic scratch ticket games are based on existing lottery games, they are not considered an “expansion” of gambling. Governor Gregoire’s office underscored that point when, during consideration of proposed additional Keno games,

"The Governor's office said it doesn't consider the Keno proposal an expansion of gambling because the state already has the game." [*"Gregoire considers 4-minute Keno games to fill budget gap"* Seattle Times, 11/27/09]

Q. Still, won't this promote more gambling with all its moral and social problems?

A. We fundamentally don't engage in discussions concerning the "morality" of gambling. We recognize that some people hold strong views on this subject, and we respect their feelings.

On our part, we operate our businesses in a very tightly regulated, transparent environment to strict legal and ethical standards. We strive to provide the best hospitality services and entertainment to adults who choose to visit our venues, and we have proven ourselves to be excellent corporate citizens and welcome community partners.

We also recognize that some people have a gambling problem. It is a very small percentage of all players, but for those that do it can be devastating to them and their families. That's why we vigorously support problem gambling programs, and diligently enforce all restrictions with respect to access to our venues. This legislation specifies that 0.37 % of the taxes collected must be allocated to problem gambling prevention, youth education, and treatment and provides for barrier and signage requirements to keep minors out of areas where machines are located.

Q. What are the basic provisions of the legislation?

A. It authorizes House Banked Card Rooms (HBCR) in operation as of the effective date of the legislation to operate "Electronic Scratch Ticket Machines" with the same definitions and provisions as the state-tribal gaming compact with regard to machines. The number of house banked card room machines would, however, be limited to a maximum of 200 per location, and a total of 7,875 machines for all licensed non-tribal locations.

Rules and Regulations governing licensing and machine operations will be adopted by the Lottery Commission, and primarily enforced by the Gambling Commission.

Minimum payout to players is 75%. The remaining "net win" is taxed at 30% by the state, with an additional tax of up to 5% by local governments. 0.37% of the state taxes collected go to problem gambling education, awareness and treatment.

Q. Is this "Son of I- 892," a redo of the Initiative that failed in 2004?

A. Definitely not. I-892 would have extended authority to operate slot-style machines to more than 2,900 potential locations---giving rise to voter concerns about proliferation that clearly played a significant role in the initiative's failure.

This new proposal is drawn much more narrowly, limiting non-tribal electronic machines to existing house banked card rooms (currently 61 licensees), often called "Mini-Casinos." It also limits the number of machines to a maximum of 200 per location. Any future card rooms would have to be in operation for 5 years before they would be authorized to operate these machines.

I-892 also earmarked revenues for the relief of state property taxes, with no allocations to local governments. This proposal provides that 30% of the revenues go to the state general fund and up to an additional 5% to local governments if they choose to impose this tax on card rooms in their jurisdiction.

This means the revenues generated will be used as the legislature determines in the State Budget for the health, education and welfare of the citizens of the state of Washington. The proposal also allocates 0.37% of the slot-style machine tax revenues collected by the state to problem gambling education, awareness and treatment.

Q. So, non-tribal electronic gaming machines would be strictly limited to qualifying house banked card rooms?

A. Yes. The RGA proposal provides for the smallest possible “footprint” by non-tribal machine locations (63 vs. 2,900 locations under I-892). This is a key difference between this proposal and I-892, or states like Oregon, which allows these types of machines in some 3,000 locations, including bars, taverns, lounges and other licensed venues. In addition, this legislation limits the number of machines to a maximum of 200 per location.

Q. What are the revenue estimates under this proposal?

A. Taking the estimates developed in an economic study commissioned by the RGA, this proposal would generate about \$190 million per year, or \$380 million a biennium, beginning in 2013, the first year of stabilized operations.

Q. Will allowing these machines in non-tribal locations hurt tribal casino revenues?

A. If this legislation passes, the RGA’s economic study shows that card rooms could garner as much as 9% of market share for electronic machines, but tribal casinos would still enjoy a tremendous advantage with respect to the machines, because they can operate as many as 3,000 machines per location, while house banked card rooms would be limited to a maximum of 200 machines per location.

Tribal casinos are also able to offer a much broader array of games, both in scope and in number, including KENO, Craps, Roulette, and Electronic Bingo. They also offer large-scale entertainment, greatly reduced food and beverage prices, and a Las Vegas type casino atmosphere that attracts players who are looking for that experience.

Card rooms, on the other hand, serve customers on a more casual and much smaller scale, limited to 15 tables of blackjack and poker style card games. Electronic gaming machines, however, are universally popular among people who choose gambling as their entertainment, and we feel strongly that the monopoly on these machines by tribal casinos is fundamentally unfair.

Q. Why can't the state negotiate a share of the revenues the tribes are generating, in return for their exclusive authority to operate the machines?

A. As a matter of fact, 11 states have state-tribal gambling compacts that provide for some type of revenue sharing, with sharing rates varying between 1% and 25%. (Six tribes pay less than 10%).

Washington State, after initially considering it, declined to pursue revenue sharing. Realistically, it's not likely that the tribes will agree to a revenue sharing arrangement, and we maintain that granting a monopoly on machine gaming to the tribes is unfair to our industry and against the best interests of the state and our communities.

Q. Will tribal interests oppose extending electronic gaming machines to card rooms?

A. It's likely. Tribal interests spent \$6.7 million to defeat I-892 in 2004, versus the \$1.07 million spent by the proponents of the initiative, including card room operators.

But, if our proposal gains traction in the legislature, it will be up to legislators to decide if the time is right to end the tribes' monopoly and extend competitive equity to house banked card rooms in a way that benefits our state and our communities.

Q. Why propose this legislation now?

A. Our state faces critical revenue shortfalls with a lagging economy, and any program that will generate significant revenues and aid in job creation and retention should be considered thoughtfully.

We feel it's time to take another look at electronic machine gaming for card rooms to help level the competitive playing field in the gaming industry in a way that will boost local businesses and state and local revenues.

-#-

For additional information please contact

Recreational Gaming Association

PO Box 1787

Olympia, WA 98507-1787

360-352-0514 office

360-352-4579 fax

www.rga-wa.org