



Gambling Update

November 30, 2020

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Our Mission



***“Protect the public by ensuring
that gambling is
legal and honest”***

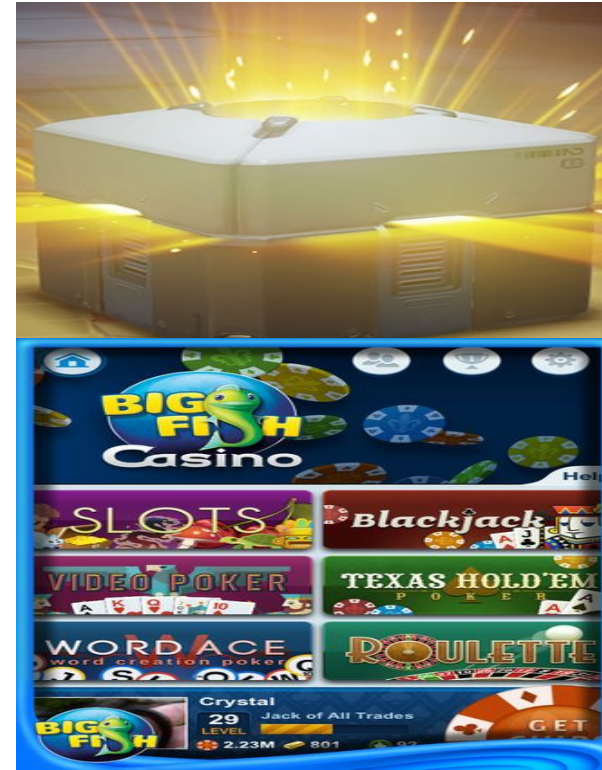
Topics



COVID-19 Impacts



Sports Wagering



Loot Boxes/Social Casinos



2021 Agency Priorities

COVID-19 Impacts on Industry

Initial COVID-19 state restrictions caused nonprofit & commercial licensees to close

Bars/Restaurant Licensees could still offer take out/delivery food service

All Tribal operations also initially closed based on separate sovereign tribe government orders



COVID-19 Impacts on Industry

As restrictions relaxed, many commercial licensees began some type of operations, including card rooms operating outside

Raffle and Bingo nonprofit licensees still struggling

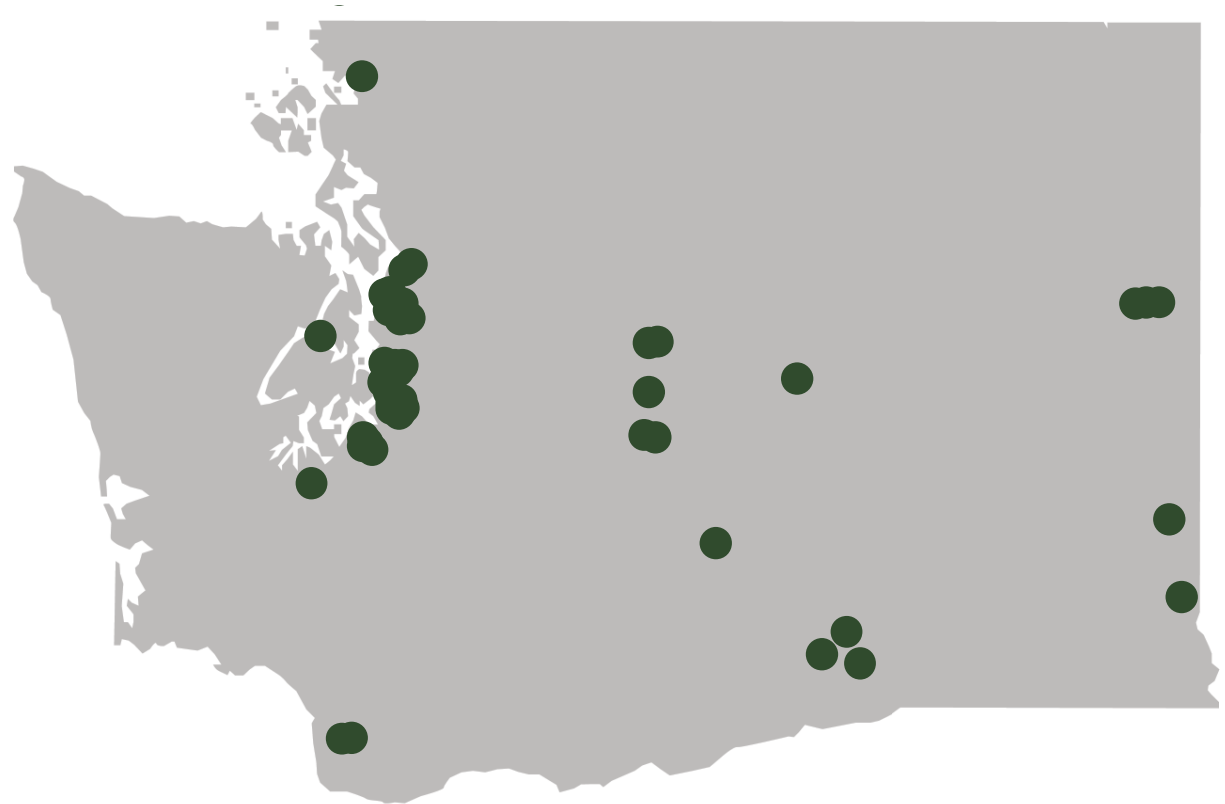
Working with licensees from beginning to be flexible with certain regulations, where possible



COVID-19 Impacts on Card Rooms

44 House-Banked Public Card Rooms

(30 card rooms able to operate in tents outside facilities)



COVID-19 Impacts on Agency

Initial COVID-19 state restrictions caused all staff to shift to remote work while continuing agency operations

Regulatory issues and criminal activity did not decrease

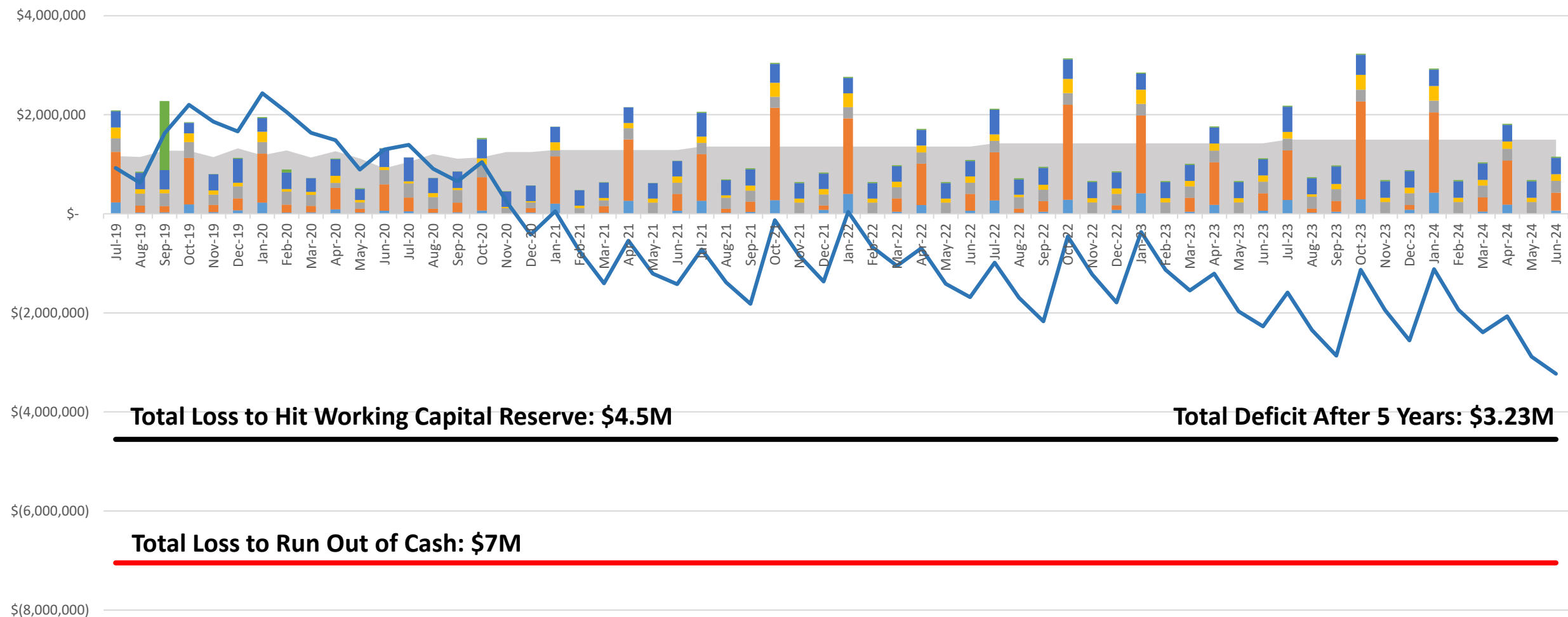
Took several months to “catch up” from work caused by COVID-19 changes

Agency revenues have been significantly impacted



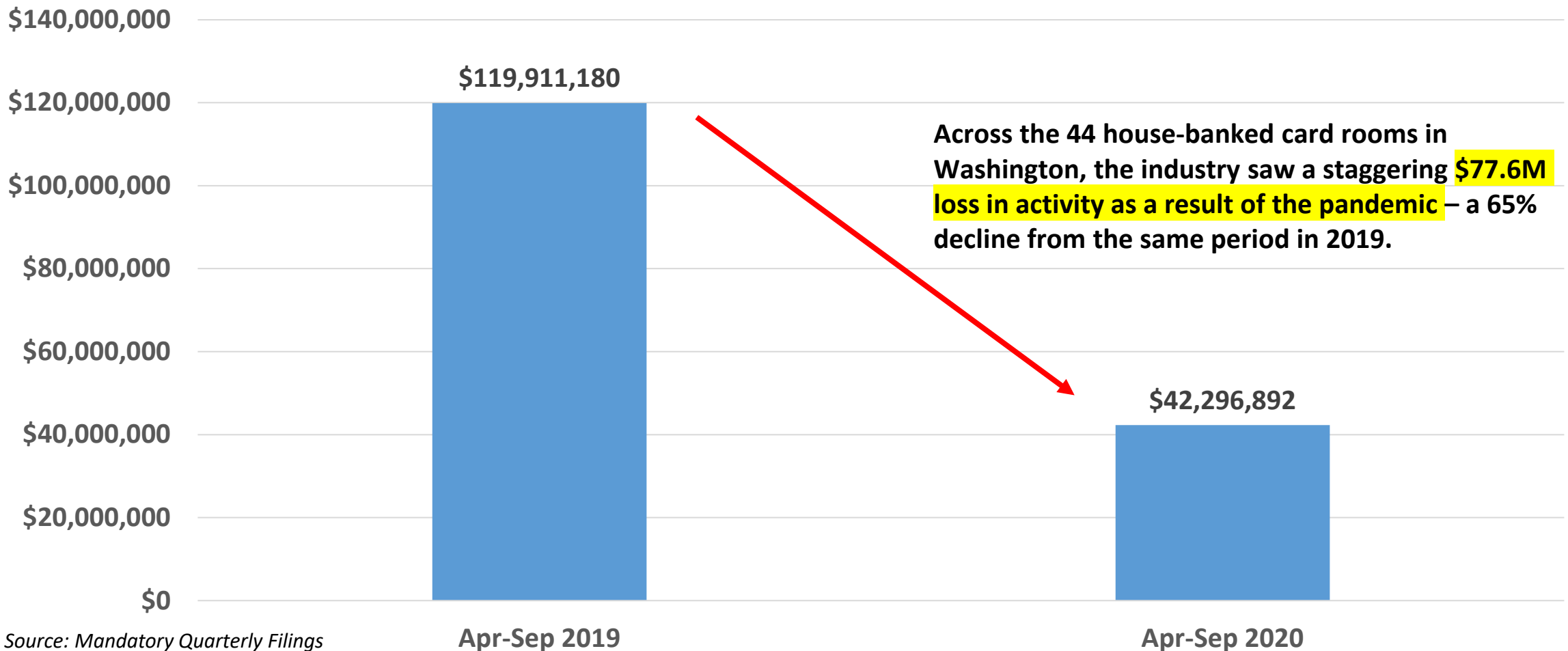
Gambling Revolving Fund Long-Term Forecast

**This 5-year view is less certain the further out the forecast runs.*



House-Banked Card Rooms During COVID-19

Staggering Financial Losses Will Take Time To Recover

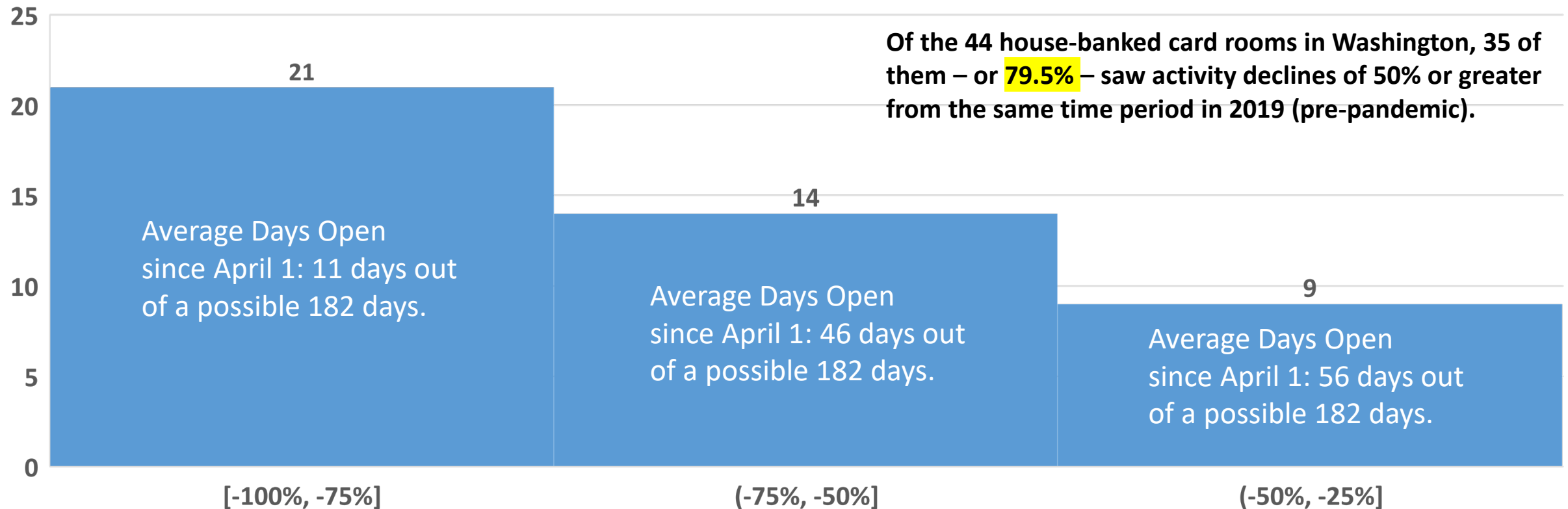


House-Banked Card Rooms During COVID-19

Staggering Financial Losses Will Take Time To Recover

Number of House-Banked Card Rooms Experiencing Various Levels of Lost Activity

**Loss reflected as percentage of activity of same time period in 2019.*



Data Source: Mandatory Quarterly Filings

Sports Wagering

HB 2638 signed in March

Legislation included certain areas to be negotiated:

- Licensing; fees associated with the Gambling Commission's regulation of sports wagering

- How sports wagering will be conducted, operated, and regulated (including mobile wagering)

- Issues related to criminal enforcement, including money laundering, sport integrity, and information sharing between the Commission and the Tribe related to such enforcement

- Responsible and problem gambling



22 Tribes operate 29 Class III Casinos

Sports Wagering

COVID-19 hit industry/WSGC right after bill signed by Gov.

5 tribes in compact negotiations

WSGC and tribes both impacted by COVID-19 – focus quickly shifted to getting through closures and re-openings

Negotiations occurring separately with tribes; additional tribes waiting to review results of negotiations

Compact language will come before Legislature for review

WSGC will also likely need to pass rules consistent with compacts prior to launch



Video/Mobile Games & Microtransactions



Loot Boxes



Digital boxes containing randomized contents whose value is uncertain at the point of purchase

Microtransactions:
purchase of in-game currency, characters,
or virtual items

Requires real money

Purchases may be for aesthetic/cosmetic
virtual items

Confer in-game advantages
("pay to win" microtransactions)



Microtransactions

| | | |
|---|--|---|
|  200 CALL OF DUTY POINTS 1.99USD |  1,100 CALL OF DUTY POINTS 9.99USD |  2,400 CALL OF DUTY POINTS 19.99USD <p>This bundle includes 2,000 + 400 Bonus Call of Duty® Points (CP) for an extra 20% value. Call of Duty®: Modern Warfare® Remastered game required, sold separately. CP are the in-game currency that can be used in Modern Warfare® Remastered to obtain Supply Drops for use in Multiplayer game mode. CP purchased may also be used to obtain in-game content in Call of Duty: Infinite Warfare and Call of Duty: Black Ops III. Infinite Warfare and Black Ops III games required and sold separately. Modern Warfare Remastered must be launched and CP registered in game before these CP will appear in Infinite</p> |
|  2,400 CALL OF DUTY POINTS 19.99USD |  5,000 CALL OF DUTY POINTS 39.99USD | |
|  9,500 CALL OF DUTY POINTS 74.99USD |  13,000 CALL OF DUTY POINTS 99.99USD | |

Loot Boxes & Microtransactions

Games are designed to maximize use of Loot Boxes and Microtransactions

Multi-billion-dollar market; found in many internet, mobile and console (Xbox, Play Station, Nintendo) games

Played by minors and adults

Low transparency of loot box odds

Lack of in-game purchase disclosures

Can quickly spend a lot of money while playing game

Obtain competitive advantage with microtransactions (don't have to "grind")

Blurring of the Lines



CONSIDERATION

You pay to play



GAME OF CHANCE

You don't control the outcome



PRIZE

You win something of value

Virtual items can have value

Mechanisms are similar to casino games:

- Variable rate of receiving something valuable

- Causes players to chase valuable virtual items

- Uncertain, but tantalizingly close, reward enlists constant attempts

Use of odds-based algorithms/random number generators for loot boxes

Recent U.K. Study: Correlation between problem gambling and loot boxes/microtransactions.

Further study needed re: causation

Industry Response

ESRB ratings now have warnings

Microsoft Xbox, Sony Playstation, Nintendo Switch, Apple, Google, and others now require loot box odds disclosure

Valve stopped online trading of virtual items/keys due to money laundering activity



| WHAT'S IN A HEXTECH CHEST? | |
|--|---------------|
| Content Type | % of Openings |
| Skin Shard | 50% |
| Champion Shard | 25% |
| Emote Permanent | 10% |
| Ward Skin Shard + 150 Bonus Orange Essence | 11.5% |
| Summoner Icon Shard + 150 Bonus Orange Essence | 3.5% |
| BONUS DROPS | |
| Gemstone | 3.6% |
| Bonus Chest + Key | 10% |

Social Casinos

ONLINE

Poker Blackjack

Slots Roulette/craps

Typically free to download/play

Earn/gamble virtual chips/credit/coins

Can pay for virtual currency/chips
used in the casino games



Social Casinos: Litigation

Kater v. Churchill Downs (9th Circuit Decision)

\$155 million settlement

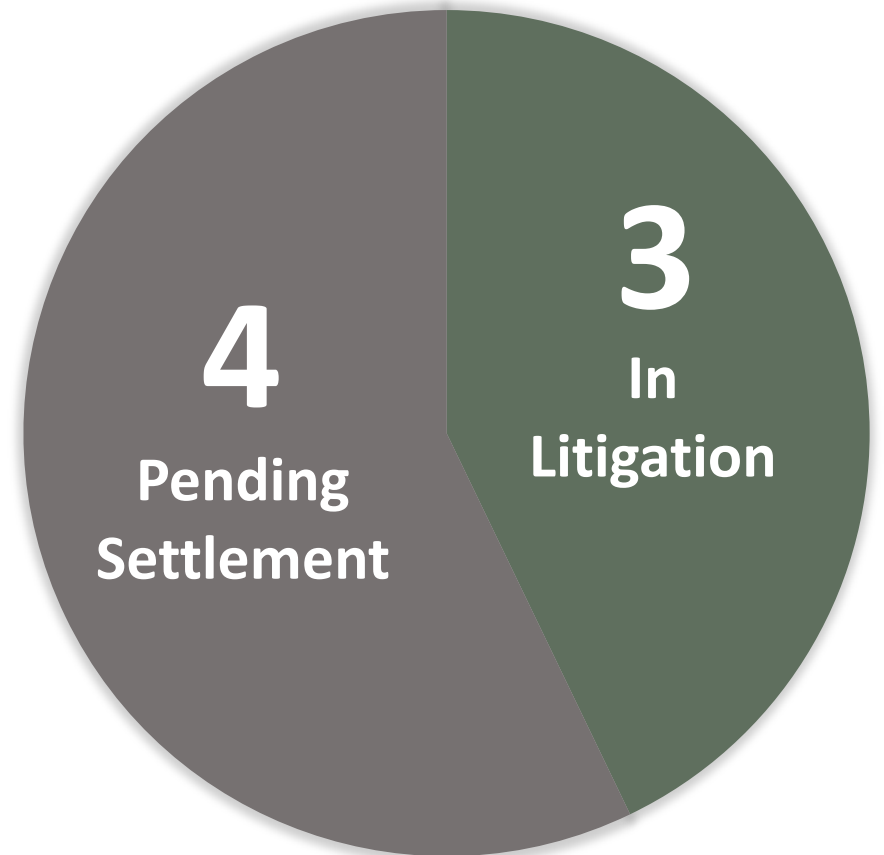
Self-exclusion

Resources for video game behavior disorder

Allow players with \$0 virtual chips to continue to play game without buying chips

Recent case filed by Double Down/IGT in Thurston Co. Superior Court: Asking Court to find their games are not gambling

7 ACTIVE CASES IN WA. FED. DIST. COURT



Agency 2021 Priorities



AGENCY FINANCES

SPORTS WAGERING

SELF-EXCLUSION

PROBLEM GAMBLING TASK FORCE

RAFFLES

PULL-TABS



Questions?

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