WASHINGTON STATE GAMBLING COMMISSION

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MINUTES
COMMISSION MEETING
THURSDAY, SEPTEMBER 10, 1998

Chairperson McLaughlin called the meeting to order at 1:30 p.m. at the Double Tree Inn, Yakima.

MEMBERS PRESENT: **LIZ McLAUGHLIN, Chair; MARSHALL FORREST, Vice Chair; EDWARD HEAVEY; CURTIS LUDWIG, and PATRICIA L. HERBOLD; and Ex Officio Members SENATOR MARGARITA PRENTICE and SENATOR RAY SCHOW**

OTHERS PRESENT: **BEN BISHOP, Executive Director;**
SHERRI WINSLOW, Deputy Director of Operations;
ED FLEISHER, Deputy Director of Policy and Government Affairs
CALLY CASS-HEALY, Assistant Director of Field Operations
DERRY FRIES, Assistant Director of Licensing Operations;
AMY PATJENS, Public Affairs Manager; and
SUSAN GREEN, Executive Assistant

Chairperson McLaughlin introduced the members of the Commission and the staff who were present.

STAFF REPORT
CARD ROOM ENHANCEMENT PILOT PROGRAM

Ms. Winslow gave a report on the card room enhancement test. She explained the laws were changed in 1996 and 1997 to allow enhanced card room activity. The 1996 legislation allowed card rooms to operate up to 15 tables, with a change in fee collections added and a change to provide for player-supported jackpot schemes. The 1997 legislation added the ability to operate player-funded and house-banked card rooms. These changes and subsequent Commission actions allowed a variety of activities in a controlled environment to collect information on the impacts from the activities for the final program implementation. She said the Commission needs to discuss several policies they are looking at prior to the staff's making recommendations relating to card games.

Ms. Winslow said the Commission has the authority to establish several parameters relating to the scope and operation of the social card games. Some of those include whether to allow house-banked or player-funded banked card games, the number of card tables authorized and not to exceed 15, the methods to allow for the collection of fees, the types of card games allowed, the limitations on wagers, the hours of card room operations, and the methods allowed for the management of player funds.

Ms. Winslow said the current status of the house-banking test was 21 operators who have been approved to offer house banked games with a wager of $25 and they have four operators who have been approved to operate at Phase II, which allows a maximum wager of $100. Projections for the remainder of 1998 include 12 operators currently scheduled for review through November of 1998 and it's expected that the majority of these reviews will be completed.

Ms. Winslow said that pursuant to the Commission's instructions, the staff went about placing a limitation, which included entry into the card room house-banking test for anyone who is on the list as of August 14, 1998. All of those on the list were sent a letter notifying them of the conditions required to be met in order for their continued participation. They set a deadline of September 18th for participants to have either a card room license or have submitted an application. In addition, they were required to submit a $10,000 refundable deposit. The participant was also required to submit a letter of intent to participate along with their deposit. They received some recent information that some of the individuals on the original list and some individuals who have already been approved for house banking are being approached to sell their businesses or portions thereof. **Ms. Winslow** said the staff

is now in the process of preparing a notice to advise all applicable people that the business may not continue to participate in the test if a significant interest in a portion of the business is sold during the test program. A more recent update is that, as of September 9th, there were 11 organizations that have met the conditions to remain in the card room test. The staff projects the ability to perform reviews on at least five operators per month from between now and May 1999. This could result in up to 25 additional operators in 1999, for a maximum of 68 possible participants, at the conclusion of the test.

Ms. Winslow said they had established a scheduling of the staff's time for the remainder of the pilot program with the number one priority being monitoring the operators in the test program. The second priority would be conducting internal control reviews on new operators. The third priority would be performing Phase II reviews of approved operators. They are having some difficulty performing the Phase II reviews and for Phase II reviews, it will be unlikely that they will be scheduled at their six-month deadline, given the increased workload demands, staff turnover, and hiring and training. They will continue to conduct the Phase II reviews on a first-come-first-served basis with available staff.

Ms. Winslow said some of the information that was currently being collected with regard to the enhancement test is being taken from the following information: tracking and analyzing the monitoring of inspection results, tracking and analyzing card room complaints and investigations and they are also gathering data to report to the Commission in the following areas: the change in the number of card tables statewide, the changing gambling revenues, change in local taxes and number of card rooms, the number of card room employees and payroll expenses, the number of new card room licenses, the number of card room licenses gained through the purchase of an existing operation, and finally the number of participants with ownership in more than one house-banked card room operation.
Ms. Winslow said that was the short list of the information that they would be gathering to report to the Commission. She asked if there were questions.

Commissioner Heavey said that, with regard to the collection of information on gambling revenues, he thought it would be useful to both the Commission and the public to track revenues via card rooms, non profit operations, and Indian gaming, to see what effect it has on any of these or all of them. He was particularly concerned about the effect if would have on charitable groups. He said it would be useful to have something that would indicate to them whether it has any effect on "leveling the playing field" as it relates to Indian gaming.

Commissioner Forrest wondered what was known about other states or the appropriateness of the $100 limit and asked if that were a kind of long-run permanent idea or was it a temporary idea. He suggested considering whether they should reduce it to $75 or $50. **Director Bishop** said the staff began talking about much lower limits -- $10 limits going into it -- and the operators in a meeting said that was probably impractical. They currently were looking at $20 wagers for poker. The tribes have $250 initially and $500, and this is not a program to "level the playing field," it is a pilot program to gather information. That certainly is a policy decision for the Commission to make and the guidelines they started out with under the pilot program were the staff's procedures. Relating to other states, to his knowledge, Washington is the only state that has this type of gambling in this type of environment, so there are no benchmarks to look to. The traditional gaming states (and Washington doesn't fall into this category) have limits that are set by the businesses themselves and there are no limitations imposed on them by the state. **Commissioner Forrest** asked what kind of information they would have for the commissioners when the schools come that would give them some guidance about what is an appropriate level. He wondered what they would learn other than just kind of an intuitive feel that that's enough to make money, but it's not enough to have big time gambling. He asked if there was any kind of rational approach to it. **Director Bishop** said the only rational approach or information from the staff would relate to operating so many tables at Phase I with $25 limits and what happened to their revenues when they went to Phase II is the only objective evidence that they'll have. He said they would have information about whether or not the number of complaints went up, and if there were more regulatory problems at $100 than $25. He said he doubted there would be any objective evidence in that level.

Chairperson McLaughlin asked if the limits were the minimum bet or the most. **Director Bishop** said that it was the maximum bet. **Chairperson McLaughlin** said had a discussion with a person in one of the Indian casinos who had told her that the maximum bet wasn't as important as the minimum bet and she wondered if that were true. **Director Bishop** said that, from a player's perspective, he might personally tend to sit down and play

blackjack for $2 a hand, but if it cost him $5 a hand to sit down, he would be a little reluctant, but that was only his personal preference. He said the minimums were market-driven. He had an experience in New Hampshire where the minimums were $25 a hand and people were lined up and waiting for their turn. So it was a relative thing.

Senator Schow said that right now the local jurisdictions could impose different forms of taxation on their card rooms, which is up to 20 percent as the maximum. He wondered how that related to the limits. If they had a $50- or $25-limit, he would assume that what was happening in the game of blackjack was that they were actually operating off a percentage of how much money is played. He asked whether there is a relationship between how much an enhanced card room pays in taxes and what the limits are. The minimum bet or the maximum bet. **Ms. Winslow** said that it was her understanding that, as the betting limit increases, the tax base is going to increase because the spending is going to increase. **Senator Schow** said if everyone is betting $100, since there are more expenses such as taxes and overhead, he would think in that case the tax would be less of a burden because what's left after the tax would be greater than if everybody was betting $10. **Ms. Winslow** said the tax is based on a calculation of the net win, so it's just the increase in the revenue. **Director Bishop** said that, technically, the statute calls for a tax on the gross receipts and the traditional definition of gross receipts would not fit in a card room because it would be impractical to base it on every amount that was bet, so they have had to redefine that to the net win.

Senator Schow said if he bet $10 and the house makes 5 percent over a period of time, that would mean that every time he bet -- even though he would win some and lose some -- the house would come out 5 percent ahead, which would be 50 cents. And then, if they pay 20 percent on that, they would have 40 cents left. If he were betting $100, that would go up 10 times, so what they had left would be much greater to pay overhead even after the tax is paid. He wondered how this relates to setting limits. If the limit is raised up from $10 to $20, it probably increases the overall amount of money played. He wondered how this related to the money that the operator is making so that they have money left over to pay the overhead after they pay their tax. By high taxation, are the card rooms being forced to say they need a bigger maximum bet? **Ms. Winslow** said that had been their argument in the past. She said that was the original issue brought forward when they came in with very low wagering limits in the first place. They said that it wasn't economically feasible to them to start up operations unless the wagering limits were set higher.

Chairperson McLaughlin asked Ms. Winslow to confirm what she had been told that the permanent rules were expected to come before the Commission around May 1999. **Ms. Winslow** said the date mentioned was March 1999; however, they may have to step it up and bring it before the Commission in February of 1999 so the permanent rules can be in place by July 1, 1999. **Commissioner Herbold** asked why that July date was so crucial. **Ms. Winslow** said that it was because they had planned to end the test by June 30, 1999, so they would either have to extend the test or close operations on all the people participating in the test program or implement the rules.

Commissioner Herbold said that, according to the report the commissioners had been given, they will still be approving people going into the test program up until May of 1999, but they will have introduced permanent rules even though those people haven't been tested. **Ms. Winslow** said that was correct. **Commissioner Herbold** said that seemed like the timing was off a little bit.

Mr. Fleisher said part of that timing was that it takes four months to adopt the rules and there are probably going to be a significant number of rules that the commissioners will want to look at closely. So, to have them ready to be filed with the code reviser in time to be effective July 1, 1999, the commissioners would have to start looking at them in February or March at the very latest. **Commissioner Herbold** said this goes back to what she said at the last meeting about the staff needing time after all of the entrants into the pilot program are there so that everything's in place; they can analyze what problems, if any, there are with a reasonable amount of time before they even come up with the rules. Trying to come up with rules at the same time the program is running causes unnecessary stress and is likely to end up with some permanent rules they may wish they hadn't made.

Chairperson McLaughlin said that, in retrospect, they maybe should have limited the amount of people coming into the test program to end the test earlier than they had. **Ms. Winslow** suggested that they could close off bringing people forward at an earlier date and not end the test because the people who are operating in the test

would want to continue to monitor their results, but rather than bringing others forward, rather than presenting people in May, they could cut it off a month earlier – that would alleviate Commissioner Herbold's concern. **Commissioner Herbold** said they would also have the option to extend beyond July to August or September to allow the staff more time to evaluate those participants in the program.

Senator Schow said he has the same concern and thinks that if they're going to do this and the staff is going to write permanent rules, there should be a cut-off point where they evaluate what's gone on during the test period and then write the rules from there. It concerns him that the staff is limited by bringing in new operations while at the same time trying to set down permanent rules, which makes a pretty thin operation because once the permanent rules are put into place, they move ahead and then realize a mistake has been made. It's hard to go back sometimes. **Director Bishop** said he would personally welcome a cut-off time in those test participants and a period by which they could measure all of them without worrying about going forward and trying to get the time to get new people in it. He said that would be the ideal way of doing this. For example, the last approvals could be set for March and then they would like to have at least three months with everyone up and running. He said they had data and experience beginning in November for the first two, but those coming in at the end, they would have no experience from them in their rule form.

Chairperson McLaughlin said that if she were an owner of a possible enhanced card room she would want to come in on the permanent rules at that stage of the game. **Director Bishop** said the expectation is that the pilot program rules would be the minimum. From the operator's perspective they would look at the minimum that they would be allowed to do. The sooner the permanent rules are made the better it is for making business decisions.

Commissioner Ludwig said that he would be opposed to any cut off or moratorium during the development and this pilot program study because there are people out there right now who are having to wait. **Commissioner Heavey** agreed with Commissioner Ludwig.

Chairperson McLaughlin said there are two opposing viewpoints on this issue, so perhaps this is something that everyone ought to think about until next meeting.

Director Bishop said the staff's proposal was that they continue and cut off in May as far as trying to go forward with permanent rules in July. He said there was nothing preventing them from postponing implementation of permanent rules until October of 1999 but in any case they would still be bringing people into the test all along if they did that unless at some point they decide that entry to the pilot program ends so that they can get the transition from the pilot program to whatever the final program is. In any case there needs to be some transition.

Commissioner Forrest said the pilot program is no longer serving its original purpose, which was to give the staff experience seeing how these people operate, what problems arise and to formulate rules. So it has evolved into a pilot program not for the benefit of the Commission and the staff, but rather the first step into the entry of a lucrative business. He said it would be somewhat ironic with the new limit of $25 everybody would have discovered that being in and having built a huge casino on the assumption that things would only get better was a big mistake. He agreed with Senator Schow that this was going to be a crash program and there will be mistakes, but since the pilot program is no longer functioning as it should have functioned, he thought they should try to meet that deadline.

Commissioner Forrest said it seemed silly to him for the staff to be formulating permanent rules while at the same time taking in new people. He said that he felt it was unfortunate if some people had to wait three or four or five months to get into the business with the new rules, but most people who have been in the business world or advise people in that world know that they must wait for all kinds of things and the industry has waited for years for this type of thing, so he's not concerned that there should be some period of time during which people can't gain entry. Although he would prefer they close it today, if the staff is satisfied with May he does not want to give any thought to continuing this pilot program and the sooner they can put this thing to rest, the better -- have rules anybody can apply, have the money and want to take the chance in the market they can, but he is very resistant to any extension of the pilot program past the dates that have been indicated.

Commissioner Heavey said there is a cutoff date of September 18, 1998, which is the date by which they must pay $10,000 and either have a card room license or submit an application for. If they haven't done that, they're

not in the program. What Ms. Winslow has said is that there's a possibility that there are 25 more if they approve at the rate of five per month. There are 11 people who have qualified under the September 18 cut-off. There is another week and he assumed they would not have another 14 in that week. **Ms. Winslow** said she has been informed informally that individuals were holding off submitting information because they were concerned about the impacts to the Commission and how that might sway opinions. **Commissioner Heavey** said he doesn't know if this rumor has substance or not, but he doesn't think it does. He said the September 18, 1998, cut-off is sufficient. **Ms. Winslow** said there were 12 operators scheduled through November 1998. The 11 and the 12 are two different issues. The total interested in the program include the 12 that are scheduled and those will be overlapping with the 11, and there is a potential for 25 additional in 1999 if they do five per month. If everybody who indicated an interest participates and they were able to do five reviews per month, they would have a total possible participating in the test of 68 if they concluded the test in May.

Commissioner Heavey said that the point was that there were 12 interested and there are 11 more that may be part of the 12, so maybe they have 18 to 20 more. And there is another week for people to get in their $10,000 and put in an application or have a card license and he suspects the staff will not receive more than 14 or 15, so if they do five a month, they would be finished in February. **Director Bishop** said he thought that would be the best. He said next month, as the Chairperson has suggested might be a better time to come forward with that cutoff because they will have absolute information at that point in time. There might not even be an issue if no more than those 11 come in, it may be they can cut if off earlier. If they get 40, they would be limiting some and it would be automatically cut off. He suggested the staff come forward next month and have a firmer plan for implementation. **Chairperson McLaughlin** said that is a good idea. **Commission Forrest** said the Commission expresses sympathy to the staff for dealing with a very hot potato.

LICENSE APPROVALS
NEW LICENSES, CHANGES, WITHDRAWAL AND TRIBAL CERTIFICATIONS

Commissioner Ludwig moved that the Commission approve the new licenses, changes, withdrawals, and tribal certifications as listed in the agenda; **Commissioner Heavey** seconded the motion. **Commissioner Forrest** wondered about the reinstatements. **Mr. Fries** said these are being reinstated because they had been licensed before and are coming back in. **Commissioner Forrest** wondered if it was a bad act or little bit of negligence in the late report. He just wanted to know about the flavor of what was going on. **Mr. Fries** said their license might have expired. **Chairperson McLaughlin** asked if they just forgot. **Mr. Fries** added that they just might not have renewed. **Commissioner Forrest** wanted to know if any of the people were being reinstated for substantial violations. **Mr. Fries** said no, they were not.

Vote taken; motion carried with five aye votes.

REVIEW OF FRIDAY'S AGENDA

Ms. Patjens went over some changes to the agenda. She said the second item was a staff report on an overview of punchboard and pull tab games by one of their special agents. Staff requested that be moved to in between the discussion of the rules in section four and the discussion of the rules in section five. The rule in section five has to do with increasing the prizes on pull tabs and that seemed like an appropriate place to have the presentation by the special agent.

There are six rules on the agenda tomorrow for discussion. The first is the rule about the sale of bingo paper on credit and the second rules are reduction of license fees. These have both been on the agenda for the past two months and would normally be up for final action, not just up for discussion; however, due to the schedule that the staff must follow in accordance with the Code Reviser's Office and when they publish rules, it was necessary to hold these rules over until next month for final action. There is one additional rule up for discussion and that is the increase of prize payout limits on pull tab games. Then there are 17 rules that are up for discussion and possible filing. The first one is a record keeping requirement for pull tab games that have carryover jackpots. The remaining 16 are rules that they have been predicting would come and those deal with joint bingo. On Item 7, it should say "joint" bingo games, which more accurately reflects the effect of these rules.

Ms. Patjens said there were a couple of items to bring up under "Other Business." The first item is about three bingo rules that were passed at the last Commission meeting. The staff realized after they had been passed that they should have held those over for one more month, again due to the requirements of publication by the code reviser's office. There is a waiting period of 20 days in between one filing and when final action is taken. There were only 10 days between when that filing had occurred and when final action was taken. If anyone from the public had comments on those and never made them, tomorrow would be an opportunity to do that.

Ms. Patjens said that also under "Other Business," the Mars Hotel has filed a petition for reconsideration. This case came before the Commission last month as an appeal dealing with some extended card room hours that the Mars Hotel had been authorized for and then had been pulled back by the City of Spokane and the Commission had upheld the administrative law judge's order that those hours should be reverted back and the licensee has submitted a petition for reconsideration. They want to hold this off until Friday when Jon McCoy, Assistant Attorney General, will be here. **Chairperson McLaughlin** asked if that would be heard before the meeting as they have done in the past on the appeals. **Ms. Patjens** said it would not – it would just be tacked onto the end.

Commissioner Heavey asked if Ms. O'Neal would be present. **Ms. Patjens** said no, she would not. **Director Bishop** said the action tomorrow would just be a decision as to whether the Commission would like to reconsider and if they did, they could set another date for it or they could do it at that point in time.

Commissioner Forrest asked if the provision about reconsideration was similar to trial courts where there are so many days to make the motion and then the Commission just decides to grant the hearing or deny or something of that nature. **Mr. Fleisher** said it was with one difference – they have 10 days to make the motion and the Commission has 20 days to act on that motion, and if they don't act, it's denied by operational law.

Chairperson McLaughlin said she would like Judge Forrest to act as chairperson tomorrow on that matter and asked Attorney Bob Tull to come forward to explain the Mars Hotel petition.

Bob Tull, attorney for the Mars Hotel, said they had made a written petition for reconsideration and it had been submitted. He said he did not remember from the past and, therefore, made no request for oral argument and how the Commission might decide to dispose of it was within their discretion. **Mr. Fleisher** informed Commissioner Forrest that there was a written petition that Mr. Tull submitted, which he had, so he could have a copy to review.

CLASS III SUPPLIER REVIEW

GAMING VENTURES, INC.

Mr. Fries said this company has applied for certification as a Class III services supplier consultant. This organization will be providing planning, budgeting and gaming operations consulting services to the Yakama Indian Nation for the operation of their Class III gaming facility. Gaming Ventures, Inc. provides services relating to the startup and operation of native gaming facilities. The corporate headquarters is located in Glendale, Arizona. The president is James R. Gannarelli; the secretary and only other officer is Shirley L. Gannarelli. Both own 50 percent of the corporation of the 200 shares issued. The company holds no other gambling licenses, permits, or certifications in any of their jurisdictions. On January 1998, agents began an investigation and review of corporate and financial records. Procedures were performed to detect possible hidden ownership, unreported officers or directors, undisclosed ownership in other companies or substantial interest holders. No disqualifying information was discovered. In addition, criminal history and personal background checks were performed with no adverse information noted. **Mr. Fries** said the startup costs for this company was verified and appears to be sufficient (it's actually less than $5,000). Recommendations from the staff are based on its investigation.

Commissioner Ludwig asked Mr. Fries what if anything they had been doing prior to seeking relations so far as the Yakama Indian Nation. **Mr. Fries** said they had been providing consulting services as an employee.

Chairperson McLaughlin asked if there was anyone present from Gaming Ventures, Inc. **Mr. Fries** called on

Mr. Gannarelli. **Mr. Gannarelli** said he had nothing to say except thank you. **Commissioner Ludwig** asked him if he had had experience in consulting in the gambling business prior to consulting for the Yakamas. **Mr. Gannarelli** said he had been consulting for about 12.5 years. **Commissioner Herbold** asked what the corporation had been doing since 1994. **Mr. Gannarelli** said other various consulting work. He incorporated the company six or seven months before he left his last employer so he had been consulting for the past 3.5 years he had been doing various consulting work in Arizona, Washington and Oregon. **Commissioner Herbold** asked if that was consulting in the gambling industry in Washington. **Mr. Gannarelli** said yes. **Director Bishop** said they had just recently passed the service supplier rules requiring a license. **Chairperson McLaughlin** asked if a consultant was the same as a service supplier and was told it was. She then called for a motion.

Commissar Heavey moved to approve Gaming Ventures, Inc., as a Class III supplier. **Commissioner Forrest** seconded the motion. *Vote taken; motion carried with five ayes.*

QUALIFICATION REVIEWS

EDUCATIONAL INSTITUTE FOR RURAL FAMILIES, Pasco

Mr. Fries said this organization was formed in 1974 to improve the education and living conditions of migratory, seasonal, and low-income families in Benton and Franklin Counties. The organization, licensed since 1976, has 710 active members and an eight-member governing board. The organization has a full-time executive director, 22 full-time employees, and 18 part-time employees who provide program services. The organization provides child care, a preschool, a nutritional program, a health care program, transportation for children to and from child care center and for field trips and monthly parent meetings to provide general and information on child care, nutrition and parent-child activities.

Mr. Fries said that for the fiscal year ending June 30, 1997, the organization met its required combined net percentage of 10 percent for its Class I bingo license by achieving 17.9 percent net return. The organization year-to-date net return as of June 30, 1998, was 18.9 percent. The organization met its program and supporting services expenditure requirements and did not have excessive reserves. Staff recommends this organization be approved as a charitable organization and authorized to conduct gambling in the state of Washington.

Commissioner Ludwig said he had never visited this establishment before but they were located within his general community and he had heard good things about them. He moved that they be approved as a charitable organization and authorized to conduct gambling activities in the state of Washington. **Commissioner Herbold** seconded the motion. **Chairperson McLaughlin** said they had a motion and second before them and asked if there were anyone present who would like to speak for this organization. **r. Fries** said Cherie Mace was present.

Cheri Mace, gaming manager for Educational Institute for Rural Families, introduced herself and Sara Stevens, Executive Director. **Chairperson McLaughlin** called for questions or other discussion. No one had any.

Vote taken; motion carried with five aye votes.

COLUMBIA BASIN DOMESTIC VIOLENCE SERVICES, Kennewick

Mr. Fries said this organization was formed in 1976 for the purpose of providing community services by promoting the rights of domestic violence victims. The organization has been licensed since 1985; they have 15 active members who serve on the governing board and they have a full-time manager, 26 employees and 154 volunteers who provide their time to program services. The organization provides emergency shelter, food, clothing, medical assistance and advocacy, transportation, children's counseling and care, crisis services, and transition groups predominantly for women. The organization also provides anger management and perpetrator treatment programs for a fee and they provide overnight shelter for women, men and children.

Mr. Fries said that for the fiscal year ending 30 June 1997, the organization met its combined net return percentage of 10 percent for its Class "I" bingo license by achieving 11.3 percent of their net return. Their year-

to-date net return as of June 30, 1998, was 15 percent. The organization met program and supporting expenditure requirements and did not have excessive reserves. The staff recommends that this organization be approved as a charitable organization and authorized to conduct gambling in the state of Washington. **Commissioner Herbold** asked if Mr. Morgan were present.

Thomas Morgan, general manager for Columbia Basin Domestic Violence Services, said his bingo manager could not attend the meeting and his primary manager had already left on vacation, and his assistant manager was unable to travel.

Commissioner Herbold noted the deficiency due to lower gambling funds than the previous year and she wondered if that had changed since end of the year, December 31, 1997, and if it has not, what was he anticipating in the future in terms of gambling revenues. **Mr. Morgan** said they approached the deficiencies in a couple of ways. First, they decided to charge fees for the anger management program, and second, they opened a thrift shop in the City of Pasco. These programs are new in terms of generating revenue, but already for 1998, they are exceeding their anger management program revenues. The thrift shop is just about breaking even and he felt that that was not too bad for the relatively short period of time they had been in operation. **Commissioner Herbold** said that's the point she was getting at, whether they are planning ahead in case the gambling revenues continue to decline, and it sounds like they are. **Mr. Morgan** said they were also scheduling other things such as golf tournaments and other sort of charitable events that will bring in more community support.

Commissioner Ludwig said this group operated in his hometown and he had heard many good things about them and moved that they be approved as a charitable organization and authorized to conduct gambling in the state of Washington. **Commissioner Forrest** seconded the motion. **Chairperson McLaughlin** said it had been moved and seconded and called for further discussion. *Vote taken; motion carried with five aye votes.*

YAKIMA VALLEY OPPORTUNITIES INDUSTRIALIZATION CENTER (O.I.C.), Yakima

Mr. Fries said this organization was formed in 1971 to provide facilities and services to promote educational programs, social services, economic development, property ownership and management, the development of housing for low and moderate income families, youth services, and the development and utilization of technical work skills. The organization has been licensed since 1984 and has a 17-member governing board. They have a full-time executive director and 128 employees who provide program services. They are the primary contractors for the U. S. Department of Housing and Urban Development (HUD) youth-built program, which educates youth and constructs low-income housing. Other major programs include a dislocated worker program, a bilingual education program for both students and their parents, a food bank, services for senior citizens residing in assisted living facilities, and juvenile justice prevention and intervention programs that offer basic life and management skills for detained youths.

Mr. Fries said that for the fiscal year ending December 31, 1997, the organization met it's combined net return percentage of 14 percent for its Class "L" bingo license by achieving 15.4 percent net return. They met their program and supporting services expenditure requirements and did not have excessive reserves. The staff recommends the organization be approved as a charitable organization authorized to conduct gambling in the state of Washington. **Chairperson McLaughlin** asked if there was anyone from OIC present.

Mr. Beauchamp, executive director, said he would be glad to respond to any questions the commissioners might have in regard to their program. He said bingo had made a significant impact on their overall growth and development. The program has grown tremendously in the last 8 to 10 years and much of that has been due to bingo gaming in their program. He said they recently purchased a school, which is located across from their current property. They are an accredited high school and their service is primarily directed toward at-risk youth, lots of young people who have been involved in gangs come to their program and have had some major turnarounds. They work under contract with the Yakima School District as their key partner, things are going well and they appreciate the opportunity to be in the bingo program because it has made a real impact.

Commissioner Herbold said the report indicates that the group has not met its combined net return requirement and asked if there is a reason for that and if they expect it to turn around. **Mr. Beauchamp** said part of the

reason is because the Legends Casino opened on the Yakama Indian reservation, and the summers are tough anyway. He said things are beginning to level out and it was just a matter of holding their place in the community. The county only has so many people who gamble, and now they must divide that with a very attractive new gambling hall. **Chairperson McLaughlin** said it appears they had still made a large improvement over 1996. **Mr. Beauchamp** said he was merely responding to the question about what changes they could make between now and the end of the year. He thought that was uncertain, but they could see some improvements in how things are going and they remain optimistic. He said they just had never had to go through this experience before. He said they thing they will come out all right.

Commissioner Ludwig thanked Mr. Beauchamp for the good things his organization was doing. He noticed they had $600 going to a prisoner's caucus for food items. He wondered if that were for inmates locally in the county jail. **Mr. Beauchamp** said this was for inmates all over the state. The organization is involved in prison work at several of the institutions. **Commissioner Ludwig** said that this suggests to him that the inmates are not eating properly if the organization needs to help supplement the food. **Mr. Beauchamp** said they have celebrated events where they bring family members to the institution and the institution gives them this special privilege of doing the food preparation when they visit. These are cultural-type events.

Commissioner Heavey moved that they be approved. **Commissioner Forrest** seconded the motion. Chairperson McLaughlin said it had been moved and seconded and called for discussion. *Vote taken; motion carried with five aye votes.*

Commissioner Heavey said he added up all the gambling revenues that these three organizations provide for public services, which comes to $953,161 that is produced by these charitable organizations to perform a function that government ought to be performing.

CARD ROOM CONTRACTS UNDER APPENDIX C HOUSE BANKED PILOT TEST

FREDDIE'S CLUB CASINO, Auburn

Ms. Cass-Healy said there were two organizations up for initial review for house banking today. The first is Freddie's Club of Auburn. It's a new commercial restaurant, lounge and card room. They currently have a Class "E" pull tab license and Class "E-5" card room license. This will be the second establishment owned by Mr. Steiner in the pilot program if approved today. Freddie's is requesting approval to operate and total of 15 house banked games, including nine progressive blackjack tables, two Let It Ride tables, two Caribbean Stud tables, one blackjack table and one pai gow table. The tables will all have a maximum betting limit of $25. Special agents Jonelle Battaglia and Jeannette Sugai reviewed the internal control submission. The controls were compared to appendices B and C and it was determined that controls were adequate and in compliance with the appendices. Special agents Battaglia and Sugai also conducted the pre-operational inspection and completed the pre-operational inspection checklist. It was determined the licensees' operations were in compliance with all of the requirements of appendices B and C and their internal controls are functional as stated in their internal control submission. Based upon this review, the staff recommends Freddie's Club, Auburn, be approved to participate in the Commission's house banking card room test as a Level II, Phase I, operation.

Chairperson McLaughlin called for questions. **Commissioner Heavey** asked if there had been any difficulties at all with the Renton operation. **Ms. Cass-Healy** said she did not believe so. **Ms. Winslow** said that she was not currently aware of any. They have begun the monitoring program and they will definitely be tracking those. **Commissioner Heavey** asked if they had had any complaints of any nature. **Ms. Winslow** said not on the Renton operation and he appears to be responsible operator.

Senator Prentice said this is one she watches closely because it is in her district. She hasn't heard any complaints, and she said she's sure she would have heard because the City of Renton had not welcomed them with open arms. Privately, she has been told that the revenues have been quite a windfall for them – one that was unexpected. She said it is always full from morning until night. She said considering they're that busy she feels she would have heard complaints if there were any.

Chairperson McLaughlin asked Mr. Steiner to come forward and asked him what he thought about the house-banking program and what it has done for his business.

Fred Steiner, owner of Freddie's Club, said a few years ago when the Muckleshoots first opened and his establishment wasn't in the card room enhancement program yet, his revenue was cut by a little more than half and he was forced into Chapter 11 bankruptcy. At that time, he had Chapter 11 and 35 employees. Today he is through the Chapter 11 and he will have 500 employees with the opening of his Auburn club. He said a 15-table card room with a full restaurant and bar takes about 200 people to run.

Commissioner Forrest asked if they ever get complaints from people about their spouses losing money at the casino. **Mr. Steiner** said he had only been running house-banking since November and has had no complaints, but he has been doing poker for 23 years and he has complaints like that in the past. He said this was more of a recreational thing than poker. He said the average loss per customer is about $40 or $50 a day. Regarding the limits, he said the difference between a $25 and $100 limit was that their actual win – which is called the "hold" or the "win" -- went up 25 percent; the "drop," which is the chips sold and the money dropped, went up by 25 percent also. **Commissioner Forrest** said that would be there was a greater pull with the higher limit. **Mr. Steiner** said the percentage win or hold of the drop goes down a little bit because the player can play better. Better players are attracted because they can work the game a little bit better and they can come back so it drops the operator's percentage hold a small amount, but it increases their drop which is their percentage hold is of so it increases the business. Their net win went up 25 percent.

Commissioner Forrest asked when they have a limit like that are most people betting the limit or are most people betting less than the limit. **Mr. Steiner** said he's happy with the $100 limit. He thought that 90-95 percent of the people who play won't bet more than $100 anyway, so they have the market pretty well covered. There are people who will bet up to $500 in the tribal casinos and there are people who want more than that, so they'll go to Vegas or wherever. He asked the Commissioner if that answered his question. **Commissioner Forrest** said he was trying to understand what the effect of limits are and because of his lack of knowledge he wondered how many people seem to be unsatisfied with the limits being too low, how many are betting the limit, or if many people come in and bet for lower limits. **Mr. Steiner** said they have mostly $5 minimums because they don' t make money on the $3 table, but they have $3 table to help bring people in. And they have a couple of $10 and $15 minimums, as well.

Commissioner Forrest said it sounded as though this were kind of a market-driven decision. **Mr. Steiner** agreed. He said they run a couple of $3 minimum tables during the day just to say they have them. He said, as far as limits go, $100 is good. If anything, he would like to see it tied to a Consumer Price Index, because in five or ten years when there is 100 percent inflation, it won't work anymore. They are not looking for high limits because the house can get hurt on them. On one of the pai gow tables, they gave up $200,000 in winnings in one night to the players. When one table can take $200,000 out of them – although they make money on that game overall -- it's pretty scary.

Senator Schow asked for a profile on what kind of employees he is hiring. **Mr. Steiner** said there are a lot of single mothers who become card dealers. They pay minimum wage to dealers, who work 40 minutes on 20 minutes off, so four dealers are needed for three games and 20 dealers are needed for 15 room. Then there are shift manager and pit boss jobs, so altogether about 50 people on shift at one time. The pit boss jobs and the supervisor jobs usually start at $35,000 per year and go on up to a manager level, which is $80,000. The dealers are making about $13 or $14 an hour in the tip pool, so they're making about $18 to $20 an hour including tips. The way the rules are now, the employees can't steal that tip money, it's all registered and taxes are paid. They are good jobs; they're a living wage for a person who would probably be working somewhere else for $7 or $8 per hour. **Senator Schow** asked if they trained them. **Mr. Steiner** said they train as they go, but he would like to be able to send them to dealer school. There's currently one in Renton that is trying to survive. But for now they are trained on the job. **Senator Schow** asked if unskilled people could come into him and get a job. **Mr. Steiner** said most of the people who apply are brand new in the field and then he trains them.

Senator Prentice asked if he knew what kind of people come in and play because Boeing is a specific kind of town. **Mr. Steiner** said there were a lot of Asians and wondered if that was what she meant. **Senator Prentice** said she wondered where they worked. She said she always thought of Renton as a shift town. Do they come in

before and after work? **Mr. Steiner** said they come at all hours because Boeing employees shifts are staggered by the half hour, so people are coming and going all day and all night. Boeing does this for traffic and other reasons. He said he was surprised about those who come at six in the morning. He said their hours were from 2 p.m. until 10 a.m. the next day. A pleasant surprise was the employees and people they got who work for the Muckleshoot and other casinos and drop by for a drink and hang around.

Chairperson McLaughlin asked if this was one of the items where it is opened up for public testimony or comments. **Director Bishop** said it's not a legal requirement, but she can call for comments if she wants.

Commissioner Heavey moved to approve. **Commissioner Forrest** seconded the motion.

Commissioner Ludwig said he wanted to assure Mr. Steiner that his no vote means nothing personal because he knew Mr. Steiner ran a good business. His no vote is based on a consistent feeling that no one should get their second license until others have had a chance to get their first.

Vote taken; motion carried with four aye votes. Commissioner Ludwig voted no.

PARKERS, Shoreline

Ms. Cass-Healy said this organization is a commercial restaurant, lounge and card room. They currently have a Class K pull tab license and Class "A" amusement game license as well as a Class "E-5" card room license. They are requesting approval to conduct house banked card games at 15 tables including blackjack at 11 tables, two tables of Let It Ride, one table of Caribbean Stud and one table of progressive blackjack. They also have a $25 maximum betting limit. Special agents Marc Milstein and Stephanie Bussell reviewed Parker's internal controls in these areas, which were compared to appendix C and determined that they were adequate and in compliance with the appendices. They also conducted a pre-operation inspection and completed the pre-operation inspection checklist. It was determined the licensees operations are in compliance with all the requirements of appendix C; they appear to be functional as stated in their internal control submission. Approval to participate in the Commission's house banking card room test as a Level II, Phase I, operation is recommended.

Chairperson McLaughlin asked if this was their first or second application. **Ms. Winslow** said this was their first establishment in house banking. **Commissioner Ludwig** asked if there were more detailed information in the second packet. **Ms. Cass-Healy** said not that she was aware of.

Chairperson McLaughlin asked if someone were present representing this organization and there was not.

Commissioner Ludwig moved to approve a contract with Parkers Sports Bar of Shoreline, Washington to conduct house banked card games under Level II, Phase I. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with five aye votes.*

<u>HOUSE BANKED PILOT TEST – PHASE II REVIEWS</u>

NEW PHOENIX, La Center

Ms. Cass-Healy said this organization consists of a restaurant, lounge and card room. They currently hold a Class "D" pull tab license and an E-5 card room license. They entered the card room enhancement program on August 9, 1996, under appendix B and were granted approval to participate at Phase II, Level I, in the house banked test program on March 12, 1998. The staff performed a comprehensive review. The major areas tested during this review included review and observation of the gaming operations, review of the closed circuit television system, review of the cashier's cage procedures, review of the gaming and organizational records, inquiries of law enforcement and taxing authorities, and review of the count room controls and the key controls. An exit conference was held on August 1, 1998, at the licensed premises. All items found during the review were discussed and all necessary changes have been made at this time. Based on their review, the staff is

recommending approval to implement Phase II, Level II, operational status for the New Phoenix effective September 12, 1998, after six months of operations under Phase II, Level I.

Commissioner Herbold asked about the violations that were noted and then corrected. She wondered if that number of violations was typical because she said there were a couple pages of them. **Ms. Winslow** said it's difficult to say anything is typical because they've only done four before this, but it has been improved since the first go-around and as they will see, the next organization has a lesser number of violations that were originally encountered. She said she would expect also that with the stepped-up monitoring program they would see the numbers go down even more.

George Teeny said he owns the New Phoenix in La Center. He hasn't been in gaming as long as some of the others in the program, but when he first came on board he wondered why they never moved any farther in gaming in the state for the first 12 years prior to his coming on board. He found out that's because operators must work really, really hard. He is pleased that with the help of staff, the Commission and the Legislature, they have been able to advance and this is the culmination of a dream that a lot of them had. He hopes that they don't embarrass either the Commission or themselves over the years to come, but he is glad they got where they are right now.

Chairperson McLaughlin asked how many employees he has. **Mr. Teeny** said that both of his clubs combined had a total of 40 employees back in 1995 and the beginning of 1996. Now he has 205 employees and expects to expand. He now has seven pit games and three poker games in the New Phoenix. When he goes to the 15 tables, they expect to go from around the 210 to 220 mark up to around 280. He said he expects to employ as many as 350 total by the time the program is in place. He said the thing that has a bigger effect with the house banking is not just the direct employees that they hire, but also their vendors, the taxing bodies, and everything else. He said if they were able to extrapolate out he probably touched 800 to 1,000 people, but directly they will have around 325 when things are done.

Commissioner Ludwig recalled that Mr. Teeny had another facility and another license, but this one is his only house banked card room license. **Chairperson McLaughlin** asked what kinds of people he has employed. **Mr. Teeny** said that his clients were similar to Fred's. They have found that upper blue collar, lower white collar are not their employees, but primarily blue collar and lower blue collar who are their employees. He said his employees are similar to Mr. Steiner's in the sense that they have a lot of mothers, who would otherwise be in $7-an-hour jobs. He said they have almost a golden handcuff with their employees in that they train them themselves. They take them offsite and put them through a four to six-week training program five days a week and which is fairly intensive. The ones that are good and that they want for their business they come and work for them. They have bi-weekly meetings with each person individually and then as a group to find out what they like about he business and what they don't like. He said they have virtually no complaints; the employees seem to be very happy. They have 401(k)'s, an insurance program, the profit sharing. Competition is so strong they want to make sure their employees are happy in order to make them want to stay. He said he's not pulling in architects, accountants and engineers as his dealers, but he is doing that for his controllers and his general managers, but not his front-line people. They pay minimum wage, but if the tips and benefit programs are counted, he said he did not think they could find another job in another industry that paid as well. As far as his patrons go, about 40 percent are Asian, 25 to 30 percent are women. The average bet is somewhere between $5 to $10. As to complaints, they recently had a pilot ask to be barred from the casino and, when he asked the pilot why, he told him he was having too much fun and ended up canceling a couple of airline flights because he was winning too much money to stop playing.

Commissioner Forrest asked about the training program and how many of those are actually hired.

Mr. Teeny said one of the things he looks for is personality and then he goes into the hard training aspect. At the last class, they had 58 people who came in and they ended up hiring 22. Of the remaining 36 or so, he probably would have hired 16 to 18 of those, but they had trouble with math or dexterity skills.

Commissioner Ludwig moved to approve the New Phoenix card room to implement a Phase II operation; **Commissioner Heavey** seconded the motion. **Commissioner Herbold** asked if that motion and second needed to be qualified as being effective September 12, 1998. Commissioner Forrest accepted the motion addition as

recommended. **Chairperson McLaughlin** asked if the motion and second accepted that as a friendly amendment and then both said yes. *Vote taken; motion carried with five aye votes.*

COMMERCIAL INN, KENNEWICK

Ms. Cass-Healy said this organization is a commercial establishment with a food service and gambling casino. The business is licensed to conduct punchboard/pull tab activities and a public card room. They entered the card room enhancement program on August 1, 1996. On March 16, 1998, the licensee received approval to participate in the house banked card room test at Level II, Phase I, operating five tables of blackjack. The WSGC staff performed a comprehensive review. The areas reviewed included review and observation of gaming operations, review of closed circuit television system, review of the cashier's cage, and review of the gaming and organizational records. Inquiries were made of law enforcement. local governments, and taxing authorities, and they also reviewed the soft count procedures and key control procedures. On July 21, 1998, an exit conference was conducted at the licensed premises. The licensee was cooperative and has already made the necessary changes to be in compliance. Based on their review, the staff recommends approving the Commercial Inn for implementation to Level II, Phase II, status effective September 16, 1998, after six months of operation under Phase I activity.

Chairperson McLaughlin asked Mr. Jones to come forward.

Greg Jones, owner of Commercial Inn, said he has been in the business for 11 or 12 years and thinks the program is working well. The greatest reservation he has he has already shared with Commissioner Ludwig. With the Tri Cities being on the border of Oregon before the advent of some of the tribal casinos, blackjack was available along some of the Oregon border towns. Oregon has a different perspective on gaming. Some of the smaller clubs, bars and restaurants offering blackjack in Oregon (since it's about a 30 minute drive from the Tri Cities) would drive down to enjoy just an evening out. In a very short period of time, it became known that several of the clubs were not on the up-and-up and it was difficult to know which ones had integrity, so people stopped going. The Gambling Commission's and the Legislature's role is to maintain the gaming integrity through regulation and procedures and this scrutiny will help the industry so that when a consumer walks into an establishment, they know that the game is on the up-and-up.

Senator Prentice asked how long he had been in business in Oregon and how he did. **Mr. Jones** said he had been doing poker for about nine years. He said they were doing okay before. Poker was a byline; they were pretty heavy into the pull tab industry as far as just having a neighborhood-type bar. With two tribal casinos being about an hour away -- Wild Horse run by the Umatillos down in Pendleton and then Legends in the Yakamas in Toppenish -- people got into the mode of traveling to gamble. In the wintertime, the roads to other casinos become quite treacherous, so one of the services they were able to provide people who stay off the winter roads was the opportunity to gamble. He said they would not break anybody with the limits they have. **Senator Prentice** said the Commission is enhancing existing card rooms so that, in spite of some of the hysterics about the problems this law might bring to communities, it appears that things haven't changed all that much except that the game has increased and folks are able to make a profit who weren't making it before. **Mr. Jones** said he couldn't imagine the City of Kennewick being upset about the amount of tax revenue they generate either. He said everything about this program seems to be positive. Unless something is unknown to him, they have received no complaints in any form.

Senator Prentice asked if he would guess as to the percentage of players who may have a gambling problem. **Mr. Jones** said the bulk of his players occupy the lower level of the socioeconomic scale. Blackjack is a fair game as far the house advantage. From a problem gaming standpoint, he said a small number of his players fit into that category. He said a lot of faces very frequently, but with the limits they offer and the fact that the game is equitable, he said the quintessential problem gambler not feeding his kids or having to mortgage his home is not going to exist in Kennewick. The average customer coming into his club wants to sit down with $15 or $20 and just make an evening of it and have fun – he doesn't want to go bowling; he doesn't want to the movies; he wants to sit down and maybe enjoy dinner and spend an evening playing cards. So he's probably going to play the table minimum, which is anywhere from $3 to $5.

Commissioner Ludwig said that this is one of the better Phase II reviews that he has seen and he moved to approve the Commercial Inn for implementation to Phase II status effective next Wednesday; **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with five aye votes.*

Chairperson McLaughlin called for any further comments; no one had any. She adjourned the public meeting and called for an executive session. She reminded the audience that the only further action would be final adjournment following the closed executive session.

EXECUTIVE SESSION

MEETING ADJOURNED

WASHINGTON STATE GAMBLING COMMISSION

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MINUTES
COMMISSION MEETING
FRIDAY, September 11, 1998

Chairperson McLaughlin called the meeting to order at 9:30 a.m. at the Double Tree Inn, Yakima. She introduced the WSGC the staff and Commission members at the head table.

MEMBERS PRESENT:	**LIZ McLAUGHLIN, Chair; MARSHALL FORREST, Vice Chair; EDWARD HEAVEY; CURTIS LUDWIG, and PATRICIA L. HERBOLD; and Ex Officio Members SENATOR MARGARITA PRENTICE, and SENATOR RAY SCHOW**
OTHERS PRESENT:	**BEN BISHOP, Executive Director; SHERRI WINSLOW, Deputy Director, Operations; ED FLEISHER, Deputy Director, Policy and Government Affairs; CALLY CASS-HEALY, Assistant Director, Field Operations; DERRY FRIES, Assistant Director, Licensing Operations; AMY PATJENS, Public Affairs Manager; JONATHAN McCOY, Assistant Attorney General; JULIE MASS, Special Agent & PB/PT Coordinator, Field Operations; and SUSAN GREEN, Executive Assistant**

APPROVAL OF THE MINUTES FROM THE AUGUST 13 - 14, 1998, MEETING

Chairperson McLaughlin asked if there were any changes to the minutes from the August 13-14, 1998, Commission meeting held in Spokane. **Commissioner Herbold** referred to page 19, in the second full paragraph, the statement where they are talking about the application for the pilot program and whether it's a question of licensing or operating with a license. In that paragraph it says, "Director Bishop said it did not require six months of licensing but rather six months of operation." She asked if that were a correct statement. **Director Bishop** said it should said six months of experience. **Commissioner Herbold** asked if that meant in lieu of being licensed. **Director Bishop** said that someone starting into the program who had operated tribal casinos could count that as experience. If somebody operated this type of game in another jurisdiction, that would count as experience or could count as experience.

Commissioner Herbold referred to page 27 where they were discussing, in the fourth paragraph, where it says: "Ms Winslow said she would get information for Commissioner Ludwig." They were talking about Michael's Development and their licensing process and she wondered if that information had ever been provided and whether they are okay on what the process was there as the result of that information.

Chairperson McLaughlin suggested someone make a motion to accept minutes as written and then she could contact staff and get the answer to that question. **Commissioner Herbold** said she had another question before she called for a motion, which was on page 29 the last paragraph, six lines down, Commissioner Heavey asked if there were any rules that prohibited the establishment of any gambling activity of a person "who owned no more than one." She wondered if he meant "who owned more than one" because that was the issue they had been discussing – whether someone could own more than one.

Commissioner Heavey confirmed that the word “no” should come out.

Chairperson McLaughlin asked if there were any other corrections or if someone would like to make a motion. The motion was moved and seconded. *Vote taken; motion carried with five aye votes.*

Chairperson McLaughlin called on Commissioner Herbold to finish asking her previous question. **Commissioner Herbold** said that she wondered if Commissioner Forrest had received the information that he had requested. **Ms. Winslow** said a document was submitted at the time the presentation was made. She said Commissioner Ludwig and she had discussed it with regard to the background information on Michael’s Development. She said she did not know if he required further information. **Commissioner Ludwig** said he was satisfied.

RULES

SALE OF BINGO PAPER ON CREDIT

Ms. Patjens said normally this package would be up for final action today, but for the reasons discussed yesterday, it is listed in the agenda as up for further discussion. In 1997, the Commission passed a rules package dealing with purchasing gambling equipment on credit. Bingo paper was included in that definition. The rule became effective January 1, 1998, and after that the staff received quite a few comments from distributors and operators who were concerned because nonprofit organizations have traditionally been able to purchase bingo paper and supplies on credit. This proposed rule fixes that problem and allows the nonprofit organizations to make those purchases on credit. A proviso has been added limiting that to only up to 30 days.

Ms. Patjens said that at the last Commission meeting, Commissioner Heavey raised some questions about how a distributor would know if someone had not paid their bill within 30 days. To answer his questions, there is a memorandum written by Julie Mass that is in handout packet No. 2, Tab 12, and addresses that question. To summarize it, the staff did not feel that notice was a problem. There are only a few distributors out there who sell bingo paper, so the staff felt that they would know when there was an operator who hadn’t paid the bill and also the distributors would know that, which seemed to be more the concern that Commissioner Heavey had raised. She said the staff recommends further discussion on this rule and it will be up for final action next month.

Chairperson McLaughlin asked if anyone had questions or wished to testify. There being none, she announced that they would vote on the matter at the next meeting.

REDUCTION OF LICENSING FEES

Ms. Patjens said these rules were also held over an additional month due to the Code Reviser’s Office filings. There was a fee increase that was passed in 1997. The implementation date was delayed until June 30, 1998, and, as was discussed last month when they did the presentation of the budget, they re-evaluated their financial position and determined that it is not vital to have a fee increase. The four rules before the commissioners would roll back the fees to the 1997 levels and also provide repayment to any licensees that have paid the new fees between July 1 and whenever this rule would become effective, assuming that it is passed by the Commission. The staff recommends further discussion.

Commissioner Ludwig asked if the Commission had discussed and got some satisfaction that this did not violate the gift prohibition on public funds. **Mr. McCoy** said they had discussed that and he did not believe that it violates that rule. The requirement is that the fees – that the Gambling Commission charges -- are supposed to cover the costs of the Gambling Commission and that the Commission would have the authority to adjust those fees as necessary to make sure they comply with that regulation.

Chairperson McLaughlin asked what this would do to them under Initiative 601. **Ms. Patjens** said it does readjust what the baseline level is so it will put them back to the baseline of 1997; whereas, if the rule would stay

in effect, then they would have a little bit higher baseline to go from. The agency's director and the business manager felt that the agency would still be okay if they would need a fee increase next year.

Chairperson McLaughlin asked if anyone wished to speak to the reduction of licensing fees. This would include A, B, C, and D, the refund of overpayment, the fees for bona fide charitable nonprofit organizations, the fees as a commercial stimulant and other business organizations, and then individual fees. She asked if anyone wished to address this matter. No one did. **Chairperson McLaughlin** said that it would come forward next month for final adoption.

STAFF REPORT

OVERVIEW OF PUNCHBOARD/PULLTAB GAMES

Julie Mass, special agent, said she is the manufacturer-distributor coordinator for the Gambling Commission. She passed out some marketing information from the manufacturers that displays their games, the pay outs and the different "families" of games. Referring to "Current limitations or Policies" she outlined for the commissioners what the current restrictions were on pull tab games or what the manufacturers have to work with when they design a game. The ticket count limit is 10,000 tickets, so manufacturers cannot exceed 10,000 tickets for the size of the game. That is set by Commission rule. The cost per play – the price of each pull tab ticket – cannot exceed one dollar. That limitation is set by the Legislature and when the Legislature changed the price from 50 cents to a dollar last year, the Commission followed that lead and amended the WAC rules to be consistent with the legislative rules. The third thing is the prize pay out percentage, which is also set by Commission policy. It is at 60 percent currently – all games must meet 60 percent pay out. The fourth thing is single prize limits. There are varying limits, but the main one they are concerned with in the upcoming rule change is the standard cash top tier prize limit of $500. What she means by "standard" is just a generic pull tab game – not a special type of game that they have written a special rule for. She said they have special rules that cover that. Two thousand dollars is one of those special limits for carryover pull tab games, which they approved last year in 1997.

Commissioner Forrest wondered if that were going to be changed in the proposed rule. **Ms. Mass** said no. **Commissioner Forrest** asked if there were any normal linkage between those two or was this just happenstance. **Ms. Mass** said there was a linkage. The $500 standard prize limit also applies to carryover jackpot games. What the carryover limit applies to is how much it can accrue, so there is still the $500 maximum limit within a single game. But for carryovers, a Jackpot accrues over several games so there can't be more than $500 going to the pot for game one, game two, or game three. **Commissioner Forrest** said that would mean $750 as the new limit. He wondered if that would mean there would be a carryover only two times, or, would it be three times it would be over $2,000? **Ms. Mass** said the $2,000 limit would still be in effect. She said the $750 would become the new standard for the individual game, so rather than. **Commissioner Forrest** said it could be carried over only twice for $1,500. **Ms. Mass** said that was correct; it could be done up to two and one-half times. She said her theory was that the carryover games are probably going to stay with the lower contribution amounts, because it doesn't make a lot of business sense to jump to that $2,000 right away.

Director Bishop said it was a $500 maximum limitation in the carryover rule, so the proposal does not change that. If there was a carryover game now, only $500 could be added to it.

Ms. Mass said the progressive game has a $5,000 per game contribution limit. Those are the cash standards the manufacturers have to work with, but the main one is that $500. That's the real majority -- over 90 percent of the games made are $500. There's a limit of $500 cost and $750 retail value on merchandise. She reminded them of all of the discussions they had had over the past year on markup and merchandise. They require a 50 percent markup, so $500 cost and $750 retail value.

Ms. Mass said that the upcoming rule change that Mr. Patjens will be talking about would increase the cash prize limit to $750, and the marked-up merchandise up to $750 ($500 cost) but it wouldn't change the pay out. It has no effect on the pay out. That maximum retail value is still going to be $750. All they are really doing is

decreasing the amount of markup, so if someone wanted to go out and buy a television for $750 they just wouldn't get a markup on it. In that case, the markup would be zero.

Chairperson McLaughlin asked if the person who's paying the dollar for a chance realizes that a television set is worth that and it isn't marked up. **Ms. Mass** said all that's ever put on the flare is the retail value and the operator never knows what the actual cost is. She said she thought they could figure it out by backing out the 50 percent, but they may not know for sure whether they paid $500, $600, of $750. **Chairperson McLaughlin** said she didn't mean the person that's offering the game; she said she was talking about the player. The player sees the prize as something worth that amount. **Ms. Mass** said they would see that it's worth $750, but they won't know exactly what they operator paid for it. She asked if there were any questions on the limitations or agency current policies. There were none.

Ms. Mass referred to next page regarding a couple of examples. She said if they were to design their own game today, this is how it would be done. In one of her examples, it talks about a 6,000-count game, which is probably the most popular ticket count game out there right now. She laid out three columns: a 25-cent game, a 50-cent game, and a $1 game. Those are the three primary ticket costs now out there. In theory, they could have a 75-cent tab or something like that, but they don't. She if there were 6,000 tickets, in the first example there are 6,000 count times 25 cents, which is $1,500 gross receipts, so that's where they start in designing the game. Sixty percent pay out that means they will have to come up with $900 in prizes to offer on their flare in their game.

Ms. Mass said how it gets to the $900 is strictly up to the manufacturer and that is why there are thousands of different pay outs in existence. Since the limit is $500, they could have a $500 and a $400 and in theory they've met the pay out, and they'd have two winners out of 6,000. That's the possibility, although that doesn't happen. So they could have a number of $1 winners, $10 winners, $50 – the combinations are endless and some of the materials that are in the packet show that every manufacturer does have different pay outs. Going through the examples, she showed that the higher the ticket count, the higher the gross receipts. So if there is the same size count game at $1 that comes to $6,000 in gross receipts, that means they will have to come up with $3,600 in prizes to offer. Again, how that $3,600 is arrived at is up to the designer of the game with a maximum of $500 per prize.

Ms. Mass said the second example on a 10,000-count game shows the state maximums. With the 10,000 count in the lower right hand corner at $1, which is the maximum cost, there will be $10,000 in gross receipts, which is the highest gross receipts a game can have in Washington and $6,000 in prizes. She called for questions on how a game is designed.

((COMMISSIONER HEAVEY LEFT THE MEETING AT THIS TIME))

Commissioner Ludwig asked if 60 percent was the minimum. **Ms. Mass** said that was correct. On the last example where there's $6,000 in prizes, if they wanted to have 70 percent pay out they could do that and they would offer more than the $6,000 -- $7,000.

Senator Schow said he had never seen these numbers before and wanted to know when a local jurisdiction charges tax on this to the operator, where there is the gross for a dollar game, a 6,000 count would be 6,000, is that where they charge their tax off that number? **Ms. Mass** said she thought they charged tax on what's actually sold. **Senator Schow** said each game has to be kept track of individually and if only 3,000 tickets were sold and the game was pulled, then theoretically they pay tax on 3,000 instead of 6,000. **Ms. Mass** aid that was correct – it's actual tickets sold. These are examples given in case the game was sold out.

Chairperson McLaughlin wondered what difference does it make to the commissioners the cost of the prize is as long as they meet the 60 percent limit. What does it matter to them whether it's $500 or $750? **Director Bishop** said he thought that was the question before them. It's purely a policy question – whether they want to have unlimited prizes or to limit them. **Chairperson McLaughlin** said if they were trying to have a game that brings people into their establishment she thought they should be able to offer anything as long as they don't cheat the players. **Director Bishop** said from a regulatory perspective he said he would be personally concerned if, for example with a $1 ticket if they had 10,000 and 6,000 prizes. If there were only one 6,000 prize, he said he

would be concerned about that because that would lend itself to very easy manipulation, so from that perspective, the more prizes they have the better it is as far as limiting the ability of someone to manipulate it. **Chairperson McLaughlin** asked if anyone would play the game. **Director Bishop** said they might but as soon as the $6,000 winner was, they wouldn't play it. **Ms. Mass** said one of the things that goes into designing a game is the win-ratio factor and that's how many winners are in the game compared to how many tickets are in the game. That's something the manufacturers look at when they design a game. Obviously players are more likely to play games where they have a 1 in 15 chance in winning than 1 in 6,000. So, the players kind of know what their odds are playing some of these games because they require the ticket count to be on the front of the flare as well as how many winners are in the game, so that's kind of market demand how the win-ratio is determined.

Ms. Mass referred to the flyer entitled "Fever Pitch". On the back are some pay outs. This is one family of games and these are all the different pay outs that they have within that family. A family is a set of symbols and design with different pay outs for the same set of symbols and design. So for this "Fever Pitch," there are 11 different pay out combinations that as a distributor-operator she could order from the manufacturer. She referred to the one in the top right-hand corner. On that particular game, there are 3,989 tickets; four winners at $57; four winners at $22; four winners at $7; 8 winners at $4; 24 winners at $3; and 200 winners at $1, so that total pay out is $648, which is 65 percent. That's just an example of one pay out. Most of the pay out sheets are very similar to this.

Commissioner Ludwig asked about the "Gross Profit Per Deal" in the upper right hand corner and below that it says "Ten Deals Per Case". He asked if a deal were a group of pull tabs. **Ms. Mass** said a deal is one game—one set of tickets – 10,000 or 6,000. Deal, game, and series are terms are used interchangeably. **Ms. Mass** hoped that these examples would give the commissioners just an idea when they're talking about pull tabs and new rules that affect pull tabs maybe help narrow down what aspect of the game they're talking about, how a rule change going to affect the game and what portion of it. She had a visual of one family and all the different pay outs that there are showing the endless possibilities. She asked for any questions. **Chairperson McLaughlin** said that with that information, she introduced the next topic -- Increasing the prize pay out limits.

INCREASING THE PRIZE PAYOUT LIMITS ON PULL TAB GAMES

Ms. Patjens said that this rule increases the prize for pull tab games from $500 to $750. In 1997, the Legislature passed a law to increase the amount for which a pull tab chance could be sold from 50 cents to $1, but since then the industry has been wanting to increase the prizes because there is not a lot of incentive for a customer to pay a dollar for a tab if the prize is going to be $500 when they could also play a game and 50 cents for a tab where the prize is going to $500. This rule just allows the increase in the prizes and, as Ms. Mass mentioned, for merchandize games an operator may not increase the prize markup beyond the $750. **Ms. Patjens** said that at the last Commission meeting, the manufacturers had raised some concerns about requiring the secondary win codes on jar tickets. Jar tickets are manufactured differently than what they call hard tickets. She said that they are both common, but hard tickets are two pieces of paper that are in effect glued together during the manufacturing process and they're pretty difficult, because of the secondary win codes, to have forgeries or other types of frauds happening with them. What the staff proposes is in the sentence under Item 2(a), "the minimum standards for these series shall include a secondary verification code as defined in WAC 230-01-030, which shall be unique to each series and shall not repeat." They recommended that that language be deleted. They don't think there will be too many cases of fraud with the jar tickets; it sounds like that just hasn't been a problem in the past. As Director Bishop mentioned, there is no regulatory concern with an increase in the prizes; it truly is a policy call by the Commission.

Chairperson McLaughlin asked for any questions from the commissioners. **Commissioner Forrest** asked her to explain about jar tickets. **Ms. Mass** handed out an example of a jar ticket for the commissioners. **Director Bishop** said it was basically a piece of folded paper instead of laminated. **Commissioner Forrest** asked if the original concern was that it would be easier to substitute a phony ticket or create a phony ticket. And on reflection the staff is convinced that the risk isn't sufficient to make any difference as far as this and the other ticket. **Director Bishop** said the staff did some research and found that this type of protection is probably overkill. They have not had the problem, although they do have secondary win protection. In other words, there's

more than one way to identify that this is a winner. It just had not reached the level of encoding that is done with the others. The staff looks at each one of them and approves them. If it's inadequate, they can turn it down.

Chairperson McLaughlin said she has a ticket that says "Big Dan's Hole in One" and it says "ref" and it has a number 804, REF 804. **Ms. Mass** said that's a code number and the other number is the serial number. One of the reasons the staff would like to eliminate the language about he specific type of win protection that Ms. Patjens went through – the line they wish to strike – is that they still want to have adequate security of these tickets; they just want to leave it up to the staff to approve each manufacturer's method of protection on an individual basis. After they looked at the language, they felt that requiring one type of code is a little too specific as far as getting down to the manufacturing process and telling them how they had to manufacture the tickets. That's the reason for striking the language. They just want to leave it open to the staff to look at the technology they're using and make sure that it meets agency standards.

Commissioner Ludwig asked if it were appropriate to move to amend or delete that last sentence in paragraph 2(a) now or should they wait until it is up for final action. **Director Bishop** said it would be better to make that change now and then they could file it.

Commissioner Ludwig moved to follow the recommendation and delete the last sentence in paragraph 2(a) of proposed administrative code 230-30-080. **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with four aye votes. (Commissioner Heavey was absent.)*

Chairperson McLaughlin called for public testimony. No one had comments. She said this item would be on the October agenda for final action.

RULES UP FOR DISCUSSION AND POSSIBLE FILING

RECORDKEEPING REQUIREMENTS FOR PULL-TAB GAMES WITH CARRY-OVER JACKPOTS

Ms. Patjens said this is proposed in conjunction with the Washington Civic and Charitable Gaming Association. Currently, jackpot prizes are not recorded until they have been paid out. For example, if it's Monday and the jackpots been won, then it would be at that time that the operator would record, for example, $500 as a prize that's been paid out. What organizations would prefer to be able to do is to record or accrue a portion of the prize as a prize that has been paid out on a more regular basis and to actually do that monthly. Instead of recording $500 when the prize has been won, the operator would have already recorded part of that as a prize in previous months. And this will be a new format for record keeping so the proposal is that the rule would only apply to bingo operators who hold a Class "F" license or above and that's bingo operators who are making up to $1 million in gross receipts. The threshold between an E and an F license is actually between $500,000 in gross receipts and $1 million. Also, the proposal is that the organization would have to get approval from the director prior to using this accrual method. The staff recommends filing for further discussion.

Chairperson McLaughlin said they were going to be keeping records on a prize that they haven't given yet. What happens if they pull a game and the prize is not won? **Ms. Winslow** said they are required to pay out the prize on a carryover. **Commissioner Forrest** said it seems to him that it would be more trouble rather than less. **Ms. Winslow** said staff agreed, but the operators have assured the staff that it is not more trouble. **Commissioner Forrest** said he would like an explanation. He wanted to know how they would decide when to enter how much money if they are going to account for it as they go along.

Ms. Mass said that on the carryover games, each flare has what is called a contribution amount listed on the flare and that's how much money is going to be contributed to the jackpot. As they discussed previously, the limit on the jackpot prizes is $2,000. For example, there may be a flare that contributes $100 towards the jackpot so every game the jackpot is increased by $100. Currently, the Commission requires the prizes to be recorded when it's paid so they may play 20 different games and the prize is recorded on the very last game where the $2,000 is awarded; therefore, they have a very big prize payout on that game. What the industry would like to do is record the $100 contribution amount on each game's records as it goes along. And at the point where the

jackpot reaches $2,000, they would stop accruing on their records because once it hits $2,00 it just stays at $2,000 and carries over.

Commissioner Forrest asked what report that would generate. **Ms. Mass** said it's called a monthly income summary and that's what records their gross sales, the prizes paid, and the actual cash that went into the bank. **Commissioner Forrest** said it has the effect of leveling it out rather than cruising along and then bouncing. **Ms. Mass** said that was correct; basically, it was the accrual method of accounting for these prizes. It is something that has not been allowed before on pull tabs. **Chairperson McLaughlin** asked why it wasn't allowed before. **Ms. Mass** said for one they had never had an accrual of a prize until last year when they approved carryovers. Everything was just a game within itself and so it's a new type of game; it's been operating a year and the industry has come forward and said now that they have this new type of game, they wanted a new type of accounting for it.

Commissioner Ludwig asked how the licensees feel about the staff proposal to limit this method to Class "F" and above. **Ms. Mass** said she has not heard any opposition to that. **Ms. Winslow** said that when they were in study sessions discussing this issue, that was thoroughly discussed by all the participants and they were very supportive – the ones that did participate in the study sessions.

Senator Schow asked if this has any effect on local taxes that the local jurisdictions charge. **Director Bishop** said that he thought it would with regard to timing. **Ms. Mass** said, with regard to timing it might, if they're taxed on net receipts, it depends on the method of tax. If it were on gross receipts, it would have no effect. If they were taxed on net receipts after prizes are paid, it would be merely a timing difference. **Senator Schow** said this would lower their net. **Ms. Mass** said yes, it would but it would even out in the end. It wouldn't have an adverse effect overall. **Senator Schow** said that otherwise it would be paying the tax the first 19 days if it were 20 games, and then on the 20th game they get a big break because they have a $2,000 pay out that they take on the 20th game.

Commissioner Forrest said the government loses the interest on the money is the net result. **Chairperson McLaughlin** asked if there was a downside to doing it this way. **Ms. Mass** said this issue has been thoroughly discussed and the staff has agreed to let the industry give this a try. One of the provisions in the rule would require the director's approval and so if this doesn't work out and some of the licensees don't do it correctly, then they can revoke their approval to do it. They feel they have adequate provisions in the rule that would allow for this to be done the right way.

Commissioner Ludwig moved to file this proposed rule for further discussion. **Commissioner Forrest** seconded the motion. *Vote take; motion carried with four aye votes.*

LOCATION OF BINGO GAMES/JOINT BINGO GAMES

Ms. Patjens said this is the rules package that they promised last Commission meeting that would be coming up. She said that, in 1997, a bill passed the Legislature that would have authorized joint bingo games. It was partially vetoed by the Governor. In 1998, the bill was before the Legislature again, but due to it being a short session, it did not get passed. After that, the WSGC received a couple of letters from legislators asking the Commission to look into doing this by rule instead of as a legislative change. They were aware of the 1996 Assistant Attorney General opinion. So they put one rule on the agenda few months ago that would just define the location of a bingo game, which was one thing that would need to be changed. It clarified that a bingo game would be considered to be located where the bingo cards were sold and where winners were determined. That rule isn't in its own category this month because they needed to make some other changes to it so it is actually the last item on the agenda. After the Commission voted to file that rule, they formed a task force with representatives from the industry as well as Commission staff. Bill McGregor, who is a special agent in the Spokane office, was very instrumental in putting this rules package together. He said he would not be embarrassed to be referred to as "Bingo Bill," so he may be able to answer some detailed questions about how this will work.

Chairperson McLaughlin asked if the Governor was aware of this rulemaking going on at this time and how he feels about it. **Ms. Patjens** said the Governor had indicated informally that if the bill had made it to his desk during the last legislative session, he would have signed it. Unless he's had a change of opinion since then, it sounds like it would be something that he would support.

Commissioner Forrest said there ought to be a formal communication when these rules are filed so that if the Governor's office wants to come to the next public meeting and say why it's a bad idea, they will know it. There needs to be a paper trail so nobody can later say they had circumvented the process by doing something. The number of legislators who asked the Commission to take this action impressed him; otherwise, he would have been trying to follow Mr. McCoy's idea and leave it up to the Legislature because it was pretty complicated. It is important that there be no way the Governor's Office could say they weren't informed. If the information comments that have been reported are correct, there will be no problem but if they were misunderstood or miscommunicated, he would not want to take the chance later on that that dispute developed. **Commissioner Ludwig** said he agrees with Commissioner Forrest because the Governor having had some activity in this particular issue it would be courtesy to keep his office informed in addition to having that paper trail and official position.

Commissioner Herbold asked what would happen if the Commission did nothing and the next Legislature passed a law allowing joint bingo, would the Commission end of doing this same thing in order to make their rules comply with that new law. **Ms. Patjens** said yes. **Mr. McCoy** said there may be a different pattern that they established in the statute, but the need for rulemaking clarification would still be there.

Ms. Patjens said that Item 7A explains how the joint bingo games would be conducted, which is very much how bingo is currently operated. The difference is that the balls would be drawn at one location and some type of a video screen would show them to the other bingo operations that were participating. In her mind she pictures it being somewhat like watching the lottery drawings on T. V. and there would be a screen somewhat like that in the other bingo halls letting the player know what the numbers were. Item 7B defines a linked bingo prize provider, which is a business that provides the bingo operator the means to link the bingo prizes together. They would be providing equipment, supplies and that type of thing. They could give some management advice, but they may not assume ultimate responsibility for the bingo operation. Item 7C defines the linked bingo prize provider representatives, which are similar to distributor representatives is or a manufacturer representatives. These are the people who are out there acting on behalf of the linked bingo prize providers. One of the questions she had was how many providers are out there that may be interested in doing this and Agent McGregor told her that he thought probably at this point the maximum would be three -- there's one primary company that would probably doing most of this but possibly two or three would also be interested.

Commissioner Forrest said that during the tour of the Legends Casino last night, they explained that the joint bingo game they operate originates in Oklahoma. He asked if their game would be conducted out of state or in state – the physical game that is then reflected around the various halls that are participating. **Ms. Patjens** said it would be conducted in this state and if someone would go into the other part of the facility where they had people sitting at the tables actually daubing the cards, that is the way that it would work. The only thing that would be similar to the version there is that the balls are drawn at a different location.

Commissioner Herbold asked about the reference to a representative being any "natural person" in Item 7C and asked if that were the defined term somewhere else in the code as opposed to unnatural person. She wanted to know what it referred to. **Mr. Fleisher** said person is defined broadly to include people, corporations, partnerships and so forth. Natural persons are only human beings. **Mr. McCoy** said that term is used in other regulations, but is not specifically defined in any Gambling Commission rules.

Ms. Patjens said Item 7D defines the three different prizes that are awarded with linked bingo prizes. There is a main prize, which would be paid to the main winner in the game. There's also a consolation prize that would be awarded at each individual hall, so if Commissioner McLaughlin is playing at one location and she wins the main prize, the consolation prize is what is given at each individual location. The third type of prize is a bonus prize. Items 7E and 7F are licensing requirements and the first one is the licensing requirements for the linked bingo

prize provider representatives, which are very similar to what they are for a distributor representative again or gambling service supplier representative.

Mr. Patjens said Item 7F deals with the licensing requirements for the actual linked bingo prize provider. One additional requirement in the licensing of those providers is that they must show that they have obtained a bond to cover all linked bingo prize jackpots. Item 7G and 7H deal with the fees for these individuals and also for the businesses and again they parallel what the fees are for a distributor business if it's at a Class "F" level and then for the representatives it's the same as distributor reps -- $219 for the first year, $135 renewal fee. Item 7H deals with the fees for the identification and inspection service stamps and these are the stamps that will be placed on the linked bingo prize providers from the Commission and the cost if 40 cents per 250 cards. The purpose of this is really a tracking mechanism. Items 7I, J, and K are record keeping requirements. One additional think with the linked bingo prize providers is that they do have to keep video tapes that shows the process of when the bingo numbers are being drawn as well as showing any type of body movements that the callers have. So they just want to have a clear picture of that. Item 7J is a record keeping requirement dealing with the sales invoices just requiring that they put that number on those sales invoices. Item 7K is then a recordkeeping requirement for the daily records that they have to keep.

Senator Schow asked what the purpose is for the video tape of the drawing. **Ms. Patjens** said that is so that if there are any questions about the numbers being drawn or what the caller was doing there would be clear video tape maintained so they can go back after the drawing and verify that the number was called and that there wasn't something funny going on with the caller.

Ms. Patjens said Item 7L regards quarterly activity reports that almost every licensee has to submit a report either on a quarterly basis or some on an annual basis and this just states that the linked bingo prize providers will need to submit an activity report on a quarterly basis. Item 7M had some changes made and is available on the back table. They discovered that the WAC they were trying to make changes to had actually been repealed a few months ago so they needed to put the substantive changes into a different section and so now that's in WAC 230-12-230. Exceptions are general prohibition against agreements that restrict the freedom to buy and sell. The first part of the rule states that linked bingo prize providers may require a bingo licensee to use particular game cards for these joint games if there's a contract and if it's been approved by the director. The second part of the rule states the linked bingo prize providers can enter into an exclusive agreement with a manufacturer to provide the bingo paper that's used for these games. Item 7N is a requirement when they're recording the names of the winners for the joint bingo games and they always have to list the address of the bingo winner which a little different in regular bingo games or other bingo games. Sometimes they don't have to get the address of the person if the prize is under $300, but with these games, they will always have get the address of the winner.

Commissioner Forrest referred to WAC 230-12-230(5) and (6) and asked if the purpose is when somebody who is going to bid to carry on this operation wants to have the benefit of the individual cards as well as whatever kind of a contractual arrangement they have and this seems reasonable to the staff and it almost sounds impractical to do it any other way. **Ms. Patjens** said that is correct and the director will have the approval of the contract so they will be reviewing those. Item 7O deals with the disposal of the cards for these joint games and the cards have to be maintained for six months unless an agent has reviewed them and given the operator permission to go ahead and dispose of them prior to that. On Item 7P, she already discussed the changes that were made to that regarding where a bingo game is considered to be located. This also adds in that the numbers don't have to be physically displayed; they just have to be able to view them. So obviously, if the drawing occurs in a different location, that bingo hall isn't going to be physically there in the first location, they just must be able to view it by use of the video screen.

Chairperson McLaughlin asked how there can be only five games operating on a Tuesday night and still be profitable by linking them together. **Ms. Patjens** said she would guess that there would be some bingo games that will perhaps be changing their days of operation to accommodate that so that they would end up having more people join together. **Ms. Winslow** said there would be more than just five games operating per night and they have actually done preliminary calculations to make sure that this would be a profitable venture before they went through the rules process. **Director Bishop** said that on the prime nights the prizes would end up being larger, but they said that it was viable for all of the nights.

Chairperson McLaughlin thought they picked their three nights in one area and they're not all operating on the same three nights. They're giving the opportunity to those players to hit every night somewhere. **Director Bishop** said that sometimes some of them are a little hardheaded and try to go up and butt up against someone else, but typically they would back off to have it market driven that Tuesday night's my best night. **Ms. Patjens** said that Mr. McGregor informed her that, based on the estimates that they've done, they believe that they'll typically have about 30 of these organizations linked together each evening.

Ms. Patjens said the last thing that Item 7P requires that the main prize and the bonus prizes be paid out within 48 hours. There were some questions last month about the fiscal note that they had prepared and whether that was still an accurate amount. The estimate was that it would take 1.4 FTE's in the first year and then after that it would be one employee and discuss that with Director Bishop. That's' still an accurate number primarily because this is one other small thing to look at. It's not that they have to make a special trip out that they would not already be making and then there will be a little bit of licensing impact in the first year as a the bingo prize providers are licensed. The staff recommends filing for further discussion.

Commissioner Ludwig wanted to know how the consolation prize would be determined. Assuming somebody won initially the main prize, would the other bingo parlors continue playing until they got a winner? **Ms. Winslow** said that was correct.

Director Bishop said that as the game is being called, he would envision that in each hall they would be following along. If they call "B2," then they would take B2 out and stick it up as a play, and then after the cutoff or the master prize, then each one individually continue for their consolation prize until every bingo hall had a winner. He said there would be a game being played at every bingo hall. There will be a prize determined at every bingo hall. They felt that was a critical aspect of this that bingo is being conducted everywhere.

Commissioner Ludwig moved to file the proposed rules 7A through 7P for further discussion. **Commissioner Forrest** seconded the motion. *Vote taken; motion carried with four aye votes.*

OTHER BUSINESS GENERAL DISCUSSION AND COMMENTS FROM THE PUBLIC

Chairperson McLaughlin asked if there were any discussion or comments from the audience about any items that were not on the agenda.

Murray Gufstason with the Athletic Round Table, Spokane, asked if there is any thought to expanding the games that can be offered by linked bingo other than just once a night. **Chairperson McLaughlin** said not at this time. **Ms. Winslow** confirmed that is correct.

Ms. Patjens said at the last Commission meeting there were three bingo rules that were up for final action and the Commission voted to adopt them. After the staff returned to the office, they realized that they were about 11 days earlier than they should have been on adopting those rules. She said that on the back table there was a package of buff colored paper and also handed out to the Commission. The staff just asks that the Commission re-adopt these if that is still their wish and then the staff will make the proper filings with the Code Reviser's Office. One of these deals with promotional gifts that an operation can use; another dealt with an accrual method.

Commissioner Ludwig moved to confirm the Commission's previous action by once again adopting the proposed rules as presented to WAC 230.20.102 and 230.20.125 and Section 249. **Commissioner Forrest** seconded the motion and said this just proves that the staff is human too. *Vote taken; motion carried with four aye votes*

APPEAL OF COMMISSION ORDER
MARS HOTEL, Spokane

Chairperson McLaughlin called for an Executive Session to consider an appeal from the Mars Hotel that they heard last meeting. The Commission would reconvene to announce its decision.

EXECUTIVE SESSION

Chairperson McLaughlin reconvened the meeting and said the decision of the WSGC is to uphold the decision of the Administrative Law Judge. The order will follow as soon as Mr. McCoy can have the order prepared.

MEETING ADJOURNED

Minutes submitted to the Commission for approval,

Susan D. Yeager, Executive Assistant