

MINUTES
GAMING ADVISORY COUNCIL

September 21, 2012
Missoula, Montana

This is a summary of the Council meeting. The meeting in its entirety is recorded in a digital 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

Mark Kennedy (Chairman)	Tim Carson
Steve Morris	John Tooke (Vice-Chairman)
John Engen	Jed Fitch
Sen. Jon Sonju	Rep. Pat Noonan
Bob McAnally	

DIVISION STAFF PRESENT

Rick Ask	Ben Kamerzel
Cregg Coughlin	Larry Renman
Angela Nunn	Rocky Harris

SUMMARY OF COUNCIL ACTION

- ◆ **The Council voted unanimously to approve the minutes of the April 27, 2012 meeting.**
- ♠ **The Council voted (8 in favor – Mr. McAnally opposed) to accept the card tournament subcommittees proposals for legislation.**
- ♣ **The Council voted unanimously (Mr. Morris abstained) to approve the Departments proposal to increase video gambling machine permit fees by \$20.**
- ♥ **The Council tentatively set the next meeting for May 24, 2013 in Helena.**

CALL TO ORDER AND ROLL CALL

Chairman Kennedy called the meeting to order at 10:00 a.m. All members were present; Tim Carson participated by conference call. The minutes from the April 27, 2012 meeting were approved unanimously. Mr. Ask introduced Division staff.

DIVISION UPDATE

Division Statistical Report

Administrator Ask gave a brief overview of the Division statistics through fourth quarter FY 2012. He explained that video gambling machine tax collections for the fourth quarter FY 2012 were approximately \$14.3 million, very close to the same as the previous quarter, and \$1.5 million (12%) more than the fourth quarter of FY 2011. Overall, FY 2012 tax collections were 8.7% more than FY 2011. In the fourth quarter of FY 2012, the Division received 80 liquor, gambling, and combined liquor/gambling applications (including amended applications); 15 fewer than the 95 applications received during the fourth quarter of last fiscal year. During the fourth quarter of FY 2012, 907 VGM permits were issued, almost 200 more than fourth quarter of FY 2011. Mr. Ask explained that the Division receives most permit applications in the first quarter, and that the fee is \$220 for a VGM permit when issued in the first quarter. Mr. Ask explained that the Division has issued approximately 200 more VGM permits so far during the first quarter of FY 2013 than were issued for the same quarter the previous year. Mr. Ask stated that by the end of the fourth quarter, the number of card tables licensed during FY 2012 was 295, down 37 tables from the same time the previous year. The number of card dealers licensed at the end of fourth quarter FY 2012 was 516, down 33 from the same time the previous year. The total number of bingo and keno licenses remained at 74 in the fourth quarter of FY 2012, a decrease of 12 from the fourth quarter of FY 2011. Chairman Kennedy asked that percentage changes be shown on the report for the increases or decreases. Mr. Morris asked when the smoking ban went into effect. Mr. Ask stated the ban went into effect October 1, 2009.

Mr. McAnally asked if the Council has anything to do with the Gambling Special "Reserve" Fund. Mr. Ask stated that is money set aside to pay for the cost of regulating gambling in Montana. About 80% of what goes into the fund is the Division's share of the video gambling machine permit fee; the rest of the money from the permit fees is distributed to the local government (either city or county) where the machine is located.

Mr. Tooke asked how the video gambling machine tax revenues are distributed. Mr. Ask explained that all of the tax collected goes into the General Fund, 2/3 of that is then theoretically distributed to local governments.

Mr. Kamerzel gave a brief update to the Council on the lab. He stated that the lab is fairly caught up on line game submissions and re-submissions. The lab is nearing completion of testing a new Tier I system submitted by Century Gaming. Mr. Kamerzel explained that with a Tier I system, a VGM is electrically connected directly to a host and the machine meter information is transmitted directly to the State. Under a Tier II system, as it presently stands, the meter readings are captured manually and input manually and then automatically communicated to the state. Mr. Kamerzel stated that the lab has added another engineer which will help with new game submissions.

Mr. Tooke asked if there were any significant glitches in the data collection by Tier II. Mr. Kamerzel responded that Tier II has worked remarkably well. When inspections are conducted, data is collected and then brought back to the office for comparison to what has been reported.

Mr. Ask stated that the Division has been evaluating the efficiencies with the new system, and based on the evaluations, as positions have become vacant they have been held open. There are now four positions that have not been filled and will be “given up” in the next legislative session because the Division no longer needs them. Also, Angela Nunn’s old position as the Administrative Officer was converted to the Engineer position in the lab. These efficiencies will be reflected in the budget that is presented to the Legislature.

NEW BUSINESS/OLD BUSINESS

Card Tournament Subcommittee Report/Legislation

Mr. Tooke presented the Card Tournament Subcommittee report. The subcommittee proposes to: 1) keep the 12 big tournament restriction for number, duration, and length of time between tournaments; 2) allow small stakes tournaments to be run daily but only on permitted tables plus one tournament table per location, with a maximum buy-in to the small stakes tournament limited to \$80 and no re-buys will be allowed; 3) nonprofit/charitable tournaments run in a location do not count against the location’s 12 big tournaments, but limit to three the number of nonprofit/charitable tournaments licensed locations can offer; 4) reference Tournament Director Association (TDA) rules and have the Attorney General appoint someone to represent Montana on the Association; 5) add an annual small stakes tournament license for a fee of \$500; and 6) if practical, add an annual permit for big tournaments for \$120. With the adoption of the TDA rules, locations would only be required to notify the Division of large tournament dates. Mr. Tooke added that the subcommittee also recommends increasing the regular card game pot limit from \$300 to \$800 and, if necessary, add a requirement that table stakes be used in regular card games.

Mr. Ask stated that the tournament limit was set in 1989; tournaments cannot be more than 5 days in duration and there has to be at least 7 days between tournaments; he added that one of the benefits of a large tournament is that there is no limit to the number of tables that can be used. Sen. Sonju asked whether anyone has ever reached the 12 tournament limit. Mr. Ask stated he did not know. Mr. Engen asked what the cost is for issuing card tournament permits and how the fees were arrived at. Mr. Tooke stated that the \$120 is basically a neutral licensing fee (12 tournaments x \$10) just facilitating the registration of the large tournaments – just has to be done once; the \$500 license fee is the trade-off agreed to, to be allowed to offer these daily tournaments to generate the games. Mr. Engen asked what the processing cost is to the Department? Mr. Ask stated that the paperwork is only one cost, there is also a cost when the investigators go out to inspect tournaments for compliance.

Mr. McAnally asked if the Council believes that these changes will bring about more tournaments, specifically more charitable tournaments. Mr. Tooke stated that he did not know how many charitable events there are currently. Mr. McAnally asked if the locations charge a fee for charitable tournaments to use their location. Mr. Tooke stated as far as he knows the facility use is donated.

Mr. Frampton stated that it is not reasonable to limit the number of charitable tournaments to three. Mr. Frampton also stated that if an establishment can't hold 3 or 4 day tournaments (each day as a new tournament with higher entry fees) leading up to a bigger tournament, players will not come from out of town to play.

Mr. Fitch explained that most people don't want constant tournaments and they don't want an increase in gambling. Mr. Fitch thinks that a number of legislators will not vote for this because they will see the increase in pot limits and small stakes daily tournaments as an expansion of gambling. Mr. Fitch stated that this may not pass through the legislature as proposed.

Mr. Morris agreed with Mr. Fitch and stated that it is important to poker players in Montana to raise the pot limit to \$800. Mr. McAnally is concerned about the specter of internet gambling. Mr. McAnally feels it is the Council's job to help advance the gambling industry in Montana. Mr. Kennedy stated that the Council needs to continue to evolve with the changes in gambling.

Mr. Tooke moved that the Council accept the sub-committee's proposals to pursue as legislation. The motion was seconded and passed with Mr. McAnally opposed. Rep. Noonan asked if it would be worth two separate bills to split the issue of the amount of tournaments and what it costs, and the rest in another bill. He said there may be another legislator out there who would be willing to carry a different bill. Mr. Ask stated that what the Division is proposing would be in the bill and this is what the Department will support. Mayor Engen asked if the DOJ/AG supports these proposals. Mr. Ask responded yes. Mr. Frampton suggested changes in the number of large tournaments, perhaps up to 16; and to take out the duration between tournaments. Mr. Ask stated that change would have to be presented to the Attorney General. Mr. Kennedy stated that the committee will continue and can work on future changes. Mr. Tooke stated that he has contacted a legislator about presenting a separate bill.

Other Legislative Proposals

Mr. Ask stated that the Division also has a legislative proposal to increase video gambling machine permit fees by \$20. Since 2008 the number of VGM permits has declined, some of the reasons for this decline are the economy, the smoking ban, and multi-game cabinets. The permit fees will continue to be prorated quarterly; and all of the increase will be retained by the Department to help cover the cost of regulating gambling. The increase will be \$20 if a permit is purchased in the first quarter; \$15 for the second quarter, \$10 for the third quarter; and \$5 if the permit is purchased in the fourth quarter.

Mr. Tooke asked Mr. Carson to comment on this. Mr. Carson stated that it breaks down to ½ cent per day increase per VGM and he supports the increase.

Mayor Engen moved to accept the proposal. Ms. Wiggers, MCMOA, stated she is neutral on the proposal. Mr. Kennedy suggested that the Department review the need for permit fee increases every two to three years instead of every ten years to minimize the needed increases. Mr. McAnally asked if the permit fee is a tax deductible cost of doing business and Mr. Kennedy stated that it is. Mr. Tooke stated that the GIA neither supports nor opposes this proposal. The motion passed unanimously (Mr. Morris abstained).

Sports Pool Subcommittee Report

Rep. Noonan explained that the Sports Pool Subcommittee was unable to hold a meeting this summer, but Rep. Noonan received proposals for changes suggested by Rick Ask and Neil Peterson (GIA). These proposals include: 1) to add a multiple team event sports pool, similar to multiple individual NASCAR and PGA event pools, for multiple team events like the NCAA basketball tournament (March Madness); and 2) to clarify the conditions under which a selected point sports pool could be run progressively, week to week. According to the Division, if after discussions with and consideration by the subcommittee these changes are recommended to and approved by the GAC, neither change would require a change in statute. The changes could be made with administrative rule amendments. Rep. Noonan moved that the subcommittee continue its work on reviewing sports pool and sports tab gaming requirements. The motion passed unanimously.

PUBLIC COMMENT

Stan Tavenner, Ennis, thanked the Council for proposing to raise the poker pot limits to \$800. Mr. Tavenner asked if tournaments can't do satellites any more, for example where ten people sit down to a table, pay an entry fee, and the winner is automatically in the tournament that day. Mr. Renman, Gambling Investigation Bureau Chief, stated that the problem is that the games are actually tournaments because an entry fee is being charged. If no fee was charged to participate that would be fine, but once a fee is charged, it becomes a tournament. Mr. Tavenner stated that the money from the satellite tournaments is for student scholarship funds. If a bunch of satellite tournaments are run before a tournament quite a bit of money can be raised for the scholarship funds. Mr. Tooke stated that the daily small stakes tournaments could be used for this purpose. Mr. Renman stated that that would work if part of the prize was a seat in the tournament. Mr. Renman stated that if you exclude the Grizzly charitable tournament, the average entry fee for a regular tournament this year has been \$73, less than the proposed \$80 maximum buy-in for daily small stakes tournaments. Mr. Tooke suggested that most daily tournaments would have a \$30-\$40 buy-in. Mr. Tooke added that he hopes that small stakes tournaments will be able to accommodate proposals like Mr. Tavenner's. Mr.

Tavener also requested that the Council consider allowing tournaments on consecutive days to get more people to participate from out of town.

Sara Lala, Bozeman, asked if the \$80 buy-in includes the registration and if you can do re-entries. Mr. Tooke stated it does not include re-buys. Mr. Ask stated there will be no re-buys or re-entries, and administrative expenses still need to be discussed.

Mark (Meglick) ?, Collins Games, asked if there will be a move by the Division to implement a Tier I system in the next five years. Mr. Ask responded that the law allows for Tier I and Tier II reporting. No one has come forward yet with a Tier I system to test and approve for use, so it is voluntary. One company that wants to put its route on a Tier I system has submitted a system for testing and approval.

Ray Thares, Helena, asked Rep. Noonan if the subcommittee was going to review the gambling shake-a-days compared to the Montana Lottery's shake-a-day. Rep. Noonan stated that he would note the concern for the subcommittee to review. Mr. Ask stated that the game offered by the Lottery is a scratch ticket; the only shake-a-day games the Division regulates are the live games in bars.

Jay Lala, owner/operator Cat's Paw Cardroom, Bozeman, stated that he has signatures from 25 operators, many dealers and 300 players requesting that the requirement for seven days between tournaments be eliminated and requesting an increase from 12 to 50 large tournaments. Mr. Lala believes that the daily small stakes tournaments are not going to help in the long run. Mr. Ask requested that Mr. Lala send copies of the signatures to the Division for distribution to the Council.

Jesse Petrakis, Card Room Contractor, asked how he could help the Council. Mr. Kennedy advised him to get on the email list and talk to members. Mr. Tooke stated that the Council welcomes participation from outside groups. Rep. Noonan encouraged people to come to legislative hearings to testify and to help explain proposed changes or submit testimony.

FINAL BUSINESS

Mr. Ask stated that the Council will need to review the Biennial Report, but that can be done electronically.

The Council tentatively scheduled their next meeting for May 24, 2013, in Helena. The meeting adjourned at 11:45 a.m.