

**MONTANA DEPARTMENT OF JUSTICE
GAMBLING CONTROL DIVISION
BIENNIAL REPORT**

Fiscal Years 2001 and 2002



**AND
REPORT OF THE
2001-2002
GAMING ADVISORY COUNCIL
December 2002**

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Public Policy of Montana Concerning Gambling

MCA-23-5-110. Public policy of state concerning gambling.

(1) The legislature finds that for the purpose of ensuring the proper gambling environment in this state it is necessary and desirable to adopt a public policy regarding public gambling activities in Montana. The legislature therefore declares it is necessary to:

(a) create and maintain a uniform regulatory climate that assures players, owners, tourists, citizens, and others that the gambling industry in this state is fair and is not influenced by corrupt persons, organizations, or practices;

(b) protect legal public gambling activities from unscrupulous players and vendors and detrimental influences;

(c) protect the public from unscrupulous proprietors and operators of gambling establishments, games, and devices;

(d) protect the state and local governments from those who would conduct illegal gambling activities that deprive those governments of their tax revenues;

(e) protect the health, safety, and welfare of all citizens of this state, including those who do not gamble, by regulating gambling activities; and

(f) promote programs necessary to provide assistance to those who are adversely affected by legalized gambling, including compulsive gamblers and their families.

(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other department approval granted pursuant to the provisions of parts 1 through 8 of this chapter is a privilege revocable only for good cause. A holder does not acquire a vested right in the license or permit issued or other department approval granted. A license or permit issued under parts 1 through 8 of this chapter may not be sold, assigned, leased, or transferred.

(3) Revenue to fund the expense of administration and control of gambling as regulated by parts 1 through 8 of this chapter must be derived solely from fees, taxes, and penalties on gambling activities, except the gambling activities of the Montana state lottery and the parimutuel industry.

23-5-111. Construction and application.

23-5-111. Construction and application. In view of Article III, section 9, of the Montana constitution, parts 1 through 8 of this chapter must be strictly construed by the department and the courts to allow only those types of gambling and gambling activity that are specifically and clearly allowed by those parts.

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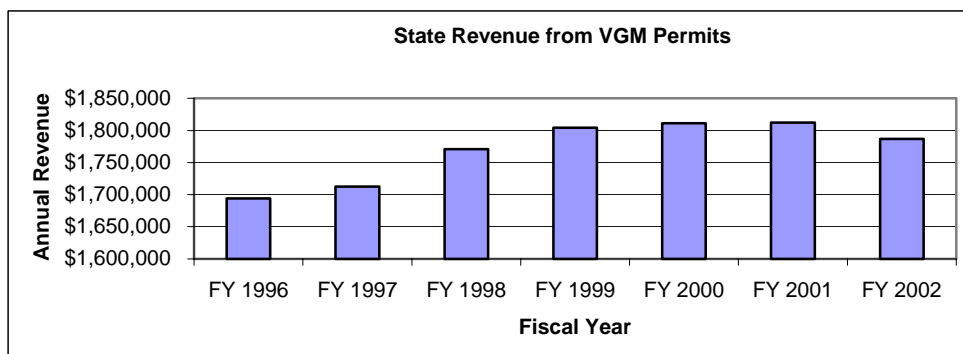
EXECUTIVE SUMMARY

The Gambling Control Division (GCD) of the Department of Justice was created in 1989 to provide for uniform enforcement of gambling activity. This "Executive Summary" highlights activities of the GCD in 2001 and 2002.

AARS Progresses Slowly -The Gambling Control Division signed a contract in September 2000 with Lodging and Gaming Systems (LGS) of Reno, Nevada, to develop the Automated Accounting and Reporting System (AARS). The 1999 Legislature had authorized the GCD to develop a system to connect video gambling machines to a central computer. After months of delay in delivering the AARS, GCD filed a lawsuit against LGS. In June 2002, GCD and LGS entered into a settlement agreement by which LGS would complete the system. Testing of the system began in September 2002. At the time of this report GCD plans to begin field-testing AARS in early 2003 and to begin to install the system in the second quarter of 2003.

Plans for AARS were complicated when the manufacturer VLC of Bozeman announced that it would no longer continue to support a popular series of video gambling machines. This series of machines made up approximately 50% of the machines that had been eligible to be connected to the AARS. The reduction of the number of machines that could be connected from approximately 9,000 to less than 4,000 will cause the AARS to take a longer period to be implemented. Instead of retrofitting a large number of video gambling machines to connect to AARS, most connections will come from the replacement of old machines with new machines.

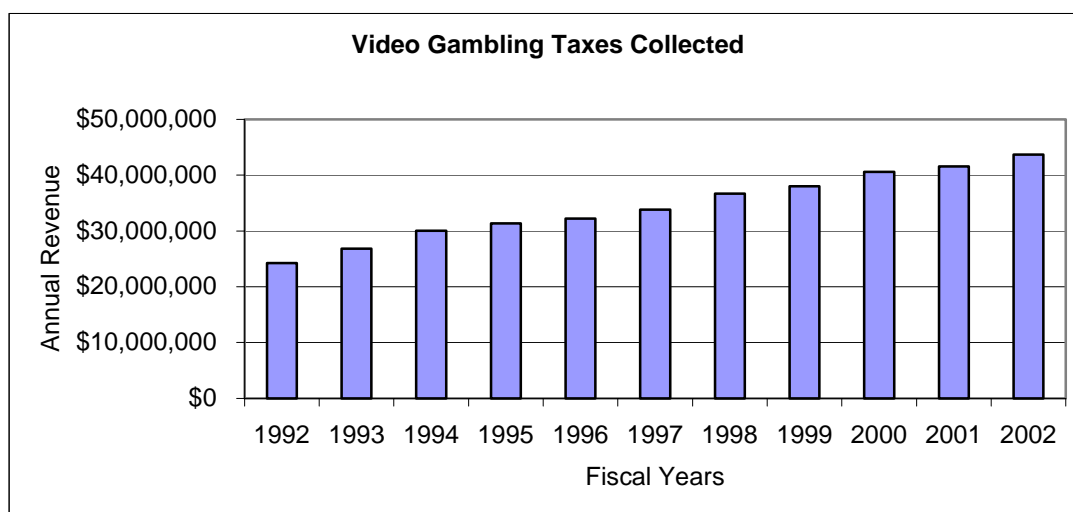
Budget Reductions – Early in fiscal year 2002, GCD determined that anticipated growth in revenue for the Gambling Special Revenue Fund (see chart below) would not be realized and that GCD would need to reduce expenditures in order to avoid running out of cash. Steps were taken to reduce operational costs and to seek voluntary early retirements. Four staff members chose to retire and GCD reduced annual expenditures by approximately \$370,000. By leaving positions vacant and combining positions, GCD reduced the staff from the authorized 48.5 FTE to 39 FTE during much of fiscal year 2002. The staff reductions have led to the closure of the Miles City office, temporary closure of the Butte office, and a reduction to one-man offices in Glasgow and Kalispell.



Improvements to the Liquor and Gambling License Process – Early in fiscal year 2002 the Legislative Auditor completed a performance audit of the liquor licensing process. The audit noted that the application process was taking an average of 193 days to obtain a liquor license. Having an appropriate liquor license is one of the requirements for obtaining certain gambling permits. Through a memorandum of understanding with the Department of Revenue, GCD conducts the field investigations for liquor licenses. The two application processes were intertwined. Prior to the completion of the Legislative Audit the Department of Revenue and GCD began working on improvements to the process.

In April 2002, the Department of Revenue and GCD initiated a “combined application form” that allowed applicants to apply for both licenses on one form. In addition GCD began processing the applications for both agencies. The Department of Revenue still makes a final decision on the liquor license in part based on the report from GCD. The new process has dramatically improved the process with the average time for processing applications dropping to 71 days. Applicants have responded well to not having to deal with two agencies and the ability to get forms on-line. The Department of Revenue and GCD are jointly proposing legislation to make the combined application process permanent.

Gambling Revenue - The video gambling machine tax continued to show growth during fiscal year 2002, with gross machine income increasing 5.1% over fiscal year 2001. The first quarter of fiscal year 2003 indicates a slower rate of growth, showing only a .6% increase over the first quarter of fiscal year 2002. Because of House Bill 124, approved by the 2001 Legislature, all of the video gambling tax is now deposited into the State General Fund rather than one-third to the General Fund and two-thirds to local government.



Tribal Compacts – The Gambling Control Division Administrator, a representative of the Governor and a representative of the Attorney General make up the negotiation team for the negotiation of gaming compacts as required under the federal Indian Gaming Regulatory Act.

In October 2001, the Salish Kootenai and the State of Montana entered into a 5-year compact. The Salish Kootenai Compact provided for the Tribes to have a number of video gambling machines equal to the number of non-tribal machines on the reservation. The Tribes were provided with a payout limit of \$1,500 and a bet limit of \$5.00 for video gambling machines. In May 2002, the Northern Cheyenne Tribe and the State of Montana entered into a 5-year compact providing the Tribe with a \$1,500 payout. At the time of this report the state is in negotiations with the tribes of the Fort Peck, Rocky Boy, Fort Belknap and Crow Reservations. No compact exists with the Blackfeet Tribes and no negotiations have been started to establish a new compact.

Gaming Advisory Council – During the biennium the Gaming Advisory Council met a total of seven times. At the first two meetings the Council discussed potential areas for changes to rules of the Gambling Control Division and assisted in developing new rules related to promotional games, bill acceptor limits, non-institutional loans and testing of the Automated Accounting and Reporting System.

The Council assisted in the development of proposed legislation to:

- provide funding for operation of the Gambling Control Division,
- authorize a combined application process for liquor and gambling licenses,
- update the statutes related to the Automated Accounting and Reporting System,

The full report of the Gaming Advisory Council is attached to this report.

A Short History of Gambling in Montana

Montana's 1889 Constitution made all forms of gambling illegal. However, illegal gambling existed in various forms and in the 1930's and 1940's the legislature legalized certain limited forms of gambling. The 1949 Legislature and the Attorney General declared a "law enforcement emergency" to crack down on illegal gambling. In 1950 the State Supreme Court ruled that slot machines and punchboards were illegal under the state constitution.

In 1972 the voters approved a new constitution that allow the legislature to approve gambling. The 1973 Legislature legalized bingo, raffles, card games and sports pools. In 1976 the State Supreme Court ruled that video keno was a form of bingo, which marked the beginning of video gambling. The legislature added video poker to keno in 1985 and in 1986 the voters approved a state lottery. The legislature enacted the 15% tax on video gambling machines in 1987.

Prior to 1989, responsibility for regulating most forms of gambling in Montana rested with local governments. This decentralized system resulted in an inconsistent application of the law regarding gambling activities in the state. Some cities and counties vigorously controlled gaming within their boundaries while other jurisdictions took a more relaxed stance. A consistent approach to gambling regulation was nonexistent.

The 1989 Legislature centralized gambling regulation under the Department of Justice. Statutory duties assigned to the Department included adopting administrative rules, licensing gambling providers and activities, collecting and distributing gambling taxes, testing and approving video gambling machines, and enforcing the gambling laws. The Attorney General, as head of the Department, created the Gambling Control Division to assume these duties.

A recommendation from the Legislative Auditor in 1994 began a long process to gain legislative approval and develop a central monitoring system for video gambling machines. The 1999 Legislature authorized and approved funding for the Automated Accounting and Reporting System (AARS). After two unsuccessful attempts to solicit proposals, with no responses, GCD entered into a contract with LGS of Reno, Nevada to develop a system. In June 2001, GCD sued LGS for failure to deliver AARS. In June 2002, a settlement was reached that called for LGS to deliver AARS for testing in September 2002. The AARS system has been delivered and initial testing has begun as of the date of this report.

Types of Gambling Under Division Jurisdiction

The Gambling Control Division's jurisdiction extends to all forms of gambling except the Montana Lottery and horse racing.¹ The following sections describe the games regulated by the Division:

Video gambling machines. A video gambling machine is an electronic gambling device that, upon insertion of cash, is available to play poker, keno, or bingo. The machines use a video display and microprocessors in which--by the skill of the player, by chance, or both--the player may receive free games or credits that may be redeemed for cash.

Live card games. Montana law authorizes 10 card games: bridge, cribbage, hearts, panguingue, pinochle, pitch, poker, rummy, solo, and whist. These are non-banking card games in which players bet against and settle with each other rather than betting against and settling with the house.

Live bingo. Live bingo is played on a card bearing a printed design of five columns of five squares each, 25 squares in all. The letters B-I-N-G-O must appear above the design, with each letter above one of the columns. No more than 75 numbers may be used. One number must appear in each square, except for the center square, which may be considered a free play. Numbers are randomly drawn using authorized equipment until the game is won by the person or persons who first cover a previously designated arrangement of numbers on the bingo card.

Live keno. Live keno is played with a card containing eight horizontal rows and 10 columns on which a player may pick up to 10 numbers. A keno caller, using authorized equipment, selects at random at least 20 numbers out of the numbers between one and 80, inclusive. A player may win prizes by matching the numbers selected in whole or in part.

Sports pools. In a sports pool, a participant wagers money for a chance to win cash or other prizes based on the outcome of a sports event or series of sports events wherein the competitors are natural persons or animals. Several variations of sports pools are legal including the traditional sports pool, series sports pool, multiple way sports pool, selected point sports pool, blackout sports pool, weekly sweepstakes sports pool, and multiple competitor sports pool.

Sports tab games. A sports tab game is conducted on a card with 100 sports tabs attached.² Each tab has a pair of numbers. A person may purchase a sports tab from the card for the chance to win cash or other prizes based on the outcome of a sports event. A winner or winners are determined by matching the appropriate numbers on a participant's

¹ The Montana Lottery and horse racing are under the jurisdiction of the Montana Lottery Commission and the Board of Horse Racing, respectively.

² A sports tab is a folded or banded ticket with a face covered to conceal a combination of two numbers, with each number ranging from zero through nine.

sports tab with the only or last digit of the competitors' score at the end of the sports event, and if designated before the event by the game's sponsor, at intervals during the sports event.

Raffles. A raffle is a gambling activity in which a participant purchases a ticket for a chance to win a prize through a random selection process. Church and nonprofit raffles are regulated by the county commission in the county where the raffle is conducted.

Calcutta pools. A Calcutta pool is a form of auction pool conducted in conjunction with an event involving more than two competitors. Participants in the pool bid on the event's competitors, and a participant's wager is equal to his or her bid. The highest bid "purchases" the competitor, and pool proceeds are divided among participants according to a competitor's performance in the event.

Casino nights. A casino night is a fund-raising event conducted by a nonprofit organization during which wagers are made in certain gambling activities using imitation money. Only live card games that are legal in the state, live bingo, live keno, and raffles may be conducted during a casino night.

Fantasy sports leagues. A fantasy sports league consists of a limited number of persons or groups who pay an entrance fee for membership in the league. Each league member creates a fictitious team composed of athletes from a given professional sport. Each team then competes against the other teams in the league. Points are awarded to a team according to the performance of individual players or teams or both during a designated time period. A member may be eligible to receive a payout, which may be in cash or merchandise, based on the number of points accumulated.

Shake-a-day. Shake-a-day is a gambling activity in which a customer may once each day wager an amount of money, not to exceed 50 cents, and shake a number of dice in an attempt to roll a certain combination simulating a poker hand predetermined by the establishment. If the combination is rolled, the customer wins all money paid to play the game since the last winning combination was rolled.

Shaking for drinks or music. Shaking for a drink or music is a gambling activity in which a customer shakes or chooses one or more dice, alone or with an owner or employee of an establishment, to determine whether the customer or establishment will pay for the customer's drink or pay a predetermined amount of money, not to exceed \$2, for music from a jukebox.

Fishing derbies. In a fishing derby, two or more persons pay valuable consideration for an opportunity to win a prize for the species, size, weight, or otherwise specified fish caught in a fishing event.

Wagering on natural occurrences. Wagering on a natural occurrence is a gambling activity in which a person pays valuable consideration for an opportunity to win a prize by most accurately predicting the date and time of an event resulting from a climatologically or meteorological activity.

Organization and Activities of the Gambling Control Division

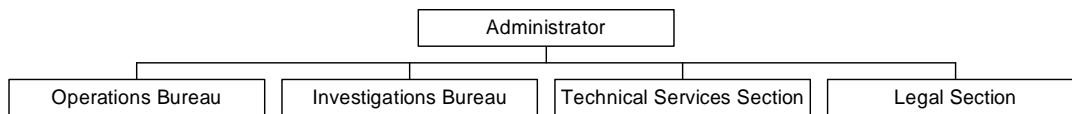
The majority of GCD staff and resources go toward the regulation and taxing of video gambling machines. The Division is also responsible for the investigation of applicants for liquor licenses and investigation of illegal activity related to liquor licensees. Work related to liquor licenses accounts for half of the work of licensing and investigation staff. The Division was authorized 48.5 full time equivalent staff during the 2002-2003 biennium. Due to limitations on available funding staff levels have averaged closer to 39 full time equivalent positions during fiscal 2002.

Program Indicators

The following table sets out the program indicators as presented in the Executive Budget for the 2005 Biennium:

	<u>FY2000</u>	<u>FY2001</u>	<u>FY 2002</u>	<u>FY2003</u> (estimate)
VGM Tax Collected	\$40.5M	\$41.56M	\$43.84M	\$45.51M
Gambling Permits issued	19,915	21,498	20,864	20,272
Liquor/Gambling Investigations	668	715	703	703

The following chart indicates the organizational structure of the Gambling Control Division:



The Division Administrator manages the overall operations of the GCD. In addition to management responsibility the Administrator coordinates state negotiations related to tribal gaming compacts and the activities of the Gaming Advisory Council.

Major activities that involved the Administrator during the 2001-2002 biennium included:

- Litigation and eventual settlement of the contract dispute related to the Automated Accounting and Reporting System;
- Management of a reduction in expenditures, as revenue to the gambling special revenue account has fallen below estimates;
- Completion of negotiations with the Salish Kootenai and Northern Cheyenne Tribes and opening of negotiations with tribes from Fort Peck, Rocky Boy, Fort Belknap and Crow reservations.

Operations Bureau

The Operations Bureau is responsible for most of the centralized functions of licensing operators, collecting and auditing taxes. In addition the Operations Bureau is responsible for financial analysts in the field who assist in evaluating license applications and assist with investigations.

The License and Tax Section of the Operations Bureau provides the following services:

- processes and issues gambling licenses and permits including video gambling machine permits;
- collects and distributes license and permit fees;
- maintains all license records;
- collects gambling taxes, fines, and penalties
- processes machine service forms and tracks machine movement in the state.

The Audit Section of the Operations Bureau consists of revenue agents located in Missoula, Billings, Great Falls, and Helena. The Audit Section provides the following services:

- assists in licensing applicants by conducting financial background reviews
- conducts field tax audits;
- provides support to the Investigation Bureau in interpreting and analyzing documents related to suspected illegal gambling activities.

During the 2001 – 2002 biennium the operations bureau coordinated the development of a “combined liquor/gambling application” process that allows GCD to process liquor and gambling license applications at the same time. Previously the license applications had been processed separately by GCD and the Department of Revenue. This new process has increased efficiency for both agencies and reduced the time required to process an application. Because an appropriate liquor license is required as a prerequisite to obtaining certain gambling permits, applicants in the past could face long delays when the requests for information were not coordinated between the two agencies.

In fiscal year 2002 the Operations Bureau developed and implemented a records management plan. This was one of the first such plans to be approved by the State Records Management Committee and was a prerequisite to initiating an “imaging system.” The imaging system was authorized by the 2001 Legislature and will allow the Division to more efficiently share records between Helena and field offices and with the Department of Revenue. In addition the new record system will reduce the cost of storage and retrieval of the large volume of records related to licensees and applicants for licenses.

Investigation Bureau

The Gambling Investigation Bureau consists of seven field offices, which are organized into two districts, each managed by a regional supervisor. Field offices are located in Kalispell, Missoula, Butte, Glasgow, Great Falls, Billings, and Bozeman.

The responsibilities of the Investigation Bureau include:

- investigating illegal gambling activity;
- investigating video gambling machine tampering, theft and burglary;
- conducting criminal background checks on the applicants for a gambling or liquor license;
- conducting investigations of alleged violations of state gambling and liquor statutes and administrative rules;
- conducting routine inspections of licensed establishments;
- inspecting proposed gambling establishments;
- evaluating variations of legal gambling activities submitted for approval, and
- providing local law enforcement training.

During fiscal year 2002 the Investigation Bureau was forced to reduce its operations due to shortfalls in revenue. As a result of retirements and vacant positions, the field office in Miles City was closed, the Butte office was not staffed for most of the year and the offices in Kalispell and Glasgow were reduced from two investigators to one.

Technical Services Section

Technical Services Section personnel are based in Helena except for two Machine Inspectors based in Billings and Missoula. The Technical Services Section serves as the primary technical resource for the approval and testing of video gambling machines. Major responsibilities of the Technical Services Section include:

- testing of video gambling software and hardware to be licensed for sale,;
- testing, installation and support of the Automated Accounting and Reporting System;
- support of the GCD data base for gambling and liquor licenses;
- local area network support;
- video gambling machine field testing and inspection and
- tracking the movement of illegal machines in and out of the state.

The Automated Accounting and Reporting System litigation and testing have been a major focus of the Technical Services Section during the current biennium. The Section took the lead in documenting the requirements for the new system as part of the effort to settle litigation resulting from the vendor's failure to deliver the system. The Section staff have devoted a great deal of time to testing the system and to planning for its implementation.

Legal Services

Two attorneys have been assigned to the Gambling Control Division but attached administratively to the Office of the Attorney General. The Division provides a secretary for clerical assistance to the attorneys. The attorneys' focus is largely on administrative action against licensees who violate Montana's gambling laws and rules and on representing the Division in administrative proceedings. In addition, Division attorneys may assist local

county attorneys with gambling-related cases that fall within local jurisdiction. If local county attorneys decline prosecution of a criminal case, then Division attorneys may also handle it.

Both attorneys who were assigned to the Division left for other employment early in fiscal year 2003. The Division plans to try to handle the future caseload with only one attorney. During fiscal year 2002, one attorney was devoted nearly full time to litigation related to the AARS.

GAMBLING REVENUE AND PERMIT FEES

Video Gambling Machine Gross Income Tax - The Video Gambling Machine Gross Income Tax is the most significant source of gambling revenue. This tax is applied to the income from keno and poker video gambling machines. Gross machine income is the total receipts from a machine less the machines cash payouts.

Prior to fiscal year 2002 the Video Machine Gross Income Tax was split 2/3 to the local government where the tax was generated and 1/3 to the State General Fund. With the passage of the House Bill 124 in the 2001 Legislature, 100% of the tax is now deposited in the State General Fund.

In fiscal year 2002 the Video Machine Gross Income Tax generated \$43.6 million for the General Fund. The amount generated in fiscal 2002, represented a 5.04% increase in the amount of the tax collected over fiscal year 2001. Tax collections for the first quarter of fiscal year 2003 were only up .6% over the first quarter of fiscal year 2002, which may indicate that growth in the tax has started to slow. Appendix A provides statistics on the collection of the Video Machine Gross Income Tax.

Other Gambling Taxes - In addition to the Video Machine Gross Income Tax the Division collects taxes on a number of other gambling activities as set out in the following table:

<u>ACTIVITY</u>	<u>TAX RATE</u>	<u>DISTRIBUTION</u>	<u>STATUTORY CITE (MCA)</u>
Live Bingo/ Keno	1% of gross proceeds (paid annually) ¹	100% to local governments	23-5-409,MCA
Video Gambling Machine	15% of gross machine income (paid quarterly)	100% to state general fund	23-5-610,MCA
Sports Tab Cards	\$1/sports tab card (paid annually)	100% retained by Dept of Justice	23-5-502, MCA

¹An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno tax (23-5-406 and 410, MCA).

Permit Fees - The Gambling Control Division also collects a number of fees related to licensing gambling activities. (see Appendix B)

The most significant permit fee in terms of the amount of fees generated is the \$200 per year fee for each video gambling machine. This fee is split with 50% going to local government and 50% being deposited to the State Gambling Special Revenue Fund. In

fiscal year 2002 the proceeds of video gambling machine permit fees provided the Gambling Special Revenue Fund with \$1,786,875.

Over the last decade the amount of video gambling machine permit fees continued to increase each year as the number of video gambling machines increased. In recent years the rate of growth began to slow and in fiscal year 2002 the number of permits declined to 18,870 from 19,470 in fiscal year 2001. The fiscal year with the greatest number of permits was fiscal 1999 with 19,649 permits.

The Gambling Control Division collects a number of other permit and license fees:

GAMBLING PERMITS

<u>ACTIVITY</u>	<u>AMOUNT OF FEE</u>	<u>DISTRIBUTION</u>	<u>STATUTORY CITE (MCA)</u>
Live Card Game Table	\$250/yr for 1st table \$500/yr for each add'l table ¹	\$100/table retained by Dept of Justice with remainder to local governments	23-5-306, MCA
Live Bingo/Keno	\$250/yr for each premise ²	100% retained by Dept of Justice	23-5-407, MCA
Video Gambling Machine	\$200/yr for each machine	50% retained by Dept of Justice with remainder to local governments	23-5-612, MCA
Live Card Game	\$10/tournament	100% retained by Dept of Justice	23-5-317, MCA
Casino Night	\$25/casino night	Same as above	23-5-705, MCA

¹A senior citizen center is exempt from the live card game table fee. (23-5-310, MCA)

²An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) on 01/15/89 or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno permit fee. A 26 U.S.C. 501 (c)(3), (c)(4), (c)(8), or (c)(19) organization qualified for federal exemption after 01/15/89 is exempt from one-half the permit fee. (23-5-406 and 410, MCA)

GAMBLING LICENSES

<u>ACTIVITY</u>	<u>COST</u>	<u>DISTRIBUTION</u>	<u>STATUTORY CITE (MCA)</u>
Operator	One-time application fee commensurate with processing costs	100% retained by Dept of Justice	23-5-117,MCA
Card Dealer	\$75 1st year ¹ \$25 to renew	Same as above	23-5-308,MCA
Card Room Contractor	\$150/yr	Same as above	23-5-324,MCA
Distributor, or Route Operator	fee commensurate with processing costs plus \$1,000/yr license fee		23-5-128,MCA 23-5-129,MCA
Manufacturer of Gambling Devices Not Authorized in Montana	Same as above ²	Same as above	23-5-152,MCA
Electronic Live Bingo/Keno Equipment Manufacturer	Same as above	Same as above	23-5-425,MCA
Sports Tab Game Seller	Same as above	Same as above	23-5-115,502 503,MCA

¹No fee is charged for a 90-day temporary card dealer license. (23-5-308, MCA)

²No application processing fee or license fee is charged if the manufacturer-distributor is licensed as a manufacturer-distributor under 23-5-625, MCA. (ARM 23.16.2001)

TRIBAL COMPACTS

The Indian Gaming Regulatory Act (IGRA) enacted by Congress in 1988, directs the state, upon request of a tribe, to enter into negotiations for the conduct of Class III gaming on Indian Reservations. Class III gaming, as defined under IGRA, includes games live keno, video gambling machines, lottery, and horse racing. No Class III gaming, by tribal members or nonmembers, can be conducted on the reservation unless a compact is in place.

A state negotiations team of representatives of the Governor's Office, Attorney General, State Lottery and Board of Horse Racing act on behalf of the Governor to negotiate state/tribal compacts for the state.

In the existing compacts the State has negotiated the same types of games that are legal in the rest of the state. With regard to conditions of play, the State has allowed \$1,000 to \$1,500 payouts for some video gambling machines and allowed up to 100 video gambling machines to be placed in each tribal premise depending on site-specific circumstances. State licensed facilities are limited to payouts of \$800 and may have no more than 20 video gambling machines.

The status of compact negotiations:

Salish & Kootenai Tribes of the Flathead Reservation – The State and the Tribes entered into a 5-year compact in October of 2001. The new compact provided an overall ceiling for the number of video gambling machines that could be operated or licensed by the Tribes. The overall ceiling is the number of machines licensed to non-tribal member by the State. The new compact also provides the Tribes with a payout limit of \$1,500 and a bet limit of \$5.00.

Northern Cheyenne Tribe – The State and the Northern Cheyenne Tribe entered into a new 5-year compact in May 2002. The new compact did not change the number of video gaming machines that may be operated by the Tribe, but provided the Tribe with a payout limit of \$1,500. The new compact also provides a statement of intent for the State and the Tribe to explore State licensing of tribal gambling off the reservation on land owned by the Tribe.

Assiniboine & Sioux Tribes of the Fort Peck Reservation – This compact expired in the Spring of 2002 and has been extended three times as negotiations continue. The current extension will expire on June 30, 2003.

Chippewa-Cree Tribes of the Rocky Boy's Reservation - This compact has no fixed expiration date, however, negotiations to update the compact have been started.

Gross Ventre & Assiniboine Tribes of the Fort Belknap Reservation – No compact has existed with the Gross Ventre & Assiniboine Tribes. In September 2002, the Tribes and the State negotiating team met to begin the negotiating process and further meeting have been scheduled.

Crow Tribe – The compact with Crow Tribe is scheduled to expire in March 2003. The Tribe has requested negotiations and the Governor has accepted the request to begin negotiations, however, no negotiations have been scheduled. Because of tribal elections and the legislative session, it is anticipated that the current compact with some amendments will be extended and that negotiations will begin in 2003.

Blackfeet Tribe – The compact with the Blackfeet Tribe was terminated in 1997 and no negotiations on a new compact have been initiated.



2001- 2002 Gaming Advisory Council

Senator Dale Mahlum, Missoula, Legislature (Chair)
John Tooke, Miles City, Gaming Industry (Vice Chair)
Tim Carson, Billings, Gaming Industry
Kevin Howlett, Arlee, Native American
Steve Morris, Helena, Gaming Industry
Tom Scott, Dillon, Local Government
Dennis Taylor, Billings, Local Government
Bill Thomas, Great Falls, Public Citizen
Representative John Witt, Carter, Legislature

(Mont. Code Ann. §2-15-2021 **Gaming advisory council --allocation--composition--compensation--biennial report.** (1) There is a gaming advisory council. (2) The gaming advisory council is allocated to the department for administrative purposes only as prescribed in 2-5-121. (3) The gaming advisory council consists of nine members. One member must be from the senate, and one member must be from the House of Representatives. The senate committee on committees and the speaker of the House of Representatives shall appoint the legislative members of the council. The seven remaining members must be appointed by the department, with one representing the public at large, two representing local governments, one being a Native American, and three representing the gaming industry.)

INTRODUCTION

In 1989, the Montana Legislature adopted Senate Bill 431, a comprehensive revision of the state's gambling laws. Senate Bill 431 centralized regulation and control of all gambling activities, except for the lottery and horse racing, under the Department of Justice. The bill also provided for appointment of the Gaming Advisory Council.

The statutory duties assigned to the Council were multi-fold: to hold meetings and incur necessary expenses to study all aspects of gambling in Montana; to review and comment on administrative rules proposed by the Department and to submit an annual report to the Department of Justice and the Legislature with recommendations regarding the state's gambling laws and the Department's administrative rules and operations.

The Gaming Advisory Council consists of nine members: one member each from the Senate and House of Representatives, one public member, two local government representatives, one Native American representative, and three gaming industry representatives. The President of the Senate and the Speaker of the House appoint the legislators to the Council, while the Attorney General selects the remaining members. Each member serves a three-year term.

The remainder of this report reviews the Gaming Advisory Council's deliberations and activities and presents the Council's recommendations.

Additional information on the work of the Council, including staff reports, is available through the Gambling Control Division, 2550 Prospect Ave, Helena, Montana 59620.

SUMMARY OF COUNCIL ACTIVITIES

During the 2001 Legislature new Gaming Advisory Council members were appointed by the Legislative leadership and Attorney General Mike McGrath. The Gaming Advisory Council held an organizational meeting to receive an initial orientation on April 20, 2001. During the 2001-2002 Biennium the Gaming Advisory Council met a total of seven times. At the first two meetings the Council discussed potential areas for changes in rules of the Gambling Control Division and assisted in developing new rules related to promotional

games, bill acceptor limits, non-institutional loans and testing of the Automated Accounting and Reporting System.

Due to changes by the 2001 Legislature, in the way that agency legislative requests would be submitted to the 2003 Legislature, the Council began in April 2002, to consider proposed legislation related to gaming. The Council assisted in the development of legislation to:

1. deal with funding of the Gambling Control Division,
2. authorize a combined application process for liquor and gambling licenses,
3. update the statutes related to the Automated Accounting and Reporting System,
4. clearly prohibit internet gambling,
5. provide for the revocation of lapsed gambling licenses, and
6. provide a clear statute of limitations for gambling offenses.

The Council voted to recommend all of the legislative proposals set out above, except the prohibition of Internet gambling.

The Council provided policy direction to the Gambling Control Division in a number of areas including; questions about what manufacturers data can be released to the public, how to publicize the availability of services for problem gamblers and the agencies discretion in approving new games. The Council has also kept informed about ongoing activities of the Gambling Control Division including litigation and settlement efforts related to the Automated Accounting and Reporting System, tribal compact negotiations and efforts to improve the liquor and gambling license application process.

COUNCIL DELIBERATIONS AND ACTIVITIES

This section provides a summary of each of the Council's meetings during the 2001-2002 biennium. A general account of each meeting is contained in the meeting minutes and the minutes are available on the Gambling Control Division website www.doj.state.mt.us/gcd. A summary of each meeting follows:

April 20, 2001 - The initial meeting of the Council for the 2001-2002 biennium was held at the Scott Hart Building in Helena. John Tooke was elected as vice chair. Attorney General Mike McGrath addressed the Council and stated that he was committed to resolving issues with the Automated Accounting and Reporting System and with streamlining the licensing system. The Attorney General asked for the Council's help in improving relations between the Gambling Control Division and the gambling industry.

The Council was informed that the Gambling Control Division was contemplating legal action against LGS to get delivery of the Automated Accounting and Reporting System. A subcommittee was appointed to develop recommendations related to releasing data about the performance of VGMs by manufacturer. The Gambling Control Division provided updates on negotiations with the Salish Kootenai Tribes and on the audit of the licensing process being conducted by the Legislative Auditor.

July 13, 2002 – The meeting was convened at the Scott Hart Building in Helena. Gene Huntington, Administrator of the Gambling Control Division reported that negotiations with LGS in relation to the Automated Accounting and Reporting System had broken down and that LGS has sued the State in Nevada and that the State would file a suit in Montana in the next few days. Attorney General Mike McGrath addressed the Council on the subject of the litigation with LGS and other questions raised by Council members.

Joe Murray, of the Office of the Legislative Auditor, made a presentation on the audit of the liquor and gambling licensing process. Mr. Murray explained the audit methodology and some of the issues that were being raised by the audit. Mr. Murray declined to discuss the findings of the audit until the report could be presented to the audit committee.

The subcommittee on releasing manufacture data provided three recommendations to the Council on releasing information.

The balance of the meeting was taken with presentations on rules that the Gaming Industry Association wanted to review and recommendations on how to undertake the review. Representatives of the Montana Broadcasters Association expressed a concern about rules related to promotions. Chairman Mahlum appointed a subcommittee to work on recommendations related to promotional games.

October 26, 2001 – The meeting was convened at the Scott Hart Building in Helena. Attorney General Mike McGrath asked the Council to provide advice on the issue of approving \$20 bill acceptors. The Attorney General also advised the Council that a compact had been negotiated with the Salish Kootenai Tribes and of the status of litigation with LGS.

Neil Peterson of the Department of Revenue provided an overview of actions to be taken to address problems identified by the Legislative Audit of the liquor licensing process. Gene Huntington indicated that the two agencies are pursuing the development of a joint application.

Information was presented and testimony was taken on potential rule changes related to bill acceptors and non-institutional loans. The Council discussed plans to begin reviewing potential legislation at the next meeting in the spring.

April 4&5, 2002 – The two-day meeting was held at the Scott Hart Auditorium in Helena. The meeting began with a presentation by Rich Miller of the Gaming Industry Association on problem gambling programs in Montana. A subcommittee was appointed to develop recommendations on how to better publicize the existing programs.

The Council discussed legislative changes to implement the Automated Accounting and Reporting System. The Council recommended that in preparing for the Automated Accounting and Reporting System that the Gambling Control Division formally adopt SAS as the protocol for video gambling machines.

The Council voted to modify the rules for promotional games of chance in order to exempt organizations that are not in the gaming business. Also approved was a change in the rules on the requirements for reporting non-institutional loans within a related business entity.

The Council voted to recommend that rules related to bill acceptors be modified to provide for \$5, \$10 and \$20 bills.

The Council heard a report on steps taken by the Gambling Control Division to reduce expenditures to deal with a shortage of cash in the gambling special revenue fund. The Council discussed options for funding Gambling Control Division operations.

The Council heard presentations and had initial discussions on potential legislation related to combining the process for liquor and gambling licenses and internet gambling. The Council also discussed minor legislation to provide a clear statute of limitations on gaming offenses and revocation of lapsed gambling licenses.

June 28, 2002 - The meeting was held at the Scott Hart Building in Helena. Rich Miller reported that the subcommittee appointed to publicize problem gambling programs had suggested a brochure to be made available to courts and social service agencies. Gene Huntington provided an update on the settlement agreement that had been reached with LGS in relation to delivery of the Automated Accounting and Reporting System.

The Council reviewed proposed rules related to: promotional games, non-institutional loans, bill acceptors and other minor rule changes. The Council provided preliminary approval to legislation to; prohibit internet gambling, implement a combined liquor/gambling application, update the law related to the Automated Accounting and Reporting System, revoke lapsed licenses and to establish a statute of limitations for gambling offenses.

August 23, 2002 – The Council met at the Kwa TaqNuk Resort in Polson. The Council reviewed and approved all of the legislative concepts except for the prohibition of Internet gambling that will be taken up again at the November meeting. Gene Huntington presented the problem gambling rack card that will be distributed to courts and social service agencies. The afternoon was taken up with a presentation on the Indian Gaming Regulatory Act and a discussion of tribal compact negotiations. Assistant Attorney General Sarah Bond and Randal McDonald of the Salish Kootenai Tribes conducted a discussion of the issues raised during state/tribal negotiations.

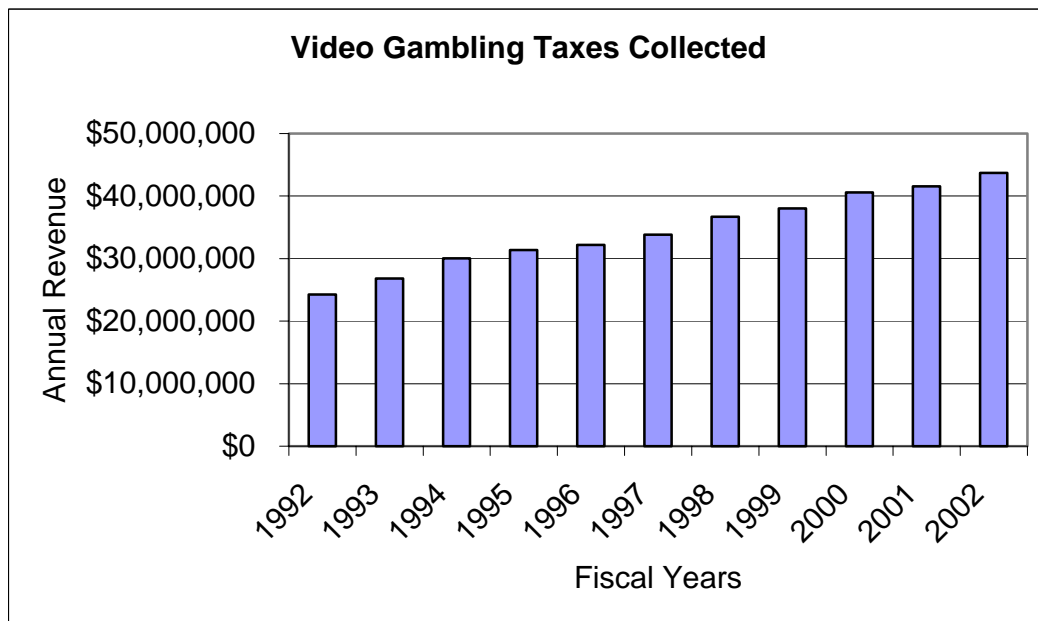
November 15, 2002 – The Council met in Helena at the Scott Hart Auditorium. Attorney General Mike McGrath thanked the Council for their work and pointed out the accomplishments of the Council over the past 18 months. The Council was provided with an overview of progress on the AARS system and a discussion of the rules that will be required for implementation of AARS. This led to a discussion of the final language of the legislation to update the AARS statute. Neil Peterson of the Department of Revenue and Gene Huntington led the Council through a discussion of the final form of the legislation to provide for the combined license application process.

The Council began the afternoon with a lively discussion of proposed legislation to ban Internet gambling. After discussion of proposed federal legislation and the problems of enforcing the current statutes that would make Internet gambling illegal, the Council voted to table the legislative proposal. Gene Huntington provided a brief report on activities of the Division and collections of gambling taxes. Following a brief discussion of the draft Biennial Report of the Gaming Advisory Council, Chairman Mahlum requested that the report be distributed to every legislator.

The Council adjourned after discussing plans to meet the last week of the legislative session.

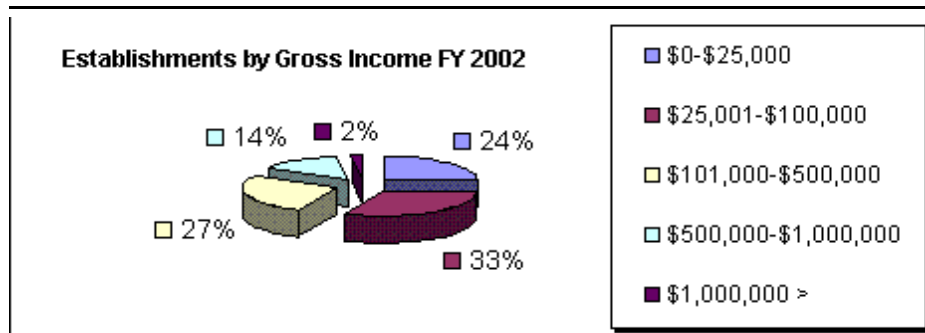
APPENDIX A
VIDEO GAMBLING MACHINE RELATED STATISTICS

Fiscal Year	<i>First Qtr</i>	<i>Second Qtr</i>	<i>Third Qtr</i>	<i>Fourth Qtr</i>	Total	% Change
1992	\$5,866,027	\$5,906,815	\$6,180,904	\$6,306,192	\$24,259,938	18%
1993	\$6,698,211	\$6,538,173	\$6,560,840	\$7,041,764	\$26,838,988	11%
1994	\$7,451,739	\$7,338,880	\$7,603,432	\$7,658,536	\$30,052,587	12%
1995	\$7,950,043	\$7,748,440	\$7,708,615	\$7,940,884	\$31,347,982	4.3%
1996	\$8,097,592	\$7,893,431	\$8,013,103	\$8,194,797	\$32,198,923	2.7%
1997	\$8,492,318	\$8,277,017	\$8,267,308	\$8,771,913	\$33,808,556	4.9%
1998	\$9,166,429	\$9,212,390	\$8,995,324	\$9,301,819	\$36,675,962	8.5%
1999	\$9,456,531	\$9,265,010	\$9,393,025	\$9,910,342	\$38,024,908	3.7%
2000	\$10,067,244	\$9,969,380	\$10,336,838	\$10,198,751	\$40,572,213	6.7%
2001	\$10,453,723	\$10,031,539	\$10,490,969	\$10,598,692	\$41,574,923	2.5%
2002	\$10,878,094	\$10,795,923	\$10,866,994	\$11,164,102	\$43,705,113	5.1%



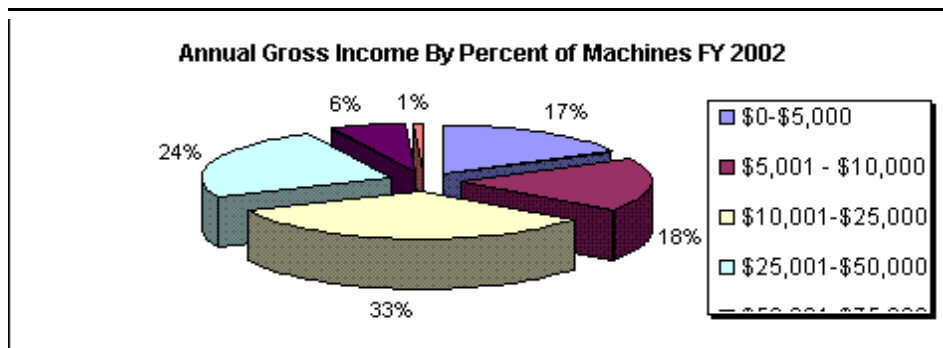
	FY 1999		FY 2000		FY 2001		FY 2002	
Net Income of Establishment	<i>Number of Estab.</i>	<i>Percent of Total</i>	<i>Number of Estab.</i>	<i>Percent of Total</i>	<i>Number of Estab.</i>	<i>Percent of Total</i>	<i>Number of Estab.</i>	<i>Percent of Total</i>
\$0-\$25,000	278	26%	234	25%	222	24%	224	24%
\$25,001-\$100,000	351	31%	281	29%	292	32%	302	33%
\$101,000-\$500,000	272	29%	315	33%	279	30%	250	27%
\$500,000-\$1,000,000	94	13%	113	12%	115	12%	131	14%
\$1,000,000 >	5	1%	6	1%	14	2%	19	2%
Total	1000	100%	949	100%	922	100%	926	100%

Establishments with machines continually operating for 90 days or more in each (4) quarters.



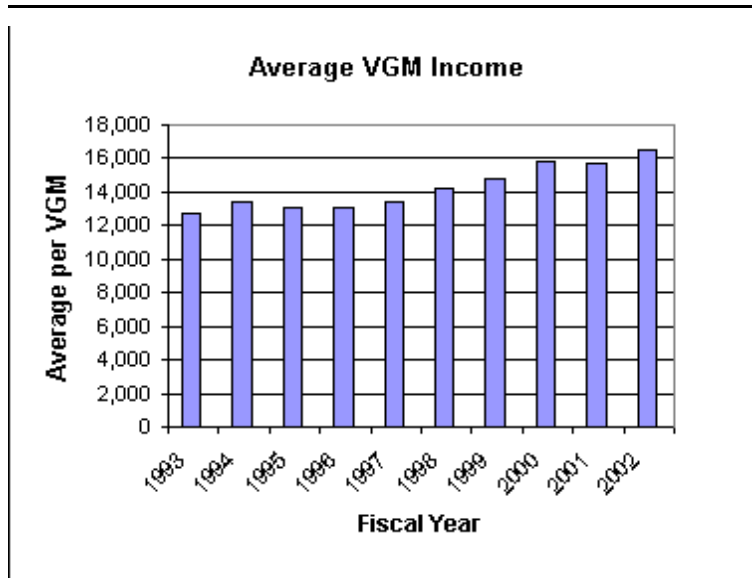
	FY 1999		FY 2000		FY 2001		FY 2002	
<i>Annual Gross Income Per Machine</i>	<i>Number of VGMs</i>	<i>Percent of Total</i>	<i>Number of VGMs</i>	<i>Percent of Total</i>	<i>Number of VGMs</i>	<i>Percent of Total</i>	<i>Number of VGMs</i>	<i>Percent of Total</i>
\$0-\$5,000	1,735	20%	1,859	21%	1,589	17%	1,665	17%
\$5,001 - \$10,000	1,945	22%	1,938	22%	1,786	19%	1,749	18%
\$10,001-\$25,000	3,105	36%	2,963	33%	3,085	33%	3,188	33%
\$25,001-\$50,000	1,691	19%	1,835	20%	2,205	24%	2,349	24%
\$50,001-\$75,000	215	2%	349	4%	492	5%	603	6%
\$75,001-\$110,000	18	0%	28	0%	79	1%	90	1%
Total	8,709	100%	8,972	100%	9,236	100%	9,644	100%

Machines continually operating for 90 days or more in each (4) quarters within the same establishment.



Fiscal Year	Average No. of Machines Reporting	Total Annual Gross Income	Average Annual Gross Income Per Machine
1993	14,047	178,900,000	12,736
1994	14,956	200,300,000	13,393
1995	15,971	209,000,000	13,086
1996	16,458	214,600,000	13,039
1997	16,848	225,300,000	13,373
1998	17,260	244,500,000	14,166
1999	17,132	253,500,000	14,797
2000	17,156	270,500,000	15,767
2001	17,594	275,870,000	15,680
2002	17,558	290,300,000	16,534

Represents the average of all machines permitted divided into total gross income reported.



**Video Gambling Machine Gross Income Tax Collections
Fiscal Years 2001 and 2002**

	JURISDICTION	FY 2001	FY 2002
01	BUTTE - SILVERBOW	\$2,536,014	\$2,607,717
	WALKERVILLE	\$5,530	\$8,638
02	CASCADE	\$356,248	\$352,671
	BELT	\$38,485	\$36,932
	CASCADE	\$29,492	\$27,863
	GREAT FALLS	\$4,275,261	\$4,386,180
	NIEHART	\$1,782	\$1,689
03	YELLOWSTONE	\$617,936	\$676,715
	BILLINGS	\$6,802,199	\$7,413,292
	BROADVIEW	\$4,453	\$3,399
	LAUREL	\$400,891	\$409,145
04	MISSOULA	\$984,239	\$965,228
	MISSOULA	\$3,358,886	\$3,508,127
05	LEWIS & CLARK	\$276,396	\$305,552
	EAST HELENA	\$396,252	\$414,825
	HELENA	\$2,151,252	\$2,363,927
06	GALLATIN	\$274,875	\$311,188
	BELGRADE	\$346,634	\$409,896
	BOZEMAN	\$1,286,934	\$1,349,089
	MANHATTAN	\$38,712	\$35,492
	THREE FORKS	\$34,153	\$35,850
	WEST YELLOWSTONE	\$153,725	\$142,712
07	FLATHEAD	\$1,079,873	\$1,207,919
	COLUMBIA FALLS	\$351,471	\$353,790
	KALISPELL	\$1,761,752	\$1,762,891
	WHITEFISH	\$419,948	\$470,759

	JURISDICTION	FY 2001	FY 2002
08	FERGUS	\$22,938	\$23,608
	DENTON	\$1,440	\$5,152
	GRASS RANGE	\$2,442	\$0
	LEWISTOWN	\$441,536	\$465,808
	MOORE	\$4,128	\$3,558
	WINIFRED	\$4,951	\$4,528
09	POWDER RIVER	\$17	\$69
	BROADUS	\$38,693	\$44,717
10	CARBON	\$119,194	\$165,819
	BEAR CREEK	\$512	\$456
	BRIDGER	\$122,783	\$152,095
	FROMBERG	\$5,195	\$4,951
	JOLIET	\$9,124	\$7,824
	RED LODGE	\$190,140	\$200,365
11	PHILLIPS	\$10,879	\$14,306
	DODSON	\$6,126	\$5,592
	MALTA	\$94,894	\$100,728
	SACO	\$6,181	\$7,931
12	HILL	\$101,251	\$90,528
	HAVRE	\$758,493	\$823,239
13	RAVALLI	\$210,373	\$240,869
	DARBY	\$116,935	\$99,536
	HAMILTON	\$696,461	\$732,737
	STEVENSVILLE	\$67,388	\$65,429
14	CUSTER	\$20,818	\$22,064
	MILES CITY	\$620,270	\$702,484
15	LAKE	\$175,219	\$161,989
	POLSON	\$330,985	\$336,800
	RONAN	\$224,057	\$216,447
	ST. IGNATIUS	\$5,927	\$10,363
16	DAWSON	\$122,297	\$125,753
	GLENDIVE	\$280,312	\$306,050
	RICHEY	\$4,052	\$4,154

	JURISDICTION	FY 2001	FY 2002
17	ROOSEVELT	\$147,810	\$169,009
	BAINVILLE	\$40,948	\$48,128
	BROCKTON	\$4,891	\$3,354
	CULBERTSON	\$50,782	\$46,936
	FROID	\$9,336	\$11,246
	POPLAR	\$54,248	\$57,945
	WOLF POINT	\$183,212	\$181,860
18	BEAVERHEAD	\$36,655	\$36,765
	DILLON	\$256,684	\$257,660
	LIMA	\$7,815	\$6,827
19	CHOTEAU	\$16,961	\$12,110
	BIG SANDY	\$32,962	\$41,459
	FORT BENTON	\$52,508	\$47,146
	GERALDINE	\$993	\$2,992
20	VALLEY	\$106,384	\$125,564
	GLASGOW	\$116,578	\$112,916
	NASHUA	\$8,162	\$4,527
	OPHEIM	\$4,827	\$3,600
	FORT PECK	\$0	\$0
21	TOOLE	\$21,791	\$20,287
	KEVIN	\$9,987	\$11,496
	SHELBY	\$245,192	\$264,871
	SUNBURST	\$9,039	\$7,593
22	BIG HORN	\$27,165	\$25,518
	HARDIN	\$587,903	\$525,752
23	MUSSELSHELL	\$9,391	\$13,431
	MELSTONE	\$1,301	\$1,294
	ROUNDUP	\$153,736	\$174,391
24	BLAINE	\$14,428	\$8,614
	CHINOOK	\$121,194	\$120,531
	CITY OF HARLEM	\$65,294	\$68,244
25	MADISON	\$39,644	\$44,336
	ENNIS	\$50,425	\$42,852
	SHERIDAN	\$8,214	\$8,905
	TWIN BRIDGES	\$3,599	\$6,351
	VIRGINIA CITY	\$14,070	\$14,961

	JURISDICTION	FY 2001	FY 2002
26	PONDERA	\$32,894	\$20,858
	CONRAD	\$145,137	\$161,989
	VALIER	\$5,245	\$4,913
27	RICHLAND	\$17,811	\$21,045
	FAIRVIEW	\$90,189	\$111,474
	SIDNEY	\$415,503	\$426,492
28	POWELL	\$32,602	\$37,041
	DEER LODGE	\$238,365	\$245,786
29	ROSEBUD	\$69,079	\$75,212
	FORSYTH	\$139,099	\$159,631
	COLSTRIP	\$137,664	\$138,922
30	ANACONDA	\$587,923	\$557,001
31	TETON	\$17,581	\$15,905
	CHOTEAU	\$55,362	\$52,202
	DUTTON	\$6,680	\$10,171
	FAIRFIELD	\$37,975	\$38,391
32	STILLWATER	\$121,973	\$108,022
	COLUMBUS	\$199,365	\$208,739
33	TREASURE	\$503	\$0
	HYSHAM	\$2,269	\$1,728
34	SHERIDAN	\$4,924	\$5,123
	MEDICINE LAKE	\$5,417	\$7,200
	OUTLOOK	\$178	\$101
	PLENTYWOOD	\$81,254	\$93,417
	WESTBY	\$10,014	\$8,970
35	SANDERS	\$89,847	\$94,369
	HOT SPRINGS	\$6,018	\$7,609
	PLAINS	\$121,937	\$119,514
	THOMPSON FALLS	\$144,738	\$153,623
36	JUDITH BASIN	\$27,924	\$24,350
	HOBSON	\$10,538	\$7,510
	STANFORD	\$9,709	\$8,540

	JURISDICTION	FY 2001	FY 2002
37	DANIELS	\$1,864	\$1,839
	FLAXVILLE	\$2,873	\$2,829
	SCOBEY	\$43,107	\$42,715
38	GLACIER	\$250	\$0
	CUT BANK	\$382,519	\$401,261
39	FALLON	\$1,122	\$3,728
	BAKER	\$78,343	\$100,527
	PLEVNA	\$5,977	\$3,837
40	SWEET GRASS	\$21,317	\$30,031
	BIG TIMBER	\$58,106	\$63,416
41	MCCONE	\$3,702	\$1,368
	CIRCLE	\$9,343	\$10,742
42	CARTER	\$405	\$613
	EKALAKA	\$12,776	\$13,622
43	BROADWATER	\$98,844	\$106,935
	TOWNSEND	\$152,846	\$157,130
44	WHEATLAND	\$25,053	\$46,248
	HARLOWTON	\$41,878	\$34,128
	JUDITH GAP	\$3,433	\$3,632
45	PRAIRIE	\$734	\$431
	TERRY	\$20,292	\$23,329
46	GRANITE	\$17,554	\$18,017
	DRUMMOND	\$11,039	\$9,317
	PHILIPSBURG	\$42,908	\$36,060
47	MEAGHER	\$13,137	\$11,323
	WHITE SULPHUR SPRINGS	\$59,958	\$61,962
48	LIBERTY	\$915	\$806
	CHESTER	\$30,460	\$28,176

	JURISDICTION	FY 2001	FY 2002
49	PARK	\$180,294	\$186,484
	CLYDE PARK	\$15,995	\$14,538
	LIVINGSTON	\$489,487	\$509,847
50	GARFIELD	\$2,186	\$1,118
	JORDAN	\$8,600	\$6,408
51	JEFFERSON	\$79,092	\$82,511
	BOULDER	\$80,125	\$85,298
	WHITEHALL	\$95,819	\$105,474
52	WIBAUX	\$0	\$0
	WIBAUX	\$65,712	\$64,455
53	GOLDEN VALLEY	\$2,511	\$2,753
	RYEGATE	\$7,392	\$8,263
54	MINERAL	\$235,554	\$221,475
	ALBERTON	\$34,202	\$32,757
	SUPERIOR	\$114,786	\$118,501
55	PETROLEUM	\$0	\$0
	WINNETT	\$2,322	\$4,576
56	LINCOLN	\$319,305	\$278,197
	EUREKA	\$66,691	\$110,114
	LIBBY	\$356,514	\$412,567
	REXFORD	\$13,099	\$10,217
	TROY	\$85,225	\$72,782
TOTALS		\$41,574,916	\$43,705,112

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
BUTTE / SILVERBOW	106	1067
WALKERVILLE	<u>1</u>	<u>7</u>
TOTAL WITHIN COUNTY:	107	1074
CASCADE COUNTY	37	303
BELT	5	41
CASCADE	4	24
GREAT FALLS	102	1523
NEIHART	<u>1</u>	<u>3</u>
TOTAL WITHIN COUNTY:	149	1894
YELLOWSTONE COUNTY	27	241
BILLINGS	130	1929
BROADVIEW	2	9
03069 LAUREL	<u>10</u>	<u>151</u>
TOTAL WITHIN COUNTY:	169	2330
MISSOULA COUNTY	53	445
MISSOULA	<u>80</u>	<u>983</u>
TOTAL WITHIN COUNTY:	133	1428
LEWIS & CLARK COUNTY	33	254
EAST HELENA	5	84
HELENA	<u>52</u>	<u>628</u>
TOTAL WITHIN COUNTY:	90	966
GALLATIN COUNTY	26	147
BELGRADE	11	119
BOZEMAN	34	349
MANHATTAN	4	33
THREE FORKS	5	39
WEST YELLOWSTONE	<u>7</u>	<u>62</u>
TOTAL WITHIN COUNTY:	87	749
FLATHEAD COUNTY	51	526
COLUMBIA FALLS	8	131
KALISPELL	26	447
WHITEFISH	<u>15</u>	<u>190</u>
TOTAL WITHIN COUNTY:	100	1294

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
FERGUS COUNTY	9	32
DENTON	1	4
GRASS RANGE	1	4
LEWISTOWN	15	188
MOORE	1	4
WINIFRED	<u>2</u>	<u>4</u>
TOTAL WITHIN COUNTY:	29	236
POWDER RIVER		
BROADUS	<u>4</u>	<u>21</u>
TOTAL WITHIN COUNTY:	4	21
CARBON COUNTY	9	72
BEARCREEK	1	3
BRIDGER	4	48
FROMBERG	2	6
JOLIET	3	15
RED LODGE	<u>9</u>	<u>87</u>
TOTAL WITHIN COUNTY:	28	231
PHILLIPS COUNTY	5	15
DODSON	2	8
MALTA	10	64
SACO	<u>2</u>	<u>10</u>
TOTAL WITHIN COUNTY:	19	97
HILL COUNTY	12	100
HAVRE	<u>25</u>	<u>314</u>
TOTAL WITHIN COUNTY:	37	414
RAVALLI COUNTY	25	162
DARBY	4	44
HAMILTON	16	245
STEVENSVILLE	<u>5</u>	<u>51</u>
TOTAL WITHIN COUNTY:	50	502
CUSTER COUNTY	4	29
MILES CITY	<u>23</u>	<u>277</u>
TOTAL WITHIN COUNTY:	27	306

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
LAKE COUNTY	15	97
POLSON	13	131
RONAN	6	67
ST IGNATIUS	<u>1</u>	<u>7</u>
TOTAL WITHIN COUNTY:	35	302
DAWSON COUNTY	5	35
GLEN DIVE	16	180
RICHEY	<u>2</u>	<u>5</u>
TOTAL WITHIN COUNTY:	23	220
ROOSEVELT COUNTY	3	28
BAINVILLE	2	31
BROCKTON	1	4
CULBERTSON	3	25
FROID	2	15
POPLAR	7	55
WOLF POINT	<u>8</u>	<u>88</u>
TOTAL WITHIN COUNTY:	26	246
BEAVERHEAD COUNTY	12	57
DILLON	18	171
LIMA	<u>3</u>	<u>12</u>
TOTAL WITHIN COUNTY:	33	240
CHOUTEAU COUNTY	4	18
BIG SANDY	3	22
FORT BENTON	8	49
GERALDINE	<u>3</u>	<u>3</u>
TOTAL WITHIN COUNTY:	18	92
VALLEY COUNTY	7	55
GLASGOW	12	90
NASHUA	3	11
OPHEIM	<u>2</u>	<u>8</u>
TOTAL WITHIN COUNTY:	24	164

Appendix A
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Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
TOOLE COUNTY	6	18
KEVIN	2	8
SHELBY	13	107
SUNBURST	<u>2</u>	<u>8</u>
TOTAL WITHIN COUNTY:	23	141
BIG HORN COUNTY	3	19
HARDIN	<u>10</u>	<u>142</u>
TOTAL WITHIN COUNTY:	13	161
MUSSELSHELL COUNTY	2	9
MELSTONE	1	2
ROUNDUP	<u>9</u>	<u>84</u>
TOTAL WITHIN COUNTY:	12	95
BLAINE COUNTY	4	10
CHINOOK	8	59
CITY OF HARLEM	<u>3</u>	<u>36</u>
TOTAL WITHIN COUNTY:	15	105
MADISON COUNTY	15	50
ENNIS	4	29
SHERIDAN	3	12
TWIN BRIDGES	2	7
VIRGINIA CITY	<u>1</u>	<u>8</u>
TOTAL WITHIN COUNTY:	25	106
PONDERA COUNTY	4	26
CONRAD	7	62
VALIER	<u>2</u>	<u>9</u>
TOTAL WITHIN COUNTY:	13	97
RICHLAND COUNTY	4	21
FAIRVIEW	4	39
SIDNEY	<u>14</u>	<u>148</u>
TOTAL WITHIN COUNTY:	22	208
POWELL COUNTY	8	41
DEER LODGE	<u>12</u>	<u>103</u>
TOTAL WITHIN COUNTY:	20	144

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
ROSEBUD COUNTY	9	72
FORSYTH	9	77
COLSTRIP	<u>4</u>	<u>60</u>
TOTAL WITHIN COUNTY:	22	209
ANACONDA/DEERLODGE COUNTY	<u>37</u>	<u>303</u>
TOTAL WITHIN COUNTY:	37	303
TETON COUNTY	7	20
CHOTEAU	7	47
DUTTON	2	9
FAIRFIELD	<u>4</u>	<u>27</u>
TOTAL WITHIN COUNTY:	20	103
STILLWATER COUNTY	8	64
COLUMBUS	<u>5</u>	<u>80</u>
TOTAL WITHIN COUNTY:	13	144
TREASURE COUNTY		
HYSHAM	<u>1</u>	<u>3</u>
TOTAL WITHIN COUNTY:	1	3
SHERIDAN COUNTY	6	21
MEDICINE LAKE	2	11
OUTLOOK	1	2
PLENTYWOOD	8	85
WESTBY	<u>1</u>	<u>11</u>
TOTAL WITHIN COUNTY:	18	130
SANDERS COUNTY	12	93
HOT SPRINGS	2	12
PLAINS	5	56
THOMPSON FALLS	<u>5</u>	<u>51</u>
TOTAL WITHIN COUNTY:	24	212
JUDITH BASIN COUNTY	5	17
HOBSON	2	9
STANFORD	<u>3</u>	<u>9</u>
TOTAL WITHIN COUNTY:	10	35

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
DANIELS COUNTY	1	4
FLAXVILLE	2	10
SCOBEY	<u>5</u>	<u>35</u>
TOTAL WITHIN COUNTY:	8	49
 GLACIER COUNTY		
CUT BANK	<u>11</u>	<u>130</u>
TOTAL WITHIN COUNTY:	11	130
 FALLON COUNTY		
BAKER	1	2
PLEVNA	7	74
TOTAL WITHIN COUNTY:	<u>1</u>	<u>4</u>
	9	80
 SWEET GRASS COUNTY		
BIG TIMBER	2	21
TOTAL WITHIN COUNTY:	<u>6</u>	<u>46</u>
	8	67
 MCCONE COUNTY		
CIRCLE	2	3
TOTAL WITHIN COUNTY:	<u>4</u>	<u>16</u>
	6	19
 CARTER COUNTY		
EKALAKA	1	2
TOTAL WITHIN COUNTY:	<u>2</u>	<u>12</u>
	3	14
 BROADWATER COUNTY		
TOWNSEND	5	39
TOTAL WITHIN COUNTY:	<u>9</u>	<u>65</u>
	14	104
 WHEATLAND COUNTY		
HARLOWTON	4	31
JUDITH GAP	5	37
TOTAL WITHIN COUNTY:	<u>2</u>	<u>6</u>
	11	74
 PRAIRIE COUNTY		
TERRY	1	1
TOTAL WITHIN COUNTY:	<u>2</u>	<u>13</u>
	3	14

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
GRANITE COUNTY	3	25
DRUMMOND	2	14
PHILIPSBURG	<u>5</u>	<u>32</u>
TOTAL WITHIN COUNTY:	10	71
MEAGHER COUNTY	4	13
WHITE SULPHUR SPRINGS	<u>6</u>	<u>35</u>
TOTAL WITHIN COUNTY:	10	48
LIBERTY COUNTY	1	3
CHESTER	<u>5</u>	<u>30</u>
TOTAL WITHIN COUNTY:	6	33
PARK COUNTY	15	107
CLYDE PARK	2	8
LIVINGSTON	<u>22</u>	<u>189</u>
TOTAL WITHIN COUNTY:	39	304
GARFIELD COUNTY	1	3
JORDAN	<u>2</u>	<u>10</u>
TOTAL WITHIN COUNTY:	3	13
JEFFERSON COUNTY	8	81
BOULDER	4	40
WHITEHALL	<u>6</u>	<u>48</u>
TOTAL WITHIN COUNTY:	18	169
WIBAUX COUNTY		
WIBAUX	<u>3</u>	<u>35</u>
TOTAL WITHIN COUNTY:	3	35
GOLDEN VALLEY COUNTY	1	5
RYEGATE	<u>2</u>	<u>11</u>
TOTAL WITHIN COUNTY:	3	16
MINERAL COUNTY	12	147
ALBERTON	3	22
SUPERIOR	<u>6</u>	<u>65</u>
TOTAL WITHIN COUNTY:	21	234

Appendix A
Chart – 5
Number of Video Gambling Establishments and Machines by County and City

	<i>Number of Establishments</i>	<i>Number of Machines</i>
PETROLEUM COUNTY		
WINNETT	<u>2</u>	<u>5</u>
TOTAL WITHIN COUNTY:	2	5
LINCOLN COUNTY	22	177
EUREKA	3	34
LIBBY	14	186
REXFORD	1	8
TROY	<u>7</u>	<u>69</u>
TOTAL WITHIN COUNTY:	<u>47</u>	<u>474</u>
TOTAL WITHIN STATE:	1,711	16,955

APPENDIX B

GAMBLING LICENSE AND PERMIT STATISTICS

Gambling Operator's Licenses

TYPE OF LICENSE	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Standard	1,616	1,620	1,609	1,588
Provisional	36	0	0	0
Conditional	91	87	87	89
Probationary	16	14	24	24
TOTAL	1,759	1,721	1,720	1,701

MANUFACTURER/DISTRIBUTOR/ROUTE OPERATOR LICENSES

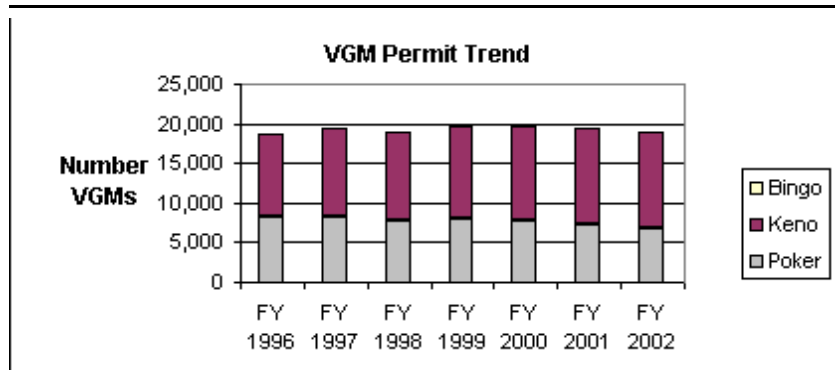
TYPE OF LICENSE	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Manufacturer	7	7	4	3
Distributor	2	2	2	0
Route Operator	87	83	76	70
Manufacturer/Distributor	9	8	5	5
Distributor/Route Operator	10	8	11	11
Manufacturer/Distributor/Route Operator	2	2	3	3
Manufacturer of Illegal Devices	7	7	7	7
TOTAL	124	117	108	99

MISCELLANEOUS GAMBLING LICENSES

	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Dealers	308	278	214	220
Card Room Contractors	27	29	30	32
Antique Slot Machine Dealers	6	6	8	7

VIDEO GAMBLING MACHINE PERMITS ISSUED BY MACHINE TYPE

TYPE OF LICENSE	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Poker	8,290	8,344	7,776	7,898	7,697	7,370	6,865
Keno	10,289	11,123	11,174	11,751	11,878	12,100	12,005
Bingo	8	20	1	0	0	0	0
TOTAL	18,587	19,487	18,951	19,649	19,575	19,470	18,870



NUMBER OF LIVE BINGO AND KENO PERMITS ISSUED

TYPE OF LICENSE	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Commercial Org.							
Bingo	33	25	38	40	40	30	28
Keno	32	33	33	29	27	26	24
Bingo/Keno	5	5	7	5	4	5	5
Subtotal	70	63	78	74	71	61	57
Exempt Org.							
Bingo	60	57	59	55	47	46	49
Keno	1	1	1	1	1	0	0
Bingo/Keno	0	1	1	1	1	1	0
Subtotal	61	59	61	57	49	47	49
TOTAL	131	122	139	131	120	108	106

MISCELLANEOUS PERMITS

LIVE CARD GAMES	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
First Table (\$250)	207	206	192	170	173	162	154
Add. Table (\$500)	57	48	42	44	47	38	33
TOTAL	264	254	234	214	220	200	187
Card Tournaments	140	168	131	120	126	112	125
Calcutta Pools	75	79	89	99	99	95	87
Casino Nights	19	15	18	22	27	20	23

**LIVE BINGO AND KENO
PERMITS FEE REVENUES**

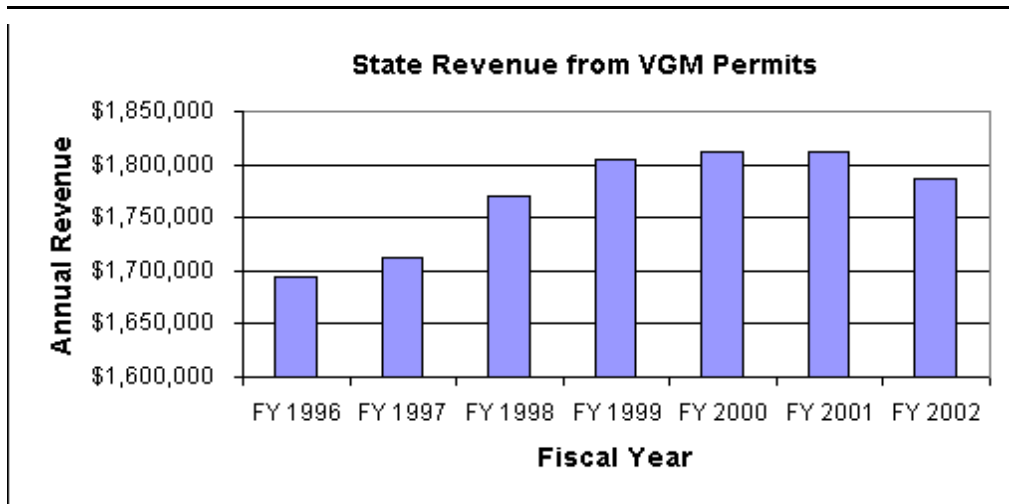
TYPE OF GAME	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Bingo	\$8,525	\$6,875	\$10,125	\$11,000	\$10,875	\$7,500	\$7,000
Keno	8,500	8,250	8,250	7,500	6,750	6,500	5,250
Bingo/Keno	1,250	1,250	1,750	1,625	1,125	1,250	1,250
TOTAL	\$18,275	\$16,375	\$20,125	\$20,125	\$18,750	\$15,250	\$13,500

LIVE CARD TABLE PERMITS FEE REVENUES

Fees Collected:	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Amount Collected	\$80,000	\$74,750	\$69,000	\$64,500	\$66,750	\$59,250	\$55,000
Distributions:							
To Local Govt.	53,700	48,800	45,600	43,100	44,750	38,700	36,300
To State	26,300	25,950	23,400	21,400	22,000	20,550	18,700

VIDEO GAMBLING MACHINE PERMIT FEES

Fees Collected:	<i>FY 1996</i>	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>
Amount Collected	\$3,387,800	\$3,425,400	\$3,541,950	\$3,608,150	\$3,622,600	\$3,624,150	\$3,573,750
Distributions:							
To Local Govt	\$1,693,900	\$1,712,700	\$1,770,975	\$1,804,075	\$1,811,300	\$1,812,075	\$1,786,875
To State	\$1,693,900	\$1,712,700	\$1,770,975	\$1,804,075	\$1,811,300	\$1,812,075	\$1,786,875



APPENDIX C
GENERAL GAMBLING INFORMATION

<i>Fiscal Year</i>	1998	1999	2000	2001	2002
Live horse racing	\$3.1	\$2.2	\$2.3	\$2.1	\$1.8
Simulcast racing	\$7.1	\$8.6	\$8.2	\$6.5	\$7.8
Commercial live keno	\$4.6	\$3.9	\$3.5	\$3.8	\$3.8
Commercial live bingo	\$7.7	\$7.9	\$6.8	\$6.7	\$6.3
Lottery	\$29.8	\$30.0	\$29.9	\$30.4	\$33.6
Video gambling machines	\$593.7	\$617.0	\$658.0	\$672.9	\$708.1
Total Amounts Wagered	\$646.0	\$669.6	\$708.7	\$722.4	\$761.4

Amounts Wagered in Fiscal 2002



Revenue Source	Total Collected	Local Government	Gambling Control	General Fund
VGM Gross Income Tax	\$43,645,944	\$0	\$0	\$43,695,944
Live Bingo & Keno Tax	\$21,907	\$21,907		
Sports Tab Tax	\$0	\$0	\$0	\$0
VGM permit fees	\$3,576,050	\$1,788,025	\$1,788,025	\$0
Fines/Penalties	\$206,951	\$103,476		\$103,475
Lab test fees	\$39,525		\$39,525	
Bingo & Keno Permit Fees	\$16,875	\$0	\$16,875	\$0
Card Table Permit Fees	\$53,000	\$36,300	\$16,700	\$0
Casino Night Permit Fees	\$500	\$0	\$500	\$0
Antique Slot Dealer	\$0	\$0	\$0	\$0
Operator License Fees	\$103,274	\$0	\$103,274	\$0
Card Dealer License Fees	\$10,695	\$0	\$10,695	\$0
Card Room Contrator Fees	\$4,650	\$0	\$4,650	\$0
Card Tournament Fees	\$1,250	\$0	\$1,250	\$0
Manufacturer Lic. Fees	\$123,780	\$0	\$123,780	\$0
Totals	\$47,804,401	\$1,949,708	\$2,105,274	\$43,799,419
Percent of Total	100.00%	4.08%	4.40%	91.62%

