

**MONTANA DEPARTMENT OF JUSTICE**

**GAMBLING CONTROL DIVISION**

**Biennial Report**

**Fiscal Years 2007-2008**



**and**

**Report of the**

**Gaming Advisory Council**

**December 2008**

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## Executive Summary

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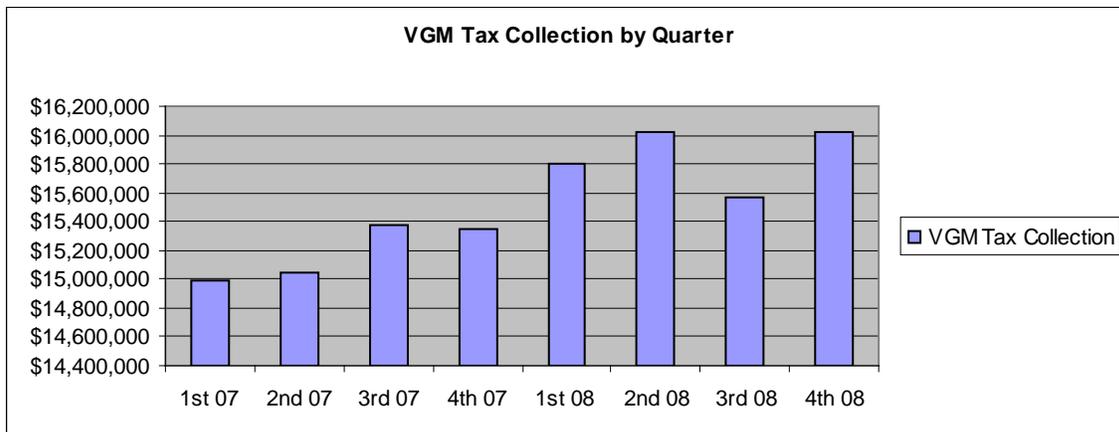
### Online Services

The major accomplishment of the 2007-2008 biennium has been to implement online services to report video gambling machine taxes and to provide for the online permitting of video gambling machines. As fiscal year 2008 ended approximately 80% of all video gambling machines were reporting taxes and processing permits online. By all accounts online services have made the permitting of video gambling machines much more convenient for gambling operators. The online reporting of taxes has substantially improved the accuracy of video gambling machine tax reporting. The online services of the Gambling Control Division were recognized in 2008 by the Center for Digital Government with a Digital Government Achievement Award and the State of Montana Information Technology Award of Excellence.

In fiscal year 2009 the Gambling Control Division began a two-year effort to notify and educate the operators who are committed to report online but have not yet signed up for online services. Each tax quarter the Division is focusing on notifying and training the unconnected operators in a different region of the state.

### Gaming Industry Trends

Video gambling revenue continued to grow at a rate similar to growth experienced over the past decade. Video machine tax collections for fiscal year 2008 totaled \$63,424,368. In fiscal year 2007 video gambling revenue grew at a rate of 6.76% and in fiscal year 2008 at a rate of 4.4%. A weak third quarter of 1.3% growth in fiscal year 2008 may hint at a slowing of growth related to the national economic slow down and higher fuel prices. The following table indicates the quarterly tax collections for biennium:



The number of permitted video gambling machines declined during fiscal year 2008. In fiscal year 2008, the Gambling Control Division issued 20,420 permits compared to 22,200 issued in fiscal year 2007. This represents a decrease of approximately 8% from fiscal year 2007. This reduction of machines reflects some consolidation of route operators and the prevalence of multi-game machines that can offer both keno and poker.

The number of card tables and card dealers stabilized following a spurt of growth in the previous biennium. In fiscal year 2008, the number of new card dealer license applicants was 352. The number of card dealers receiving new licenses continues to decline from a peak in fiscal year 2005, when 582 new card dealers applied for licenses.

### **Credit Gambling**

The Gambling Control Division pursued several cases during the biennium that involved the abuse of credit cards by gambling operators. The Division has adopted rules that restrict the amount a gambler may receive on a credit card to the credit card's cash advance limit. This rule reflects the intent of the credit gambling statute and is directed at preventing compulsive gamblers from incurring huge credit card debts. The Division has made a substantial effort to educate gambling operators about the restrictions on the use of checks and credit cards.

### **Tribal Gaming**

Gaming compacts are in place with five tribes that provide for class III gaming. The most significant change in tribal gaming was the negotiation of a gaming compact with the Fort Belknap Community Council. Although the state first entered into tribal gaming compacts in the early 1990's, there had never been a compact with Fort Belknap. The Fort Belknap Casino has been opened at the Fort Belknap Agency just east of Harlem.

The Chippewa Cree Tribe of Rocky Boy's Reservation has opened Northern Winz Casino on Highway 87 north of Box Elder. The gaming compact with the Chippewa Cree Tribe was amended in March of 2008 to provide for additional video gambling machines and higher payouts.

The gaming compact with the Crow Tribe was amended in 2008 to provide for parimutuel betting for horseracing and to extend the expiration of the compact to 2010.

## **Gaming Advisory Council**

The Gaming Advisory Council met five times in the interim between the 2007 and 2009 legislative sessions. The Gaming Advisory Council conducted a meeting in July 2007 to hear from the public and the gaming industry concerning issues that needed to be addressed during the biennium. Major issues that were identified included:

- planning for technological changes related to video gambling machines,
- updating raffle and bingo laws,
- local zoning for casinos, and
- addressing the calculation of video gambling tax for machines that incur losses.

In addition the Gaming Advisory Council recommended revising the credit gambling statute to eliminate the use of credit cards to get cash for gambling.

Montana remains unique in having video gambling machines that are not connected to networks. The lack of networks creates problems as there are fewer video gambling machines and gambling machine components available for stand-alone machines. The Gaming Advisory Council planning effort is directed at developing policies that will allow stand-alone machines to continue to operate by introducing technology and providing for the refurbishing of video gambling machines.

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## **Gambling in Montana**

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### **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 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 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 or bingo but not 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, and
- Fishing derbies and betting on natural occurrences.

The Lottery Commission is administratively attached to the Department of Administration and Board of Horseracing is attached to the Department of Livestock. Raffles are regulated by county commissioners of the county where the raffle is conducted.

## **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.*

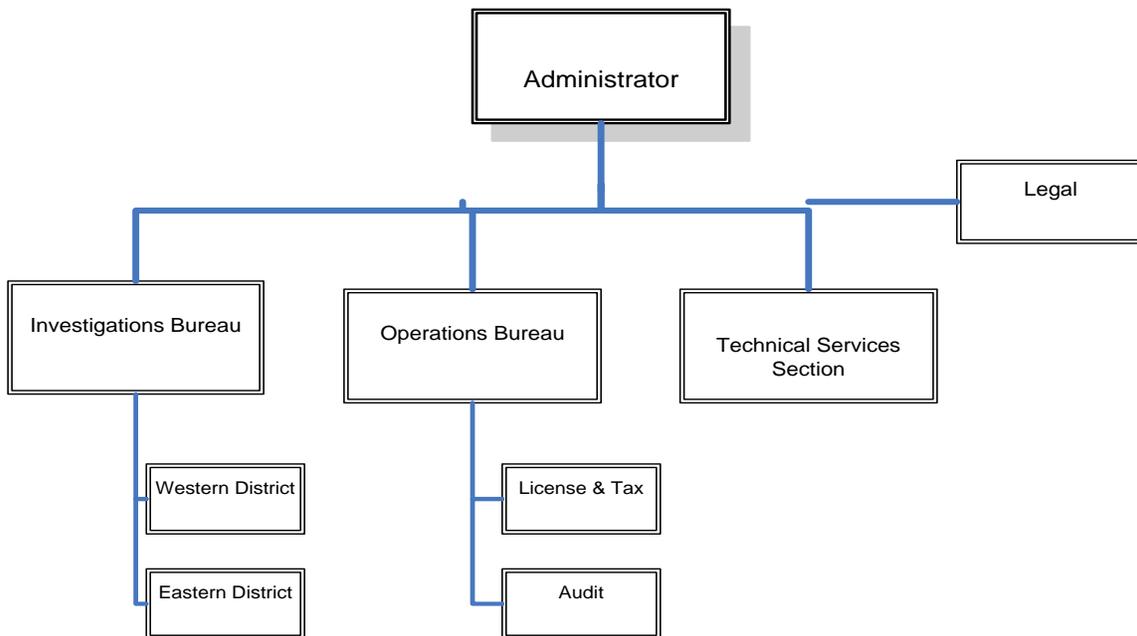
*(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other 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 49.5 full time equivalent staff for fiscal year 2008.

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 financial analysts in the field who assist in evaluating license applications and investigations. The License and Tax Section provides the following services:

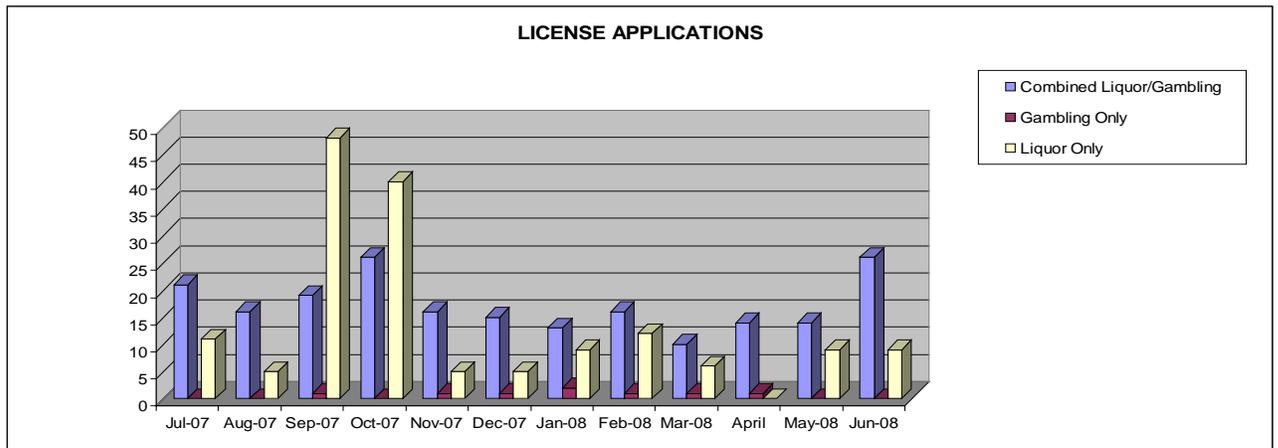
- processes and issues gambling licenses and permits, including video gambling machine permits,
- collects and distributes license and permit fees,

- maintains all license records,
- collects gambling taxes, fines and penalties, and
- processes machine service forms and tracks machine movement in the state.

During the 2007-2008 Biennium the payment of video gambling taxes, licensing of gambling operators and permitting of video gambling machines was converted to a GenTax data base. This change in database now allows the online filing of video gambling taxes and permitting of video gambling machines. As of the end of fiscal year 2008 approximately 80% of gambling operators were reporting taxes and permitting video gambling machines online. The online tax and permitting services were recognized in 2008 by the Center for Digital Government with a Digital Government Achievement Award.

During the biennium the number of video gambling machines being permitted declined from 22,327 in fiscal year 2007 to 22,226 in fiscal year 2008.

The Gambling Control Division processes both liquor and gambling license applications. The Department of Revenue is responsible for approving and issuing liquor licenses. In fiscal 2008, the Division received 361 applications which was a 19% increase over fiscal 2007. The spike in license applications in the fall of 2007 was a result of the lottery for the new restaurant beer and wine licenses authorized by the 2007 Legislature.



The Audit Section 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; and

- provides support to the Investigation Bureau in interpreting and analyzing documents related to suspected illegal gambling activities.

## **Investigations Bureau**

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

The responsibilities of the Investigation 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, and
- providing local law enforcement training.

During fiscal year 2008, the Investigations Bureau added four investigator positions to provide for enforcement related to the growth in card games, and to investigate an anticipated increase in licensing workload related to out-of-state corporations being allowed to apply for liquor licenses. The number of licensing cases assigned to the Investigation Bureau increased from 935 in fiscal year 2007 to 1,109 in fiscal year 2008.

## **Technical Services Section**

Technical Services Section personnel are based in Helena with the exception of two machine inspectors in assigned to Billings and 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 of automated accounting systems,
- providing random testing of video gambling machines to ensure that software and hardware are functioning as tested and
- tracking the movement of illegal machines in and out of the state.

Video gambling machine manufacturers are submitting an increased number of new games for approval. This increase, along with changes in technology that allow more complex video gambling machines, has 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. During the biennium the Division temporarily transferred a field inspector to the lab to assist with the increased workload.

### **Legal Services**

One attorney is assigned to the Gambling Control Division but is administratively attached to the Office of the Attorney General. A division 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.

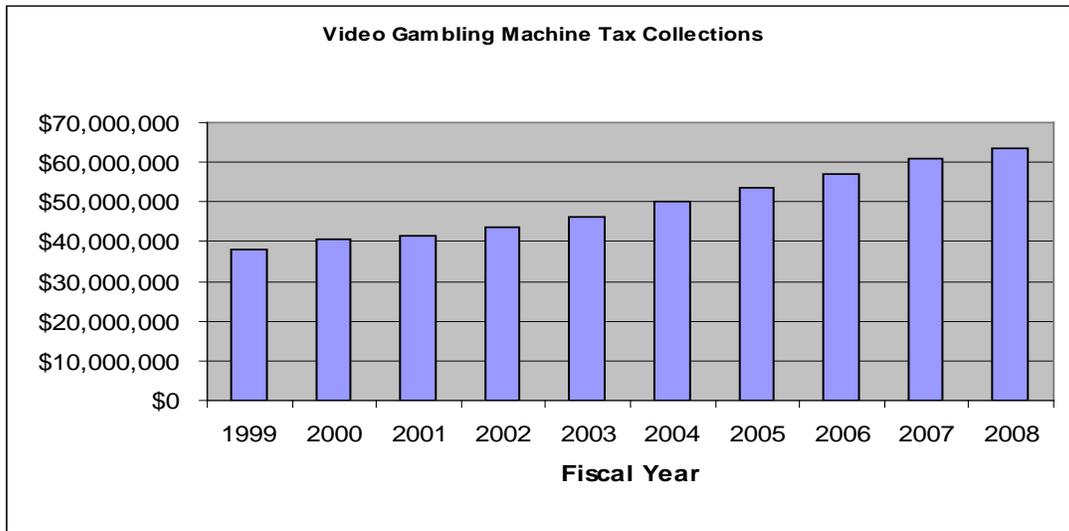
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## Gambling Revenue and Permit Fees

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**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 machine’s cash payouts. For example if during a day \$100 is inserted and played on a video gambling machine and the players win \$60, the gross income for the day would be \$40. The tax would be 15 % of the \$40 or \$6.

In fiscal year 2007, the Video Machine Gross Income Tax generated \$60.8 million for the General Fund. The amount generated in fiscal 2007 represented a 6.7% increase over the amount collected in fiscal year 2006. In fiscal year 2008 tax collections totaled \$63,424,368, a 4.4% increase over fiscal year 2007. The following chart indicates the video gambling machine tax collection trend for the past 10 fiscal years:



Gross income for video gambling machines continues to increase as indicated by the following chart:

Fiscal Year	Average No. of Machines Reporting	Total Annual Gross Income	Average Annual Gross Income Per Machines
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

**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. Sports tab cards are taxed at a flat rate of \$1 per card and the division retains all of the tax. In fiscal year 2008, the number of bingo and keno licenses issued was 70, 12 fewer than fiscal year 2007.

**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. Prior to fiscal year 2004, the permit fee was split 50% to local governments and 50% to the State Gambling Special Revenue Fund. With the passage of House Bill 162 in the 2003 Legislature, the fee was split to provide \$100 to local governments and \$120 to the State Gambling Special Revenue Fund. In fiscal year 2008, video gambling machine permit fees provided the Gambling Special Revenue Fund with \$2,068,871 and \$1,758,565 was distributed to local governments.

Fiscal year 2008 saw a decline in the number of video gambling machine permits purchased. In fiscal year 2008, the Gambling Control Division issued 20,420 permits compared to 22,200 issued in fiscal year 2007. This represents a decrease of approximately 8% from fiscal year 2007. The decline in VGM permits is assumed to be a result of the growth in the number of video gambling machines that can offer both keno and poker (multi-game). In fiscal year 2007, multi-game permits made up 77% of permits renewed. In fiscal year 2008, multi-game permits increased to 86% of permits renewed. Consolidation of route operators who lease video gambling machines to bars and casinos may also have caused a reduction in the number of machines permitted.

The following table sets out the distribution of gambling revenue and fees to state and local governments for fiscal year 2008:

**FY 2008 GCD Distribution of Revenue**

<b>Revenue Source</b>	<b>Total Collected</b>	<b>Local Govt.</b>	<b>GCD</b>	<b>General Fund</b>
	\$63,424,36			\$63,424,36
VGM Goss Income Tax	8	\$0	\$0	8
Live Bingo & Keno Tax	\$13,812	\$13,812	\$0	\$0
Sports Tab Tax	\$1,570	\$0	\$1,570	\$0
			\$2,068,87	
VGM Permit Fees	\$3,956,964	\$1,888,093	1	\$0
Fines/Penalties	\$72,819	\$0	\$0	\$72,819
Lab Test Fees	\$90,264	\$0	\$90,264	\$0
Bingo & Keno Permit Fees	\$9,450	\$0	\$9,450	\$0
Card Table Permit Fees	\$138,246	\$82,600	\$55,646	\$0
Casino Night Permit Fees	\$875	\$0	\$875	\$0
Antique Slot Dealer	\$0	\$0	\$0	\$0
Operator License Fees	\$128,122	\$0	\$128,122	\$0
Card Dealer License Fees	\$36,789	\$0	\$36,789	\$0
Card Room Contractor Fees	\$12,420	\$0	\$12,420	\$0
Card Tournament Fees	\$3,360	\$0	\$3,360	\$0
Manufacturer License Fees	\$128,122	\$0	\$128,122	\$0
	\$68,017,18		\$2,535,48	\$63,497,18
<b>Totals</b>	1	\$1,984,505	9	7
<b>Percent of Total</b>	100.00%	2.92%	3.73%	93.35%

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## **Tribal Gaming Compacts**

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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 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 and the Gambling Control Division negotiate 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 the state. 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. 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 tribal state gaming compact.

### **Status of Compact Negotiations**

**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 have not resulted in a new compact or an extension of the current 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.

**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 has proposed amendments to the compact to allow a casino to be built on trust land near Tongue River Reservoir. Location of the casino outside of the reservation requires a review and approval by the Department of Interior and ultimately the governor.

**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. There have been no negotiations in 2007 or 2008.

**Chippewa-Cree Tribes of the Rocky Boy's Reservation** – The Tribe and the state amended the in March 2008 to update the amended 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.

**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.

**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 allows the Tribe to conduct parimutuel horse racing and extends the compact until July 1, 2010. The current compact provides for the Tribe to operate a 100 class III video gambling machine casino at Crow Agency. The payout limit for the class III video gambling machines is \$1,500.

**Blackfeet Tribe** – A compact with the Blackfeet Tribe was terminated in 1997 after being in place only a brief period of time. Negotiations with the Blackfeet 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.



## **2007-2008 Gaming Advisory Council Report to the Department of Justice and the 2009 Legislature**

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### **Council Members**

John Tooke, Miles City, Gaming Industry (Chair)  
Pam Kennedy, Kalispell, Local Government (Vice Chair)  
Mark Blasdel, Somers, Legislature  
Tim Carson, Billings, Gaming Industry  
Mark Kennedy, Billings, Public at Large  
Lane Larson, Billings, Legislature (2008)  
Bob McAnally, Poplar, Native American  
Steve Morris, Helena, Gaming Industry  
Nick Murnion, Jordan, Local Government  
Joe Tropila, Great Falls, Legislature (2007)

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; and
- 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 2007, the leadership of the House of Representatives appointed Representative Mark Blasdel. The Senate continued the appointment of Senator Joe Tropila for one year and appointed Senator Lane Larson to a two year term beginning in 2008.

Other appointments to the council included:

- Pam Kennedy, Robert McAnally and Tim Carson were reappointed in 2007 to serve terms until January 18, 2010
- Mark Kennedy was appointed in 2007 to serve until January 18, 2010; and
- Steve Morris, Nick Murnion, John Tooke were reappointed in 2008 to serve terms until January 18, 2011.

### **Gaming Advisory Council Deliberations and Activities**

This section provides a brief summary of each of the meetings during the 2007-2008 biennium. The minutes of all Gambling Advisory Council Meetings are available on the Justice Department website at [www.doj.mt.gov/gaming/advisorycouncil.asp](http://www.doj.mt.gov/gaming/advisorycouncil.asp)

**July 20, 2007** – The organizational meeting for the 2007-2008 biennium was held in Helena. John Tooke was selected to serve as Chairman and Pam Kennedy was chosen to serve as Vice Chairman. The Council reviewed legislation related to gambling and liquor that the 2007 Legislature acted upon. The goal of the meeting was to identify issues for discussion over the next 18 months. Issues identified through public testimony, individual council members and the Gambling Control Division included: raffles, zoning for casinos, video gambling machine printers, the inability to deduct video gambling machine losses in calculating taxes and updating of bingo laws. The Council reviewed and approved rules to implement legislative changes in relation to card games and to designate January 1, 2008 as the date that online accounting would be available.

**November 2, 2007** – The Council met in Helena to take up initial discussion of issues identified in July. The Council heard public comment on issues related to raffles including use of the internet, prize limits and limits on types of nonprofit organizations. After a lengthy discussion on the need to provide a regulatory framework of intrastate internet gambling, the Council indicated that it does not see a need to provide regulation at this time. After discussion of several new issues the Council voted to consider the issue of licensing associated businesses and updating the bingo statute. A subcommittee was appointed to look at the casino zoning issue.

**March 28, 2008** – Meeting in Helena, the Council deliberated on the major topics being considered during the biennium. A subcommittee was appointed to develop legislation to address the inability to deduct video gambling machine losses in calculating the tax. After public testimony and discussion the Council voted to advance legislation to clarify prize limits and the definition of nonprofits while assigning major revision of the raffle laws to further study by a subcommittee. A subcommittee was also assigned to study video gambling machine technology and obsolescence issues. The council heard a report on casino zoning and determined that no action would be taken. The Council heard a report from the Montana Council on Problem Gambling and reviewed proposed rules for requiring gambling locations with multi-game machines to begin online tax reporting.

**July 25, 2008** – The Council met in Kalispell to consider initial proposals to the 2009 Legislature. The Council recommended legislation to provide a credit to gambling machine owners for video gambling machines that have lost money for the tax quarter. A report from the Technology Subcommittee recommended reviewing rules and statutes to allow video gambling machines to be refurbished when the machines are no longer supported by the original manufacturer. The Technology Subcommittee further recommended that the Gambling Control Division pursue the use of removable data storage devices to facilitate the use of thermal printers on video gambling machines.

The Council further approved proposed legislation to address:

- updates to the raffle laws,
- revision of bingo laws,
- authority to adopt rules to license associated businesses, and
- a change to the card room contractors requirements.

**December 17, 2008** – The final meeting of the biennium was held in Helena. Attorney General-elect Steve Bullock addressed the Council members and expressed his appreciation for their service. The Council reviewed proposed legislation and approved adding sections to the general revision legislation to eliminate the use of credit cards for cash advances and approved changes to fingerprint authorization as required by the U.S. Department of Justice. The Council also modified the proposed language in the general revision legislation to eliminate the permit requirement for raffles, and to make raffle enforcement the responsibility of the Gambling Control Division rather than county commissioners.

The Council voted to withdraw approval of the proposal to provide for a tax credit for video gambling machines that lose money during a tax reporting period. This proposal had been previously approved. Proposals for refurbishing video gambling machines and

providing for use of portable data storage devices to replace impact printer tapes were presented to the Council. The Council then voted to approve proposed rules to reduce the time video gambling machine audit tapes need to be retained and to authorize the use of audits data storage devices to replace required audit tapes.

## **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.”

Legislative changes recommended by the Gaming Advisory Council are set out below:

- **Revision of Raffle Laws** – Current law requires raffle sponsors to get a permit from the county commission. The permit requirement and other limits in the statute have been largely ignored by raffle sponsors, with no apparent harm to the public. The amendments to the raffle statute would eliminate:
  - the county permit and accounting requirement
  - the limits on prizes from non-profit sponsorsInstead, the Department of Justice would be given authority to develop rules regarding raffles and conduct a public education campaign to inform the public of the new rules.
- **Eliminate Use of Credit Cards** – State law prohibits gambling on credit but allows the use of credit cards for cash advances. The Gambling Control Division is constantly faced with new credit card products and devices that test efforts to limit use of credit cards to cash advances. For example, there have been proposed devices that charge credit cards for quasi-cash transactions (the sale is recorded as the sale of a money order), designed to get around some of the limitations of credit card agreements. The amendment would allow the use of debit cards but not credit cards, therefore not allowing gamblers to borrow money to gamble.
- **Update Bingo Laws** – Commercial bingo has changed over the past decade. The current law does not allow Montana bingo operators some of the bingo cards and games allowed in other states and tribal casinos. The amendments would allow

Montana establishments to keep up with developments in the industry by offering more types of bingo cards and games in live bingo games.

- **License for Associated Businesses** – Some businesses that handle Montana gambling devices or information are not in the gambling business or in the state. For example, the company that recycles gambling machines is in another state. To transfer the machines to the recycler, we need to assure the other state that we have licensed the person who owns the recycling company. The change in statute would create a general associated business license rather than trying to fit these businesses under another type of gambling license.
- **Clarify Authority to Collect Fingerprints** – A recent audit by the FBI indicated that statutory authority to require fingerprints from applicants for all gambling licenses needs to be clearly set out in the gambling statutes.
- **Clarify Card Room Contractor Application Requirement** – Current law needs to be amended to indicate that a card room contractor must submit a proposed lease rather than a lease that has been executed. The purpose of the review is to assure that no other party has a financial interest in the proposed card room operation. As the law is currently written, it appears that a new card room contractor must enter into a lease before his or her card room contractor license has been approved.

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**APPENDIX**  
**Video Gambling Machine Activity by**  
**County and Municipality**

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**Chart 1 Video Gambling by County Fiscal Year 2008**

<b>COUNTY</b>	<b>No. of Video Gambling Machines</b>	<b>No. of Gambling Locations</b>	<b>Video Gambling Tax Collected</b>
BEAVERHEAD	205	32	\$ 412,011
BIG HORN	232	14	\$ 646,225
BLAINE	119	13	\$ 290,422
BROADWATER	163	14	\$ 445,744
CARBON	323	29	\$ 636,623
CARTER	12	2	\$ 18,829
CASCADE	2168	146	\$ 6,468,309
CHOUTEAU	108	15	\$ 136,344
CUSTER	349	27	\$ 1,062,323
DANIELS	55	9	\$ 51,585
DAWSON	252	21	\$ 666,300
DEER LODGE	353	35	\$ 797,421
FALLON	88	8	\$ 195,816
FERGUS	259	29	\$ 653,557
FLATHEAD	1550	96	\$ 5,952,393
GALLATIN	1099	91	\$ 3,985,791
GARFIELD	10	2	\$ 21,226
GLACIER	191	12	\$ 484,454
GOLDEN VALLEY	24	4	\$ 17,789
GRANITE	47	8	\$ 68,151
HILL	533	38	\$ 1,354,777
JEFFERSON	177	20	\$ 364,159
JUDITH BASIN	35	10	\$ 47,542
LAKE	41	5	\$ 28,837
LEWIS AND CLARK	1107	80	\$ 4,515,852
LIBERTY	27	4	\$ 27,935
LINCOLN	616	44	\$ 1,281,015
MADISON	154	23	\$ 206,807
MCCONE	27	6	\$ 25,860
MEAGHER	53	8	\$ 106,688
MINERAL	238	17	\$ 443,481
MISSOULA	1848	125	\$ 6,666,703
MUSSELSHELL	83	7	\$ 241,927
PARK	397	42	\$ 958,590
PETROLEUM	6	2	\$ 4,794
PHILLIPS	126	18	\$ 246,671
PONDERA	76	11	\$ 198,469
POWDER RIVER	42	4	\$ 76,604
POWELL	192	18	\$ 386,990
PRAIRIE	17	3	\$ 19,149
RAVALLI	544	45	\$ 1,711,406
RICHLAND	293	22	\$ 1,266,903
ROOSEVELT	249	19	\$ 981,516
ROSEBUD	226	22	\$ 462,790
SANDERS	242	20	\$ 492,228
SHERIDAN	146	14	\$ 265,790
SILVER BOW	1303	101	\$ 3,708,166
STILLWATER	202	16	\$ 596,105
SWEET GRASS	79	7	\$ 143,570
TETON	111	15	\$ 148,454
TOOLE	134	17	\$ 380,054
TREASURE	13	2	\$ 5,910
VALLEY	202	22	\$ 435,808
WHEATLAND	75	11	\$ 119,607
WIBAUX	51	4	\$ 113,023
YELLOWSTONE	3223	174	\$ 12,378,875
<b>TOTAL</b>	<b>20495</b>	<b>1603</b>	<b>\$ 63,424,368</b>

**Chart 2 Video Gambling by City Fiscal Year 2008**

<b>City</b>	<b>No. of Video Gambling Machines</b>	<b>Population*</b>	<b>Persons for Each Video Gambling Machine</b>	<b>No. of Gambling Locations</b>	<b>Video Gambling Tax Collected</b>
BILLINGS	2,677	101,876	38.06	137	\$10,687,566
GREAT FALLS	1,685	58,827	34.91	99	\$5,661,521
MISSOULA	1,360	67,165	49.39	84	\$5,420,935
BUTTE SILVER BOW**	1,303	31,967	24.53	101	\$ 3,708,166
HELENA	770	28,726	37.31	46	\$3,546,891
KALISPELL	548	20,298	37.04	27	\$2,608,050
BOZEMAN	507	37,981	74.91	38	\$2,266,621
HAVRE	436	9,618	22.06	27	\$1,202,021
ANACONDA DEER LODGE**	353	8,852	25.08	35	\$ 797,421
MILES CITY	332	8,120	24.46	24	\$1,044,526
HAMILTON	273	4,691	17.18	16	\$1,072,116
BELGRADE	265	8,047	30.37	15	\$996,549
LIVINGSTON	262	7,411	28.29	25	\$701,648
LAUREL	243	6,495	26.73	12	\$802,365
WHITEFISH	231	8,083	34.99	14	\$790,136
LEWISTOWN	225	5,945	26.42	17	\$615,439
GLENDIVE	209	4,615	22.08	14	\$493,287
SIDNEY	202	4,746	23.50	14	\$933,700
DEER LODGE	168	3,502	20.85	11	\$375,549
COLUMBIA FALLS	157	5,116	32.59	9	\$565,685
DILLON	144	4,106	28.51	17	\$379,909

\* July 1, 2007 estimated population

\* Consolidated city - county governments