

**MINUTES
GAMING ADVISORY COUNCIL**

*May 18, 2010
Billings, 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

Nick Murnion	Rep. Pat Noonan
Mark Kennedy	Tim Carson
Steve Morris	John Tooke
John Engen	Bob McAnally

COUNCIL MEMBERS ABSENT

Sen. Joe Tropila (excused)

DIVISION STAFF PRESENT

Rick Ask	Ben Kamerzel
Cregg Coughlin	Kathy Baertsch
Angela Nunn	

SUMMARY OF COUNCIL ACTION

- ◆ **The Council voted unanimously to approve the corrected minutes of the February 3, 2010 meeting.**
- ♠ **The Council voted unanimously to approve the three recommendations from the VGM Subcommittee: (1) approving amendment of Mont. Code Ann. §23-5-112 to allow route operators to lease machine to one another; (2) amending Mont. Code Ann. §23-5-112 to make it clear that machine manufacturers, distributors, route operators, and location operators can buy from and sell machines to one another; and (3) name an industry task force to clarify the definition of bonus wins.**
- ♣ **The Council voted unanimously to not pursue amendment of rules related to Calcuttas.**
- ♥ **The Council voted unanimously to accept the proposed legislation as presented.**
- ◆ **The Council tentatively set the next meeting for September 24, 2010 in Missoula.**

CALL TO ORDER AND ROLL CALL

Chairman Tooke called the meeting to order at 9 a.m. All members were present except for Senator Tropila, who was excused. The corrected minutes from the February 3, 2010 meeting were adopted unanimously.

DIVISION REPORTS

Division Statistical Report

Mr. Ask gave a brief overview of the Division statistics. He explained that video gambling machine tax collections were \$12.28 million which decreased about \$150,000 from the previous quarter and \$3.35 million from the same time period in fiscal year 2009. Mr. Ask stated that the Division received an unusually high number (146) of liquor, gambling and combined license applications, in the third quarter of fiscal year 2010. The number can be attributed to approximately 100 applications related to a Town Pump special project. Mr. Ask said that during the third quarter FY2010, 514 video gambling machines received permits, down 298 from the number issued in the same time period in FY2009. For the year, the Division has issued 136 fewer permits than last year at this time. Mr. Ask expects a surge in permits in the 4th quarter. Mr. Ask explained that at the end of the third quarter the number of card tables licensed was 398, down 27 tables from the same time last year; the number of card dealers licensed was 752 down 123 from the same time last year; and the number of bingo and keno licenses increased to 69 in the third quarter, an increase of nine over the third quarter of FY2009. Mr. Ask stated that 99% of all vgms are reporting through an approved automated accounting system; only 11 locations and 41 machines that are not reporting online.

Mr. Morris asked if the Division anticipates revenues will come back up in the 4th quarter. Mr. Ask replied that the Division has not done any projections. Mr. Carson stated that it will probably stay on the same track, about \$12 to \$13 million off the revenue from the previous year.

Mr. Tooke stated he believed that the winter weather was hard on everyone and that the smoking ban had a significant effect. Mr. Tooke hoped that summer traffic and tourism will increase and the economy will improve.

MONTANA COUNCIL ON PROBLEM GAMBLING

Mark Kennedy, Board Member, Montana Council on Problem Gambling explained that the Council is a nonprofit organization, funded by industry and other donations. He explained that donations have been coming in slower this year. He stated that the Council is approaching its ten year anniversary and has 35 providers. Mr. Kennedy said that in the last two years the Division has given credit gambling violators an opportunity to donate to the Council in lieu of fines, but the Council has not received any of these

donations in the last year. Mr. Ask explained that statutory changes regarding credit gambling reduced the number of those type of credit gambling violations. Mr. Ask stated that the Lottery used to be a source of donations. Mr. Kennedy explained that the four major donors are Town Pump, Montana Coin Machine Operators Association, GIA and MTA. They each donate about \$34,000 each year to the program.

Mr. Tooke asked if there has been an increase in problem gambling related to the downturn in the economy. Mr. Kennedy responded that there have been more requests for providers and an increased number of participants.

OLD BUSINESS

Rule Review of License Streamlining

Mr. Ask discussed the proposed rule changes for transfer of interest among licensees. He explained that the Division is adding the sale or transfer of interest among licensees to the short Form 37, and there will be no background check on this type of license transfer. Mr. Ask explained that the second rule concerns the “banker’s bill” will treat a guarantor who is not an owner as a non-institutional lender.

Neil Peterson said that it is important that financial institutions remain happy and continue to finance these transactions. He added that this adds a little complexity to the application. Mr. Ask explained that the guarantor will have to fill out the personal history statement, fingerprints, etc., for the original application so the documents are ready if needed in the future.

NEW BUSINESS

VGM Subcommittee Recommendations

Rep. Noonan explained that the subcommittee was formed to facilitate the discussions of video gambling machine and poker issues between the Division and industry reps. The subcommittee met twice and unanimously approved three recommendations. Rep. Noonan discussed the three recommendations: 1) recommended approving an amendment to gambling statutes to allow route operators to lease machines to one another; 2) amend gambling statutes to make it clear that machine manufacturers, distributors, route operators, and location operators can buy from and sell machines to one another; and 3) name a vgm manufacturer’s task force to meet with Division personnel to clarify what constitutes a win for the purpose of meeting the requirement, in ARM 23.16.1910A, that at least 50% of the win be the result of the play of the authorized game.

Mr. Tooke asked for clarification on how bonus wins are computed. Mr. Ask responded that the Division has not defined how to count wins in administrative rule; defining wins

will allow manufacturers to make the changes to keno which they requested. Mr. Tooke said that this may increase the entertainment value, but affects the hold percentage. Mr. Tooke asked what the timeline would be.

Mr. Carson said that the department will produce a document defining bonus play, win, enhanced play etc., then the task force will proceed from there. Kent Frampton said he was concerned that the task force would only be made up of manufacturers and that it should include operators. Mr. Morris pointed out that recommendation number four states that industry associations will include representatives on the committee. Rep. Noonan stated that the task force is being created to make sure that everyone is counting bonus wins the same. Sandy Jones said that every group should be represented on the committee. Mr. Ask stated that it wouldn't be a problem to include industry representatives and that all rules go through the public hearing process. Mr. Carson stated that Neil Peterson, Mark Staples and Ronda Wiggers were at all of the meetings. Rep. Noonan explained that each industry group came with a list of ideas which were whittled down to approximately three where there was consensus. Mayor Engen moved to accept the recommendations of the sub-committee. Mr. Morris amended the motion to include industry representatives on the manufacturing sub-committee. Mr. Ask stated that the Division will invite manufacturers and industry to a roundtable discussion to clarify definitions. Mr. Morris suggested that the Division then create a paper for review by the subcommittee so they can bring a recommendation back to the Council. Mayor Engen accepted that amendment to the proposal. A motion was made to eliminate the words machine manufacturers and replace them with industry for the task force title. The Council unanimously approved VGM subcommittee recommendations #1 & #2 as submitted and #3 as amended.

Calcuttas

Mr. Ask explained recent developments in Calcutta auction pools which are primarily used as a fund raising tool for nonprofit or charitable organizations. Mr. Ask said that in the past most organizations contributed about 50% of the proceeds to the nonprofit or charitable organization. Recently, the Division has received applications proposing to pay 99% of the proceeds as prizes and only 1% to the nonprofit or charitable cause. Mr. Ask presented three suggestions for the Council to consider: 1) The GAC is not interested in the topic or studying the activity or recommending changes; 2) the GAC is interested in the topic, but would like more information on typical Calcutta pools before deciding whether or not to recommend a change; and 3) recommend including a change in the GAC/DOJ gambling legislation to require that at least 50% of the proceeds go to the nonprofit or charitable cause.

Mr. Murnion stated that it is important to know what percentage is paid out, but he thinks that if only 50% was paid out in prizes, participation would decrease. Mr. Tooke agreed with Mr. Murnion. Ronda Wiggers, MCMOA, stated that she did not believe there was a problem with calcuttas. Rep. Noonan asked if there was a problem with the 99%-1% split. Mr. Ask responded that the Division thought that this was an evolving issue to bring to the attention of the Council, the Division has received about 3 applications similar to this. Mr. Tooke stated that he didn't see a problem so long as the payout

percentage is posted. Mr. Carson moved to accept suggestion number 1 and the motion passed unanimously.

Legislation

Mr. Ask explained that at the last Council meeting legislation was requested for changes in bingo, stale-dated ticket vouchers, and cleanup language. The following changes are included in the proposed legislation: define bingo session, authorize bonanza bingo game, bingo card prices, prize values and special sessions (except for nonprofits which will keep the old card price/prize limit). Sandy Jones stated that the change in bingo session definition will hurt the smaller operators because most of their sessions do not go two hours or 20 games. Ms. Jones suggested changing a session to one hour. Mr. Coughlin said that if it is amended to one hour, the limit would decrease to \$1,500 rather than \$3,000. After much discussion, Ms. Jones withdrew her suggestion. Mr. Carson moved to accept the proposed legislation as presented. The motion passed unanimously.

Other Comments or Suggestions

Mr. Tooke said that at this time there can be up to four keno screens on a vgm. He then asked why there couldn't be 20 screens. Mr. Morris stated that Fleetwood has a game with ten on the screen.

Mr. Kennedy stated that, during the meeting, Interlot pledged a \$25,000 donation to the Montana Council on Problem Gambling.

ATTORNEY GENERAL BULLOCK'S COMMENTS

Attorney General Bullock stated that he appreciates the effort and accomplishments of the Council over the last 18 months including streamlining the license process; the stale-dated ticket issue; bingo amendments and HB 94, the banker's bill rules.

The Council tentatively scheduled their next meeting for September 24, 2010, in Missoula. The meeting adjourned at 12:05 p.m.