

MONTANA DEPARTMENT OF JUSTICE

GAMBLING CONTROL DIVISION

Biennial Report

Fiscal Years 2011 - 2012



and

Report of the

Gaming Advisory Council

December 2012

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Executive Summary

Line Games

One of the major accomplishments of the 2011-2012 Biennium has been the implementation of line games, a new video gambling game authorized by the 2011 Montana Legislature. The bill authorizing video line games gave the Gambling Control Division from the end of the 2011 session until January 1, 2012, to establish specifications for the machines, draft rules to provide for the implementation of the game, receive game prototype submissions from licensed manufacturers, and test and approve the games. The Division accomplished its mission and by January 1, 2012, every line game submitted by licensed manufacturers was tested, approved and in the market. By most accounts, the introduction of line games, as well as improvements in the state's economy, resulted in greater video gambling machine revenues. Video gambling machine tax collections at the end of the third quarter of fiscal year 2012 (January 1 – March 30, 2012) were \$14.3 million or 17.6% greater than they were for the same time period the previous year.

That growth in video gambling machine tax collections has generally held through the fourth quarter of fiscal year 2012 (April 1 – June 30, 2012) and the first quarter of fiscal year 2013 (July 1 – September 30, 2012). Most operators reported that line-game play made up 30% to 35% of the play in the third quarter of fiscal year 2012 and was growing. To meet the demands of the increasing number of machine manufacturers licensed in Montana and the submissions of new and modified line games, the Division transferred to the lab one vacant FTE position to hire another test engineer.

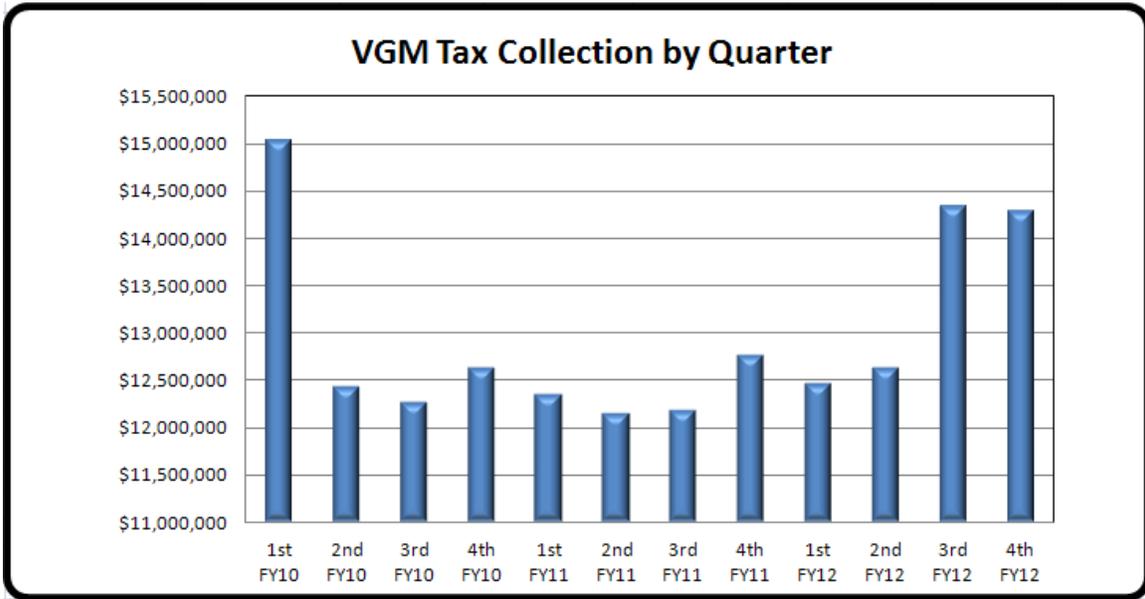
Gaming Industry Trends

Video gambling machine revenue declined by 2.14% from fiscal year 2008 to fiscal year 2009 for the first time in the 20-year history of the tax, most likely due to the general decline in the economy. Video gambling machine tax collections continued to decline through fiscal years 2010 and 2011 by 15.59% and 5.64%, respectively, likely due the implementation of the smoking ban on October 1, 2009, and the economic recession.

While collections through the first two quarters of fiscal year 2012 were up slightly from the same periods in fiscal year 2011, they were still well below amounts collected in the year preceding the implementation of the smoking ban. Collections for the third and fourth quarter of fiscal year 2012 were up significantly, likely due to the authorization of line games during the 2011 legislative session and improvement in the state's economy.

A total of \$14.34 and \$14.30 million in video gambling machine taxes were collected for the third and fourth quarters, respectively, increases of 17.67% and 12.03% over the same periods in fiscal year 2011.

The following table indicates the quarterly tax collections for the last three fiscal years:



The number of permitted video gambling machines decreased during fiscal year 2011 and 2012 from fiscal year 2010 levels. In fiscal year 2011, the Gambling Control Division issued 19,172 permits compared to 21,703 issued in fiscal year 2010. This represents a decrease of approximately 12% from fiscal year 2010. In fiscal year 2012, the Division issued 19,294 permits which, while representing a slight increase over permits issued in fiscal year 2011, was still 11% fewer than fiscal year 2010. In consultation with industry leaders, the department estimates that, for the foreseeable future, the number of video gambling machine permits will not reach the levels seen during fiscal year 2008 to fiscal year 2010.

The number of card tables permitted has been steadily decreasing since fiscal year 2009. After an 8% decrease between fiscal years 2009 and 2010 permitting levels, card table permits saw an additional 16% decrease in fiscal year 2011 and 11% decrease in fiscal year 2012. As such, the 295 live card tables permitted in fiscal year 2012 represent only 68% of the 434 live card tables permitted in fiscal year 2009. A provision in the department’s proposed legislation related to live card games, if passed, may stem this downward trend (see “Recommendations of the Gaming Advisory Council”, page 21, for more information).

Tribal Gaming

Gaming compacts that provide for class III gaming remain in place with five tribes. No significant changes in tribal gaming occurred during the biennium, but the payout and machine limits are currently under discussion in negotiations with the Rocky Boy's, Fort Peck, and Northern Cheyenne tribal governments. Although final compacts have not yet resulted from these discussions, the State expects payout and machine limits to increase.

Gaming Advisory Council

The Gaming Advisory Council met five times in the interim between the 2011 and 2013 legislative sessions. The Council conducted a meeting in May 2011 to discuss the proposed rules changes to implement the new legislation regarding bingo, stale dates on ticket vouchers, and video line games. In addition, the Council heard from the public and the gaming industry concerning issues that needed to be addressed during the biennium. Issues that were identified as future topics of discussion included:

- Internet Gambling
- Live Poker Tournaments
- Sports Tab Games
- Amusement Games

A Licensing Subcommittee was appointed to continue working on streamlining the licensing processes.

In subsequent meetings, a Card Tournament Subcommittee and a Sports Pool Subcommittee were also appointed.

The legislative changes recommended by the Gaming Advisory Council will be presented in the joint DOJ/GAC bill in the 2013 session. The recommended changes are related to card tournaments, poker pot limits, and video gambling machine permit fees.

Gambling in Montana

Brief History

Montana's 1889 Constitution made all forms of gambling illegal. However, illegal gambling always existed in some local jurisdictions. In the 1930s and 1940s, 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, Montana voters approved a new Constitution that allowed the legislature to approve specific gambling activities. 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 legal video gambling machines. The legislature added video poker to keno in 1985 and, in 1986, voters approved a state lottery. The legislature enacted a 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 gambling 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 gambling laws.

Current Regulation

The Attorney General is responsible for the Department of Justice which includes the Gambling Control Division. The Gambling Control Division's jurisdiction extends to all forms of gambling except the Montana Lottery and horse racing.

The following gambling activities are regulated by the Division:

- video gambling machines that offer keno, poker, bingo, or line games
- live card games other than blackjack or other banked card games
- live bingo and live keno
- certain sports pool and sport tab games
- Calcutta pools and casino nights

- live fantasy sports leagues
- dice games including shake a day and shaking for music or drinks
- fishing derbies and betting on natural occurrences
- raffles

The Lottery Commission is administratively attached to the Department of Administration and the Board of Horse Racing is attached to the Department of Livestock.

Public Policy

The legislature has adopted the following public policy statement (MCA 23-5-110) with regard to gambling regulation in Montana:

“(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.

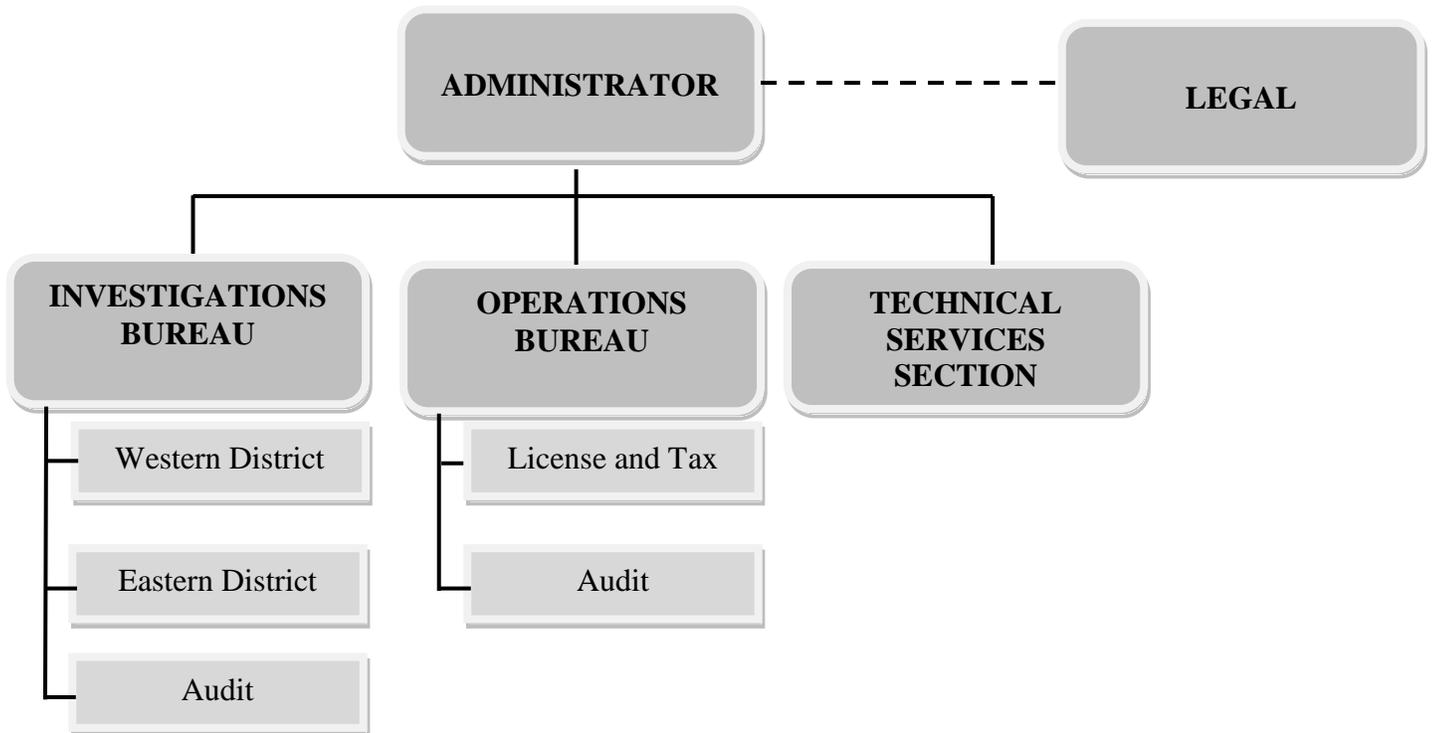
(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other 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.”

Organization and Activities of the Gambling Control Division

Most of the Division's staff and resources are dedicated to regulating and taxing video gambling machines. The Division also is responsible for investigating applicants for liquor and gambling licenses and any related illegal activity. Liquor licenses account for half of the work of the licensing and investigation staff. The Division was authorized for 50.5 full-time equivalent staff for fiscal year 2012 and 2013. Because the Division has been monitoring its fund balance and was able to capitalize on efficiencies, it gave up 3.5 FTE during the biennium and is only requesting 47 FTE in the next biennium.

The Division Administrator manages the Division's overall operations. In addition to management responsibility, the Administrator supports state negotiations related to tribal gaming compacts and the activities of the Gaming Advisory Council. The organizational structure of the Division is indicated below:



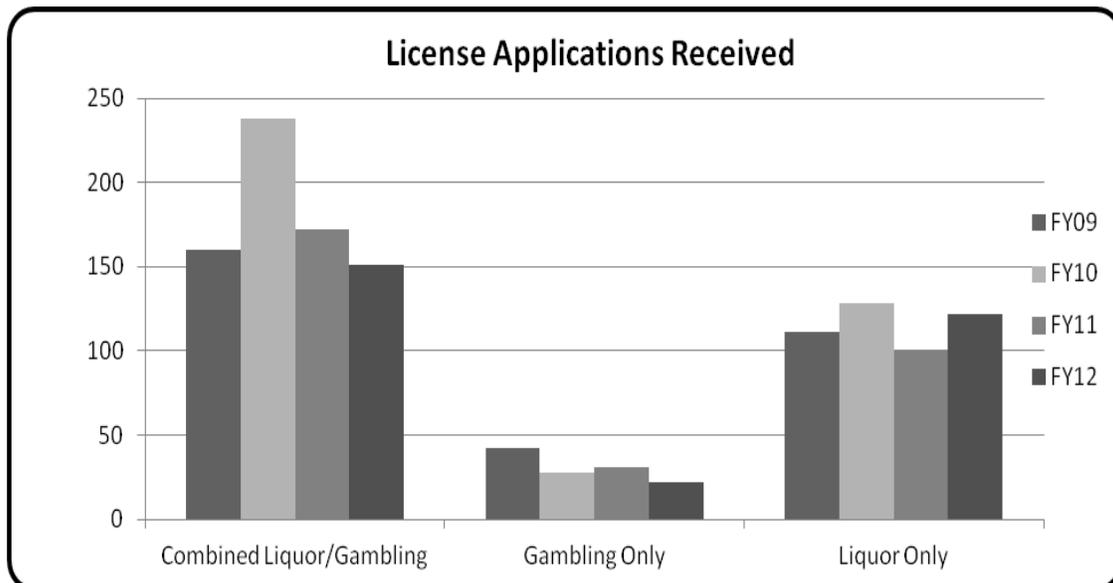
Operations Bureau

The Operations Bureau is responsible for most of the centralized functions of licensing operators, as well as collecting and auditing taxes. In addition, the Operations Bureau is responsible for an audit staff that assists in evaluating license applications and conducting field audits.

The License and Tax Section 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 Gambling Control Division processes both liquor and gambling, new and amended, license applications. The Department of Revenue is responsible for approving and issuing liquor licenses. The number of applications received remained steady at 303 in fiscal year 2011 and 295 applications in fiscal year 2012.



The Audit Section is split between the Operations Bureau and the Investigations Bureau, but its functions are the same. With auditors in Billings, Great Falls, Helena and Missoula, the Audit Section provides the following services:

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

Investigations Bureau

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

The responsibilities of the Investigations Bureau include:

- investigating illegal gambling activity
- investigating video gambling machine tampering, theft and burglary
- conducting background checks of applicants for a gambling or liquor license
- investigating any violations of laws related to tobacco taxes or the types of tobacco that can be sold
- conducting routine inspections of licensed establishments
- processing applications for temporary card dealer licenses
- inspecting newly constructed or remodeled establishments that sell liquor or allow gambling
- evaluating variations of legal gambling activities submitted for approval
- providing local law enforcement training

The number of gambling and liquor licensing cases completed by the Investigations Bureau remained steady at 823 in fiscal year 2011 and 808 in fiscal year 2012.

Technical Services Section

Technical Services Section personnel are based in Helena with the exception of one machine inspector assigned to Billings and another assigned to Missoula. The Technical Services Section serves as the primary technical resource for approving and testing video gambling machines.

Major responsibilities of the Technical Services Section include:

- testing video gambling software and hardware to be licensed for sale
- providing interpretations of state law and rules to video gambling machine software designers
- testing automated accounting systems
- providing random testing of video gambling machines to ensure that software and hardware are functioning as tested
- tracking the movement of illegal machines in and out of the state

Video gambling machine manufacturers are submitting an increasing number of new games for approval. This increase and changes in technology that allow more complex video gambling machines, have substantially increased the workload for the testing laboratory. The laboratory is primarily supported by testing fees that are paid by the video gambling machine manufacturers.

Legal Services

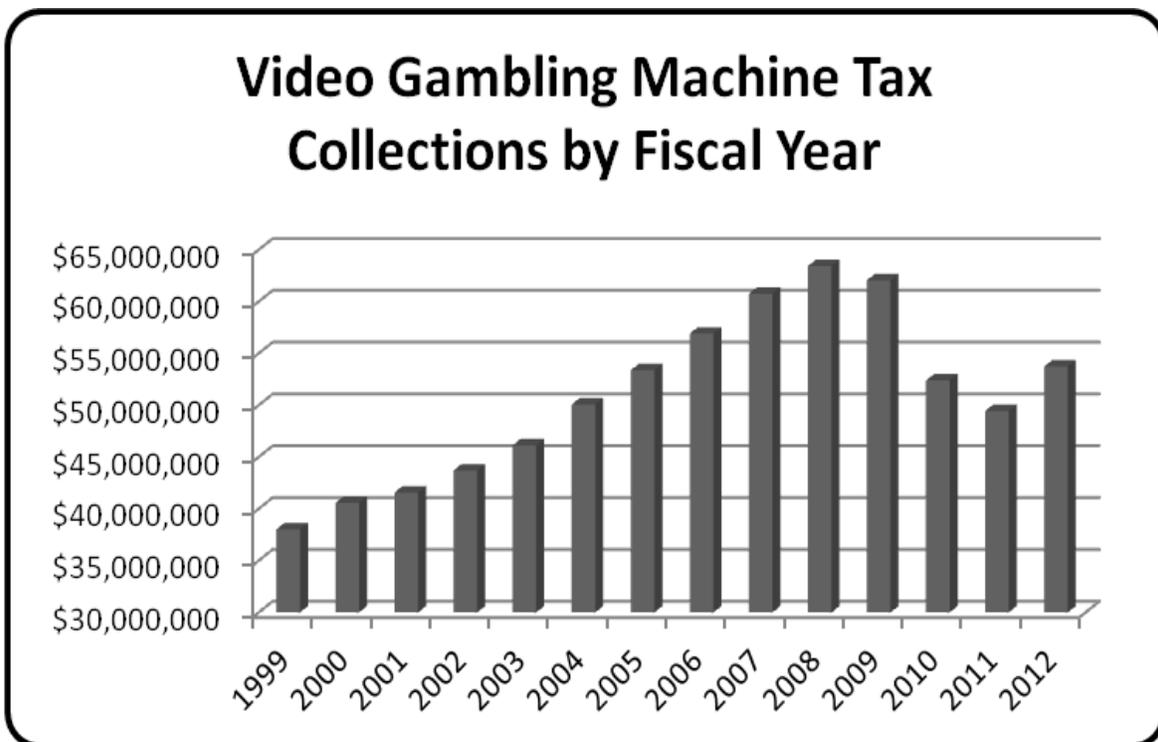
One attorney is assigned to the Gambling Control Division but is administratively attached to the Office of the Attorney General. A division legal secretary provides clerical assistance. The attorney's focus is primarily on administrative action against licensees who violate Montana's gambling laws and rules, and on representing the Division in administrative proceedings. In addition, the division attorney may assist local county attorneys with gambling-related cases that fall within local jurisdictions. If county attorneys decline prosecution of a criminal case, the division attorney may prosecute the case.

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, and all of the tax is distributed to the state general fund. This 15% tax is applied to the income from line game, keno and poker video gambling machines. Gross machine income is the total receipts from a machine, less the machine’s cash payouts. For example, if during a day \$100 is inserted and played on a video gambling machine and \$60 is cashed out, the gross income for the day would be \$40. The tax would be 15% of that \$40, or \$6.

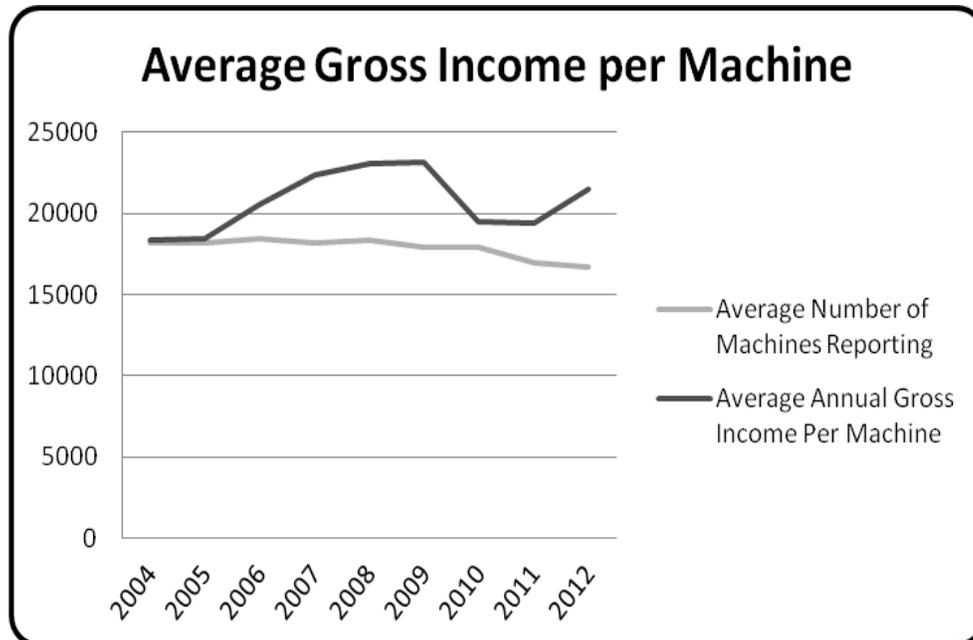
In fiscal year 2011, the Video Machine Gross Income Tax generated \$49.43 million for the state general fund. The amount generated in fiscal year 2011 represented a 5.64% decrease as compared to the amount collected in fiscal year 2010. The tax rebounded in fiscal year 2012 to \$53.73 million, an 8.7% increase as compared to fiscal year 2011.

The following chart indicates the video gambling machine tax collection trend since 1999:



Average gross income for video gambling machines per fiscal year is indicated in the following chart:

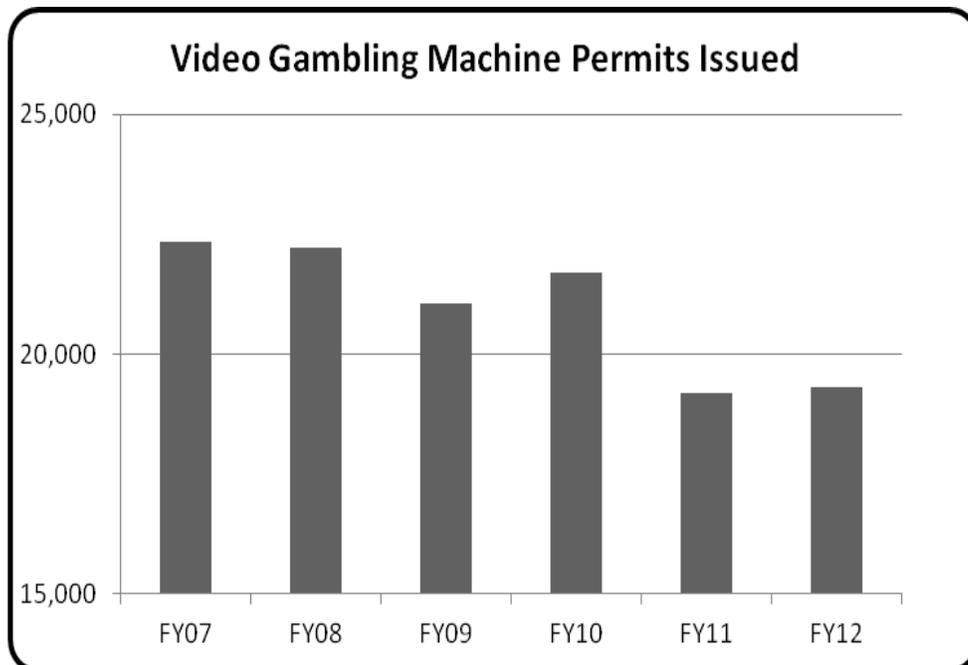
Fiscal Year	Average Number of Machines Reporting	Total Annual Gross Income	Average Annual Gross Income Per Machine
2004	18,192	\$333,827,800	\$18,350
2005	18,176	\$334,495,456	\$18,403
2006	18,420	\$378,827,999	\$20,566
2007	18,130	\$405,072,813	\$22,343
2008	18,350	\$422,829,120	\$23,042
2009	17,898	\$413,771,093	\$23,118
2010	17,892	\$349,259,553	\$19,520
2011	16,958	\$329,559,473	\$19,434
2012	16,649	\$358,218,613	\$21,516



Other Gambling Taxes – In addition to the Video Machine Gross Income Tax, the Division collects taxes on live keno, live bingo and sports tabs. Live bingo and live keno are taxed at the rate of 1% of gross proceeds and all of the tax is distributed to local government. Total collections are generally around \$10,000 per year.

Sports tab cards are taxed at a flat rate of \$1 per card and the Division retains all of the tax. Historically, this has been a regionally located activity and generally produces collections of less than \$2,000 annually.

Permit Fees – The Gambling Control Division also collects a number of permit fees related to licensing gambling activities. The most significant permit fee is the \$220 per year basic fee for each video gambling machine. The fee is split to provide \$100 to local government where the machine is located and \$120 to the State Gambling Special Revenue Fund. If a video gambling machine is permitted after the first quarter of the fiscal year, the fee is prorated by quarter.

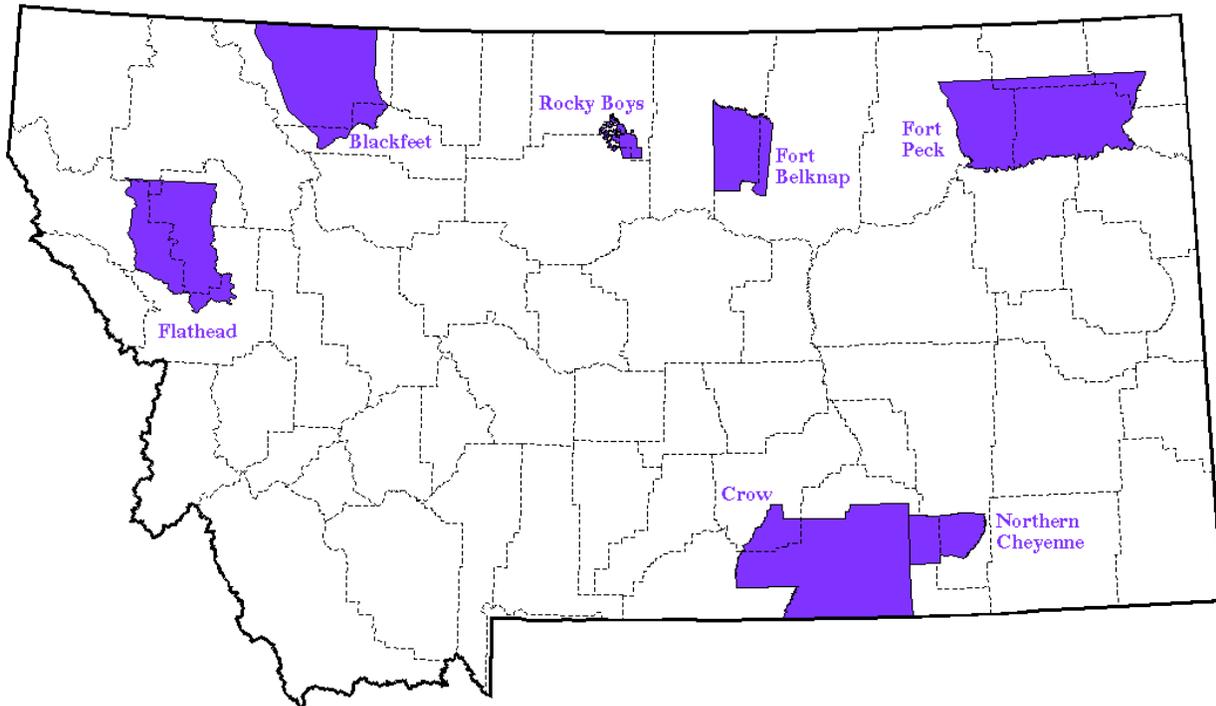


The number of video gambling machine permits issued has for the most part been decreasing since fiscal year 2007, but increased slightly in fiscal year 2012 to 19,294 as compared to 19,172 in fiscal year 2011, which represents a less than 1% increase.

The following table sets out the distribution of gambling revenue and fees to state and local governments for fiscal years 2011 and 2012:

FY 2011 GCD Distribution of Revenue				
		<i>Distribution of Funds</i>		
Revenue Source	Total Collected	Local Govt.	GCD	General Fund
Antique Slot Machine Dealer	\$ 100		\$ 100	
Bingo & Keno Permit Fees	\$ 12,125		\$ 12,125	
Card Dealer License Fees	\$ 19,035		\$ 19,035	
Card Room Contractor Fees	\$ 10,049		\$ 10,049	
Card Table Permit Fees	\$ 94,000	\$ 60,650	\$ 33,350	
Card Tournament Fees	\$ 2,700		\$ 2,700	
Casino Night Permit Fees	\$ 1,125		\$ 1,125	
Fines/Penalties	\$ 45,803			\$ 45,803
Lab Test Fees	\$ 125,390		\$ 125,390	
Live Bingo & Keno Tax	\$ 10,411	\$ 10,411		
Manufacturer License Fees	\$ 85,819		\$ 85,819	
Operator License Fees	\$ 80,233		\$ 80,233	
Sports Tab Tax	\$ 1,753		\$ 1,753	
VGM Gross Income Tax	\$ 49,433,921			\$ 49,433,921
VGM Permit Fees	\$ 3,901,348	\$1,770,978	\$2,130,370	
Totals	\$ 53,823,812	\$1,842,039	\$2,502,049	\$ 49,479,724
Percent of Total	100.00%	3.42%	4.65%	91.93%
FY 2012 GCD Distribution of Revenue				
		<i>Distribution of Funds</i>		
Revenue Source	Total Collected	Local Govt.	GCD	General Fund
Antique Slot Machine Dealer	\$ -			
Bingo & Keno Permit Fees	\$ 12,875		\$ 12,875	
Card Dealer License Fees	\$ 17,860		\$ 17,860	
Card Room Contractor Fees	\$ 8,702		\$ 8,702	
Card Table Permit Fees	\$ 84,250	\$ 54,500	\$ 29,750	
Card Tournament Fees	\$ 2,140		\$ 2,140	
Casino Night Permit Fees	\$ 1,055		\$ 1,055	
Fines/Penalties	\$ 40,428			\$ 40,428
Lab Test Fees	\$ 271,579		\$ 271,579	
Live Bingo & Keno Tax	\$ 9,332	\$ 9,332		
Manufacturer License Fees	\$ 90,307		\$ 90,307	
Operator License Fees	\$ 73,962		\$ 73,962	
Sports Tab Tax	\$ 1,248		\$ 1,248	
VGM Gross Income Tax	\$ 53,732,792			\$ 53,732,792
VGM Permit Fees	\$ 3,826,972	\$1,717,000	\$2,109,972	
Totals	\$ 58,173,502	\$1,780,832	\$2,619,450	\$ 53,773,220
Percent of Total	100.00%	3.06%	4.50%	92.44%

Tribal Gaming Compacts



The Indian Gaming Regulatory Act (IGRA) enacted by Congress in 1988 directs the State, upon the 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 video gambling machines and other casino-style games. No class III gaming, by tribal members or nonmembers, can be conducted on the reservation unless a compact is in place.

A team of representatives from the Governor's Office negotiates state-tribal compacts for the State on behalf of the Governor.

In existing tribal compacts, the State has negotiated the same types of games that are legal in Montana. With regard to conditions of play, the State has agreed to payouts of up to \$2,000 for tribally owned video gambling machines. The State has also agreed to allow a total number of video gambling machines on the reservation rather than limiting tribes to a specific number of machines to be placed in each tribal premise. The payout and machine limits are under discussion in negotiations with Rocky Boy's, Fort Peck and Northern Cheyenne tribal governments. Although final compacts have not yet resulted from these discussions, the State expects payout and machine limits to increase. State-licensed facilities are limited to payouts of \$800 and may have no more than 20 video gambling machines.

In recent years, most tribes have introduced class II video gambling machines. The class II machines resemble class III video gambling machines but are not subject to a state compact because they are considered electronic aids to the play of bingo. The class II video gambling machines can be operated without a state-tribal gaming compact.

Status of Compact Negotiations

Blackfoot Tribe – A compact with the Blackfoot Tribe was terminated in 1997 after being in place for only a brief period of time. Negotiations with the Blackfoot Tribe began in June 2005 and another negotiation session was conducted in 2008. The Glacier Peaks Casino, which offers class II gambling, opened in Browning in September 2006.

Crow Tribe – The compact with the Crow Tribe was scheduled to expire in March 2003, but it was extended with language that allowed the compact to remain in place until a new compact was negotiated. The State and the Tribe held negotiations in 2007 and 2008 which resulted in an amendment that allowed the Tribe to conduct parimutuel horse racing and extended the compact until July 1, 2010. In April 2009, amendments to the compact with the Crow Tribe were approved that provide for the Tribe to operate 400 class III video gambling machines on the reservation, and increased the payout and bet limits for the class III video gambling machines to \$2,000 and \$5 respectively.

Salish & Kootenai Tribes of the Flathead Reservation – The State and the Tribes entered into a five-year compact in 2001 which expired on November 30, 2006. The Tribes and the state negotiating team entered into negotiations in March 2006. Negotiations did not result in a new compact or an extension of the existing compact. On November 30, 2006, video gambling machine permits for 37 state-licensed gambling locations were canceled and all video machines were removed from the reservation. The Tribes now operate the Kwa Taq Nuk and Gray Wolf Peaks casinos that offer class II video gambling machines and card games. There have been no negotiations since 2006.

Gross Ventre & Assiniboine Tribes of the Fort Belknap Reservation – The State and the Fort Belknap Indian Community Council signed a state-tribal gaming compact in August 2007. This is the first gaming compact signed between the Tribes and the State since IGRA was signed into law in 1988. Under the agreement, the Tribes may have up to 400 class III video gambling machines with a maximum payout of \$2,000.

Assiniboine & Sioux Tribes of the Fort Peck Reservation – This compact expired in the spring of 2002 and was extended several times as negotiations continued. The last extension of the compact provided that the compact would remain in place until a new compact was negotiated. Fort Peck and the State have entered into negotiations to update the compact. In addition to other changes, payouts and machine limits are expected to increase.

Northern Cheyenne Tribe – The State and the Northern Cheyenne Tribe entered into a five-year compact in May 2002. The Northern Cheyenne Tribe initiated negotiations in November 2005 to amend and extend the existing compact. In April 2007, the Department of Interior approved amendments to the compact that allowed the Tribe to offer up to 400 machines with a maximum payout of \$2,000. The Tribe proposed amendments to the compact to allow a casino to be built on trust land near Tongue River Reservoir, increases in the number of class III machines that can be put in play on the reservation, and increases in prize and bet limits. Approval was granted for the amendment to allow a casino to be built on the Tongue River Reservoir land but proposals to increase machine numbers and bet and payout limits are the subject of ongoing negotiations.

Chippewa-Cree Tribes of the Rocky Boy's Reservation – In March 2008, the Tribe and the State agreed to amend the 1993 compact. The 2008 amendments provided for 400 class III video gambling machines and payouts of \$2,000. In February 2007, the Tribe opened the Northern Winz Casino on Highway 87 north of Box Elder. The State is currently negotiating with Rocky Boy's and expects payout and machine limits to increase.



2011 - 2012 Gaming Advisory Council Report to the Department of Justice and the 2013 Legislature

Council Members:

NAME	REPRESENTING	LOCATION
Tim Carson	Gaming Industry	Billings
John Engen	Local Government	Missoula
Jed Fitch	Local Government	Dillon
Mark Kennedy (Chair)	Public at Large	Billings
Bob McAnally	Native Americans	Poplar
Steve Morris	Gaming Industry	Helena
Pat Noonan	Legislature (House)	Ramsay
Jon Sonju	Legislature (Senate)	Kalispell
John Tooke	Gaming Industry	Miles City

The Gaming Advisory Council is authorized by statute (2-15-2021, MCA).

The statutory duties assigned to the Gaming Advisory Council (GAC) are:

- 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
- to submit a biennial 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 GAC has 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.

In 2011, the leadership of the House of Representatives appointed Representative Pat Noonan and the leadership of the Senate appointed Senator Jon Sonju both to two-year terms.

Other appointments to the council include:

- John Engen, Mark Kennedy, Tim Carson and Bob McAnally were appointed to serve until January 2013.
- Steve Morris, Jed Fitch, and John Tooke were appointed to serve terms until January 2014.

Gaming Advisory Council Deliberations and Activities

This section provides a brief summary of each of the meetings that took place in the interim between the 2011 and 2013 legislative sessions. The minutes of all Gambling Advisory Council Meetings are available on the Justice Department website at www.doj.mt.gov/gaming/advisorycouncil.asp.

May 19, 2011 – The first meeting following the legislative session was held in Helena. The Council reviewed the liquor and gambling legislation that the 2011 Legislature acted upon. The Council discussed the proposed rule changes to implement the new legislation regarding bingo, stale dates on ticket vouchers, and line games. The Council voted unanimously to require an associated business license for independent testing services that certify theoretical return limits for line games. The Council also voted unanimously to adopt rules to allow video gambling machines to accept \$50 and \$100 bills.

A Licensing Subcommittee was appointed to continue working on streamlining the licensing processes.

Issues identified as future topics of discussion included:

- Internet Gambling
- Live Poker Tournaments
- Sports Tab Games
- Amusement Games

September 16, 2011 – The Council met in Missoula to further discuss the issues brought up during the May meeting. After hearing a report from the Licensing Subcommittee, the Council voted unanimously to support the rule changes regarding streamlining the

licensing processes associated with foreclosures, change of location, and change of entity type.

In an effort to emphasize the existing division interpretation, the Council also supported a rule change which clarified that prizes may only be awarded at the conclusion of a card tournament.

After a discussion regarding sports tabs, the Council voted to support a proposed rule that requires a sports tab game sponsor (if other than the location operator) to obtain an Associated Gambling Business License.

A Card Tournament Subcommittee (made up of two GAC members, a GIA representative, an MTA representative, and a Gambling Control Division representative) was appointed to review statute and rules associated with card tournaments.

November 29, 2011 – This Council meeting in Helena focused on a discussion of Internet gambling and its impact on the Montana gambling industry. While there was a lively discussion of current federal legislation and what various other states are doing in this arena, no action was taken.

April 27, 2012 – The last meeting of fiscal year 2012 was held in Helena. The Council heard a report from the Montana Council on Problem Gambling.

The Card Tournament Subcommittee presented a preliminary proposal, but because some issues were still outstanding, the subcommittee was asked to meet again before the Council took any action on the proposal. In addition, it was unanimously approved to expand the charge of the subcommittee to include a review of the poker pot limits.

A Sports Pool Subcommittee was appointed to review statute and rules associated with sports pools.

September 21, 2012 – This meeting took place in Missoula. The Card Tournament Subcommittee presented its proposal which included:

- Card Tournament Proposal:
 - Keep the 12 large-stakes tournament restrictions for number, duration and length of time between tournaments.
 - Allow small-stakes tournaments to be run daily but only on permitted tables plus one tournament table per location. The maximum buy-in to a

small-stakes tournament is \$80. No re-buys/re-entries will be allowed in small-stakes tournaments.

- Nonprofit/charitable tournaments run in a location don't count against the location's 12 large-stakes tournaments (limit of three).
- Reference Tournament Director Association (TDA) rules and have the Attorney General appoint someone to represent Montana on the Association.
- Add an annual small-stakes tournament license and fee of \$500.
- If practical, add an annual permit for large-stakes tournaments of \$120. With the adoption of the TDA rules, locations would only be required to notify the Division of large-stakes tournament dates.
- Pot limit proposal:
 - Increase the regular card game pot limit from \$300 to \$800.
 - If necessary, add a requirement that table stakes be used in regular card games.

The Council voted (eight in favor, one opposed) to accept the Card Tournament Subcommittee's proposals for legislation.

The Council also heard a legislative proposal from the Division to increase the video gambling machine permit fees by \$20. The permit fees would continue to be prorated quarterly and all of the increase would be retained by the Division to help cover the cost of regulating gambling. The Council voted unanimously (with one abstention) to support the Division's proposal.

While the Sports Pool Subcommittee was unable to meet since the last GAC meeting, it presented a report on the proposals for change it had received from the Division and industry. The subcommittee requested and was approved to continue its work reviewing sports pool and sports tab gaming requirements.

Recommendations of the Gaming Advisory Council

The statute creating the Gaming Advisory Council, 2-15-2021, MCA provides:

“(8) (a) The gaming advisory council shall submit a biennial report to the department, at a time designated by the department, with recommendations for amendments to the gambling statutes, the need for additional or modified department rules, the clarification of existing rules, and other recommendations on the operation of the department or any other gambling-related matter.”

Changes recommended by the Gaming Advisory Council are set out below:

- **Card Tournaments** –
 - Keep the 12 large-stakes tournament restrictions for number, duration and length of time between tournaments.
 - Allow small-stakes tournaments to be run daily but only on permitted tables plus one tournament table per location. The maximum buy-in to a small-stakes tournament is \$80. No re-buys/re-entries will be allowed in small-stakes tournaments.
 - Nonprofit/charitable tournaments run in a location don't count against the location's 12 large-stakes tournaments (limit of three).
 - Reference Tournament Director Association (TDA) rules and have the Attorney General appoint someone to represent Montana on the Association.
 - Add an annual small-stakes tournament license and fee of \$500.
 - Add an annual permit for large-stakes tournaments of \$120.
- **Poker Pot Limit** –
 - Increase the regular card game pot limit from \$300 to \$800.
 - Add a requirement that table stakes be used in regular card games.
- **VGM Permit Fee** –
 - Increase the annual video gambling machine permit fee by \$20. Continue to prorate the permit fee quarterly.

APPENDIX

Fiscal Year 2011 Video Gambling by City					
CITY	Number of Video Gambling Machines	Estimated Population (7/1/2009)	Average persons per VGM	Number of Gambling Locations	Video Gambling Tax Collected
Belgrade	246	8,192	33	17	\$690,152
Billings	2,542	105,845	42	133	\$8,692,498
Bozeman	489	39,282	80	37	\$1,620,240
Columbia Falls	200	5,361	27	11	\$557,742
Deer Lodge	143	3,517	25	10	\$292,605
Dillon	165	4,226	26	17	\$320,861
Glendive	195	4,628	24	13	\$469,664
Great Falls	1,519	59,366	39	94	\$4,415,471
Hamilton	265	4,974	19	16	\$744,693
Havre	400	9,656	24	27	\$929,246
Helena	709	29,939	42	43	\$2,807,969
Kalispell	637	21,640	34	34	\$2,286,599
Laurel	215	6,750	31	11	\$677,132
Lewistown	255	5,933	23	18	\$483,817
Livingston	209	7,380	35	20	\$486,323
Miles City	284	8,123	29	24	\$879,947
Missoula	1,269	68,876	54	80	\$3,903,609
Sidney	196	4,843	25	15	\$936,572
Whitefish	206	8,400	41	13	\$516,100

Fiscal Year 2012 Video Gambling by City					
CITY	Number of Video Gambling Machines	Estimated Population (7/1/2009)	Average persons per VGM	Number of Gambling Locations	Video Gambling Tax Collected
Belgrade	224	8,192	37	14	\$717,911
Billings	2,476	105,845	43	130	\$9,523,601
Bozeman	451	39,282	87	34	\$1,739,160
Columbia Falls	249	5,361	22	12	\$600,781
Deer Lodge	137	3,517	26	10	\$318,681
Dillon	139	4,226	30	16	\$314,509
Glendive	203	4,628	23	12	\$585,233
Great Falls	1,596	59,366	37	96	\$4,638,398
Hamilton	249	4,974	20	15	\$778,935
Havre	402	9,656	24	27	\$965,979
Helena	723	29,939	41	44	\$2,965,696
Kalispell	634	21,640	34	32	\$2,454,372
Laurel	192	6,750	35	11	\$759,994
Lewistown	218	5,933	27	18	\$519,984
Livingston	273	7,380	27	23	\$509,939
Miles City	299	8,123	27	23	\$955,716
Missoula	1,301	68,876	53	81	\$4,157,666
Sidney	222	4,843	22	15	\$1,275,100
Whitefish	212	8,400	40	13	\$481,468

Fiscal Year 2011 Video Gambling by County			
COUNTY	Number of Video Gambling Machines	Number of Gambling Locations	Video Gambling Tax Collected
BEAVERHEAD	205	28	\$347,815
BIG HORN	186	11	\$437,169
BLAINE	105	10	\$176,074
BROADWATER	137	11	\$349,513
CARBON	239	22	\$435,683
CARTER	11	2	\$17,882
CASCADE	1,897	133	\$5,247,981
CHOUTEAU	84	14	\$113,547
CUSTER	308	27	\$901,954
DANIELS	49	7	\$44,812
DAWSON	228	18	\$618,659
DEER LODGE	306	30	\$632,130
FALLON	67	7	\$168,860
FERGUS	303	30	\$508,869
FLATHEAD	1,502	97	\$4,209,898
GALLATIN	1,004	89	\$2,747,355
GARFIELD	11	2	\$27,078
GLACIER	210	13	\$416,995
GOLDEN VALLEY	17	4	\$21,147
GRANITE	44	7	\$55,939
HILL	473	35	\$1,054,349
JEFFERSON	170	17	\$331,227
JUDITH BASIN	43	8	\$36,285
LAKE	32	5	\$23,032
LEWIS AND CLARK	1,087	78	\$3,641,896
LIBERTY	25	4	\$26,916
LINCOLN	540	40	\$1,043,506
MADISON	129	22	\$161,885
MCCONE	29	5	\$36,928
MEAGHER	51	8	\$91,708
MINERAL	219	16	\$338,064
MISSOULA	1,723	121	\$4,854,908
MUSSELSHELL	95	7	\$202,408
PARK	333	36	\$696,832
PETROLEUM	8	2	\$3,935
PHILLIPS	127	18	\$242,639
PONDERA	75	11	\$188,342
POWDER RIVER	39	4	\$97,159
POWELL	162	16	\$306,716
PRAIRIE	14	3	\$19,349
RAVALLI	526	40	\$1,210,127
RICHLAND	281	23	\$1,353,574
ROOSEVELT	297	22	\$957,846
ROSEBUD	195	19	\$412,037
SANDERS	232	18	\$351,987
SHERIDAN	144	12	\$272,603
SILVER BOW	1,148	100	\$2,887,081
STILLWATER	190	17	\$385,817
SWEET GRASS	64	8	\$123,287
TETON	89	13	\$129,084
TOOLE	157	16	\$331,673
TREASURE	7	2	\$6,274
VALLEY	181	23	\$347,597
WHEATLAND	61	9	\$101,039
WIBAUX	47	4	\$109,843
YELLOWSTONE	2,977	168	\$9,713,270
GRAND TOTAL	18,883	1,512	\$49,570,583

Fiscal Year 2012 Video Gambling by County			
COUNTY	Number of Video Gambling Machines	Number of Gambling Locations	Video Gambling Tax Collected
BEAVERHEAD	175	26	\$341,272
BIG HORN	157	10	\$446,363
BLAINE	100	10	\$169,203
BROADWATER	130	10	\$352,649
CARBON	218	21	\$506,901
CARTER	13	2	\$12,370
CASCADE	1,964	134	\$5,538,125
CHOUTEAU	62	11	\$110,627
CUSTER	322	26	\$984,386
DANIELS	63	8	\$59,852
DAWSON	240	17	\$778,689
DEER LODGE	301	28	\$667,236
FALLON	91	8	\$206,310
FERGUS	264	31	\$555,906
FLATHEAD	1,590	93	\$4,397,831
GALLATIN	918	81	\$2,880,783
GARFIELD	9	2	\$29,404
GLACIER	174	11	\$468,253
GOLDEN VALLEY	18	4	\$19,302
GRANITE	53	7	\$65,467
HILL	475	35	\$1,114,532
JEFFERSON	183	18	\$344,533
JUDITH BASIN	31	7	\$35,478
LAKE	28	5	\$25,282
LEWIS AND CLARK	1,099	79	\$3,878,117
LIBERTY	32	7	\$25,996
LINCOLN	616	41	\$1,096,039
MADISON	117	19	\$169,011
MCCONE	28	5	\$45,128
MEAGHER	51	9	\$86,408
MINERAL	214	15	\$333,154
MISSOULA	1,725	117	\$5,147,244
MUSSELSHELL	93	7	\$222,751
PARK	409	39	\$720,280
PETROLEUM	6	2	\$3,746
PHILLIPS	122	17	\$236,877
PONDERA	78	12	\$201,791
POWDER RIVER	51	5	\$94,592
POWELL	156	15	\$333,057
PRAIRIE	16	3	\$20,382
RAVALLI	486	39	\$1,291,940
RICHLAND	309	22	\$1,812,732
ROOSEVELT	346	22	\$1,497,724
ROSEBUD	204	20	\$406,107
SANDERS	218	16	\$373,496
SHERIDAN	192	14	\$381,577
SILVER BOW	1,134	95	\$3,016,603
STILLWATER	182	17	\$411,130
SWEET GRASS	59	7	\$125,292
TETON	87	12	\$138,643
TOOLE	158	16	\$364,414
TREASURE	8	2	\$7,156
VALLEY	171	23	\$380,586
WHEATLAND	73	8	\$122,442
WIBAUX	38	3	\$125,570
YELLOWSTONE	2,866	162	\$10,668,662
GRAND TOTAL	18,923	1,475	\$53,849,401