

**MINUTES
GAMING ADVISORY COUNCIL**

*May 19, 2011
Helena, Montana*

Please note: This is a summary of the Council meeting. The meeting in its entirety is recorded in a digital format and maintained at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits are on file in the office of the Gambling Control Division.

COUNCIL MEMBERS PRESENT

Mark Kennedy	Tim Carson
Steve Morris	John Tooke
John Engen (via conference call)	Jed Fitch

COUNCIL MEMBERS ABSENT

Senator Jon Sonju	Representative Max Yates
Bob McAnally	

DIVISION STAFF PRESENT

Rick Ask	Ben Kamerzel
Cregg Coughlin	Lisa Christiansen
Angela Nunn	Ian Lyon
Kathy Fisher	

SUMMARY OF COUNCIL ACTION

- ◆ **The Council voted unanimously to approve the minutes of the 9/24/10 meeting.**
- ♠ **The Council voted unanimously to require an associated business license for independent testing services that certify theoretical return limits for line games.**
- ♣ **The Council voted unanimously to adopt rules to approve \$50 and \$100 bills for bill acceptors.**
- ♥ **Members Fitch, Morris, Engen, and Carson were appointed to the Licensing Subcommittee.**
- ♠ **The Council voted unanimously to elect Mark Kennedy (Chairman) and John Tooke (Vice-Chairman).**
- ♥ **The Council tentatively set the next meeting for September 16, 2011 in Missoula.**

CALL TO ORDER AND ROLL CALL

Chairman Tooke called the meeting to order at 10:05 a.m. All members were present except for Senator Jon Sonju, Representative Max Yates and Bob McAnally who were excused. Mayor John Engen participated for the first hour by conference call. The minutes from the September 24, 2010 meeting were adopted unanimously. Rick Ask explained that Attorney General Bullock and his Chief of Staff Tim Burton sent their apologies for being unable to attend and the Attorney General appreciates the Council's efforts to aid in the regulation of gambling. Mr. Ask introduced Division employees in attendance and Ben Kamerzel introduced Ian Lyon, the new Lab engineer.

DIVISION UPDATE

Division Statistical Report

Administrator Ask gave a brief overview of the Division statistics through third quarter FY 2011. He explained that video gambling machine tax collections for the third quarter FY 2011 were \$12.18 million, an increase of \$40,000 from the previous quarter, but \$100,000 lower than the third quarter of fiscal year 2010. In the third quarter of fiscal year 2011, the Division received 85 liquor, gambling, and combined liquor gambling applications. During the third quarter of fiscal year 2011, 940 vgm permits were issued, about twice as many as in the third quarter of fiscal year 2010. Mr. Ask stated that by the end of the third quarter, the number of card tables licensed during fiscal year 2011 was 328, down 70 tables from the same time the previous year; the number of card dealers licensed at the end of third quarter 2011 was 590, down 162 from the same time the previous year; and the total number of bingo and keno licenses increased to 83 in the third quarter of fiscal year 2011, an increase of 14 over the third quarter of fiscal year 2010. Mr. Ask added that 99% of all vgm's are reporting through an approved automated accounting system. Mr. Ask stated that tax collections showed a slight increase from second quarter 2011.

Mr. Ask then introduced Shauna Helfert, Administrator, Department of Revenue, Liquor Control. Ms. Helfert stated that if anyone had any questions she would be available all morning.

OLD BUSINESS

NIL EXCEPTION FOR CASH EQUIVALENT SALES

Mr. Ask explained that the Division took the Council's recommendation for amending ARM 23.16.120(8) to extend the exception to requiring NIL approval for "cash equivalent sales" of video gambling machines from 180 days to 365 days. This rule change has been adopted. Mr. Tooke asked Mr. Carson if this change had made life easier and Mr. Carson responded that there is still not a lot of equipment moving at this

time. Mr. Ask gave an explanation of non-institutional lenders and loans for the new Council members.

NEW BUSINESS

Proposed Rules

Bingo

Mr. Ask reviewed the proposed rule changes. Mr. Ask explained that New Rule IV outlines the process for applying for and issuing a special bingo session permit. This limits the operator to five special bingo sessions per year, and there are amendments to the rules regarding bingo definition and prize limits. Neil Peterson, GIA, recommended spelling out that a special bingo session can last only 1 day.

Stale Date

Mr. Ask stated that pursuant to HB 127 the Division needs to adopt rules for a vgm ticket stale date. He explained that amendments to 23.16.1901 include the language that needs to be printed on ticket vouchers. Mr. Peterson stated that this language needs to be 40 characters or less in order to take up only one line on a ticket voucher. Mr. Ask stated the Division would come up with language that fits on one line. Mr. Kennedy asked if the language will also appear on the vgm screen. Mr. Ask stated that the rule requires a sign in the casino and notice on the ticket voucher. The main concern is notice to the player. Mr. Carson said that the location only has to put the sign up if they want the expiration to apply – otherwise cashing of ticket vouchers would follow the same procedure now in place. Mr. Morris said that there is a potential problem if an establishment cashes a ticket for one person and does not cash one for another person. Mr. Tooke did not foresee this as a problem – he explained that he prints out a list of pay out tickets every day just to make sure his establishment is not faced with a counterfeit ticket problem. Mr. Ask stated the rule was written to allow a business decision by establishments. Mr. Carson stated that his route is going to implement this at the beginning of the year with the introduction of line games. Neil Peterson stated that the primary purpose of this rule change was counterfeit tickets, but at the same time everybody realizes that good customers may leave with a valid vgm ticket and the establishment wants to have the option to pay those tickets and maybe that should be made clear. Mr. Ask stated that part of the concern has to be for the player that puts the ticket in his pocket and forgets about it before he goes home. Ben Kamerzel stated that as of January 1, 2012, the language will be on most tickets. He also suggested that the notice be on the screen when the cash ticket is printed. Steve Arntzen, Century Gaming stated that the sign displaying specific language should be a minimum size and font or height of letters. Mr. Tooke asked for suggestions as to the size requirements. Mr. Carson suggested a minimum of 8 ½ x 11 so a person could create it on a computer. Mr. Ask stated that the Division would consider the Council's suggestion.

Jed Fitch asked what kind of problem the Department has with counterfeit tickets. Mr. Tooke stated that he has 4-5 tickets per week that are not redeemed the same day. Mr.

Tooke stated that to really enforce this rule in an establishment you need a prominently displayed sign. Mr. Carson stated that the industry is going from a ticket that lasts forever to a thermal ticket that deteriorates rapidly.

Line Games

Mr. Ask explained the proposed line game rules. New Rule I details the advertising restrictions for vgm. The amendment to 23.16.1802, defines line games. New Rule III relates to software specifications and the 92% theoretical return limit for line games which also includes bonus games. Mr. Ask stated that manufacturers will have to have the testing done to verify the theoretical return before the software is submitted to the Division for testing.

Mr. Carson suggested adding the words “slot machine” as prohibited language in New Rule I. Mr. Ask responded that the statute defines slot machine as anything not authorized by law. Mr. Staples suggested erring on the side of caution to declare that these are not slot machines. Mr. Ask agreed that if adding the words slot machine to the language would clarify for the operator what the operator can’t advertise, the Division will include it in the rule.

Mr. Carson suggested that the words “or animate” be added to the language in New Rule III (1)(a). Mr. Carson also suggested language be added to New Rule III (2) to require that the independent testing service be Division approved. Mr. Ask stated that the Division considered requiring an associated business license for testing companies. Mr. Carson moved that independent testing services be required to have an associated business license in order to verify the mathematics for line games. The motion passed unanimously.

Mr. Carson suggested additional language for 23.16.1802(14) to require two or more types of games within the same video gambling machine cabinet. Mr. Staples said that the intent is to make clear that a multigame machine can’t just be a vgm cabinet with only video line games. Mr. Arntzen suggested that all the games have to be available for play in the cabinet. Ms. Wiggers stated she was concerned that this language would make it mandatory for line games to be included in a multi-game cabinet instead of as an option for those cabinets, thus existing machines would remain viable as well. Mr. Ask stated that the amendments to the proposed rules would be available for comments before submission for publication. Mr. Ask explained that HB 127 rules will be effective October 1, 2011 and SB 136 rules will be effective January 1, 2012.

Mr. Carson asked when the Division will take line game submissions. Mr. Kamerzel stated that the Lab will take submissions immediately; the line games cannot be enabled until January 1, 2012.

BILL ACCEPTORS

Mr. Ask explained that the Division was asked to put \$50 and \$100 bill acceptors back on the agenda. He stated that he has not yet had an opportunity to discuss this topic with the Attorney General, but will be meeting with him on June 6. Mr. Ask requested comments from the Council regarding this issue.

Mr. Tooke explained that off-track betting self-service machine have accepted these bills for ten years; also the Lottery kiosks currently take these bills and do not give any change. Mr. Tooke added that the bill acceptors currently in use will soon be obsolete. Mr. Carson explained that for 80+% of the bill acceptors in the state, manufacturer JCM has notified that software support will end in 2012 and parts support will end in 2014. He also stated that vgm manufacturers have the ability to deal with this change in the vgm software. Mr. Tooke asked if this could be accomplished with a rule change and Mr. Ask verified that it could. Mr. Carson moved to adopt rules to add \$50 and \$100 bills to the bill acceptors. The motion passed unanimously. Mr. Morris stated that at a recent meeting, the MTA voted to support the addition of \$50 and \$100 bills. Mr. Peterson stated that the GIA does not have any concerns with moving forward with this motion. Ms. Wiggers stated that the MCMOA meets in June and will discuss this issue.

TOPICS FOR THE NEXT BIENNIUM

Internet Gambling

Mr. Ask stated that internet gambling is a complicated topic for the Division, it is against the law, in most cases, to gamble on the internet, and enforcement action is against the provider. Mr. Arntzen asked if internet gambling was legalized federally how would Montana enforce regulation. Mr. Ask stated that states may be able to opt out. Mr. Fitch stated that an ISP address shows a player's location and that is what the Feds are using in their enforcement actions. Mr. Tooke asked what is needed for the Division to be able to regulate internet gambling. Mr. Ask stated that it first has to be authorized.

Live Poker Tournaments

Mr. Peterson stated that the GIA has members who are traveling out of state and will return with ideas and information on how tournaments conducted in other jurisdictions. He suggested that a subcommittee be formed. Mr. Fitch stated that internet gambling and this topic are related and that pot limits on poker games contribute to people gambling on the internet where more money can be bet and won.

Sports Tabs

Mr. Ask explained that the Division would like this topic to be discussed to provide for a definition of a sports tab game sponsor either by administrative rule or amendment to statute – sports tabs have created a problem that needs to be resolved. Sports tab games are almost exclusively sold in Butte and Anaconda.

Amusement Games

Mr. Ask stated that there are still some issues that need to be resolved with respect to amusement games.

Other Topics

Mr. Morris thought that the licensing subcommittee could still address some licensing issues. Mr. Morris suggested looking at the issue of a sole proprietorship licensee changing to an LLC and having to go through the whole application process. Shauna Helfert stated that licensing issues can definitely be addressed. Mr. Ask stated the Division would be happy to work with the subcommittee. Mr. Tooke appointed Mr. Carson, Mr. Morris, Mayor Engen and Mr. Fitch to the subcommittee to pursue streamlining the licensing process.

Mr. Kennedy stated that he was surprised by the blackjack bill that came before the legislature and wondered how viable blackjack would be in Montana. Mr. Tooke stated that as an operator, he could not administer a game that is fair to the public because of the administrative, payroll, and security costs, etc.

ELECTION

Mr. Carson nominated Mr. Kennedy to be Chairman. There were no other nominations. Mr. Kennedy was unanimously elected Chairman. Mr. Kennedy nominated John Tooke for Vice-Chairman. Mr. Tooke was unanimously elected Vice-Chairman.

PUBLIC COMMENT

Mr. Peterson thanked the Division for the open rule process and for its hard work.

Mr. Carson explained that common to line games is that during bonus games, the software takes over, the bets lock and the game plays off 10 free games. Currently, that is being done in other jurisdictions, but here it would not be approved. Mr. Kamerzel stated that auto play is not legal in Montana. Mr. Carson stated that to be compliant, the customer would have to push the button 10 times to play the bonus games. Mr. Kamerzel responded that each of the 10 games would be subject to the minimum bet and maximum payout. Mr. Tooke asked what would make this work. Blaine Bowman, Spielo Gaming, stated that every reel game that triggers free spins autoplays those spins. That software would have to be rewritten to make them Montana compliant. Mr. Carson said that software is being developed for the South Dakota market that would have to be reworked again for the Montana market which is extremely time consuming. He wanted to know what could be done to accommodate the way these games are played in other jurisdictions. Mr. Ask stated the Division would respond to this issue as quickly as possible.

Kevin Lintner, IGT, stated that their products are very similar to Spielo's.

Mr. Kamerzel stated that this discussion had just come up concerning the autoplay mode during a game demonstration. If the bonus games are altered and do not conform to the standard rules of the line game, then possibly it could autoplay.

Mr. Peterson asked if this issue could be addressed through administrative rule and Mr. Ask responded that it could.

FINAL BUSINESS

The Council tentatively scheduled their next meeting for September 16, 2010, in Missoula. The meeting adjourned at 1:00 p.m.