

**MINUTES
GAMING ADVISORY COUNCIL**

*September 24, 2010
Missoula, 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

Sen. Joe Tropila	Rep. Pat Noonan
Mark Kennedy	Tim Carson
Steve Morris	John Tooke
John Engen	Bob McAnally

COUNCIL MEMBERS ABSENT

Nick Murnion (excused)

DIVISION STAFF PRESENT

Rick Ask	Ben Kamerzel
Cregg Coughlin	Lisa Christiansen

SUMMARY OF COUNCIL ACTION

- ◆ **The Council voted unanimously to approve the minutes of the May 18, 2010 meeting.**
- ♠ **The Council voted unanimously for the Division to draft a rule change to extend the exception to requiring NIL approval for "cash equivalent sales" of video gambling machines from 180 days to 365 days.**
- ♣ **The Council voted unanimously to accept the proposed legislation as amended (removing the proposed change to ARM 23-5-130 which would have allowed a route operator to lease vgms to another route operator.)**
- ♥ **The Council tentatively set the next meeting for December 3, 2010 in Helena.**

CALL TO ORDER AND ROLL CALL

Chairman Tooke called the meeting to order at 10 a.m. All members were present except for Nick Murnion, who was excused. The minutes from the May 18, 2010 meeting were

adopted unanimously. Tim Burton stated that the Attorney General was unable to attend because he was out of state but sent his regards.

DIVISION REPORTS

Division Statistical Report

Administrator Ask gave a brief overview of the Division statistics through fourth quarter FY 2010. He explained that video gambling machine tax collections were \$12.6 million which increased about \$368,481 from the previous quarter, and \$2.7 million decrease from the same time period in FY 2009. Mr. Ask stated that the Division received 92 liquor, gambling, and combined license applications in the fourth quarter of FY 2010, which is comparable to the 96 applications received during the fourth quarter of the last fiscal year. Mr. Ask explained that 2,473 video gambling machines received permits during the fourth quarter of FY 2010, up 1,604 from the same quarter FY 2009, although the increase was due to a special project not a change in trend. Mr. Ask stated that vgm permits for the first quarter FY 2011 are down about 600 compared to the first quarter FY 2010. Mr. Ask stated that the number of card tables licensed for the current fiscal year was 399, down 35 from last year; 77 card dealers were licensed, down 145 from last year; and total number of bingo and keno licenses were 77 an increase of 15 over the fourth quarter of FY 2009. Currently, 99% of all video gambling machines are reporting through an approved automated accounting system.

Mr. Carson asked what the average time frame is for a gambling operator license application to go through the system. Mr. Ask responded that the average is 50 - 60 days.

Administrative Rules

Mr. Ask reviewed the rule changes which became effective July 30, 2010. Mr. Ask stated that changes were made to the rule for transfer of interest among licensees, Form 37 and loan evaluation, institutional lender security interests, guarantor payments.

New Form 37

Mr. Ask handed out and reviewed changes to the revised Form 37. Mr. Ask thanked members of the Council, Industry members and the staffs of both the Gambling Control Division and Liquor Division for their hard work on these changes.

Biennial Report Draft

Mr. Ask reminded the Council that they need to review the draft of the biennial report and submit their input. Mr. Tooke stated that the writing is very crisp in this report. Mr. Ask acknowledged Angela Nunn as its author.

GenTax Update

Mr. Ask stated that there are currently only 9 locations (32 machines) which are not a part of the online reporting system.

VGM Industry Task Force Update

Mr. Ask explained that a meeting with manufacturers was scheduled to discuss how the Division calculates the bonus game contribution as a percentage of the overall theoretical game return. The decision was made to cancel the meeting because the information the Division supplied prior to the scheduled meeting proved satisfactory and sufficient to clarify this process.

LIQUOR

Ms. Helfert, Liquor Division, could not attend the meeting, Mr. Ask explained DOR is proposing rules that concern the definition of an individual serving for off-premises consumption, seating requirements for liquor license permits, and patio and deck requirements. The Department will be conducting a lottery the first part of October for several licenses that are available based on the most recent census. Mr. Carson asked that the Council be notified when DOR publishes and adopts rules concerning alcohol.

Steve Morris asked Tim Burton about federal/state control of liquor and the letter signed by the attorneys general of 39 states and sent to Congress in March. Mr. Burton responded that Attorney General Bullock signed the letter supporting the three-tier system.

NIL EXCEPTION FOR CASH EQUIVALENT SALES

Mr. Ask discussed 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. He explained that two vgm manufacturers thought that customers would be more willing and able to buy machines if they could extend "cash equivalent sales" terms to 365 days. Mr. Ask added that after research the Division concluded that extending the term to a year is not commercially unreasonable and found that recent changes in Federal law would only require the seller to develop cash equivalent agreements that clearly establish what happens should the buyer fail to pay in full by the end of the term. Mr. Ask stated that DOR staff indicated they would not have a problem with this change and would work with GCD to coordinate rule amendments if necessary. Mr. Kennedy moved to accept the suggestion and requested the Division draft a rule change with public input and review by the Council at the next meeting. Mr. Carson seconded the motion. The motion passed unanimously. Mr. Kennedy remade the motion which was seconded by Sen. Tropila (Mr. Carson abstained), the motion passed unanimously.

GAC LEGISLATION

Mr. Ask reviewed the proposed legislation concerning bingo; addressed the clarification in statute so it is clear that each level of licensee that owns or trade in vgm can sell or trade to every other level; discussed a provision to allow the Department to set by rule a reasonable period during which a player must present a valid vgm ticket voucher for payment before it is deemed expired; and noted the provision to allow one licensed route operator to lease vgm to other license route operators.

Mr. Morris moved to remove the proposed change to ARM 23-5-130 relating to allowing a route operator to lease to another route operator. The motion passed 7-1 with Mr. Carson opposing.

Mr. Kennedy moved to approve the proposed legislation as amended. The motion passed unanimously.

PUBLIC COMMENT

Mr. Staples commended GCD and DOR for their work and effort to make changes to Form 37 to streamline the licensing process.

Ronda Wiggers, MCMOA, stated that the gaming industry is passing Montana by and that the industry can't remain stagnant in an innovative business. Mr. Staples stated that people are not convinced that the expense of more bells and whistles would increase their profits.

The Council tentatively scheduled their next meeting for December 3, 2010, in Helena. The meeting adjourned at 12:05 p.m.