

MONTANA DEPARTMENT OF JUSTICE

GAMBLING CONTROL DIVISION

Biennial Report

Fiscal Years 2009-2010



and

Report of the

Gaming Advisory Council

December 2010

Gambling Control Division
PO Box 201424
Helena, MT 59620

Telephone (406) 444-1971
www.doj.mt.gov

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Executive Summary

Online Services

One of the major accomplishments of the 2009-2010 Biennium has been to finish implementing online services to report video gambling machine taxes and to permit video gambling machines. By the end of fiscal year 2010, the Gambling Control Division completed a two-year, region-by-region effort to notify and educate operators who committed to report online and to encourage others who had not yet committed. All but 10 locations operating 41 machines chose to report taxes and process permits online, which means that over 99% of locations and machines are now reporting online. Feedback from gambling operators suggests that they find using online services for permitting video gambling machines much more convenient. Online tax reporting has also substantially improved the accuracy of video gambling machine tax reporting.

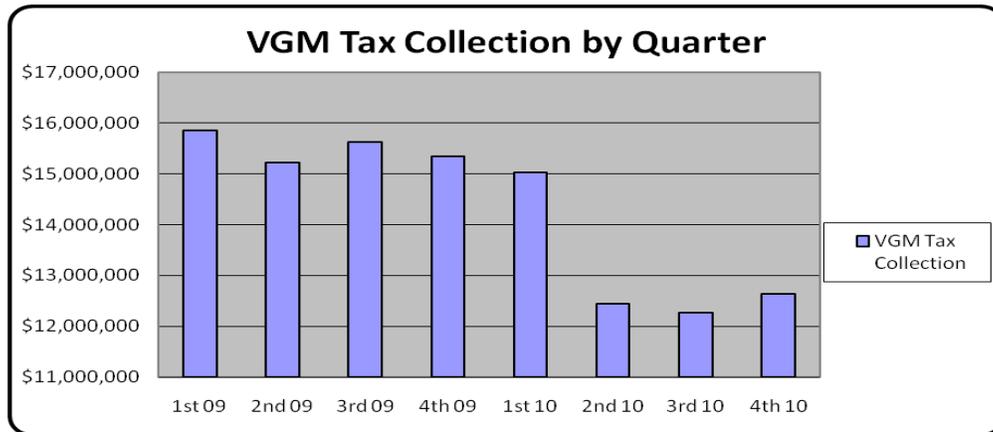
In 2008, the Gambling Control Division's online services were recognized by the Center for Digital Government with a Digital Government Achievement Award and the State of Montana Information Technology Award of Excellence. To continue progress in this area, the Division is asking the 2011 Legislature for budget authority to further improve the system and make it even more user-friendly, in consultation with industry users.

Gaming Industry Trends

Video gambling machine revenue declined from fiscal year end 2008 to fiscal year end 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 for fiscal year 2008 totaled \$63,424,368. In fiscal year 2009, collections totaled \$62,065,664, a 2% decrease from fiscal year 2008.

The downward trend accelerated in fiscal year 2010 due to the continued decline in the economy. The statewide smoking ban, which was passed by the 2005 Legislature and went into effect in bars and taverns on October 1, 2009, may also have contributed to the decline. In fiscal year 2010, video gambling machine taxes collected were \$52,388,933, a 16% decline from fiscal year 2009.

The following table indicates the quarterly tax collections for the biennium:



The number of permitted video gambling machines increased during fiscal year 2009 and 2010. In fiscal year 2009, the Gambling Control Division issued 21,039 permits compared to 20,420 issued in fiscal year 2008. This represents an increase of approximately 3% from fiscal year 2008. In fiscal year 2010, the Division issued 21,703 which also represented a 3% increase over the previous fiscal year. These increases do not necessarily reflect industry growth or a growth trend, but rather were the result of the approval and introduction of a new machine make and model to the Montana market and a special licensing project that required the re-purchase of machine permits.

There was some flux in the number of card tables permits issued during the biennium. In fiscal year 2009, the Gambling Control Division issued 434 live card table permits, an increase of 82 permits over fiscal year 2008. However, in fiscal year 2010, the total dropped back to 399 permits. It appears that in fiscal year 2009, more operators permitted live card tables in an effort to draw players back into their locations and in 2010 some, but not all, decided to discontinue permitting the activity.

Tribal Gaming

Gaming compacts that provide for class III gaming remain in place with five tribes. The only significant change in tribal gaming during the biennium was the approval of 160 acres of Northern Cheyenne trust lands along the Tongue River Reservoir, but outside the exterior boundaries of the Northern Cheyenne Reservation, to be included in the definition of Indian lands in their class III compact. This change will allow the Northern Cheyenne to build and operate a casino that offers class III games on the Tongue River Reservoir property.

Gaming Advisory Council

The Gaming Advisory Council met five times in the interim between the 2009 and 2011 legislative sessions. The Council conducted a meeting in May 2009 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:

- bill acceptor limits (whether to increase to \$50 and \$100)
- live card games (specifically raising pot limits)
- license change processes to report changes brought about by death, divorce and other issues
- sports pools (educational, what is legal and what is not legal)

Other issues added at later meetings included:

- further examination of bingo limits and requirements (permitted games were still having trouble competing with other activities)
- establishing a stale date for video gambling machine ticket vouchers
- allowing machine route operators to lease machines to one another

With the assistance and cooperation of the Gambling Control Division, Liquor Licensing Division, Montana Tavern Association, Gaming Industry Association, and Montana Coin Machine Operators' Association, the Gaming Advisory Council helped guide discussions and rule amendments, and revised Division procedures in order to shorten forms and processes to amend gambling and liquor license ownership. Amending a license means the removal of one or more owners, or adjusting ownership among those already on the license.

The original 18-page application that required the resubmission of fingerprints took a month or more to process. The revised form is now a one-page application that takes only days to process if all of the required materials have been submitted with the form. In addition, fingerprints are only required for managers or personal representatives who haven't previously been disclosed.

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 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
- fishing derbies and betting on natural occurrences
- raffles

The Lottery Commission is administratively attached to the Department of Administration and the Board of Horseracing 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.

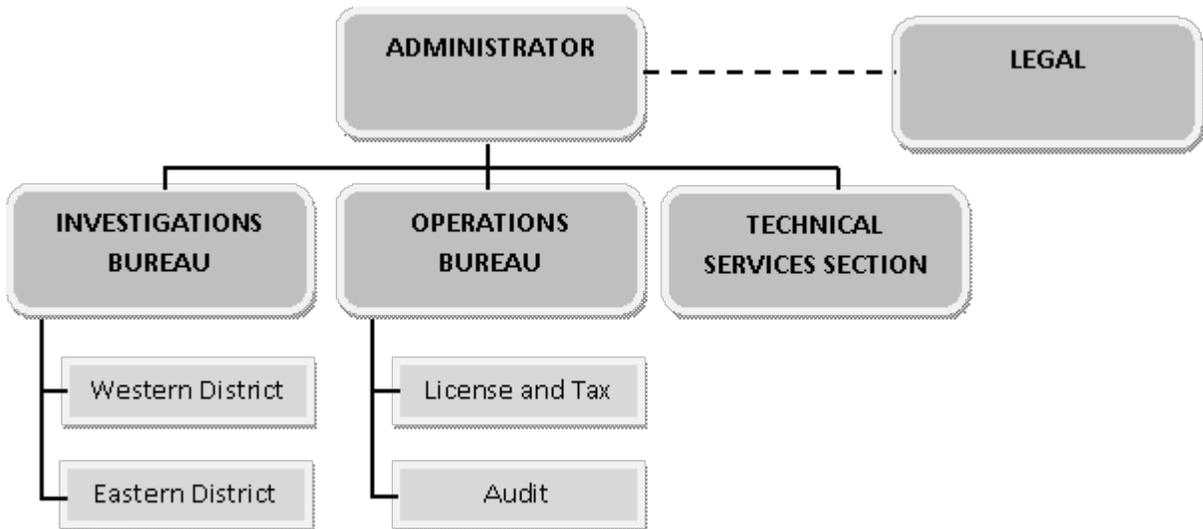
(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other 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 2010.

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 examiners in the field who assist in evaluating license applications and investigations.

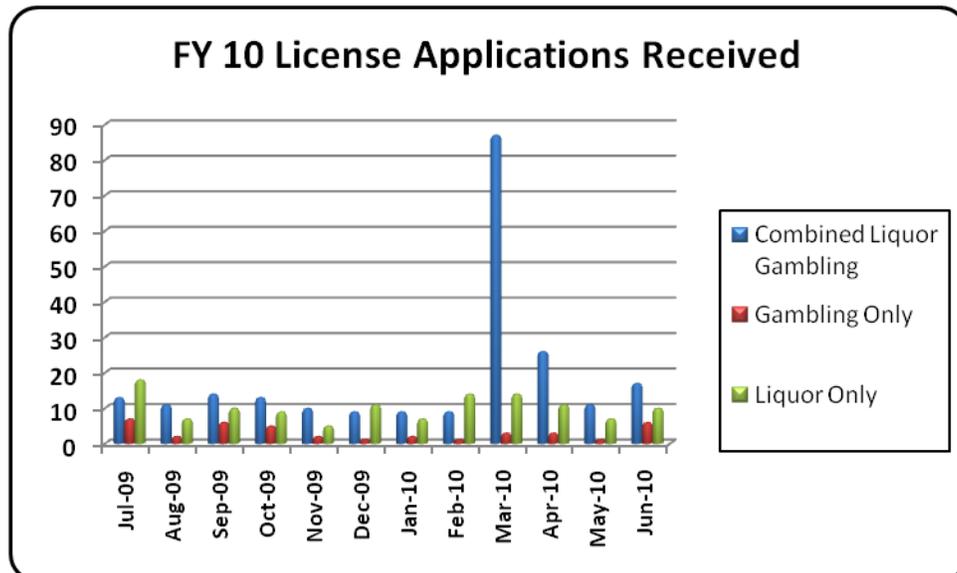
The License and Tax Section provides the following services:

- 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
- processes machine service forms and tracks machine movement in the state

During fiscal years 2007 and 2008, the payment of video gambling taxes, licensing of gambling operators and permitting of video gambling machines were converted to a GenTax database. This change in database now allows the online filing of video gambling taxes and permitting of video gambling machines. At the end of fiscal year 2010, approximately 99% of gambling operators were reporting taxes and permitting video gambling machines online.

The number of video gambling machine permits issued increased from 21,039 in fiscal year 2009 to 21,703 in fiscal year 2010.

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 year 2010, the Division received 391 applications – a 25% increase over the 313 applications received in fiscal year 2009. The spike in license applications in the third and fourth quarters of fiscal year 2010 was a result of a special project, and is not indicative of a change in the trend.



The Audit Section consists of financial examiners 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 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 1,171 in fiscal year 2009 and 1,155 in fiscal year 2010.

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, combined with 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. In fiscal year 2010, the legislature authorized the addition of 1.00 FTE for the lab to assist with this increased workload.

Legal Services

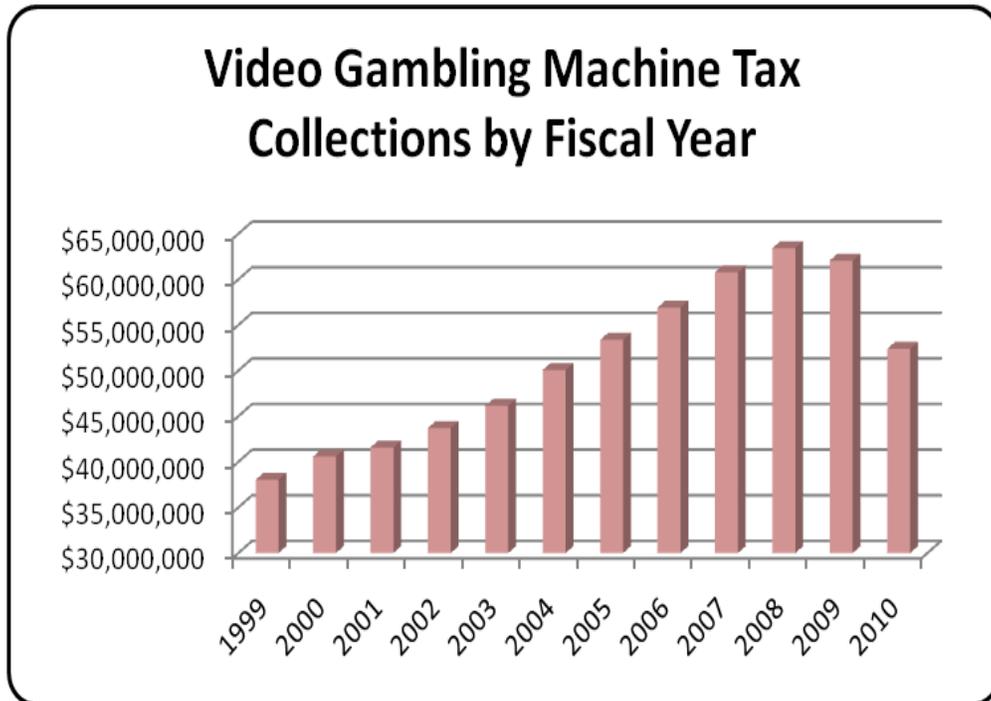
One attorney is assigned to the Gambling Control Division but is administratively attached to the Office of the Attorney General. A division legal secretary provides clerical assistance. The attorney's focus is primarily on administrative action against licensees who violate Montana's gambling laws and 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. 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 that \$40, or \$6.

In fiscal year 2009, the Video Machine Gross Income Tax generated \$62,065,664 for the General Fund. The amount generated in fiscal year 2009 represented a 2.14% decrease as compared to the amount collected in fiscal year 2008. In fiscal year 2010 tax collections totaled \$52,388,933, a 15.59% decrease as compared to fiscal year 2009.

The following chart indicates the video gambling machine tax collection trend for the past 12 fiscal years:



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

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 2010, the number of bingo and keno licenses issued was 80, which was 17 more than the number issued in fiscal year 2009.

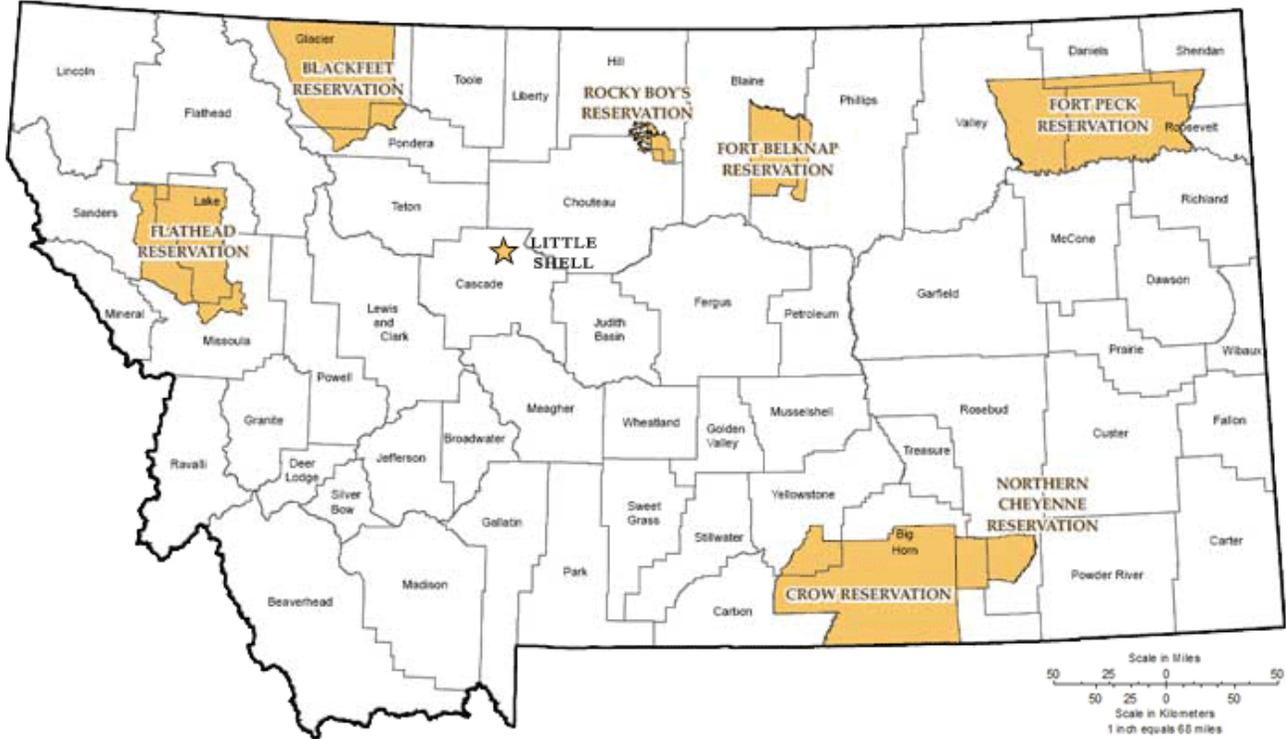
Permit Fees – The Gambling Control Division also collects a number of permit fees related to licensing gambling activities. The most significant permit fee is the \$220 per year basic fee for each video gambling machine. Prior to fiscal year 2004, the permit fee was split 50% to local governments and 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 2010, video gambling machine permit fees provided the Gambling Special Revenue Fund with \$2,288,819 and \$1,907,348 was distributed to local governments.

Fiscal year 2010 saw a slight increase in the number of video gambling machine permits issued. In fiscal year 2009, the Gambling Control Division issued 21,039 permits compared to 21,703 issued in fiscal year 2010. This represents an increase of approximately 3% from fiscal year 2009. The increase in VGM permits is assumed to be a result of a special project, not indicative of a change in trend.

The following table sets out the distribution of gambling revenue and fees to state and local governments for fiscal year 2010:

FY 2010 GCD Distribution of Revenue				
Revenue Source	Total Collected	Local Govt.	GCD	General Fund
Antique Slot Dealer	\$ -	\$ -	\$ -	\$ -
Bingo & Keno Permit Fees	\$ 10,875	\$ -	\$ 10,875	\$ -
Card Dealer License Fees	\$ 22,510	\$ -	\$ 22,510	\$ -
Card Room Contractor Fees	\$ 7,800	\$ -	\$ 7,800	\$ -
Card Table Permit Fees	\$ 118,000	\$ 78,100	\$ 39,900	\$ -
Card Tournament Fees	\$ 3,090	\$ -	\$ 3,090	\$ -
Casino Night Permit Fees	\$ 1,250	\$ -	\$ 1,250	\$ -
Fines/Penalties	\$ 36,142	\$ -	\$ -	\$ 36,142
Lab Test Fees	\$ 154,720	\$ -	\$ 154,720	\$ -
Live Bingo & Keno Tax	\$ 11,500	\$ 11,500	\$ -	\$ -
Manufacturer License Fees	\$ 91,233	\$ -	\$ 91,233	\$ -
Operator License Fees	\$ 115,040	\$ -	\$ 115,040	\$ -
Sports Tab Tax	\$ 1,577	\$ -	\$ 1,577	\$ -
VGM Gross Income Tax	\$ 52,388,933	\$ -	\$ -	\$ 52,388,933
VGM Permit Fees	\$ 4,196,167	\$ 1,907,348	\$ 2,288,819	\$ -
Totals	\$ 57,158,837	\$ 1,996,948	\$ 2,736,814	\$ 52,425,075
Percent of Total	100.00%	3.49%	4.79%	91.72%

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 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 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. 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

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 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.

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 since 2002.

Chippewa-Cree Tribes of the Rocky Boy's Reservation – In March of 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.

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 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.

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.



2009-2010 Gaming Advisory Council Report to the Department of Justice and the 2011 Legislature

Council Members:

NAME	REPRESENTING	LOCATION
John Tooke (Chair)	Gaming Industry	Miles City
Tim Carson	Gaming Industry	Billings
John Engen	Local Government	Missoula
Mark Kennedy	Public at Large	Billings
Bob McAnally	Native Americans	Poplar
Steve Morris	Gaming Industry	Helena
Nick Murnion	Local Government	Fort Peck
Pat Noonan	Legislature (House)	Ramsay
Joe Tropila	Legislature (Senate)	Great Falls

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 2009, the leadership of the House of Representatives appointed Representative Pat Noonan and the leadership of the Senate appointed Senator Joe Tropila both to three-year terms.

Other appointments to the council included:

- Steve Morris, Nick Murnion and John Tooke were appointed in 2008 to serve terms until January 18, 2011.
- John Engen, Mark Kennedy, Tim Carson and Bob McAnally were appointed in 2010 to serve until January 18, 2013.

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 2009 and 2011 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, 2009 – The first meeting following the legislative session was held in Missoula. The Council reviewed the liquor and gambling legislation that the 2009 Legislature acted upon. The Council reviewed and approved rules to implement legislative changes. The proposed rules were the credit play prohibited rule (replaced with credit cards with debit cards) and the amended raffle rule. The Council also moved to remove the proposed rule amendment concerning loan evaluations (Banker’s Rule) until all affected parties had been notified.

Issues identified as future topics of discussion included:

- bill acceptor limits (whether to increase to \$50 and \$100)
 - requested that an issue paper be prepared for the next meeting
- live card games (specifically raising pot limits on poker games)
 - deferred to next meeting
- license changes (brought about by death, divorce, and other issues)
 - appointed a subcommittee to study this issue
- sports pools
 - an educational presentation would be made at the next meeting

October 23, 2009 – The Council met in Helena to further discuss the issues brought up during the May meeting. The Council heard a report from the Montana Council on Problem Gambling.

The Council reviewed and approved the Division's proposed rules and new Form 37 which amend the license application process for three types of transfers of ownership: death of a licensee, divorce, and gifting among licensees (as long as no strangers were being introduced to the license). It was decided to continue the Licensing Subcommittee to work on other licensing issues.

It was decided that the issues related to bill acceptor limits and live card games would be discussed at the next meeting. The Council listened to the results of a bingo operators meeting held in August and the enhancements they would like to propose. The chairman asked them to get together with the Division to work out the specifics and bring a proposal to the Council at the next meeting. The Council reviewed a white paper on "stale-dated ticket vouchers" and asked the Division to research what the regulations are in other states and bring the results to the next Council meeting.

February 3, 2010 – The Council met in Helena to continue discussion of the issues brought up in previous meetings. The Council was presented with the proposed changes to the Banker's Rule (disclosure provisions in the application process of guarantors on institutional loans/non-institutional loans). After some discussion, the Council voted to revise the rule draft and to review the changes by conference call.

After hearing the results of the study on how other states regulate stale-dated ticket vouchers, the Council approved a motion to recommend a change in statute to allow the Division to set in administrative rule a stale date for valid video gambling machine ticket vouchers. The proposed legislation will be included in the Division's cleanup bill.

After hearing a report from the Bingo Operator Group, the Council decided to include the following changes in the Division cleanup bill:

- increase bet limits to \$1.00 per card
- increase payout limits to \$800 per card and no more than \$3,000 per bingo session
- define a bingo session as at least 20 games or two hours in length, with at least two hours between sessions
- allow special event sessions
- allow bonanza bingo cards

The License subcommittee presented four proposals for streamlining the license transfers that currently require full amended or new license applications. The Council approved proceeding with three options:

- transfers that involve dropping an owner from the license and no change in entity type or location

- transfers among owners that only result in changes in percentages of the licensed business owned, but no change in ownership or location, or
- changes in entity type where there is no change in ownership or location

The Council also approved continuing the subcommittee to explore option number 4 which involved adding a stranger to the license.

The Council decided to form a subcommittee to review the existing rules relative to video poker, keno and bingo and to suggest possible changes in the rules.

May 18, 2010 – The last meeting of fiscal year 2010 was held in Billings. The Council heard a report from the Montana Council on Problem Gambling. The Division presented an update on new rules associated with Form 37 and the “Banker’s Bill”.

The Council voted unanimously to approve the three recommendations from the VGM Subcommittee:

- amend 23-5-112, MCA to allow route operators to lease machines to one another
- amend 23-5-112, MCA to make it clear that machine manufacturers, distributors, route operators and location operators can buy and sell machines to one another
- name an industry task force to clarify the definition of “bonus win”

The Division presented the Council with information regarding Calcutta auction pools and the varied percentages being contributed to nonprofits or charitable organizations. The Council was presented with options to study this issue, recommend a change in legislation to require that at least 50% of the proceeds go to the nonprofit or charitable cause, or take no action. After some discussion, the Council voted unanimously to not pursue a change related to Calcuttas.

The Council was presented with the proposed legislation and voted to accept it as presented.

Attorney General Bullock expressed his appreciation of the efforts and accomplishments of the Council.

September 24, 2010 – This meeting took place in Missoula. The Division reviewed the rule changes that became effective on July 30, 2010.

After a discussion and explanation from the Division of ARM 23.16.120(8), the Council voted unanimously for the Division to draft a rule change to extend the exception requiring NIL approval for “cash equivalent sales” of video gambling machines from 180 days to 365 days.

In reviewing the proposed legislation, the Council approved (with one member opposing) of removing the proposed change to 23-5-112(36)(b), MCA and 23-5-130, MCA relating to allowing a route operator to lease machines to another route operator. The Council unanimously approved the proposed legislation as amended.

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:

- **Revise Bingo Laws** –
 - increase bet limits to \$1.00 per card
 - increase payout limits to \$800 per card and no more than \$3,000 per bingo session
 - define a bingo session as at least 20 games or two hours in length, with at least two hours between sessions
 - allow special event sessions
 - allow bonanza bingo cards
- **Stale-dated Ticket Vouchers** – Current law does not provide a stale date for valid ticket vouchers. The proposed legislation would change statute to allow the Division to set in administrative rule a stale date for valid video gambling machine ticket vouchers.
- **VGM Changes** –
 - Amend 23-5-112, MCA to clarify that machine manufacturers, distributors, route operators and location operators can buy and sell machines to one another.

APPENDIX
Video Gambling Machine Activity by
County and Municipality

Fiscal Year 2010 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	320	8,192	25.60	19	\$758,206
Billings	2,893	105,845	36.59	142	\$8,939,597
Bozeman	596	39,282	65.91	41	\$1,703,421
Columbia Falls	237	5,361	22.62	12	\$449,492
Deer Lodge	166	3,517	21.19	11	\$331,799
Dillon	196	4,226	21.56	19	\$365,431
Glendive	185	4,628	25.02	13	\$455,150
Great Falls	1,753	59,366	33.87	105	\$4,771,039
Hamilton	307	4,974	16.20	18	\$842,909
Havre	490	9,656	19.71	30	\$1,064,721
Helena	902	29,939	33.19	51	\$2,975,186
Kalispell	713	21,640	30.35	36	\$2,177,727
Laurel	279	6,750	24.19	14	\$723,644
Lewistown	264	5,933	22.47	19	\$499,807
Livingston	248	7,380	29.76	23	\$557,800
Miles City	355	8,123	22.88	27	\$821,917
Missoula	1,358	68,876	50.72	82	\$4,391,756
Sidney	248	4,843	19.53	17	\$836,004
Whitefish	215	8,400	39.07	13	\$589,590

Fiscal Year 2010 Video Gambling by County			
COUNTY	Number of Video Gambling Machines	Number of Gambling Locations	Video Gambling Tax Collected
BEAVERHEAD	241	30	\$396,661
BIG HORN	204	13	\$520,712
BLAINE	127	13	\$186,670
BROADWATER	191	14	\$399,676
CARBON	246	23	\$465,390
CARTER	11	2	\$25,296
CASCADE	2,198	148	\$5,565,142
CHOUTEAU	84	15	\$111,263
CUSTER	375	30	\$845,991
DANIELS	43	7	\$40,893
DAWSON	220	18	\$617,970
DEER LODGE	364	36	\$689,032
FALLON	77	8	\$179,966
FERGUS	289	28	\$528,695
FLATHEAD	1,744	102	\$4,587,056
GALLATIN	1,214	100	\$2,934,465
GARFIELD	11	3	\$23,471
GLACIER	166	11	\$414,151
GOLDEN VALLEY	19	4	\$16,889
GRANITE	50	8	\$70,757
HILL	563	39	\$1,169,496
JEFFERSON	227	21	\$338,696
JUDITH BASIN	30	8	\$31,432
LAKE	27	5	\$22,576
LEWIS AND CLARK	1,329	87	\$3,772,385
LIBERTY	26	5	\$24,057
LINCOLN	651	47	\$1,122,691
MADISON	115	18	\$171,953
MCCONE	31	6	\$33,887
MEAGHER	70	9	\$87,409
MINERAL	256	17	\$364,377
MISSOULA	1,857	124	\$5,282,700
MUSSELSHELL	95	9	\$221,160
PARK	366	41	\$756,182
PETROLEUM	4	2	\$4,900
PHILLIPS	126	19	\$259,282
PONDERA	94	13	\$191,649
POWDER RIVER	52	5	\$99,184
POWELL	185	17	\$344,917
PRAIRIE	14	3	\$16,969
RAVALLI	540	41	\$1,294,175
RICHLAND	342	25	\$1,215,838
ROOSEVELT	312	23	\$904,737
ROSEBUD	248	23	\$409,496
SANDERS	268	20	\$385,468
SHERIDAN	145	13	\$236,283
SILVER BOW	1,330	107	\$3,232,022
STILLWATER	246	18	\$422,859
SWEET GRASS	76	8	\$116,612
TETON	93	12	\$133,635
TOOLE	171	16	\$324,172
TREASURE	6	2	\$5,533
VALLEY	207	22	\$367,375
WHEATLAND	63	9	\$94,050
WIBAU	36	3	\$141,559
YELLOWSTONE	3,439	182	\$10,225,742
GRAND TOTAL	21,514	1,632	\$52,445,605