COMMISSION MEETING
THURSDAY, FEBRUARY 12, 2004
DRAFT MINUTES

Chair McLaughlin called the meeting to order at 1:30 p.m., at the Red Lion Hotel located in Olympia. She welcomed the attendees and introduced the members and staff present:

MEMBERS PRESENT:	**COMMISSIONER LIZ McLAUGHLIN, Chair;** **COMMISSIONER ALAN PARKER, Vice Chair;** **COMMISSIONER CURTIS LUDWIG; Kennewick;** **COMMISSIONER ORR; Spokane;** **COMMISSIONER JANICE NIEMI, Seattle**
STAFF PRESENT:	**RICK DAY, Director;** **ED FLEISHER, Special Assistant;** **AMY BLUME, Administrator, Communications/Legal Dept.;** **JERRY ACKERMAN, Assistant Attorney General;** **SHIRLEY CORBETT, Executive Assistant**

Chair McLaughlin addressed a change in the Commission's Ex Officio positions – Representative Tom Mielke will replace Senator Cheryl Pflug. Chair McLaughlin also announced that Deputy Director Bob Berg retired from the Commission on January 30, 2004, after 30-years of state, city, and county employment. Mr. Berg has accepted the position of Chief of Police with the Centralia Police Department effective March 3, 2004.

Service Recognition:
Director Day and **Chair McLaughlin** presented employee service recognition awards to Special Agent Cindy Reed (Retired) – 30 years, Special Agent Fred Wilson – 20 years, and Office Support Supervisor Jessica Quiles – 5 years.

Service Recognition – Partnership:
Director Day noted that seven staff members were present participating in the agency's Partnership Program. A program designed to give the staff more information about what other units in the agency do. One of the activities includes having the staff attend a commission meeting. Participants included: Emily Egge-Secretary, Rhonnda Jenkins-Administrative Secretary, Allen Esparza – Special Agent, Cassie Voss-Office Assistant, Steve Junk-Office Assistant, and Shane Gourley – Information Technology.

Director Day also highlighted the agency's License Technician In-Training Program, a performance based in-service training program designed to successfully train new license technicians in all facets of their duties and responsibilities. The program duration is 2,080 hours. Once completed, successful

candidates are promoted to a journey level Gambling License Technician position. Since January, two staff members completed the in-training program: Joe Gault and Melanie Bowdish.

1. **Petition for Rule Change by the Recreational Gaming Association - Increasing Betting Limits for House-Banked Card Games:**
   WAC 230-40-120:
   Amy Blume, Administrator, Communications and Legal Department, reported this rule was on the agenda for final action. The Commission has been discussing this rule since August when the Recreational Gaming Association submitted the petition. The proposal is to increase the betting limits from $100 to $300. At the October meeting, the Commission voted to amend the petition to raise the betting limit to $200 instead of $300, and that the number of tables that could have the higher limits would be based on how many tables the card room was authorized to operate. The higher limits would be in effect for 2004 and would sunset in December. Three memos have been included in the agenda packet, one from former Deputy Director Bob Berg highlighting issues for consideration, another memo from Director Day providing the history of changes made with card rooms and addressing some regulatory issues, and a third memo from Ed Fleisher addressing what constitutes an expansion of gambling. Staff has not offered a recommendation regarding the petition because it is primarily a policy decision. The Commission received many e-mails and several letters about this petition both in support and against the petition; four letters, 73 e-mails, and 103 people signed up via the agency's web site in support of the petition. There were nine letters, and 59 e-mails against the petition. Since the agenda was printed the Commission received four additional responses: a letter from King County Prosecutor Norm Maleng, in his capacity as the Co-chair of the Coalition Against Gambling Expansion (CAGE); and three additional e-mails from people asking the Commission not pass this petition. Ms. Blume affirmed this issue was scheduled for final action; however, if the Commission wished to carry this over, staff would ask for a vote to have staff file an extension with the Code Revisor's Office.

   Chair McLaughlin called for public testimony.

   Dave Wilkinson, employee at the Skyway Park Bowl, advised that he was troubled by the inequities that have been developing over the past few years. He advised that unlike most retail establishments, mini casinos didn't have a realistic way to raise prices; the only thing they could do was come before the Commission and ask for an increase in the betting limits. He believed that knowledgeable people understand that the amount people bet had more to do with their income level rather than the maximum betting limit—and that raising the limits $300 would not affect the betting action of 95-99 percent of the players since the majority of players currently bet less than $25 with the existing $100 limit in place. Mr. Wilkinson emphasized that the mini casinos have been waiting for this petition since August. He didn't believe waiting to see what the Legislature may or may not do made any sense, in fact, he believed the Legislature has acted and spoken by taking no action on the bills currently under consideration. He suggested the vast majority of Legislators have come to the correct conclusion that this proposal is in the best forum for this issue to be decided, and certainly if a majority of either House saw this as a critical step in gambling and wanted it stopped they would have acted by now. Mr. Wilkerson believed sunset clauses serve a purpose when going into uncharted waters, and when no one could be reasonably sure of an outcome. In this case, he believed the Commission already has the knowledge about what may happen based on the years of experience with tribal casinos at the $500 limits—which in his opinion, rendered a sunset clause unnecessary. Mr. Wilkerson suggested that even if the Commission passed this proposal, it wouldn't give the mini casino operators an ability to get back the revenue they have lost due to increased business costs.

Bob Tull, appearing on behalf of the RGA, stated that at the November meeting, the RGA asked the Commission to consider that whatever tables were increased, it could be 1/3 of the tables allocated to that particular card room in order to better accommodate some of the various games involved, rather than the option proposed by Commissioner Orr. Secondly, the RGA asked that the sunset/review period not be tied to a strict twelve months, but rather be enough time to go through an entire twelve months, and then evaluate the results.

Chair McLaughlin called for further public testimony; however, no further comments were offered.

Commissioner Parker questioned if there was a request for an AG's opinion on whether the betting limit increase would constitute an "expansion of gambling" under the law, and as such, require legislative action. **Jerry Ackerman,** Assistant Attorney General responded that it was his understanding that former Representative Pflug (now Senator Pflug) and Senator Prentice requested an informal Attorney General's office opinion whether the Commission could raise the betting limit without having that ratified by the Legislature—is that an expansion of gambling that requires Legislative action. He affirmed that opinion request was pending, and noted that it is one of a number of opinion requests that are in line and waiting research and a decision. Commissioner Parker inquired whether Mr. Ackerman had an opinion that would be helpful for the Commission's deliberation. Mr. Ackerman responded that the opinion request was not assigned to him because he advises this Commission. He reiterated his belief that the Commission has the authority to set betting limits as established in RCW 9.46.070. However, he emphasized that's not to say that it was not appropriate for Senator Pflug and Senator Prentice to confirm that in the form of an informal Attorney General's opinion.

At Chair McLaughlin's request, Director Day was asked to summarize several related and pending legislative issues. **Director Day** addressed the fact that the Commission previously discussed the issue of the Lottery Commission increasing the price of one of their tickets from $5 to $20. Additionally, a proposal has passed the Senate that will expand simulcast racing and set up an account wagering system through hub betting in Oregon, which he noted was not presently authorized in statute. Discussion has continued regarding the zoning bill, which is legislation that is intended to provide authority, or reaffirm authority for cities to zone specifically relative to gambling. He reported that might have an impact because there are several cities, which presently prohibit that, and he anticipated that as a result of the bill, it was highly likely they would authorize gambling in a specific area, which could result in additional applications for card rooms in areas where they don't exist today. In addition, slated for discussion this month is a decision whether or not the Commission should file a petition to change the current electronic facsimile in cards from only house-banked facilities to all card games. Director Day affirmed that all of these types of issues will have some impact, and they may add new games or new facilities. The horse racing issues may possibly impact Internet gambling. In essence, there are quite a number of proposals facing the state and this Commission.

Commissioner Parker verified the Lottery Commission essentially decided that they would increase the tickets from $5 to $20. **Director Day** responded that he was not completely aware of the exact details of all the Lottery Commission's rules and regulations; however, he believed that the Lottery, by rule, had the ability to go from $5 tickets to a maximum of $20, and they in fact authorized the $20 ticket quite some time ago. Director Day believed their statutory authority to set the price of tickets is very similar to the Commission's statutory authority regarding card games.

Commissioner Parker readdressed the zoning bill and asked what information the Commission had to indicate that new licenses would likely to be issued if cities had the authority, as proposed, to zone and create very specific areas in which they would authorize licenses for house-banked card rooms. **Director Day** responded that the most direct information came from newspaper articles wherein various cities were saying that if they were able to allow a specific gambling area rather than prohibit, they would probably do so. Director Day reported that the proponents that have been lined up in favor of the bill this year included the city of Seattle, which does not presently allow card game gambling.

Chair McLaughlin noted that zoning for gambling wasn't a problem when she was in local government. She indicated that she has always felt that the locals should have the right to put certain zoning where they wanted to; however, she affirmed that at the time she didn't think about the possibility of "sin cities" within a city. She believed the cities have the right to zone and noted that she wasn't aware of any card rooms that didn't have liquor involved, and they control the area for liquor licenses. **Commissioner Parker** reiterated the cities essentially zone for liquor licenses; however, the law doesn't now allow them to zone for gambling licenses. **Mr. Ackerman** responded affirmatively and verified that cities can't zone purely on the basis of someone having a gambling license, they may zone in the normal ways for commercial, residential, and those types of classifications, and they certainly establish the normal zoning conditions for the number of parking spaces, and signage. They can't create a zone based solely for someone accessing a gambling license.

Commissioner Parker noted the report suggests that the betting increase proposal and its impact on the expansion of gambling on the state is perhaps more of a perception, especially when put in the bigger context that there are these other proposals, including the zoning proposal, that could easily have a much bigger impact in terms of the "expansion of gambling" and the numbers of new licenses that might be subsequently authorized. He questioned whether the legislation that has been introduced would put a freeze on betting increases. **Director Day** responded that the Senate has not held any hearings relative to bills that would freeze bet limits. The House Commerce and Labor Committee did hear Senate Bill 3119, however, it did not move out of committee.

Commissioner Niemi proposed an amendment to delete the idea of a sunset clause. She acknowledged that it takes time to gather statistics, to review the results, and make determinations on the resulting effects, if there were any. She suggested that if there was a horrible disaster, the Commission could make subsequent changes. Commissioner Niemi also noted the Commission has taken past action to increase the betting limits, and said action was not challenged at that time.

Commissioner Orr affirmed Mr. Wilkinson's comments regarding the increase in costs for doing business. He offered several follow-up comments on the legislation being discussed. Commissioner Orr noted the State of Washington on a regular basis looks at the Commission's budget, and on a regular basis Commission staff are required to explain to the Legislators how the agency's budget functions. In reference to the zoning issue, Commissioner Orr agreed with Assistant Attorney General Ackerman. Commissioner Orr commented that part of the political reality that the Commission was dealing with related to the fact that most elected officials want someone else to be the bad guy—they want the Commission to make the call. He emphasized that commissions are set up to make decisions—and he hoped the public realized that whatever decision was rendered today, it wasn't punitive to the public or to the Legislature. Commissioner Orr stressed that the Gambling Commission was simply trying to make a rational decision for the citizens of this state. He appreciated the fact that the licensees have been before the Commission since October, however, he noted it has been a frustrating issue for everyone, and the Commission would continue to endeavor to try to solve the problems.

Mr. Ackerman clarified that the proposed legislation in both the House and the Senate modifies RCW 9.46.070 (11) to say, in relevant part, "except that after the effective date of this act, any increase in the extent of wager money or anything of value which may be wagered or contributed by a player in any such activity is within the exclusive authority of the Legislature." Therefore, they would freeze the betting limit at the point at which the act became effective, if it was passed, and that is the point at which the Legislature would take over setting the betting limits, if these bills became law. **Director Day** noted there was a third bill, Senate Bill 6463, which contained language implying that in no case may the maximum wager limit exceed the amount established by the Commission, effective on January 1, 2004.

Chair McLaughlin commented that in October she suggested the idea of amending the petition to allow $200 betting limits. Subsequently she realized that the Lottery was successful in implementing a $20 per ticket price without a fuss by the citizens. After some thought, she figured the $200 limit calculates out to $20 per table, which wasn't such a huge raise. While there wasn't a fuss made by the citizens about the Lottery raise, she noted that for some reason the betting limits has become a big issue. She believed the Commission just needed to recognize that for right now. With no further comments Chair McLaughlin closed the public testimony.

Commissioner Orr commented that with all due respect to the work people have done, and taking into consideration Mr. Tull's comments, and taking into consideration all the suggestions and the respect warranted by the Legislature, that the Commission needed to give the Legislature time to make their moves.

Commissioner Orr then made a motion to extend this item for further discussion at the April 2004 Commission Meeting by filing a supplemental notice. **Chair McLaughlin** seconded the motion on the premise that the Legislature was the policy makers, and the Commission was the regulator. *Vote taken;* there were two aye votes and two nay votes.

Commission Ludwig advised that he was having trouble with this motion because the rule had been before the Commission for several months and he wasn't certain of the wisdom to wait an additional 60 days to give the Legislature time to express themselves on this matter. He believed they have done that by piling two bills in both houses. Commissioner Ludwig noted it was his understanding that those bills did not get out of committee by the deadline date and are apparently dead. He acknowledged nothing is really dead until the Legislature adjourns. Commissioner Ludwig didn't think it was advisable for the Commission, and that it was not beneficial for the licensees—the stakeholders in this issue, to have to wait for the Legislature. He affirmed the Commission has always had a good relationship with the Legislature, even though the Commission is totally independent, and the Commission enjoys the participation from the ex-officio members. Commissioner Ludwig decided to vote to continue this rule change for an additional 60 days for those reasons; he believed the Commission ought to wait and see without confronting the Legislature with an in their face attitude. The motion passed with a three/two vote; Commissioner Parker and Commissioner Niemi cast the nay votes. **Chair McLaughlin** noted that unless the RGA withdrew the petition, it would not be heard again until the April meeting.

Commissioner Parker responded that he respected the votes of his colleagues to defer; however, he didn't perceive that going forward at this time would in fact be intended as a slap at the Legislature. He commented that he thought that the process provided an opportunity for the Legislature to express it's will, and that it was fair for the Commission to interpret the status of things as they decline to

express their will and thus, the issue came back to the Commission. On the other hand, he acknowledged there was room for a difference of opinion as to whether or not to continue this item for an additional two months. Commissioner Parker advised he was in favor of going forward with the petition; he supported Commissioner Niemi's proposal that the sunset provision be dropped and that the Commission proceed with a simple extension. He advised that he didn't perceive that this would put the Commission in a position of taking sides between card rooms and tribal casinos—this is an issue of a sector of the industry that we are responsible for regulating having come forward with a proposal—the Commission has examined it, and he didn't see any compelling reason to deny the proposal.

Commissioner Niemi agreed with Commissioner Parker. She advised that the Commissioners who have been in Legislature know there are many bills dropped during session, and the fact that one didn't even have a hearing or didn't pass out of a committee, doesn't mean that the Legislature doesn't want the Commission to step in. Commissioner Niemi thought it might mean a few people felt the Commission shouldn't be doing this; however, by taking this action it wasn't anything against the Legislature—and they should understand that. Commissioner Niemi advised that from the beginning she has been impressed with the fact that costs are increasing, and while she wasn't a member of the Commission when the betting limits were raised to $100, she believed that it had something to do with the climate then and the cost of doing business then. It costs even more to run things now, and she believed there were plenty of good reasons to increase the betting limits beyond satisfying the people who want to bet at higher limits, which was why so voted in favor of raising the betting limits. When the house-banked card rooms were established, the Commission didn't know what was going to happen—therefore the limits were set at $25. There were people who thought we should have started out at $100, but the $25 limit was established, and then after successful completion of a Phase Two Review, $100 limits were authorized. Now, the Commission knows how everything operates, we know the licensees are good neighbors, the Phase Two program has been eliminated, and betting limits are authorized at $100.

Vito Chiechi, RGA, offered the Commission some perspective regarding the history as to why the Gambling Commission was authorized in 1973. In 1973, there was a great deal of political corruption going on, and at that time the Legislature gave the Commission the authority to be an independent agency. The Commission is so independent that the Legislature cannot remove a Commissioner. No one can remove a commissioner from office other than the Supreme Court—and in order to remove a member of the Commission, the Governor has to petition the Supreme Court that someone has had malfeasance of office—and the Supreme Court would establish a panel. Regarding the petition, Mr. Chiechi submitted that the Legislature has looked at the issue and he acknowledged it could move at any point in time, in any direction. At this point, it appeared to Mr. Chiechi that the Commission could act, and the Legislature could react if they don't care for the action taken by the Commission. Mr. Chiechi urged taking action—the item has been on the table for seven months, and he believed it was time to take action in consideration of the licensees.

Commissioner Ludwig inquired if Mr. Chiechi would have preferred that the Commission proceeded today, rather than wait the additional 60 days. **Mr. Chiechi** responded in the affirmative. He emphasized that many of the card room operators have been asking for this opportunity for a long period of time. The Commission has been reviewing the rule for seven months. The industry wants a fair opportunity to be able to compete in the industry. Mr. Chiechi didn't believe raising the betting limits would cause an expansion of gambling—he didn't believe it would cause licensees' to open additional establishments. Mr. Chiechi affirmed he was disappointed each of the months that the

Commission didn't take action on the petition. He believed the Commission should move as an independent Commission, rather than waiting for the Legislature to make their observations.

Commissioner Ludwig addressed the Chair and stated that after voting on the prevailing side he would like to ask for a motion to reconsider. **Assistant Attorney General Ackerman** explained the procedure—a motion for reconsideration has been offered, a second to that motion is needed, if a second is provided, the Commission would vote to decide whether or not to reconsider. If reconsideration were approved, the Commission would revisit the original motion. **Commissioner Niemi** seconded the motion for reconsideration.

Chair McLaughlin called for the vote on whether or not to reconsider the motion to hold the petition over until the April 2004 meeting. She advised that she would vote no for her previous reasons. She believed this is the first time in the thirty years that the Commission has been in place that the state has had the kind of gambling that is going on today; and she believed that the Legislature was trying to tell the Commission something. She emphasized that she was not against the petition or for the petition; she simply believed that it would be courteous for the Commission to have the topic remain on the agenda until April. **Chair McLaughlin** called for a recess at 2:35 p.m., and recalled the meeting at 2:46 p.m.

Commissioner Niemi made a motion to approve the Petition with the following amendments: Subsection 5 - Licensees authorized to conduct house-banked card games – to allow a single wager of up to $300 on a limited number of tables -- and keeping the limitation on tables. Commissioner Niemi clarified because of the fraction problem; she did not support the 1/3 table suggestion offered by the RGA.

Mr. Ackerman clarified the motion: Under Subsection 5—(house-banked card games), only amending the first paragraph—"Licensees authorized to conduct house-banked card games shall not allow a single wager to exceed $100 except that such licensees may allow a single wager of up to $300 on a limited number of tables as follows and items (a), (b), and (c) would remain in tact. Commissioner Niemi concurred with the clarification. Mr. Ackerman further clarified that Commissioner Niemi offered an amendment to the existing version in the agenda packet, which is identifiable as Amended Number 1 - November agenda version, and this is an offered amendment awaiting a second. There was no second, the motion died.

Commissioner Parker made a motion that the November Amendment be further amended to eliminate the clause from January 1 through December—essentially, there would be no sunset provision—and instead of Commissioner Niemi's $300 limit recommendation, which was the original proposal—he proposed a $200 limit with everything else remaining the same.

Mr. Ackerman verified the intent of the motion maker and restated that Subsection 5 would say: Licensees authorized to conduct house-banked card games shall not allow a single wager to exceed $100 except that such licensees may allow a single wager of up to $200 on a limited number of tables as follows and items (a), (b), and (c) would remain as they are currently written – and the rule would take effect July 1, (unless the Commission chooses to change the effective date). **Commissioner Niemi** seconded the motion.

Chair McLaughlin called for public testimony.

Bob Tull, on behalf of the RGA, asked that the Commission consider an effective date that would be sooner and that would be reflective of the period of months involved in this petition consideration. He believed it would be quite possible to have the rule promulgated and out in time for a March 1 start date. He affirmed the RGA would ask the Commission to seriously consider that amendment—he didn't believe it would be appropriate to speak to the substance as to the rest of the amendment at this stage.

Mr. Ackerman offered a point of clarification, that if the Commission chose to allow a March 1 start date, that would make this an emergency rule and the Commission would have to state the basis for the emergency—otherwise the Commission must choose an effective date that is at least thirty-one days from filing.

Commissioner Parker addressed the emergency aspect, and commented that his sense was that the Commission was responding to a petition for a rule change. The Commission was doing this because the Commission was in favor of that rule change because the evidence has not shown that this is an expansion, or that it would create any regulatory issue or problem as far as the Commission's ability to regulate this aspect of gambling in the state. However, if the Recreational Gaming Association was making the proposal that there is some emergency, Commissioner Parker didn't think the Commission had that evidence before them and should just proceed to the standard effective date which is 31-days after filing.

Commissioner Orr clarified that how he would vote was out of concern for the overall industry and the agency, not how he felt about this issue or what has transpired. Commissioner Orr believed there would be ramifications from the Legislature. He again emphasized that nothing was dead until the session ended, and that he was quite concerned because the Commission has an ongoing struggle with the budget, and an ongoing struggle with the autonomy of the Commission.

Chair McLaughlin advised that she was at odds. She did not believe this would be an expansion of gambling—she believed gambling was expanded some time ago when the federal government allowed Indian casinos, and when the Lottery was allowed, and when house-banked card rooms were allowed. She noted that in the past, the Commission raised the amount for the pull-tabs and raised the amounts for tournaments. Chair McLaughlin did believe the Commission should wait until after session ended to vote. There were no other public comments, and Chair McLaughlin closed the public testimony.

Chair McLaughlin called for a vote on the motion in favor of the amendment; *vote taken; the motion passed unanimously*.

Commissioner Parker made a motion seconded by **Commissioner Niemi** to adopt the amended version of the rule change. *Vote taken*; *the motion passed 4-1 with Commissioner Ludwig voting nay.* **Chair McLaughlin** emphasized she would have preferred to have the vote wait until after the Legislature concluded.

2. **Review of Agenda and Director's Report:** **Director Day** reviewed the agenda, noting there were no changes to the posted agenda packet. Director Day highlighted several inserts that were provided after the agenda packet was distributed. Copies of the final Strategic Plan and Diversity Plan were distributed. As previously mentioned, the Commission received correspondence from the Speaker of the House regarding the appointment of Representative Tom Mielke as an ex-officio member of the Commission. The final report from the Gaming Revenue Task Force was just received and was also distributed for review. Director Day proceeded with the remainder of his Director's report:

Adjusted Cash Flow Report – 3rd Quarter 2003: **Director Day** reported the adjusted cash flow statement has been provided as a way to point out that all the licensees (except for Bingo for Kids) were in compliance for a four quarter period. He noted there were five licensees that were below a two-quarter average, and three that were negative for the third quarter. Director Day noted that at this point, there was no action for the agency to take.

Public Policy Research for Charitable/Nonprofit Gambling Status Report: **Director Day** recalled the Commission after previous discussions authorized an RFP to provide for research relative to non-profit and charitable gambling. The Commission had ten requests for the RFP—and one very good RFP was filed with the agency. Staff anticipates coming back to the Commission in March with a final report and a request to authorize proceeding with that study. It appears at this point that the costs will be dramatically less than originally anticipated.

Status on Gambling Tax Report: **Director Day** noted that Commissioner Ludwig had asked staff for information relative to bet limit comparisons with other states; staff is planning to present that information in March.

Stillaguamish Tribe—Casino Equipment: **Director Day** addressed correspondence from the Stillaguamish Tribe relative to the planning process for their casino. The memo summarizes and confirms that the Tribe has entered into a new agreement with Marshall Bank as the lead lender for $19 million for the Angel of the Winds Casino Project. All the participants are FDIC insured banks.

Legislative Updates: **Director Day** addressed new legislative activity since the agenda publication and requested direction on any bills the Commissioners would want to provide position statements. As previously addressed, some of these bills are now technically dead because they did not move out of Committee.

Second Substitute House Bill 2776 - **Director Day** reported this bill began as a bill to fund problem gambling treatment through an additional fee on gambling licenses. It has been changed and the substitute bill creates a five voting member and five nonvoting member task force. It was assigned the task of identifying permanent funding for the treatment of problem gamblers and treatment education. One of the major issues for this Commission is that the startup funding would come from the Lottery and the Gambling Commission in the amount of $500,000 each. The bill has passed the House Commerce and Labor Committee and Appropriations but without an appropriation and is currently in the Rules Committee in the House. This bill appears to be on it's way to the Senate where the Commission may end up in a position to testify. The Commission has historically provided some funding for problem gambling education and at this point, this bill would look for a permanent solution and uses Commission funds as a part of that solution.

Chair McLaughlin acknowledged that in the past we the Commission supported problem gambling treatment programs in partnership with some of the licensees and the Tribes. She noted the RGA sits on Board of Directors as well. Commissioner McLaughlin indicated that she wasn't sure how she felt about the $500,000 other than it seemed like a lot of money at this particular time when coupled with the fund transfer bill, which would take a total of $3 million away from the Gambling Commission. She expressed great concern regarding the Commission's ability to operate if all these funds are taken from the agency's budget.

Commissioner Parker verified that in the past this responsibility was assigned to the Department of Social and Health Services (DSHS). He inquired if the Commission had any evidence in terms of the expenditure amount in the past fiscal year for DSHS or how much money they spent on problem gambling treatment. **Director Day** responded that the Commission doesn't have an exact accounting; however, the Council on Problem Gambling was authorized $500,000 in the Mega Millions bill.

Gary Hanson, Executive Director, Council on Washington State Problem Gambling, clarified this bill was not sponsored by the Council, it was submitted by a private citizen. The Council supported the intent and when it was modified in the Commerce Committee, the Council came out strongly in support of the legislation. In general, it was amended again in Appropriations and essentially established a policy and restarts the treatment program. Mr. Hanson provided some background information on the legislation previously submitted providing funding at $500,000 from the new Lottery multi-state Mega Millions game. At the time, through budget revisions, that was not re-appropriated. This bill had a million dollars in it and $500,000 came from the Lottery and $500,000 was coming from the $3 million the Legislature was proposing to take from the Gambling Commission. The bill also established a task force during the interim charged with a mission to find a way to permanently fund a comprehensive program to address problem gambling. Mr. Hanson responded to the question on how much money was spent on treatment and explained that the one-year program for $500,000 was tied to the Lottery's expansion. Because the Council had to select and train treatment providers, the Council did not spend all the money—roughly $400,000 was used for training, and then the Council commenced with the treatment program. The Council did not get people into treatment until four months later; therefore it was essentially an eight-month treatment program before the appropriation ran out.

Chair McLaughlin inquired whether the Council followed-up with the people that were in treatment and asked whether they were still "clean" similar to other follow-up programs. **Mr. Hanson** referred to the summary evaluation he provided to the Commission in October of 2003, and affirmed that of the people the Council was able to follow in a three-month follow-up program, the Council had good results. A third stopped all gambling, a third had a major reduction, and the other third had no change or were candidates for an addiction. The Council had 226 people involved in an eight-month period, which showed the need for the program, however 90 percent of the individuals still involved in the treatment had to drop out because of the funding cut. Mr. Hanson affirmed the Council didn't have full reports on the people who dropped out; however, testimony before the Commerce Committee disclosed that some of them relapsed. Mr. Hanson reported that he couldn't provide good data on the people that left the program because the Council couldn't track them. He estimated the relapse rate had to be much higher.

Commissioner Orr responded that the cost of the program to the Commission was a serious concern; if the Legislature continued to strip a half a million here and there from the agency's revolving fund, it wouldn't take very long for the Commission to run out of money.

Commissioner Parker proposed that the Commission respond by going on record, and offering a position paper or letter stating that the Commission has been charged to collect fees to cover the operation of the Commission, and that the Commission has not been charged to collect fees to cover the operation of problem gambling programs; however, if the Legislature wishes for the Commission to also cover the costs or partial costs of a problem gambling treatment program, then the Commission should be informed that we are expected to increase the licensing fees to fulfill that responsibility. If that is the Legislature's intent, the Commission would need to set up a fee

program to fund whatever scope and level determined by the legislation. Currently the Commission is only expected to charge licensees a fee based on what the Commission estimates we need to operate the agency.

Commissioner Parker made a motion seconded by **Commissioner Niemi** to send a letter advising the Legislature that the Gambling Commission was not prepared to spend any amount of money for problem gambling. However, the Commission supported the concept, and if the Commission was directed to fund problem gambling treatment programs, then the Legislature should specifically direct that in their legislation, and allow the Commission to create a fee program, and not have those fees imposed on the Commission's existing budget. Commissioner Parker felt that would be proactive or prospective in the sense that the Commission could raise the fees and they would go into that account and not from the Commission's current budget.

Chair McLaughlin inquired whether I-601 would have any impact since this would be a new program. **Mr. Ackerman** affirmed the fees would be subject to I-601 unless the Legislature provided otherwise. **Commissioner Parker** and **Commissioner Niemi** agreed to a friendly amendment that the fee set-up structure for this program should not be subject to/outside the I-601 limitations.

Chair McLaughlin called for public testimony.

Earnestine Farness, Seattle Jaycee Bingo, testified that she had concerns. She understood the dilemma if the Commission was required to submit money for a problem gambling treatment program, and the resulting need to implement a fee or increase; however, it would come at the same time licensees were begging to cut fees. She cautioned this would be another tight rope around the licensees' necks for revenue. Ms. Farness requested the group be kept informed because she believed several licensees would be opposed to any fee increase. She affirmed supporting people if they have a problem; however, she didn't believe it started with Bingo or some of the other areas that nonprofits work in. **Commissioner Parker** inquired if there were any statistics around how much of the problem gambling was attributed to Bingo.

Mr. Hanson responded that the 1999 prevalent survey identified the top four types of games associated with the most problem gamblers as: card rooms, pull-tabs, tribal casinos, and tribal Bingo. The next tier contained the nonprofit Bingo. He noted that in his experience Bingo is, and has been a continuous problem for certain people in this and other states—for the people attracted to Bingo—that is their total addiction. He indicated that people who have gambling problems typically have a game of choice, but they will gamble on anything if they get the chance—to say it's just one or the other was not exactly accurate. Mr. Hanson agreed to send correspondence and refresher comments about the prevalent survey results. Mr. Hanson emphasized that the Council has consistently been neutral on gambling and affirmed the Council was not trying to stop gambling. He noted that according to various studies, about 89-90 percent of the state's population engages in some kind of recreational gambling.

Chair McLaughlin called for the vote. *Vote taken;* the motion passed unanimously.

Substitute Senate Bill 6572 – **Director Day** explained this bill started out as a bill similar to the problem gambling bill, but had been narrowed down and didn't look anything like the original bill. The change proposes to add one sentence to the statutory authority for the Commission to negotiate compacts and that a topic of the negotiations would be problem gambling treatment. The

bill is out of committee and passed into rules on the Senate and may move forward. Director Day explained there are two non-compacted tribes, and this language does not imply anything mandatory, but it makes sure the topic is brought forward during negotiations. No Commission action was taken on this bill.

House Bill 1667 – **Director Day** advised this bill attempts to clarify that nothing in the prohibitory language for gambling would restrict cities from their ability to zone. This is intended to be able to allow cities to zone specifically for gambling, or against gambling. The bill is out of committee on the House side and is in Rules—staff believes this bill will pass the House and move to the Senate. At the first hearing, Director Day advised that he presented the Commission's previous position statement. Several of the issues relative to this bill were discussed as a part of the betting limits rule: the risk of corruption, the possibility and unintended consequence of adding more house-banked card room facilities, and the possibility that this may actually cause additional litigation and effectively shift the licensing decision from the Commission to local authorities.

Commissioner Ludwig verified this was the same bill the Commission chose to oppose last year. Director Day affirmed, noting this would be the third time the Commission has opposed the bill. Commissioner Ludwig stated the Commission should continue to oppose this bill, he advised that he once thought that somebody ought to have the authority to regulate objectionable placements of card rooms, however, after listening to Mr. Tull and the Assistant Attorney General, he acknowledged that cities have plenty of ways to do that if they choose. **Commissioner Orr** supported/seconded Commissioner Ludwig's recommendation to oppose the bill.

Chair McLaughlin was informed that Deputy Mayor David Baker from the city of Kenmore was in the audience and called for his testimony regarding this legislation

David Baker, Deputy Mayor, Kenmore, advised that Kenmore is a small community of one thousand people with a two-mile stretch of highway running through the town. That stretch of highway is the only zoned business area, and the city feels hamstrung in their inability to zone for gambling. He requested the Commission reconsider their position. Deputy Mayor Baker didn't feel the city had any power now. While the city may zone for liquor, he advised the community is so small that it doesn't provide for too many options. Mr. Baker informed the Commission that there are sixteen other cities in the same predicament—and unless some sort of legislation is passed that allows cities to control gambling in their cities, it could mean a severe financial loss. Kenmore has one facility that provides $600,000 a year in tax revenue, plus $1.7 million to the state. If they were closed, it would mean 181 people would be out of work. He clarified the city doesn't want to restrict gambling; they are simply interested in trying to keep from getting a heavy concentration in a small area. Deputy Mayor Baker affirmed the citizens of his community have spoken very clearly, and they have said that they don't want any more gambling in their town. He reported that Kenmore has a moratorium in place, and they are not accepting applications for gambling licenses. **Commissioner Orr** responded that he appreciated Mr. Baker's concern; however, in reality the Commission has a bigger area than a two-mile strip to consider and to deal with, and he hoped Deputy Mayor Baker wouldn't be offended if the Commission didn't support his request to reconsider their position.

Chair McLaughlin called for public testimony.

Frank Evans, Kenmore Lanes and card room owner since the Commission's inception of the card room program addressed the Commission. Mr. Evans reported that when the card room was

authorized, there was no city of Kenmore. The city of Kenmore incorporated and the card room was grandfathered in. The issue is that the citizens have voted that in consideration of the small community, one card room is fine. However, with the ruling, in June, the city would have no more options, they would either have to let everything come in, or eliminate the existing card room. Mr. Evans indicated that the city attorneys have advised him that because of a quirk in the law, the city could not even allow Kenmore Lanes to be grandfathered in or zoned in. All he and/or the cities were asking for is the possibility of either grandfathering in existing facilities, and to be able to say no to an expansion of gambling. **Chair McLaughlin** recommended that Mr. Evans seek outside legal assistance, she wasn't sure the interpretation of the law as presented was necessarily correct. She acknowledged that zoning authorities and powers was a complex situation that certainly couldn't be resolved in this venue.

With no further comments, **Chair McLaughlin** closed the public testimony and inquired if there was a desire to affirm the Commission's opposition to House Bill 1667. There was unanimous consensus. **Commissioner Parker** commented that in addition to the record, he felt it would be appropriate to add the Commission's opinion that if HB 1667 were enacted, there would be an expansion of gambling. The commissioners again offered unanimous consensus.

Chair McLaughlin noted that RCW's make it very clear that the Gambling Commission considers applicants based on their qualifications, and they cannot artificially limit licenses by statute. **Mr. Ackerman** concurred that the statutes currently set up criteria for admission to apply and in deciding whether or not to issue a license, and they are neutral criteria. Statutes also say the Commission may not deny a license for the purpose of limiting the number of licenses that exist. Currently the Commission requires licensees to be in compliance with all applicable local laws, but, there is an exception that city or local governments cannot zone for the purpose of causing restrictions on a gambling license. That would change if this legislation is passed, localities could in fact create a gambling zone. If someone applied for a license outside of the permitted zone, then they would not be in compliance with local law and presumably the Commission would not issue a license.

Director Day proceeded to Senate Bill 6464, which did not make it out of committee. It was introduced initially as an alternate to HB 1667 with a different approach by trying to tie the whole issue into a comprehensive plan and would prohibit the non-conforming use or specific variance.

Director Day addressed the Supplemental Budget and reported there is a proposal to transfer $3 million from the Commission's fund balance to the General Fund in 2005. This is the third consecutive proposal—in 2002 there was a similar attempt, and the result of that was a $2.4 million transfer. In 2003, the Legislature declined that opportunity. One of the major issues that resulted in the transfer being declined in 2003 was the existence of/or co-mingling of tribal funds in the revenues. Coming into fiscal year 2005, the revenues will be approximately 25 percent tribal, and the comparison between tribal revenues to licensing revenues indicates that tribal revenues are going up slightly each year from about 17 percent to about 27 percent by 2005. In addition, if the proposed $3 million withdrawal is made, that represents approximately 50 percent of the Commission's fund balance, which would drop the Commission below our target of having three months capital. In addition, Director Day noted the Commission has not yet made a decision whether to raise or not raise fees. However, the revenues and expenditures are such that the Commission will have to consider the fee structure in order to balance revenues and expenditures.

Director Day reported that at any time, the Commission has a $1.2 million fluctuation in it's cash (up and down), which means that at any time the Commission must to be prepared to take on the possibility of a particular draw, while simultaneously keeping in mind that the revenues are all estimates. Additionally, the Commission could anticipate two things that are going to be very significant in this legislative session that will affect the '05 and '07 budget, one being the decision on whether or not there will be a state employee raise which will come before the Legislature. If salaries were approved at a three percent increase, that expense would be $600,000 for the biennium for the Commission. Pension fund contribution increases may very well result in another $800,000 for the biennium. Director Day emphasized that between revenue fluctuations and cash balance, the Commission could be looking at over $4 million just in the areas that we have to be prepared to take on as we go forward. Should the $3 million fund transfer occur, the Commission could be looking at a significant financial problem. By applying these two things that are fairly certain to happen, staff predicts that in May of 2005, the Commission's fund balance would actually be in the red.

Director Day also re-emphasized the fact that Commission funds are not part of the General Fund, revenues are collected for the regulation and enforcement efforts state wide. Director Day affirmed that at this point he and other staff have met with or discussed this issue with the chairs on both sides of the committees and various legislators. He acknowledged this was a serious issue that the Commission needed to be concerned about.

House Bill 2746 – **Director Day** summarized that this bill proposes to freeze licenses except for licenses applied for before July of this year. The bill didn't make it out of committee. He noted this bill does present some very clear regulatory concerns; therefore, staff will continue to monitor.

House Bill 3119 – **Director Day** noted there were two approaches to the bet limit issue, one had included language that any increase in the bet limit would be subject to the 60 percent requirement in the constitution and that it would freeze the bet limit at the effective date of the act. The other language (Senate Bill 6463) actually had a January 1, 2004, date established. Neither bill has made it out of committee.

Lastly, **Director Day** addressed Senate Bill 6246 – Public Safety Employees' Retirement, which also hasn't made it out of the committee, but could also have a significant budget impact if passed.

Director Day stated the Administrative Case Update and Seizure Case Updates were contained in the agenda packet, and he concluded his report.

3. House-Banked Card Room Reviews:

Porterhouse Restaurant, Moses Lake:

Licensing Services Supervisor Collene Kiefer reported the Porterhouse Restaurant was owned by Card Room, Inc. and is located in Moses Lake. Card Room Inc., doing business as Porterhouse Restaurant applied for a license to operate eight tables for house-banked card games. The applicant was rated as a privately held corporation in December 1995. Card Room, Inc., ownership consists of Steven Crothers, President, owning 50 percent of the corporate stock and Brian Rosborough, Treasurer, with 50 percent of the corporate stock. The applicant has no other house-banked licenses at this time; however, Mr. Rosborough holds 100 percent of the stock in Qusatra, Inc., doing business as Golden Corral in Moses Lake. They currently hold a Class A amusement game license.

Special agents from the Financial Investigations Unit of the Gambling Commission conducted a criminal and personal background investigation on all substantial interest holders and initiated and

completed a financial investigation on both the company and personal stockholder finances. There was no disqualifying information found. Special agents from the Commission's Field Operations Division completed an on site preoperational review and evaluation (PORE) report in accordance with the rules of the Commission. The applicant was found to be within compliance of the rules. Based on the licensing investigation and the preoperational review and evaluation, staff recommends that Card Room, Inc., d/b/a Porterhouse Restaurant, be licensed as a house-banked public card room authorized to operate up to eight tables. Mr. Rosborough was present for questions.

Brian Rosborough thanked the agency staff that worked with his facility, noting they went above and beyond the call of duty to assist in meeting the February commission meeting deadline. There were no other public testimony comments offered.

Commissioner Orr made a motion seconded by **Commissioner Ludwig** to license the Porterhouse Restaurant as a house-banked card room authorized to operate up to eight tables with a maximum bet limit of $100. *Vote taken; the motion passed with five aye votes.*

Crazy Moose Casino, Mount Lake Terrace:
Licensing Services Supervisor Collene Kiefer reported that Crazy Moose Casino II, LLC, is doing business as Crazy Moose Casino and they have applied for a license to operate 15 tables of house-banked card games. The applicant was formed as a limited liability company in May of 2003. The membership consists of Robert Mitchell with 33 1/3 percent ownership, Carl Jacobson with 33 1/3 percent, and Steven Bowman with 33 1/3 percent ownership. The applicant has two house-banked card rooms: Coyote Bob's in Kennewick with nine tables, and Crazy Moose in Pasco with fifteen tables. Special agents from the Financial Investigations Unit conducted a criminal and personal background investigation on all substantial interest holders and initiated and completed a financial investigation on both the LLC and the personal membership finances. No disqualifying information was found. Special agents also completed an on-site preoperational review and evaluation in accordance with the rules of the Commission. The applicant was found to be in compliance. Based on the licensing investigation and the preoperational review and evaluation, staff recommended that Crazy Moose Casino II, LLC, d/b/a Crazy Moose Casino, be licensed as a house-banked public card room and be authorized to operate up to fifteen tables. Robert Mitchell was present, and he responded to some operational inquiries.

Commissioner Orr made a motion seconded by **Commissioner Ludwig** to license the Crazy Moose Casino II, LLC, d/b/a/ Crazy Moose Casino as a house-banked card room authorized to operate up to fifteen tables with a maximum bet limit of $100. *Vote taken; the motion passed with five aye votes.*

Silver Dollar Casino, Everett:
Licensing Service Supervisor Collene Kiefer distributed a graph of ownership. She reported that Silver Dollar Casino is located in Everett and has applied for a license to operate ten tables of house-banked card games. Ownership consists of Washington Gaming, Inc., which is owned 100 percent by Everett Gaming, and the President is Tim Iszley, who owns 66.16 percent of Washington Gaming. The Vice President is Michael Iszley, who owns 22.72 percent of Washington Gaming; all the other stockholders are all below a substantial interest. The applicant has a Class C pull-tab license, and Washington Gaming holds interest in eight other house-banked locations, and three that are pending. Special agents from the Financial Investigations Unit conducted a criminal and personal background investigation on all substantial interest holders and their spouses where applicable, and initiated and completed a financial investigation on both the company and the personal stockholders finances. No disqualifying information was found. Special agents from the Field Operations Division completed an

on-site preoperational review and evaluation in accordance with the rules of the Commission. The applicant was found to be within compliance. Based on the licensing investigation and on the preoperational review and evaluation, staff recommended Everett Gaming Inc., d/b/a Silver Dollar Casino located in Everett be licensed as a house-banked public card room and be authorized to open and operate up to ten tables. Mr. Iszley was present to respond to questions.

Mr. Tim Iszley thanked the Commission for giving him the ability in these tough economic times to employ approximately 1,300 people.

Commissioner Ludwig made a motion seconded by **Commissioner Orr** to license Everett Gaming, Inc., d/b/a Silver Dollar Casino as a house-banked card room authorized to operate up to six tables with a maximum betting limit of $100. *Vote taken; the motion passed with five aye votes.*

House-Banked Card Room Status Report:
Ms. Kiefer advised that with the house-banked card rooms just approved, there are now a total of 82 house-banked card rooms in Washington, 77 are licensed and operating and five are currently licensed, however, they are not operating. Ms. Kiefer reported that 21 card rooms have closed since the program inception, and there are 11 pending applications pending. She called attention to the map enclosed in the agenda packet depicting the number and locations of the 19 operating tribal facilities.

4. **New Licenses, Changes, and Tribal Certifications:**
Commissioner Ludwig made a motion seconded by **Commissioner Orr** to approve the new licenses, changes, and Class III tribal certifications as listed on pages one through 19 on the approval list. *Vote taken; the motion passed with five aye votes.*

5. **Default Proceeding:**
Mon Mao, Class III Revocation:
Amy Blume reported that Mon Mao was a class three employee who was formally employed at the Emerald Queen Casino. He plead guilty to the charge of interstate transmission of wager information which involved a book-making operation and was the result of an undercover operations that Commission agents conducted in conjunction with the FBI and Seattle Police Department. The director brought charges against Mr. Mon Mao—they were sent by certified mail and regular mail. Ms. Blume reported that it appeared that the certified mail version was signed by someone other than Mon Mao. However, the letter was also sent by regular mail and was not returned. No response was received as a result of either piece of correspondence. The Commission attempted to contact the licensee by phone, however, his number was disconnected. Staff also tried to contact a past employer for a current number; however, they did not have anything listed. By not responding to the charges Mr. Mao has waived his right to a hearing and staff is requesting that a Default Order be entered revoking his certification.

Commissioner Orr made a motion seconded by **Commissioner Niemi** to enter an Order of Default in the case of Mr. Mon Mao. *Vote taken; the motion passed unanimously.*

6. **Other Business/General Discussion/Comments from the Public:**
Chair McLaughlin called for public comments. **Mr. Gary Hanson**, Council on Problem Gambling, reported that March 7-13 is National Problem Gambling Awareness Week, and that the Council was working with the industry working group and the Lottery to create various public awareness/public service announcements. He noted literature would be forthcoming asking mini casinos, the Tribes, and the other industry members to post the PSA posters throughout their facilities.

7. **Executive Session:**

Chair McLaughlin recessed the meeting at 4:30 p.m., in order to conduct an executive session to discuss pending investigations, tribal negotiations, litigation, and a personnel matter. She announced no public action would be taken upon reconvening. At 5:00 p.m., **Chair McLaughlin** reconvened the open public meeting and announced that Friday's meeting would commence at 9:00 a.m.

With no further business the meeting was adjourned.

Minutes submitted by,

Shirley Corbett
Executive Assistant

FRIDAY, FEBRUARY 13, 2004
DRAFT MINUTES

Chair McLaughlin called the meeting to order at 9:03 a.m., at the Red Lion Hotel located in Olympia. The following members and staff were present: (Commissioner Niemi and Commissioner Parker arrived after the meeting was called to order)

MEMBERS PRESENT:	**COMMISSIONER LIZ McLAUGHLIN, Chair;** **COMMISSIONER CURTIS LUDWIG;** **COMMISSIONER GEORGE ORR;** **COMMISSIONER JANICE NIEMI;**
STAFF PRESENT:	**RICK DAY, Executive Director;** **ED FLEISHER, Special Assistant** **AMY BLUME, Administrator, Communications/Legal Dept.;** **JERRY ACKERMAN, Assistant Attorney General;** **SHIRLEY CORBETT, Executive Assistant**

8. Approval of Minutes:
Regular Meeting November 13-14, 2003 – Spokane, and Special (Teleconference) Meeting of January 13, 2004 – Olympia.

Commissioner Orr made a motion seconded by **Commissioner Ludwig** to approve the regular meeting minutes of November 13 and 14, 2003, the special meeting minutes of January 13, 2004, as presented. *Vote taken; the motion passed with three aye votes.*

9. Staff Presentation – Distributor/Manufacturer Presentation:
Special Agent Lisa Saila introduced herself and stated that she has been with the Commission about seven and a half years, and has held the position of Manufacturer Distributor Coordinator for three years. Special Agent Saila provided a brief history on the regulatory program as it relates to manufacturers and distributors and highlighted some of the rules that are current hot topics.

Manufacturers produce or make gambling equipment—currently there are 48 licensed manufacturers, 13 of which manufacture punchboard/pull-tab/bingo paper, and 35 manufacture gambling equipment (chips cards, shufflers, and etc.). License fees range from $586 to $3,768 depending on the level of operation. Manufacturers are charged $12,000 for audits which are completed every four to five years.

Distributors transport/deliver gambling equipment to operators—currently there are 38 licensed distributors, and their license fees also range from $586 - $3,768 dollars depending on their level of operation, which goes to a level of Class F and above.

Special Agent Saila highlighted the regulatory program, again noting that manufacturers receive full audits every four to five years. As a part of the audit, staff reviews credit and discriminatory pricing, financial statements, the manufacturing process, and hidden ownership. Staff checks for compliance within other jurisdictions, and staff checks for sales to unlicensed entities. The Commission has a quality control program—if there is a punchboard or pull-tab game considered to be defective or doesn't comply with the Commission's manufacturing standards, a quality control report is issued. The manufacturer is charged $50 per quality control report, up to a maximum of five per defect. This allows staff to track game defects that could affect the integrity of the industry if there are missing winners, too many winners, and things of that nature. Staff also conducts proactive testing on punchboard/pull-tab games. Special Agent Saila provided a demonstration of the types of testing conducted which included: candling, hickeys, peeking, shading and randomization. The regulatory program also includes investigations that can result in product testing.

Special Agent Saila reviewed the rules that seem to resurface every couple of years: WAC 230-12-330 and WAC 230-12-340, relating to discriminatory pricing and credit rules, and she provided some historical information as to why these specific rules were passed. She noted that prior to the adoption of these rules, there were a lot of punchboard/pull-tab manufacturers that were in debt to distributors for millions of dollars. This had the potential for allowing them to have a lot of influence over who would buy from whom and it also provided an opportunity for possible corruption. Ms. Saila concluded her presentation.

10. <u>Consideration for Approval – Class III Gaming Compact Amendment – Port Gamble S'Klallam Tribe:</u>

Director Day reported on the Compact Amendment for Port Gamble S'Klallam contained in the agenda packet. He advised there wasn't anything new in this Compact, that the language was consistent with previously approved compacts. Both Committees of the Legislature have reviewed the Compact as required and the Commission has not received any correspondence or information in reaction to that review. Director Day touched on the major changes: the hours of operation was increased to 156 hours, and the Compact incorporates the Colville language on licensing—it gives the Tribe a larger role in licensing their employees. The Tribe will conduct the initial background checks and license the employees. The state will no longer certify employees, but will continue to conduct its own background checks. Any employee determined by the state to be ineligible for licensing will not be licensed by the Tribe. Another major change the Compact would allow is language similar with the Colville language on Community Impact Contributions. It eliminates the Two Percent Committee and replaces it with a new process. Local agencies would submit applications for community impact funds directly to the Tribe. If the Tribe denies the request, the local agency may appeal the Tribe's decision to an arbitrator whose decision will be final. The Tribe agrees to a limited waiver of its sovereign immunity for the purpose of such appeals. Director Day noted that Special Assistant Ed Fleisher was primary in negotiating this agreement. Chairman Ron Charles and TGA Director Leo Culloo from the Port Gamble S'Klallam Tribe were available for questions.

Chair Ron Charles and **Leo Culloo** reported that they were pleased to be in attendance to answer any questions, and affirmed the Tribe's interest was in getting their compact updated. They have been in operation a little over two years and needed to make the changes addressed. Chair Charles advised that the Tribe has had a good relationship with Commission staff, and everyone has a mutual interest

in seeing that the operation runs smoothly, and that good background checks are facilitated. Chair Charles affirmed the Tribe didn't anticipate any problems with implementing the changes as offered. Chair McLaughlin responded that the Commission was pleased to work with the Tribe on the amendment.

Chair McLaughlin called for public comments; however, there were none.

Commissioner Orr made a motion seconded by **Commissioner Ludwig** to approve the compact amendment as presented. *Vote taken; the motion passed unanimously with four aye votes*.

11. Minimum Bankroll for House-Banked Card Rooms:
WAC 230-40-833:
Amy Blume, Administrator reported that staff was asking that this rule be removed from the agenda because the timeframe for the rule expired, and an extension would have to be filed through the Code Reviser's Office in order to continue discussion. The reason staff was not recommending an extension is because the staff have not been able to come up with a rule that would meet all of the Commission's regulatory needs. There have been a number of amended versions submitted; however, staff didn't believe any of them were quite right. The existing rule will continue to apply, so licensees must continue to have enough cash on hand to pay out their prizes and any redeemed chips. Removing this from the agenda doesn't mean the Commission is removing regulation, it simply means we are not changing the regulation at this time. **Chair McLaughlin** removed the item from the agenda as recommended.

12. Audits and Reviews of Financial Statements for House-Banked Card Rooms:
WAC 230-40-823:
Amy Blume reported that WAC 230-40-823 was up for final action. She explained that this rule has also been discussed for several months and there has been a fair amount of public testimony on this rule. It requires that house-banked card rooms that have gross receipts over three million dollars must submit audited financial statements to the Commission. Right now that threshold is five million dollar. The effect of this rule means that the Commission would be getting audited or reviewed financial statements now from over 70 house-banked card rooms rather than 15 house-banked card room facilities.

Chair McLaughlin commented that she had no idea that audits were as expensive as previously reported, and inquired why the Commission couldn't just conduct a complete business audit every four years. **Ms. Blume** responded that one of the purposes behind the rule was that the Commission received a lot of comments from the licensees about the quarterly activity reports not showing both sides of the business, that they just concentrate on the gambling side of the business. However, the licensee must be a commercial stimulant, and having the audited financial statements reviewed would give staff a better idea of what was going on with the industry. Chair McLaughlin questioned why it was important for the Commission to know everything about the licensees' business—she understood why it was important on the gambling side, but wasn't convinced the Commission needed to know about the bowling business, for instance.

Director Day responded that there is a difference between manufacturers and the operators. The operators are on location and interface directly with the public, and part of the whole scheme of the Commission's regulation is that there is more intense and more frequent regulation at the line level. He also felt it was important to note that the audited financial statements are required above the $3

million threshold, which seemed to be a fairly consistent industry standard around the country and also the standard with tribal facilities in Washington. **Ed Fleisher,** Special Assistant, also noted that if a CPA is asked to do an audit, they will conduct the audit on the whole business, a person couldn't get an audited financial statement that ignores part of the business. Director Day noted that although the Commission's regulatory interest is in the gambling, it's also important for us to be aware of the entire business because funds, transactions, influence, and inappropriate people can come into a given business from any direction.

Ms. Blume referenced a memo from Special Agent Supervisors Terry Westhoff and Tina Griffin providing a description of what is reviewed for a compiled financial statement versus an audited review. The audited review is the highest level of review therefore, the cost is highest. The compiled financial statement is a lower level wherein the CPA is preparing financial statements based on what the operator tells them, which is a less expensive option. Ms. Blume affirmed the rule was up for final action today and that staff would ask the rule be effective 31-days after filing.

Commissioner Niemi noted that almost every state that has casinos requires annual audits by all the licensed casinos, and it appeared this rule wouldn't be unusual. She affirmed only Nevada had a different rule. She noted that anyone who has been following the news in the last two years would have to realize that audits were pretty important and that people can do some pretty strange things.

Chair McLaughlin opened the rule for public testimony.

Sally Herschlip, Buzz Inn Steak House, distributed graphs for reference, and she affirmed the information used came directly from the Gambling Commission's website, specifically, the reports for the fiscal year ending 2003. She noted the first chart demonstrated the vast difference between the over five million and the under one million dollar threshold. The card rooms in the over five million dollar category gross over an average of seven million dollars a year. The nineteen card rooms in the under one million dollar category gross less than five hundred thousand dollars a year. She noted that over 75 percent of the total gross receipts were attributed to the top thirty-one card rooms. The remaining 25 percent was divided between the 49 lower tiered licensees. The rule as it is proposed only has two categories. Ms. Herschlip believed there needed to be a third category, requiring the compilation reports only for the smaller operations.

Ms. Herschlip drew attention to the second chart—which provided a comparison of the net receipts for the top ten Bingo and the top ten pull-tab licensees. She explained that to the best of her knowledge (in the thirty year history with the Commission), and prior to house-banked card rooms, there had never been a rule that required either audited or reviewed financial statements from licensees. She noted the top ten Bingo and the top ten pull-tab operators' net receipts were nearly as much as the 30 card rooms in the lower tiered threshold. She also believed the smaller card rooms gross receipts better compared to these operations, which are not required to have audited or reviewed financial statements. Ms. Herschlip supported the suggestion that quarterly reporting requirements could be reduced through complete financial reports, and that it could be accomplished with the third level threshold. She asked the Commission to amend the rule to allow compilation reports for the smaller operators, thereby giving the smaller businesses the opportunity to use the compilation reports and spare the additional burden of the expense. She suggested that if in time this method proved to be inadequate, it could be re-addressed.

Director Day responded that the level of examination of nonprofits was probably at a higher level and he pointed out that the nonprofits are actually required to come before the Commission once every

three years to demonstrate that they are qualified to hold a license; whereas, a commercial licensee merely renews their license. He suggested it would be mixing apples and oranges to compare the two requirements. Director Day noted the nonprofits also have a financial statement requirement and while it is not audited, it is detailed and there is a very lengthy rule on everything they are required to supply. However, if the Commission were to add a compilation for the below one million threshold, Director Day didn't believe that wouldn't significantly damage the regulatory program. He believed that overall, the rule was very consistent as proposed and enhances the regulatory program.

Dolores Chiechi, Executive Director, Recreational Gaming Association, reported that the RGA represents a number of the card rooms in the state of Washington. The RGA agreed with the idea that a threshold of four million dollars for the review process and keeping the audit at five million was sufficient. However, the RGA also had many smaller clubs that are concerned about the costs for the audits and the reviews. She affirmed the RGA sees a benefit to have the numbers and they have asked staff and the Commissioners to take a look at providing a more rounded picture of what the industry is doing. When those discussions started, the comments back emphasized the Commissions' chore was to regulate the card rooms or gaming side of the business, but that the Commission wasn't really that interested in the bowling centers, the restaurants, or the tavern segment of the business. The RGA hoped that as we move into this new collection of information, that it be compiled into a report that the public, the press, and Legislators could refer to and verify that the industry isn't really holding a net percent of 42 (as currently reflected based on the card room reports solely that don't incorporate the other expenses of the rest of the business). The RGA asked the Commission to consider the other clubs and the financial burden these expenses will put on them.

Bill Tackett, Buzz Inn Corporation, commented that in a perfect world everyone would get audited. The trouble with that is the little guy getting started would never get off first base because the cost would be so burdensome. Mr. Tackett addressed the card room industry and the constant shifting in the number of licensees that open and close monthly. The number of establishment open has hovered at around seventy-five or eighty—and he noted these places don't close up because they make money; they close up because they loose money. Mr. Tackett emphasized that he opened up for business fourteen months ago and that he finally made money last month. He noted that he has paid the city of Wenatchee over $50,000 and he suggested that if this audit was required of him right now, he wouldn't have made money. He noted the goal for this rule was to "find a tool that would accurately reflect the overall financial condition of the licensed business." He affirmed that licensees need a better reflection of what is going on in the industry for the Legislature—because the compliance figures utilized right do not reflect what is happening in the industry. He suggested an audit on the top 31 at the $3 million threshold, which he considered a reasonable business expense. Regarding the other 49 licenses that are not at that level, he estimated an overall expenditure of $660,000 to facilitate the audits. Mr. Tackett reiterated the audits cost $14,000 to $18,000 and the review runs approximately $8,000.

Mr. Tackett affirmed that he wanted to support staff because the idea of the audits for the $3 million and above threshold was reasonable. He believed the compilation reports were reasonable and should be required. However, he did not support requiring the 49 smaller operators to spend $8,000-$10,000 every year for a reviewed statement. He also concurred with Ms. Herschlips' recommendation that if the reporting system didn't work it could be modified. He emphasized that by placing the $660,000 reporting burden, coupled with possible license fee increases, would in effect whittle thing down where the smaller operators won't able to survive.

Chris Keeley, Cascade Gaming and Iron Horse Casino in Auburn, suggested that the dates contained in the rule may need to be amended—and recommended starting the audit process now since it is already 2004. He advised that a business couldn't even get an audit ordered (before 2005) if they were not already in the process of ordering/conducting an audit. [Commissioner Parker arrived.]

Director Day noted that if the Commission decided that they wanted to recognize the smaller operations, it would be possible to add a new section (Section 3) for compilation reports allowed for those entities below the $1 million threshold.

Commissioner Ludwig made a motion to amend the proposal on the table by adding a section to have the people at the $1 million and under threshold provide compilation reports.

Mr. Ackerman cautioned that if Commissioner Ludwig's intent was to pass a rule similar to what is provided in the agenda packet, but with a lower third category of reports, then staff actually needed to provide specific language for the Commission to vote on. **Director Day** believed Ms. Blume had language that she could read into to the record that would reflect Commissioner Ludwig's motion.

Commissioner Ludwig responded that for the sake of clarity, he would withdraw his motion.
Chair McLaughlin called for a recess at 10:06 a.m., and directed staff to draft appropriate language incorporating Commissioner Ludwig's motion which would be reviewed upon reconvening.

Chair McLaughlin reconvened the meeting at 10:36 a.m., and asked Ms. Blume to review the proposed language changes.

Ms. Blume responded that in order to offer a new threshold of less than $1 million, heading language changes would be required. Therefore, for reviewed financial statements, that would now read "gross receipts of one to three million dollars," rather than gross receipts of three million dollars or less. Then, a new Subsection 3 would be added—and it would have a heading that would say "Compiled Financial Statements, gross receipts of less than one million dollar" … and it would say, "each licensee with house-banked card games gross receipts of less than one million dollars for the business year shall engage a Certified Public Accountant, licensed by the Washington State Board of Accountancy, who shall compile the financial statements in accordance with the statements for standards of accounting and review services in accordance with generally accepted accounting principals including all required footnotes or disclosures on an accrual basis of accounting." Ms. Blume noted that once a new number three is added the old numbers three through seven would need to be renumbered.

Special Agent Tina Griffin responded to the question about the effective date raised by Mr. Keeley, and she reported that when the original rule went into effect, staff did have the first admission of audited financial statements. There were quite a few licensees that had not engaged a CPA to conduct accounting work prior to the rules, so the opening balances for the fiscal year could not be verified. Subsequently, what happened was the auditors then completed an audit; however, they issued a qualified opinion rather than an unqualified opinion because there was a scope limitation. Therefore, if there were a few licensees that did not have accounting work done on an ongoing basis, and they were not able to verify the opening balances, they would have an option then to limit the scope, and still have a qualified opinion issued. The cost for the qualified opinion was estimated at between $2,000-$3,000.

Mr. Ackerman noted that the currently proposed draft language would also change Section one, the second paragraph so that it would say, "reviewed financial statements - gross receipts of one to three million dollars" and then striking "or less"—it appears that subsection also needed to be changed so that it would say each licensee with house-banked card game gross receipts of one to three million dollars for the business year. The words "equal" and the words "or less" would need to be removed from the first line of the paragraph. **Ms. Blume** concurred.

Commissioner Ludwig made a motion that the amendment as presented by Ms. Blume and as further suggested by Mr. Ackerman, to say that under Subsection One, the last sentence, last paragraph which is the last sentence should read "review financial statements, gross receipts of one to three million dollars period striking or less and then adding a new Section Three, to read, or titled compilation financial statements gross receipts of less than one million dollars and further say each licensee with house-banked card games of gross receipts of less than one million dollars for the business year shall engage in a Certified Public Accountant, licensed by the Washington State Board of Accountancy who shall compile the financial statements in accordance with the statements on standards of accounting and review services in accordance with generally accepted accounting principals including all required footnotes or disclosures on an accrual basis of accounting … and further to renumber present paragraphs four through six to be numbered paragraphs five, six, and seven, with paragraph seven becoming paragraph eight." **Commissioner Orr** seconded the motion.

Ms. Blume asked that the motion include that the rule be effective 31-days after filing. The motion makers affirmed the friendly amendment. *Vote taken; the motion passed unanimously.*

13. Relief from Adjusted Cash Flow Requirements for Bingo Operators:

Ms. Blume reported this rule was filed after the November meeting. However, at the May meeting the Commission passed a rule repealing the previous petition for variance processes when a Bingo licensee was out of compliance. At that time, the Commission asked staff to see if their might be other options when licensees were out of compliance. The result is the proposal before the Commission. Staff is hoping this will be simpler than the prior process, but still give licensees a relief option. Ms. Blume reviewed the changes: staff would now measure adjusted cash flow every year rather than measuring them every quarter; however, the same requirements would be imposed if someone was negative two quarters in a row—they could be subject to having their license suspended. If a licensee is out of compliance at the end of the year, but still within 25 percent, they would automatically be granted a 25 percent reduction to the requirements. This would be automatic—the process should be very simple, the licensee would not have to apply for this, there would not be a hearing, the licensee would simply get a letter letting them know it had been granted. The rule could apply beginning with the calendar year 2003. Staff recommends further discussion. Ms. Blume noted that three graphs were supplied in the agenda packet comparing the number of Bingo licensees over the past ten years; in total and by license class, and by bingo attendance. As previously noted, the graphs show a steady decline in the Bingo industry.

Chair McLaughlin called for public testimony.

Ernestine Farness, Seattle Jaycees, thanked the members of the Commission for hearing the request for some type of relief. She thanked staff for their hard work, and affirmed the Seattle Jaycees supported the staff's recommendation. There were no further pubic comments, so Chair McLaughlin closed the public hearing.

14. <u>Petition for Rule Change by Valerie Storkson Regarding Pull-Tab Inventory Control:</u>
WAC 230-30-072:
Chair McLaughlin announced that the Storkson's have resolved their problem relating to their petition and are content. She suggested a motion to table this petition which would give the Petitioners 180-days if they found their resolve wasn't working adequately.

<u>**Commissioner Orr** made a motion seconded by **Commissioner Parker** to table the Petition for Rule Change submitted by Valerie Storkson regarding pull-tab inventory control and to remove the Petition from future agendas. *Vote taken; the motion passed unanimously.*</u>

15. <u>Petition for Rule Change Submitted by DigiDeal Corporation:</u>
WAC 230-40-070:
Amy Blume reported DigiDeal was the company that submitted a Petition for a rule change a few years ago to allow electronic card facsimiles to be used for house-banked games such as Blackjack. In this petition they are requesting that electronic card facsimiles be allowed for all authorized card games. Subsequently, the words "house-banked" have been stricken from the petition. The Commission has four options: to file the petition, to deny it, to propose an alternative, or a fourth option to hold it over and take action in March. The Commission is required to act within 60-days. Staff felt it was best to put this on the February agenda even though the Agency Rules Team has not had a chance to review the petition. Staff recommends the rule be filed for further discussion and staff will be prepared to have a recommendation as to whether the Commission should adopt the rule or not. The staff has also discussed having a demonstration at the March meeting if the Commissioners would find that helpful.
Chair McLaughlin called for public comments.

Mr. Tull, Attorney, representing DigiDeal, advised that he had the opportunity to see this iteration of the replication technology. He reported the DigiDeal Blackjack game which is increasingly in play is solely an electronic replication of cards. The DigiDeal thesis is a suggestion that card games, if they can be replicated electronically, represent an opportunity for operators and players to play those games. There is no new game, no variation. The house-banked version is called "Trips" and Mr. Tull believed the game was in its final stages of review by the staff. That was when the question arose about the non-house-banked version and it was brought to our attention that the rule for electronic replication only addressed house-banked versions. The non-house-banked version needs the rule change. The game can be played where the other players can see the cards—and one of the issues with electronic replication is whether or not one can play games that don't reveal the cards throughout the game. Mr. Tull advised that was pretty hard to do, so at this point the proposal would be to simply say if a particular game was brought to the staff, goes through the review process, up to and through the Director, and he concludes that it is played the way card games have to be played and it meets the specific requirements (which specifically prohibit playing against the machine), that it had to be playing against players or playing against the house, then it could be approved.

Mr. Tull emphasized that he did not think this was an expansion in gambling because it did not add a new form of gambling or a new game, it is strictly another situation where under appropriate control people could use an electronic replication. Mr. Tull believed that any regulatory issues pertaining to the technology, the type of play, and any remaining questions could be covered during the future reviews of this petition. He affirmed that Larry Martin and Terrance Snyder from DigiDeal were present and they would be happy to bring the equipment to the next several meetings and provide a demonstration for the Commission. They are proud of the opportunities this technology presents, and

they would be happy to talk with the Commission about where the different devices are being put into play in different settings.

Commissioner Ludwig verified this wasn't anymore of a machine than what had been approved for playing Blackjack with the digital electronic cards. **Mr. Tull** affirmed this game could be played with regular cards at a regular table, DigiDeal's proposal is simply to use electronic simulation of cards, it is strictly an electronic replication of a card game—an interesting variation. The case has made in the past and is part of DigiDeal's marketing, that it provides better security, reduces mistakes, and has excellent record keeping opportunities for regulatory review. All the normal surveillance requirements would apply. Mr. Tull advised that with his current understanding of all the issues, this change would not represent and expansion and it does not pose regulatory issues. The machine simply makes it more popular—in the same manner that a better chef could help a card room expand its patronage. Mr. Tull believed that because there is no statutory definition of an expansion of gambling except that which refers to the sixty percent, and because there is no statute or rule that puts expansion of gambling in as a hurdle for the Commission's regulation of gaming, that in the end this Commission should simply decide whether or not a particular game, a particular device, or a particular person is entitled to operate under the laws of the state. Mr. Tull affirmed that DigiDeal staff would be happy to meet with Commission staff to clear any hurdles or questions.

Commissioner Ludwig made a motion seconded by **Commissioner Orr** to file the rule for further discussion.

Mr. Ackerman reminded the Commissioners that because they have 60 days to act on the petition and the 60-days falls after the March meeting, no action on this petition is required at this meeting *Vote taken; the motion failed with Commissioner Parker, Niemi and McLaughlin voting in the negative.* **Chair McLaughlin** clarified the matter would be discussed further in March.

16. Bingo Licensees Operating at Multiple Locations within a County:
WAC 230-01-192 *and* WAC 230-04-196:
Amy Blume, Administrator, Communications and Legal Department noted the legislation allowing Bingo organizations to operate more that three days a week was changed last session. Because of that three-day restriction staff did have a rule that limited a licensee to only having one Bingo license or amusement game license. Item 16(A) would repeal this, therefore an organization could have more than one Bingo license. Staff was not expecting that a lot of organizations would operate at more than one location, but a few may.

Item 16 (B) is almost the opposite of the first rule. This rule allowed the Commission to issue small Bingo operators (Class A's and B's) a license to operate Bingo at up to three specific locations. This rule has been around since 1975 with no changes. The effect of repealing this rule would be that a Bingo organization operating at three locations now would have to get a separate license for each location. Staff is not aware of any Bingo organizations now that are doing that. Staff recommends filing the rule for discussion—this is a repeal of both rules.

Chair McLaughlin clarified this would help groups like Big Brothers/Big Sisters that have formed together as a county organization instead of separate ones and they would be able to have three individual games within their county. **Ms. Blume** affirmed. **Commissioner Niemi** verified they would have to have licenses for all three locations. Ms. Blume affirmed they would still have to have an individual license. **Commissioner Ludwig** inquired if this would permit a single nonprofit or charity to have several licenses within one county and to conduct Bingo at each license at any time

they want, even competing with themselves. Ms. Blume affirmed. Commissioner Ludwig responded that it seemed that people were having enough problems with one location and one license meeting cash flow requirements, and inquired if this might multiply their problems. Ms. Blume believed it might; however, she cautioned that staff could not predict exactly what may happen.

Chair McLaughlin called for public testimony.

Don Kaufman, General Manager and Director, Big Brothers/Big Sisters of the Northwest and Spokane, commented that he found it fairly amusing that for thirty years they could only operate three days a week and within a year operators may now operate seven days a week and can have more than one facility. He thought it was a little ironic and seemed crazy that at a time when operators can hardly hold their own in their own existing facilities, the Commission is now offering the ability to operate in more than one facility. Mr. Kaufman didn't see the value in this proposal. He believed the value would be for a statewide organization to have multiple locations or for an operation such as Big Brothers/Big Sisters of King and Pierce County to be able to hold a game in Pierce County and a game in King County. The rule as proposed doesn't allow that—it only allows multiple operations within the county of existence/the main office. Mr. Kaufman didn't believe this rule would accomplish much of anything, and that it opens the door for a potential in dominance of one or two nonprofits. He urged the Commission against the rule.

Commissioner Niemi inquired who asked for the rule change. **Director Day** responded that it came to staff's attention from two directions: through Ex Officio Member Representative Wood, who had a request to look into this rule from a fellow Legislator. It was then also proposed by nonprofits from the Tacoma area in consideration of trying to conduct an event in Gig Harbor as well as in the central Tacoma area. Director Day also explained there were also some concerns about the location an operator was located in, and if they were only allowed play three days a week because that was the terms of their lease, this change would allow the operator to go to another licensed location. He reported that the staff does not have a huge attachment to this particular rule/proposal; but, the question remains as to whether or not there is a practical reason for these limitations to actually be cited in rule. One of the issues is whether this is an area that the Commission actually needs to regulate and/or restrict. The Commission has allowed A and B licenses for some time to have three locations, but has not allowed larger licenses to have more than one location in the county. Director Day affirmed it was sort of an inconsistency.

Vicky Sitiacom, Manager, Boys and Girls Clubs Bingo of South Puget Sound, emphasized that the club has no desire to compete with their other clubs simultaneously. They would simply like to have the option to be open in Gig Harbor which isn't in the same immediate area, while operating another facility in the Tacoma area, which would give the Gig Harbor club a chance to generate money as well. (This was more of a geographical/logistics issue for this particular licensee.)

Commissioner Orr believed the Commission should file the rule and discuss it further, especially if an Ex Officio Member was concerned and therefore submitted a motion seconded by **Commissioner Ludwig** to file the rule for further discussion.

Mr. Ackerman responded to Commissioner Niemi's question and indicated that it was his impression that the current WAC was intended to help prevent people from avoiding the old three-day rule that was under the statute, and that was repealed. Staff didn't necessarily feel this WAC was necessary to serve any regulatory purpose since the statute had been repealed, which is one of the factors that caused this proposal to be brought forward. *Vote taken; the motion passed unanimously.*

17. <u>Other Business/General Discussion/Comments from the Public:</u>
Chair McLaughlin called for comments from the public.

Chris Keeley, Cascade Gaming and Iron Horse Casino, asked a couple theoretical questions for the Commission to think about. He sated that it was pretty obvious that gaming is popular in the US right now. It's on national television, we see it on the cover of Time Magazine, and we've seen approximately seven hundred Native American casinos open nationwide, which involves billions and billions of dollars gambled nation wide. He suggested that it may not be something we are proud of, or it may be something we don't mind. However, when he heard that it is a businessperson's problem whether something is popular—something clicked in his head. He acknowledged it was his job to figure out what's popular as a developer—to figure out what people want to do, and then provide it, and hopefully to make money doing it—meanwhile providing jobs and tax revenues. Mr. Keeley stressed that it was the Commission's job to regulate gaming, to absorb information, to try to help the industry understand what is going on, and to collectively bring forward ideas, test them, approve and/or to deny them. Mr. Keeley advised that he appreciated the Commission's questions as the industry continues to develop.

Chair McLaughlin called for any further comments, there were none, and with no further business, adjourned the meeting at 11:10 a.m. She advised the next meeting was scheduled for March 11 and 12, 2004, in Olympia at the Red Lion Hotel.

Minutes submitted by:

Shirley Corbett
Executive Assistant