

MONTANA DEPARTMENT OF JUSTICE GAMBLING CONTROL DIVISION

Biennial Report
Fiscal Years 2015 - 2016



and

Report of the Gaming Advisory Council

December 2016

Gambling Control Division
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Executive Summary

The Gambling Control Division's investment in online and automated services is now sufficient to allow a licensee to communicate with the Division entirely by electronic means. From the initial application for a license to subsequent game permit applications and reporting meter readings from video gambling machines to the payment of tax, a licensee can do it all online. Division staff, industry representatives who participated in the design and implementation of the services and policy makers granting the authority to pursue these improvements deserve kudos.

Over the last two fiscal years, the gambling industry has seen moderate growth. The video gambling machine tax collections, a key indicator for the industry, increased 4.91% in fiscal year 2015 and 1.1% in fiscal year 2016. These tax collections provided over \$120 million to the state general fund over the reporting period.

The division issued over 18,000 permits for video gambling machines each fiscal year, with an average of 17,007 machines reporting play each quarter in FY16. The peak in number of active machines was seen in fiscal year 2008 (average of 18,350) and had been slowly declining through FY15 to an average 16,420 reporting machines. But, with an increase from FY15 to FY16 to an average of 17,007 machines reporting per quarter, the trend may be heading back up.

The number of tribal compacts remained the same through the interim including the Crow Tribe of the Crow Reservation, Assiniboine and Sioux Tribes of the Fort Peck Reservation, Northern Cheyenne Tribe of the Northern Cheyenne Reservation, and Chippewa-Cree Tribes of the Rocky Boy's Reservation and Assiniboine and Gros Ventre Tribes of the Fort Belknap Reservation.

The Gaming Advisory Council met five times during the reporting period. During those meetings, they discussed a number of topics, appointed subcommittees to provide recommendations on topics that required in-depth research, and reviewed all gambling-related administrative rule proposals. In addition, the Council heard discussions on and voted to support statutory change proposals on the following topics (details on page 22):

- **Amendment to the 150' of another premises rule**
- **Credit Union savings raffles**
- **Social fantasy sports leagues**
- **Nonprofit raffle changes**
- **Tampering with video gambling machines (amendment)**

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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 authorized and 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
- certain 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 Commerce.

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.

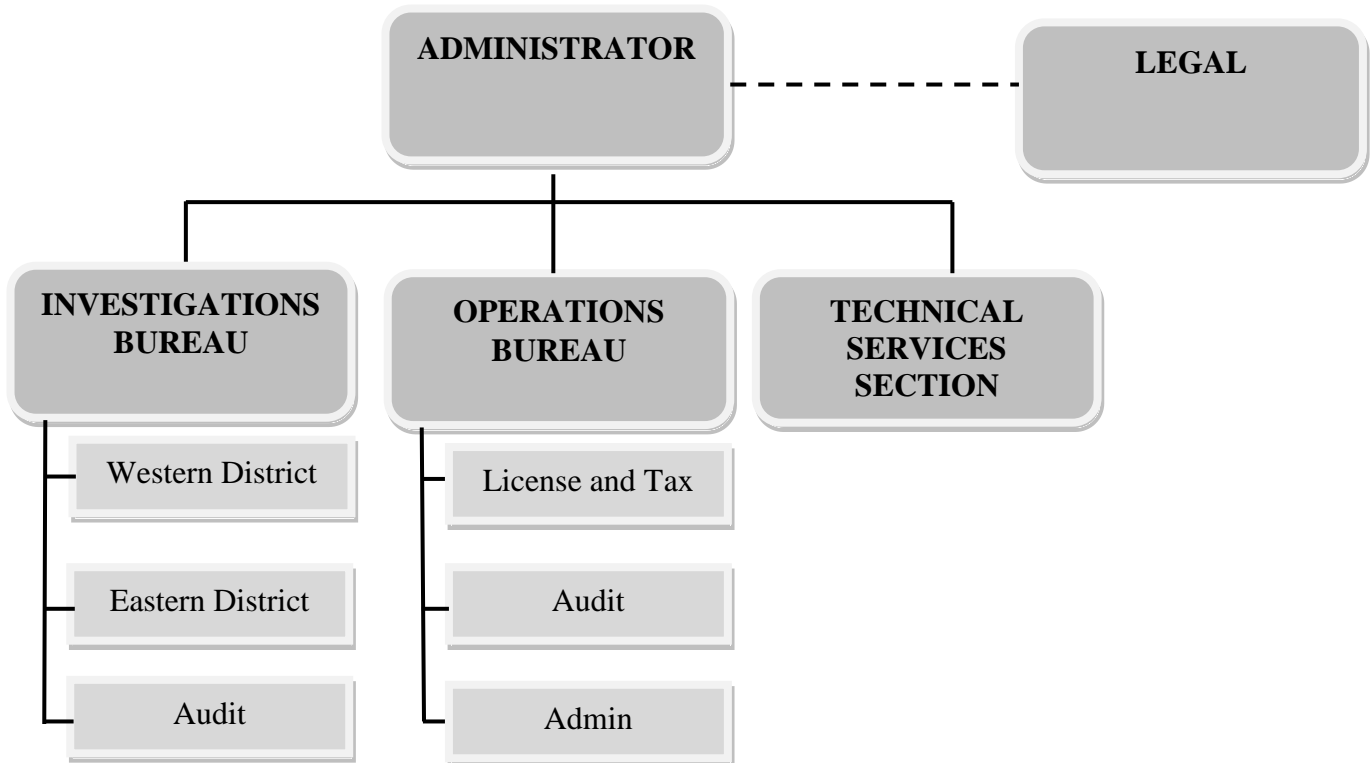
(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other 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 license matters account for approximately 50% of the work of the licensing, audit, and investigation staff. The Division was authorized for 46 full-time equivalent staff in fiscal year 2015 and 2016. Because the Division has been monitoring its fund balance and was able to capitalize on efficiencies, the division gave up 2 FTE during the previous 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:



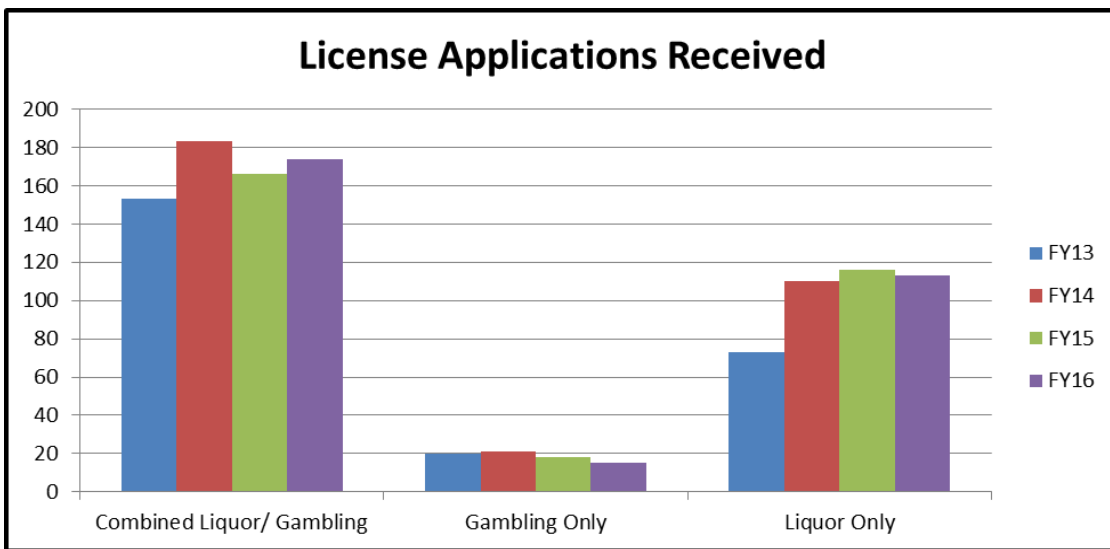
Operations Bureau

The Operations Bureau provides budget preparation and management services for the division and compiles gambling statistics reports that are published by the division. In addition, the bureau includes the License and Tax Section, and the Audit Section.

The License and Tax Section provides many services including the following:

- 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 License and Tax Section is the first point of contact for all license applications based on a combined processing procedure, but the Department of Revenue retains responsibility for approving and issuing liquor licenses. Overall, the division received 8% more license applications over the last two fiscal years as compared to the previous two fiscal years.



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

- assists in licensing applicants by conducting financial background reviews
- conducts full financial 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 the Eastern and Western Districts, each managed by a District supervisor. Field offices are located in Billings, Butte, Bozeman, 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, liquor, or tobacco cases (including licensing, criminal, and citizen complaints) completed by the Investigations Bureau was 980 in calendar year 2014, and 1,143 in calendar year 2015.

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

The time lapse between video gambling machine manufacturer's game submissions has increased from 6 to 9 months overall. The complexity of current games has resulted in increased testing, re-submissions and field issues. The labor savings resulting from fewer game submissions has shifted to the areas related to game complexity. The laboratory is primarily supported by hourly testing fees that are paid by the video gambling machine manufacturers.

Legal Services

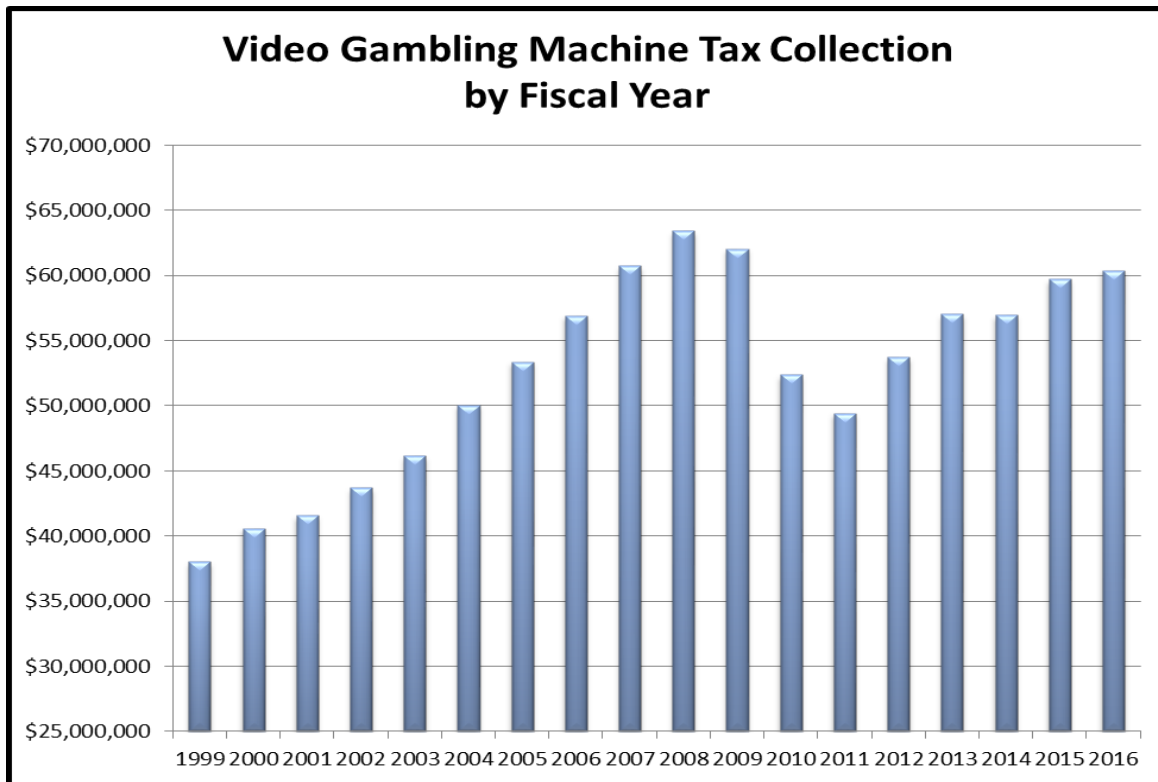
Two attorneys are assigned to the Gambling Control Division but are administratively attached to the Office of the Attorney General. A division legal secretary provides clerical assistance. The attorneys' focus is primarily on administrative action against licensees who violate Montana's gambling laws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

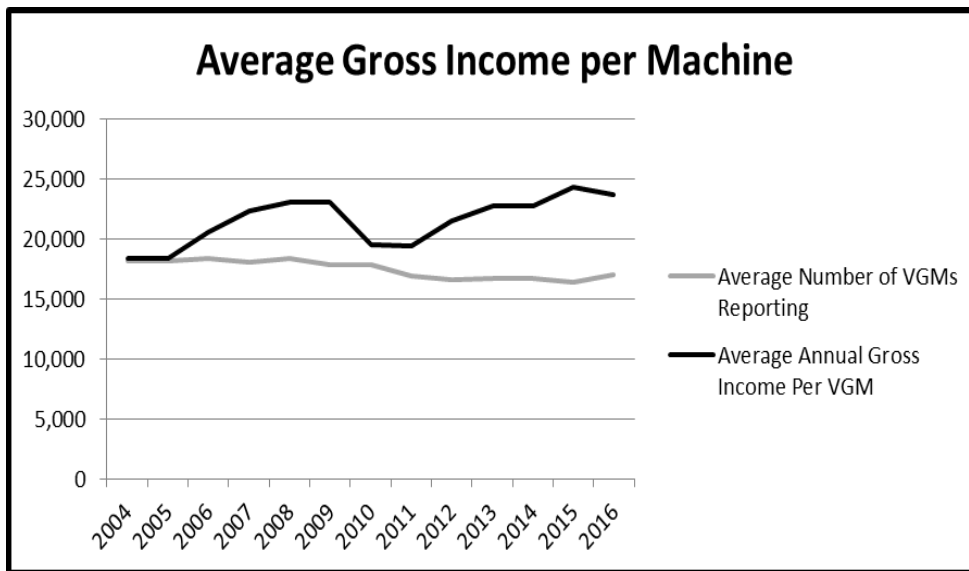
In fiscal year 2015, the Video Machine Gross Income Tax generated \$59.79 million for the state general fund which represented a 4.9% increase as compared to the amount collected in fiscal year 2014. The tax experienced fairly significant increases over the last five years and crossed the \$60 million threshold (\$60.39 million) in fiscal year 2016, which was a 1.10% increase compared to fiscal year 2015.

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:

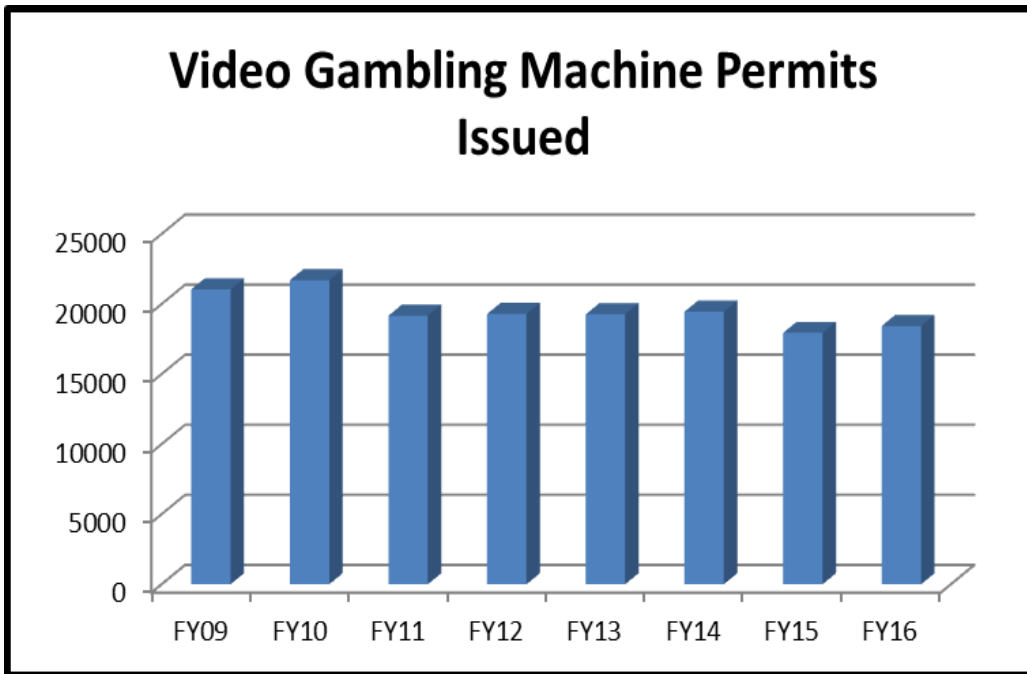
Fiscal Year	Average Number of Machines Reporting	Total Annual Gross Income	Average Annual Gross Income Per Machine
2004	18,192	\$333,827,800	\$18,350
2005	18,176	\$334,495,456	\$18,403
2006	18,420	\$378,827,999	\$20,566
2007	18,130	\$405,072,813	\$22,343
2008	18,350	\$422,829,120	\$23,042
2009	17,898	\$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
2013	16,695	\$380,329,860	\$22,781
2014	16,684	\$379,607,573	\$22,753
2015	16,420	\$398,863,520	\$24,291
2016	17,007	\$403,212,940	\$23,708



Other Gambling Taxes – In addition to the Video Gambling 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 collected is distributed to local government. Total collections are generally around \$7,000 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 \$5,000 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 \$240 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 \$140 to the Gambling State Special Revenue Fund. If a video gambling machine is permitted after the first quarter of the fiscal year, the fee is prorated by quarter.



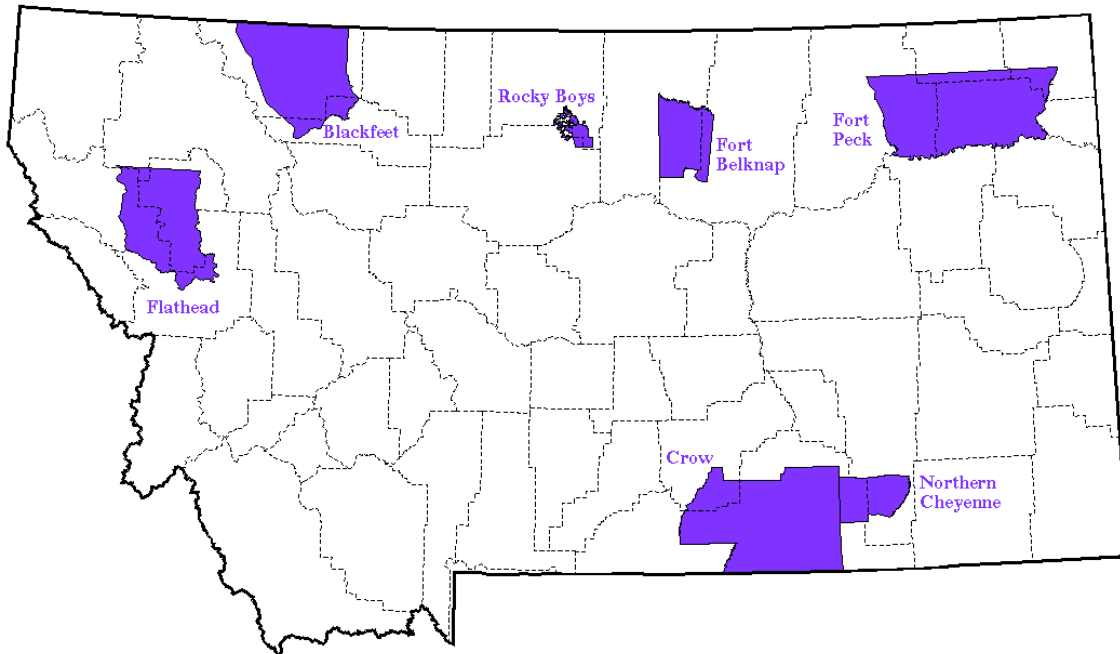
The number of video gambling machine permits issued has been very steady for the last four years, hovering around 19,000 permits issued during each fiscal year.

The following table sets out the distribution of gambling revenue and fees to state and local governments for fiscal years 2015 and 2016:

FY 2015 GCD Distribution of Revenue				
		<i>Distribution of Funds</i>		
Revenue Source	Total Collected	Local Govt.	Gambling Control	General Fund
Antique Slot Machine Dealer	\$ 50		\$ 50	
Bingo & Keno Permit Fees	\$ 14,625		\$ 14,625	
Card Dealer License Fees	\$ 11,281		\$ 11,281	
Card Room Contractor Fees	\$ 6,750		\$ 6,750	
Card Table Permit Fees	\$ 66,510	\$ 43,300	\$ 23,210	
Card Tournament Fees	\$ 12,440		\$ 12,440	
Casino Night Permit Fees	\$ 965		\$ 965	
Fines/Penalties	\$ 37,337			\$ 37,337
Lab Test Fees	\$ 192,717		\$ 192,717	
Live Bingo & Keno Tax	\$ 5,816	\$ 5,816		
Manufacturer/Route Operator License Fees	\$ 87,237		\$ 87,237	
Operator License Fees	\$ 78,803		\$ 78,803	
Sports Tab Tax	\$ 2,435		\$ 2,435	
VGM Gross Income Tax	\$59,798,604			\$59,798,604
VGM Permit Fees	\$ 4,090,125	\$1,703,500	\$2,386,625	
Totals	\$64,405,695	\$1,752,616	\$2,817,138	\$59,835,941
Percent of Total	100.00%	2.72%	4.37%	92.90%

FY 2016 GCD Distribution of Revenue				
		<i>Distribution of Funds</i>		
Revenue Source	Total Collected	Local Govt.	Gambling Control	General Fund
Antique Slot Machine Dealer	\$ -		\$ -	
Bingo & Keno Permit Fees	\$ 16,750		\$ 16,750	
Calcutta Application Fees	\$ 3,150		\$ 3,150	
Card Dealer License Fees	\$ 12,180		\$ 12,180	
Card Room Contractor Fees	\$ 5,400		\$ 5,400	
Card Table Permit Fees	\$ 63,500	\$ 41,000	\$ 22,500	
Card Tournament Fees	\$ 9,320		\$ 9,320	
Casino Night Permit Fees	\$ 885		\$ 885	
Fines/Penalties	\$ 59,397		\$ 59,397	\$ 59,397
Lab Test Fees	\$ 204,525		\$ 204,525	
Live Bingo & Keno Tax	\$ 5,535	\$ 5,535		
Manufacturer/Route Operator License Fees	\$ 81,494		\$ 81,494	
Operator License Fees	\$ 96,678		\$ 96,678	
Sports Tab Tax	\$ 4,190		\$ 4,190	
VGM Gross Income Tax	\$60,392,104			\$60,392,104
VGM Permit Fees	\$ 4,216,540	\$1,760,200	\$2,456,340	
Totals	\$65,171,647	\$1,806,735	\$2,972,808	\$60,451,501
Percent of Total	100.00%	2.77%	4.56%	92.76%

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 various payouts of up to \$5,000 for a limited number of 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 (e.g. non-tribal) 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

Blackfeet Tribe of the Blackfeet Reservation – A compact with the Blackfeet Tribe was terminated in 1997 after being in place for only a brief period of time. Negotiations with the Blackfeet Tribe began in June 2005 and another negotiation session was conducted in 2008, but did not result in a new gaming compact. Currently, the Blackfeet Nation operates the Glacier Peaks Casino, which offers class II gambling, in Browning.

Crow Tribe of the Crow Reservation – On February 7, 2014, the US Department of Interior published its approval of the 8th Amendment to the gaming compact with the Crow Tribe. The compact was originally entered into in 1998, and was scheduled to expire in 2003. A series of amendments continued the agreement, and now this 8th Amendment to the compact extends the agreement for another 15 years, or until a new compact is signed, whichever occurs first. The Amendment calls for the parties to begin negotiations toward a new compact upon its approval by the Secretary of Interior.

Under the terms of the 8th Amendment to the compact, the number of class III video gambling machines the Tribe may offer was increased from 400 to 925. Of those class III video gambling machines, up to 1/3 may be categorized as “high stakes,” with wagers up to \$50 per play, and prizes up to \$5,000 per wager. The remaining two-thirds of the class III video gambling machines are categorized as “regular stakes,” with wagers up to \$10 per play, and prizes up to \$3,000 per wager.

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 gambling 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 wager of \$5 and maximum payout of \$2,000.

Assiniboine & Sioux Tribes of the Fort Peck Reservation – In December 2012, the State and the Assiniboine and Sioux Tribes of Fort Peck signed a new class III gaming compact, which was approved by the U.S. Department of Interior on December 20, 2012. In addition to other forms of gambling that are legal in Montana, the 2012 compact allows up to a total of 750 Class III machines to be operated within the Reservation, which includes maximum wagers of \$10 and maximum payouts of \$2,500 for “regular stakes” machines. The compact also provides that up to 20% of the Class III machines on any premises may be “high stakes” which may have a maximum wager of \$50 and a maximum payout of \$5,000.

Northern Cheyenne Tribe of the Northern Cheyenne Reservation – In January 2013, the Northern Cheyenne Tribe and the State of Montana signed a new class III gaming compact, which was approved by the U.S. Department of Interior on March 8, 2013. In addition to other forms of gambling that are legal in Montana, the 2013 compact allows to be operated within the Reservation up to 750 class III machines at tribal casinos located within the Reservation and on the Tongue River Reservoir Trust Lands. The compact provides for maximum payouts of \$3,000.

Chippewa-Cree Tribe of the Rocky Boy’s Reservation – In December 2012, the State and the Chippewa Cree Tribe signed a new class III state-tribal gaming compact, which was approved by the U.S. Department of Interior on February 4, 2013. In addition to other forms of gambling that are legal in Montana, the 2012 compact allows to be operated within the Reservation up to 750 class III machines, with maximum wagers of up to \$10. The compact provides for maximum payouts of \$3,000 in up to 500 machines, and maximum payouts of \$5,000 in up to 250 machines.



2015 - 2016 Gaming Advisory Council Report to the Department of Justice and the 2017 Legislature

Council Members:

NAME	REPRESENTING	LOCATION	TERM
Ron Alles	Local Government	Helena	Aug 2016-Aug 2019
Tim Carson (Vice Chair)	Gaming Industry	Billings	Dec 2009-Jan 2019
Jed Fitch	Local Government	Dillon	Mar 2011-Jan 2017
Mike Kenneally	Gaming Industry	Butte	Jan 2014-Jan 2017
Mark Kennedy (Chair)	Public at Large	Billings	Dec 2009-Jan 2019
Bob McAnally	Native Americans	Poplar	Dec 2009-Jan 2019
Steve Morris	Gaming Industry	Helena	Mar 2008-Jan 2017
Kevin Myhre*	Local Government	Lewistown	May 2013-May 2016
Rep. Dale Mortensen	Legislature (House)	Billings	Jul 2016-Jul 2019
Rep. Casey Schreiner*	Legislature (House)	Great Falls	May 2014-May 2016
Sen. Mark Blasdel	Legislature (Senate)	Kalispell	May 2015-May 2017

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.

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 2015 and 2017 legislative sessions. The minutes of all Gaming Advisory Council Meetings are available on the Justice Department website at <https://dojmt.gov/gaming/gaming-advisory-council/>.

May 15, 2015 – The first meeting following the legislative session was held in Helena. The Council reviewed the liquor and gambling legislation that the 2015 Legislature acted upon. Specifically, Administrator Ask discussed the passing of House Bill 38 regarding social card games, sports tabs, Calcutta permit fees, and temporary operating authority.

A motion was made to approve the proposed rules as presented for operating sports tabs boards in conjunction with an event series. The motion passed unanimously.

It was determined that the manager/key employee subcommittee would be retained to continue their work. Councilmen Mike Kenneally and Jed Fitch were the representatives from the Council who served on this subcommittee.

Issues identified as future topics of discussion included:

- License Streamlining
- 150-foot Rule: 23-5-629, MCA amendment
- Debit Card use and gambling
- Dinner Cruise/Casinos
- Sports Pool wager limits
- Player tracking (electronic transfer of machine data)
- Credit Union gift enterprises

September 25, 2015 – The Council met in Missoula to further discuss the issues brought up during the May meeting. Division staff provided updates for the Operations Bureau, Investigations Bureau, and the Technical Services Section.

Administrator Ask discussed why the key employee/manager subcommittee was formed, which was to identify the employee or manager that licensees and/or applicants should be disclosing and providing background and fingerprint information for. Administrator Ask reported after meeting with Industry and the subcommittee, the Division has drawn up an initial form and framework.

There was brief discussion regarding the requirements for temporary gambling authority for gambling operator licenses, which include:

- Application filed electronically;
- Application is deemed complete by licensing staff;
- No adverse reports on owners, officers, or managers at the time of the request;
- Premise licensed within the last 12 months (existing location);
- Good standing verification of the seller;
- Issued for no more than 45 days (extensions only for issues outside of applicant's control).

The Rule proposal was conceptually approved unanimously by the Council.

Motions were made to approve the rules proposal for Publicly Traded Corporations, approve the amendments for sports pools in ARM 23.16.1702, and draft amendments to 23-5-629, MCA (150 foot rule) for consideration to be included in the DOJ/GAC Bill next session. All motions passed unanimously.

January 29, 2016 – This Council meeting was held in Helena. Mr. Jesse Laslovich and Ms. Lynn Egan from the Office of the Montana State Auditor attended the meeting to present to the Council crowdfunding. This is a new source or way of raising capital that was passed in the 2015 Legislative Session.

Mr. Kamerzel and Investigations Bureau Chief Jeseritz presented to the Council a drafted rule amendment to ARM 23.16.1903 in regards to machine malfunctions. The drafted rule amendment is intended to be used as a protocol for what to do if there is a perceived machine malfunction. Mr. Ask indicated the division will continue to research this issue and work on the rule amendment.

The Division proposed having a discussion on whether a change should be made to allow an operator to pay a player with a check in lieu of cash under certain circumstances. Vice-Chairman Carson discussed the many different circumstances that circulate around this matter, and has asked the Division to continue to look into this discussion topic.

May 13, 2016 – The last meeting of fiscal year 2016 was held in Helena and was the last meeting for Councilman Kevin Myhre. Mr. Myhre was recognized for his years of service to the Council and Mr. Ron Alles was appointed to take Mr. Myhre's position.

Administrator Ask discussed that the Division held a public hearing for New Rule I Temporary Gambling Authority, and amendments to Administrative Rules 23.16.119, 23.16.502, 23.16.1702, 23.16.1703, and 23.16.1907 concerning participation in gambling operations, sports pool design and operation, and software specifications for video poker machines. The Division received positive comments from interested parties, so the rule and rule amendments will be adopted.

Representative Forrest Mandeville attended this meeting to present to the Council his position on online fantasy sports leagues. Representative Mandeville sponsored House Bill 181 in the 2015 Legislative Session. He was very appreciative the Council invited him to come present and would like to work together to define what fantasy sports are.

Administrator Ask brought forth the notion the Division will be putting together a rule proposal to define what minimum value should be for social card games.

Investigations Bureau Chief Jeseritz presented to the Council the presentation he uses when he is invited to speak at non-profit meetings and conferences. Mr. Jeseritz's goal is to inform these organizations on how to appropriately and legally conduct fundraising activities, and the message he emphasized was the Division wants to work with them to make sure they are in compliance with the gambling rules and regulations.

Chairman Kennedy appointed a subcommittee to discuss both division funding and video gambling machine issues. Mr. Tim Carson was named Chairman for both subcommittees.

September 30, 2016 – The last meeting leading up to the 2017 legislative session took place in Missoula. The Council heard various updates from the division on statistics, projects, and activities. Administrator Ask reported to the Council that the appointed subcommittees for division funding and VGM issues had met twice leading up to the GAC meeting. Administrator Ask and Councilman Carson both recommended that the subcommittees be retained. The Council voted in favor to keep both subcommittees.

Administrator Ask reviewed the proposed statute amendments related to the 150-foot rule (23-5-629, MCA), the Credit Union exception to the gift enterprise definition (23-5-112(16), MCA) for savings promotion raffles, and the non-profit exceptions for fundraising raffles. The Council voted in favor of including the proposed changes in the GAC/Justice bill (see "Recommendations of the Gaming Advisory Council" for a description of proposed amendments).

Administrator Ask presented to the Council a package Representative Forrest Mandeville had put together regarding online fantasy sports leagues. Rep. Mandeville would like to propose the package in the 2017 Legislative Session. Mr. Ask noted that the Division was not quite ready to provide a recommendation regarding his proposal and suggested the division do more research and come back to the Council to make either a telephonic or electronic vote prior to a set deadline for the bill draft. The Council approved this suggestion.

Mr. Fanning presented information regarding the machine tampering statute (23-5-622, MCA) and suggested changes. The division requested to continue researching the issue and get in touch with the Council prior to the bill draft deadline regarding a proposal to be included in the GAC/Justice bill.

Mr. Ask explained to the Council that Mr. Ray Parker had contacted him in regards to the Council meeting. Mr. Parker is the spokesman for the tribal gaming groups in Montana, and informed the Council that they are creating a Montana Indian Gaming Association which as of now includes 6 of the 7 tribes in Montana. Mr. Parker mentioned five topics which they would like to discuss further. Mr. Parker invited the Council to attend their meeting in Billings on October 20, 2016.

Recommendations of the Gaming Advisory Council

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

- **150-foot Rule** –
 - Amend 23-5-629, MCA restricting the gambling activities when there is common ownership among licensees and they work in an inter-related fashion.
- **Credit Unions** –
 - Amend 23-5-112(16), MCA to allow an exception for Credit Unions to offer a raffle to people based on their participation in a savings program.
- **Non-Profit Organizations** –
 - Amend 23-5-112(16), MCA to allow an exception for these organizations to package raffle tickets with the sale of membership dues, calendar purchases, sale of a table at a fundraising event, or other gift enterprise examples.
 - Amend 23-5-112(21)(a), MCA and 23-5-413(a) and (b), MCA to allow the sale of raffle tickets online, and allow the sale of raffles outside of the geographic confines of the state of Montana only if not prohibited in the other jurisdiction(s).
- **Fantasy Leagues** –
 - Amend 23-5-112(13) to allow for social fantasy sports leagues under certain conditions:
 - Entry fee of no more than \$35;
 - Prizes of minimal value;
 - Season-long;
 - No charge for draft picks or trades;
 - Vendor must register with the department.
- **Machine Tampering** –
 - Amend 23-5-622, MCA to include exploiting a hardware or software feature (gaffe) that alters the video gambling machine's intended and approved functioning.

APPENDIX

Fiscal Year 2015 Video Gambling by City					
CITY	Number of Video Gambling Machines	*Estimated Population (7/1/2015)	Average persons per VGM	Number of Gambling Locations	Video Gambling Tax Collected
Belgrade	194	8,029	41	12	\$813,991
Billings	2,631	110,263	42	135	\$11,163,658
Bozeman	449	43,405	97	37	\$1,951,502
Columbia Falls	189	5,093	27	11	\$691,633
Deer Lodge	112	2,965	26	8	\$338,006
Dillon	116	4,210	36	13	\$346,308
Glendive	199	5,495	28	12	\$669,166
Great Falls	1,540	59,638	39	94	\$5,369,875
Hamilton	233	4,602	20	14	\$777,582
Havre	334	9,834	29	25	\$947,217
Helena	703	30,581	44	44	\$3,150,996
Kalispell	615	22,052	36	34	\$2,657,026
Laurel	216	6,943	32	12	\$809,542
Lewistown	193	5,874	30	17	\$516,829
Livingston	179	7,302	41	16	\$620,912
Miles City	337	8,796	26	24	\$1,082,878
Missoula	1,140	71,022	62	77	\$4,605,433
Sidney	225	6,828	30	15	\$1,309,947
Whitefish	158	7,073	45	11	\$520,047

Fiscal Year 2016 Video Gambling by City					
CITY	Number of Video Gambling Machines	*Estimated Population (7/1/2015)	Average persons per VGM	Number of Gambling Locations	Video Gambling Tax Collected
Belgrade	198	8,029	41	11	\$890,005
Billings	2,595	110,263	42	134	\$10,920,492
Bozeman	514	43,405	84	35	\$2,089,105
Columbia Falls	191	5,093	27	11	\$757,103
Deer Lodge	106	2,965	28	8	\$336,181
Dillon	114	4,210	37	15	\$353,180
Glendive	243	5,495	23	13	\$662,783
Great Falls	1,430	59,638	42	92	\$5,185,592
Hamilton	281	4,602	16	16	\$768,862
Havre	341	9,834	29	25	\$999,190
Helena	684	30,581	45	42	\$3,258,888
Kalispell	643	22,052	34	34	\$2,751,277
Laurel	251	6,943	28	13	\$873,047
Lewistown	223	5,874	26	17	\$511,104
Livingston	203	7,302	36	17	\$666,490
Miles City	379	8,796	23	26	\$1,033,186
Missoula	1,244	71,022	57	81	\$4,863,853
Sidney	257	6,828	27	16	\$1,107,112
Whitefish	181	7,073	39	11	\$533,769

* Data Access and Dissemination Systems (DADS). "American FactFinder." U.S. Census Bureau. U.S. Census Bureau, n.d. Web. 27 Sept. 2016.

Fiscal Year 2015 Video Gambling by County			
COUNTY	Number of Video Gambling Machines	Number of Gambling Locations	Video Gambling Tax Collected
BEAVERHEAD	153	22	\$374,855
BIG HORN	160	10	\$589,579
BLAINE	90	10	\$199,562
BROADWATER	129	10	\$406,647
CARBON	241	23	\$576,486
CARTER	14	3	\$3,753
CASCADE	1,879	128	\$6,067,309
CHOUTEAU	69	12	\$125,613
CUSTER	344	26	\$1,085,977
DANIELS	91	10	\$61,567
DAWSON	242	17	\$881,968
DEER LODGE	280	27	\$645,213
FALLON	82	9	\$231,081
FERGUS	230	29	\$577,525
FLATHEAD	1,457	96	\$4,952,333
GALLATIN	868	80	\$3,242,318
GARFIELD	12	2	**
GLACIER	199	11	\$420,615
GOLDEN VALLEY	13	3	\$30,036
GRANITE	39	6	\$54,965
HILL	417	33	\$1,113,442
JEFFERSON	153	15	\$409,440
JUDITH BASIN	43	8	\$58,705
LAKE	27	5	\$28,528
LEWIS AND CLARK	1,048	80	\$4,167,154
LIBERTY	23	4	\$23,378
LINCOLN	551	37	\$1,142,035
MADISON	116	17	\$164,742
MCCONE	40	6	\$64,549
MEAGHER	59	10	\$99,895
MINERAL	189	14	\$347,445
MISSOULA	1,489	109	\$5,707,632
MUSSELSHELL	84	8	\$232,689
PARK	307	31	\$835,994
PETROLEUM	4	2	**
PHILLIPS	107	14	\$242,140
PONDERA	75	12	\$226,987
POWDER RIVER	45	4	\$112,176
POWELL	129	13	\$359,607
PRAIRIE	16	3	\$29,681
RAVALLI	466	34	\$1,408,333
RICHLAND	352	24	\$2,104,588
ROOSEVELT	361	23	\$1,603,490
ROSEBUD	171	19	\$494,305
SANDERS	218	18	\$474,215
SHERIDAN	182	14	\$483,855
SILVER BOW	1,045	85	\$3,254,146
STILLWATER	167	16	\$471,612
SWEET GRASS	55	7	\$133,668
TETON	89	14	\$142,972
TOOLE	174	20	\$363,379
TREASURE	6	2	**
VALLEY	163	20	\$417,449
WHEATLAND	48	7	\$101,407
WIBAUX	35	3	\$154,047
YELLOWSTONE	2,999	164	\$12,278,627
GRAND TOTAL	18,045	1,428	\$59,779,714

**Confidential tax information (only two or less licensed gambling locations in this county)

Fiscal Year 2016 Video Gambling by County			
COUNTY	Number of Video Gambling Machines	Number of Gambling Locations	Video Gambling Tax Collected
BEAVERHEAD	159	26	\$391,424
BIG HORN	162	9	\$506,062
BLAINE	90	10	\$220,303
BROADWATER	140	11	\$447,465
CARBON	232	23	\$566,820
CARTER	12	3	\$2,589
CASCADE	1,763	123	\$6,043,278
CHOUTEAU	74	13	\$137,725
CUSTER	387	28	\$1,035,166
DANIELS	63	8	\$68,474
DAWSON	293	18	\$838,596
DEER LODGE	234	23	\$693,952
FALLON	107	10	\$194,891
FERGUS	266	29	\$576,670
FLATHEAD	1,497	95	\$5,254,271
GALLATIN	968	77	\$3,522,660
GARFIELD	14	2	**
GLACIER	155	10	\$403,038
GOLDEN VALLEY	12	3	\$33,381
GRANITE	52	7	\$56,295
HILL	427	33	\$1,161,033
JEFFERSON	160	15	\$414,591
JUDITH BASIN	45	8	\$62,502
LAKE	21	4	\$21,104
LEWIS AND CLARK	1,046	79	\$4,391,408
LIBERTY	23	4	\$21,630
LINCOLN	577	40	\$1,170,706
MADISON	111	18	\$194,891
MCCONE	33	5	\$62,584
MEAGHER	55	9	\$126,126
MINERAL	216	17	\$350,508
MISSOULA	1,568	112	\$6,059,040
MUSSELSHELL	88	7	\$232,092
PARK	328	32	\$920,063
PETROLEUM	5	2	**
PHILLIPS	115	15	\$246,545
PONDERA	76	12	\$220,320
POWDER RIVER	53	5	\$130,679
POWELL	124	13	\$358,728
PRAIRIE	16	3	\$30,900
RAVALLI	497	35	\$1,455,290
RICHLAND	405	26	\$1,774,991
ROOSEVELT	335	22	\$1,441,158
ROSEBUD	197	19	\$477,585
SANDERS	232	19	\$501,376
SHERIDAN	183	14	\$468,509
SILVER BOW	1,035	83	\$3,244,190
STILLWATER	182	17	\$466,644
SWEET GRASS	40	5	\$139,722
TETON	101	16	\$155,204
TOOLE	163	17	\$347,585
TREASURE	4	1	**
VALLEY	174	21	\$412,789
WHEATLAND	51	10	\$103,915
WIBAUX	43	3	\$164,107
YELLOWSTONE	3,040	167	\$12,123,595
GRAND TOTAL	18,449	1,436	\$60,445,170

**Confidential tax information (only two or less licensed gambling locations in this county)