

MINUTES
GAMING ADVISORY COUNCIL

January 10, 2014
Helena, Montana

This is a summary of the Council meeting. The meeting in its entirety is recorded in a digital audio file format and maintained at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits (if any) are on file in the office of the Gambling Control Division.

COUNCIL MEMBERS PRESENT

Tim Carson	Kevin Myhre
Jed Fitch	Rep. Casey Schreiner
Mark Kennedy (Chairman)	Bob McAnally
John Tooke (Vice-Chairman)	Rep. Jon Sonju
Steve Morris	

DIVISION STAFF PRESENT

Rick Ask	Ben Kamerzel
Dave Jeseritz	Angela Nunn
Lisa Christiansen	Cregg Coughlin
Kathy Fisher	

SUMMARY OF COUNCIL ACTION

- ◆ **The Council voted unanimously to approve the minutes of the October 25, 2013 meeting.**
- ♣ **The Council created a Promotional Games of Chance Subcommittee. Members Carson (Chairman), Morris, and Myhre were appointed to the Subcommittee.**
- ♠ **The Council tentatively set the next meeting for May 2, 2014 in Helena.**

CALL TO ORDER AND ROLL CALL

Chairman Kennedy called the meeting to order at 10:00 a.m. All members were present. The minutes from the October 25, 2013 meeting were approved unanimously. Anastasia Burton, Attorney General's Office, said that the Attorney General appreciates all the good work that the Council has done. She also thanked Mr. Tooke for his many years of hard work on the Council.

DIVISION UPDATES

Gambling Control Division Statistical Report

Mr. Ask explained that statistics were not yet available for the second quarter (FY 2014).

Ms. Nunn gave a brief overview of preliminary statistics for second quarter (FY2014). She explained that video gambling machine tax collections for the second quarter (FY2014) were approximately \$14 million to date, a .7% decrease from the previous quarter, and .9% decrease compared to collections in the second quarter fiscal year 2013. Second quarter of FY2014, video gambling machines permit numbers decreased slightly, 537 VGM permits were issued, about a 37% decrease from the second quarter of FY2013. Live keno and bingo permit numbers are comparable to this time last year. Ms. Nunn explained that 38 casino night permits were issued in fiscal year 2013, to date 14 casino night permits have been issued for fiscal year 2014; 124 Calcutta permits were issued in fiscal year 2013 and to-date 84 Calcutta permits have been issued for fiscal year 2014. Ms. Nunn stated that to-date, 13 small-stakes and 75 large-stakes tournament permits have been issued. She said that card dealer licenses and card table permits have declined slightly compared to fiscal year 2013.

Gambling Control Division Activity

Ms. Nunn explained that the Division has just finished testing the first Tier I system which will be approved within a week, and the lab is testing a second Tier I system.

Ms. Nunn stated that the TAP system for the online gambling operator license application process will be available on January 21, 2014. In addition to license applications, licensees will be able to apply to add or remove managers, officers, and directors, change mailing addresses and get permits online for live keno and live bingo, and many other things which will be detailed in an article in the Tavern Times. Ms. Nunn explained that the next phase for Gambling Control will be to add online license renewals for gambling operators, route operators, manufacturers, card room contractors, and perhaps the card dealer license as well.

Ms. Nunn stated that at the last meeting Mr. Carson had requested an updated report on the VGM average gross daily income. Currently, there is report for locations that have less than 20 machines and a report for locations with 20 machines. A new report that just shows the VGM average gross daily income for all machines will be tested soon and then made available on the DOJ website.

Mr. Carson asked what other processes will be used, besides the Tavern Times, to inform the public about the availability of the new online processes. Mr. Carson suggested that local presentations on the process would benefit the route operators and the local tavern associations. Ms. Nunn stated that information concerning the online process will be available on the DOJ website and Mr. Ask added that in the spring, all licensees will receive information on the new processes.

OLD BUSINESS

Sports Tab Games

Mr. Ask explained multiple event tab games have been requested by the tab game operators, but current law does not provide for it. Mr. Ask stated that the Division is looking at proposing amendments to the sports tab statutes to allow for multiple event activities.

Temporary Licenses

Mr. Ask stated that the Liquor Control Division grants temporary authority for liquor licenses but there is no temporary authority for gambling licensure. The Division has discussed this with the Attorney General and Division staff. Mr. Ask stated that the Division needs to determine at what point in the process it would be comfortable to issue temporary authority to an applicant. Division staff has suggested that liquor-only applicants have been less responsive to requests for more information/documents after having received temporary authority. The Division is still reviewing this proposal and coordinating efforts with the Liquor Control Division.

Mr. Tooke asked how many gambling licenses turnover each year. Mr. Ask responded 250-300 licenses turnover each year. Mr. Peterson suggested tying temporary authority to the online application might resolve some of the non-response problems. Mr. Ask stated that will be part of the evaluation process and proposals for legislation will be brought to the Council at future meetings.

Unclaimed Pots

Mr. Ask explained that unclaimed pots are not addressed in statute or rule. The Department of Revenue's unclaimed property division will review this topic and there will be a presentation at the next Council meeting.

"Pick-the-Winners" Promotional Activity

Mr. Ask said that the Division is involved in discussions concerning radio and TV promotions. One media group has agreed to work with the Division and another group brought its game almost in line but is challenging whether the department has authority to regulate promotional activity. Mr. Ask stated that the media groups have been invited to discuss promotional activities at a Council meeting, but no interest has been shown. Mr. Ask explained that the main issues center on internet usage and limitations on prizes.

NEW BUSINESS

Draft Administrative Rules

Mr. Ask reviewed the draft administrative rules: New Rule I provides for the electronic submission of documents and electronic signatures for the online application process on the TAP system; changes to 23.16.101, 23.16.1926, 23.16.3501 and 23.16.3801 are for clarification; and changes to 23.16.1201 and 23.16.1202 change the reference to the most recent version of the Official Montana Poker Rulebook instead of a dated version.

Mr. Ask explained that proposed changes to 23.16.1705 (Authorized Sports Pools) were made after consulting with industry, clarifying that a player in a selected point sports pool can increase his wager each week so long as that wager for that selected point pool game doesn't exceed \$25. Mr. Morris stated that there should not be a wager cap, there should only be the \$2,500 payout limit. Mr. Ask responded that is not how the statute reads.

Mr. Ask explained that amendments to 23.16.1826 clarify quarterly reporting requirements for Tier I systems; changes to 23.16.1929 improve how the rule reads and when a logic board is swapped out of a machine, the electronic meters must be cleared; amendments to 23.16.2105 clear up the language concerning available 120Vac receptacles in a video gambling machine.

Mr. Carson stated that the \$25 maximum entry fee for sports pool boards needs to be reviewed and discussed again because it continues to be a road block – if a smaller establishment has a 25-square board, because it can't fill a larger board, it is limited to a \$625 payout, whereas with a payout limit of \$2,500 the establishment could sell each square for \$100. Mr. Morris agreed. Mr. Ask explained that if a location does not fill all of the squares on a board, it must purchase the other squares because it is responsible for the payout of the prizes. Mr. Fitch suggested a minimum of 25 squares on the board if the wager limit is abolished. Mr. Kennedy suggested a review of other states sports pool board rules.

Mr. Peterson stated that the whole purpose of sports boards is to get people to come into a location.

Mr. Carson requested that this issue remain on the agenda and study what rule changes would be needed if the \$25 wager limit is eliminated.

Mr. Myhre suggested that the \$25 wager limit is in there for a reason – to develop the gaming industry in the Montana, this limit made it more palatable for public passage in the state.

Promotional Games of Chance Rule

Mr. Carson stated that there are always questions about whether or not a promotion is legal if the rule does not say it is legal – it is not legal. This is a very large topic that needs review and brought into the 21st century. Mr. Ask gave a brief history of the promotional games of chance rule which was first adopted in 1989. Chairman Kennedy appointed members Carson

(Chairman), Morris and Myhre to a promotional games sub-committee. Mr. Kennedy asked industry members to notify the Division if they want to participate in this sub-committee.

Calcutta Fees

Mr. Ask explained that there are no fees for Calcutta permits. In fiscal year 2013, 124 Calcutta permits were issued, and 84 permits to date this year (fiscal year 7/1/13 – 6/30/14). Mr. Jeseritz stated that a considerable amount of time is expended in reviewing and approving these applications and the Division believes a \$25 application fee should be required to help the Division defray some of the costs of approval. Mr. Jeseritz explained that many Calcuttas have reduced the amount of money contributed to charity, one went as low as .5%; the Division is trying to keep the charitable amount at a 1% or more level, most of the money is going to the participants with very little going to charity. The rule does not specify a minimum amount which has to go to charity. Mr. Fitch suggested a lower permit fee for a Calcutta which contributes more to a charity. Rep. Sonju likes the idea of a sliding scale fee. Mr. Ask stated that this topic will remain an agenda item.

OTHER

Mr. Ask and the Council recognized John Tooke for his many years of Council membership (1999-2013).

Mr. Ask introduced Mike Kenneally who was appointed to the Council by Attorney General Fox. Mr. Kenneally will start his tenure at the next Council meeting.

Mr. Ask requested that thefts/robberies from casinos be reported to the Division within 30 days because it helps the Division develop intelligence and assist local law enforcement in the investigations as well as provide industry operators with alerts and advice on how to avoid these types of occurrences.

PUBLIC COMMENT

Larry Davidson, Crystal Lounge, asked about internet gambling. Mr. Ask stated that the Montana Attorney General has signed a letter with other Attorneys General opposing internet gambling and the legalization of internet gambling. Mr. Kennedy suggested utilizing the Internet to research Internet gambling, but cautioned that it is hard to find an objective point of view on the subject.

FINAL BUSINESS

The Council tentatively scheduled their next meeting for May 2, 2014, in Helena. The meeting adjourned at 12:20 p.m.