

# MONTANA DEPARTMENT OF JUSTICE GAMBLING CONTROL DIVISION

Biennial Report  
Fiscal Years 2019 – 2020



and

## Report of the Gaming Advisory Council

December 2020

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## Executive Summary

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The video gambling machine tax collections (a key indicator for the industry) saw a 4.72% increase in fiscal year 2019. Due to the COVID 19 pandemic, collections sharply fell 8.99% in fiscal year 2020. As with last biennium, these tax collections provided approximately \$120 million to the state general fund over the reporting period.

The division issued approximately 18,700 permits for video gambling machines each fiscal year with an average of 16,600 machines active each quarter. This is down by approximately 1.1% compared to FY17 and FY18.

A substantial portion of the division's work relates to alcoholic beverage licensing, auditing, inspecting, and investigating. For example, 25% of the applications received by the division in FY19 and FY20 were for alcohol-only licenses, 67% were for alcohol and gambling licenses, and only 8% were for gambling-only licenses. Also, 45% of the premises inspections completed by our investigations staff were done at locations with an alcoholic beverage license (not a gambling license). The other 55% of inspections were done at locations with both a gambling operator license and an alcoholic beverage license.

The division continued to provide support for programs assisting those adversely affected by legalized gambling including compulsive gamblers and their families. That was primarily done through its relationship with the Montana Council on Problem Gambling and collaboration with them on several outreach projects.

The division successfully provided educational resources on gambling statutes and rules for licensees and the public and increased its communication efforts through a variety of media platforms.

The Gaming Advisory Council met four times during the reporting period. During meetings, they discussed a number of topics, appointed subcommittees to provide recommendations on matters requiring in-depth research and reviewed all gambling-related administrative rule proposals. In addition, the Council participated in discussions and voted to support statutory change proposals concerning two areas: Qualifications for Licensure and Transfers of Ownership (see page 21 for details).

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## Table of Contents

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Gambling in Montana.....	4
Brief History .....	4
Current Regulation .....	4
Public Policy.....	5
Organization and Activities of the Gambling Control Division .....	6
Investigations Bureau .....	7
Operations Bureau .....	8
Technical Services Section.....	9
Legal Services.....	9
Gambling Revenue and Permit Fees .....	10
Distribution of Revenue .....	13
Tribal Gaming Compacts .....	14
Status of Compact Negotiations .....	15
Gaming Advisory Council 2019-2020.....	17
Report to the Department of Justice and the 2021 Legislature.....	17
Council Members .....	17
Gaming Advisory Council Deliberations and Activities .....	19
Recommendations of the Gaming Advisory Council .....	21
APPENDIX Video Gambling Machine Activity by County and Municipality.....	22
Chart 1 Video Gambling by City Fiscal Year 2019.....	22
Chart 2 Video Gambling by City Fiscal Year 2020.....	22
Chart 3 Video Gambling by County Fiscal Year 2019.....	23
Chart 4 Video Gambling by County Fiscal Year 2020.....	24

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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 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 horse racing and the activities offered by the Montana Lottery.

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 including poker and panguingue;
- live bingo and live keno;
- certain sports pool and sport tab games;
- Calcutta pools;

- casino nights;
- raffles;
- certain dice games including cee-lo and shake-a-day and shaking for music or drinks;
- live fantasy sports leagues; and
- fishing derbies and betting on natural occurrences.

The Montana Lottery is attached to the Department of Administration and the Board of Horse Racing is administratively attached to the Department of Commerce.

## **Public Policy**

The legislature has adopted the following public policy statement (23-5-110, MCA) 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

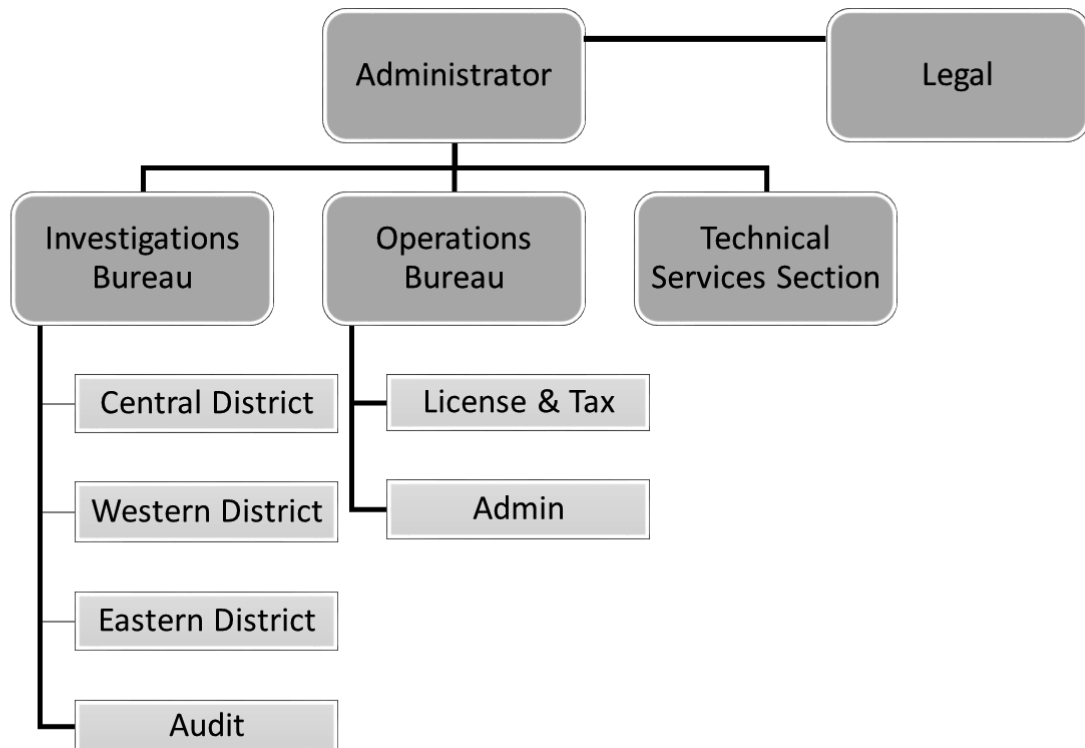
The mission of the Gambling Control Division (GCD) is to create and maintain a uniform regulatory climate to protect the businesses, players, organizations, citizens, and all who are affected by legalized gambling in Montana. The 46 division FTE accomplish this mission through licensing, permitting, collecting, auditing, testing, programming, inspecting, investigating, prosecuting, and reporting.

Under Montana law, businesses must have an appropriate alcoholic beverage license before they can conduct or offer certain gambling activities, specifically live card games, sports pool/sports tab games, and video gambling machines.

The Division has an MOU with Department of Revenue, Alcoholic Beverage Control Division to provide licensing, auditing, and investigative services. Through that role, the division serves as a point of contact for many alcoholic beverage licensees and applicants.

The Division also provides investigative services to DOR for tobacco tax enforcement.

The Division Administrator manages the Division's overall operations which are headquartered in Helena. In addition to management responsibility, the Administrator supports the activities of the Gaming Advisory Council. The organizational structure of the Division is indicated below:



## **Investigations Bureau**

The Gambling Investigations Bureau is organized into the Central, Eastern, and Western Districts and an Audit Section. In addition to headquarters in Helena, field offices are located in Billings, Bozeman, Glendive, Great Falls, Kalispell, and Missoula.

The primary responsibilities of the Investigations Bureau include:

- investigating illegal gambling or alcohol activity;
- execute gambling and alcohol suspensions and revocations;
- investigating any violations of laws related to tobacco taxes or the types of tobacco that can be sold;
- conducting background checks of applicants for a gambling or alcoholic beverage license;
- conducting routine inspections of gambling and/or alcoholic beverage licensed establishments;
- processing applications for temporary card dealer licenses;
- inspecting newly constructed or remodeled establishments that sell alcoholic beverages or offer gambling;
- evaluating variations of legal gambling activities submitted for approval;
- providing local law enforcement training;
- providing topic specific training and resources to licensees and general public, and
- providing assistance in the distribution of problem gambling resources.

The number of gambling, liquor, or tobacco cases (including licensing, criminal, and citizen complaints) completed by the Investigations Bureau was 1,779 in fiscal year 2019, and 1,856 in fiscal year 2020.

The Audit Section has staff located in Billings, Helena and Missoula and provides the following services:

- assists in licensing applicants for a gambling or alcoholic beverage license by conducting financial background reviews;
- conducts full financial reviews of gambling or alcoholic beverage license holders;
- conducts field tax audits; and
- provides support to the Investigations Bureau in interpreting and analyzing financial documents related to suspected illegal gambling activities.

## Operations Bureau

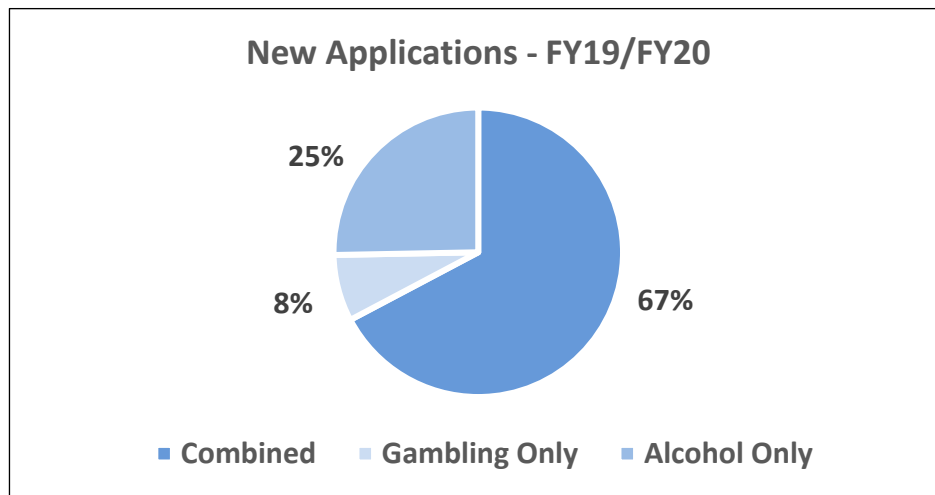
The Administrative Section performs a range of functions including:

- division management services;
- budget preparation;
- website maintenance;
- coordination of external communication;
- licensee and public education;
- compilation of gambling statistics and reports; and
- assistance in production of problem gambling resources.

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

The Gambling Control Division processes both alcoholic beverage 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 alcoholic beverage licenses. In fiscal year 2019 and fiscal year 2020, the division received a total of 336 new applications. Of that total, 67% were Combined Alcohol/Gambling, 8% were Gambling-only, and 25% were Alcohol-only. Overall, the division received 25% less license applications over the last two fiscal years as compared to the previous two fiscal years.





## **Technical Services Section**

Technical Services Section personnel are based in Helena with the exception of two machine inspectors: one in Billings and another in 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;
- testing automated accounting systems;
- providing interpretations of state law and rules to video gambling machine software designers;
- providing random testing of video gambling machines to ensure that software and hardware are functioning as tested; and
- programming the division's database;
- tracking the movement of illegal machines in and out of the state.

The lab closed 57 cases in FY19 and 67 cases in FY20 for new gambling devices or software modifications. The average turnaround time on video gambling machine modifications was 19 days in FY19 and 26 days in FY20. The laboratory is primarily supported by hourly testing fees that are paid by the video gambling machine manufacturers.

## **Legal Services**

One attorney is assigned to the Gambling Control Division. The division employs an investigations/legal support staff person who 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 Gambling Control Division's 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. The division had 84 docketed legal cases in fiscal year 2019 and 60 docketed legal cases in fiscal year 2020.

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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, and all the tax is distributed to the state general fund. This 15% tax is applied to the gross income from line game, bingo, 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 2019, the Video Gambling Machine gross income tax generated \$62.9 million for the state general fund which represented a 4.72% increase as compared to the amount collected in fiscal year 2018. In fiscal year 2020, the Video Gambling Machine tax generated \$57.3 million, which represented an 8.99% decrease compared to fiscal year 2019.

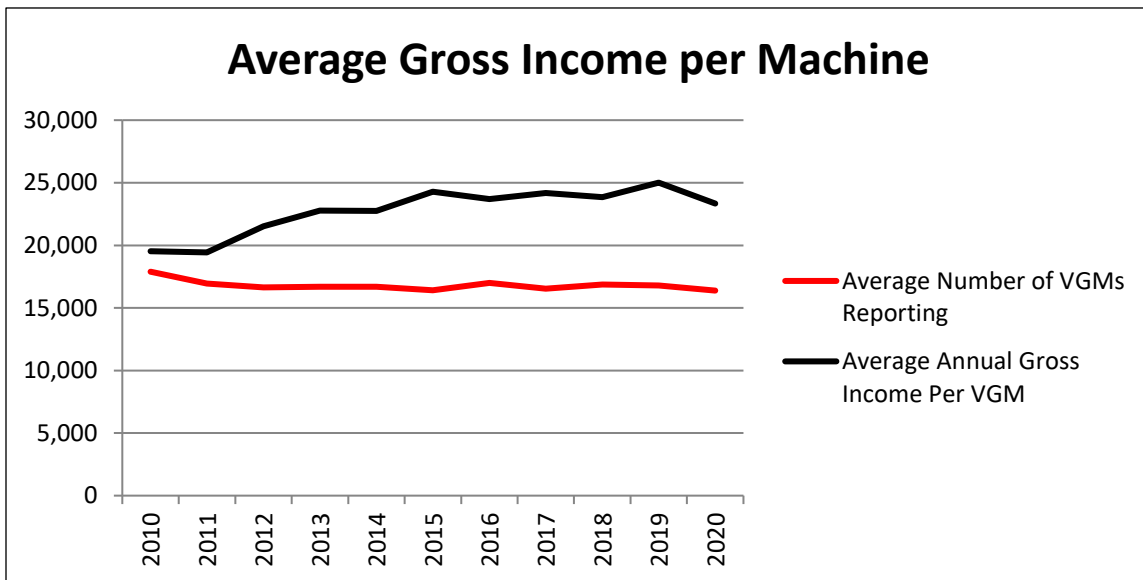
The following chart indicates the video gambling machine tax collection trend over the last ten years:



Note: The overall decrease in fiscal year 2020 was attributable to the novel coronavirus pandemic and not indicative of a change in trend.

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

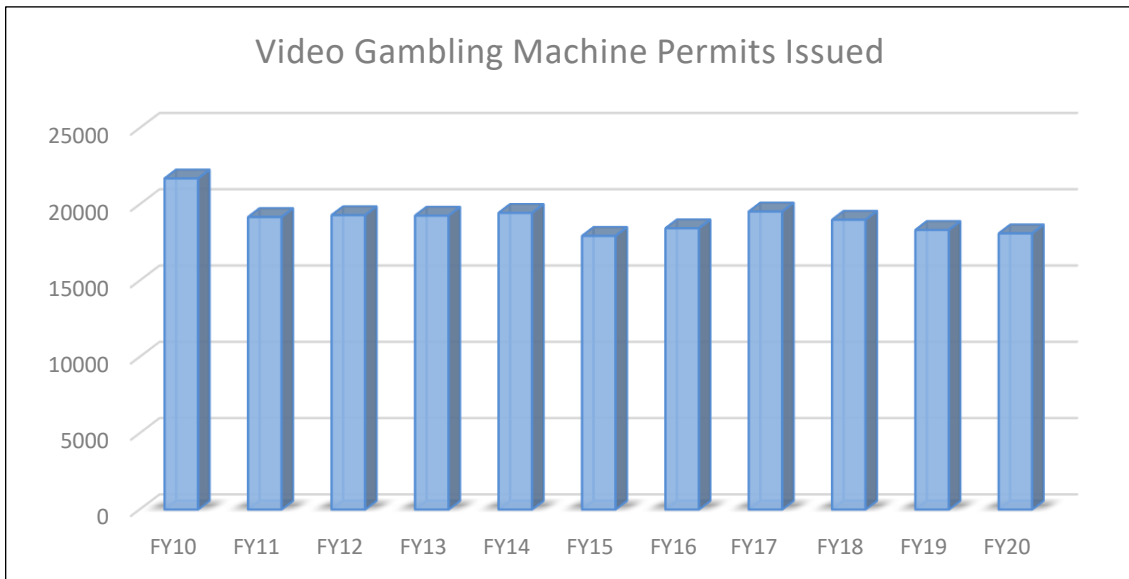
<b>Fiscal Year</b>	<b>Average Number of Machines Reporting</b>	<b>Total Annual Gross Income</b>	<b>Average Annual Gross Income Per Machine</b>
2010	17,892	\$349,259,553	\$19,520
2011	16,958	\$329,559,473	\$19,434
2012	16,649	\$358,218,613	\$21,516
2013	16,695	\$380,329,860	\$22,781
2014	16,684	\$379,607,573	\$22,753
2015	16,420	\$398,863,520	\$24,291
2016	17,007	\$403,212,940	\$23,708
2017	16,526	\$399,588,646	\$24,179
2018	16,864	\$402,120,393	\$23,844
2019	16,792	\$419,957,833	\$25,009
2020	16,384	\$382,211,327	\$23,328



**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 approximately \$4,000 annually.

**Permit Fees** – The Gambling Control Division also collects a number of permit fees related to licensed gambling activities. The most significant permit fee is the \$240 per year 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 remained steady over the last four years, averaging around 18,700 permits issued per fiscal year

## Distribution of Revenue

GCD collects revenue from several sources – primarily taxes and permits. While the division collects over \$60 million dollars a year, GCD retains only approximately 4% of the total which is deposited into the gambling license fee account (state special fund 02074) to fund division operations.

<b>FY 2019 GCD Distribution of Revenue</b>				
		<i>Distribution of Funds</i>		
<b>Revenue Source</b>	<b>Total Collected</b>	<b>Local Govt.</b>	<b>Gambling Control</b>	<b>General Fund</b>
Antique Slot Machine Dealer	\$50		\$50	
Bingo & Keno Permit Fees	\$28,375		\$28,375	
Calcutta Application Fees	\$4,950		\$4,950	
Card Dealer License Fees	\$9,782		\$9,782	
Card Room Contractor Fees	\$4,650		\$4,650	
Card Table Permit Fees	\$56,000	\$34,350	\$21,650	
Card Tournament Fees	\$12,720		\$12,720	
Casino Night Permit Fees	\$925		\$925	
Fines/Penalties	\$89,051			\$89,051
Lab Test Fees	\$134,837		\$134,837	
Live Bingo & Keno Tax	\$10,416	\$10,416		
Manufacturer/Route Operator License Fees	\$76,277		\$76,277	
Operator License Fees	\$114,372		\$114,372	
Sports Tab Tax	\$3,749		\$3,749	
VGM Gross Income Tax	\$63,227,780			\$63,227,780
VGM Permit Fees	\$4,139,805	\$1,725,900	\$2,413,905	
<b>Totals</b>	<b>\$67,913,738</b>	<b>\$1,770,666</b>	<b>\$2,826,242</b>	<b>\$63,316,830</b>
<b>Percent of Total</b>	<b>100.00%</b>	<b>2.61%</b>	<b>4.16%</b>	<b>93.23%</b>

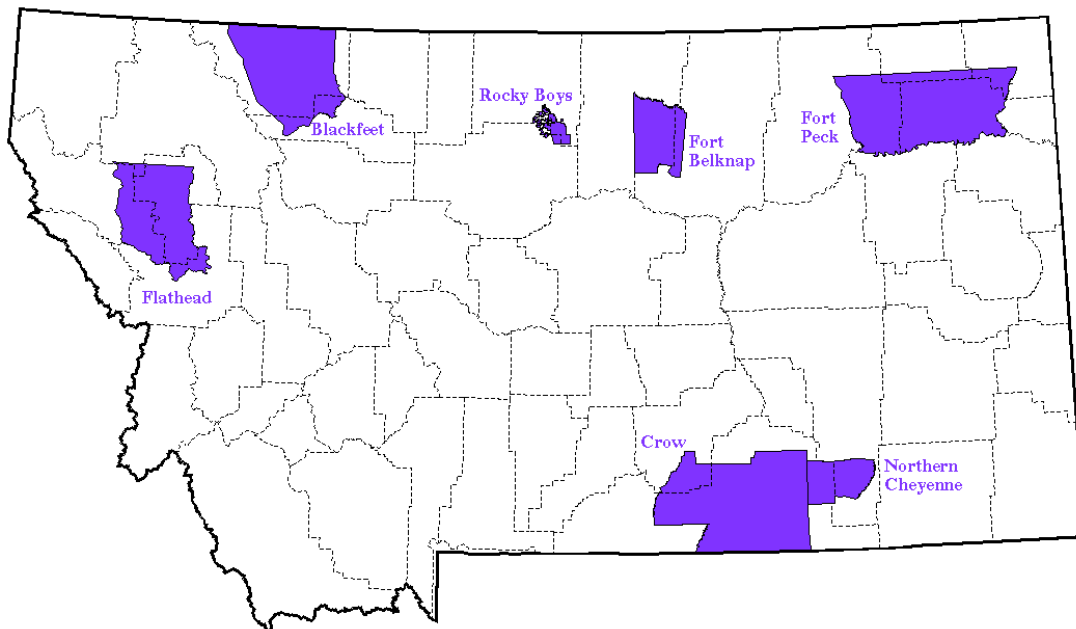
<b>FY 2020 GCD Distribution of Revenue</b>				
		<i>Distribution of Funds</i>		
<b>Revenue Source</b>	<b>Total Collected</b>	<b>Local Govt.</b>	<b>Gambling Control</b>	<b>General Fund</b>
Antique Slot Machine Dealer	\$50		\$50	
Bingo & Keno Permit Fees	\$29,845		\$29,845	
Calcutta Application Fees	\$3,850		\$3,850	
Card Dealer License Fees	\$6,722		\$6,722	
Card Room Contractor Fees	\$4,650		\$4,650	
Card Table Permit Fees	\$48,000	\$30,700	\$17,300	
Card Tournament Fees	\$11,860		\$11,860	
Casino Night Permit Fees	\$950		\$950	
Fines/Penalties	\$37,197			\$37,197
Lab Test Fees	\$235,408		\$235,408	
Live Bingo & Keno Tax	\$3,746	\$3,746		
Manufacturer/Route Operator License Fees	\$68,860		\$68,860	
Operator License Fees	\$87,648		\$87,648	
Sports Tab Tax	\$2,100		\$2,100	
VGM Gross Income Tax	\$57,447,407			\$57,447,407
VGM Permit Fees	\$4,113,085	\$1,713,375	\$2,399,710	
<b>Totals</b>	<b>\$62,101,378</b>	<b>\$1,747,821</b>	<b>\$2,868,953</b>	<b>\$57,484,604</b>
<b>Percent of Total</b>	<b>100.00%</b>	<b>2.82%</b>	<b>4.62%</b>	<b>92.56%</b>

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

## **Status of Compact Negotiations**

**Blackfoot Tribe of the Blackfoot Reservation** – A compact with the Blackfoot Tribe was terminated in 1997 after being in place for only a brief period of time. Negotiations with the Blackfoot Tribe began in June 2005 and another negotiation session was conducted in 2008 but did not result in a new gaming compact. Currently, the Blackfoot 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.

**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 up to 750 class III machines to be operated within the Reservation, 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.

For more information and links to the current compacts, visit our website:

<https://dojmt.gov/gaming/state-tribal-gaming-compacts/>.





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**2019 - 2020 Gaming Advisory Council  
Report to the Department of Justice and the 2021 Legislature**

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**Council Members:**

<b>NAME</b>	<b>REPRESENTING</b>	<b>LOCATION</b>	<b>TERM</b>
Sen. Mark Blasdel	Legislature (Senate)	Kalispell	May 2015-May 2021
Merle Frank	Gaming Industry	Billings	Dec 2017-Jan 2022
Mike Kenneally	Gaming Industry	Butte	Jan 2014-Jan 2023
Mark Kennedy (Chair)	Public at Large	Billings	June 2007-Jan 2022
Carol Lankford	Native Americans	Ronan	Oct 2018-Oct 2021
Steve Morris	Gaming Industry	Helena	June 1999-Jan 2023
Rep. Wylie Galt	Legislature (House)	Martinsdale	Jul 2019-Jul 2021
Bill Slaughter	Local Government	Hall	Feb 2017-Feb 2023
Cory Swanson*	Local Government	Townsend	Aug 2018-Jul 2020

\* indicates member is no longer active.

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 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.

## **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 2019 and 2021 legislative sessions. The minutes of all Gaming Advisory Council Meetings are available on the Department of Justice website at <https://dojmt.gov/gaming/gaming-advisory-council/>.

**June 21, 2019** – The first meeting following the legislative session was held in Helena. The Council reviewed the gambling and alcoholic beverage legislation that the 2019 Legislature acted upon. Administrator Nunn discussed a variety of bills

Administrator Nunn explained to the Council the division adopted rules regarding changes to 50/50 raffles and electronic processing systems, timely records submissions, credit gambling, card dealer license process, and Alcoholic Beverage Control Division references. Administrator Nunn also noted the division was working on administrative rules that were related to the bills that had passed during the 2019 Legislative Session, and that they would be sent out for review and approval.

The Council identified the following future topics of discussion for the next biennium:

- Understanding the Role and Responsibility of the Gaming Advisory Council,
- Division Funding,
- Blackjack, and
- Dice Games

**September 20, 2019** – The Council met in Helena to further discuss the issues introduced during the June meeting. Division staff provided updates for the Operations Bureau, Investigations Bureau, and the Technical Services Section.

Chairman Mark Kennedy explained to the Council that over the past few years there have been gambling activities proposed under other agencies. Chairman Kennedy provided a handout to the Council Members from DOJ Chief of Staff Mike Milburn and asked the Gaming Advisory Council to evaluate and consider their role and mission.

Administrator Nunn presented a report to the Council that had been submitted to the Legislative Finance Committee and requested division funding be a topic the Council further discuss over the biennium.

Chairman Kennedy re-established the Funding Subcommittee and appointed Councilman Steve Morris as the chair, and Councilman Mike Kenneally, Councilwoman Carol Lankford, and Senator Mark Blasdel as members.

Chairman Kennedy introduced the topic of blackjack to the Council. Representative Wylie Galt explained to the Council that he had conversations with the gambling industry and believed they identified an electronic model that would best fit within the current regulatory structure. Representative Galt noted he will continue to work with industry to address the remaining outstanding questions and concerns.

Mr. John Iverson (Montana Taverns Association) explained to the Council and Division during public comment that he has received some questions related to poker promotions and asked that this be added to the next meeting's agenda.

Updates were provided by the Alcoholic Beverage Control Division, Montana Board of Horse Racing, Montana Lottery, and the Montana Council on Problem Gambling. The Montana Indian Gaming Association was invited but unable to attend.

**July 10, 2020** – This Council meeting was held in Helena and Zoom. Division staff provided updates for the Operations Bureau, Investigations Bureau, and the Technical Services Section.

Administrator Nunn reminded the Council that there was interest at the last meeting in establishing a subcommittee to study blackjack. Representative Galt explained to the Council that he met with the Montana Taverns Association and concluded that he will not move forward with a proposal in the upcoming legislative session.

Administrator Nunn reminded the Council that there was a request to add poker promotions to the agenda and noted there were not any discussions held in the interim. Mr. Iverson (Montana Taverns Association) indicated there was not a lot of interest and noted the MTA will not pursue this in the upcoming legislative Session.

Representative Ed Buttrey was present for the meeting and provided a brief presentation of his player rewards legislative proposal.

Administrator Nunn presented two white papers related to cashless gaming and licensing suitability requirements and requested input from the Council on whether

there was interest in the Department pursuing these topics. The Council indicated that there was interest and requested the Department bring proposals on these topics to the next meeting.

Updates were provided by the Alcoholic Beverage Control Division and the Montana Council on Problem Gambling. The Montana Indian Gaming Association, the Montana Board of Horse Racing, and the Montana Lottery were invited but unable to attend.

**October 2, 2020** – This Council meeting was held online via Zoom.

Attorney General Tim Fox provided opening remarks.

Division staff provided updates for the Operations Bureau, Investigations Bureau, and the Technical Services Section.

Administrator Nunn explained to the Council that the Funding Subcommittee met in the interim and briefly discussed the report provided to the Legislative Finance Committee in September 2020. She explained that the Division is not planning to bring any funding-related proposals to the upcoming legislative session with the exception of proposing an increase to the funding received from Alcoholic Beverage Control Division from 29% to 32%.

Administrator Nunn presented three legislative proposals to the Council for consideration to include in the DOJ/GAC bill. The Council voted and approved the two proposals related to qualifications for licensure and transfers of ownership. The Council voted to table the proposal on cashless wagering.

Updates were provided by the Alcoholic Beverage Control Division, and the Montana Council on Problem Gambling. Montana Lottery and the Montana Indian Gaming Association were invited but unable to attend.

## **Recommendations of the Gaming Advisory Council**

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

- **Qualifications for Licensure**
  - Propose changes to amend § 23-5-176, allowing the Division to deny a license application if an applicant or licensee’s spouse or other close family member is unqualified and is in a position to control or influence the licensed gambling operation.
  
- **Transfers of Ownership**
  - Amend § 23-5-112 to further define “Ownership” or “Ownership interest”.
  - Amend § 23-5-118 to distinguish ownership transfers between approved owners and transfers to a stranger to the license.
  - Under the proposal, transfers to a stranger will still require prior approval, but other ownership transfers will be handled by the Division in a simplified manner and will not require prior approval.
  - Note: If ownership changes involve an exchange of funds, under the proposal, the rules regarding financing still apply.

## APPENDIX

<b>Fiscal Year 2019 Video Gambling by City</b>					
<b>CITY</b>	<b>Number of Video Gambling Machines</b>	<b>*Estimated Population (7/1/2019)</b>	<b>Average persons per VGM</b>	<b>Number of Gambling Locations</b>	<b>Video Gambling Tax Collected</b>
Belgrade	203	8,979	44	13	\$1,102,029
Billings	2,264	109,444	48	129	\$11,606,573
Bozeman	373	48,437	130	31	\$2,511,566
Columbia Falls	205	5,582	27	13	\$804,494
Deer Lodge	91	2,913	32	8	\$315,796
Dillon	118	4,267	36	11	\$358,671
Glendive	220	4,948	22	16	\$782,569
Great Falls	1,451	58,751	40	92	\$5,582,035
Hamilton	195	4,807	25	12	\$821,282
Havre	340	9,709	29	25	\$874,367
Helena	712	32,558	46	52	\$3,373,469
Kalispell	671	23,919	36	39	\$3,245,264
Laurel	250	6,788	27	13	\$923,849
Lewistown	157	5,837	37	14	\$511,949
Livingston	198	7,755	39	15	\$750,201
Miles City	286	8,403	29	21	\$1,012,812
Missoula	1,097	74,882	68	73	\$5,260,215
Sidney	223	6,216	28	17	\$919,549
Whitefish	179	7,985	45	12	\$654,614

<b>Fiscal Year 2020 Video Gambling by City</b>					
<b>CITY</b>	<b>Number of Video Gambling Machines</b>	<b>*Estimated Population (7/1/2019)</b>	<b>Average persons per VGM</b>	<b>Number of Gambling Locations</b>	<b>Video Gambling Tax Collected</b>
Belgrade	204	8,979	44	13	\$1,013,839
Billings	2,286	109,444	48	131	\$10,653,823
Bozeman	385	48,437	126	31	\$2,269,602
Columbia Falls	186	5,582	30	12	\$719,642
Deer Lodge	90	2,913	32	7	\$292,227
Dillon	112	4,267	38	11	\$334,385
Glendive	202	4,948	24	16	\$705,073
Great Falls	1,381	58,751	43	85	\$5,157,972
Hamilton	200	4,807	24	12	\$774,284
Havre	323	9,709	30	24	\$787,901
Helena	751	32,558	43	53	\$3,130,256
Kalispell	634	23,919	38	37	\$2,997,998
Laurel	253	6,788	27	14	\$808,795
Lewistown	160	5,837	36	15	\$477,027
Livingston	182	7,755	43	14	\$715,076
Miles City	278	8,403	30	20	\$879,119
Missoula	1,078	74,882	69	71	\$4,628,450
Sidney	220	6,216	28	17	\$825,592
Whitefish	179	7,985	45	12	\$592,518

\*Bureau, US Census. "City and Town Population Totals: 2010-2019." *The United States Census Bureau*, 7 May 2020, [www.census.gov/data/tables/time-series/demo/pepest/2010s-total-cities-and-towns.html](http://www.census.gov/data/tables/time-series/demo/pepest/2010s-total-cities-and-towns.html).

<b>Fiscal Year 2019 Video Gambling by County</b>			
<b>COUNTY</b>	<b>Number of Video Gambling Machines</b>	<b>Number of Gambling Locations</b>	<b>Video Gambling Tax Collected</b>
BEAVERHEAD	157	20	\$400,424
BIG HORN	150	10	\$635,214
BLAINE	83	9	\$192,794
BROADWATER	178	12	\$497,183
CARBON	261	23	\$625,187
CARTER	11	3	\$11,745
CASCADE	1,882	124	\$6,454,369
CHOUTEAU	77	14	\$116,086
CUSTER	302	21	\$1,016,985
DANIELS	55	7	\$64,723
DAWSON	267	20	\$904,638
DEER LODGE	269	25	\$671,260
FALLON	81	9	\$176,997
FERGUS	211	26	\$585,918
FLATHEAD	1,478	92	\$5,891,985
GALLATIN	874	77	\$4,148,290
GARFIELD	13	2	**
GLACIER	159	10	\$397,598
GOLDEN VALLEY	13	3	\$34,456
GRANITE	34	5	\$47,976
HILL	403	31	\$1,027,848
JEFFERSON	153	14	\$420,276
JUDITH BASIN	33	6	\$63,032
LAKE	38	7	\$43,649
LEWIS AND CLARK	1,178	84	\$4,574,079
LIBERTY	22	4	\$26,107
LINCOLN	551	41	\$1,115,362
MADISON	120	16	\$198,948
MCCONE	29	5	\$51,225
MEAGHER	49	9	\$100,328
MINERAL	210	16	\$409,644
MISSOULA	1,495	101	\$6,112,975
MUSSELSHELL	86	7	\$243,242
PARK	310	30	\$1,005,798
PETROLEUM	4	2	**
PHILLIPS	107	13	\$272,878
PONDERA	88	12	\$211,480
POWDER RIVER	61	4	\$99,625
POWELL	118	13	\$340,355
PRAIRIE	20	3	\$23,815
RAVALLI	503	36	\$1,558,891
RICHLAND	414	28	\$1,361,487
ROOSEVELT	317	20	\$1,201,439
ROSEBUD	158	17	\$432,317
SANDERS	230	18	\$565,859
SHERIDAN	157	14	\$360,240
SILVER BOW	1,188	86	\$3,627,973
STILLWATER	162	13	\$496,370
SWEET GRASS	42	6	\$134,094
TETON	76	13	\$133,790
TOOLE	150	16	\$314,505
TREASURE	6	2	**
VALLEY	184	21	\$432,200
WHEATLAND	50	8	\$101,999
WIBAUX	47	4	\$182,796
YELLOWSTONE	3,146	174	\$12,891,399

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

<b>Fiscal Year 2020 Video Gambling by County</b>			
<b>COUNTY</b>	<b>Number of Video Gambling Machines</b>	<b>Number of Gambling Locations</b>	<b>Video Gambling Tax Collected</b>
BEAVERHEAD	175	21	\$374,580
BIG HORN	176	10	\$523,139
BLAINE	76	8	\$164,751
BROADWATER	120	9	\$451,382
CARBON	281	24	\$567,988
CARTER	9	2	**
CASCADE	1,845	122	\$5,958,775
CHOUTEAU	78	14	\$91,915
CUSTER	301	21	\$882,082
DANIELS	69	9	\$66,942
DAWSON	236	19	\$810,320
DEER LODGE	230	24	\$574,668
FALLON	70	8	\$173,736
FERGUS	206	24	\$540,616
FLATHEAD	1,569	94	\$5,514,008
GALLATIN	854	70	\$3,790,163
GARFIELD	12	2	**
GLACIER	151	10	\$409,827
GOLDEN VALLEY	14	3	\$38,873
GRANITE	34	5	\$41,807
HILL	424	33	\$923,233
JEFFERSON	165	15	\$410,557
JUDITH BASIN	30	6	\$60,593
LAKE	39	6	\$51,269
LEWIS AND CLARK	1,153	82	\$4,205,317
LIBERTY	18	3	\$13,815
LINCOLN	513	39	\$958,849
MADISON	102	16	\$153,404
MCCONE	24	5	\$56,308
MEAGHER	45	8	\$103,093
MINERAL	196	14	\$384,676
MISSOULA	1,657	103	\$5,403,247
MUSSELSHELL	82	7	\$206,842
PARK	334	30	\$890,482
PETROLEUM	2	1	**
PHILLIPS	106	13	\$236,114
PONDERA	81	12	\$192,907
POWDER RIVER	38	4	\$78,307
POWELL	113	11	\$315,745
PRAIRIE	11	2	**
RAVALLI	486	33	\$1,453,018
RICHLAND	312	23	\$1,280,889
ROOSEVELT	305	20	\$1,128,773
ROSEBUD	151	16	\$399,841
SANDERS	257	20	\$519,243
SHERIDAN	168	14	\$363,133
SILVER BOW	1,119	83	\$3,259,770
STILLWATER	166	14	\$428,494
SWEET GRASS	45	6	\$130,372
TETON	69	11	\$120,477
TOOLE	131	15	\$250,350
TREASURE	3	1	**
VALLEY	178	20	\$380,138
WHEATLAND	46	7	\$85,081
WIBAUX	34	3	\$153,031
YELLOWSTONE	3,053	165	\$11,837,179

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